

**DIRECTORS' REPORTS ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY GENERAL MEETINGS OF THE SHAREHOLDERS****(20<sup>TH</sup> APRIL 2021 SINGLE CALL)****Report on item 2 on the agenda of the Ordinary Shareholders' Meeting:****Report on the remuneration policy and the remuneration paid pursuant to article 123-ter, paragraphs 3-bis and 6, of Legislative Decree no. 58 of 24<sup>th</sup> February 1998:**

- a) **Binding resolution on the first section regarding the remuneration policy;**
- b) **Non-binding resolution on the second section on the remuneration paid for 2020.**

To Our Shareholders,

In compliance with article 123-ter of Legislative Decree No. 58/1998 (hereinafter TUF) and article 84-*quater* of the Regulation issued by the Consob with resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments (hereinafter the "Issuer's Regulations"), the Report on the remuneration policy and the remuneration paid (hereinafter the "Remuneration Report") is given below, approved by the Board of Directors on 18<sup>th</sup> March 2021, on the recommendation of the Remuneration and Nominations Committee.

The Shareholders are invited to adopt:

- a) a binding vote regarding the Remuneration Policy included in Section I of the Remuneration Report ex art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/1998;
- b) a non-binding vote on the section on the remuneration paid for 2020 (Section II of the Remuneration Report), ex art. 123-ter, paragraph 6, of Legislative Decree No. 58/1998.

The result of the vote shall be disclosed to the public in accordance with Art. 125-*quater*, paragraph 2 of Legislative Decree No. 58/1998.

The Remuneration Report may also be consulted on the company website at [www.recordati.it](http://www.recordati.it) in the Corporate Governance Section.

\*

Milan, 18<sup>th</sup> March 2021

For the Board of Directors  
The Chief Executive Officer  
Andrea Recordati

# Report on the Remuneration Policy and the remuneration paid

in accordance with articles 123-*ter* of the Italian Consolidated Law on Finance and 84-*quater* of the Consob Issuers' Regulations

Approved by the Board of Directors on 18<sup>th</sup> March 2021

Issuer: Recordati Industria Chimica e Farmaceutica S.p.A.

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

Financial year to which the Report refers: 2020

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# Letter from the Chair

## of the Committee for the Remuneration and the Nominations



Dear Shareholders,

Together with the other members of the Remuneration and Nominations Committee, I hereby present to you the Report on the 2021 Remuneration Policy and Remuneration Paid for 2020, structured as required by article 123-ter of the Consolidated Law on Finance and approved by the Board of Directors on March 18<sup>th</sup>, 2021.

2020 has undoubtedly been a challenging year, due in particular to the Covid-19 pandemic, which affected and is still affecting the economic and social situation and the Company's results. Despite this, Recordati has continued its activities whilst complying with all the measures necessary to ensure the health and safety of its personnel, demonstrating resilience and the ability to react in a challenging environment.

Despite the pandemic, the Committee has continued its work on key remuneration topics. During 2020, we repeated the in-depth analysis of the voting taken at the last Shareholders' Meeting and we carefully considered the degree of alignment between the remuneration plans and the interests of Shareholders and Stakeholders, the Company's strategic plan, the Italian and EU reference legislation, as well as market best practices. In order to develop and ensure a constant and direct link with our institutional investors and proxy advisors, Recordati has also defined an 'engagement plan' aimed at activating, from early 2021, a channel of communication with those that have an interest in our Company. All the feedbacks collected during the engagement meetings and the analyses that we have carried out gave us a valuable input for the amendments we have included in this Report and, in general, in Recordati's 2021 Remuneration Policy.

In addition, this Report incorporates the additional changes introduced by the publication of the updated version of the Issuers' Regulations by Consob and the new Corporate Governance Code by Borsa Italiana, to which Recordati largely adheres.

Therefore, for the purpose of further aligning to the current legislation and improving the transparency and usability of this Policy, Recordati has decided to:

- widen the description of the engagement activities carried out in early 2021;
- broaden and strengthen the description of how the Remuneration Policy supports the corporate strategy;
- enhance the pursuit of long-term interests, with a focus on sustainability issues and the link with Recordati's new Sustainability Plan;
- describe the market references and peer groups considered in carrying out the analysis of the competitiveness of the remuneration packages offered to the Chief Executive Officer and to the Group General Manager.

During 2020, in addition to the activities already indicated, the Remuneration and Nominations Committee has reviewed the long-term variable incentive scheme, carrying out in-depth analyses aimed at also ensuring greater alignment with the new Corporate Governance Code and with investors' and proxy advisors' recommendations. As a result of this process, the Company launched a new long-term incentive plan, the 2021-2023 Stock Option Plan, that will be subject to approval by the Shareholders' Meeting of 20<sup>th</sup> April 2020. The proposed plan has some new key features such as a 3-year minimum vesting period for all the options, the assignment of the options on an annual basis, the introduction of a different performance condition, of a lock-up period of 2 years, for beneficiaries who are members of Recordati's top management and of an acceleration clause in case of change-of-control followed by delisting.

In this context of strong transformation and strategic innovation, we believe that this Remuneration Policy is consistent with the Group's clear and distinctive vision and confirms our people's value as a fundamental competitive advantage with a view to achieving long-term sustainable results for Investors and other stakeholders.

Finally, on behalf of the entire Remuneration and Nominations Committee, I would like to thank you for the attention paid to this Report.

Best regards,

Joanna Le Couilliard  
**Chair of the Remuneration and Nominations Committee**

# Introduction

This Report on the Remuneration Policy and the remuneration paid (hereinafter the 'Report') has been prepared by Recordati S.p.A. (hereinafter 'Recordati' or the 'Company') in compliance with the provisions of article 123-ter of Italian Legislative Decree no. 58 of 24<sup>th</sup> February 1998 (hereinafter 'Consolidated Law on Finance') and the amendments made by Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019<sup>1</sup>, by article 84-quater of the Issuers' Regulations issued by Consob with resolution no. 11971 of 1999, as subsequently amended<sup>2</sup> (hereinafter the 'Issuers' Regulations'), and, on a voluntary basis, in accordance with the new Corporate Governance Code for listed companies (hereinafter the 'Corporate Governance Code'<sup>3</sup>), to which Recordati largely adheres.

In accordance with the requirements of article 123-ter of the Consolidated Law on Finance, the Report consists of two sections.

Section I illustrates the Remuneration Policy adopted by the Company for the 2021 financial year (hereinafter the 'Remuneration Policy'), with reference to the following persons:

- i) Members of the Company's Board of Directors, distinguishing between executive and non-executive Directors;
- ii) General Managers of the Company;
- iii) Other Key Management Personnel of Recordati or of its subsidiaries. It should be noted that the Regulations for Related Party Transactions approved by the Board of Directors of Recordati on 24<sup>th</sup> November 2010 (and further confirmed on 9<sup>th</sup> February 2017) in compliance with Consob regulations on related party transactions approved with Resolution no. 17221 of 12<sup>th</sup> March 2010<sup>4</sup> as subsequently amended (hereinafter the 'Related Party Transaction Procedure') defines key management personnel as those persons defined as such by the legislation and regulations in force from time to time. At the date hereof: those persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the Directors (executive and non-executive) of the Company itself;
- iv) Members of the Board of Statutory Auditors.

Section I of the Report also illustrates the general purposes and procedures used to formulate and adopt the Remuneration Policy as well as the bodies and persons responsible for the proper implementation of such Policy.

The 2021 Remuneration Policy was approved by the Company's Board of Directors on 18<sup>th</sup> March 2021, on the proposal of the Remuneration and Nominations Committee. It may be updated by the Board of Directors, on the proposal of the Remuneration and Nominations Committee, which is responsible for the periodic assessment of its adequacy, overall consistency and effective application.

Section II of the Report provides information, with reference to the 2020 financial year, on each of the items that

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<sup>1</sup> Article 123-ter of Italian Legislative Decree no. 58 of 24<sup>th</sup> February 1998, (the 'Consolidated Law on Finance' updated on the basis of Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019) provides, in paragraph 3-bis, that 'companies shall submit the remuneration policy [...] to a shareholder vote, in any case at least every three years or at the time of making amendments to this Policy'. Paragraph 3-ter also states that 'the resolution provided for by paragraph 3-bis is binding' (i.e. on Section 1 of this document) adding 'if the shareholders' meeting does not approve the Remuneration Policy subject to a vote pursuant to paragraph 3-bis the company shall continue to pay remuneration compliant with the Remuneration Policy most recently approved by the shareholders' meeting or, in the absence of this, may continue to pay remuneration compliant with existing practice.' Finally, paragraph 6 provides for '[...] the shareholders' meeting [...] resolves in favour or against the second section of the report established by paragraph 4. The resolution is not binding'.

<sup>2</sup> In December 2020, Consob published the final version of the Issuers' Regulations. The regulatory amendments made aim to 'adapt the secondary legislation to the second European Directive on shareholder rights (Shrd2)' and concern: '(a) the transparency discipline regarding remuneration with regard to advertising and the contents of the related report on the remuneration policy and remuneration paid; (b) the disclosure schemes, which are refined depending on the evolution of market practice; (c) the disciplines on the transparency of asset managers and voting consultants, with reference to which the methods and terms of compliance are indicated.'

<sup>3</sup> On 31<sup>st</sup> January 2020 the Corporate Governance Committee published the new Corporate Governance Code to be applied by listed companies starting from the first financial year that begins after 31<sup>st</sup> December 2020. The new Code of Corporate Governance Code was adopted by the Company by a Board Resolution dated 29<sup>th</sup> October 2020.

<sup>4</sup> It should be noted that in December 2020 an update of the document was published, which will be effective as of 1<sup>st</sup> July 2021.

compose the remuneration of the persons indicated above in points i) to iv), including the members of the Board of Statutory Auditors, as well as the details, in an appropriate table, of the remuneration paid to those persons for any reason and in any form by the Company or its subsidiaries during the 2020 financial year, in addition to remuneration not yet paid on the date of the approval of the Report but relating to the 2020 financial year. In accordance with the provisions of the Issuers' Regulations, information is also provided on the annual variations in the remuneration of the persons whose remuneration is provided on an individual basis, the Company's performance and the average remuneration of employees starting from 2019.

Data on stock options granted to the said persons in implementation of the current Stock Option Plans is also reported in another table pursuant to article 84-*bis* paragraph 5, of the Issuers' Regulations. Finally, another table illustrates the shares held in the Company or its subsidiaries by the above persons (and by persons related to them) pursuant to article 84-*quater*, paragraph 4, of the Issuers' Regulations.

In light of the amendments made to article 123-*ter* of the Consolidated Law on Finance by Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019, Section I, *i.e.* the '*Report on Remuneration Policy*', is subject to a binding vote by the Shareholders' Meeting called to approve the Financial Statements for the financial year ended as at 31<sup>st</sup> December 2020, while Section II, *i.e.* the '*Report on remuneration paid*', which provides detailed information on the remuneration for the 2020 Financial Year, is subject to a consultative vote by the same Shareholders' Meeting.

The text of this Report is disclosed to the market by the twenty-first day prior to the date of the Shareholders' Meeting called to approve the 2020 Financial Statements, in accordance with current regulations, and can be viewed in the Corporate Governance section of the Company's website [www.recordati.it](http://www.recordati.it).

The Information Documents relating to the existing remuneration plans based on financial instruments can be found in the Corporate Governance section of the Company's website [https://www.recordati.com/en/corporate\\_governance/remuneration/stock\\_option\\_plans/](https://www.recordati.com/en/corporate_governance/remuneration/stock_option_plans/).



# Executive Summary

The main elements of the 2021 Remuneration Policy of Recordati are set out below.

**Purpose of the Policy and link with corporate strategy**

Recordati's Remuneration Policy aims at **attracting, retaining and motivating managers with the professional requirements and experiences needed to manage and develop the Group successfully, ensuring that the interests of the management and those of the shareholders and the other stakeholders are aligned and promoting the constant creation of sustainable value in the medium- and long-term.**

The Remuneration Policy is also defined in coherence with the corporate strategy, providing that each of the remuneration components offered to the management responds to precise goals for the pursuit of the strategic vision of the Group. This consistency is ensured by the objectives of the short-term and long-term incentive schemes, which are designed **to focus the management on the following objectives:**

- Economic and financial results**
- Value creation for shareholders**
- Growth through strategic acquisitions**
- Environmental, Social and Governance (ESG)**

In the field of sustainability, Recordati also defined a **Sustainability Plan** in 2020, focused on four priority areas, underpinned by a fifth fundamental pillar - ethics and integrity - which includes the principles that transversely guide the Group's daily operations:

- Patient care**
- People care**
- Environmental protection**
- Responsible sourcing**
- Ethics and integrity**

The Company's Remuneration Policy promotes the achievement of all the milestones of the ESG roadmap.

	Purposes	Modes of operation	Components																
<b>Fixed component</b>	To enhance the skills, experiences and support required for the assigned role.	<p>The fixed remuneration is defined in such a way as to be consistent with the characteristics, responsibilities and any proxies associated with the role.</p> <p>The Company monitors on an annual basis the main market practices for comparable figures in order to ensure the consistency and competitiveness of the remuneration offered to its top positions.</p>	<p>The following table summarizes the fixed remunerations provided for the Chair, the CEO, and the Group General Manager:</p> <table border="1"> <thead> <tr> <th></th> <th>Director's Fee</th> <th>Fixed Rem.</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td><b>Chair</b></td> <td>60,000 €</td> <td>180,000 €</td> <td><b>240,000 €</b></td> </tr> <tr> <td><b>CEO</b></td> <td>60,000 €</td> <td>1,140,000 €</td> <td><b>1,200,000 €</b></td> </tr> <tr> <td><b>Group General Manager</b></td> <td>60,000 €</td> <td>450,000 €<sup>5</sup></td> <td><b>510,000 €</b></td> </tr> </tbody> </table> <p><b>Other Executive Directors:</b> they have waived the receipt of any remuneration for the position as Director<sup>6</sup>.</p> <p><b>Other Non-Executive Directors:</b> 60,000 €.</p> <p><b>Key Management Personnel:</b> gross annual remuneration defined in line with the role and areas of responsibility.</p>		Director's Fee	Fixed Rem.	Total	<b>Chair</b>	60,000 €	180,000 €	<b>240,000 €</b>	<b>CEO</b>	60,000 €	1,140,000 €	<b>1,200,000 €</b>	<b>Group General Manager</b>	60,000 €	450,000 € <sup>5</sup>	<b>510,000 €</b>
	Director's Fee	Fixed Rem.	Total																
<b>Chair</b>	60,000 €	180,000 €	<b>240,000 €</b>																
<b>CEO</b>	60,000 €	1,140,000 €	<b>1,200,000 €</b>																
<b>Group General Manager</b>	60,000 €	450,000 € <sup>5</sup>	<b>510,000 €</b>																

<sup>5</sup> Gross annual remuneration as employee.

<sup>6</sup> These directors are identified as Executive Directors in accordance with the provisions of the Corporate Governance Code as they hold managerial positions in the parent companies and/or companies of the CVC Group (including the positions also held at the Company).

**Short-term variable component (MBO)**

To promote a performance culture and encourage management to pursue expected objectives by creating a strong correlation between remuneration and performance achieved during the year.

The payment of the annual variable remuneration, identified in the MBO scheme, is directly linked to the achievement of performance objectives, assigned to each beneficiary in line with the role held.

For the beneficiaries of the MBO system, in addition to corporate objectives, indicators linked to the specific nature of the role covered and the areas of responsibility are provided.

The MBO system is based on a circuit breaker, linked to the Group Operating Income result, which determines the activation of the system itself. If the Group Operating Income result is lower than 95% of the target result, no bonus will be paid out.

The following table summarizes the KPIs for the CEO and for the Group General Manager:

CEO KPIs		Group GM KPIs	
KPI	Weight	KPI	Weight
<b>Economic-Financial KPIs</b>	<b>70%</b>	<b>Economic-Financial KPIs</b>	<b>80%</b>
Group Operating Income	35%	Group Operating Income	40%
Group Net Revenues	21%	Group Net Revenues	24%
Group Net Profit	14%	Group Net Profit	16%
<b>Strategic KPI linked to the signing of M&amp;A/Licensing transactions</b>	<b>30%</b>	<b>Strategic KPIs: - Implementation of the "Recordati Group ESG roadmap" - Support and participation in the valuation of at least 2 Acquisition/Licensing transactions or other significant transactions signed in 2021</b>	<b>20%</b>

The following table summarizes the MBO opportunity in % of the total fixed remuneration for the Chair and the CEO, and in % of the Annual Base Salary for the Group General Manager:

	Threshold	Target	Maximum
<b>CEO</b>	48.5%	83%	117.5%
<b>Group General Manager</b>	25%	50%	75%

**Chair:** not included in the beneficiaries of the Plan.

**Key Management Personnel:** maximum variable opportunity depending on the role held, between 42% and 50% of the fixed remuneration, with the exception of three cases where in one case the maximum opportunity can reach 62% and, in the other two cases, 75%.

**Long-term variable component (Stock Option)**

To promote the creation of value for Shareholders and Stakeholders by also fostering the loyalty and engagement of resources.

**2021-2023 Stock Option Plan**

The plan provides for the assignment to beneficiaries of the right to purchase a certain number of shares of the Company at a predetermined price (strike price or exercise price) at the end of a certain time period (vesting period) and upon achievement of the performance condition based on the Adjusted Net Income. There is, however, a cap to the maximum number of options available, equal to 10,400,000 options in total and 400,000 options per individual.

**Chair:** not included in the beneficiaries of the Plans.

- CEO:**
- Stock Option Plan: number of options granted in line with the position held and based on best market practices.
- Group General Manager:**
- Stock Option Plan: number of options granted in line with the position held and based on best market practices.
- Key Management Personnel:**
- Stock Options Plan: number of options granted in line with the position held and based on best market practices.

