

## INFORMATION DOCUMENT ON THE 2018-2022 STOCK OPTION PLAN FOR THE SUBSCRIPTION OF RECORDATI S.p.A. SHARES

*(Drawn up in accordance with Art. 84-bis of the Issuers' Regulations adopted by the Consob con Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments and additions)*

### Definitions

For the purposes of this information document, the terms listed below will have the following meanings attributed to them:

**"Shares"** are defined as the ordinary shares of the Company, with a nominal value of €0.125 each;

**"Shareholders' Meeting"** is defined as a general meeting of the shareholders of Recordati S.p.A.;

**"Board of Directors"** or **"Board"** refers to the Board of Directors of Recordati S.p.A.;

**"Grant date"** is defined as the date on which the Board of Directors approved the grant of the options on the basis of the Plan;

**"Beneficiary/ies"** is defined as the beneficiary/ies of the Plan identified by the Plan itself;

**"Recordati Group"** is defined as Recordati S.p.A. and its subsidiaries and associate companies;

**"Options"** is defined as the financial instruments of the Plan, which will grant the right of the Beneficiaries to purchase an equal number of Shares;

**"Plan"** is defined as the 2018-2022 incentive scheme based on stock options reserved to employees and persons with relationships equivalent to those of an employee of the companies belonging to the Recordati Group and submitted to the approval of the Shareholders' Meeting of 18<sup>th</sup> April 2018;

**"Issuers' Regulations"** is defined as the Regulations issued by the Consob with Resolution No. 11971 of 1999 (as subsequently amended) concerning issuers.

**"Company"** or **"Issuer"** refers to Recordati S.p.A..

### 1. The beneficiaries

**1.1 The names of the beneficiaries who are members of the Board of Directors or the Management Board of the issuer of the financial instruments, of the companies controlling the issuer, and of the companies controlled, directly or indirectly, by the issuer.**

**1.2 The categories of employees or collaborators of the issuer and of the companies controlling or controlled by this issuer.**

The Options may be granted by the Board of Directors to senior managers of the Company, and in some rare cases to persons with relationships equivalent to those of an employee, or of companies either directly or indirectly controlled who have been stably appointed to roles of key importance and contribute significantly to the achievement of Group results.

It is underlined that the Options insofar as they are destined mainly to employees may also be granted to the executive directors of the Company and therefore to the Directors Dr. Alberto Recordati (Chairman), Dr. Andrea Recordati (Chief Executive Officer and Vice Chairman) and Dr. Fritz Squindo (General Manager for the co-ordination of operations), who are also employees of the Company and by virtue of that employee relationship are potential beneficiaries of the Options.

Similarly, Options may be granted to other employees also identified as other key management personnel by the Board of Directors and/or who also hold directorships in some of the companies controlled by the Company. In this respect it is underlined that while they also may hold directorships in one or more Group companies, for the purposes of the Plan these other employees of the Company or of subsidiaries are classified as beneficiaries of the Plan and therefore they may potentially be granted Options for the organisational position occupied in the Group itself (and not for any directorships they may hold) and that these persons do not receive any fees as directors, but

are remunerated solely by the Group company with which they have an employment contract and by virtue of this. In some rare cases, persons with relationships equivalent to those of an employee who hold directorships in subsidiaries are classified as beneficiaries of the Plan and therefore they may potentially be granted Options.

It is also underlined that employees, and persons with relationships equivalent to those of an employee, of foreign subsidiaries who hold directorships in some subsidiaries of the Company do not receive any treatment that is different from those received by employees who do not hold directorships. More specifically, as also explained in sub-section 2.1, when the number of Options granted to each person is decided, the Board of Directors takes account of the importance of the position held in the organisation by each Beneficiary within the Group and also of the Company's interest in spreading the incentive over the long-term as part of its strategies and, on the other hand, not taking account of any directorships that may be held.

The Plan therefore qualifies as a plan "of particular significance" according to Art. 114 *bis*, paragraph 3 of Legislative Decree No. 58/1998 and Art. 84 *bis* paragraph 2 of the Issuers' Regulations, because the Beneficiaries of the Plan include directors of the Company with executive powers and also other senior managers classified as key management personnel, while it is underlined that these persons may potentially be granted Options by virtue of their employment contract as an employee of the Company or its subsidiaries.

### **1.3 The names of the persons who benefit from the plan belonging to the following groups:**

#### **a) general managers of the issuer of financial instruments;**

Beneficiaries to whom the Board may grant Options also include the Chief Executive Officer and Vice Chairman Dr. Andrea Recordati, who also holds the position of General Manager of the Company, and Dr. Fritz Squindo, an Executive Director who also holds the position of General Manager for the Co-ordination of Operations.

**b) other key management personnel of the issuer of financial instruments which is not of "small dimensions", pursuant to article 3, paragraph 1, letter f) of Regulation No. 17221 of 12<sup>th</sup> March 2010, where they have received total remuneration during the financial year (obtained by summing cash remuneration and remuneration based on financial instruments) that is higher than the total highest remuneration paid to members of the Board of Directors, or to the Management Board and to the General Managers of the issuer of financial instruments;**

Not applicable.

