

RECORDATI S.p.A.

**CORPORATE GOVERNANCE REPORT  
AND OWNERSHIP STRUCTURE**

**FINANCIAL YEAR 2021**

pursuant to article 123 *bis* of Italian Legislative Decree no. 58 of  
24<sup>th</sup> February 1998

Approved on 17<sup>th</sup> March 2022 by the Board of Directors

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

'Traditional' management and control model

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## GLOSSARY

**2020 CG Code:** the Corporate Governance Code for Listed Companies approved on 31<sup>st</sup> January 2020 by the Corporate Governance Committee to be applied by listed companies as from 2021. It should be noted that, on 29<sup>th</sup> October 2020, the Board of Directors of Recordati S.p.A. resolved - and disclosed to the market - to adopt the 2020 CG Code, adhering to it, with a few exceptions, specifying that Recordati would have applied the new Code starting from the 2021 financial year (saved for some recommendations that have already been implemented or are in the process of being implemented), informing the market of them in this corporate governance report for the 2021 financial year.

**Civil Code/c.c.:** the Italian civil code.

**Committee/CG Committee/Corporate Governance Committee:** the Italian Committee for the Corporate Governance of listed companies, promoted, in addition to Borsa Italiana S.p.A., by ABI, Ania, Assogestioni, Assonime and Confindustria.

**Board:** the Board of Directors of Recordati S.p.A.

**Issuer:** Recordati S.p.A.

**Financial Year:** the financial year to which this Report relates (2021).

**Recordati:** Recordati S.p.A.

**Consob Issuers' Regulations:** regulations governing issuers as established by Consob regulation no. 11971 of 1999 (as subsequently amended).

**Consob Markets Regulations:** regulations governing markets as established by Consob regulation no. 16191 of 2007 (as subsequently amended).

**Consob Related-party Regulations:** the regulations issued by Consob with Resolution no. 17221 of 12<sup>th</sup> March 2010 (as subsequently amended) concerning transactions with related parties. It should be noted that in implementation of the delegated power contained in article 2391-*bis* of the Italian Civil Code, Consob amended Regulation no. 17221 of 12<sup>th</sup> March 2010 on related-party transactions. The new provisions entered into force as from 1<sup>st</sup> July 2021.

**Report:** the corporate governance report and the ownership structure that issuers are required to prepare pursuant to article 123 *bis* of the TUF.

**Remuneration Report:** the report on remuneration policy and remuneration paid that companies are required to prepare and publish pursuant to article 123-*ter* of the TUF and article 84-*quater* of the Consob Issuers' Regulations.

**Company:** Recordati S.p.A.

**TUF:** Italian Legislative Decree no. 58 dated 24<sup>th</sup> February 1998 (*Testo Unico della Finanza*).

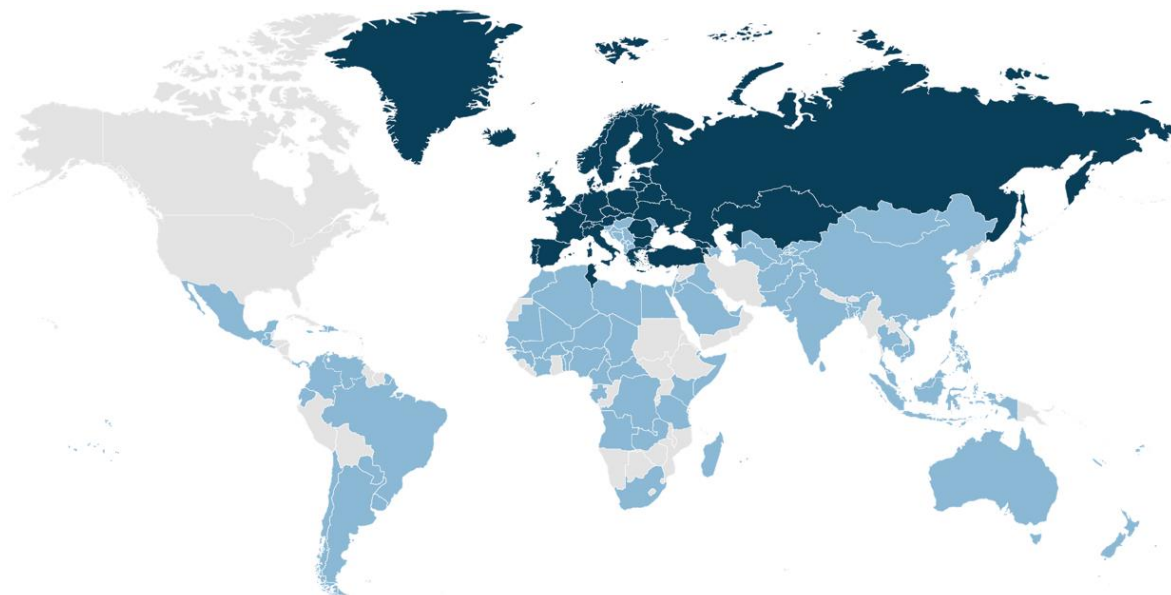
## 1. PROFILE OF THE ISSUER AND GENERAL INFORMATION

Recordati S.p.A. (Reuters RECI.MI, Bloomberg REC IM) was founded in 1926 and is a joint stock company listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Italian Borsa S.p.A. (ISIN IT 0003828271).

The Company and the Group that it leads has approximately 4,300 employees. They perform research and development, production, marketing and sales of pharmaceuticals – both original and licensed, belonging to different therapeutic areas including a specialised activity in rare diseases – supplements and medical devices, as well as pharmaceutical chemical products. Recordati is engaged in the research and development of innovative pharmaceuticals, particularly, therapies for rare diseases. They perform their activities in the principal European countries, including Russia, Turkey, North Africa, the United States of America, Canada, Mexico, some countries in South America, Japan, Australia and, since 2021, also in China.

As at 31<sup>st</sup> December 2021, the Group was composed of 47 subsidiaries (of which 4 are Italian), in addition to the Parent Company, Recordati S.p.A.

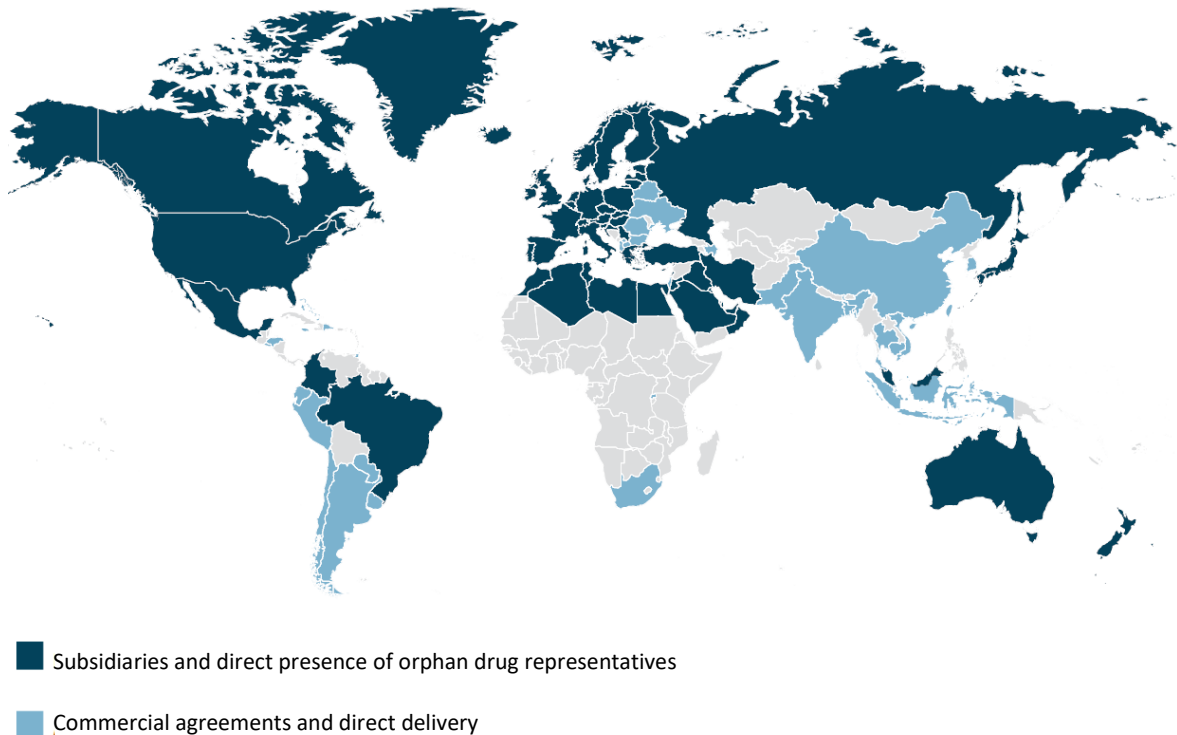
### GENERAL AND SPECIALIST MEDICINE



 Subsidiaries and direct selling organisations

 Countries where Recordati products are sold (under licence or export)

## RARE DISEASES



**The corporate governance structure of the Company** is based on a traditional organisational model and therefore consists of the following corporate bodies: (i) the Shareholders' Meeting, (ii) the Board of Directors, (iii) the Board of Statutory Auditors. Accounting control is delegated, in compliance with the relative legislation in force, to a firm of auditors registered in the special roll maintained by the Consob. A '231' (administrative liability) Compliance Body (ODV) has also been appointed which oversees the proper functioning of the '231 Model' and is responsible for updating it.

The Board of Directors has formed two committees from among its members with consultative and proposal-making functions: the Remuneration and Nominations Committee and the Risk, Control and CSR Committee, both consisting exclusively of independent directors.

**An important change in the corporate governance of Recordati S.p.A. took place during 2021:** on 1<sup>st</sup> December 2021, the Board of Directors of Recordati appointed Mr Andrea Recordati as Chair of the Board of Directors and Mr Robert Koremans – upon co-option by the Board – as Chief Executive Officer, further to what had already been approved at the Board meeting on 16<sup>th</sup> July 2021. On 1<sup>st</sup> December 2021, the resignation of Mr Alfredo Altavilla – in light of other important appointments conferred on him by the Italian Government and the completion of the transition process towards a new governance system for the Company – from his positions as Chair and Director of Recordati and of Mr Andrea Recordati from his position as Chief Executive Officer became effective.

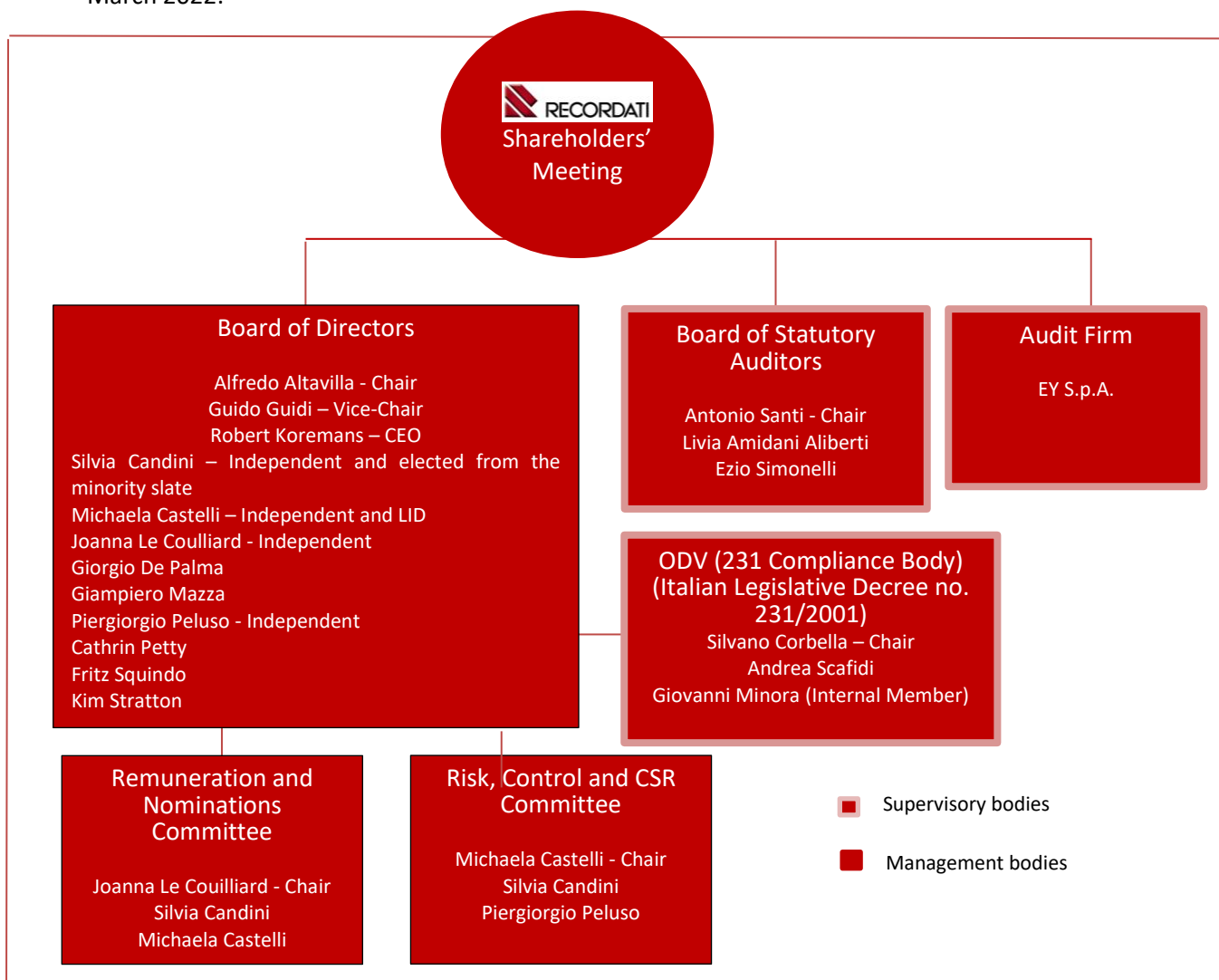
*"Under Robert Koremans' leadership, Recordati will continue to consolidate its trajectory, as set out in the recent three-year plan, combining volume driven organic growth of the current portfolio with value enhancing BD and M&A. As future Chairman Andrea Recordati will remain involved in*

the development of the Group’s strategy, supporting the new CEO and the senior management team.”<sup>1</sup>

**Andrea Recordati stated:** “I am delighted that Rob is joining Recordati. He is a highly experienced international executive with a strong track record of driving growth and business performance in pharma and biotech industries. I am confident that under his leadership, Recordati will continue its positive momentum and capitalise on what has been achieved so far. We have worked diligently over the past several years to strengthen our management team and now is the right time to bring on board a new CEO of Rob’s calibre. I will transition to the Chairman role, ensuring continuity, and will work very closely with Rob to support a smooth transition and the implementation of the company strategy. I would also like to thank Alfredo for his excellent contribution to the Group and the Board during his tenure as Chairman”.<sup>2</sup>

More information on this is provided later in this Report.

Below is a graph representing the **corporate governance structure** of the Company as at 17<sup>th</sup> March 2022:



<sup>1</sup> Press Release of 16<sup>th</sup> July 2021

<sup>2</sup> Press Release of 16<sup>th</sup> July 2021

The **primary objective** of Recordati's corporate governance system is to create value for its Shareholders by means of a responsible and sustainable approach, without ever losing sight of the social relevance of its business and all the interests involved.

In fact, Recordati is convinced of the fundamental importance of generating value through an approach that is ethical, lasting, sustainable and shared with its stakeholders. Over the years, it has launched various initiatives focused on **sustainability**, aligned with its strategic, organisational and operational characteristics. In fact, when defining its management strategies and policies, in addition to improving people's health and quality of life, one of Recordati's priorities is to identify the interests of all stakeholders, monitoring and managing the economic, social and environmental impacts of its work.