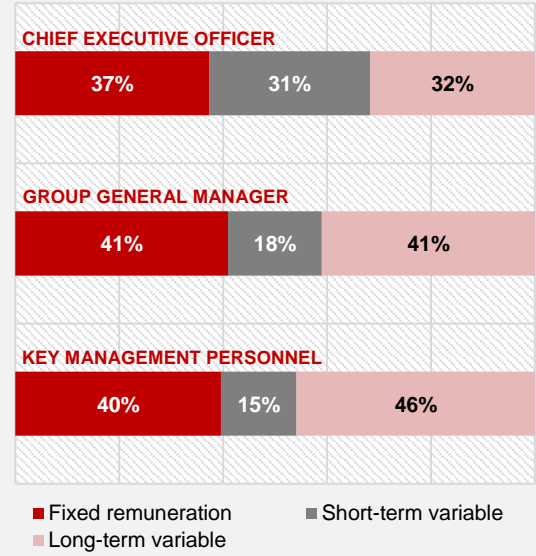
## Pay Mix

To balance the fixed component aimed at remunerating the position held and the variable component, short and long term, aimed at ensuring a deep link between the remuneration of the Management, the performance of the Company and the creation of value for the Shareholders.

In order to determine the pay mix, the following elements have been considered:

- fixed remuneration;
- target performances in relation to the short-term incentive scheme;
- the initial estimate of the fair value of the 2021-2023 Stock Option Plan (to be submitted to approval by the Shareholders' Meeting of 20<sup>th</sup> April 2021) for the year, calculated based on the estimated number of options to be assigned during 2021, following approval by the Board of Directors.

For the Key Management Personnel, the average values of the individual elements mentioned above have been considered.



# 2021 New Features

Taking into account changes in legislation (introduced by the publication of the updated version of the Issuers' Regulations by Consob and the new Corporate Governance Code by Borsa Italiana), the voting results of the Shareholders' Meeting of 29<sup>th</sup> April 2020, the analyses performed on these votes and the main practices and recommendations of proxy advisors and institutional investors, as well as the relevant elements that Recordati intends to further strengthen in the context of a best practice orientation policy, the main new features introduced in the 2021 Report on Remuneration Policy and Remuneration Paid are summarised below:

- more details were provided on the engagement activities carried out by Recordati in early 2021, in consideration of the new 'engagement plan' defined at the beginning of 2021;
- the description of the contribution of the Remuneration Policy to the Company's strategy was expanded, with particular reference to the Company's Sustainability Plan;
- the elements of the Remuneration Policy that can be derogated and the procedural conditions have been better defined and detailed;
- reference to the market peer groups considered in carrying out the analysis of the competitiveness of the remuneration packages offered to the Chief Executive Officer and the Group General Manager has been included;
- an accurate description is provided of the new long-term incentive plan '2021-2023 Stock Option Plan', which will be submitted for approval by the Shareholders' Meeting of 20<sup>th</sup> April 2021. This plan is characterised by the following new features compared to the previous 2018-2020 Stock Option Plan (which will remain in force to regulate the grant of options occurred in August 2018):
  - three-year vesting period (vesting of all options after no less than 36 months from the grant date);
  - the grant of options on an annual basis (so-called 'rolling' approach);
  - the introduction of a different performance condition, determined with reference to the Adjusted Net Income cumulated over a three-year period, the achievement of which is necessary for the vesting and therefore for exercising the options for each cycle of the Plan;
  - the introduction, for beneficiaries who are members of Recordati's top management, of a lock-up clause on 50% of the shares coming from options which have been exercised (and resulting after the sale of the shares necessary to cover the payment of the exercise price and the legal charges connected with the exercise of the options) for a period of 2 years from the vesting date;
  - the introduction of an acceleration clause in case of change-of-control followed by delisting of the Company;
- the policy with regards to severance indemnity has been better defined and detailed.

The said new features are part of the continuous improvement process which is an integral part of Recordati's approach to remuneration.

**Section I:**  
**2021 Remuneration**  
**Policy Report**

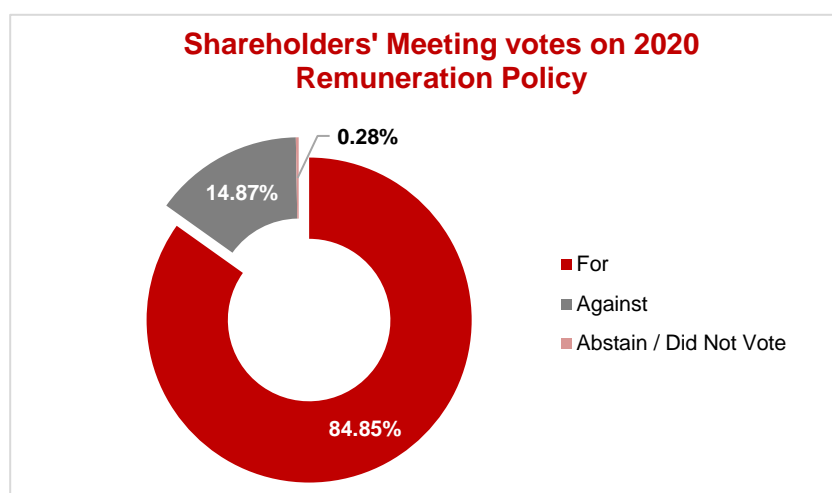
# 1. Engagement

## and remuneration policies

### 1.1 Voting results and investor feedback

Recordati attaches great importance to the annual analysis of the results of shareholders' meeting votes, as well as to the opinion of the main recipients and users of its Remuneration Policy, in order to ensure a constant improvement in adopting market best practices, taking into account some of the indications for improvement coming in particular from shareholders and proxy advisors.

The Annual General Shareholders' Meeting on 29<sup>th</sup> April 2020 voted in favour of Section I of the Report on the Remuneration Policy and the Remuneration Paid published in 2020. The chart below illustrates the result of the binding vote, which showed a 25% increase in the number of votes in favour compared to the previous Annual General Meeting.



The voting result of the Shareholders' Meeting of 29<sup>th</sup> April 2020 was analysed within the overall governance framework that characterises the Company's remuneration and incentive policies and schemes. The main reasons to the against votes mainly concerned the increase in bonus opportunities for the Chief Executive Officer and the Group General Manager, severance payments above market best practice for them, the absence of a cap on long-term variable remuneration and the vesting period of the 2018-2020 Stock Option Plan being less than 3 years for 25% of the options granted.

Further to this analysis process, Recordati has therefore implemented the activities necessary to ensure an improvement in the Remuneration Policy and in this Report, performing in-depth analyses of the indications received from Institutional Investors and Proxy Advisors at the last Shareholders' Meeting, with the objective of developing the considerations expressed by them with regard to the main areas of improvement in the Report on the Remuneration Policy and the Remuneration Paid.

These analyses were also aimed at identifying the changes necessary from 2021, also with reference to the requirements introduced by the recent amendments to the Issuers' Regulations, which took place with Resolution no. 21623 of 10<sup>th</sup> December 2020, and by the new Corporate Governance Code for listed Italian companies, effective from the first financial year beginning after 31<sup>st</sup> December 2020 and to which Recordati adheres. Furthermore, with this Report, Recordati guarantees greater transparency, an element which it considers to be fundamental for proper relations with its shareholders.

### 1.2 Engagement activities carried out by Recordati

As the participation of institutional investors in European markets has increased, so has the influence of proxy

advisors on the decisions taken by investors themselves.

In this context, Recordati has increased the need to develop and ensure an on-going direct link with its institutional investors and proxy advisors and, therefore, at the beginning of 2021 an engagement plan was drawn up to define actions aimed at creating a direct channel of communication with the main users of Recordati's Report on the Remuneration Policy and the Remuneration Paid.

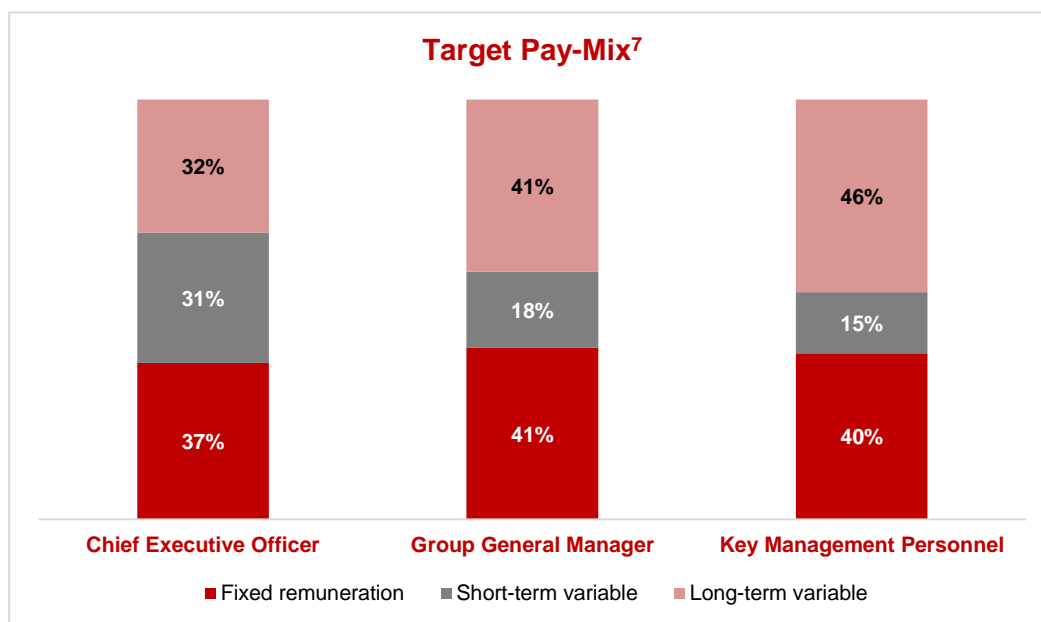
The definition of the engagement plan was carried out first of all by carrying out preliminary activities of analysis and segmentation of the institutional investors attending the 2020 Shareholders' Meeting, also taking into account the criteria relating to the share of capital held in the Company. For each of the institutional investors, the proxy advisors exercising a significant influence on the expression of the vote at the Shareholders' Meeting were also identified.

Recordati has therefore activated a channel of communication with its main proxy advisors, scheduling specific meetings with each of them in the first months of 2021. During those meetings feedback was collected on the new long-term incentive plan and on the other elements of Recordati's Remuneration Policy and improvement actions that could potentially be implemented were discussed.

These discussions, together with the analysis of the votes cast by shareholders, have provided Recordati's technical departments and the Remuneration and Nominations Committee with a valuable starting point for assessing the new features and improvements introduced in this text, in order to ensure ever-greater levels of disclosure and alignment of Recordati's remuneration policy with best market practice.

### 1.3 Pay mix of the Chief Executive Officer, Group General Manager and Key Management Personnel

Below evidence is provided regarding the estimation of the pay mix for 2021 of the Chief Executive Officer, the Group General Manager and Key Management Personnel, *i.e.* the percentage breakdown of the individual remunerative components within the overall package in the case of target performance, assuming the approval of the 2021-2023 Stock Option Plan by the Shareholders' Meeting of 20<sup>th</sup> April 2021 and the assignment of the options by the Board of Directors during 2021.



<sup>7</sup> In order to determine the pay mix, target performances in relation to the short-term incentive scheme and the fair value of the estimated options to be assigned in 2021 in relation to the new 2021-2023 Stock Option Plan, following approval by the Shareholders' Meeting and the Board of Directors, are considered. In fact, the 2021-2023 Stock Option Plan will be subject to the approval by the Shareholders' Meeting of 20<sup>th</sup> April 2021 and the assignment of options will be subject to the approval by an upcoming Board of Directors. For the Key Management Personnel, the average values of the individual elements of the remuneration package are considered.

# 2. Governance

## of the remuneration process

### 2.1 Bodies and persons involved

The definition of the Remuneration Policy for the members of Recordati's Board of Directors (hereinafter also referred to as the 'BoD') involves a number of individuals and corporate bodies in accordance with the provisions of the Company's By-Laws and current legislation. According to these regulatory and statutory provisions:

- the Shareholders' Meeting determines the remuneration of the members of the Board of Directors, at the time of appointment and for the entire term of office;
- the Board of Directors determines the remuneration of the Chair, of the Directors with delegated powers and for participation in the Board Committees, following consultation of the Board of Statutory Auditors.

In accordance with Recordati's governance model, the Board of Directors is also responsible for defining the objectives and approving the company results referred to in the performance plans, to which the determination of the variable remuneration of the Chief Executive Officer and of the Group General Manager is linked, as well as defining the general criteria for the remuneration of other Key Management Personnel.

Finally, in line with the recommendations contained in the Corporate Governance Code, the Board of Directors is supported, with regard to remuneration issues, by a Remuneration and Nominations Committee composed of independent non-executive Directors with advisory and consultative functions on the matter.

#### 2.1.1 Shareholders' Meeting

The duties of the Shareholders' Meeting pursuant to law and the By-Laws, limited to the issues covered by this Report, are:

- to appoint and dismiss Directors, appoint Statutory Auditors and the Chair of the Board of Statutory Auditors;
- to determine the remuneration of Directors and Statutory Auditors;
- to approve the Incentive Plans based on financial instruments or on performance objectives linked to the Company's share price performance;
- to express a binding vote on the approval of the first section of the Company's Remuneration Report, pursuant to article 123-*ter* of the Consolidated Law on Finance;
- to express a non-binding vote on the approval of the second section of the Company's Remuneration Report, pursuant to article 123-*ter* of the Consolidated Law on Finance.

#### 2.1.2 Board of Directors

##### *Composition*

Recordati's Board of Directors currently in office consists of twelve members, eight of whom were appointed by the Shareholders' Meeting on 5<sup>th</sup> February 2019 and four of whom were appointed by the Shareholders' Meeting on 29<sup>th</sup> April 2020, following the resignation of three directors (who were appointed on 5<sup>th</sup> February 2019) and the increase from eleven to twelve in the number of directors resolved by the same Shareholders' Meeting on 29<sup>th</sup> April 2020. The current Board of Directors is in office until the Shareholders' Meeting called to approve the financial statements for the year ended as at 31<sup>st</sup> December 2021. Four Directors are qualified as independent

The composition of the Board of Directors at the date of this Report and the qualifications of each Director at that date are summarised below:



Alfredo Altavilla (Chair)	Non-Executive
Guido Guidi (Vice-Chair)	Non-Executive
Andrea Recordati (Chief Executive Officer)	Executive
Francesco Balestrieri (Director)	Non-Executive
Silvia Candini (Director)	Non-Executive, Independent
Michaela Castelli (Director)	Non-Executive, Independent
Giorgio De Palma (Director)	Executive*
Joanna Le Couilliard (Director)	Non-Executive, Independent
Giampiero Mazza (Director)	Executive*
Giorgio Peluso (Director)	Non-Executive, Independent
Cathrin Petty (Director)	Executive*
Fritz Squindo (Director)	Executive

(\*) Directors identified as Executive Directors in accordance with the definition of the Corporate Governance Code as they hold executive positions in the parent companies and/or companies of the CVC Group (including the positions held also at the Company).

### **Functions assigned**

The Board of Directors complies with the Remuneration Policy, which takes into account market conditions and practices for similar positions, when defining the remuneration of the Chair and the Chief Executive Officer and that of the other directors vested with special duties pursuant to article 2389, paragraph 3, of the Italian Civil Code and of non-executive directors.

Without prejudice to the powers of the Remuneration and Nominations Committee, the Board of Directors has the following responsibilities:

- to determine the remuneration of the Directors vested with special duties, following consultation of the Board of Statutory Auditors. This remuneration is determined in line with the decisions of the Shareholders' Meeting which can determine a total amount for the remuneration of all Directors, including those vested with special duties;
- to define the objectives and approve the Company's results for the performance plans to which the determination of the variable remuneration of Executive Directors is linked;
- to approve the general criteria for the remuneration of the Key Management Personnel;
- to approve the Remuneration Report, to be submitted to the vote of the Shareholders' Meeting.

Moreover, the Board of Directors, supported by the Remuneration and Nominations Committee, monitors the

correct implementation of the Remuneration Policy.

## 2.1.3 Remuneration and Nominations Committee

### *Composition*

On 29<sup>th</sup> October 2020, the Board of Directors resolved to integrate the functions conferred on the Remuneration Committee - set up in 2001, in compliance with the recommendations of the Corporate Governance Code in force at the time - with the functions assigned by the new Corporate Governance Code to the Nominations Committee, and consequently to change the name of the Remuneration Committee to the Remuneration and Nominations Committee.

The Committee currently in office was appointed by the Board on 5<sup>th</sup> February 2019 (further to the Ordinary Shareholders' Meeting that appointed the new Board of Directors on the same date), and is entirely composed of non-executive, independent Directors with specific financial expertise:

Ms. Joanna Le Couilliard (Chair)	Ms. Silvia Candini (Member)	Ms. Michaela Castelli, lawyer (Member)
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### *Functions assigned*

The functions currently assigned to the Committee with regard to remunerations are as follows:

- to support the Board of Directors – by formulating specific proposals or expressing opinions – in the definition, through a transparent procedure, of the remuneration policy for directors, members of the Board of Statutory Auditors and of top management, ensuring that it contributes to the pursuit of the Company's sustainable success and that it take into account the need to have, retain and motivate people with the competence and professionalism deemed adequate for their role within the Company; in particular, to formulate proposals to the Board of Directors or to express opinions on the remuneration of executive directors and other directors holding particular offices, as well as on the setting of performance objectives related to the variable component of such remuneration;
- to assess periodically the adequacy and overall consistency of the remuneration policy for directors and Top Management, as well as the concrete application of the remuneration policy, ensuring that the remuneration paid and accrued is consistent with the principles and criteria defined in the policy, in light of the results achieved and other circumstances relevant to its implementation; in particular, to verify the actual achievement of the performance objectives; to this end, it makes use of information supplied by the Chief Executive Officer;
- within the scope of its tasks, to prepare, submit to the Board of Directors and monitor the application of incentive schemes for management (including any share-based remuneration plans); in particular, to perform the functions assigned by the Board of Directors in relation to the administration of plans for the grant to employees and/or directors of the Company and its subsidiaries of shares of the Company itself or options (stock options) on them, without prejudice to the general responsibility of the Board of Directors for the supervision also of this matter;
- to express an opinion, either binding or non-binding, on related-party transactions of major importance and on related-party transactions of minor importance regarding remuneration, in compliance with the 'Regulations for related-party transactions' adopted by the Company in force;
- to examine in advance the report on the remuneration policy and on remuneration paid, to be made available to the public in accordance with current legislation.