**c) the natural persons controlling the issuer of shares, who are employees or work on contract within the issuer of shares.**

Not applicable.

### **1.4 Description and number, by category:**

#### **a) of key management personnel other than those indicated in letter b) of paragraph 1.3;**

Beneficiaries of the Plan may include other members of the key management personnel of Recordati S.p.A. or of its subsidiaries identified by the Board of Directors. On the date of publishing this Information Document, the Board of Directors has identified four other members of Recordati S.p.A.

key management personnel and two other members of the key management personnel of subsidiaries.

**b) for companies of “small dimensions”, pursuant to article 3, paragraph 1, letter f) of Regulation No. 17221 of 12<sup>th</sup> March 2010, information by total for all key management personnel of the issuer of financial instruments;**

Not applicable.

**c) any other categories of employees or collaborators subject to different treatment under the plan (for example, senior managers, middle managers, clerical workers etc.).**

Not applicable.

## **2. The reasons for the adoption of the plan**

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

The reasons underlying the proposal to adopt the Plan consist of the benefits which, generally, issuing companies may acquire from share-based remuneration schemes and from stock option plans in particular.

Stock option plans constitute a tool whereby management may share in the profits of the issuer. They allow a company to align the remuneration of managers with company performance, with the consequent alignment of the interests of the managers with those of the company and therefore with those of the shareholders.

Furthermore, stock option plans play an important role in attracting high level personnel and making them loyal. It attracts them because the grant of stock options implicitly contain a significant power to reward and because stock options allow managers to potentially obtain higher monetary remuneration. It strengthens loyalty because by establishing a “vesting period”, during which the beneficiary of the plan must provide the Company with his or her services in order to acquire the right to exercise the options, it acts as a retention mechanism.

Finally, a well structured stock option plan instils attitudes and conduct in managers designed to produce innovation rather than to exploit competitive advantages already acquired, with the consequent potential creation of value for the issuing company.

The objectives that the Company wishes to achieve with the adoption of the Stock Option Plan are also compatible with the 2018 Remuneration Policy submitted to a consultative vote of the Shareholders on 18<sup>th</sup> April 2018.

The number of Options to be granted to each of the Beneficiaries shall be decided by the Board of Directors, based on the proposal of the Remuneration Committee and the Plan involves no predetermined relationship between the number of Options granted to individual Beneficiaries and the total remuneration these receive. When selecting Beneficiaries and deciding the number of Options to be granted to them, the Board of Directors must take into account the importance of the role occupied by each Beneficiary in the Group and also of the Company’s interest in spreading the incentive over the long-term as part of its strategies.

The Plan covers a four-year time horizon (running from the date of the shareholders’ meeting to approve 2017 annual report until the date of the approval of the 2021 Annual Report) and has a

graduated vesting period, with Options vesting in four tranches, as better illustrated in section 4. The Options that may be granted shall expire at the end of the eighth year following that in which the Board granted the Options on the basis of the Plan. It is considered that these vesting periods and the expiry dates are appropriate to achieving the management incentivising and loyalty objectives of the Plan.

## **2.2 The key variables, also in the form of performance indicators, considered for the inclusion in schemes based on financial instruments.**

The exercise of the Options which may be granted and of each tranche of Options in particular is subject for all the Beneficiaries to achieving determined objectives based on consolidated net income set by the Board of Directors, as explained in detail in section 4. The mere grant of Options on the basis of the Plan is not tied to the achievement of determined performance objectives, since they are rather linked to the position occupied by the Beneficiary.

## **2.3 The factors underlying the determination of the extent of the remuneration based on financial instruments, or the criteria used to determine it.**

The number of Options that may be granted to Beneficiaries is related to the organisational structure of the Company and it is determined on the basis of the importance of the positions occupied in the organisation by the managers concerned and also of the Company's interest in spreading the incentive over the long-term as part of its strategies.

In order to define the importance of the positions occupied in the organisation by the managers concerned, reference is made to remuneration surveys conducted by major consulting firms and to the "gradings" formulated by them to photograph the organisational structure. The term "grading" relates to a system for classifying positions in an organisation in relation to the responsibility assigned to each role and to the size and complexity of the organisation in which it is set.

## **2.4 The reasons behind any decision to award remuneration plans based on financial instruments not issued by the issuer of financial instruments, such as financial instruments issued by subsidiaries or controlling companies or by third party companies with respect to its group; 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 the significant tax and accounting implications that influenced the formulation of the plans.**

There were no significant tax and accounting implications that influenced the proposal to adopt the Plan.

## **2.6 Any support for the plan from the special fund for the encouragement of worker participation in firms, referred to in Article 4, paragraph 112, of the Italian Law No. 350 of 24<sup>th</sup> December 2003**

The Plan receives no support from the special fund for the encouragement of worker participation in firms, pursuant to article 4, paragraph 112, of Italian Law No. 350 of 24<sup>th</sup> December 2003.