During 2020, Recordati formalised the first Group Sustainability Plan, an essential tool that shares the future pathway with stakeholders. The Plan represents the ambitions of the Group and its commitments regarding sustainable and responsible development. In 2021, with a view to continued improvement, Recordati worked on updating the objectives included in the Plan, after having reviewed the Materiality Matrix. The Plan, defined in accordance with the Recordati Group's Materiality Matrix, focuses on five priority areas: ethics and integrity, responsibility towards patients, people care, environmental protection and responsible sourcing.

The sustainability goals were identified by the Environmental, Social & Governance department in close collaboration with the heads of other company departments. The Plan was shared with executive management, the Risk, Control and CSR Committee and it was approved by the Board of Directors, after having approved the Materiality Matrix.

Responsibility for achievement of the goals included in the Sustainability Plan is assigned to the representatives of the various departments involved, who have the resources, tools and know-how required for their implementation. Under the Management By Objective (MBO) system, social and environmental objectives, linked to the implementation of the Plan itself, were assigned to certain key management personnel. In addition, the Chief Executive Officer's MBO system targets include the main social and environmental objectives of the Sustainability Plan.

For further information, please refer to:

- (i) the Consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016, which the Company publishes annually and which is available on the Section of the Company's website on sustainability (<https://www.recordati.it/en/sustainability/>);
- (ii) the Sustainability Plan, the main aspects of which are also detailed in the Sustainability section of the Recordati's website;
- (iii) the Remuneration Report, also published on the Company's website in the Corporate Governance, Remuneration section.

Recordati has strengthened its commitment to a sustainable future on ESG issues. In October 2021 **Recordati was included in the MIB ESG Index**, the first index promoted by Euronext and Borsa Italiana, dedicated to blue chips demonstrating ESG best practices. Recordati's inclusion in the index is further proof of its firm commitment to environmental, social and governance issues. Please note that Recordati is also included in the FTSE4Good Index. As evidence of the company's focus on sustainability, there has been a general improvement in its ESG rating overall; MSCI and EcoVadis have assigned Recordati an A and Gold rating respectively.

More generally, Recordati promotes dialogue with its shareholders and institutional investors as an essential aspect for positively influencing the Company's conduct and increasing the level of



transparency. In this respect, the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementing its policy on the remuneration of Directors and Key Management Personnel.

This activity is carried out through the development of an engagement plan performed on an annual basis, which involves the participation of the corporate functions of Human Resources, Investor Relations and Legal Affairs, supported by the Chair of the Remuneration and Nominations Committee in order to highlight the committee's commitment on matters within their competence.

More information on this is provided later in this Report (in particular, in the Shareholders' Relations Section).

**Recordati's values** are identified in the **Code of Ethics**, last updated by the Board of Directors on 30<sup>th</sup> July 2020 (available on Recordati's website<sup>3</sup>).

On 29<sup>th</sup> October 2020, Recordati's Board of Directors resolved to adhere to the new 2020 CG Code, the recommendations of which are applicable from 1<sup>st</sup> January 2021, with the additions and necessary amendments resulting from the characteristics of the Group as mentioned in this Report. In particular, **the Company falls within the 2020 CG Code's definitions of 'large company' and 'concentrated ownership company'**. The application of the relevant recommendations and application methods approved by the Board of Directors and, in particular, the possible use of the relevant flexibility options for the application of the 2020 CG Code will be specified from time to time, where necessary for 'large companies' 'with concentrated ownership'.

The information contained in this document, unless otherwise indicated, refers to the financial year ended on 31<sup>st</sup> December 2021 and, in relation to specific issues, updated at the date of its approval by the Board of Directors (17<sup>th</sup> March 2022).

In some cases, the Report, which is published on the 'Governance' section on the Company's website <http://www.recordati.it>, makes reference to documents and information which may be consulted on the Company's website.

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### **Reverse merger of Fimei S.p.A. and Rossini Investimenti S.p.A. into Recordati S.p.A.**

Further to the information contained in the 2020 Corporate Governance Report and the market disclosures, it should be noted that on 22<sup>nd</sup> April 2021 the last of the registrations with the competent Companies' Register of Milan, Monza, Brianza and Lodi of the merger deed relating to the merger by incorporation of Rossini Investimenti S.p.A. and Fimei S.p.A. into Recordati S.p.A. was completed. (the 'Merger').

For further information on the terms and procedures for performing the Merger, reference should be made to the Merger Project, the Information Document and the Explanatory Reports, published on the website [www.recordati.com](http://www.recordati.com) (in the 'Investors' area, section 'Shareholders')

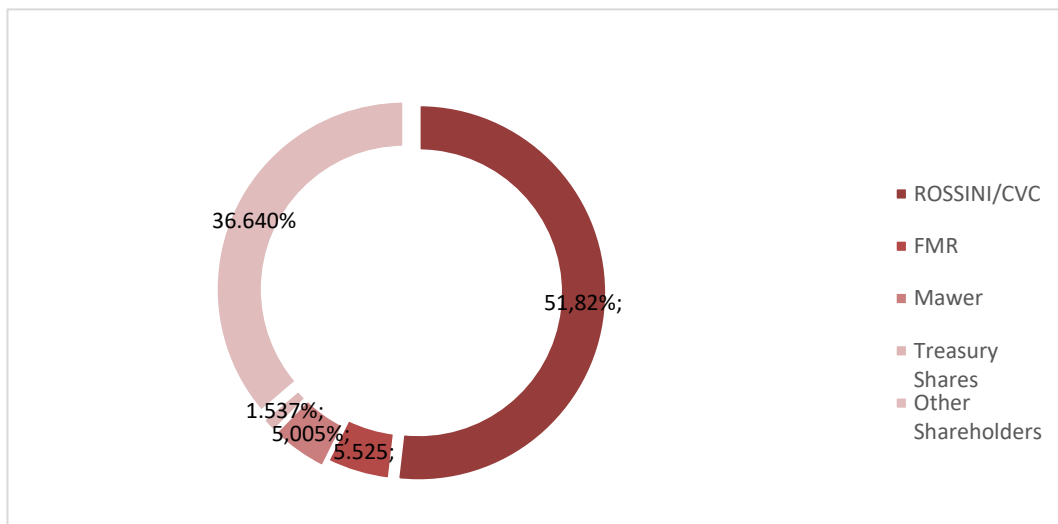
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<sup>3</sup><https://www.recordati.it/pdf/code-of-ethics-recordati-group.pdf>

Meetings - Reverse Merger into Recordati S.p.A. 2020/2021') and on the authorised storage mechanism 1Info <https://www.1info.it>

## 2. OWNERSHIP STRUCTURE (pursuant to article 123-bis, paragraph 1, of the TUF)

Below is a graph representing the ownership structure as at 31<sup>st</sup> December 2021.



### a) Structure of the share capital and rights attaching to shares (pursuant to article 123-bis, paragraph 1, letter a) of the TUF)

The subscribed and paid-up share capital amounts to € 26,140,644.5 and is represented by 209,125,156 ordinary shares each with a par value of € 0.125 as reported in the table at the end of this section. The shares are listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Borsa Italiana and issued under a dematerialisation regime.

The rights attaching to the shares are set out in the By-Laws. More specifically, each share entitles the holder to a proportional part of the profits allocated for distribution; article 28 of the By-Laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, resolves to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares. The Board of Directors may resolve to distribute interim dividends, within the limits and according to the procedures established by law. Dividends not collected within five years following the day on which they became payable shall revert to the Company and are recognised in the extraordinary reserve.

As reported in the table below, there are no other categories of shares, nor other financial instruments that assign the right to subscribe to new share issues, with the exception of the conditions indicated below in the context of stock option plans.

As concerns outstanding stock option plans and any share capital increases there may be at the service of those plans, reference is made to the information documents prepared in accordance with article 84-*bis* of the Consob Issuers' Regulations relating to each outstanding stock option plan, available on the Company website at the address: [http://www.recordati.it/en/corporate\\_governance/remuneration/stock\\_option\\_plans/](http://www.recordati.it/en/corporate_governance/remuneration/stock_option_plans/).

The Remuneration Report pursuant to article 84-*quater* of the Consob Issuers' Regulations may also be consulted, available on the Company's website ([http://www.recordati.it/en/corporate\\_governance/remuneration/remuneration\\_reports/](http://www.recordati.it/en/corporate_governance/remuneration/remuneration_reports/)).

STRUCTURE OF THE SHARE CAPITAL			
	No. Shares	No. of voting rights	Listed/unlisted
Ordinary shares	209,125,156	209,125,156	Listed on the <i>Mercato Telematico Azionario</i> (electronic stock exchange) managed by Borsa Italiana
Preference shares	0	0	
Shares with multiple voting rights	0	0	
Other classes of shares with voting rights	0	0	
Savings shares	0	0	
Convertible savings shares	0	0	
Other classes of shares without voting rights	0	0	

No other financial instruments exist which give the right to subscribe newly issued shares.

**b) Restrictions on transfer of securities (pursuant to article 123-*bis*, paragraph 1, letter b) of the TUF)**

The By-Laws of the Company establish that the shares of the Company are freely transferable.

**c) Significant investments in the share capital (pursuant to article 123-*bis*, paragraph 1, letter c) of the TUF)**

On the basis of notifications received, in accordance with article 120 of Italian Legislative Decree no. 58/1998 and other information received, as at 17<sup>th</sup> March 2022, the following parties held shares, either directly or indirectly, amounting to more than 3% of the share capital ('significant shareholdings').

<b>SIGNIFICANT SHAREHOLDINGS</b>			
<b>Reporting entity</b>	<b>Direct Shareholder</b>	<b>Percentage (%) of ordinary share capital</b>	<b>Percentage (%) of voting share capital*</b>
<b>CVC CAPITAL PARTNERS</b>	<b>ROSSINI SARL</b>	51.82%	51.82%
<b>FMR LLC</b>	<b>Fidelity Management &amp; Research Company LLC, Fidelity Management &amp; Research (Japan) Limited, FIAM LLC, FMR Investment Management (UK) Limited, Fidelity Institutional Asset Management Trust Company</b>	4.998%	4.998%
<b>Mawer Investment Management LTD</b>	<b>Mawer Investment Management Ltd</b>	5.005%	5.005%

\* As is known treasury stock consists of shares on which voting rights are only temporarily suspended in accordance with the law.

As at 17<sup>th</sup> March 2022, Recordati S.p.A. also held no. 3,537,802 treasury shares equal to 1.69% of the capital on which voting rights are suspended in accordance with the law.

Significant shareholdings may be consulted on the Consob website ([www.consob.it](http://www.consob.it)).

**d) Securities with special rights** (pursuant to article 123-*bis*, paragraph 1, letter d) of the TUF)

No securities with special rights of control have been issued.

**e) Shareholding by employees: exercise of voting rights** (pursuant to article 123-*bis*, paragraph 1, letter e) of the TUF)

No shareholding system exists for employees which involves the exercise of voting rights which is different from that provided for shareholders in general.

**f) Restrictions on voting rights** (pursuant to article 123-*bis*, paragraph 1, letter f) of the TUF)

Each ordinary share gives the right to vote without any restrictions.

**g) Shareholders' Agreements** (pursuant to article 123-*bis*, paragraph 1, letter g) of the TUF)

On 29<sup>th</sup> June 2018, the members of the Recordati family, then shareholders of Fimei S.p.A. – at that time the majority shareholder of the Company (as from 22<sup>nd</sup> April 2021 merged by incorporation into Recordati S.p.A.) – announced that they had reached an agreement for the transfer to a consortium of investment funds controlled by CVC Capital Partners VII of the entire capital of Fimei S.p.A. which, on that date, held 51.79% of the Company's capital (the '**Contract**').

On 4<sup>th</sup> July 2018, this Contract was published pursuant to article 122 of the TUF, as it contains *inter alia* certain agreements (the '**Agreements**') functional to the execution of the transaction governed by the Contract itself, which can be considered as agreements of a shareholder nature and have therefore been prudently subject to the related publication formalities.

On 6<sup>th</sup> December 2018, in the performance of the aforementioned Contract, the shareholders of Fimei S.p.A. transferred their entire shareholding in Fimei S.p.A. to Rossini Investimenti S.p.A. (a company designated for this purpose under the aforementioned agreement).

Following the completion of this transfer, all the Agreements of the Contract ceased to apply.

On 29<sup>th</sup> June 2018, Rossini Holdings S.à r.l., ('**Rossini Holdings**'), executed two investment agreements with Andrea Recordati and an investment agreement with Fritz Squindo (collectively, the '**Investment Agreements**'). The aforementioned agreements govern the investment conditions of Andrea Recordati and Fritz Squindo respectively in Rossini Luxembourg S.à r.l., a subsidiary of Rossini Holdings, subject to the acquisition by Rossini Luxembourg of the entire share capital of FIMEI S.p.A., a company that holds ordinary shares representing 51.791% of the subscribed share capital of Recordati. The Investment Agreements contain, *inter alia*, certain agreements (the '**Agreements**'), functional to the execution of the transaction governed by the Investment Agreements themselves, which are likely to take on a significant shareholder nature for the purpose of fulfilling the related publication formalities.

On 4<sup>th</sup> July 2018, these Agreements were disclosed pursuant to article 122 of the TUF.

On 6<sup>th</sup> December 2018, two agreements were executed amending the aforementioned Investment Agreements, both of which were notified pursuant to article 122 of the TUF on 11<sup>th</sup> December 2018.

On 6<sup>th</sup> December 2018, Rossini Holdings S.à r.l. *société à responsabilité limitée* established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224480 ('**CVC Luxco**'), Rossini Luxembourg S.à r.l. *société à responsabilité limitée* established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224498 ('**Lux Equityco**') and Rossini Co-Invest GP Limited ('**General Partner**'), in its capacity as general partner of Rossini Co-Invest L.P. (the '**Partnership**') both having their registered office at 1 Waverley Place, Union Street, St Helier, Jersey, and Channel Islands JE1 1SG, executed with PSP Investments Holding Europe Limited with its registered office in London, 10 Bressenden Place SW1E 5DH, United Kingdom, ('**PSP**') some significant shareholders' agreements pursuant to article 122 of the TUF (the '**PSP Shareholders' Agreement**').

This PSP Shareholders' Agreement was published pursuant to article 122 of the TUF on 11<sup>th</sup> December 2018.

On 6<sup>th</sup> December 2018, Rossini Holdings S.à r.l. *société à responsabilité limitée* established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224480 ('**CVC Luxco**'), Rossini Luxembourg S.à r.l. *société à responsabilité limitée* established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224498 ('**Lux Equityco**') and Rossini Co-Invest GP Limited ('**General Partner**') in its capacity as general partner of Rossini Co-Invest L.P. (the '**Partnership**') both having their registered office at 1 Waverley Place, Union Street, St Helier, Jersey, Channel Islands JE1 1SG, executed with Finance Street SSMA C.V., AlInvest LIVE Co C.V., ACIF VII C.V., ACIF (Euro) VII C.V., AG Co-Investment C.V., AJ Co C.V., AlInvest GA Co 2018 C.V. and APSS Co-Investment C.V. (collectively, '**AlInvest**') some significant

shareholders' agreements pursuant to article 122 of the TUF (the '**AlInvest Shareholders' Agreement**').

This AlInvest Shareholders' Agreement was published pursuant to article 122 of the TUF on 11<sup>th</sup> December 2018.