For information on the functions assigned to the Committee with regard to nominations, please refer to the Report on Corporate Governance and Ownership Structure.

### *Organisational rules*

The proceedings of meetings of the Remuneration and Nominations Committee are governed by the following organisational rules (contained in the Committee Regulations approved by the Board of Directors):

- Committee meetings shall be chaired by the Committee Chair or, in the event of his/her absence or impediment, by the most senior member of the Committee in terms of length of service on the Board of Directors, or in the case of equality, the most senior by age;

- the Committee shall meet, upon written notice from the Committee Chair (or in the event of his/her absence or impediment, by the most senior member of the Committee in terms of length of service on the Board of Directors or, in the case of equality, the most senior by age), indicating the place, date, time and agenda of the meeting to be held at least three days prior to the one set for the meeting; in urgent cases the notice period can be shorter, but must in any case be of a minimum of 24 hours, to be held either at the registered offices of the Company or elsewhere in Italy, as indicated in the notice to convene the meeting. The notice to convene shall be sent to Committee members by the Secretary, in accordance with instructions given by the Committee's Chair. The notice shall also be sent by the Secretary to the effective members of the Board of Statutory Auditors and any other persons invited by the Chair of the Committee to take part in the meeting;
- remote participation in meetings of the Committee shall also be admissible by means of audio-visual connection, teleconference or telephone links, on condition that all participants can be identified and that they are able to speak and at the same time examine the agenda and the related documents and pass resolutions on them. In this case the meeting is considered as held in the place where the secretary is present; in exceptional circumstances, attendance at the meeting by telecommunication means as indicated above may also involve all participants, including the Chair and the Secretary;
- the Committee meeting is validly held and validly decides with, respectively, the presence and the favourable vote of the majority of the members in office; in case of any tie votes, a new meeting, having the attendance of all members of the Committee, will be convened timely;
- the Board of Statutory Auditors shall attend the meetings of the Committee;
- the Chief Executive Officer and other corporate functions whose participation in the meetings is necessary or appropriate in relation to the duties of the Committee may also be invited to participate from time to time on invitation of the Committee and with reference to individual items on the agenda; the Head of the Group Human Resources Department attends, as a general rule, the meetings on remuneration issues.

The Chair, with the assistance of the Secretary, ensures that the information provided prior to the Committee's meeting and the additional information provided during the meetings are suitable to enable the members of the Committee to act in an informed manner in performing their role. Following the meeting, minutes shall be drawn up and the Chair shall make a report to the Board of Directors, at the first appropriate meeting, on the matters addressed and on remarks, recommendations and opinions made during the said meetings.

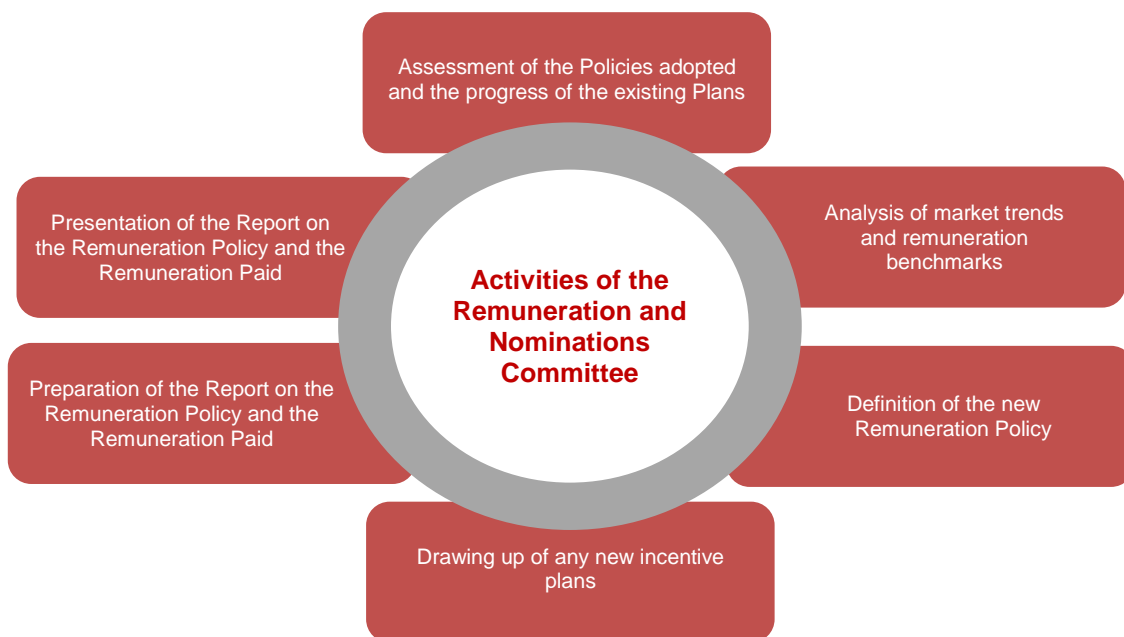
In performing its duties, the Remuneration and Nominations Committee has the right to access the Company and functions needed to perform its duties and also to make use of external consultants, under the terms and conditions laid down by the Board of Directors. The Committee shall have the right to ask for that adequate funds be made available to it to carry out its duties.

If the Committee intends to make use of the services of a consultant in order to acquire information on market practices regarding remuneration policies, the Committee shall first verify that the said consultant is not in situations that would compromise the independence of its judgement.

In order to limit the occurrence of conflicts of interest, in accordance with article 5, recommendation 26 of the Corporate Governance Code, no Director shall take part in the meetings of the Committee in which proposals relating to his or her own remuneration are formulated, except in the case of proposals concerning all the members of the Committees established within the Board of Directors.

### *Activities*

The Remuneration and Nominations Committee meets periodically and as often as necessary to carry out its functions according to an annual calendar that typically follows the below activity cycle:



### 2.1.4 Other intra-board Committees

It should be noted that, where provided for by internal regulations and corporate governance processes, specific remuneration and incentive issues are also discussed in the Risk, Control and CSR Committee, which formulates its opinion, making use, where deemed necessary, of the relevant internal functions.

## 2.2 Policy approval process

In line with the relevant laws and regulations in force and with the recommendations of the Corporate Governance Code, the decision-making process leading to the implementation of the Remuneration Policy and the responsibility for its correct application takes place in the following phases in which many parties are involved:



1. The Remuneration and Nominations Committee, supported by the Group's Human Resources Department, draws up the Company's Remuneration Policy for Directors, the General Manager and the Key Management Personnel;
2. The Remuneration and Nominations Committee may avail itself of the assistance of independent experts on the matter;
3. The Remuneration and Nominations Committee submits the Policy for the Board of Directors' approval which adopts its contents regarding the remuneration policy of Directors and the Key Management Personnel and the short and long-term incentive plans. Moreover, with regard to the determination of the remuneration of the Chief Executive Officer and of the other Directors vested with special duties, the Board takes into account the opinion of the Board of Statutory Auditors;
4. The Board of Directors, having examined and approved the Policy, submits it to the vote of the Shareholders' Meeting.

## 2.3 Independent experts and other persons involved

Recordati regularly monitors market performance, including through the use of remuneration benchmarks which detect the practices adopted by the main market and industry players. In carrying out these analyses, Recordati made use of independent consultancy firms, which, through benchmarking remuneration surveys and reports on executive compensation and corporate governance, provided useful information in order to verify the competitiveness of the Company's remuneration offer.

In addition, the Company decided to avail itself of the support of the consultancy firm Willis Towers Watson also in relation to the preparation of this Report, as well as the third-party and independent assessment for the definition of the new long-term incentive plan (2021-2023 Stock Option Plan).

For the purposes of defining the Company's Remuneration Policy, the Human Resources Department prepares the guidelines. This function also acts as an internal technical support body for the Remuneration and Nominations Committee, for which it prepares the preparatory material for the Committee's activities. The Administration, Finance and Control Department assists in identifying and assessing the economic and financial objectives underlying the short and long-term incentive systems. The heads of the other company departments are also consulted in order to define the project objectives or objectives relating to specific issues regarding short-term incentive systems.

The Remuneration Policy may, if necessary or appropriate, be updated by the Board of Directors, on the proposal of the Remuneration and Nominations Committee, which is responsible for periodically assessing, as better described below, its adequacy, overall consistency and effective application.

## 2.4 Derogation procedure in exceptional circumstances

As provided for by Article 123-ter, paragraph 3-bis of the TUF (Testo Unico della Finanza) updated in 2019 and by Article 84-quater of the Issuers' Regulations updated in 2020, Recordati may temporarily derogate its remuneration policies in the presence of exceptional circumstances. Exceptional circumstances are defined as only situations in which a derogation of the remuneration policy is necessary in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay in the market.

If the conditions are met, the Board of Directors, on the advice of the Remuneration and Nominations Committee as the Committee responsible for Related Party Transactions as provided for in the relevant Group Procedure, may temporarily derogate the remuneration policy in the circumstances identified above, limited to the following elements set out in Chapter 3 of Section I of this document:

- Fixed component of remuneration;
- Short-term variable component (MBO);
- Long-term variable component (LTI);
- Non-monetary benefits;
- Severance pay;
- Additional insurance, social security and pension coverage.

# 3. The Company's

## Remuneration Policy

### 3.1 Purposes of the Policy and its link with corporate strategy

The purposes pursued with the Remuneration Policy, which has a yearly duration, are to meet the objective of establishing a remuneration that meets the requirements to:

- be sufficient to attract, retain and motivate managers with the professional qualifications required to successfully manage the organisational and managerial complexity of the Company and of the Group;
- align their interests with the pursuit of the priority objective of creating value for shareholders in the medium to long-term horizon;
- leave a significant part of the total remuneration linked to the achievement of specific performance objectives, both qualitative and quantitative, determined in advance and in line with the development lines of the Company and of the Group.

The Remuneration Policy is also defined in line with the strategy of the Company and of the Group.

Recordati's strategic vision is to continue with the profitable growth that the Company has been sustaining since the early nineties, focusing on both organic growth and development through strategic acquisitions in both the Rare Diseases business and in the Specialty and Primary Care business, with the objective of strengthening its presence in selected markets worldwide. In fact, over the last few decades, the Group has grown steadily, thanks to the success of its products and its growth model based on internalisation and diversification, implemented precisely through an acquisition strategy that is still underway. All of this takes place in a context of searching for new opportunities and continuous market evolution.

In addition, starting in 2018, the Company has also undertaken several initiatives in the field of sustainability. In fact, given the nature of the Company, sustainability is an integral part of the Group's strategy, aimed at bringing benefits not only to patients but also to all the stakeholders with whom the Company interacts, including shareholders, customers, scientific and business partners, collaborators and local communities.

To this end, each of the remuneration components offered to the Company's Management responds to a precise purpose for the pursuit of this strategic vision and, thanks to an adequate balance between fixed and variable components, contributes to the structuring of a remuneration package that, overall, ensures an effective alignment between Management remuneration and shareholders' interests, expressed primarily by the proportionality between the value of the variable components accrued and the results achieved, both in the short and long-term.

Below are the features of Recordati's Remuneration Policy, confirming its alignment to the interests of its shareholders:

## Remuneration component

## Features and Purposes

<b>Fixed remuneration</b>	<ul style="list-style-type: none"><li>▪ It includes all the fixed annual remuneration (<i>i.e.</i> gross annual salary from employment, remuneration for directors, remuneration for special positions).</li><li>▪ It is defined in such a way as to be adequately balanced with respect to the variable component and consistent with the Company's strategic objectives and risk management policy, also taking into account the characteristics of the industry in which the Company operates.</li></ul>
<b>MBO</b> <i>(Short-term variable incentive)</i>	<ul style="list-style-type: none"><li>▪ It is commensurate with the role held, as well as on the nature of the impact on the Company's overall results in the short-term.</li><li>▪ It is linked to the achievement of annual, quantitative and/or qualitative performance objectives that are objectively measurable and consistent with the objectives set out in the Company's strategic plan and sustainability policy.</li><li>▪ It is designed to be reduced or increased in proportion to the level of performance generated with respect to the objectives assigned.</li></ul>
<b>LTI</b> <i>(Stock Option)</i>	<ul style="list-style-type: none"><li>▪ It is commensurate with the role held, as well as on the nature of the impact on the Company's overall results in the long-term.</li><li>▪ It is linked to the primary objective of creating value for shareholders, consistent with the objectives of the strategic plan.</li></ul>

The objectives of the variable incentive systems themselves have been identified to support the Company's strategy, as illustrated below:



### **Economic and financial objectives:**

These are the main objectives. Operating Income, Revenues and Net Profit are objectives that represent measures capable of summarizing Recordati's many businesses and thus to fully assess the Group's results.



### **Value creation for Shareholders:**

The natural connection of the Stock Option plan with the value of the Recordati's share price determines a strong alignment between the interests of the Shareholders and those of the Top Management.



### **Growth through strategic acquisitions:**

Among the objectives of the MBO system, the Acquisition/Licensing objective, assigned to the Chief Executive Officer and certain Key Management Personnel, supports the Group's acquisition strategy, which has always been a key element for the growth of the Company.



### **Environmental, Social, and Governance (ESG):**

The 'Implementation of the Recordati Group ESG Roadmap' objective, assigned to the Group General Manager, among the objectives of the MBO system, supports the strategy on environmental, social and governance issues.

Recordati's Remuneration Policy is also consistent for all employees. In fact, the Company monitors the remuneration and working conditions of its employees annually. The definition of transparent remuneration policies and based on merit, the training activities designed to develop new skills, the offer of additional benefits and the provision of a welfare plan for all employees are fundamental in this respect.

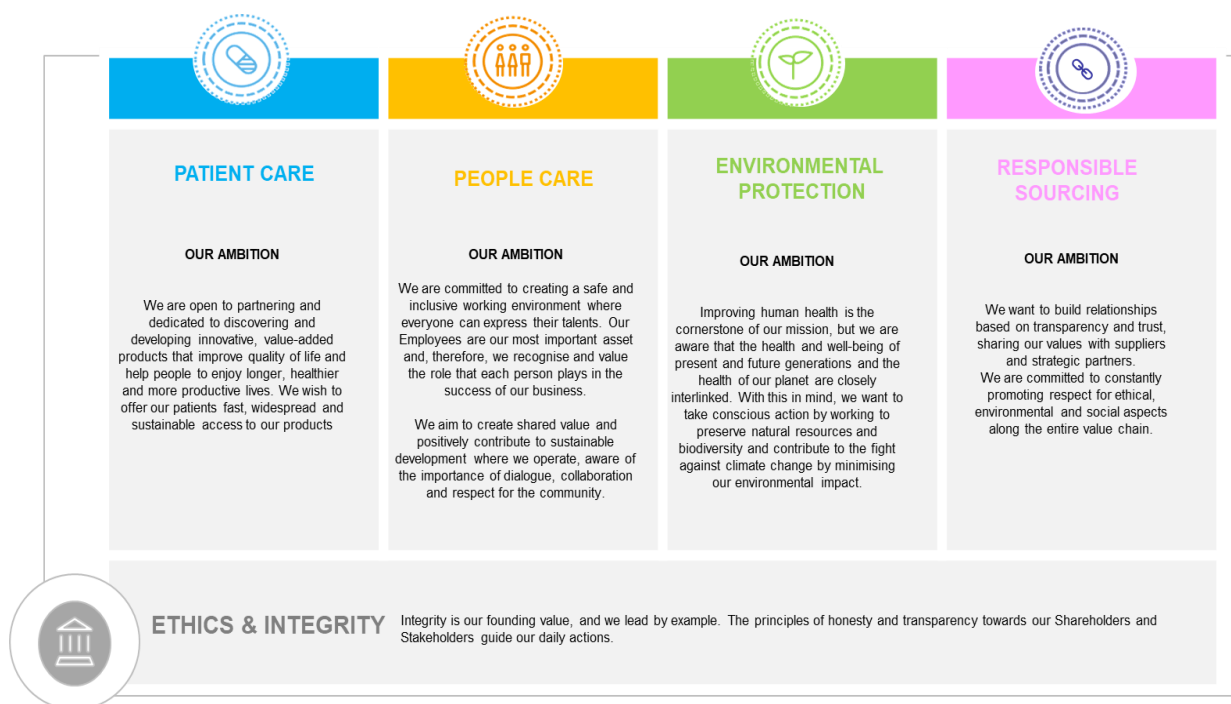


### 3.1.1 Recordati's Sustainability Plan

As part of the 'Sustainability Roadmap', in 2020 Recordati has formalized the first Group Sustainability Plan, a fundamental tool for sharing with stakeholders the Company's path in developing and implementing ESG projects.

The Plan focuses on four priority areas: patient care, people care, environmental protection, responsible sourcing. At the base of these strategic areas of sustainability is a fifth fundamental pillar: ethics and integrity. Such principles guide the Group's daily operations in a transdisciplinary manner.

The Plan provides for periodic monitoring and updating, in order to report on the status of project implementation and to set new future objectives in the field of sustainability.



The Sustainability Plan has been defined in coherence with the new Recordati Group's Materiality Matrix. In fact, in 2020 the Group updated the analysis of the material topics to identify the ESG factors, *i.e.* those of an environmental, social and good governance nature, on which to focus the Company's strategies and actions. The update included both stakeholder engagement, through an online survey, and management involvement, through 'one-to-one' interviews and online surveys.

More information on Recordati's Sustainability Plan are available in the 2020 Consolidated Non-Financial Statement published on the Company's website.

Recordati's Remuneration Policy is closely linked to its Sustainability Plan. In fact, the 'Implementation of the Recordati Group ESG Roadmap' objective, assigned to the Group General Manager, as well as the attribution of ESG objectives to two Key Management Personnel members (of which in one case among the objectives of the MBO system), supports the strategy with regard to environmental, social and governance issues, focusing the attention of the top management on the achievement of all the milestones in the roadmap. ESG objectives are also assigned to other Group managers as part of the MBO system objectives.