## **3. Approval procedures and time scales for the grant of the instruments**

### **3.1 Scope of the powers and functions assigned to the shareholders' meeting and the board of directors for the implementation of the plan.**

### **3.2 Details of the persons appointed to administer the plan and their function and responsibilities**

The adoption of the Plan shall be subject, pursuant to Art. 114 *bis* of Legislative Decree No. 58/98, to approval by the Ordinary Shareholders' Meeting to be held on 18<sup>th</sup> April 2018 in a single call.

A proposal is made to the Shareholders Meeting to delegate implementation and management of the Plan to the Board of Directors, with the authorisation to sub-delegate, granting it all the powers indicated in this information document attached to the Illustrative Report of the Board of Directors, including, by way of example, all powers necessary or opportune for implementation of the 2018-2022 Stock Option Plan and therefore in particular, by way of example, but not limited to these, all powers to select the beneficiaries and to decide the number of the options to be granted to each of them, to then grant them to the Beneficiaries and to perform all actions, formalities and communications that may be necessary or opportune for the purposes of managing and/or implementing the plan.

Furthermore, for the purposes of greater clarity, transparency and rapidity of action regarding the powers delegated by the Shareholders Meeting to the Board of Directors in order to implement the Plan, a proposal is made to clearly state the following in the Plan:

- in order to allow the Company to be able to act effectively in the interest of the Issuer and in the interest of its shareholders, a proposal is made to grant powers to the Board of Directors and to its Chairman or Chief Executive Officer on its behalf to set a quantitative limit on the number of options that may be exercised each day for a determined period of time;
- for the purposes of greater clarity, transparency and rapidity of action regarding the powers delegated to the Board of Directors in relation to amendments to the Plan a proposal is made to clearly state that, without prejudice to the responsibilities of a Shareholders' Meeting at all times to amend, add to, or terminate the Plan (it being understood that any amendments, additions or the termination of the Plan, and likewise with reference to any amendment of the contents of the Options, cannot prejudice any rights already vested or enjoyed by Participants under the Plan) and in any event in those cases laid down by law, the Board of Directors, after consultation with the Remuneration Committee, may at any time make changes considered opportune to the Plan for the purpose of: (i) rendering the Plan compliant with existing legislation; or (ii) taking account of any changes occurring in the legislation; or (iii) improving the effectiveness of the Plan in line with its objectives, without in any event causing harm to the rights acquired by the Participants following the grant of the Options. By way of example, the Board of Directors, after consultation with the Remuneration Committee, may pass a resolution allowing the exercise of the Options granted to the Participants, either in full or in part, in observance of the principle of equal treatment for the Participants, even as an exception to the conditions described in sub-section 4.8, if it considers, in its indisputable judgement, that particular circumstances exist that make it appropriate in the case in question to proceed in that sense;
- again for the purposes of greater clarity, transparency and rapidity of action regarding the powers conferred on the Board of Directors in relation to extraordinary operations which impact on the capital structure of the Company, a proposal is made to further specify, with respect to the provision already contained in the current plans of the Company (and confirmed again in the new plan) which provides for the automatic change in the number of shares involved in Options granted under the Plan and the relative exercise price per Share (corresponding to its normal value) designed to reflect changes resulting from the extraordinary operations mentioned above that, in this respect, the Board of Directors of the Company, where it is considered necessary or opportune to maintain the essential

contents of the Plan unchanged as much as possible, within the limits allowed by the applicable legislation currently in force, may take steps to set rules for emerging rights and/or modify and/or add to the conditions for granting options when extraordinary operations occur that affect the formal structure of the share capital of the Company.

The Board shall consult with the Remuneration Committee, appointed by the Board itself from among its members.

Responsibility for the operational administration of the Plan is assigned to the Group Human Resources Department with support from Group Treasury and the Group Legal and Corporate Affairs Department.

The Company may, at any time, entrust all or part of the administrative duties connected with the Plan to an outside trustee or in any event to a company that specialises in the operational management of stock option plans.

### **3.3 Any existing procedures for the revision of the plans, also with respect to changes in the key objectives.**

Any substantial changes to the Plan which should become necessary shall be submitted to a Shareholders' Meeting by the Board of Directors.

As already stated in the preceding sub-section 3.2, for the purposes of greater clarity, transparency and rapidity of action regarding the powers delegated to the Board of Directors in relation to amendments to the Plan a proposal is made to clearly state that, without prejudice to the responsibilities of a Shareholders' Meeting at all times to amend, add to, or terminate the Plan (it being understood that any amendments, additions or the termination of the Plan, and likewise with reference to any amendment of the contents of the Options, cannot prejudice any rights already vested or enjoyed by Participants under the Plan) and in any event in those cases laid down by law, the Board of Directors, after consultation with the Remuneration Committee, may at any time make changes considered opportune to the Plan for the purpose of: (i) rendering the Plan compliant with existing legislation; or (ii) taking account of any changes occurring in the legislation; or (iii) improving the effectiveness of the Plan in line with its objectives, without in any event causing harm to the rights acquired by the Participants following the grant of the Options. By way of example, the Board of Directors, after consultation with the Remuneration Committee, may pass a resolution allowing the exercise of the Options granted to the Participants, either in full or in part, in observance of the principle of equal treatment for the Participants, even as an exception to the conditions described in sub-section 4.8, if it considers, in its indisputable judgement, that particular circumstances exist that make it appropriate in the case in question to proceed in that sense.