On 19<sup>th</sup> February 2019, with reference to the investment agreements executed between Andrea Recordati, on one hand, and Rossini Luxembourg S.à.r.l. and Rossini Holdings S.à.r.l., on the other hand, on 29<sup>th</sup> June 2018 (as amended on 6<sup>th</sup> December 2018) (hereinafter referred to as the '**AR Agreements**'), which include some significant shareholders' agreements pursuant to article 122 of the TUF, paragraphs 1 and 5 and were already disclosed to public on 1<sup>st</sup> July and 11<sup>th</sup> December 2018, the following amendment was disclosed: on 14<sup>th</sup> February 2019, (i) Mr Andrea Recordati subscribed for no. 6,350,000 ordinary shares and no. 1,150,000 preference shares (the ordinary and preference shares, the '**Shares**') of Rossini Luxembourg; (ii) Mr Andrea Recordati transferred these Shares to his controlled company Indio s.s., with registered office in Milan, via Paolo Andreani 4, fiscal code 97832790154 ('**Indio**'); (iii) through the signing of certain adhesion agreements with Andrea Recordati, Rossini Luxembourg and Rossini Holdings S.à.r.l. (the '**Indio Adhesion Agreements**'), Indio has adhered to the AR Agreements, taking upon itself the rights and obligations arising from the AR Investment Agreements held by Andrea Recordati, who in any case remained a party to those agreements; and (iv) the Shares are held by Cordusio Società Fiduciaria per Azioni, a company subject to the management and coordination of Unicredit S.p.A., with registered office in Milan, via Borromei, 5, registered under no. 863916 with the Companies' Register of Milan ('**Cordusio**'), in its capacity as fiduciary company (*società fiduciaria*) appointed by Indio, which has given Cordusio irrevocable instructions, as they are also conferred in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the AR Agreements and the By-laws of Rossini Luxembourg.

Through the Indio Adhesion Agreements, Indio has undertaken the rights and obligations which Andrea Recordati was entitled to on the basis of the AR Agreements, Mr Andrea Recordati remaining although part to such agreements.

Furthermore, pursuant to the Indio Adhesion Agreements, Indio has undertaken towards Rossini Holdings and Rossini Luxembourg to transfer the ordinary and privileged shares of Rossini Luxembourg held by the latter to Mr Andrea Recordati or to a related party to him, in case Indio ceases to be qualified as related party to Mr Andrea Recordati.

No amendments occurred in relation to the same agreements executed on 29<sup>th</sup> June 2018 between Fritz Squindo, on one hand, and Rossini Luxembourg S.à.r.l. and Rossini Holdings S.à.r.l., on the other hand, as subsequently amended on 6<sup>th</sup> December 2018 likewise the AR Agreements the '**FS Agreements**', which were disclosed to the market on 4<sup>th</sup> July and 11<sup>th</sup> December 2018. On 14<sup>th</sup> February 2019, the Rossini Luxembourg shares subject to the FS Agreement were subscribed by Cordusio on behalf of Mr Fritz Squindo, who granted Cordusio irrevocable instructions, as they were also granted in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the FS Agreement and the By-laws of Rossini Luxembourg.

For the sake of completeness, it should be noted that the extract of the aforementioned shareholders' agreements published pursuant to the law and the essential information on the relevant agreements mentioned above, as also possibly amended, in line with the applicable legislation, are available on the Company's website: [http://www.recordati.it/en/corporate\\_governance/shareholders\\_agreements](http://www.recordati.it/en/corporate_governance/shareholders_agreements).

**h) Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h) of the TUF) and By-Laws provisions concerning public tender offers to purchase (pursuant to articles 104, paragraph 1-ter and 104-bis, paragraph 1)**

The Company and some of its subsidiaries are, in relation to their business operations, parties to some licensing agreements that include a clause, which is a normal provision in international agreements, authorising the Licensor to dissolve the contracts in the event of change of direct or indirect control of the Licensee.

In addition, bonds issued by the Company (in 2014 and 2017) – for totals of US\$ 75 million and € 125 million - both privately placed with international institutional investors and most of the major loan agreements executed by the Company, also as guarantor for the benefit of its subsidiaries – for a total of € 795 million – set out, as is normal in financial operations of this type, a clause, which authorises the creditors to obtain immediate repayment if the control of the Company changes.

The By-Laws of the company do not allow exceptions to the provisions concerning takeovers on the passivity rule pursuant to article 104, paragraph 1-ter, of the TUF nor do they allow the application of neutralisation rules pursuant to article 104-bis, paragraph 1, of the TUF.

**i) Authorisation for increase of share capital and acquisition of treasury shares (pursuant to article 123-bis, paragraph 1, letter m) of the TUF)**

The Board of Directors was authorised to increase share capital, pursuant to article 2443 of the Italian Civil Code, by a Shareholders' Meeting of 11<sup>th</sup> April 2017.

The increase in the share capital may be performed in one or more tranches, free of charge or by payment, for a total maximum nominal amount of € 50,000,000 within a period of no more than five years from the date of the resolution, by issuing ordinary shares and/or warrants for the subscription to such shares, to assign or to offer as an option to shareholders, with the right pursuant to the joint provisions of article 2441, last paragraph, of the Italian Civil Code and article 134, second paragraph, of the TUF to offer subscription to the shares to Recordati S.p.A. employees or to subsidiaries of the Company in relation to the stock option plans decided by the Shareholders' Meeting. The Board of Directors may also decide that the issue should be performed with a share premium, setting the amount and also specifying that if the issue decided is not fully subscribed within the time limits set from time to time, the share capital shall be increased by an amount equal to the subscriptions received by the time limit set.

To-date, the Board has not yet acted on this mandate, not even partially.

That same Shareholders' Meeting authorised Directors, in accordance with article 2420-ter of the Italian Civil Code to decide the issue in one or more tranches, for a total maximum nominal amount of € 80,000,000, of bonds convertible to ordinary shares, or valid warrants to subscribe to such shares, to offer in option to shareholders within a period of no more than five years from the date of resolution, in observance of applicable law and regulations concerning the issuing of bonds, and at the same time, deciding an increase of share capital for the amount that corresponds to the nominal value of the shares to be attributed in conversion.

To- date, the Board has not yet acted on this mandate not even partially.

Both mandates will end upon the Shareholders' Meeting called in order to approve the financial statements as at 31<sup>st</sup> December 2021 and, as at the date of the Report, the Board has decided not to propose to renew them at the next Shareholders' Meeting called in order to approve the financial statements as at 31<sup>st</sup> December 2021.

The By-Laws do not authorise the Board to issue participating financial instruments.

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In ordinary session, by means of a resolution of 20<sup>th</sup> April 2021 a Shareholders' Meeting renewed the authorisation to purchase treasury shares, pursuant to articles 2357 *et seq.* of the Italian Civil Code, until approval of the financial statements as at 31<sup>st</sup> December 2021, scheduled for 29<sup>th</sup> April 2022. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 4,000,000, which corresponds to a total potential payment of not more than € 200,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0.125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, plus 5%. Purchases must be made on regulated markets, in compliance with the applicable laws and regulations, according to the procedures set forth by EU Regulation no. 596/2014 and the relevant implementing provisions, and according to standard practices recommended by Consob in accordance with article 13 of EU Regulation no. 596/2014, where applicable.

At the end of the Financial Year, the Company held no. 3,214,300 treasury shares in portfolio, which represented 1.537% of the share capital.

On the basis of this shareholders' resolution, on 1<sup>st</sup> November 2021, a share buy-back program was launched to service stock option plans for the management of Recordati Group companies already adopted by the Company and those plans to be adopted in the future. Such plan was completed on 21<sup>st</sup> January 2022. On the basis of this program, 1,000,000 shares were purchased for a consideration of € 53,916,758.37.

For the sake of completeness, it should be noted that the share buy-back program launched on 23<sup>rd</sup> February 2021, by virtue of the Shareholders' Meeting's resolution of 29<sup>th</sup> April 2020 (in relation to which preliminary information was provided in the Report for the 2020 financial year), was completed on 19<sup>th</sup> April 2021. Based on this program, 1,500,000 shares were purchased for a consideration of € 66,824,532.56.

In consideration of the expiry of the current authorisation which will occur when the Shareholders' Meeting is held to approve the financial statements for the year ended on 31<sup>st</sup> December 2021, the Board resolved to submit a proposal to the Shareholders' Meeting convened to approve the 2021 financial statements to renew the authorisation to purchase and assign treasury stock in order to maintain the necessary operational flexibility over an appropriate time horizon. The Directors' Report on the relevant item on the agenda, which will be also made available on the Company's website within the time period set forth by law, may be consulted for further information.

**j) Management and co-ordination (pursuant to article 2497 *et seq.* of the Italian Civil Code)**



The Company is subject to the management and coordination on the part of Rossini Luxembourg S.à.r.l, pursuant to article 2497 *et seq.* of the Italian Civil Code.

In 2019 the Board of Directors approved the adoption of specific regulations on the management and coordination activities carried out by Rossini Luxembourg S.à.r.l. on Recordati S.p.A. and on the information flows of Recordati S.p.A. towards, in particular, Rossini Luxembourg S.à.r.l. at the end of an in-depth investigation which involved, from the onset of the drafting phase, the independent directors and the Board of Statutory Auditors.

The exercise of this activity by Rossini Luxembourg S.à.r.l. can be carried out, *inter alia*, through the formulation of general guidelines, the purpose of which is to coordinate, to the extent deemed necessary, insofar as possible and in any case in accordance with the respective objectives, the management strategies of Rossini Luxembourg and the Recordati Group; the establishment of directives and the formulation of instructions for the transmission of management and accounting information which Rossini Luxembourg may need in order to comply with applicable laws and regulations; the formulation by Rossini Luxembourg of non-binding opinions in particular on some significant transactions and decisions.

The Company performs management and coordination activities, pursuant to articles 2497 *et seq.* of the Italian Civil Code, vis-à-vis the Italian companies belonging to the Recordati Group and its direct and indirect subsidiaries, outlining their medium/long-term strategies in terms of economic and financial results, industrial and investment objectives and commercial policies. The fully controlled Italian subsidiaries have acknowledged management and co-ordination by the Company and have fulfilled legal disclosure requirements in this respect.

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#### **k) Other information**

The information required by article 123-*bis*, first paragraph, letter i) of the TUF (*'agreements between the Company and directors, members of the board of directors or the supervisory board, which provide for the payment of indemnities in the event of resignation, dismissal without just cause or if the contract of employment is interrupted following a public tender offer'*) is given in the Remuneration Report published in accordance with article 123-*ter* of the TUF.

The information required by article 123 *bis*, first paragraph, letter l) of the TUF (*'regulations for the appointment and replacement of directors and for amendments to the By-Laws, if different from those applicable by law in the absence of alternative provision'*) is given in the section of the report on the Board of Directors (Section 4.1).

### **3. COMPLIANCE (pursuant to article 123-*bis*, paragraph 2, letter a, first part) of the TUF)**

As illustrated in Section 1, in accordance with the procedures contained in this report, the Company adheres to the 2020 CG Code, with a few minor exceptions.

The 2020 CG Code may be consulted on the website of the Corporate Governance Committee at the address: <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020-eng.en.pdf>.

In particular, in the event that the Company has decided not to adhere to certain principles or operating criteria of the 2020 CG Code, reasons were given either in the corresponding section of this Report or in the corresponding section of the Remuneration Report.

The main characteristics of the risk and internal control management systems in relation to financial reporting, including consolidated reporting, requested by article 123-*bis*, paragraph 2, letter b) of the TUF are illustrated in the section of the Report on internal control and risk management (Section 9).

The procedures for the functioning of shareholders' meetings, its principal powers, the shareholder rights and the procedures for exercising them, required by article 123-*bis*, paragraph 2, letter c) of the TUF, are illustrated in the section of the Report on Shareholders' Meeting (Section 13).

The information concerning the criteria and policies concerning diversity applied in relation to the composition and functioning of management and supervision bodies and their committees, required by article 123-*bis* paragraph 2, letter d) of the TUF, are illustrated in the section of the Report on the Board of Directors (Section 4) and, in more detail for the Committees, in the section of the Report on internal Board Committees (Section 6).

Information on the criteria and policies on diversity applied in relation to the composition of the administrative, management and control bodies with regard to aspects such as age, gender composition and training and professional background required by article 123-*bis*, paragraph d-*bis*, of the TUF, is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.3.b.).

## 4. BOARD OF DIRECTORS

### 4.1 ROLE OF THE BOARD OF DIRECTORS

On 28<sup>th</sup> October 2021, the Board of Directors approved a regulation (the 'Regulation') governing the **role**, activities, organisation and procedures for the functioning of the Company's governing body, in order to ensure compliance with applicable laws and Recordati's By-Laws (the 'By-Laws'), as well as with the principles and recommendations of the 2020 CG Code as applicable from time to time and as approved by the Company and, in particular, also with a view to ensuring an effective management of board reporting.

With regard to the role and competences of the Board of Directors, pursuant to article 22 of the By-Laws, the Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration and management of the Company, without any exceptions whatsoever, and is authorised to perform all the acts it deems appropriate for the implementation and achievement of the corporate purposes, with the exception only of those acts that the law strictly reserves to the Shareholders' Meeting. The Board of Directors is also empowered to resolve on matters that cannot be delegated pursuant to article 2381 of the Italian Civil Code.

In addition, the Board of Directors: (i) is empowered to resolve on the matters set out in article 22 of the By-Laws; (ii) pursuant to article 18 of the By-Laws, appoints one or more Chief Executive Officers from among its members; (iii) may delegate its powers, in whole or in part, in addition to the Chair, also to the Vice-Chair, to the Executive Committee and/or to one or more Chief Executive Officers and may grant specific mandates to individual Directors or to managers of the Company, all as better specified in article 9 below; (iv) pursuant to article 25 of the By-Laws and the 'Regulation of the Manager responsible for preparing the company's financial reports' approved by the Board of Directors most recently on 18<sup>th</sup> March 2020 (the 'Financial Reporting Officer Regulation', subject to the mandatory opinion of the Board of Statutory Auditors and the Risk, Control and CSR Committee, appoints and revokes the Manager responsible for preparing the company's financial reports (the 'Financial reporting Officer'); (v) decides on related-parties transactions in the cases provided for by the related-party transaction procedure adopted by the Company.

The Board of Directors is responsible for defining the strategic guidelines of the Company and of the group it heads, monitoring their implementation, resolves on transactions of strategic importance and is responsible for governing their management.

In relation to the **specific powers provided for by the 2020 CG Code**, the Board monitors the adequacy of the organisational, administrative and accounting structure of Recordati and its subsidiaries of strategic importance, with particular reference to the internal control and risk management system.

The Board of Directors:

- (i) leads the Company by pursuing its sustainable success;
- (ii) defines the corporate governance system that is most functional for carrying out the Company's business and pursuing its strategies, taking account of the flexibility offered by the legal framework, and, if needed, assesses and promotes the appropriate amendments and submits them to the Shareholders' Meeting when such changes are necessarily subject to the Shareholders' approval, with reference to:
  - (a) choice and characteristics of the corporate form;
  - (b) size, composition and appointment of the management body and term of office of its members;
  - (c) definition of administrative rights (including the possible introduction of increased voting rights) and equity rights of shares;
  - (d) percentages set for the exercise of the prerogatives to preserve minorities;
- (iii) promotes dialogue with Shareholders and other stakeholders which are relevant for the company, in the most appropriate way.

In particular, the Board of Directors:

- a) examines and approves the business plan of the Company and of the group it heads, also on the basis of the analysis of the issues relevant to the generation of long-term value carried out with the support of the Risk, Control and CSR Committee or of the different committee that may be identified by the Board of Directors;
- b) periodically supervises the implementation of the business plan and assesses the general operating performance, taking into account, in particular, the information received from the delegated bodies and periodically comparing the achieved results with the planned ones;

- c) defines the nature and level of risk compatible with the Company's strategic objectives, including in its evaluations all the elements that may be relevant to the medium-long term sustainability of the Company's activities;
- d) defines the corporate governance system of the Company and the structure of the group it heads, setting out guidelines for the governance of its subsidiaries;
- e) assesses the adequacy of the organisational, administrative and accounting structure of the Company and of its subsidiaries with strategic importance as drafted by the delegated bodies, with particular reference to the internal control and risks management system;
- f) resolves on the transactions of the Company and of its subsidiaries that have significant strategic, economic, equity or financial importance for the Company itself and, to this end, it sets out the general criteria for the identification of significant transactions through the adoption of an appropriate procedure;
- g) adopts internal regulations, including those concerning market abuses (Regulation (EU) no. 596/2014, the so-called Market Abuse Regulation).