## 3.2 Principles and criteria underlying the Policy

The principles and criteria underlying the Remuneration Policy are as follows:

- to facilitate the pursuit of the sustainable success of the Company;
- to provide for a balance between the fixed and variable components that is appropriate and consistent with the Company's strategic objectives and risk management policy, taking into account the business'



characteristics and the industry in which it operates, providing that the variable component represents in any case a significant part of the overall remuneration;

- to provide for maximum limits for variable components, linking them to predetermined, measurable, qualitative and quantitative performance objectives linked to the creation of value for shareholders in both the short and medium to long-term horizon;
- to encourage the retention and protection of the Group's key resources by encouraging them to remain within the Group.

### 3.3 Implementation of the 2021 Remuneration Policy

In implementing the aforementioned principles, it should be noted that:

- the remuneration of Directors not vested with special duties is determined in order to ensure full alignment with the activities required by participation in the Board of Directors and the Board Committees, with a differentiation in the Chair's remuneration with respect to the members of each Committee;
- the remuneration of the Chair of the Board of Directors consists of a fixed remuneration commensurate with the position held;
- the remuneration of the Chief Executive Officer and of the Group General Manager is adequately balanced between:
  - a fixed component, commensurate with the powers and/or responsibilities assigned;
  - a variable component linked to the achievement of predetermined, measurable and defined objectives so as to ensure the remuneration of the performance in both the short and the long-term timeline, in line with the economic and financial targets of the Group's Strategic Plan.

There are also a severance indemnity and a termination indemnity for the Chief Executive Officer, as well as a severance indemnity for the Group General Manager and another Key Manager.

### 3.4 Remuneration of the Board of Directors and of the Board of Statutory Auditors

This section highlights the main features of the remuneration policy for the members of the Board of Directors and of the Board of Statutory Auditors.

#### 3.4.1 Remuneration of the Board of Directors

##### *Remuneration by the Shareholders' Meeting*

Recordati's Board of Directors is composed of Executive and Non-Executive Directors. With reference to the former, indication is provided in the following paragraphs.

With regard to Non-Executive Directors, for which article 5 of the Corporate Governance Code provides that the remuneration shall not be – other than for an insignificant portion – linked to the financial performance objectives achieved by the Company, Recordati has established a single fixed annual remuneration, thus fully falling within the provisions of the article. For the 2019-2021 term of office, this remuneration was determined by the Shareholders' Meeting of 5<sup>th</sup> February 2019, on the basis of the proposal made by the reference shareholder, and subsequently confirmed by the Shareholders' Meeting of 29<sup>th</sup> April 2020 for the new directors appointed by the latter, and is equal to:

##### **Non-Executive Directors**

Remuneration pursuant to article 2389,  
paragraph 1, of the Italian Civil Code

€ 60,000

These Directors are also entitled to reimbursement of expenses incurred in the performance of their duties as well as third party liability insurance coverage.

### *Remuneration for participation in Board Committees*

The Board of Directors has set up an internal Remuneration and Nominations Committee and a Risk, Control and CSR Committee, both of which have proposal and advisory functions and consist solely of independent Directors.

For the 2019-2021 term of office, the annual remuneration of the Directors for participation in the Board Committees was determined by the Board of Directors on 11<sup>th</sup> February 2019, following the consultation of the Board of Statutory Auditors, and is made up as follows:

<b>Remuneration and Nominations Committee</b>		<b>Risk, Control and CSR Committee</b>	
Chair	€ 15,000	Chair	€ 20,000
Member	€ 10,000	Member	€ 10,000

### 3.4.2 Remuneration of the Board of Statutory Auditors

The annual remuneration of the Members of the Board of Statutory Auditors consists of only the fixed component, commensurate with the commitment required for each of them. The remuneration of the current Board of Statutory Auditors, appointed at the Annual General Meeting of 29<sup>th</sup> April 2020 and in office until the Shareholders' Meeting called to approve the 2022 Financial Statements, was determined by the same Annual General Meeting, on the basis of the proposal made by Fime S.p.a., following a recommendation by the Board of Directors based on the benchmarking analysis conducted by Willis Towers Watson on the remuneration practices in industrial and services companies belonging to FTSE MIB Italia index, and is equal to:

<b>Board of Statutory Auditors</b>	
Chair	€ 62,000
Statutory Auditor	€ 45,000

### 3.5 Remuneration of the Chair of the Board of Directors

For the 2019-2021 term of office, the total remuneration for the position as Chair of the Board of Directors consists exclusively of the fixed component.

The annual remuneration of the Chair of the Board of Directors, in office until the Shareholders' Meeting called to approve the Financial Statements as at 31<sup>st</sup> December 2021, was set by the Board of Directors on 7<sup>th</sup> May 2020 and is equal to:

<b>Chair of the Board of Directors</b>	
Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code	€ 60,000
Remuneration for special positions pursuant to article 2389, paragraph 3, of the Italian Civil Code	€ 180,000
<b>Total Remuneration</b>	<b>€ 240,000</b>

## 3.6 Remuneration of the Chief Executive Officer and of Executive Directors

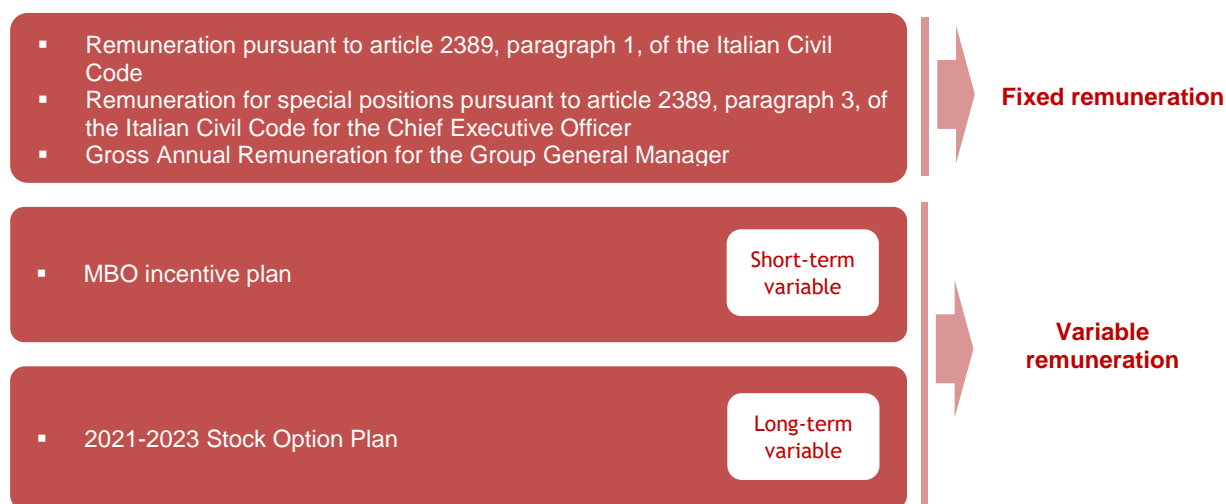
The Remuneration Policy for Recordati's Chief Executive Officer and the Group General Manager as executive Directors is defined in accordance with the specific powers granted to the role, the purposes on which the Company's Remuneration Policy is based, as well as the remuneration levels and best market practices.

With respect to the other Executive Directors, defined as such in accordance with the provisions of the Code, namely, at the date of this report,

- Giampiero Mazza;
- Cathrin Petty;
- Giorgio De Palma;

it is stressed that the Shareholders' Meeting of 5<sup>th</sup> February 2019 and, as for Mr. Giorgio De Palma, the Shareholders' Meeting of 29<sup>th</sup> April 2020, on the basis of the proposal made by the shareholder FIMEI S.p.A., did not resolve upon any remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code, in favour of these persons (without prejudice to the right of reimbursement of expenses incurred in the performance of their duties) as they had previously declared that they did not wish to receive any remuneration. Therefore, the details of only the two aforementioned positions are shown below.

The overall remuneration of the Chief Executive Officer and of the Group General Manager is structured into a fixed component, a short-term variable component and a long-term variable component, identified as follows:



### 3.6.1 Market references and peer groups

During 2020, Recordati performed a benchmark analysis to verify that the remuneration packages of the Chair of the Board of Directors, the Chief Executive Officer and the Group General Manager were aligned to best market practices.

#### *Remuneration benchmark for the Chair of the Board*

For the Chair of the Board, the assessment of remuneration positioning was carried out with reference to the role of non-executive Chair of Italian listed companies in the industrial sector. For the purposes of identifying the reference cluster for Recordati, companies comparable to Recordati in terms of market capitalization and shareholder structure were considered.

#### *Remuneration benchmark for the Chief Executive Officer*

For the Chief Executive Officer, the assessment of remuneration positioning was carried out in comparison with the remuneration value of Chief Executive Officers of both Italian and European companies, as illustrated below. The remuneration comparison was performed with the support of the consulting firm Willis Towers Watson.

## PEER GROUP - ITALIAN COMPANIES

The peer group identified is characterised by Italian companies belonging to the FTSE MIB Italia index, comparable to Recordati in terms of market capitalisation at 31<sup>st</sup> December 2019.

### Peer group – Italian companies

Amplifon	Pirelli & C.
Atlantia	Prysmian
Campari	Saipem
DiaSorin	Snam
Interpump Group	Telecom Italia
Italgas	Terna
Leonardo	

## PEER GROUP - PHARMACEUTICAL COMPANIES

The peer group identified is characterised by Italian and European companies operating in the pharmaceutical sector, both listed in the STOXX Europe TMI Pharmaceuticals index and unlisted.

### Peer group – Pharmaceutical companies

AstraZeneca	Ipsen
Bayer	Merck
Chiesi Farmaceutici	Novartis
Dechra Pharmaceuticals	Recipharm
DiaSorin	Roche
GlaxoSmithKline	Sanofi
Grifols	UCB
Hikma Pharmaceuticals	Zambon
Indivior	

### *Remuneration benchmark for the Group General Manager*

For the Group General Manager, the assessment of remuneration positioning was carried out with reference to roles of the same level of responsibility and managerial complexity compared to Italian and European companies in the industrial sector. The databases used for the comparison are the 'Top Executive Survey - Europe' and 'Top Executive Survey - Italy' studies conducted annually by Willis Towers Watson.

## 3.6.2 Fixed component of remuneration

The fixed component of the remuneration of the Chief Executive Officer and of the Group General Manager is commensurate with the duties and responsibilities assigned. Moreover, in line with the Corporate Governance Code, this component is determined in such a way as to be adequately balanced with respect to the variable component and consistent with the company's strategic objectives and risk management policy, also taking into account the characteristics of the industry in which the Company operates. However, the variable component is expected to represent a significant part of the total remuneration.

Below are the elements that make up the fixed remuneration of the Chief Executive Officer and of the Group General Manager:

Chief Executive Officer		Group General Manager	
Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code	€ 60,000	Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code	€ 60,000
Remuneration for special positions pursuant to article 2389, paragraph 3, of the Italian Civil Code	€ 1,140,000	Gross Annual Remuneration	€ 450,000
<b>Total Remuneration</b>	<b>€ 1,200,000</b>	<b>Total Remuneration</b>	<b>€ 510,000</b>

Overall, therefore, for the 2019-2021 term of office, the Chief Executive Officer is paid a fixed annual component of € 1,200,000, while the Group General Manager is paid a fixed annual component of € 510,000.

### 3.6.3 Short-term variable component (MBO)

The short-term variable component of the remuneration package for the Chief Executive Officer and the Group General Manager is linked to an incentive scheme by objectives (MBO, Management by Objectives). On the basis of this scheme, a bonus is paid in cash on the achievement of the annual results defined by the Board of Directors, on the proposal of the Remuneration and Nominations Committee, and measured according to pre-established management parameters and weights.

Specifically, the MBO system provides for the assignment to each beneficiary of economic-financial objectives (Group Operating Income, Group Net Revenues and Group Net Profit) and individual strategic objectives. There is also a 'circuit breaker' identified in the Group's Operating Income indicator, which if not achieved will result in the zeroing of the entire bonus.

Through the inclusion among the individual objectives of each beneficiary of an important Group objective such as the Operating Income, Recordati's MBO system tends not so much to reward individual performance in itself, but rather individual performance in a context of operating results such as to allow the payment of bonuses, in line therefore with the principle of aligning the interests of Management and Shareholders and with a view to pursuing the Company's long-term interests.

The following tables show the performance objectives defined for 2021 for the Chief Executive Officer and for the Group General Manager:

#### 2021 MBO OBJECTIVES - CHIEF EXECUTIVE OFFICER

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income	Activation of the scheme only if at least 95% of the budget objective is achieved

OBJECTIVES	FEATURES
<b>ECONOMIC AND FINANCIAL OBJECTIVES (70%)</b> set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year	<b>Threshold: 38.5% of the Fixed Remuneration</b> <b>Target: 63% of the Fixed Remuneration</b> <b>Maximum: 87.5% of the Fixed Remuneration</b>
1. Group Operating Income (35%)	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +3%</li> <li>• Maximum: budget +6%</li> </ul>

2. Group Net Revenues (21%)	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +1.5%</li> <li>• Maximum: budget +3%</li> </ul>
3. Group Net Profit (14%)	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +3%</li> <li>• Maximum: budget +6%</li> </ul>
<b>STRATEGIC OBJECTIVES (30%)</b>	<b>Threshold: 10% of the Fixed Remuneration</b> <b>Target: 20% of the Fixed Remuneration</b> <b>Maximum: 30% of the Fixed Remuneration</b>
1. Acquisition/Licensing	The objective is linked to the signing of M&A/Licensing transactions. The result is measured in relation to value in € Mil current/peak sales achieved. Three different performance levels are provided.

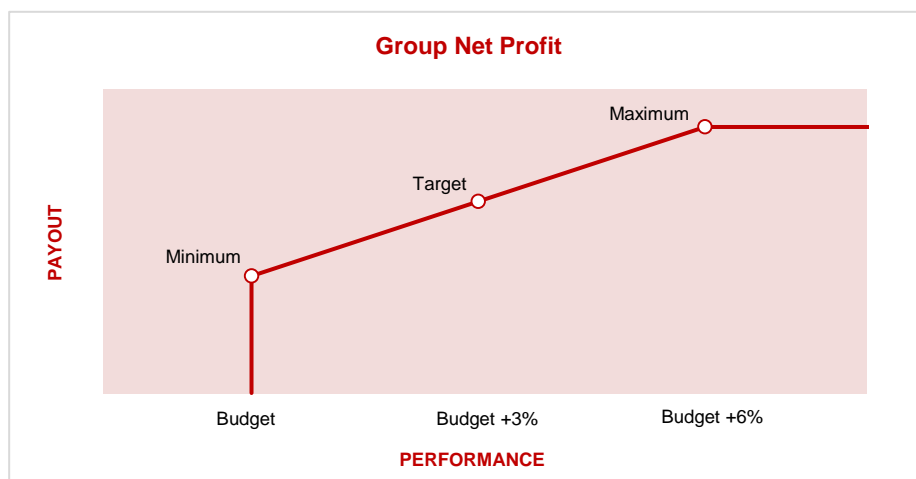
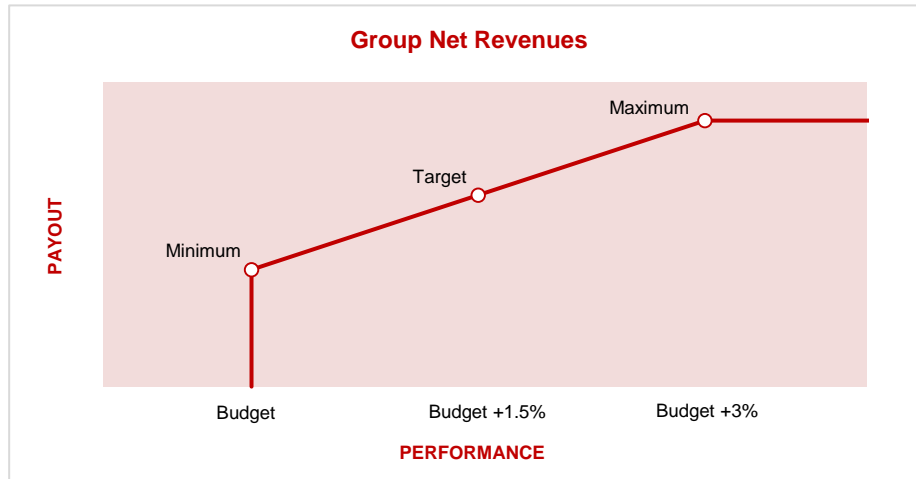
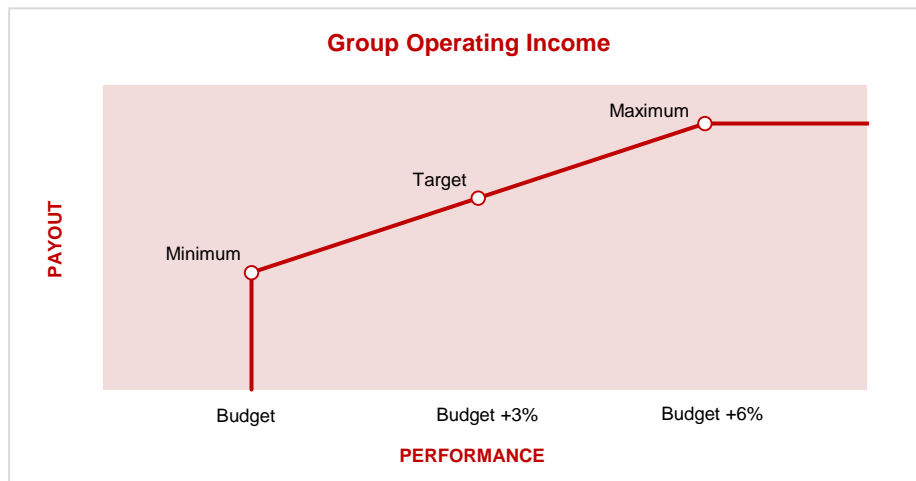
#### 2021 MBO OBJECTIVES - GROUP GENERAL MANAGER

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income	Activation of the scheme only if at least 95% of the budget objective is achieved
OBJECTIVES	FEATURES
<b>ECONOMIC AND FINANCIAL OBJECTIVES (80%)</b> set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year	<b>Threshold: 20% of the Annual Base Salary</b> <b>Target: 40% of the Annual Base Salary</b> <b>Maximum: 60% of the Annual Base Salary</b>
1. Group Operating Income (40%)	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget + 3%</li> <li>• Maximum: budget + 6%</li> </ul>
2. Group Net Revenues (24%)	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +1.5%</li> <li>• Maximum: budget +3%</li> </ul>
3. Group Net Profit (16%)	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +3%</li> <li>• Maximum: budget +6%</li> </ul>
<b>STRATEGIC OBJECTIVES (20%)</b>	<b>Threshold: 5% of the Annual Base Salary</b> <b>Target: 10% of the Annual Base Salary</b> <b>Maximum: 15% of the Annual Base Salary</b>
1. Implementation of the 'Recordati Group ESG Roadmap' 2. Support and participation in the evaluation of at least 2 Acquisition/Licensing transactions or other significant transactions signed in 2021	The objectives are strategic. The result of each objective is measured in relation to the assessment attributed on the basis of 3 different performance assessments: Achieved, Overachieved, Outstanding).