The Plan states that the objective which constitutes a condition for the exercise of each tranche of the Options is decided by the Board when the Options are granted or subsequent to the grant with reference, even as a set percentage of it, to the consolidated net income forecast in the annual budget approved by the Company in relation to each of the years considered.

### **3.4 Description of the methods used to determine the availability and the grant of the financial instruments that the schemes are based on (for example: the grant of shares free of charge, share issues with the exclusion of pre-emptive rights, and the sale and purchase of treasury shares).**

The Plan provides for the grant of Options for the purchase of the ordinary shares of the company, either purchased on the market and/or already held in portfolio (treasury stock). Each Option grants the right to purchase one ordinary share of the Company.

**3.5 The role performed by each director in determining the features of the above mentioned plans and the occurrence of any situations of conflicts of interest for the directors involved.**

The principal characteristics and the guidelines of the proposed Plan have been drawn up by the Remuneration Committee which, with the assistance of Company functions (Group Human Resources Department, Finance Department, Group Corporate and Legal Affairs Department Group Treasury) examined and developed the matter in a meeting held on 12<sup>th</sup> March 2018. The committee then submitted the Plan to the Board of Directors of the Company for collegial approval, which decided to submit the proposal to adopt it to the shareholders with the abstention of two executive directors present who may be Beneficiaries of the Plan when Options are granted in the future as employees of the Company.

**3.6 For the purposes of the requirements of article 84-bis, paragraph 1, the date of the decision made by the body responsible for proposing the approval of the schemes to the shareholders' meeting and the proposal by the remuneration committee, if present.**

The Board of Directors resolved to submit the proposal to approve the Plan to the Shareholders' Meeting held on 15<sup>th</sup> March 2018, on the basis of a proposal made by the Remuneration Committee which met on 12<sup>th</sup> March 2018.

**3.7 For the purposes of the requirements of Article 84-bis, paragraph 5, letter a) the date of the decision made by the body responsible for the grant of the instruments and any proposal to the aforementioned body made by the remuneration committee, if present.**

This information shall be provided in accordance with Art. 84-bis, paragraph 5, letter a) of the Issuers' Regulations, at the time when the Board makes decisions to grant Options in implementation of the Plan.

**3.8 The market price, recorded on the aforesaid 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 12<sup>th</sup> March 2018 and 15<sup>th</sup> March 2018 (see previous point 3.6) was € 29.818 and € 29.480 respectively.

**3.9 For plans based on financial instruments traded on regulated markets, what are the terms and procedures adopted by the issuer in determining the timing of the grant of the financial instruments to take account of coincidences in the timing of:**

- i) the aforementioned grant or any related decisions taken by the remuneration committee, and**
- ii) the disclosure of any significant information pursuant to Article 17 Regulation (EU) No. 596/2014; for example, when the information is:**
  - a. not already public and capable of positively influencing the market prices, or**
  - b. already published and capable of negatively influencing the market prices.**

As concerns the timing of the grant of Options, the Plan makes reference to the date of the resolution with which the Board, in addition to granting the Options to those selected as Beneficiaries, also sets the exercise price for the Options, on the basis of the arithmetic average of

the prices of the ordinary shares of the Company recorded on the market in the period between the grant date of the Options and the same day of the previous calendar month. This criterion for setting the exercise price for the Options attenuates the effects of any sudden appreciations or depreciations in the quoted price of the shares of the Company.

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

**4.1 Details of the structure of the remuneration schemes based on financial instruments. For example, specify whether the plan is based on the grant of: financial instruments (grant of restricted stock); increase in the value of these instruments (phantom stock); options to subsequently buy the financial instruments (option grants) with settlement by physical delivery (stock options) or in cash on the basis of a differential (stock appreciation rights).**

As already mentioned, the Plan proposed is based on the grant of stock options, i.e. option rights for the subsequent purchase of the ordinary shares of the Company with settlement by physical delivery in the amount of one share per Option.

**4.2 Specification of the scheme's effective period of implementation, also with reference to the various cycles established.**

**4.3 The end date of the Plan.**

The Plan last four years and runs from the date of the Plan's approval and terminates with the approval of the 2021 Annual Report.

On the basis of the Plan, in the period just mentioned more than one Option grant may be performed at any time during the year, which vest in tranches and may be exercised before determined expiry dates are reached. More specifically, as explained in more detail in section 4.5, the vesting of the Options granted to Beneficiaries shall occur in four successive tranches, the first of which, amounting to 25% of the Options granted, shall vest – if the consolidated net income condition reported in section 4.5 is met – thirty days following the approval by shareholders of the Annual Report of the Company for the year following that in which the Board of Directors granted the Options, while the maturity of the subsequent tranche shall be subject to similar expiration terms.

The Options granted on the basis of the Plan expire at the end of the eighth year following that in which the Board granted the Options.

**4.4 The maximum number of financial instruments, including those in the form of options, granted in each tax year in relation to the persons identified by name or the categories stated.**

The Plan does not set a maximum number of options to be granted to the Beneficiaries for each year of the validity of the Plan.