In addition, in relation **to the internal control and risks management system**, the Board of Directors, in line with the provision of the 2020 CG Code, with the support of the Risk, Control and CSR Committee:

- a) defines the guidelines of the internal control and risk management system in accordance with the Company's strategy and in such a way that the main risks relating to the issuer and its subsidiaries, including the various risks that may be relevant to sustainable success, are correctly identified, as well as adequately measured, managed and monitored, also determining the level of compatibility of such risks with a management of the company in line with the Company's strategies;
- b) identifies one or more Directors responsible for the introduction and maintenance of an effective internal control and risk management system (Director(s) in charge of the internal control and risks management system), if it considers to derogate from the recommendation of the 2020 CG Code which identifies the latter as the Chief Executive Officer;
- c) appoints and revokes the Chief of the Group Internal Audit Function, defining his/her remuneration in line with the Company's policies and ensuring that he/she is provided with appropriate resources to carry out his/her duties. If the Board of Directors decides to entrust the Group Internal Auditing Function, as a whole or by segments of activity, to an external party, it shall ensure that the latter has appropriate competence, independence and organisation requirements, and that appropriate reasons for this choice are provided in the Corporate Governance Report;
- d) approves, at least once a year, the work plan prepared by the Chief of the Group Internal Auditing Function, after having also consulted the Board of Statutory Auditors, the Director responsible for the internal control and risks management system and the Chief Executive Officer (if a person other than the Director responsible for the internal control and risks management system);
- e) assesses the appropriateness of measures adopted to ensure the effectiveness and impartiality of judgement of the corporate functions involved in the controls (such as risk management and legal and non-compliance risk monitoring functions, with reference to the organisational structures of the Company set up in relation to such functions), verifying that they are provided with appropriate competence and resources;

- f) assesses, at least once a year, the adequacy of the internal control and management risks system with respect to the Company's characteristics and its risk profile, as well as its effectiveness;
- g) assigns the supervisory functions pursuant to article 6, par. 1, lett. b) of Italian Legislative Decree no. 231/2001 to the Board of Statutory Auditors or to a body established specifically for this purpose (the so-called '*Organismo di Vigilanza*' - ODV (231 Compliance Body)); in the latter case, (i) appoints the members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001, ensuring to appoint within the body at least one non-executive Director and/or a member of the Board of Statutory Auditors and/or the head of a legal or supervisory function of the Company, in order to ensure coordination among the various parties involved in the Internal Control and Risks Management System and (ii) grants the ODV (231 Compliance Body) an annual budget;
- h) describes, in the corporate governance report, the main characteristics of the internal control and risks management system and the methods of coordination among the persons concerned. The report provides information about the national and international reference models and best practices adopted and the Board's overall assessment of the adequacy of the system itself. Moreover, it provides an adequate explanation of the composition of the ODV (231 Compliance Body).
- i) assesses, after consultation with the Board of Statutory Auditors, the results presented by the External Auditors in any letter of suggestions and in the additional report on the key issues raised during the statutory audit addressed to the Board of Statutory Auditors, if any;
- j) adopts, modifies and/or integrates the Management, Control and Organisational Model drafted pursuant to Italian Legislative Decree no. 231/2001 and approves its adjustments in line with the regulatory provisions in force from time to time;
- k) appoints and revokes the Person(s) in charge of internal control pursuant to article 150 of Italian Legislative Decree no. 58/1998;
- l) implements the recommendations of the 2020 CG Code in relation to the internal control and risks management system.

In addition, the Board of Directors, with the support of the Remuneration and Nominations Committee, is vested with the powers and functions set out in the 2020 CG Code and applicable law **in relation to remuneration**. Again with the support of the Remuneration and Nominations Committee, the Board of Directors:

- a) ascertains that appropriate procedures are in place for the succession of top management in accordance with the 2020 CG Code;
- b) identifies the candidates for the office of Director in the event of co-option, if there are no remaining candidates available in the slate to which the outgoing Director belonged, in accordance with the criteria relating to the composition of the Board.

The Board of Directors is also responsible for the adoption of the regulations, procedures and internal policies deemed necessary or appropriate for the organisation of the company, or for compliance with the law or the compliance with the 2020 CG Code, including, by way of example, the following:

- a) a regulation which defines the functioning rules of the Board of Directors and of its Committees (please see article 11.4 of the Regulation);
- b) a procedure which regulates the related-party transactions carried out by the Company, directly or through its subsidiaries;

- c) a procedure for the internal management and the external communication of inside information in accordance with the law (please see point l), lett. g) above).

The Board of Directors has decided to take advantage, with effect from 20<sup>th</sup> December 2012, of the option not to comply with obligations to publish the reports required when significant transactions are performed consisting of mergers, demergers, share capital increases through contributions in kind, acquisitions and disposals, in accordance with article 70, paragraph 8, of the Consob Issuers' Regulations.

It should be noted that, in implementation of the above, **during 2021**, the Board in particular:

- set targets for 2021 to be disclosed to the market;
- launched two share buy-back programs to service stock option plans for the management of Recordati Group companies already adopted by the Company and those plans to be adopted in the future;
- set targets for 2021 to which the exercise of the individual tranches of the options granted and not yet vested on the basis of the Company's Stock Option Plans is subject;
- set the performance targets linked to the variable component of the remuneration of the Chief Executive Officer and the Director, Mr Squindo, Group General Manager, for 2021 and approved their performance targets for 2020;
- after consulting with the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, approved the work plan prepared by the Chief of the Group Internal Audit Function for 2021;
- approved the Guidelines on the internal control and risk management system for 2021, following their adaptation to the 2020 CG Code, as adopted by the Company at the end of the 2020 financial year;
- assessed the independence requirements of the directors qualifying as independent also in the light of the criteria set out in the 2020 GC Code;
- at the beginning of 2021 confirmed as subsidiaries of strategic importance the companies already identified as such in 2020: Laboratoires Bouchara Recordati S.a.s., Recordati Ireland Ltd., Jaba-Recordati S.A., Recordati Pharma GmbH, Innova Pharma S.p.A., Recordati Rare Diseases SARL, Recordati Ilac, Recordati Rare Diseases Inc, Rusfic Llc, Casen Recordati SL and Recordati AG. It therefore assessed positively the adequacy of the general organisational, administrative and accounting structure of the Company and its subsidiaries of strategic importance prepared by the Chief Executive Officer, with the support of the Director responsible for the internal control and risk management system;
- approved a procedure aimed at regulating possible conflicts of interest for Directors in relation to M&A/Licensing-in transactions.
- examined the impairment analyses concerning the 2020 financial statements, the economic valuation assumptions and the forecast assumptions used for these purposes;
- more generally assessed the operating performance and monitored the comparison, amongst other things, of actual results with budgeted results taken from the approved 2021 budget, carried out as generally established practice when quarterly interim accounting reports are approved;
- following the proposal of the Remuneration and Nominations Committee, approved the new 2021-2023 Stock Option Plan to be submitted to the Shareholders' Meeting scheduled for 20<sup>th</sup> April 2021;
- examined and approved the materiality matrix and updated the sustainability plan and objectives for the 2021 financial year;

- approved the guidelines on the maximum number of positions that each Recordati director may hold in other listed companies or large companies;
- approved the 2021-2023 Three Year Plan;
- carried out the adequacy analysis of the procedures for the succession of key manager personnel;
- approved the update of the Procedure for regulating related-party transactions and the related implementing provisions following the Consob rules and regulations implementing the European Directive 'SHRD II' (EU/2017/828);
- redefined the Company's new governance structure (as already mentioned and better detailed later in the Report);
- approved the Regulation of the Board of Directors (including the policy on qualitative and quantitative criteria for assessing independence requirements) pursuant to the Corporate Governance Code and appointed the Group General Counsel as Secretary of the Board;
- at the end of 2021, examined and approved the 2022 Group budget and reviewed the annual update of the 'Risk Map' and carried out the consequent assessment of the compatibility of the level and nature of the risks as identified in the Group Risk Map submitted to the Board, with the Group's strategic objectives set out in the 2022 Budget, also with a view to the medium/long-term sustainability of the Company;
- examined the updates of the Company's 'Risk Map', also prior to the completion of transactions for the acquisition companies or rights to products deemed significant;
- carried out specific in-depth analyses, also from a strategic point of view, on some business areas;
- reviewed the results of the Board of Directors' self-assessment process;
- examined and approved the transactions of the Company and of its subsidiaries, when such transactions were of significant strategic, economic, equity or financial importance for the Company or its subsidiaries (in particular: acquisitions of rights to pharmaceutical products and acquisitions of shareholdings, as well as loan agreements including those of significant subsidiaries).

In view of the important change in the corporate governance structure and, in particular, the appointment of a new Chief Executive Officer during the financial year, the definition and approval of the policy for managing dialogue with all shareholders was postponed to 2022.

In addition to what is indicated in this Section, reference should also be made to the other relevant Sections of the Report for details of the further duties assigned to the Board concerning: its composition, functioning, appointment and self-assessment as well as the internal control and risk management system.

Please refer to the Remuneration Report for details of the additional duties assigned to the Board concerning remuneration policy.

#### **4.2 APPOINTMENT AND REPLACEMENT (pursuant to article 123-bis, paragraph 1, letter I) of the TUF**

The appointment and replacement of Directors is regulated by articles 15, 16 and 18 of the By-Laws, the text of which, for the sake of completeness, is reproduced in full below:

*Article 15) The Board of Directors shall be appointed from slates of candidates presented by shareholders, in compliance with the existing legislation in force on gender balance, according to the procedures as indicated below, in which the candidates are identified by progressive numbers.*

*The slates, signed by the shareholders who present them, must be deposited at the registered office of the Company at least twenty-five days prior to the date of the first convention of the Shareholders' Meeting, available to anyone who requests to see them, and they will also be subject to other forms of publicity in accordance with laws and regulations in force at the time.*

*Every shareholder, shareholders who participate in a significant shareholders' agreement pursuant to article 122 of the TUF, the parent company, subsidiaries and companies subject to joint control pursuant to article 93 of the TUF, may not present or contribute to the presentation of more than one slate, not even by means of another person or trustee, nor may they vote for different slates, and each candidate may be listed in only one slate or will be disqualified. The subscriptions and votes expressed in violation of this prohibition will not be attributed to any slate.*

*Only shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock with voting rights at ordinary meetings, or representing a lesser percentage as established by binding legislative or regulatory provisions which shall be specified in the notice of meeting, shall have the right to submit slates.*

*The following items must be filed for each slate within the respective deadlines set out above and as provided by applicable regulations: (i) statements by each candidate to the effect that each accepts candidacy and declares, assuming full responsibility, that there are no reasons preventing the candidate from being elected or rendering him unsuitable for the office, and that the candidate meets any specific requirements for the relevant office; (ii) a curriculum vitae detailing each candidate's personal and professional characteristics and indicating that the candidate may be considered independent.*

*The specific certification demonstrating title to the necessary number of shares for the presentation of the slate, issued by a legally authorised intermediary must also be deposited within the time limits set by the relative regulations at the time when the slates are deposited at the Company.*

*Slates containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Directors belongs to the less represented gender.*

*Slates that are presented but are not in accordance with the provisions as above will be considered as not presented.*

*The Board of Directors will be elected as follows:*

- a) all of the Directors to be appointed, except one, will be selected from the slate that obtained the greatest number of votes, following the progressive order in which they are listed on the slate;*
- b) the remaining director shall be the candidate placed at the number one position on the minority slate, which shall not be connected in any way, even indirectly, with those who submitted or voted for the slate indicated in letter a) above, which obtains the second highest number of votes. For this purpose, slates that did not obtain a percentage of votes equal to at least half of that required for presentation of the slates as at the fourth paragraph of this article will not be considered.*

*For the purposes of the appointment of directors as indicated at point b) above, in the event of a tie between slates, the slate presented by shareholders possessing the larger shareholding, or subordinately the larger number of shareholders, shall prevail.*



*If the candidates elected by the method as above do not include an adequate number of independent Directors with the characteristics as established for statutory auditors at article 148, third paragraph, of the TUF, equal to the minimum number established by the law in relation to the total number of Directors, the last non-independent candidate, according to the progressive numbering, of the slate that obtained the greatest number of votes as at letter a) of the paragraph above, will be substituted by the first independent candidate, according to the progressive numbering, of the non-elected candidates on the same slate, or if not possible, by the first independent candidate, according to the progressive numbering, of the non-elected candidates of the other slates, according to the number of votes obtained by each. This procedure of substitution will be followed until the board of directors is composed of a number of members who have the qualifications as at article 148, third paragraph of the TUF, equal at least to the minimum legal number. If this procedure does not produce the latter result, the substitution will be effected by resolution of the Shareholders' Meeting by relative majority, after presentation of candidates who possess the qualifications as cited above.*

*Furthermore, if with the candidates elected according to the above procedures the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is not ensured, the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the less represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the less represented gender.*

*If only one slate is presented, all of the Directors will be selected from the same slate. If no slate is presented the Shareholders' Meeting will decide by legal majority, without following the procedure as above. All of the foregoing is subject to compliance with the legislation in force at the time concerning gender balance.*

*Any different or additional compulsory provisions of the law or regulations will form an exception to these provisions.*

*Article 16) - The fees to be paid to the Board of Directors shall be established by the Shareholders' Meeting for the entire period of their term, or for each financial year, and may take the form of profit-sharing.*

*Article 18) - Unless already provided for by the Shareholders' Meeting, the Board shall appoint a Chair and may appoint a Vice-Chair from among its members. The Board shall also appoint one or more Managing Directors from among its members. The Chair shall have all the powers vested in him by law; in the case of his absence or inability to attend for any reason, the said powers shall be exercised by the Vice-Chair, or in his absence, by the most senior Director.*

*Finally, the Board shall appoint a Secretary, who need not be a member of the Board.*

It is also underlined that, on the basis of the By-Laws in force, the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in an Ordinary Shareholders' Meeting, or representing a lower percentage established by mandatory laws or regulations. In this respect, in accordance with articles 144-*quater* and 144-*septies* of the Consob Issuers'

Regulations, as well as Consob resolution no. 60 of 28<sup>th</sup> January 2022, the percentage of the share capital required to present slates of candidates to the Board of Directors of the Company is currently 1%. The current By-Laws do not provide for the possibility of the outgoing Board of Directors to submit a slate.

On the basis of article 147-ter, first paragraph, of the TUF, the By-Laws also state that for the purposes of the distribution of votes among directors to be elected, no account is taken of slates that have not obtained a percentage of votes equal to at least half of that required for the presentation of slates.

In order to ensure the election of at least one minority director, the By-Laws state that all the directors to be elected except for one shall be drawn from the slate which obtained the greatest number of votes in the order in which they are slated on that slate. The remaining director is the candidate placed in the number one position on the minority slate, which shall not be connected in any way, even indirectly, with the shareholders who submitted or voted for the majority slate and which obtained the majority of votes from the shareholders. In the case of a tied vote between slates, the minority director shall be drawn from the slate presented by the shareholders in possession of the greater number of shares or, secondarily, with the greatest number of shareholders.

As concerns the mechanism adopted to ensure that a minimum number of independent directors are elected in compliance with article, 147-ter, fourth paragraph, of the TUF, the By-Laws state that if the number of independent directors is not reached, the non-independent candidate elected in last place on the majority slate shall be replaced by the first independent candidate in progressive order not elected on that slate, or, if there is none, by the first independent candidate in progressive order not elected on the other slates, according to the number of votes obtained by each.

Finally, if this procedure does not lead to the aforementioned result, the directors shall be replaced by a resolution passed by relative majority of the Shareholders' Meeting upon presentation of candidates satisfying the above requirements of independence.

If only one slate is presented, the By-Laws also state that all of the Directors to be elected shall be selected from that slate. If no slate is presented the Shareholders' Meeting shall decide by legal majority, without following the procedures just described.