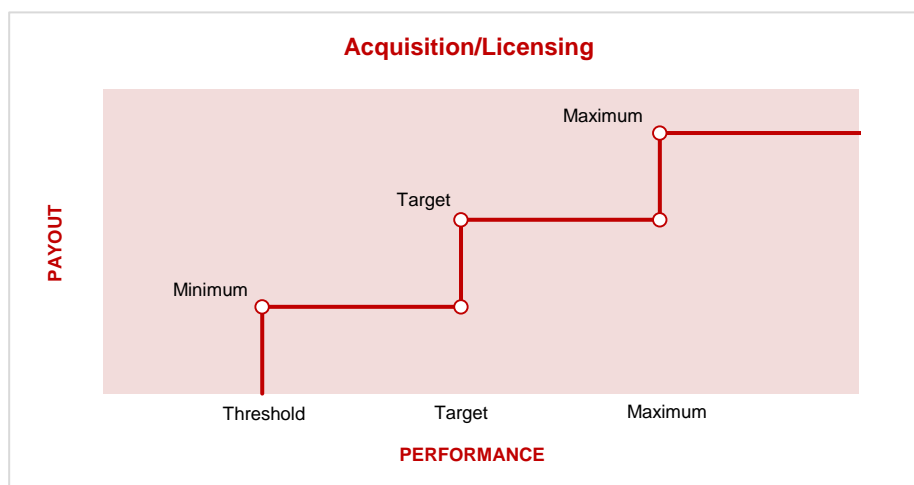
The Company reserves the right not to provide the annual value of the parameters as it considers this information to be sensitive. More detailed information regarding the level of achievement of the objectives will only be communicated at the end of the performance period.

The right to payment of the bonus accruals upon approval by the Board of Directors of the consolidated financial statements, which show that at least 95% of the Group Operating Income objective that was set when the objective was determined has been achieved. The payment of the bonus is made during the financial year in which the aforementioned consolidated financial statements are approved.

The amount of the incentive actually paid varies according to the level of achievement of the targets assigned to the individual objectives. The following charts illustrate the bonus opportunities awarded to the Chief Executive Officer and the Group General Manager according to their financial objectives (Group Operating Income, Group Net Revenues and Group Net Profit):



For the Chief Executive Officer, the remaining 30% of the bonus is calculated on the basis of the Acquisition/Licensing objective, whose incentive curve is illustrated in the following chart:



In the event of failure to achieve 95% of the Group Operating Income objective, nothing is due. In the event of over-performance, it is not possible to obtain a bonus higher than the maximum one set, which for the Chief Executive Officer is equal to 117.5% of his fixed remuneration, while for the Group General Manager it is equal to 75% of his Annual Base Salary.

The following table summarizes the potential bonus payouts for the Chief Executive Officer and for the Group General Manager according to the different performance levels:

	CEO	Group General Manager
<b>Threshold</b>	582,000 €	112,500 €
<b>Target</b>	996,000 €	225,000 €
<b>Maximum</b>	1,410,000 €	337,500 €

The short-term variable component to be paid to the Chief Executive Officer is equal to € 1,410,000 gross per year if the maximum overall performance is achieved, while for the Group General Manager it is equal to € 337,500.

In setting the MBO objectives of the Chief Executive Officer and the Group General Manager, the Board of Directors may, subject to the opinion of the Remuneration and Nominations Committee, assess the achievement of such objectives net of significant extraordinary items, where appropriate, on an equitable basis.

At present, there is no need to defer the payment of this bonus with respect to the time when the right to receive it is acquired, because it is part of a scheme that is already significantly challenging and which, with a view to continuity, favours the setting of the same objectives for each financial year; moreover, the circuit breaker of the scheme and its main objective, represented by the Group Operating Income, is a target that all the above persons contribute to achieving, without the individual person being able to influence this achievement exclusively. Finally, it should be noted that the deferral of part of the variable remuneration is in any case ensured by the long-term incentive scheme based on the assignment of Stock Options, as described below.

Without prejudice to the right to compensation for any further damages, the Company reserves the right, within 5 years from the payment and regardless of whether the relationship is still ongoing or terminated, to request the Chief Executive Officer and the Group General Manager to refund the bonus already paid (the so-called 'clawback'), if one of the following cases occurs:

- fraudulent and/or gross negligently behaviour by the beneficiary to the detriment of the Group;
- serious and intentional breaches of law and/or of the Code of Ethics and/or of company rules;
- payment of the bonus on the basis of data which subsequently result as manifestly inaccurate or fraudulently altered.



### 3.6.4 Long-term variable component (LTI)

A significant component of the variable remuneration of Recordati's Chief Executive Officer and Group General Manager is oriented towards a long-term horizon in order to strengthen the interests of sustainable creation of value for Shareholders and Stakeholders and is based on the assignment of Stock Options.

The Recordati Group, as in previous years, deems that this scheme ensures the full and constant alignment between the interests of Top Management and that of Shareholders, as it is naturally linked to the growth in value of the Recordati share.

During 2020, the Company deemed it appropriate to renew the features of the previously existing stock option plan and defined the new 2021-2023 Stock Option Plan, which will be submitted for approval by the Shareholders' Meeting of 20<sup>th</sup> April 2021.

It should also be noted that the 2014-2018 Stock Option Plan and the 2018-2022 Stock Plan, approved by the Shareholders' Meeting on 17<sup>th</sup> April 2014 and on 18<sup>th</sup> April 2018 respectively (and subsequently amended on 11<sup>th</sup> April 2019) continue to regulate the tranches of options granted based on those plans.

Such new plan provides for the grant to the beneficiaries of the right to purchase a certain number of the Company's shares at a predetermined price (strike price or exercise price), after a certain period of time (vesting period) has elapsed, once the condition for the achievement of the performance objective indicated below has been met, a right to be exercised within a certain period of time (the end of the eighth financial year following the grant of the options).

The grant of options under the 2021-2023 Stock Option Plan occurs on annual basis (the so-called 'rolling approach') and takes place in three cycles with grants in 2021, 2022 and 2023. The number of options granted to each beneficiary is linked to the importance of the organisational role held by the various top positions. There is, however, a cap to the maximum number of options available, equal to 10,400,000 options in total and 400,000 options per individual. The Executive Directors include the Company's Chief Executive Officer and the Group General Manager as beneficiaries.

The exercise price of each new grant is established by using the fair market value calculation (the arithmetic average of the Company's share prices quoted on the market in the period running from the date of grant of the options and the same day of the previous calendar month).

Options granted to beneficiaries vest no less than 3 years after the grant date (so-called 'vesting period').

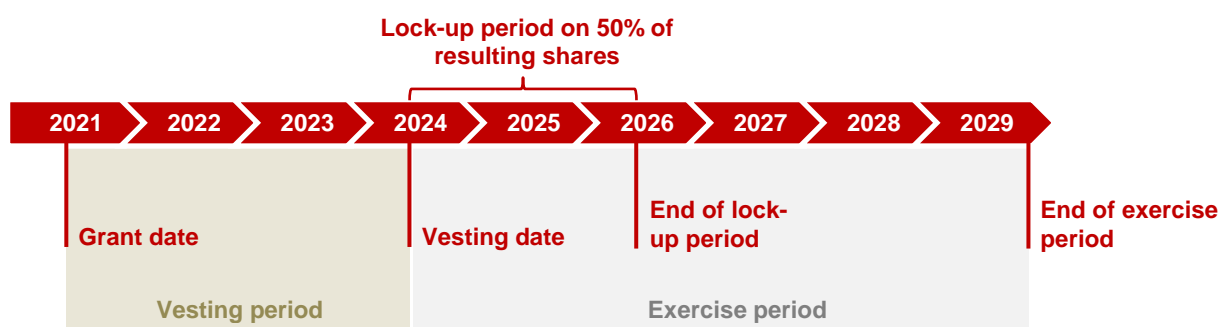
An essential condition for the exercise of each of the options granted is the achievement of a performance objective, which is based on the Adjusted Net Income cumulated over the three-year reference period. The existence of a performance clause in the 2021-2023 Stock Option Plan is also in line with the principle of consistency of the Remuneration Policy with the pursuit of the interests of the Company and its Shareholders to which the interests of management must be aligned.

The vested options may be exercised at any time during each financial year, provided that they must be exercised no later than the end of the eighth financial year following the financial year in which they were granted.

The beneficiaries will be entitled to exercise the options granted to them earlier than the relevant vesting date, upon the occurrence of a change of control of the Company resulting in the delisting of the Company's ordinary shares from a regulated market.

The Plan also requires beneficiaries who are members of Recordati's top management 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 exercise price and the tax, social security and welfare charges connected with the exercise of the options - until the end of the 24<sup>th</sup> month following the relevant vesting date.

The following is a timeline of the 2021-2023 Stock Option Plan for the first allocation cycle:



Without prejudice to the right to compensation for any further damages, the Company reserves the right (so-called 'clawback'), within 5 years from the vesting date and regardless of whether the relationship is still in existence or terminated, to obtain from the beneficiary to revoke the exercisable options or to return the shares held by the beneficiary (less a number of shares of a value corresponding to the exercise price of the options and the tax, social security and welfare contributions connected with the exercise of the options, possibly also by offsetting them against the remuneration and/or severance indemnity of the beneficiary) if the shares of the beneficiary have already been sold, should any of the following cases occur:

- fraudulent and/or grossly negligent behaviour of the beneficiary to the detriment of the Group;
- serious and intentional violations of laws and/or the Code of Ethics and/or company rules;
- payment of the bonus on the basis of data that is subsequently found to be manifestly inaccurate or intentionally altered.

For further information on the Plans, please refer to the information documents published in the Corporate Governance section of the Company's website:

[https://www.recordati.com/en/corporate\\_governance/remuneration/stock\\_option\\_plans/](https://www.recordati.com/en/corporate_governance/remuneration/stock_option_plans/).

### 3.7 Remuneration of Key Management Personnel

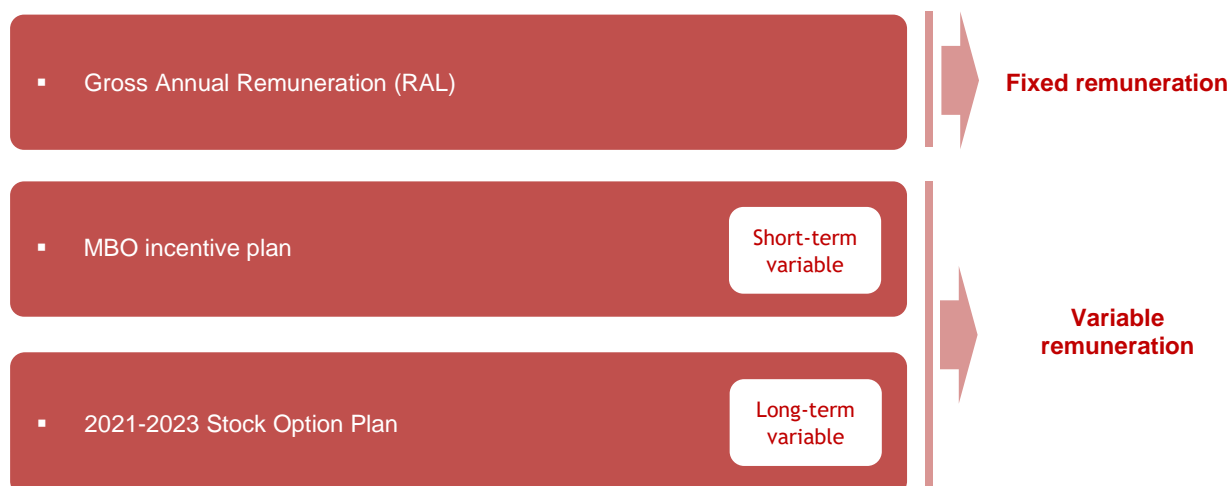
Key Management Personnel are those persons who have the power and responsibility, directly or indirectly, for planning, management and control of the Company's activities. At the date of this Report, the following persons are Key Management Personnel:

- Corrado Castellucci – Executive VP Rare Diseases Business Unit;
- Raffaele Sabia – Senior VP Pharmaceutical Research & Development;
- Roberto Teruzzi – Executive VP Group Industrial Operations;
- Gabriele Finzi – VP Corporate Development & Licensing;
- Luigi La Corte – Group Chief Financial Officer;
- Alberto Martinez – Executive VP Specialty and Primary Care Business Unit.

In defining the Remuneration Policy for Key Management Personnel, it was taken into account that these are recipients of a Policy in which a part of the remuneration is linked to the achievement of specific performance objectives, non-financial objectives, predetermined, measurable and linked in significant part to a long-term horizon. They are consistent with the Company's strategic objectives and are aimed at promoting its sustainable success (Article 5, Recommendation 27 of the Corporate Governance Code).

The managerial employment relationship of Key Management Personnel in Italy is governed by the applicable National Collective Bargaining Agreement (CCNL) of companies producing goods and services in force. For other Key Management Personnel employed by the Group's foreign subsidiaries, the employment relationship is governed by the applicable local regulations and, where applicable, by the collective bargaining agreements provided where the subsidiary is located. In Italy the general treatments provided for Executives are applicable to Key Management Personnel in addition to those listed below.

The total remuneration of Key Management Personnel is structured into a fixed remuneration and a short and a long-term variable remuneration, identified as follows:



The fixed component of the remuneration of the Key Management Personnel, the Gross Annual Remuneration (*Retribuzione Annuale Lorda* - RAL), *i.e.* the contractually guaranteed annual remuneration, is monitored for all the top positions by the industry remuneration surveys and its value is positioned, in order to meet adequate retention and remuneration criteria, at a competitive level with respect to the market.

Changes over time in the fixed component of remuneration are implemented on the basis of growth rules that take into account the role, the level of performance over time and the pay gap with respect to the remuneration levels of the reference market.

### 3.7.2 Short-term variable component (MBO)

Recordati's Key Management Personnel are beneficiaries of the same short-term incentive scheme (MBO, Management by Objectives) assigned to the Chief Executive Officer and the Group General Manager. Therefore, what has been described above is intended to be fully referred to herein, with the exception of the performance objectives assigned and the bonus opportunities of the beneficiaries.

The following table shows the type of objectives assigned to the Key Management Personnel:

#### 2021 MBO OBJECTIVES - KEY MANAGEMENT PERSONNEL

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income	Activation of the scheme only if at least 95% of the budget objective is achieved

All Key Management Personnel have the following Group objectives:

OBJECTIVES	FEATURES
<b>ECONOMIC AND FINANCIAL OBJECTIVE</b>	Set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year
Group Operating Income	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +3%</li> <li>• Maximum: budget +6%</li> </ul>

The Key Management Personnel are also assigned, depending on the position held, other economic and financial objectives (set excluding M&A/licensing transactions related to products already on the market, performed during the reference financial year), and/or qualitative objectives, with different weights:

OBJECTIVES	FEATURES
Net Revenues of Business Unit/Division	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +1.5%</li> <li>• Maximum: budget +3%</li> </ul>
Group Operating Income of Business Unit/Division	The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +3%</li> <li>• Maximum: budget +6%</li> </ul>
Management Objectives	There are two objectives linked to specific responsibility areas measured on a performance scale that provides for a Threshold, an intermediate and a maximum level which corresponds a predefined portion of the bonus, or, in some cases, on/off objectives.

The Company reserves the right not to provide the annual value of the parameters as it considers this information to be sensitive.

More detailed information regarding the level of achievement of the objectives will only be communicated at the end of the performance period.

As mentioned in section 3.1.1, one Key Management Personnel member is also assigned ESG objectives in the area of 'Climate Action'.

In the event of over-performance, it is not possible to achieve a bonus higher than the maximum set, which, for Key Management Personnel, can vary from 42% to 50% of the annual base salary depending on the position held with the exception of three cases where in one case the maximum opportunity can reach 62% and, in the other two cases, 75% of the annual base salary.

### 3.7.3 Long-term variable component (LTI)

A component of the variable remuneration of Recordati's Key Management Personnel is oriented towards a long-term horizon in order to strengthen the interests of sustainable creation of value for Shareholders and Stakeholders.

Recordati's Key Management Personnel are beneficiaries of the same long-term incentive scheme (LTI) as that envisaged for the Chief Executive Officer and the Group General Manager, *i.e.* the 2021-2023 Stock Option Plan, when approved by the Shareholders' Meeting of 20<sup>th</sup> April 2021, and, upon exhaustion, the 2014-2018 Stock Option Plan and the 2018-2022 Plan. Therefore, the contents of the preceding paragraphs are to be considered referred to here in full.