**4.5 The procedures and clauses for the implementation of the plan, specifying whether the actual grant of the instruments is subject to meeting certain conditions or the achievement of particular results, including performance related; and description of these conditions and results.**

As concerns the vesting and exercise of the options, the Plan proposed provides for the following: 25% of the Options granted to a Beneficiary (the "First Tranche") vest and become exercisable after thirty days have passed since the approval by Shareholders' Meeting of the Annual Report of the Company for the year following that in which the Board of Directors granted the Options (the "First Vesting Date").



A further 25% of the Options granted to a Beneficiary participating in the Plan (the “Second Tranche”) vest and become exercisable after thirty days have passed since the approval by Shareholders’ Meeting of the Annual Report of the Company for the second year following that in which the Board of Directors granted the Options (the “Second Vesting Date”).

A further 25% of the Options granted to a Beneficiary participating in the Plan (the “Third Tranche”) vest and become exercisable after thirty days have passed since the approval by Shareholders’ Meeting of the Annual Report of the Company for the third year following that in which the Board of Directors granted the Options (the “Third Vesting Date”).

The remaining 25% of the Options granted to a Beneficiary participating in the Plan (the “Fourth Tranche”) vest and become exercisable after thirty days have passed since the approval by Shareholders’ Meeting of the Annual Report of the Company for the fourth year following that in which the Board of Directors granted the Options (the “Fourth Vesting Date”).

Once the respective vesting date has been reached, each of the tranches just described may be exercised by the Beneficiary participating in the Plan, even together with other tranches which may have already vested and have not yet been exercised at any time during the financial year, without prejudice to the expiry dates indicated in sections 4.2, 4.3 and 4.17.

Independently of when they are exercised, Options may only be exercised, in relation to each Tranche, in a number not less than 250 or multiples of it. In the event of failure to exercise options according to the procedures just mentioned, inclusive of failure to make payment of the entire exercise price for it, the exercise shall be considered as not having taken place.

As already mentioned in the preceding sections, under the conditions of the Plan proposed, the exercise of single tranches of Options is subject, for all Beneficiaries, to the condition that the net income resulting from the consolidated financial statements of the Group for each financial year prior to the vesting date for single tranches of the Options is not less than the amount set by the Board when Options were granted or subsequent to the grant, with reference, even as a percentage of it, to the consolidated net income targeted by the annual budget approved by the Company in relation to each of the years considered.

The shares purchased by a Beneficiary following the exercise of one or more tranches or part of them on the basis of the Plan have normal dividend entitlement.

#### **4.6 Details of any restrictions on the availability of the instruments deriving from the exercise of the options, with particular reference to the periods within which the subsequent transfer to the company or to third parties is permitted or prohibited.**

Under the conditions of the Plan proposed, the options may not be transferred to third parties, nor may they be subject to other agreements concerning ownership. The Options may be exercised solely by the Beneficiary or by his or her legal representative, in the case of an incapacitated person, or by the heirs in cases of death. No restrictions are placed by the Plan on shares resulting from the exercise of Options which may be granted, except for restrictions which may be placed on the ownership of financial instruments by law.

For full information we state that in order to allow the Company to be able to act effectively in the interest of the Issuer and in the interest of its shareholders, the Board of Directors and on its behalf its Chairman Chief Accepted Officer is granted the power to set a quantitative limit on the number of options that may be exercised each day for a determined period of time.

#### **4.7 Description of any termination conditions for the grants under the plans if the beneficiaries conduct hedging transactions that neutralise any restrictions on the sale of the financial instruments granted, including in the form of options, or the financial instruments resulting from the exercise of these options.**

Not applicable.

#### **4.8 Description of the effects generated by the termination of an employment relationship or other relationship equivalent to an employment relationship.**

Under the conditions of the Plan, unless decided otherwise by the Board of Directors, or by the Chairman of the Remuneration Committee, the termination of an employment relationship or other relationship equivalent to an employment relationship of a Beneficiary participating in the Plan with the Company or, according to the case, with another Company in the Recordati Group (“termination of an employment relationship or other relationship equivalent to an employment relationship”) for any reason, shall automatically result in the exclusion of the Beneficiary from the Plan and the final and irrevocable loss of validity of the Options already granted on that date and not yet exercised and/or not exercisable, without prejudice to what has already been provided for in relation to Options that have already vested and in the event of the death of the Beneficiary and the possible retirement of the Beneficiary or in some other particular cases. If on the date of the Termination of an Employee Relationship or other equivalent employee relationship, a Beneficiary participating in the Plan holds options in relation to one or more tranches that have already vested, but which have not yet been exercised, that Beneficiary may exercise the Options in relation to those tranches that have already vested within 30 days of the date of the termination of an employment relationship or other relationship equivalent to an employment relationship, while those Options lose all validity if they are not exercised within that period. Nevertheless, if the termination of an employment relationship or other relationship equivalent to an employment relationship is due to the retirement of the Beneficiary, the latter may, unless decided otherwise by the Remuneration Committee or by the Board, exercise those Options already vested, but not yet exercised on the date of the termination of an employment relationship or other relationship equivalent to an employment relationship, until the Expiry Date of the Options.