The By-Laws do not lay down any additional **requirements for the independence of Directors** with respect to those contained in article 148, paragraph 3, of Italian Legislative Decree no. 58/1998, because the Company adheres to the 2020 CG Code and the Board of Directors verifies possession of the requirements of independence in accordance with the 2020 CG Code and consequently when a Shareholders' Meeting appoints Directors, the Board of Directors invites candidates to the position of Director contained on slates to declare also these requirements, as adopted by the Company.

In compliance with the 2020 CG Code, during 2021, the Board adopted a '**Policy on qualitative and quantitative criteria for assessing independence requirements**' which will apply from the assessment of the independence of the Directors of the Company who will be appointed by the Shareholders' Meeting of Recordati convened to approve the financial statements for the financial year ending on 31<sup>st</sup> December 2021. Such policy is available on the Company's website in the Corporate Governance section with reference to the Board of Directors. For further details on such policy, please refer to the section of the Report on Independent Directors.

In particular, the table at the end of this Section may be consulted for details of those Directors currently in office who meet the requirements for independence in accordance with the TUF and those that are independent in accordance with the 2020 CG Code.

With regard to the **regulations on gender balance in corporate bodies** Italian Law no. 160 of 27<sup>th</sup> December 2019 (Budget Law 2020) has amended articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the TUF, providing for a different quota reserved for the least represented gender equal to 'at least two-fifths' (compared to the previous 'at least one-third') of the members and established that this allocation criterion applies for 'six consecutive terms of office'. According to the Italian Budget Law 2020, the criterion of allocation of 'at least two-fifths' applies 'as from first renewal of the management and supervisory bodies of the companies listed on regulated markets following the date of entry into force of this Law' (1<sup>st</sup> January 2020).

Consob, by means of Communication no. 1/20, has therefore provided clarifications on the interpretation of this application, to corporate bodies composed of three members, of the new rules on gender quotas, introduced by the aforementioned provisions of the TUF and which has already been applied for the renewal of the Board of Statutory Auditors scheduled for the 2020 financial year: since in the case of boards composed of three members, the two-fifths reserve is inapplicable due to arithmetical impossibility, Consob has clarified that for corporate bodies composed of three members only the rule of rounding down rather than upwards applies, as currently provided for in article 144-*undecies*, 1, paragraph 3, of the Consob Issuers' Regulations. It should be noted that the Company By-Laws, as from 2012, provide that the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates submitted by shareholders).

Furthermore, the By-Laws set out the procedures to follow to ensure that the composition of the Board of Directors complies with the existing legislation in force concerning gender balance: the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the least represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the least represented gender.

Again, with respect to gender balance in the bodies of listed companies, the Company acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies first introduced in the 2018 CG Code in July 2018 and subsequently confirmed by the 2020 CG Code, which indicates that at least one-third of the members of the board of directors shall be composed of the least represented gender.

For the sake of completeness, it should be noted that, in compliance with the 2020 CG Code, during 2021, the Board defined, upon the proposal of the Remuneration and Nominations Committee, specific '**Guidelines regarding the maximum number of offices that the Directors of Recordati S.p.A, may hold**'. These guidelines are available on the Company's website in the Corporate Governance section with reference to the Board of Directors. For further details of these guidelines, please refer to the section of the Report on this specific issue.

The Issuer reports that it is not governed by any further laws and regulations concerning the composition of the Board of Directors.

#### **4.3 COMPOSITION (pursuant to article 123-*bis*, paragraph 2, letter d) of the TUF)**

The By-Laws currently in force state that the Company is managed by a Board of Directors consisting of a number of members varying between six and sixteen.

**(a) Current composition**

On 5<sup>th</sup> February 2019, the Shareholders' Meeting appointed a Board of Directors with eleven members, which was increased to twelve by the Shareholders' Meeting of 29<sup>th</sup> April 2020.

With effect as from 15<sup>th</sup> October 2021, the non-executive Director, Mr Francesco Balestrieri, who had been appointed by the Shareholders' Meeting of 29<sup>th</sup> April 2020, resigned.

With effect as from 1<sup>st</sup> December 2021, following the resignation of Mr Alfredo Altavilla - from the role as Chair and non-executive Director - and of Mr Andrea Recordati - from the role as Chief Executive Officer - the Board of Directors of Recordati S.p.A. approved the appointment of Mr Robert Koremans as the new Chief Executive Officer (subject to his co-option to the Board) and of Mr Andrea Recordati as the new Chair of the Board of Directors (non-executive Director).

On 16<sup>th</sup> December 2021, the Board co-opted Ms Kim Stratton as a new non-executive and non-independent Director to replace Mr Balestrieri.

To date, the Board of Directors is therefore composed of twelve members of which seven members were appointed by the Shareholders' Meeting of 5<sup>th</sup> February 2019, three members were appointed by the Shareholders' Meeting of 29<sup>th</sup> April 2020 and two members were co-opted by the Board of Directors on 1<sup>st</sup> December 2021 and 16<sup>th</sup> December 2021 respectively.

The Board of Directors thus composed will remain in office until the Shareholders' Meeting called to approve the Financial Statements as at 31<sup>st</sup> December 2021.

The curriculum vitae of the directors are available on the Company's website [www.recordati.it](http://www.recordati.it) in the section on the Board of Directors.

In addition, the personal and professional characteristics of each Director still in office as at 31<sup>st</sup> December 2021 - which range from economic, financial and management matters, including, for some of them, significant international experience in the business sectors in which the Company and the Group operate, to legal and corporate governance matters - are set out in attachment 1 to this Report, which also indicates the positions held by the Directors in other listed companies and large companies pursuant to the Guidelines regarding the maximum number of management and control offices that the Directors of Recordati S.p.A. may hold in other listed companies or large companies. In some cases, for the sake of the utmost transparency, the Directors have decided to indicate additional positions held in companies other than listed companies or large companies.

The Board's self-assessment process, which has been carried out on several occasions, and most recently at the beginning of 2021, has confirmed the generally positive assessment of the composition and functioning of the Board and of its Committees, with particular reference to the expertise of its members. For further information, please refer to the section on the self-assessment process.

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

<b>Andrea Recordati</b>	Chair	Non-Executive	-	* Shareholders' meeting 29.04.1998
<b>Guido Guidi</b>	Vice-Chair	Non-Executive	-	*BoD 29.04.2020
<b>Robert Koremans</b>	CEO	Executive	-	* BoD 01.12.2021
<b>Silvia Candini</b>	Director	Non-Executive	Independent	*Shareholders' meeting 05.02.2019
<b>Michaela Castelli</b>	Director	Non-Executive	Independent	*Shareholders' meeting 17.04.2014
<b>Joanna Le Couilliard</b>	Director	Non-Executive	Independent	*Shareholders' meeting 05.02.2019
<b>Giorgio De Palma</b>	Director	Executive	-	*Shareholders' meeting 29.04.2020
<b>Giampiero Mazza</b>	Director	Executive	-	*BoD 06.12.2018
<b>Cathrin Petty</b>	Director	Executive	-	*BoD 06.12.2018
<b>Piergiorgio Peluso</b>	Director	Non-Executive	Independent	*Shareholders' meeting 29.04.2020
<b>Fritz Squindo</b>	Director	Executive	-	*Shareholders' meeting 17.04.2013
<b>Kim Stratton</b>	Director	Non-Executive	-	* BoD 16.12.2021

\*Date of first appointment to the Board of Directors.

**TABLE OF COMPOSITION AND STRUCTURE OF THE BOARD OF DIRECTORS**

BOARD OF DIRECTORS IN OFFICE AS AT 31 DECEMBER 2021 AND CURRENTLY IN OFFICE												
Office	Members (surname and name)	Year of birth	In office since	In office until	Slate (submitte rs)	Slate (M/m)	Executive	Non- Executive	Indep. under Code	Indep. Under TUF	No. of other positions	Attendance
					*	**					***	****
<b>Chair (1)</b>	RECORDATI Andrea	1971	5.2.2019	Approval of 2021 financial statements	A	M	X				0	16/16
<b>Vice Chair</b>	GUIDI Guido	1953	29.4.2020	Approval of 2021 financial statements	A	M		X			2	16/16
<b>Chief Executive Officer (2)</b>	KOREMANS Robert	1962	1.12.2021	Approval of 2021 financial statements	N/A	N/A	X				0	2/2
<b>Director</b>	CANDINI Silvia	1970	5.2.2019	Approval of 2021 financial statements	A	m		X	X	X	1	16/16
<b>Director</b> ○	CASTELLI Michaela	1970	5.2.2019	Approval of 2021 financial statements	A	M		X	X	X	4	15/16
<b>Director</b>	DE PALMA Giorgio	1974	29.4.2020	Approval of 2021 financial statements	A	M	X‡				0	15/16
<b>Director</b>	LE COUILLIARD Joanna	1963	5.2.2019	Approval of 2021 financial statements	A	M		X	X	X	3	15/16
<b>Director</b>	MAZZA Giampiero	1969	5.2.2019	Approval of 2021 financial statements	A	M	X‡				0	12/16
<b>Director</b>	PELUSO Piergiorgio	1968	29.4.2020	Approval of 2021 financial statements	A	M		X	X	X	0	14/16
<b>Director</b>	PETTY Cathrin	1973	5.2.2019	Approval of 2021 financial statements	A	M	X‡				2	15/16
<b>Director</b> ●	SQUINDO Fritz	1956	5.2.2019	Approval of 2021 financial statements	A	M	X				0	16/16
<b>Director (3)</b>	STRATTON Kim	1962	16.2.2021	Approval of 2021 financial statements	N/A	N/A		X			2	1/1

(1) Appointed as Chair of the Board of Directors 01.12.2021. On the same date, the resignation submitted on 16.07.2021 regarding the position of Chief Executive Officer became effective.

(2) Appointed by co-option on 1.12.2021.

(3) Appointed by co-option on 16.12.2021.

DIRECTORS NO LONGER IN OFFICE DURING THE REFERENCE FINANCIAL YEAR (2021)											
Office	Members (surname and name)	Year of birth	In office since	In office until	Slate (submitter s)	Slate (M/m)	Executive	Non- Executive.	Indep. under Code	Indep. Under TUF	Attendance
					*	**					****
<b>Chair</b>	<i>ALTAVILLA Alfredo</i>	1963	5.2.2019	30.11.2021	A	M		X			14/14
<b>Director</b>	<i>BALESTRIERI Francesco</i>	1969	5.2.2019	14.10.2021	A	M		X			10/10

● This symbol indicates the director responsible for the internal control and risk management system.

○ This symbol indicates the Lead Independent Director (LID).

‡ This symbol indicates the executive director identified as such in accordance with the 2020 GC Code as he/she holds management positions in group companies of the majority shareholders that regard also the Company, but has no operational powers in the latter.

\* This column indicates A/C depending on whether the list from which each director was drawn was submitted by shareholders (*azionisti*) (A) or by the Board of Directors (*Consiglio di Amministrazione*) (C)

\*\*M/m is indicated in this column depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).

\*\*\* This column shows the number of positions as director or auditor held by the person concerned in other listed or large companies as at 31st December 2021, pursuant to the “Guidelines regarding the maximum number of offices that the directors of recordati S.p.A. may hold”. For a complete list of the offices held at the date of this Report, please refer to the list in Attachment 1 to this document.

\*\*\*\* This column shows the attendance of Directors at meetings of the Board of Directors and Committees respectively (no. of attendances / no. of meetings held during the actual period of office of the person concerned during the financial year in question).

Please note that the information relating to the date of the first appointment of Directors to the Board of Directors of the Company is indicated on page 29.

**NO. OF BOARD OF DIRECTORS' MEETINGS PERFORMED DURING 2021: 16**

**QUORUM REQUIRED FOR SUBMISSION OF LISTS BY MINORITIES FOR THE LAST APPOINTMENT: 1%**

**(b) Diversity criteria and policies of the Board and in the corporate organisation**

With specific regard to the principles and recommendations of the 2020 CG Code, as highlighted in the paragraph dedicated to the composition of the Board of Directors, the configuration of Recordati's Board of Directors as at 31<sup>st</sup> December 2021 and at the date of this Report, complies with the diversity criteria recommended by the 2020 GC Code: in particular, the current composition, following the co-optation of Ms Stratton, ensures a balanced gender representation, with five female directors out of 12, equal to more than 2/5 of the total number of members.

With regard to the provisions introduced on this matter by Italian Law no. 160 of 27<sup>th</sup> December 2019 (the '2020 Budget Law'), these were taken into account with reference to the appointment of the Board of Statutory Auditors that took place at the Shareholders' Meeting of 29<sup>th</sup> April 2020 and therefore the composition of the Board of Statutory Auditors complies not only with the diversity criteria recommended by the 2018 CG Code (and confirmed by the 2020 CG Code), but also with the law; while, as regards the Board of Directors, such legal provisions, which have intervened on the matter by amending the previous regulations, shall apply at the time of the next appointment of the Board of Directors, whose term of office will expire at the time of the Shareholders' Meeting called to approve the 2021 financial statements.

It should be noted that the self-assessment process conducted during 2021 confirmed that, in terms of diversity (not only gender), the composition of the Board was balanced, with some areas for potential strengthening that are indicated in the Directors' Report to the Shareholders' Meeting, at the time of the guidelines to the shareholders aimed at appointing the new Board of Directors at the Shareholders' Meeting of 29<sup>th</sup> April 2021. Further indications are also provided in the paragraph in this Section on the self-assessment process of the Board and of its committees.

With regard to the diversity policies applied in relation to the composition of the management and control bodies (also referred to in Italian Legislative Decree no. 254/2016 on non-financial information, implementing Directive 2014/95/EU), the issue is therefore adequately monitored since the composition of the Board of Directors and of the Board of Statutory Auditors is adequately diversified in terms of age, gender, educational and professional background, and nationality, as can be seen from the curricula. In light of this, as previously stated, the Board of Directors has so far deemed it unnecessary to formalise the approval of such policies, deeming that it can effectively monitor and identify its optimal qualitative and quantitative composition over time by carrying out the self-assessment process and preferring – in order to implement the relevant self-regulatory recommendations – to provide guidelines in its report to the shareholders' meeting called to resolve on the appointment of directors, as was also performed during 2020 and how it resolved to proceed for the purpose of the Shareholders' Meeting of 29<sup>th</sup> April 2022. This also because it is a 'large company' with a 'concentrated ownership' pursuant to the 2020 CG Code.

Moreover, with reference to measures to promote equal gender treatment and gender opportunities within the entire corporate organisation, Recordati and in general the Recordati Group is committed, as referred to in its applicable Code of Ethics, to offer equal job opportunities without discrimination on the basis of ethnicity, gender, age, sexual orientation, physical or psychological disability, nationality, religious belief, political and trade union



membership and to ensure fair and merit-based treatment to its employees. For further information on the policies applied to this issue, please refer to the respective section ('Diversity and equal opportunities') of the Non-Financial Statement.

**(c) Maximum number of offices held in other companies**

The Board of Directors had over time preferred not to set any general criterion for the maximum number of positions as director or statutory auditor in other companies that are considered compatible with performing duties as a director of the Company. It has previously done this because in the past it deemed that it was best to allow individual Directors to assess this compatibility themselves, also in the light of the fact that the Board's self-assessment process had, on several occasions, confirmed the generally positive assessment of the functioning of the Board and its Committees with particular reference to this aspect.

Moreover, taking into account recommendation no. 15 of the 2020 CG Code '*in large companies, the board of directors expresses its guidelines on the maximum number of offices that can be considered compatible with an effective performance and the time commitment required by the role of the directors*' - on 29<sup>th</sup> October 2020, at the time of the resolution to adhere to the 2020 CG Code, the Board of Directors asked the Remuneration and Nominations Committee to carry out an analysis aimed at verifying the contents of the best practices developed on the subject by the market (and more specifically by a peer group of comparable companies) and by the main proxy advisors and institutional investors, reserving the right to formulate a proposal on the subject after examining the results of these analyses.