## 3.8 Further information on remuneration

### 3.8.1 Transaction Bonus and Integration Bonus

Recordati's Remuneration Policy provides for the possibility of paying a bonus linked to the achievement of significant results for the Group in the case of significant business development transactions (M&A/Licensing). This provision is linked to the strategic importance of such transactions as a growth mechanism for the Recordati Group, as well as an instrument to ensure the Group's continued success in the Specialty & Primary Care and Rare Diseases areas. The proven ability to achieve significant growth through external operations will continue to support the Recordati Group in identifying new partners and in implementing new acquisition or licensing agreements. Therefore, M&A/licensing transactions represent fundamental activities so as to enable the Company to offer an increasingly richer product portfolio, an increasingly wider geographical coverage and consequently ensure the sustainability of the business in the long-term. In addition, it should be noted that in the new MBO scheme, financial targets are set on a constant perimeter, *i.e.* excluding M&A/licensing transactions related to products already on the market, performed during the reference financial year. It is therefore important to provide for an additional bonus scheme to reward the Top Management's activities in relation to such strategically significant transactions for the Group. It should be noted that the beneficiaries of any Transaction Bonus and Integration Bonus do not include the Chief Executive Officer and the Group General Manager, since the implementation of this type of transactions is already provided for at the short-term incentive scheme level.

In order to provide an incentive to other Key Management Personnel of the Company to carry out strategic M&A/licensing transactions, the following may be awarded:

- a Transaction Bonus aimed at rewarding the roles directly involved and having a significant impact on the success of an M&A/licensing transaction; the positive outcome, and therefore the possible awarding of this bonus, will be assessed by the Chief Executive Officer on the basis of an outlook linked to economic and financial indicators and of the timing of the transaction itself. The value of the bonus awarded may vary between 15% and 30% of the Gross Annual Remuneration. 50% of the bonus will be paid at the time of the closing of the extraordinary transaction and 50% after one year subject to the achievement of predefined economic and financial results relating to the transaction itself.
- an Integration Bonus, aimed at specifically rewarding roles with a significant impact on the positive outcome of the integration process following an M&A transaction. The positive outcome, and therefore the possible awarding of this bonus, will be assessed directly by the Chief Executive Officer on the basis of an outlook linked to economic-financial indicators and the timing of the integration itself. The value of

the bonus awarded may vary between 15% and 30% of the Gross Annual Remuneration. 70% of the bonus will be paid at the time when predefined milestones have been reached in the integration plan, and 30% at the end of the integration plan and subject to the achievement of predefined integration objectives.

It should be noted that Transaction Bonuses and Integration Bonuses may also be awarded to other managers who, although not qualifying as Key Management Personnel, are directly involved and have a significant impact on the success, respectively, of an M&A/Licensing transaction, or of the integration process following an M&A transaction.

### 3.8.2 Non-monetary benefits

The Remuneration Policy does not provide for particular non-monetary benefits other than those that can be defined as standard for top positions (e.g. company car).

### 3.8.3 Severance indemnity

The Remuneration Policy does not provide for severance indemnities for non-executive Directors.

With regard to other Key Management Personnel, including executive Directors (excluding the Executive Directors qualified as such by the Board pursuant to the Corporate Governance Code, who, as noted above, have previously declared that they do not wish to receive any remuneration), if deemed appropriate in the best interests of the Company and in relation to the importance of the Manager's position within the company organisation, agreements may be entered into which involve the payment of special indemnities, in any case not exceeding 24 months of the fixed remuneration and the short-term variable remuneration calculated as the average of the annual bonuses paid in the 36 months previous to the date of termination of the employment relationship (without prejudice to the provisions of the applicable National Collective Agreement), except for what provided for Mr. Andrea Recordati and Mr. Fritz Squindo, in the event that the Company terminates the employment relationship for reasons other than just cause, also with reference to the market practices in force at the time; taking these practices into account, there is generally no provision for links between such treatments and the Company's performance. In particular, agreements have been entered into that provide for termination indemnities for the Chief Executive Officer, in addition to an agreement providing for a severance indemnity for the Group General Manager and for another Key Management Person. In all other cases, in the event of early termination of the employment relationship for reasons other than just cause, Key Management Personnel will be paid the indemnities provided for, in Italy, by law and the current National Collective Bargaining Agreement for 'Executives of Companies Producing Goods and Services' (so-called Industrial Companies) or for employees of foreign subsidiaries, by locally applicable regulations/collective bargaining agreements, in certain cases in addition to a further amount, determined on an equitable basis.

In the event of termination from office and/or termination of the relationship with an executive Director or a General Manager, as a result of internal processes leading to the granting or payment of indemnities and/or other benefits, the Company will disclose detailed information on the matter to the market.

On 11<sup>th</sup> February 2019 - in the context of the change of control of the Company, after having approved the signing of the mutual termination agreement, with effect from the same date, of the employment relationship existing between the Company itself and Mr Andrea Recordati, remaining therefore between the Company and Mr Andrea Recordati only the relationship as a member of the governing body - the Board of Directors, having heard the favourable opinion of the Remuneration Committee, as part of the determination of the remuneration of Mr Andrea Recordati as Chief Executive Officer, resolved to grant to Mr Andrea Recordati: (i) an amount equal to 7.4% of the overall remuneration – composed of the overall gross fixed annual remuneration<sup>8</sup> and of the short-term variable remuneration based on the M.B.O. system, the 'Overall Remuneration' – received for each year of term of office as Chief Executive Officer, gross of any tax or social contribution, as severance indemnity (*trattamento di fine mandato*); and (ii) an exit indemnity in case of termination of the office (*indennità di fine carica*) in case of revocation, without just cause, before the expiry of the term of the office, resignation from the office and termination of office for expiration of the term, pursuant to the terms described below. In case of revocation, without just cause, before the expiry of the term of his office (namely, before the date of the Shareholders' Meeting convened for the approval of the financial statements relating to the 2021 financial year), Mr Andrea Recordati or his heirs will be entitled to an amount pursuant to Article 2383, paragraph 3, of the Italian Civil Code, inclusive of any greater damage and any other claims related thereto, equal to the Overall Remuneration received in the twelve months preceding the termination of his office (or an amount equal to EUR

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<sup>8</sup> Note that the overall gross fixed annual remuneration of the Chief Executive Officer is equal to EUR 1,200,000, of which EUR 1,140,000 is granted as gross fixed annual remuneration pursuant to Article 2389, paragraph 3 of the Italian Civil Code and EUR 60,000 is granted as gross annual 'basic' remuneration as a director of Recordati.



2,400,000.00 should the revocation occur in the first twelve months of his office as director) multiplied by 3 (the 'Revocation Case'). Should Mr Andrea Recordati resign from his office for a reason that does not allow the continuation, even temporarily, of his relationship with the Company, as well as in the event that the resignation is necessary following a revocation or modification of the powers granted to him, Mr Andrea Recordati or his heirs will be entitled to an overall amount, inclusive of any other claims related thereto, equal to the Overall Remuneration received in the twelve months preceding the termination of his office (or an amount equal to EUR 2,400,000.00 if the revocation occurs in the first twelve months of his office as director) multiplied by 3 (the 'Resignation Case'). Finally, upon termination of office for expiration of the term, with the exclusions set out below, Mr Andrea Recordati or his heirs will receive, as additional remuneration for the expiration of his mandate, inclusive of any other claims related thereto, an amount equal to the Overall Remuneration received by Mr Andrea Recordati in the twelve months prior to termination of his office, multiplied by 3 (the 'Additional Remuneration'). The Additional Remuneration will not be granted to Mr Andrea Recordati in the following cases: (i) if the mandate of Mr Andrea Recordati is renewed or extended for further 3 financial years (A) on economic terms and conditions that are not less favourable than the actual one, (B) with the same powers delegated during the first term and (C) with the provision that, if a Revocation Case or a Resignation Case occurs during the second mandate, Mr Andrea Recordati or his heirs will receive an amount equal to the Overall Remuneration received during the twelve months preceding the termination of the mandate, multiplied by 3; (ii) if the non-renewal or non-extension of the mandate is in any case due to the choice of Mr Andrea Recordati; and (iii) in the event of early termination of the mandate in a Revocation Case or in a Resignation Case.

In 2014, a supplementary agreement to the permanent executive employment contract between the Company and Mr. Fritz Squindo (the 'Supplementary Agreement') was signed with a favourable opinion from the Remuneration Committee. This agreement provides for the payment to this Manager of an indemnity equal to his gross remuneration (inclusive of variable remuneration, premiums and bonuses) received in the 60 months prior to the date of the termination of the employment relationship, in the event of termination of the employment relationship by the Company, except for the case of dismissal for 'just cause' and termination of the contract by the manager in application of the provisions of the National Collective Bargaining Agreement for managers of companies that produce goods and services (hereinafter, 'Managers' CCNL') in the following cases: transfer of the ownership of the company, inclusive of cases of concentrations, mergers, demergers; transfer of the manager to another place of work; committal to trial of the Manager for facts relating to the duties assigned to him, and change of job role. The indemnity shall replace and fully cover any indemnities determined in application of the aforementioned Managers' CCNL in the cases mentioned above. With regard to incentive schemes based on financial instruments, the Company agrees to act in such a way that the Manager maintains the right to exercise the option rights granted, once they have matured, under the terms and conditions provided for under the aforementioned plans for the beneficiaries in general.

On 11<sup>th</sup> February 2019, upon resolution of the Board of Directors on the same date, having heard the favourable opinion of the Remuneration Committee, in the context of the change of control of the Company, a further agreement was signed between the Company and Mr. Fritz Squindo, replacing the Supplementary Agreement, pursuant to which the indemnity provided for by the Supplementary Agreement will continue to be due to Mr. Fritz Squindo in the cases of termination of the employment relationship described above, as well as in the following cases: (i) withdrawal by Mr. Fritz Squindo from the employment relationship, other than in the circumstances considered by the Managers' CCNL, provided that in the 12 months following the termination, Mr. Fritz Squindo does not cooperate (as director, employee or consultant) with competitors of the Recordati Group, unless the Company exempts Mr Fritz Squindo from such obligation; (ii) termination of the employment agreement due to death, disability, illness, incapacity or retirement of Mr. Fritz Squindo; (iii) termination of the employment relationship due to mutual agreement of the Company and Mr. Fritz Squindo. The notice period is that provided for by the Managers' CCNL.

Furthermore, with respect to another member of key manager personnel, prior to signing a permanent employment contract, a supplementary agreement to the contract subsequently entered into was signed, which provides for the payment to the senior manager of a 'golden handshake' remuneration of 36 month's salary consisting of the monthly payments provided for the indemnity in lieu of notice and the treatment provided for by art. 19 of the Managers' CCNL in the event of termination of employment contract by the Company, except for termination for 'just cause'. The senior manager shall have the right to that remuneration until the moment when there will be three years to obtaining the right to a pension, after which time the remuneration will diminish by one month for each month of employment. The notice period is that provided for by the Managers' CCNL.

There are no agreements which involve the assignment or maintenance of non-monetary benefits or the stipulation of special consultancy contracts in the event of the termination of an employment relationship. There are no agreements which involve remuneration for non-competition commitments on termination of an employment relationship or end of office.

As concerns the effects of the end of an employment relationship/other relationship equivalent to an employment relationship or an administrative relationship on existing incentive plans based on current financial instruments approved by Recordati S.p.A., in accordance with Article 114-bis of TUF (*Testo Unico della Finanza*), it should be noted that, without prejudice to the foregoing for Mr. Fritz Squindo, the 2014-2018 Stock Option Plan approved by the Shareholders' Meeting of 17<sup>th</sup> April 2014, the 2018-2022 Stock Option Plan approved by the Shareholders'

Meeting of 18<sup>th</sup> April 2018, (amended by 'Shareholders' Meeting of 11<sup>th</sup> April 2019), as well as the Stock Option Plan submitted for approval by the Shareholders' Meeting of 20<sup>th</sup> April 2021, provide, in summary, the following: unless otherwise determined by the Board, having heard the opinion of the Remuneration and Nominations Committee, with reference to the executive directors, or the Chairman of the Committee, for the other beneficiaries, the termination, as the case may be, of the administrative relationship or of the employment relationship/other relationship equivalent to an employment relationship of the participant in the Plan (the "Participant") for any reason (the "Termination of the Relationship"), shall result in the automatic exclusion of the Participant from the Plan and in the definitive, irreversible loss of effectiveness, for the Options already granted and not yet vested at the date of Termination of the Relationship.

Without prejudice to the previous paragraph, if on the date of the Termination of Relationship, the Participant holds Options in relation to one or more tranches that have already vested, but which have not yet been exercised, that Participant may exercise these Options in relation to those tranches that have already vested within 30 days of the date of the Termination of Relationship, while those Options lose all validity if they are not exercised within that period; nevertheless, if the Termination of the Relationship is due to the retirement of the Participant, the latter may, unless decided otherwise by the Remuneration and Nominations Committee or by the Board, exercise those Options already vested, but not yet exercised on the date of the Termination of the Relationship, until the Expiry Date.

Without prejudice to the previous paragraph, in the event of the Termination of the Relationship due to death or permanent invalidity of a Participant in the Plan, the Options already granted on the date of the Termination of the Relationship shall become immediately exercisable by the heirs of the Participant in the case of the death of the latter, or by the Participant 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 Relationship. After that period of one year has passed, the Options shall permanently and irrevocably lose their validity. If the Termination of the Relationship occurs for other reasons, the Board or the Remuneration and Nominations Committee may decide that the Options granted to the Participant in question may be exercised immediately, if it considers, at its sole discretion, that particular circumstances exist which make it appropriate, in the case in question, to make this decision.

In any case, the termination of the employment relationship/other relationship equivalent to an employment relationship or an administrative relationship of a Participant with the Company as a result of the transfer of such Participant to another company in the Group does not constitute a case of Termination of the Employment Relationship for the purposes of the previous provisions of this Section. However, it does constitute Termination of Employment in cases where a change of control occurs, in the sense of a transfer to third parties (i) of the subsidiary to which the Participant belongs by the Company or (ii) of the business or the business branch in which the Participant works by the Company or one of its subsidiaries.'

### 3.8.4 Additional insurance, social security and pension coverage

No further coverage other than those required by law or by collective bargaining agreement is entered into by the Company, with the exception of supplementary insurance to the Italian Supplementary Health Care Fund (F.A.S.I.) for 'Executives of Companies Producing Goods and Services' (so-called Industrial Companies) to cover medical expenses (or similar forms of insurance for employees of foreign subsidiaries) and a D&O policy, as well as an insurance policy for the Chief Executive Officer to cover life risk, health risk, disability risk and accident risk.

## Section II: Report on the remuneration paid for 2020



# Introduction

This section is divided into two parts which illustrate respectively the following:

- **Part I** focuses on the different elements that make up the remuneration (including the treatments provided in the event of termination of office or termination of the employment relationship);
- **Part II**, through the annexed tables, focuses on the remuneration of the members of the management and supervisory bodies and the information relating to the shares held in the Company, as well as the remuneration provided for the Company's and for subsidiaries' Key Management Personnel.

This Section is subject to a non-binding vote by the Shareholders' Meeting as provided for by article 123-ter of Italian Legislative Decree no. 58 of 24<sup>th</sup> February 1998 (the 'Consolidated Law on Finance', updated on the basis of Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019) which provides in paragraph 6: *'Without prejudice to the provisions of [...] the Shareholders' Meeting called [...] resolves in favour or against the second section of the report established by paragraph 4. The resolution is not binding'*.

In addition, the person appointed to carry out the statutory audit of the financial statements verifies that the directors have appropriately prepared this Section, as required by article 123-ter of the Consolidated Law on Finance (as updated by Italian Legislative Decree of 10<sup>th</sup> May 2019).

The remuneration of the members of the management and supervisory bodies is illustrated on individual basis; instead, the remuneration provided for the other Key Management Personnel members is represented in the aggregate.

The implementation of the Policy, as verified by the Remuneration and Nominations Committee during the periodic assessment provided for in the Corporate Governance Code, was substantially in line with the general principles approved by the Board of Directors.

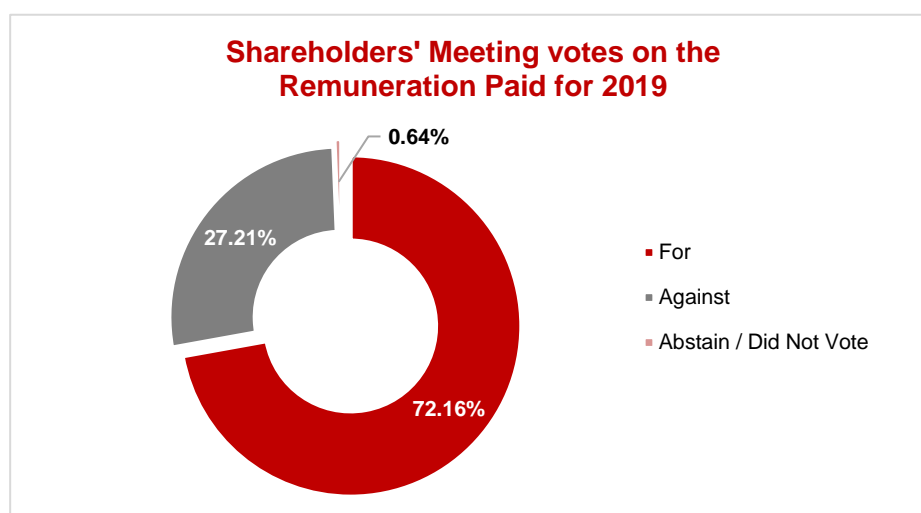
With reference to the representation of each of the items that make up remuneration, including the treatments provided in the event of termination from office or termination of the employment relationship, please refer to what has already been described in detail in Section I.

The remuneration items reported are consistent with the Policy approved in 2020 by the Board of Directors and submitted to the advisory and non-binding vote of the Shareholders' Meeting on 29<sup>th</sup> April 2020 pursuant to article 123-ter, paragraph 6, of the Consolidate Law on Finance, which voted in favour.