Furthermore, in the case of the termination of an employment relationship or other relationship equivalent to an employment relationship due to death or permanent invalidity of a Beneficiary participating in the Plan, the Options already granted on the date of the termination of the employment relationship or other relationship equivalent to an employment relationship just mentioned shall become immediately exercisable by the heirs of the Beneficiary in the event of the death of the latter, or by the Beneficiary in person or his/her legal representative if incapacitated in the case of permanent invalidity, for a period of one year following the date of the termination of the employment relationship or other relationship equivalent to an employment relationship. After that period of one year has passed, the Options shall permanently and irrevocably lose their validity. If an employment relationship or other relationship equivalent to an employment relationship is terminated for other reasons, the Board or the Remuneration Committee may decide, at its sole discretion, that the Options granted to the Beneficiary participating in the Plan in question may be exercised immediately, if it considers that particular circumstances exist which make it appropriate, in the case in question, to make this decision.

In any event, the termination of an employment relationship or other relationship equivalent to an employment relationship as result of the transfer of a person to another company in the Recordati Group this does not constitute the termination of an employment relationship or other relationship equivalent to an employment relationship. However, it does constitute termination in cases where a change of control occurs, in the sense of a transfer to third parties (i) of the subsidiary to which the Beneficiary belongs by the Company or (ii) of the company or the part of the company in which the Beneficiary works by the Company or one of its subsidiaries.

**4.9 Details of any other reasons for the cancellation of the schemes.**

No other causes for invalidating the Plan exist other than the provisions of the previous sub-section 4.8 concerning the effects on the Plan of the termination of an employment relationship or other relationship equivalent to an employment relationship.

**4.10 The reasons for the provision of a possible “redemption” by the company of the financial instruments involved in the plans, pursuant to Article 2357 and following of the Italian Civil Code; the beneficiaries of the redemption, specifying whether it only applies to particular categories of employees; and the effects of the termination of the employment relationship on the aforementioned redemption.**

Not applicable.

**4.11 Any loans or concessions due to be granted for the purchase of the shares pursuant to Article 2358, paragraph 3, of the Italian Civil Code.**

On written application of a Beneficiary, the Company may grant him/her a loan for the payment of the exercise price of the Options. The terms and conditions of the loan shall be specified in a special communication which shall be sent to the beneficiary where the loan application is accepted, while it is understood that: i) the loan shall be interest bearing at a rate to be set as the occasion arises by the Company on the basis of the Euribor two-month rate quoted at the time, plus a percentage to be decided by the Company, with account taken of prevailing financial market conditions; ii) the amount of the loan shall be repaid to the Company with interest by the 120<sup>th</sup> day following the date on which the shares were made available to the Beneficiary.; (iii) the grant of loans is at the sole discretion of the Company.

**4.12 Details of the valuations of the expected cost for the company as at the date of the grant, as determinable on the basis of the terms and conditions already defined, by overall amount and for each instrument of the plan.**

The expected cost for the Company cannot be determined at present because it is related to the number of Options that will be granted on the respective grant dates and the relative exercise prices.

**4.13 Specification of any dilution effect on the capital generated by the remuneration schemes.**

The Plan proposed shall be serviced with ordinary shares of the Company purchased on the market and/or already held in portfolio (treasury stock) and therefore it will involve no dilution effect.

**4.14 Any limits established for the exercise of the voting rights and for the assignment of property rights.**

Not applicable.

**4.15 If the shares are not traded on regulated markets, any other information needed to properly measure the value attributable to them.**

Not applicable.

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

As already mentioned in the preceding sections, each Option grants the right to purchase one ordinary share of the Company.

#### **4.17 Expiration of the Options.**

The Options that shall be granted on the basis of the Plan shall expire at the end of the eighth year following that in which the Board granted the Options on the basis of the Plan.

#### **4.18 Exercise procedures (American/European), timescales (e.g. exercise periods) and clauses (e.g. knock-in and knock-out clauses).**

See section 4.5.

#### **4.19 The exercise price of the option or the methods and criteria for its determination, particularly with reference to:**

- a) the formula for the calculation of the exercise price in relation to a particular market price (fair market value) (for example: exercise price corresponding to 90%, 100% or 110% of the market price), and**
- b) the methods for the determination of the market price used as a reference for the determination of the exercise price (for example: last price on the day before the grant, average for the day, average of the last 30 days etc.).**

The exercise price of each Option, which is the same for all the Beneficiaries of the Plan, corresponds to the fair market value and is the “normal value” of the Shares, i.e. the arithmetic average of the share prices quoted on the stock market in the period running from the grant date of the Options and the same date of the previous calendar month pursuant to Art. 9 paragraph 4, letter a) of the Consolidated Law on Financial Intermediation. The Board of Directors has the power to adjust the exercise price as just determined, in line with possible amendments to current tax legislation.

#### **4.20 If the exercise price is not equal to the market price determined in the manner specified in item 4.19.b (fair market value), the reasons for this difference.**

Not applicable.

#### **4.21 The criteria for the establishment of different exercise prices between the various beneficiaries or the various categories of beneficiaries.**

Not applicable.