During 2021, the Remuneration and Nominations Committee completed the above-mentioned analysis and elaborated a proposal that the Board of Directors approved on 6<sup>th</sup> May 2021. These guidelines are available on the Company's website in the Corporate Governance Section with reference to the Board of Directors.

The approved guidelines on the general criteria concerning the maximum number of management and control offices in other companies that can be considered compatible with the effective performance of the role of Director of the Company are summarised below:

- Executive Directors who are granted individual management powers (excluding, therefore, directors defined as executive directors in compliance with the 2020 CG Code because they hold management positions in companies in which the chain of control also involves the Company) are not permitted to hold the position of executive director in other companies listed on regulated markets (including foreign markets) or large companies, as defined below, other than Recordati S.p.A. and its direct or indirect subsidiaries;
- Executive Directors who are granted individual management powers (excluding, therefore, Directors defined as executive Directors in compliance with the 2020 CG Code because they hold management positions in companies whose chain of control also involves the Company) are permitted to hold the position of non-executive Director in no more than 1 company listed on regulated markets (including foreign markets) or a large company, other than companies directly or indirectly controlled by Recordati S.p.A.;
- Non-Executive Directors (whether or not independent) are permitted to hold positions as director and/or statutory auditor in no more than 5 companies listed on regulated markets

- (including foreign markets) and/or large companies, including Recordati S.p.A.; among the directorships in such companies, only one position as an executive director is permitted;
- for the purposes of the aforementioned limits on the number of offices held:
    - a 'large company' is any Italian or foreign company with a shareholders' equity - possibly consolidated - of more than € 1 billion;
    - if a Director holds offices in more than one company belonging to the same Group, only one office held within that group shall be taken into account for the purposes of calculating the number of offices;
    - any office held as Chair of the Board of Directors is considered to have double weight;
  - however, the Board of Directors is entitled to grant exceptions with reasons, for exceptional and/or transitory cases, departing from the criteria set out;
  - in any case, the Board of Directors shall ensure, also by monitoring the attendance record of Directors at Board and Committee meetings, that Directors have sufficient time and can commit themselves sufficiently to perform their duties.

It should be noted that in light of this policy, at the date of its approval, only the director Ms Castelli, lawyer, was found to exceed the maximum number of offices illustrated above by one; however, taking into account that this policy was expressed at a later date with respect to the offices already held by Ms Castelli, the Board, upon the proposal of the Remuneration and Nominations Committee and with Ms Castelli abstaining on this point, granted a specific waiver to Ms Castelli with reference to the offices already held.

It should be noted that, as at 31<sup>st</sup> December 2021, Ms Castelli held a number of offices in compliance with the maximum number allowed, as in the meantime an office that was relevant for the purposes of the calculation referred to in the above-mentioned Guidelines had ceased to exist.

#### **4.4 FUNCTIONING OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2, letter d), of the TUF)**

The Board of Directors, in its meeting of 28<sup>th</sup> October 2021, approved the regulation for the functioning and organisation of the Board of Directors which governs, *inter alia*, the organisation and procedures for the functioning of the Company's managing body, in order to ensure compliance with the applicable provisions of the law and Recordati's By-Laws, as well as with the principles and recommendations of the CG 2020 Code and, in particular, also in order to ensure effective management of the Board's disclosures.

In particular, the Board's meetings are convened by the Chair - or in the event of his/her absence or impediment for any reason, the Vice Chair, or failing that, the most senior Director in terms of age – who sends the notice of call to the Directors and Statutory Auditors at least five clear days before the date set for the meeting. In urgent or necessary cases, the notice of call is sent at least one day beforehand.

The Chair sets the agenda of the meetings – upon consulting with the Chief Executive Officer – and schedules and coordinates the work and activities in order to ensure that adequate information on the items on the agenda is provided to all Directors.

Any documentation relating to the items on the agenda is uploaded onto a specific computer portal that guarantees restricted access to Directors and Statutory Auditors and to the resources of the Board Secretary, as well as to any permanent guests, as a rule three days prior to the convened Board meeting, except for:

- (i) certain matters deemed to be of particular importance, in respect of which documentation shall be uploaded five days beforehand;
- (ii) certain cases, in which the documentation is transmitted with a shorter notice period according to the subject matter of the resolution to be adopted; and
- (iii) in cases of special and proven urgency or for special confidentiality requirements. In the latter case, however, the comprehensiveness, usability and timeliness of the reporting shall be ensured; in particular, the Chair shall ensure that adequate reporting is provided during Board meetings.

During the financial year, the time frames set out in the Regulation for sending the notice of call and the documents relating to the items on the agenda were generally complied with, with a few exceptions.

The Chair shall ensure that the time necessary to allow a constructive dialogue is devoted to the discussion of each item on the agenda. To this end, the Chair, after having consulted the Chief Executive Officer – where necessary or appropriate, – may request that executives and managers of specific corporate functions of the Company or its group, as well as consultants, to attend the Board meeting in order to properly discuss the items on the agenda.

As a general rule, managers from the Company and its subsidiaries attended Board meetings to provide information on the items on the agenda.

Pursuant to the Regulation concerning the Financial Reporting Officer, and if he/she is not already a member of the Board of Directors, the Financial Reporting Officer is invited to attend all Board meetings concerning the approval of any additional periodic financial information with regard to the annual and half-yearly financial reports, the half-yearly report, the annual financial statements and the consolidated financial statements, or other data relevant to the certifications that he/she is called upon to issue, as well as whenever deemed appropriate by the Chair of the Board of Directors/Chief Executive Officer in view of the presence on the agenda of issues that may have an impact on the accounting information of the Company or of the Group it heads.

The By-Laws allow Board meetings to be held by video or teleconference, and these methods are specifically regulated in the Regulation.

Without prejudice to the regulations on related-party transactions and without prejudice to the application of the specific **'Policy on conflicts of interest and disclosure in relation to M&A/licensing-in transactions'** approved by the Board of Directors, Directors who have an interest, whether even potential or indirect, in relation to the subject matter of the resolution, shall promptly and fully inform the Board of Directors.

During 2021, the Board of Directors met 16 times with an average duration of approximately 1 hour and 35 minutes and with an average attendance of 91.67% of the Directors.

The resolutions are recorded in minutes signed by the Chair of the meeting and the Secretary

of the meeting. Following the meeting, minutes are drafted in Italian - and a courtesy translation in English, if at least one member of the Board is a non-Italian speaker – which is a deed that gives a concise description and documentation of what was discussed during the meeting. In particular, the minutes provide a brief description of the topics discussed, acknowledging any relevant documentation made available to the Directors and Statutory Auditors, a summary of any relevant speeches and voting declarations, as well as further information on the course of the discussion regarding the items on the agenda.

The text of the minutes prepared by the Secretary and the Chair (or the person who chaired the meeting) shall normally be submitted to the Board for formal approval at its first meeting. Following approval, the minutes signed by the Chair (or the person who chaired the meeting) and by the Secretary shall be kept in the Company's records by the Secretary, together with supporting documentation made available to the Board; the latter shall be kept at least until the end of the term of office of the Board members; a copy of the signed minutes shall be made available to the Directors and Statutory Auditors.

A portion of the minutes relating to the resolutions adopted that are to be implemented immediately may be certified and extracted by the Chair and the Secretary of the Board of Directors, even prior to the completion of the verification process of the entire minutes, which shall also include any interventions, all of which shall be shared with the Directors and the Statutory Auditors.

In accordance with the obligations imposed on listed issuers by the Market Regulations of Borsa Italiana S.p.A., upon the Chair's proposal, in agreement with the Chief Executive Officer, the Board shall annually approve the dates of the meetings relating to the corporate events provided for in the aforementioned Regulations, to be disclosed to the market without delay and in any case no later than 30<sup>th</sup> January of each year.

#### **4.5 ROLE OF THE CHAIR**

In accordance with article 23 of the By-Laws, representation of the Company shall be vested in the Chair of the Board of Directors or, in the event of his/her absence or inability to attend for any reason, in the Vice-Chair, with sole signing authority for implementation of all resolutions of the Board unless resolved otherwise. Moreover, the Chair or, in the event of his/her absence or impediment for any reason, the Vice-Chair, shall represent the Company before the court, with the authority to take legal action and bring judicial and administrative proceedings at all levels of jurisdiction, including with respect to revocation and cassation proceedings, and appointing lawyers and attorneys for lawsuits.

In accordance with article 24 of the By-Laws, the Board of Directors may delegate all or part of its powers and functions not only to the Chair, but also to the Vice-Chair and one or more Executive Directors and it may grant special mandates to individual Directors or managers of the Company, including the power of attorney, determining their functions and powers under the law.

From 1<sup>st</sup> January 2021 to 30<sup>th</sup> November 2021, the role of Chair was held by Mr Alfredo Altavilla, whose appointment was approved by the Board on 29<sup>th</sup> April 2020, following the Shareholders' Meeting of the same date and the resignation of Mr Flemming Ornskov.

As already stated at the beginning of this Report, on 1<sup>st</sup> December 2021, the resignation of Mr Alfredo Altavilla from his position as Chair (and Director) became effective, in view of other important appointments granted to him by the Italian Government and the completion of the transition process towards a new Corporate Governance of the Company, as announced on 16<sup>th</sup> July 2021. On the same date, the Board of Directors appointed Mr Andrea Recordati, previously Chief Executive Officer of the Company, as Chair of the Board of Directors, again following what had already been approved at the Board meeting held on 16<sup>th</sup> July 2021.

According to the Regulation of the Board of Directors approved in 2021, the Chair of the Board of Directors serves as a link between the Executive Directors and the Non-Executive Directors and ensures the effective functioning of the Board's work.

The Chair, or the person acting in his/her place, convenes the Board of Directors' meetings, sets their agenda – after having consulted the Chief Executive Officer – schedules and coordinates its work and activities and ensures that adequate information on the items on the agenda is provided to all the Directors, as also established in the Regulation of the Board. In addition to signatory powers and the legal representation of the Company, the Chair is also vested with the powers that may be granted to him/her by the Board of Directors.

In this last regard, taking into account that under the new corporate governance structure, Mr Andrea Recordati, as Chair, will continue to be involved in formulating the Group's strategy, in support of the new Chief Executive Officer and the senior management team, the Board of Directors has granted him the following powers:

- a) participating, in support of the Chief Executive Officer, in the formulation of the strategic development guidelines of the Company and of the Group, including in the field of R&D, and in the conduct of transactions of strategic importance submitted to the approval of the Board of Directors, concerning the acquisition (and, where appropriate, disposal) of equity investments, assets, business units, mergers, joint ventures, licensing and distribution agreements;
- b) handling institutional relations in Italy and abroad, in coordination with the Chief Executive Officer;
- c) supervising the activities of the internal audit function and liaising with the Board of Directors (without prejudice to the function's hierarchical relationship with the Board of Directors) and ordinary management of the employment relationship of the chief of the internal audit function;
- d) supervising and promoting the implementation of corporate governance rules, in accordance with the Corporate Governance Code. In particular, in addition to the powers granted by law and the By-Laws, mainly: i) formulating, in agreement with the Chief Executive Officer, a proposed policy for the management of dialogue with all shareholders; with the assistance of the Secretary of the Board; dealing with ii) the adequacy and timeliness of pre-meeting information; iii) that the activities of the Committees are coordinated with the activities of the Board of Directors; iv) in agreement with the Chief Executive Officer, that the Group managers in charge of the relevant corporate departments attend Board meetings, also at the request of individual directors, in order to provide the appropriate details on the items on the agenda; v) in coordination with the Chief Executive Officer, induction initiatives for members of the Board of Directors and of the Board of Statutory Auditors, after their appointment and during their term of office; vi) the adequacy and transparency of the self-assessment process of the Board and of its Committees, with the support of the Remuneration and Nominations Committee.

Furthermore, the Regulation of the Board of Directors provides that in accordance with the provisions of the Code, the Chair of the Board of Directors, with the assistance of the Secretary, shall ensure:

- a) that the pre-meeting information and additional information provided in the meeting are appropriate to ensure Directors to act in a properly informed manner in carrying out their office;
- b) that the activities of the Board committees with preliminary, proposal and advisory functions are coordinated with the activity of the management body;
- c) in agreement with the Chief Executive Officer (if other than the Chair), that the Company's managers and those of the companies of the group it heads, responsible for the corporate offices according to the subjects, attend the Board's meetings, also upon request of individual Directors, to provide appropriate details of the items on the agenda;
- d) that all members of the management and control bodies shall take part in activities, after the appointment and during the term of the office, aimed at providing them with an appropriate knowledge of business sectors in which the Company operates, of the corporate dynamics in the view of sustainable success of the Company itself, as well as of the principle of correct risks management and of the relevant law and self-regulation framework, with the support of the lead independent director, if appointed;
- e) the adequateness and the transparency of the board self-assessment, with the support of the Remuneration and the Nominations Committee.

It should be noted that, in implementation of the above, during **2021**:

- the following managers, *inter alia*, attended the Board meetings, in order to provide the appropriate in-depth analysis of the items on the agenda: the CFO, the Manager of Corporate Development & Licensing, the General Counsel (who is also the Secretary of the Board), the Corporate Law Counsel, the Audit & Compliance Manager (who is also the Data Protection Officer and an internal member of the ODV (231 Compliance Body)), the Heads of the two Business Units (rare diseases and general and specialist medicine – SP&C), the Head of Strategy and Commercial Excellence and the ESG Manager;
- as already mentioned, during the financial year, the time frames set out in the Regulation for sending the notice of call and the documentation relating to the items on the agenda were normally complied with, with a few exceptions with particular reference to M&A transactions due to the relevant strict negotiation deadlines;
- further to the specific induction sessions organised in 2019 and 2020 for the benefit of the Directors appointed in those financial years (and also extended to the other Directors and Statutory Auditors concerned) and intended to provide the directors with an adequate knowledge of the business sectors in which the Group operates, as well as of the corporate dynamics and their evolution, including the organisational structures, in general, during the meetings of the Board of Directors, the Chief Executive Officer illustrated the relevant aspects for the purpose of presenting the performance of the Company and the Group, providing, *inter alia*, constant information on the most relevant updates of the regulatory framework of the sector and their impact on the Company. Also with reference to the principles of proper risk management, during Board meetings the Chief Executive Officer, in agreement with the Chair, ensures that appropriate in-depth analyses are performed, when considered appropriate and in particular with reference to significant acquisition/licensing-in transactions, in addition to the annual analysis of Recordati's Risk Map. Furthermore, in agreement with the Chair, a specific in-depth session was organised

- during a Board meeting with reference to business analysis in relation to the Specialty & Primary Care Business Unit also from a strategic viewpoint;
- taking into account the entry of a new foreign Chief Executive Officer, also on the recommendation of the Remuneration and Nominations Committee, a specific induction activity was carried out for the benefit of the new Chief Executive Officer concerning the main regulatory provisions applicable to an Italian listed company, with specific more detailed focuses on the Company and the corporate procedures in place for the purposes of implementing the main regulations. The material used for this induction activity was also circulated to the Director, Ms Stratton, who was co-opted on 16<sup>th</sup> December 2021, and to all the independent directors and statutory auditors;
  - the Chair participated in the self-assessment process of the Board and of its Committees in order to verify their adequacy and transparency. In particular, the Chair attended all the meetings of the Remuneration and Nominations Committee in which this process was discussed, in implementation of the provision of the Regulation of the Board which states that ‘more specifically, the way in which the self-assessment process is carried out and the way in which its results are communicated are determined upon the proposal of the Remuneration and nominations Committee in agreement with the Chair of the Board of Directors’.
  - the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementation of the Remuneration Policy for Directors and Key Manager Personnel. This activity is carried out through the development of an engagement plan carried out on an annual basis that provides for the participation of the Human Resources, Investor Relations and Legal Affairs corporate functions supported by the Chair of the Remuneration and Nominations Committee in order to highlight the commitment of the committee itself on matters within their competence. The results, indications and feedback which emerge during the engagement activity, once they have been reported, are examined and assessed by the Remuneration and Nominations Committee in order to provide any clarifications and verify how to overcome potential criticalities. Finally, the Committee reports to the Board of Directors on the relevant developments and significant contents emerging from such engagement activities, through the Chair or another member designated by the latter. In addition, the CFO provides the Board with information on major interactions with investors and analysts insofar as it is deemed relevant.