# Part I

## 1. Results of votes

The Shareholders' Meeting of 29<sup>th</sup> April 2020 voted in favour of Section II of the Report on Remuneration Policy and Remuneration Paid published in 2020. The chart below illustrates the result of the advisory vote.



The considerations that emerged at the Shareholders' Meeting of 29<sup>th</sup> April 2020, mainly related to increases in the fixed component and the annual bonus opportunity for the Chief Executive Officer and the Group General Manager, were examined to identify potential areas for improvement and were taken into account in the definition of Recordati's Remuneration Policy for 2021.

## 2. Activities of the Remuneration and Nominations Committee

During 2020 the Remuneration and Nominations Committee convened 9 times. The percentage of attendance of Committee members at meetings is shown in the table at the end of paragraph 4.2 of the Report on Corporate Governance and the Ownership Structure.

Minutes of the Remuneration and Nominations Committee meetings have been duly taken.

The Committee had the opportunity to access the information and Company Functions necessary to carry out its duties.

During the Financial Year, the Committee did not incur any expenses in the performance of its duties.

During 2020 and up to the date of the approval of this Report, the activity of the Committee has mainly concerned the following:

Activities performed during 2020 and early 2021	
<b>Report on the Remuneration Policy and the Remuneration Paid</b>	<ul style="list-style-type: none"> <li>▪ Proposal to the Board regarding the 2020 Remuneration Policy</li> <li>▪ Analysis of the 2020 AGM votes on the Remuneration Report</li> <li>▪ Analysis of the new Corporate Governance Code with reference to remuneration topics</li> <li>▪ Preliminary analysis of the 2021 Remuneration Policy</li> <li>▪ Assessment of the amendments to be implemented in relation to the Report also following recent amendments of the Issuers' Regulation</li> <li>▪ Review of the draft of the 2021 Report and proposal to the Board regarding the 2021 Report including the 2021 Remuneration Policy</li> </ul>
<b>Short-term incentive plan</b>	<ul style="list-style-type: none"> <li>▪ Payment of 2019 bonuses</li> <li>▪ Examination and proposal to the Board of a new MBO system</li> <li>▪ Setting of 2020 objectives</li> <li>▪ Analysis of the MBO plan in order to assess possible proposal of changes for 2021</li> <li>▪ Preliminary review of 2021 MBO quantitative objectives scheme</li> <li>▪ Setting of 2021 objectives</li> <li>▪ Payment of 2020 bonuses</li> </ul>
<b>Long-term incentive plan</b>	<ul style="list-style-type: none"> <li>▪ Analysis of the appropriateness of alternative long-term incentive plans to stock options</li> <li>▪ Analysis of the elements that should be amended with regards to the 2018-2022 Stock Option Plan</li> <li>▪ Proposal of a new Stock Option Plan</li> <li>▪ Proposal to the Board with regards to the setting of 2020 objective of the Stock Option Plans</li> <li>▪ Proposal to the Board regarding the new 2021-2023 Stock Option Plan</li> <li>▪ Setting of the 2021 objective of the Stock Option Plans</li> </ul>
<b>Other activities</b>	<ul style="list-style-type: none"> <li>▪ Benchmarking analysis for the CEO and Group General Manager remunerations</li> <li>▪ Examination and formulation of a proposal to the Board regarding the remuneration of the new Chairman of the Board</li> <li>▪ Analysis of the adequacy of the remuneration of the members of the Board of Statutory Auditors and formulation of recommendation to the Board</li> <li>▪ Update of the Regulation of the Remuneration and Nominations Committee</li> <li>▪ Remuneration and Nominations Committee work plan for 2021</li> </ul>

### 3. Fixed remuneration

The amounts relating to fixed remuneration are specified under the respective item in Table 1.

#### Non-Executive Directors

Non-executive Directors were paid - eventually on a *pro rata temporis* basis - the fixed remuneration for the office held during 2020, amounting to € 60,000.

#### Chair

The Chair, Flemming Ørnskov, in office until 29<sup>th</sup> April 2020, was paid:

- the 'basic' *pro rata* remuneration as a director of Recordati S.p.A., equal to € 19,767.12, from 1<sup>st</sup> January 2020 to 29<sup>th</sup> April 2020;
- the *pro rata* remuneration for the special position as Chair, pursuant to article 2389, paragraph 3, of the Italian Civil Code, equal to € 79,068.50, from 1<sup>st</sup> January 2020 to 29<sup>th</sup> April 2020.

Therefore, the total annual financial treatment for the Chair in office until 29<sup>th</sup> April 2020, paid as fixed remuneration, was equal to € 98,835.62.

The current Chair, Alfredo Altavilla, appointed by the Board of Directors on 29<sup>th</sup> April 2020, was paid:

- the 'basic' *pro rata* remuneration as a director of Recordati S.p.A., equal to € 60,000, for the office held from 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020;

- the *pro rata* remuneration for the special office as Chair, pursuant to article 2389, paragraph 3, of the Italian Civil Code, equal to € 120,534.25, from 29<sup>th</sup> April 2020 to 31<sup>st</sup> December 2020.

Therefore, the total annual financial treatment for the Chair currently in office, paid as fixed remuneration, was equal to € 180,534.25.

## Executive Directors

### Chief Executive Officer

The Chief Executive Officer, Andrea Recordati, was paid:

- the 'basic' remuneration as director of Recordati S.p.A., equal to € 60,000;
- the remuneration for the special position of Chief Executive Officer, pursuant to article 2389, paragraph 3, of the Italian Civil Code, equal to € 1,140,000.

Therefore, the total annual economic treatment for the Chief Executive Officer, paid as fixed remuneration, was equal to € 1,200,000. This fixed remuneration represents 64% of the total remuneration received by the Chief Executive Officer, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2020.

In addition, the Board convened on 11<sup>th</sup> February 2019 resolved upon:

- an insurance policy for the Chief Executive Officer to cover the risk of death, disability, illness that does not allow the continuation of the office and incapacity, which insure Mr. Andrea Recordati or his heirs for a coverage of an amount not lower than € 7,200,000.00 (EUR seven million two hundred thousand) for each of the aforementioned events;
- an accident and illness policy, for himself and his immediate family, to insure for an adequate coverage with respect to the role and the remuneration;
- a company car of an adequate level, also for personal use, with all costs borne by the Company.

### Group General Manager

The Group General Manager, Fritz Squindo, was paid:

- the 'basic' remuneration as a director of Recordati S.p.A., equal to € 60,000;
- the Remuneration as a company employee by virtue of the role of Group General Manager equal to € 449,998.05.

Therefore, the total annual economic treatment for the Group General Manager, paid as fixed remuneration, was equal to € 509,998.05. This fixed remuneration represents 69% of the total remuneration received by the Group General Manager, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2020.

The other Executive Directors, as already mentioned in Section 1 of the 2020 Report on the Remuneration Policy and the Remuneration Paid, have waived in advance their remuneration as Directors of the Company and therefore nothing was paid.

### Key Management Personnel

As at 31<sup>st</sup> December 2020, the following 6 Key Management Personnel members were in office at the Company:

- Enrico Baroncia – General Manager Pharmaceuticals Italy;
- Corrado Castellucci – Executive VP Rare Disease Business Unit;
- Raffaele Sabia – Senior VP Pharmaceutical Research & Development;
- Roberto Teruzzi – Executive VP Group Industrial Operations;
- Gabriele Finzi – VP Corporate Development & Licensing;
- Luigi La Corte – Group Chief Financial Officer

and the following 2 Key Management Personnel members were in office at subsidiaries:

- Miguel Isla Rodriguez – Executive VP International Specialty and Primary Care Business Unit;
- Cédric Ripert – VP Pharmaceuticals International Sales.

These Key Management Personnel members has received an overall gross annual remuneration equal to € 2,743,799.26.

## 4. Variable remuneration

The amounts relating to variable remuneration are specified under the respective item in Tables 1 and 3B.

### Short-term variable incentive

#### Chief Executive Officer

With reference to the short-term incentive scheme (MBO), the level of achievement of the objectives approved by the Board of Directors with regard to the Chief Executive Officer is shown below:

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income*	ON
OBJECTIVES	LEVEL OF ACHIEVEMENT
<b>ECONOMIC AND FINANCIAL OBJECTIVES (70%)</b> set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year	
Group Operating Income* (35%)	Threshold level not achieved
Group Net Revenues (21%)	Threshold level not achieved
Group Net Profit* (14%)	Intermediate between threshold (Budget) and maximum achievement
<b>STRATEGIC OBJECTIVES (30%)</b>	
Acquisition/Licensing	Maximum achievement

\* Adjusted for the impact of exceptional, non-recurring costs related to the Covid-19 pandemic, *i.e.* donations to hospitals and national health services, as well as costs for ensuring the safety of workplaces and for the purchase of personal protective equipment. The Board of Directors, having heard the favourable opinion of the Remuneration and Nominations Committee, has approved this adjustment, being in line with the Policy which allows adjustments for exceptional items on an equitable basis.

On the basis of the performance achieved, the overall remuneration for the Chief Executive Officer, to be paid as short-term variable component relating to the 2020 performance period, is therefore equal to € 481,800 gross, equal to 40.15% of the gross annual remuneration. The incentive accrued in 2020 as MBO will be paid in 2021 in accordance with the procedures set out in the MBO system. This short-term variable remuneration represents 26% of the total remuneration received by the Chief Executive Officer, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2020.

#### Group General Manager

As regards the Group General Manager, the level of achievement of the objectives approved by the Board of Directors is shown below:

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income*	ON
OBJECTIVES	LEVEL OF ACHIEVEMENT
<b>ECONOMIC AND FINANCIAL OBJECTIVES (80%)</b> set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year	
Group Operating Income* (40%)	Threshold level not achieved
Group Net Revenues (24%)	Threshold level not achieved
Group Net Profit* (16%)	Intermediate between threshold (Budget) and maximum achievement
<b>QUALITATIVE OBJECTIVES (20%)</b>	
1. Presentation of the 'Recordati Group ESG Roadmap' 2. Definition of integration plans and subsequent implementation in relation to potential M&A transactions	Maximum achievement

\* Adjusted for the impact of exceptional, non-recurring costs related to the Covid-19 pandemic, *i.e.* donations to hospitals and national health services, as well as costs for ensuring the safety of workplaces and for the purchase of personal protective equipment. The Board of Directors, having heard the favourable opinion of the Remuneration and Nominations Committee, has approved this adjustment, being in line with the Policy which allows adjustments for exceptional items on an equitable basis.

On the basis of the performance achieved, the overall remuneration for the General Manager, to be paid as short-term variable component relating to the 2020 performance period, is therefore equal to € 94,500 gross, equal to 21% of the gross annual remuneration. The incentive accrued in 2020 as MBO will be paid in 2021 in accordance with the procedures set out in the MBO scheme. This short-term variable remuneration represents 13% of the total remuneration received by the Group General Manager, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2020.

### Key Management Personnel

The other Key Management Personnel members have accrued - on the basis of the performance achieved in relation to the MBO system - an overall annual variable remuneration of € 319,210 gross.

In addition, the Chief Executive Officer proposed to grant to some Key Management Personnel members some bonuses, of not significant amount (aggregate amount of € 83,230 gross), despite the failure to achieve some objectives, or slightly higher than the amount resulting from the mathematical calculation of the objectives achievement, and this to take into account of the significant contribution of these managers, in such a difficult financial year due to the pandemic, and to retain and motivate key managers necessary to pursue the Company's short- and long-term interests in key strategic areas in a sustainable manner.

The payment of these bonuses takes place anyway in a context of more than satisfactory results of the Group. In fact, despite the pandemic, the economic and financial performance in 2020 remained solid, recording an increase in EBITDA and adjusted Operating Income compared to 2019. Also, in this context strongly influenced by the crisis caused by Covid-19, Recordati's commitment to its employees has materialized in numerous initiatives aimed at the protection, health and safety of people.

These bonuses were approved by the Board of Directors, on the proposal of the Chief Executive Officer, after preliminary investigation and favorable opinion of the Remuneration and Nominations Committee, acting as Committee responsible for related party transactions (although the Related Party Transaction Procedure of the

Company currently in force would not apply, being said bonuses transactions with a related party of negligible amount).

Overall, the amount of variable remuneration granted to Key Management Personnel is on average equal to 14.67% of the gross annual remuneration.

## Long-term variable incentive

As at 31<sup>st</sup> December 2020, the following long-term incentive plans are in place:

- 2010-2013 Stock Option Plan, expired on 31<sup>st</sup> December 2020;
- 2014-2018 Stock Option Plan;
- 2018-2022 Stock Option Plan.

### *Chief Executive Officer*

For the Chief Executive Officer, with reference to the long-term incentive scheme, given that the performance condition relating to the Group's consolidated Net Income has been met, the following options have matured:

- 27,000 options, assigned in 2016, in relation to the 2014-2018 Stock Option Plan;
- 50,000 options, assigned in 2018, in relation to the 2018-2022 Stock Option Plan.

During 2020, the Chief Executive Officer did not exercise option rights.

The remaining options, already assigned and not yet matured in 2020, will mature in the next years according to the timeframe set out in the Plan Regulations.

The fair value of the options relating to 2020 assigned to the Chief Executive Officer is € 192,617.74. This value represents 10% of the total remuneration received by the Chief Executive Officer, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2020.

### *Group General Manager*

For the Group General Manager, with reference to the long-term incentive scheme, given that the performance condition relating to the Group's consolidated Net Income has been met, the following options have matured:

- 27,000 options, assigned in 2016, in relation to the 2014-2018 Stock Option Plan;
- 32,500 options, assigned in 2018, in relation to the 2018-2022 Stock Option Plan.

During 2020, the Group General Manager exercised the following options:

- 90,000 options of the 2010-2013 Stock Option Plan, matured in relation to the 2012 assignment.

The remaining options, already assigned and not yet matured in 2020, will mature in the next years according to the timeframe set out in the Plan Regulations.

The fair value of the options relating to 2020 assigned to the Group General Manager is € 131,757.28. This value represents 18% of the total remuneration received by the Group General Manager, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2020.

### *Key Management Personnel*

Also for the other Key Management Personnel members, with reference to the long-term incentive scheme, given that the performance condition relating to the Group's consolidated Net Income has been met, the following options have matured:

- a total of 83,250 options assigned to six (6) Managers of the Company with Strategic Responsibilities in 2016 in relation to the 2014-2018 Stock Option Plan;
- a total of 131,250 options assigned to six (6) Managers of the Company with Strategic Responsibilities in 2018 in relation to the 2018-2022 Stock Option Plan;
- a total of 17,000 options assigned to two (2) Managers of subsidiaries with Strategic Responsibilities in 2016 in relation to the 2014-2018 Stock Option Plan;

- a total of 37,500 options assigned to two (2) Managers of subsidiaries with Strategic Responsibilities in 2018 in relation to the 2018-2022 Stock Option Plan.

During 2020, the 6 Managers of the Company with Strategic Responsibilities exercised the following options:

- a total of 27,500 options of the 2014-2018 Stock Option Plan, matured in relation to the 2014 assignment;
- a total of 30,000 options of the 2014-2018 Stock Option Plan, matured in relation to the 2016 assignment;
- a total of 55,000 options of the 2018-2022 Stock Option Plan, matured in relation to the 2018 assignment.

During 2020, the 2 Managers of subsidiaries with Strategic Responsibilities, instead, exercised the following options:

- a total of 46,000 options of the 2014-2018 Stock Option Plan, matured in relation to the 2016 assignment.

The remaining options, already assigned and not yet matured in 2020, will mature in the next years according to the time scales provided for in the Plan Regulations.

It is hereby clarified, for the avoidance of any doubt, that in Table 1 column 7 (fair value of equity remuneration), the amounts indicated therein do not include the fair value of Rossini Luxembourg (indirect shareholder of Recordati S.p.A.) shares, acquired at nominal value by said Key Management Personnel, as beneficiaries (in addition to a limited number of other managers) of an incentive plan, with a vesting period of five years, managed exclusively by Rossini Luxembourg and which does not establish obligations for Recordati. At termination of the vesting period they will benefit from a return. As prescribed by IFRS 2 a charge of € 1.1 million was booked to profit and loss as at 31<sup>st</sup> December 2020.

## 5. Remuneration for participation in board committees and for members of the Board of Statutory Auditors

Remuneration paid for members of Committees was paid - eventually on a *pro rata temporis* basis - the following fixed fees:

Remuneration and Nominations Committee		Risk, Control and CSR Committee	
Chair	€ 15,000	Chair	€ 20,000
Member	€ 10,000	Member	€ 10,000

Remuneration to the members of the Board of Statutory Auditors in charge from 1<sup>st</sup> January 2020 to 29<sup>th</sup> April 2020 was paid on a *pro rata temporis* basis. In particular, it was paid:

- € 16,301.37 as Chair of the Board of Statutory Auditors;
- € 11,410.96 as Statutory Auditor.

Below are the remuneration to the members of the Board of Statutory Auditors in charge from 29<sup>th</sup> April 2020 to 31<sup>st</sup> December 2020, paid on a *pro rata temporis* basis:

Board of Statutory Auditors	
Chair	€ 41,786.30
Statutory Auditor	€ 30,328.77

In addition, a total remuneration of € 27,500 was paid to Mr. Marco Nava for the offices held in the subsidiaries (Innova, Italcimici, Natural Point, RRD Italy).



## 6. Non-monetary benefits

During 2020 benefits were awarded in line with the Policy, with regard to the Chief Executive Officer and the other Key Management Personnel members, the value of which is shown in Table 1.

## 7. Information on the consequences of termination of employment or management relationship

During 2020, no severance payments were made to Executive Directors and to Key Management Personnel.

## 8. Annual variations in remuneration paid and corporate performance

In line with the requirements introduced by the updated version of the Issuers' Regulation published by Consob and in light of the remuneration paid described in this Section of the 2021 Report on the Remuneration Policy and the Remuneration Paid, the following is a comparison, considering the 2019 and 2020 Financial Years, of the annual variations:

- in the total remuneration paid to the members of the Board of Directors and the Board of Statutory Auditors in office in the entire period taken into consideration (from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2020), calculated as the sum of fixed remuneration, including the remuneration for the Board and Committees membership, and variable short- and long-term remuneration;
- in the Company's results, expressed in terms of EBITDA;
- in the average gross annual remuneration of the Company's employees, excluding the Chief Executive Officer and the Group General Manager, calculated as the sum of the fixed annual remuneration, the MBO plan, the Product Bonus, the Participation Bonus and any one-off payments made during the year.