#### **4.22 If the financial instruments underlying the options are not traded on regulated markets, specification of the value attributable to the underlying instruments or the criteria used to determine their value.**

Not applicable.

#### **4.23 Criteria for the adjustments needed as a result of extraordinary transactions involving equity or other transactions entailing a change in the number of the underlying instruments (capital**

**increases, extraordinary dividends, consolidation or splitting of the underlying shares, mergers and splits, conversions into other classes of shares, etc.).**

Under the conditions of the Plan, in the presence of extraordinary transactions which affect the formal structure of the share capital of the Company, the number of shares underlying the Options granted under the Plan and the relative exercise price per share shall be considered to be automatically modified to reflect those changes. Beneficiaries shall be informed of those modifications by written communication.

Furthermore, for the purposes of greater clarity, transparency and rapidity of action regarding the powers conferred on the Board of Directors in relation to extraordinary operations which impact on the capital structure of the Company, a proposal is made to further specify, with respect to the provision already contained in the current plans of the Company (and confirmed again in the new plan) which provides for the automatic change in the number of shares involved in Options granted under the Plan and the relative exercise price per Share (corresponding to its normal value) designed to reflect changes resulting from the extraordinary operations mentioned above that, in this respect, the Board of Directors of the Company, where it is considered necessary or opportune to maintain the essential contents of the Plan unchanged as much as possible, within the limits allowed by the applicable legislation currently in force, may take steps to set rules for emerging rights and/or modify and/or add to the conditions for granting options when extraordinary operations occur that affect the formal structure of the share capital of the Company.

TABLE No. 1 of outline 7 of Annex 3A of Regulation No. 11971/1999

NAME OR CATEGORY	POSITION	FRAME 2							
		Stock Options							
		SECTION ONE							
		Options relating to currently valid plans, approved on the basis of previous shareholders' resolutions							
		Date of the shareholders' resolution	Description of instrument	Options held as at 31 <sup>st</sup> December 2017	Options exercised since beginning of the plan until 31 <sup>st</sup> December 2017****	Date of grant by BoD	Exercise price €	Market price of the underlying financial instruments on the grant date (official price) €	Exercise period (from to) ***
Alberto Recordati	Chairman *	13/04/2010	Options on Recordati S.p.A. shares with physical delivery	0	2010-2013 Plan: 360,000 2014-2018 Plan: 90,000	09/02/2011	6.7505	6.77	2013** - 31.12.2019 (1st tranche) 2014** - 31.12.2019 (2nd tranche) 2015** - 31.12.2019 (3rd tranche) 2016** - 31.12.2019 (4th tranche)
		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	0		08/05/2012	5.307	5.1824	2014** - 31.12.2020 (1st tranche) 2015** - 31.12.2020 (2nd tranche) 2016** - 31.12.2020 (3rd tranche) 2017** - 31.12.2020 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	90,000		29/07/2014	12.29	11.917	2016** - 31.12.2022 (1st tranche) 2017** - 31.12.2022 (2nd tranche) 2018** - 31.12.2022 (3rd tranche) 2019** - 31.12.2022 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	108,000		13/04/2016	21.93	22.318	2018** - 31.12.2024 (1st tranche) 2019** - 31.12.2024 (2nd tranche) 2020** - 31.12.2024 (3rd tranche) 2021** - 31.12.2024 (4th tranche)
Andrea Recordati	Director, Chief Executive Officer and General Manager	13/04/2010	Options on Recordati S.p.A. shares with physical delivery	0	2010-2013 Plan: 260,000 2014-2018 Plan: 90,000	09/02/2011	6.7505	6.77	2013** - 31.12.2019 (1st tranche) 2014** - 31.12.2019 (2nd tranche) 2015** - 31.12.2019 (3rd tranche) 2016** - 31.12.2019 (4th tranche)
		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	0		08/05/2012	5.307	5.1824	2014** - 31.12.2020 (1st tranche) 2015** - 31.12.2020 (2nd tranche) 2016** - 31.12.2020 (3rd tranche) 2017** - 31.12.2020 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	90,000		29/07/2014	12.29	11.917	2016** - 31.12.2022 (1st tranche) 2017** - 31.12.2022 (2nd tranche) 2018** - 31.12.2022 (3rd tranche) 2019** - 31.12.2022 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	108,000		13/04/2016	21.93	22.318	2018** - 31.12.2024 (1st tranche) 2019** - 31.12.2024 (2nd tranche) 2020** - 31.12.2024 (3rd tranche) 2021** - 31.12.2024 (4th tranche)

Fritz Squindo	Director *	13/04/2010	Options on Recordati S.p.A. shares with physical delivery	80,000	2010-2013 Plan: 100,000 2014-2018 Plan: 0	09/02/2011	6.7505	6.77	2013** - 31.12.2019 (1st tranche) 2014** - 31.12.2019 (2nd tranche) 2015** - 31.12.2019 (3rd tranche) 2016** - 31.12.2019 (4th tranche)
		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	180,000		08/05/2012	5.307	5.1824	2014** - 31.12.2020 (1st tranche) 2015** - 31.12.2020 (2nd tranche) 2016** - 31.12.2020 (3rd tranche) 2017** - 31.12.2020 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	180,000		29/07/2014	12.29	11.917	2016** - 31.12.2022 (1st tranche) 2017** - 31.12.2022 (2nd tranche) 2018** - 31.12.2022 (3rd tranche) 2019** - 31.12.2022 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	108,000		13/04/2016	21.93	22.328	2018** - 31.12.2024 (1st tranche) 2019** - 31.12.2024 (2nd tranche) 2020** - 31.12.2024 (3rd tranche) 2021** - 31.12.2024 (4th tranche)

\* This person is a beneficiary of stock option plans not as a member of the Board of Directors of Recordati S.p.A., but as an employee of the Company.