#### **4.5.1 SECRETARY OF THE BOARD OF DIRECTORS**

With reference to the Secretary of the Board of Directors, the Regulation of the Board of Directors approved during 2021 provides as follows:

- the Board appoints a Secretary, who may not be a member of the Board. The Secretary’s appointment and revocation is made upon the proposal of the Chair. Normally the designation will favour the appointment of the Company’s VP and Director of corporate Legal Affairs.
- the Secretary shall be a person with proven experience in the corporate sector, with particular reference to the corporate governance of listed companies, as well as the company secretariat activities. The Secretary also meets the requirements of independence of judgement and is not involved in a situations of conflict of interest.

- the Secretary supports the activity of the Chair and assists him/her, in particular, performing the functions indicated in the paragraph above and in relation to the reporting prior to Board meetings.
- in case of his/her incapacity or absence, the powers, tasks or duties granted to him/her pursuant to the Regulation shall be performed or complied in his/her behalf by her/his deputy or another person designated from time to time by the Chair of each meeting.
- the Secretary, in carrying out his/her duties, has an organisational structure and staff suitable for the performance of his/her office. Furthermore, the Secretary has access to the information and corporate functions needed in order to perform his/her tasks, he/she is provided with financial resources and, where deemed appropriate, can be supported by external consultants.

In implementation of the above, on 28<sup>th</sup> October 2021, upon the Chair's proposal, the Board of Directors appointed Ms Daria Ghidoni, lawyer, Group General Counsel - who had already been performing this role for some time - as permanent Secretary of the Board of Directors, deeming that the requirements set forth in the Regulation had been met.

With regard to the implementation of the Chair's functions and duties in the course of 2021, with the support of the Secretary, please refer to the previous paragraph.

#### **4.6. EXECUTIVE DIRECTORS**

##### **Chief Executive Officer**

As already mentioned, on 1<sup>st</sup> December 2021, the Board of Directors of Recordati appointed Mr Robert Koremans as Chief Executive Officer – upon his co-option by the Board – as approved at the Board meeting held on 16<sup>th</sup> July 2021. On the same date, the resignation of Mr Andrea Recordati from his position as Chief Executive Officer became effective, as was also announced on 16<sup>th</sup> July 2021.

From 16<sup>th</sup> August 2016 until 30<sup>th</sup> November 2021, Mr Andrea Recordati, as Chief Executive Officer, was delegated, to the extent permitted by law, all the widest powers for the administration and ordinary and extraordinary management of the Company and the performance of the management and coordination activities carried out by the Company in comparison with Group companies, determining the adequacy of the organisational, administrative and accounting structure of the Company for the execution of strategic, industrial and financial plans approved by the Board of Directors, with the sole exclusion of the transactions listed below (exhaustive and mandatory in nature), which, because they are to be carried out directly by the Company and/or indirectly through subsidiaries, are reserved for the competence of the Board of Directors (unless they are intra-group transactions, *i.e.* carried out with or between other Group companies):

- a) the assumption of financial debt for an amount higher than € 25 million for each transaction and the grant of secured or personal guarantees for amounts higher than € 10 million for each transaction;
- b) the sale and purchase of real estate properties for amounts higher than € 10 million, in which the Company's or its subsidiaries' business activity is carried on at the time of sale;
- c) the acquisition or disposal of ownership, or the acquisition or licensing-in, of intellectual property rights, in particular, but not limited to, intellectual property rights regarding specialty medicines, dietary supplements and medical devices for amounts not greater than € 10 million each;



- d) the acquisition, sale or any other provision in relation to holdings in other companies and similarly the acquisition and disposal of companies or company branches, for an amount higher than € 10 million each;
- e) the entering to agreements, including settlement agreements, concerning matters not included in those above for an amount higher than € 10 million for each agreement.

The aforementioned powers were also confirmed for the new Chief Executive Officer Mr Robert Koremans on 1<sup>st</sup> December 2021.

#### **Chair of the Board of Directors**

Please refer to Section 4.5 of this Report.

#### **Executive Committee**

No Executive Committee has been formed as an internal committee of the Board of Directors.

#### **Reporting to the Board**

The Chief Executive Office reported to the Board in individual Board meetings on the activities performed in exercising the powers conferred on him by the Board itself: in each meeting, and independently of the time elapsed since the previous meeting, the Chief Executive Officer provides a report on activities carried out and the main transactions performed by the Company and its subsidiaries, even if these are transactions which do not require prior approval by the Board of Directors.

#### **Other Executive Directors**

With reference to the Board of Directors in office until 30<sup>th</sup> November 2021, the Board of Directors has qualified Mr Andrea Recordati, Chief Executive Officer and Mr Fritz Squindo, Group General Manager, as well as Mr Giampiero Mazza, Ms Cathrin Petty and Mr Giorgio De Palma, as executive directors in view of the functions performed, since they hold management positions in the indirect parent company or in other CVC companies, which also concern the Company; on the other hand, they have not been granted individual operating powers.

After 1<sup>st</sup> December 2021, the Board of Directors has qualified Mr Robert Koremans, Chief Executive Officer, as an executive director in view of the functions performed. Mr Fritz Squindo, Group General Manager, as well as Mr Giampiero Mazza, Ms Cathrin Petty and Mr Giorgio De Palma, remain qualified as executive directors in view of the functions performed. As from 1<sup>st</sup> December 2021, Mr Andrea Recordati, Chair, no longer qualifies as an executive director.

### **4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTORS**

#### **Independent Directors**

During 2021 four directors (Michaela Castelli, Silvia Candini, Joanna Le Couilliard and Piergiorgio Peluso) were qualified as independent on the basis of the declarations provided by the individuals concerned and the information in any case available to the Company, as confirmed during the annual Board of Directors' assessment required by the 2020 CG Code

which took place on 22<sup>nd</sup> February 2021 (and already renewed also during 2022 on 24<sup>th</sup> February 2022).

More specifically, in implementation of the provisions of the 2020 CG Code, the Board of Directors - on 22<sup>nd</sup> February 2021 - confirmed, on the basis of the declarations provided by the individuals concerned and the information in any case available to the Company, in relation to the four directors mentioned above, the existence of the independence requirements pursuant to Article 148, paragraph 3, of the TUF and the independence requirements provided for by the 2020 CG Code.

At the beginning of 2022, on 24<sup>th</sup> February 2022, the Board of Directors renewed this assessment positively.

The Board of Statutory Auditors successfully verified the correct application of the criteria and procedures adopted by the Board to assess the independence of its members on both occasions.

The independent Directors, on the occasion and before the beginning of the meetings of the Board of Directors, have from time to time verified the absence of specific problems that would be relevant in the context of their role as independent Directors.

The Independent Directors met twice during 2021 to examine governance and risk control aspects in greater detail, in particular with reference to the follow up on the analysis of the correct application and functioning of the Regulations concerning the management and coordination activities exercised by Rossini Luxembourg S. à.r.l. over Recordati S.p.A. and regarding the information flows from Recordati S.p.A. to, in particular, Rossini Luxembourg S.à.r.l. which were approved by the Board of Directors of Recordati S.p.A. in 2019 as well as on possible further matters to be examined in greater detail by the Board or by induction. In addition, at their second meeting in December, the independent directors carried out some in-depth analysis of possible recommendations in relation to the implementation of the new governance structure - following the appointment of a new Chief Executive Officer and the appointment of Andrea Recordati, the previous Chief Executive Officer, as Chair - and in view of the renewal of the Board of Directors, aimed at contributing to the continuous improvement of the activities and functioning of the Board itself and more generally of the Company's governance. In this regard, a specific meeting was held at the beginning of 2022 between the Independent Directors, the Chair and the Chief Executive Officer.

**a) Information regarding the independence assessment process**

The procedure followed by the Board for the purposes of verifying independence provides for the existence of the requirement to be declared by the director at the time of submitting the candidacies and at the time of accepting the appointment. The Board verifies this requirement at the first meeting following the appointment and discloses the results to the market.

Without prejudice to the independent director's commitment to promptly notify the Board of the occurrence of any situation that could lead to the loss of the requirement, the Board annually renews the request to the directors concerned to confirm that they meet the requirements, as provided for by law and the 2020 CG Code. The Board of Directors and the

Board of Statutory Auditors then proceed respectively to verify the content and correct application of the requirements and the procedure to verify them.

In implementation of the provisions of the CG Code 2020, on 28<sup>th</sup> October 2021 the Board of Directors defined quantitative and qualitative criteria for assessing the significance of relationships, including economic ones, capable of compromising the independence of its members ('Policy on qualitative and quantitative criteria for the purposes of assessing independence requirements': available on the Company's website, in the Corporate Governance/Board of Directors section).

In defining the Significance Criteria, the Board of Directors has, *inter alia*, taken into account the recommendations set out in the 2020 CG Code and the clarifications provided in the collection 'Q&A for the application of the Corporate Governance Code – 2020 edition' available on the website of the Corporate Governance Committee (the 'Q&A').

Such criteria will be applied starting with the assessment of the independence of the Directors of the Company who will be appointed by Recordati's Shareholders' Meeting convened to approve the financial statements for the year ending on 31<sup>st</sup> December 2021. However, already at the time of the assessment of the independence of the directors performed at the beginning of 2022, the Directors who had declared that they met the independence requirements were asked to communicate any relevant information in accordance with those criteria. No elements were communicated on that occasion.

## **Policy on qualitative and quantitative criteria for assessing independence requirements**

### **1. Quantitative criteria**

#### **1.1. Significance of commercial, financial or professional relationships**

With specific reference to the quantitative criteria, relations of a commercial, financial or professional nature which the Director - whose independence is being assessed - carries on or carried on during the financial year in which the declaration of independence is made or in the three financial years preceding the date on which such declaration is made<sup>4</sup> (the '**Reference Period**') with the following persons, are relevant (jointly, the '**Relevant Persons**'):

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<sup>4</sup> By way of example, it should be considered the case in which the Director makes his/her declaration of independence on 15<sup>th</sup> March 2022 and takes office as a Director of Recordati in April 2022; in such case:

- (i) for the purposes of assessing the independence of the Director in question, in addition to any existing relationship, any relationship the Director may have had with Relevant Persons during the 2021, 2020 and 2019 financial years and during the period between 1<sup>st</sup> January 2022 and 15 March 2022 shall be taken into account;
- (ii) it is understood that the Director shall be required to promptly inform the Board of Directors of the Company of any relationship he/she may have with Relevant Persons after the date on which he/she has made his/her declaration of independence (in the example in question, 15<sup>th</sup> March 2022), providing all the necessary elements for a full assessment by the Board.

- (i) the Company, its subsidiaries, the person who controls the Company<sup>5</sup> and the companies subject to a joint control;
- (ii) the relevant executive Directors<sup>6</sup> or the top management<sup>7</sup>.

The aforementioned relations with the Relevant Persons are generally considered to be significant – and therefore such as to compromise the Director’s independence – if they entailed, whether individually or cumulatively considered, an annual economic consideration higher than € 50,000.00 (fifty thousand)<sup>8</sup>.

It should be noted that, for the purpose of the above, the relations between the Relevant Persons and Director’s close family members, who are identified as (i) parents, (ii) children, (iii) the non-legally separated spouse and (iv) the cohabitants (individually referred to as the ‘**Close Family Member**’) are also relevant.

It should also be noted that, if the relations with the Relevant Persons are entertained indirectly by the Director – *i.e.*, through subsidiaries or company of which he/she is an executive Director, or as a partner of a professional firm or consultancy firm – the relations existing or carried on during the Reference Period which entailed, whether individually or cumulatively considered, an annual economic consideration higher than € 100,000.00 (one hundred thousand) are generally deemed to be significant.

It is understood that – notwithstanding the above – in the event that the relations with the Relevant Persons are entertained by the Director indirectly through a legal entity which has been established or used *ad hoc* for the purpose of establishing such relations, the above quantitative limits applicable in the event of relations entertained directly by the Director shall apply (*i.e.* the limit of € 50,000.00 per year).

## 1.2 Significance of additional remuneration

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<sup>5</sup> As specified in the Code, control exercised ‘*together with others through a shareholders’ agreement*’ is also relevant (please see Recommendation 7, first period, lett. c) of the 2020 CG Code).

<sup>6</sup> ‘Executive directors’ means (see definition in the Code):

- (i) the chair of the Company or a subsidiary of strategic importance, when delegated to manage or develop corporate strategies;
- (ii) directors who are recipients of managerial powers and/or hold managerial positions in the company or in a subsidiary of strategic importance, or in the parent company when the position also concerns the Company;

(iii) the directors who are members of the executive committee of the Company (if any).

<sup>7</sup> ‘*Top management*’ means ‘*senior managers who are not members of the management body and have the power and responsibility for planning, directing and controlling the activities of the company and the group it heads*’ (see definition in the Code). With reference to Recordati S.p.A. top management means those who are identified as key management personnel pursuant to the applicable regulations on Related Parties and Remuneration Policy.

<sup>8</sup> Such amount is lower than the current annual remuneration paid by the Company for the role as non-executive Director.

With specific reference to the remuneration received by the Director, included the one received in the Reference Period<sup>9</sup>, the sum of any additional remuneration paid to the latter by:

- (i) the Company;
- (ii) one of its subsidiaries, and/or
- (iii) the parent company, even indirectly,

for professional appointments or consultancy – with respect to the fixed remuneration for the position held<sup>10</sup> and the remuneration for the membership in committees<sup>11</sup> (or bodies) recommended by the Code or provided for by the applicable law.

The remuneration received by the Director in the form of participation in incentive plans linked to company performance is also relevant for this purpose.

Additional remuneration should normally be considered significant - and thus capable of compromising the independence of the Director concerned – if, whether individually or cumulatively considered, it is, during the Reference Period, higher than € 50,000.00 (fifty thousand) per year<sup>12</sup>.

It should be noted that being a Close Family Member of a person in one of the situations referred to in this paragraph 1.2 also constitutes a circumstance likely to compromise the Director's independence.

## 2. Qualitative Criteria

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<sup>9</sup> By way of example, it should be considered the case in which the Director makes his/her declaration of independence on 15<sup>th</sup> March 2022 and takes office as a Director of Recordati in April 2022; in such case:

- (i) for the purposes of assessing the independence of the Director in question, in addition to any remuneration paid to the Director himself/herself, any remuneration the Director may have received during the 2021, 2020 and 2019 financial years and during the period between 1<sup>st</sup> January 2022 and 15 March 2022 shall be taken into account;
- (ii) it is understood that the Director shall be required to promptly inform the Board of Directors of the Company of any remuneration that he/she may receive after the date on which he/she has made his/her declaration of independence (in the example in question, 15<sup>th</sup> March 2022), providing all the necessary elements for a full assessment by the Board.

<sup>10</sup> 'Fixed remuneration for the position held' means (please see Q&A *Recommendation 7*, lett. d)): (i) the remuneration determined by the Shareholders' Meeting for all Directors or determined by the Board of Directors for all non-executive Directors within the total amount decided by the Shareholders' Meeting for the whole Board of Directors; (ii) any remuneration granted by reason of the particular position held by the individual non-executive Director within the Board of Directors, determined according to the best practices provided for by Recommendation 25 of the 2020 CG Code.

On the contrary, the remuneration received by the Director of the Company for his/her positions in the parent company or in the subsidiary is considered as 'additional remuneration' and is therefore assessed in terms of its 'significance'.