### BOARD OF DIRECTORS

NAME	POSITION	Δ 2020-2019
Andrea Recordati	Chief Executive Officer	-16.85%
Michaela Castelli	Director	+2.24%*
Giampiero Mazza	Chair (until 5 <sup>th</sup> February 2019) and Director	0%**
Cathrin Petty	Director	0%**
Fritz Squindo	Director	-26.01%

\* Please note that on 5<sup>th</sup> February 2019 the Shareholders' Meeting has appointed the new Board of Directors and has established the remuneration for the new Directors, on the basis of the proposal made by the reference shareholder. The fixed remuneration for Directors has been € 40,000 on yearly basis until 5<sup>th</sup> February 2019 and € 60,000 on yearly basis from 5<sup>th</sup> February 2019.

\*\* The Director waived his right to receive any remuneration for the office of Director in both 2019 and 2020 Financial Years.

### BOARD OF STATUTORY AUDITORS

NAME	POSITION	Δ 2020-2019
Antonio Santi	Chair	+16.18%*
Livia Amidani Aliberti	Statutory Auditor	+19.26%*

\* Please note that on 29<sup>th</sup> April 2020 the Shareholders' Meeting has appointed the new Board of Statutory Auditors and has established the remuneration for the new Statutory Auditors, on the basis of the benchmarking analysis conducted by Willis Towers Watson on the remuneration practices in industrial and services companies belonging to FTSE MIB Italia index. The fixed remuneration for Statutory Auditors has been:

- For the Chair: € 50,000 on yearly basis until 29<sup>th</sup> April 2020 and € 62,000 on yearly basis from 29<sup>th</sup> April 2020;
- For the Statutory Auditors: € 35,000 on yearly basis until 29<sup>th</sup> April 2020 and € 45,000 on yearly basis from 29<sup>th</sup> April 2020.

### CORPORATE PERFORMANCE

PARAMETER	Δ 2020-2019
EBITDA*	+4.66%

\* Net income before income taxes, financial income and expenses, depreciation and write down of both property, plant and equipment, intangible assets and goodwill, and non-recurring events.

### AVERAGE EMPLOYEE REMUNERATION

PERIMETER	Δ 2020-2019
Total number of employees as at 31 <sup>st</sup> December*	+1.73%

\* Excluding the Chief Executive Officer and the Group General Manager.

# Part II

Table 1 - Remuneration paid to Directors, Statutory Auditors, General Managers and other Key Management Personnel

(€000)

Remuneration paid to Directors (*)												
A	B	C	D	1	2	3		4	5	6	7	8
Name and Surname	Position	Period in which the office was held	Date at which the office ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total (**)	Fair Value of equity remuneration	Severance indemnity for end of office or termination of employment
						Bonuses and other incentives	Share in profits					
Alfredo Altavilla	Chair (in office from 29 <sup>th</sup> April 2020)	From 01.01.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i)	60	0	0	0	0	181	0	0
				(ii)	121							
Guido Guidi	Vice-Chair	From 29.04.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i)	40	0	0	0	20	60	0	0
Andrea Recordati	Chief Executive Officer	From 01.01.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i)	60	0	482	0	110	1,792	193	0
				(ii)	1,140							
Francesco Balestrieri	Director	From 29.04.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i)	40	0	0	0	20	60	0	0
Silvia Candini	Director	From 01.01.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i)	60	(a)	10	0	0	80	0	0
						(b)	10					
Michaela Castelli	Director	From 01.01.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i)	60	(a)	10	0	0	90	0	0
						(d)	20					
Joanna Le Couilliard	Director	From 01.01.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i)	60	(b)	3	0	0	78	0	0
						(c)	15					
Piergiorgio Peluso	Director	From 29.04.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i)	40	(b)	7	0	0	47	0	0

Fritz Squindo	Director	From 01.01.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	(i) 60 (iii) 450	0	95	0	3	0	608	132	0
Giorgio De Palma	Director	From 29.04.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	Mr Giorgio De Palma waived his right to receive any remuneration for the office of Director.								
Giampiero Mazza	Chair (up to 05.02.2019) and Director	From 01.01.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	Mr Giampiero Mazza waived his right to receive any remuneration for the office of Director.								
Cathrin Petty	Director	From 01.01.2020 to 31.12.2020	Approval of the financial statements as at 31.12.2021	Ms Cathrin Petty waived her right to receive any remuneration for the office of Director.								
<b>Total</b>				2,191	75	576	0	113	40	2,996	324	0

Remuneration paid to Directors whose office ended during the 2020 Financial Year												
A	B	C	D	1	2	3		4	5	6	7	8
Name and Surname	Position	Period in which the office was held	Date at which the office ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total (**)	Fair Value of equity remuneration	Severance indemnity for end of office or termination of employment
						Bonuses and other incentives	Share in profits					
Flemming Ørnskov	Chair	From 01.01.2020 to 29.04.2020	29.04.2020	(i) 20 (ii) 79	0	0	0	0	0	99	0	0
Francisco Javier de Jaime Guijarro	Director	From 01.01.2020 to 29.04.2020	29.04.2020	Mr Francisco Javier de Jaime Guijarro waived his right to receive any remuneration for the office of Director								
Søren Vestergaard-Poulsen	Director	From 01.01.2020 to 29.04.2020	29.04.2020	Mr Søren Vestergaard-Poulsen waived his right to receive any remuneration for the office of Director.								
<b>Total</b>				99	0	0	0	0	0	99	0	0

(\*) Directors receive remuneration solely from the Company Recordati S.p.A. (and therefore not from its subsidiaries or associated companies).

(\*\*) The 'Total' in column (6) contains the sum of items (1) to (5).

## **LEGEND**

### **FIXED REMUNERATION**

- (i) Emoluments approved by shareholders even if not paid.
- (ii) Remuneration for special positions pursuant to Article 2389, paragraph 3 of the Italian Civil Code.
- (iii) Fixed employee remuneration gross of social security and tax obligations borne by the employee, net of compulsory collective social security obligations borne by the Company.  
*Neither attendance payments nor lump-sum expense reimbursements are paid.*

### **REMUNERATION FOR ATTENDANCE ON COMMITTEES**

- (a) For the office of member of the Remuneration and Nominations Committee.
- (b) For the office of member of the Risk, Control and CSR Committee.
- (c) For the office of Chair of the Remuneration and Nominations Committee.
- (d) For the office of Chair of the Risk, Control and CSR Committee.

### **FAIR VALUE OF EQUITY REMUNERATION**

This refers to the portion of equity remuneration paid recognised in the financial statements.

Remuneration paid to Statutory Auditors												
A	B	C	D	1	2	3		4	5	6	7	8
Name and Surname	Position	Period in which the office was held	Date at which the office ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total (*)	Fair Value of equity remuneration	Severance indemnity for end of office or termination of employment
						Bonuses and other incentives	Share in profits					
Antonio Santi	Chair	From 01.01.2020 to 31.12.2020	Approval of Financial Statements as at 31.12.2022	58	0	0	0	0	0	58	0	0
Livia Amidani Aliberti	Statutory Auditor	From 01.01.2020 to 31.12.2020	Approval of Financial Statements as at 31.12.2022	42	0	0	0	0	0	42	0	0
Ezio Simonelli	Statutory Auditor	From 29.04.2020 to 31.12.2020	Approval of Financial Statements as at 31.12.2022	30	0	0	0	0	0	30	0	0
<b>Total</b>				130	0	0	0	0	0	130	0	0
Remuneration paid to Statutory Auditors whose office ended during the 2020 Financial Year												
A	B	C	D	1	2	3		4	5	6	7	8
Name and Surname	Position	Period in which the office was held	Date at which the office ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total (*)	Fair Value of equity remuneration	Severance indemnity for end of office or termination of employment
						Bonuses and other incentives	Share in profits					
<b>(I) Remuneration at Recordati S.p.A.</b>												
Marco Nava	Statutory Auditor	From 01.01.2020 to 29.04.2020	29.04.2020	11	0	0	0	0	0	11	0	0
<b>(II) Remuneration from subsidiaries and associates</b>												
Marco Nava				28	0	0	0	0	0	28	0	0
<b>(III) Total</b>												
Marco Nava				39	0	0	0	0	0	39	0	0

(\*) The 'Total' in column (6) contains the sum of items (1) to (5).

Remuneration paid to Key Management Personnel										
A	B	1	2	3		4	5	6	7	8
Name and Surname	Period in which the office was held	Fixed remuneration	Remuneration for attendance on committees	Fixed remuneration		Non-monetary benefits	Other remuneration	Total (**)	Fair value of equity remuneration	Severance indemnity for end of office or termination of employment
				Bonuses and other incentives	Share in profits					
Six (6) Key Management Personnel members of the Company (*)		2,151	0	365 (A)	0	18	0	2,534	514	0
Two (2) Key Management Personnel members of subsidiaries (*)		593	0	37	0	38	0	668	142	0
<b>Total</b>		2,744	0	402	0	56	0	3,202	656	0

(\*) As at 31<sup>st</sup> December 2020, 6 Key Management Personnel members were in office at the Company and 2 Key Management Personnel members were in office at subsidiaries.

(\*\*) The 'Total' in column (6) contains the sum of items (1) to (5).

(A) Includes bonuses (equal to € 83,230 overall) granted by the Chief Executive Officer to some Key Management Personnel members, despite the failure to achieve some individual objectives, or slightly higher than the amount resulting from the mathematical calculation of the objectives, and this to take into account of the significant contribution of these managers, in such a difficult financial year due to the pandemic, and to retain and motivate key managers necessary to pursue the Company's short- and long-term interests in key strategic areas in a sustainable manner.

**Table 2 - Stock Options assigned to Directors, General Managers and other Key Management Personnel members**

Stock options granted to Directors, General Managers and other Key Management Personnel members																				
		Options held as at 01.01.2020			Options assigned in 2020						Options exercised in 2020			Options expired in 2020	Options held as at 31.12.2020	Options related to 2020				
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15= 2+5-11-14	16				
Name and Surname and position held as at 31.12.2020	Plan - Resolution date	Number of options	Exercise price (€)	Exercise period (from - to)	Number of options	Exercise price (€)	Exercise period (from - to)	Fair value as at date of assignment (€)	Date of assignment	Market price of Recordati share as at date of assignment of options (€)	Number of options	Exercise price (€)	Market price of Recordati share as at exercise date (€)	Number of options	Number of options	Fair value (€)				
Andrea Recordati Chief Executive Officer	2014-2018 Plan - 17.04.2014	45,000	12.29	2018*-31.12.22										0	398,000	192,617.74				
		45,000	12.29	2019*-31.12.22																
		27,000	21.93	2018*-31.12.24																
		27,000	21.93	2019*-31.12.24																
		27,000	21.93	2020*-31.12.24																
	2018-2022 Plan - 18.04.2018	27,000	21.93	2021*-31.12.24																
		50,000	30.73	2020*-31.12.26																
		50,000	30.73	2021*-31.12.26																
		50,000	30.73	2022*-31.12.26																
		50,000	30.73	2023*-31.12.26																
Fritz Squindo Group General Manager	2010-2013 Plan - 13.04.2010	45,000	5.307	2016*-31.12.20							45,000	5.307	38.477	0	328,000	131,757.28				
		45,000	5.307	2017*-31.12.20							45,000	5.307	38.477							
	2014-2018 Plan - 17.04.2014	45,000	12.29	2018*-31.12.22																
		45,000	12.29	2019*-31.12.22																
		27,000	21.93	2018*-31.12.24																
		27,000	21.93	2019*-31.12.24																
		27,000	21.93	2020*-31.12.24																
	2018-2022 Plan - 18.04.2018	27,000	21.93	2021*-31.12.24																
		32,500	30.73	2020*-31.12.26																
		32,500	30.73	2021*-31.12.26																
32,500		30.73	2022*-31.12.26																	
		32,500	30.73	2023*-31.12.26																



Six (6) Key Management Personnel members of the Company (*)	2014-2018 Plan - 17.04.2014	27,250	12.29	2018*-31.12.22									0	756,500	514,206.50
		58,750	12.29	2019*-31.12.22						27,500	12.29	42,7789			
		38,250	21.93	2018*-31.12.24											
		53,250	21.93	2019*-31.12.24											
		83,250	21.93	2020*-31.12.24						30,000	21.93	43,0169			
	83,250	21.93	2020*-31.12.24												
	2018-2022 Plan - 18.04.2018	131,250	30.73	2020*-31.12.26						55,000	30,73	44.3729			
		131,250	30.73	2021*-31.12.26											
		131,250	30.73	2022*-31.12.26											
		131,250	30.73	2023*-31.12.26											
Two (2) Key Management Personnel members of subsidiaries (*) (B)	2014-2018 Plan - 17.04.2014	17,000	21.93	2018*-31.12.22									0	172,000	142,208.69
		17,000	21.93	2019*-31.12.24						17,000	21.93	42,2293			
		17,000	21.93	2020*-31.12.24						12,000	21.93	42,2293			
		17,000	21.93	2021*-31.12.24											
	2018-2022 Plan - 18.04.2018	37,500	30.73	2020*-31.12.26											
		37,500	30.73	2021*-31.12.26											
		37,500	30.73	2022*-31.12.26											
		37,500	30.73	2023*-31.12.26											

\* 30 days after the Shareholders' Meeting approving the financial statements of the previous financial year.

(\*) As at 31<sup>st</sup> December 2020, 6 Key Management Personnel members were in office at the Company and 2 Key Management Personnel members were in office at subsidiaries.

**Table 3B - Monetary incentive plans for Directors, General Managers and other Key Management Personnel**

Cash plans granted to Directors, General Managers and other Key Management Personnel members									
A	B	1	2			3			4
Name and Surname	Position	Plan	Bonus for 2020			Bonuses for prior years			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / paid	Deferred	Deferment period	No longer payable	Payable / paid	Still deferred	
Andrea Recordati	Chief Executive Officer	2020 MBO	481,800						
Fritz Squindo	Group General Manager	2020 MBO	94,500						
Six (6) Key Management Personnel members of the Company (*)		2020 MBO	365,200 (A)						
Two (2) Key Management Personnel members of subsidiaries (*)		2020 MBO	37,240						
<b>Total</b>			978,740	0	0	0	0	0	0

(\*) As at 31<sup>st</sup> December 2020, there were 6 Key Management Personnel members in office at the Company and 2 Key Management Personnel members in office at subsidiaries.

(A) Includes bonuses (equal to € 83,230 overall) granted by the Chief Executive Officer to some Key Management Personnel members, despite the failure to achieve some individual objectives, or slightly higher than the amount resulting from the mathematical calculation of the objectives, and this to take into account of the significant contribution of these managers, in such a difficult financial year due to the pandemic, and to retain and motivate key managers necessary to pursue the Company's short- and long-term interests in key strategic areas in a sustainable manner.

**Table 4 - Shares held by Directors, Statutory Auditors, General Managers and other Key Management Personnel**

Board of Directors (Name and Surname)	Position	Recordati S.p.A. type of shares	No. of shares held as at 31.12.2019	No. of shares purchased in 2020	No. of shares sold in 2020	No. of shares held as at 31.12.2020
<b>DIRECTORS IN OFFICE AS AT 31<sup>ST</sup> DECEMBER 2020</b>						
Alfredo Altavilla	Chair	ordinary	0	0	0	0
Guido Guidi	Vice-Chair	ordinary	0	0	0	0
Andrea Recordati	Chief Executive Director	ordinary	0	0	0	0
Francesco Balestrieri	Director	ordinary	0	0	0	0
Silvia Candini	Director	ordinary	0	0	0	0
Michaela Castelli	Director	ordinary	0	0	0	0
Giorgio De Palma	Director	ordinary	0	0	0	0
Joanna Le Couilliard	Director	ordinary	0	0	0	0
Giampiero Mazza	Director	ordinary	0	0	0	0
Piergiorgio Peluso	Director	ordinary	0	0	0	0
Cathrin Petty	Director	ordinary	0	0	0	0
Fritz Squindo	Director	ordinary	122,000	90,000*	70,000*	142,000
<b>DIRECTORS NO LONGER IN OFFICE AS AT 29<sup>TH</sup> APRIL 2020</b>						
Flemming Ørnskov	Chair	ordinary	0	0	0	0
Francisco Javier de Jaime Guijarro	Director	ordinary	0	0	0	0
Søren Vestergaard-Poulsen	Director	ordinary	0	0	0	0

\* Shares resulting from the exercise of stock options.

	Recordati S.p.A. type of shares	No. of shares held as at 31.12.2019	No. of shares purchased in 2020	No. of shares sold in 2020	No. of shares held as at 31.12.2020
Eight (8) Key Management Personnel members (*)	ordinary	20,000	164,100*	171,100*	13,000

(\*) As at 31.12.2020, 6 Key Management Personnel members were in office at the Company and 2 Key Management Personnel members were in office at subsidiaries.

\* Shares resulting from the exercise of stock options.

Board of Statutory Auditors (Name and Surname)	Position	Recordati S.p.A. type of shares	No. of shares held as at 31.12.2019	No. of shares purchased in 2020	No. of shares sold in 2020	No. of shares held as at 31.12.2020
<b>BOARD OF STATUTORY AUDITORS IN OFFICE AS AT 31<sup>ST</sup> DECEMBER 2020</b>						
Antonio Santi	Chair	ordinary	0	0	0	0
Livia Amidani Aliberti	Statutory Auditor	ordinary	0	0	0	0
Ezio Simonelli	Statutory Auditor	ordinary	0	0	0	0
<b>STATUTORY AUDITORS NO LONGER IN OFFICE AS AT 29<sup>TH</sup> APRIL 2020</b>						
Marco Nava	Statutory Auditor	ordinary	0	0	0	0