\*\* Thirty days following the shareholders meeting held to approve the annual report of the previous year.

\*\*\* Tranches of options which have already vested and which have not yet been exercised subsequent to vesting may be exercised before and not later than the end of the eighth financial year following that in which the Board of Directors granted the options. Furthermore, each tranche consists of 25% of the options granted to the participant.

\*\*\*\* Options exercised and expired are excluded.

TABLE No. 1 of outline 7 of Annex 3A of Regulation No. 11971/1999

NAME OR CATEGORY	POSITION	FRAME 2							
		OPTIONS (option grant)							
		SECTION ONE Options relating to currently valid plans, approved on the basis of previous shareholders' resolutions							
Date of the shareholders' resolution	Description of instrument	Options held as at 31 <sup>st</sup> December 2017	Options exercised since beginning of the plan until 31 <sup>st</sup> December 2017****	Date of grant by BoD	Exercise price €	Market price of the underlying financial instruments on the grant date (official price) €	Exercise period (from to) *		
N. 7 Key Management Personnel *****		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	0	2010-2013 Plan: 332,500 2014-2018 Plan: 197,500	09/02/2011	6.7505	6.77	2015** - 31.12.2019 (3rd tranche) 2016** - 31.12.2019 (4th tranche)
		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	42,500		08/05/2012	5.307	5.1824	2016** - 31.12.2020 (3rd tranche) 2017** - 31.12.2020 (4th tranche)
		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	25,000		30/10/2013	8.93	9.533	2018** - 31.12.2021 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	287,500		29/07/2014	12.29	11.917	2016** - 31.12.2022 (1st tranche) 2017** - 31.12.2022 (2nd tranche) 2018** - 31.12.2022 (3rd tranche) 2019** - 31.12.2022 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	341,000		13/04/2016	21.93	22.328	2018** - 31.12.2024 (1st tranche) 2019** - 31.12.2024 (2nd tranche) 2020** - 31.12.2024 (3rd tranche) 2021** - 31.12.2024 (4th tranche)
Other Beneficiaries		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	91,500	2010-2013 Plan: 6,024,500 Piano 2014-2018: 2,203,500	09/02/2011	6.7505	6.77	2013** - 31.12.2019 (1st tranche) 2014** - 31.12.2019 (2nd tranche) 2015** - 31.12.2019 (3rd tranche) 2016** - 31.12.2019 (4th tranche)
		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	344,000		08/05/2012	5.307	5.1824	2014** - 31.12.2020 (1st tranche) 2015** - 31.12.2020 (2nd tranche) 2016** - 31.12.2020 (3rd tranche) 2017** - 31.12.2020 (4th tranche)
		13/04/2010****	Options on Recordati S.p.A. shares with physical delivery	37,500		17/04/2013	7.16	7.35	2015** - 31.12.2021 (1st tranche) 2016** - 31.12.2021 (2nd tranche) 2017** - 31.12.2021 (3rd tranche) 2018** - 31.12.2021 (4th tranche)
		13/04/2010	Options on Recordati S.p.A. shares with physical delivery	40,000		30/10/2013	8.93	9.4005	2015** - 31.12.2021 (1st tranche) 2016** - 31.12.2021 (2nd tranche) 2017** - 31.12.2021 (3rd tranche) 2018** - 31.12.2021 (4th tranche)



		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	2,343,500	29/07/2014	12.29	11.917	2016** - 31.12.2022 (1st tranche) 2017** - 31.12.2022 (2nd tranche) 2018** - 31.12.2022 (3rd tranche) 2019** - 31.12.2022 (4th tranche)
		17/04/2014	Options on Recordati S.p.A. shares with physical delivery	2,858,000	13/04/2016	21.93	22.328	2018** - 31.12.2024 (1st tranche) 2019** - 31.12.2024 (2nd tranche) 2020** - 31.12.2024 (3rd tranche) 2021** - 31.12.2024 (4th tranche)

\* Tranches of options which have already vested and which have not yet been exercised subsequent to vesting may be exercised before and not later than the end of the eighth financial year following that in which the Board of Directors granted the options. Furthermore, each tranche consists of 25% of the options granted to the participant.

\*\* Thirty days following the shareholders meeting held to approve the annual report of the previous year.

\*\*\* Options exercised and expired are excluded.

\*\*\*\* Solely for employees of the American subsidiary Recordati Rare Diseases Inc.

\*\*\*\*\* One of which is a member of key management personnel who left during the course of 2017.