<sup>11</sup> 'Remuneration for the membership in the committees' means (please see Q&A *Recommendation 7*, lett. d)) the remuneration that the individual Director receives by reason of his/her participation in the internal committees recommended by the 2020 CG Code or in committees/bodies provided for by the regulations in force, with the exclusion of the remuneration deriving from membership of the executive committee, if any.

<sup>12</sup> Such amount is lower than the current annual remuneration paid for the position of non-executive Director.

## **2.1. Professional relations**

If the Director is also a partner of a professional firm or of a consulting company, the professional relations of the firm and/or of the consulting company with the Relevant Persons shall also be qualified as significant, regardless of the quantitative parameters set out in paragraph 1.1 above. In this regard, the relations that are relevant:

- a) may have an effect on his/her position and role within the professional firm or the consultancy firm; or
- b) in any case relate to important transactions of the Company and of the group it heads<sup>13</sup>.

The significance of the aforementioned relations is assessed taking into account the overall professional activity normally exercised by the Director, the tasks normally entrusted to him/her, as well as the relevance that such relations may have for the Director in terms of reputation within his/her organisation.

## **2.2. Other relations**

For the purpose of the assessment of the significance of the relations between the Director and the Relevant Persons, the Board of Directors may take into account, in relation to the specific situations of each Director – such as position, individual characteristics and overall professional activity – any further elements deemed useful and/or appropriate, by adopting additional and/or partially different criteria from those set out above that give preference to substance over form.

In particular, the Board of Directors, by giving appropriate reasons for the decision, may:

- (i) take into account also the relations that, even if without financial content and character or not economically significant, are particularly relevant to the prestige of the Director involved or such as to affect in actual terms his/her independence and autonomous judgment;
- (ii) assess, on the basis of the actual circumstances, the existence and/or maintenance of the independence requirements of a Director even when one of these Significance Criteria is met.

### **Lead Independent Director**

With effect as from 29<sup>th</sup> April 2020, following appointment by the Board of Directors, the independent director, Ms Michaela Castelli, lawyer, acts as lead independent director with the duties set out in the 2020 CG Code.

The 2020 CG Code, to which the Company resolved to adhere as from 1<sup>st</sup> January 2021, confirmed that the lead independent director (a) represents a point of reference and coordination of the requests and contributions of the non-executive directors and, in particular, of the independent directors, specifying that (b) he/she coordinates the meetings of the independent directors only.

The Regulation of the Board of Directors of Recordati, approved in 2021, states more specifically that, 'if appointed, the lead independent director: (i) represents a point of reference and coordination of the requests and contributions of the non-executive Directors

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<sup>13</sup> Recommendation 7, second period of the 2020 CG Code.

and, in particular, of the independent Directors; (ii) coordinates the meetings of the independent Directors only; (iii) has the power to convene meetings to discuss issues deemed to be of interest with respect to the functioning of the Board of Directors or company management; (iv) collaborates with the Chair in order to ensure that the Directors receive complete and timely information flows, including through the organisation of specific induction activities’.

During the 2021 financial year, Ms Castelli, as lead independent director, has, in particular, promoted the organisation of the meetings of the independent directors only, by coordinating - also outside of such meetings - the requests of the independent directors aimed at contributing to the continuous improvement of the activity and functioning of the Board itself and, more in general, of the governance of the Company, acting as their spokesperson with the Chair and at the Board and Committees’ meetings.

## 5. MANAGEMENT OF CORPORATE INFORMATION

The Company has adopted a procedure that regulates the internal management and external communication of information relating to the Company, with particular reference to Relevant and Inside Information, in order to prevent its improper circulation and disclosure both inside and outside the Company, in compliance with current EU and national regulations regarding market abuse: **‘Procedure for the internal management of Relevant Information and Inside Information and disclosure to the public of Inside Information’** (in brief, the ‘Procedure for Relevant Information and Inside Information’).

The Procedure is a fundamental component of the Internal Control and Risk Management System of the Company and the Group, as well as an integral part of the overall system of prevention of offenses pursuant to Italian Legislative Decree no. 231/2001.

The current version of the Procedure for the internal management of Relevant Information and Inside Information was last revised during 2018, as an update of the company procedures in the field of market abuse, which had been previously and significantly amended in 2016 following the entry into force of Regulation (EU) no. 596/2014 containing the regulation of market abuse, for the purpose of adapting them to the rules and regulations subsequently issued both at the national and at the EU level and, in particular, to the Guidelines issued by Consob on that subject in October 2017.

The rules of conduct established by the Procedure for Relevant Information and Inside Information are aimed at implementing the necessary organisational controls for the proper management of information flows, guaranteeing the maximum confidentiality information that is Inside Information or otherwise likely to become so (Relevant Information), balancing the interest in the confidentiality of information in the course of its progressive formation and the obligation of the related disclosure in a non-selective form, protecting investors and the integrity of the market, since they are aimed at preventing the performance of transactions detrimental to their interests through the exploitation of information asymmetries, or the alteration of market variables, through the dissemination of untrue or misleading information; to reduce the risk of crimes or administrative offences relating to market abuse; protecting the Company against any liability that may arise for the unlawful acts committed by parties that can be referable to the same; defining the processes for identifying and managing the Relevant

Information; defining the processes for identifying and managing the Inside Information; defining the processes of communication to the public and to Consob of Inside Information.

The members of the administrative, management and control bodies of the Company and the employees and collaborators of the Company and of its Subsidiaries who have access for any reason to Relevant Information or Inside Information are required to comply with this procedure.

The Procedure for Relevant Information and Inside Information identifies the Chief Executive Officer as the person responsible for the public disclosure process of inside information concerning the Company also in relation to the decision to begin the procedure of any delay in the market disclosure. The Chief Executive Officer has therefore been identified as holding the Inside Information Management Function (so-called 'IIMF') pursuant to the 2017 Consob guidelines or as a function responsible for the management of inside information. For the carrying out of his/her activities, the Chief Executive Officer, as holder of the IIMF, avails himself of the technical consultancy support of an 'info room' (always in line with the 2017 Consob guidelines) which includes, on a permanent basis, in light of the evolution of the Company's organisational charts, the Group General Manager and the Group CFO, the Group General Counsel, and the Director of Investor Relations & Corporate Communication, as well as, on a case-by-case basis, other members of management concerned from time to time by the specific information, in the light of the evolution of the corporate organisation charts.

The '**Procedure for keeping and managing the list of persons who have access to relevant information and the list of persons having access to inside information**' is also currently in force, which is aimed at regulating the methods of maintaining and regularly updating the List of persons who have access to inside information (hereinafter referred to as '**Insider List**') the maintenance of which is mandatory for the Company pursuant to the applicable regulations, and the List of persons having access to relevant information (hereinafter '**Relevant Information List**' or, in brief, '**RIL**') in implementation of the Procedure for Relevant Information and Inside Information, in compliance with the applicable EU and national legislation and regulations on the prevention and repression of market abuses, also taking into account the guidelines issued by ESMA and by Consob. In particular, for the purposes of applying the Procedure for Relevant Information and Inside Information, the Company takes into account the interpretative and applicative indications contained in the Consob Guidelines.

In particular, the Company has, on a voluntary basis, proceeded to establish a list of persons who have access, in the performance of their duties, to Relevant Information, in compliance with the provisions of the Consob Guidelines. This list is aimed at ensuring the traceability of persons who have access to Relevant Information with a view to a more effective monitoring of corporate information also for the purpose of fulfilling the market disclosure obligations of Inside Information and the prevention and repression of market abuses.

The Insider List, on the other hand, contains registered persons who have access, in the performance of their duties, to Inside Information and, in compliance with EU legislation, the Procedure provides that the Insider List also has a section of registrants in which to register subjects who are permanently aware of all the inside information and a section where registration is required for each event.



Lastly, it should be noted that Recordati also has in place an ‘**Internal Dealing Procedure**’ which provides for, starting from 2016, the so-called **black-out periods**, namely, specific periods of the year – thirty calendar days prior to the announcement of an interim or year-end financial report that the Company is required to make public according to the rules of the registered office of trading in which the shares are admitted to trade or national law - in which there is an obligation to abstain from performing transactions on financial instruments issued by the Company and listed on regulated markets.

This Procedure is available on the Company’s website in the Investors/Internal Dealing Section. During 2021 the following black out periods were identified: prior to the publication of the preliminary data for the 2020 financial year and prior to the 2021 half-yearly report.

Starting from 2020, Mr Luigi La Corte, Group CFO, key management personnel and Financial Reporting Officer pursuant to article 154-*bis* of the TUF, has been identified as a Relevant Person pursuant to the Procedure on internal dealing.

## 6. INTERNAL COMMITTEES OF THE BOARD

The Board of Directors has formed a Remuneration and Nominations Committee and a Risk, Control and CSR Committee among its members, both with consultative and proposal-making functions composed exclusively of independent directors.

The Company has not set up an independent committee for related-party transactions. According to the RPT Procedure adopted by the Company (as defined below), this committee is identified as the Risk, Control and CSR Committee, except for related-party transactions concerning remuneration, for which the Remuneration and Nominations Committee is identified.

Please refer to Section 10 of this Report for further information.

<b>TABLE OF STRUCTURE OF BOARD COMMITTEES AS AT 31<sup>st</sup> DECEMBER 2021 AND CURRENTLY IN OFFICE</b>					
<i>Board of Directors</i>		<i>Risk, Control and CSR Committee</i>		<i>Remuneration and Nominations Committee</i>	
<i>Office</i>	<i>Members</i>	<i>*</i>	<i>**</i>	<i>*</i>	<i>**</i>
<i>Non-executive director - independent pursuant to the TUF and the Code</i>	<i>CANDINI Silvia</i>	<i>8/8</i>	<i>M</i>	<i>14/15</i>	<i>M</i>
<i>Non-executive director - independent pursuant to the TUF and the Code</i>	<i>CASTELLI Michaela</i>	<i>8/8</i>	<i>P</i>	<i>14/15</i>	<i>M</i>
<i>Non-executive director - independent pursuant to the TUF and the Code</i>	<i>LE COUILLIARD Joanna</i>			<i>15/15</i>	<i>P</i>
<i>Non-executive director - independent pursuant to the TUF and the Code</i>	<i>PELUSO Piergiorgio</i>	<i>8/8</i>	<i>M</i>		

<b>N. MEETINGS HELD DURING THE FINANCIAL YEAR:</b>	8	15
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\* This column shows the attendance of Directors at meetings of the Committees respectively (no. of attendances / no. of meetings held during the actual period of office of the person concerned in the reference financial year).

\*\* This column indicates the status of the director within the Committee: 'P' (*Presidente*) chair and 'M' (*membro*) member.

It should be noted that in 2021 it was not necessary for the Risk, Control and CSR Committee to meet also as acting as the related-party transactions committee. The Remuneration and Nominations Committee met 15 times, as reported above, 7 of which was also as acting as the related-party transactions committee.

## **7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS – NOMINATIONS COMMITTEE**

### **7.1 SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS**

During 2021, the Board of Directors performed an in-depth board review process with the support of an external consultant: the consultancy firm Crisci & Partners which, it should be noted, does not provide any further services to Recordati or to companies in a controlling relationship with it.

The process concerned the functioning of the Board itself and of its committees as well as their size and composition and also involved a benchmarking analysis with Recordati's peers and, in general, with the best practices in the field performed by the consultant. The self-assessment process also included, for the first time, a peer-to-peer review, *i.e.* a focus on the content of the contribution made by each of the members of the Board, including the Chair. Two questionnaires (one of which was dedicated to the peer review) and an individual interview with each director, as well as with the Chair of the Board of Auditors and the Secretary of the Board, were performed.

Lastly, the process included a specific focus on supporting the Board in relation to its renewal, also for the purpose of possibly formulating some guidelines for the benefit of the Shareholders, even though the Company is a large company with concentrated ownership.

The Remuneration and Nominations Committee played a proactive and preparatory role in the process by coordinating with the Chair of the Board of Directors, who attended the Committee meetings in which the procedures for carrying out the process, the macro areas of analysis to be taken into account and the timing of the process were examined, as well as the identification of the external consultant and therefore the outcomes of such processes were also examined.

The results of the board review process were analysed on an investigation basis by the Remuneration and Nominations Committee at its meetings of 11<sup>th</sup> October 2021 (on a preliminary basis) and of 9<sup>th</sup> November 2021 (on a definitive basis), and subsequently by the Board of Directors on 26<sup>th</sup> November 2021, which examined specific documentation illustrating the process, including a specific benchmarking analysis, an examination of the results of the peer-to-peer analysis and some of the Committee's recommendations, also in relation to possible guidelines for Shareholders.

The results of this process confirm a positive picture in terms of the composition of the Board, in particular from the point of view of the mix of experience and expertise, and showing that there is a general atmosphere of transparency and shared trust. In addition, the functioning of board and committee activities is also viewed very positively.

With respect to the areas for possible improvement based on the results of this process, these mainly concerned the possibility of dedicating even more time during meetings to the in-depth examination and sharing of ideas and decisions relating to strategies concerning business activities. During the process, particular attention was also paid to the change in governance expected by the end of the 2021 financial year with the appointment of a new foreign chief executive officer, and some recommendations were made in relation to the induction activities to be performed in favour of the latter (activities that – it is confirmed – were performed; please refer to section 4.5) and, more generally, to the support activities aimed at a smooth handover to the new chief executive officer. In this latter regard, the results of the process have highlighted the importance of the role of Mr Recordati, as the future Chair, to whom a number of specific recommendations have been addressed, including, *inter alia*, support for the induction of the new Chief Executive Officer, handling induction activities for directors and serving as a link between executive and non-executive directors without experience in the pharmaceutical sector.

With respect to the Committee's recommendations, also in relation to possible guidelines addressed to the Shareholders, the Committee indicated to the Board that it could recommend the appointment of a new Board that is substantially in line with the current one, with some new elements, such as, in particular, the importance given to members meeting the independence requirements, the presence of women required by law for the renewal of the Board, as well as the strengthening of some skills/experience (in particular, experience in the pharmaceutical market – preferably in the business relating to orphan products and in the OTC business - in an international context). In this regard, it should be noted that, subsequently, on 16<sup>th</sup> December, Ms Kim Stratton was appointed to the Board of Directors in office, to replace Mr Balestrieri, who resigned on 15<sup>th</sup> October 2021: she is a female director with significant business experience in the pharmaceutical market.

The Board of Directors acknowledged the results of the self-assessment process and the recommendations provided by the Remuneration and Nominations Committee and unanimously expressed an overall positive assessment of the functioning of the Board itself and its Committees as well as their size and composition. With regard to the recommendations made by the Committee, despite the fact that the Company is a large company with concentrated ownership (and, as such, under the CG Code 2020, the Board is not required to express guidance to Shareholders), the Board decided to express some guidance in line with the above: please refer to the Directors' Report to Shareholders which will be made available for the Shareholders' Meeting scheduled for 29<sup>th</sup> April 2022 and which will resolve upon the appointment of the new Board of Directors.

With regard to the future self-assessment processes of the Board of Directors and of its committees, it is confirmed that the Board has assigned the Remuneration and Nominations Committee the competence to support the Board in this respect when it adheres to the 2020 CG Code.

Finally, as regards the timing of the next/future self-assessment process(es), taking into account that the new Board of Directors will be appointed by the Shareholders' Meeting scheduled for 29<sup>th</sup> April 2022, it will be a matter for that new Board to assess.

## 2.1. Succession Planning for the Executive Directors and Key Manager Personnel

**With respect to succession plans for Executive Directors who are granted individual management powers**, on 30<sup>th</sup> July 2020, the Board of Directors adopted, upon receiving the opinion of the Remuneration and Nominations Committee – following agreement also with the Risk, Control and CSR Committee which had also originally started the preliminary analysis before assigning the relevant competence to the Remuneration and Nominations Committee at the time of the extension of the Remuneration Committee's competences to the functions of the Nominations Committee – a plan for the Chief Executive Officer and the Director in charge of the Internal Control and Risk Management System, containing, in the event of early termination or impediment, even temporary, to the performance of their functions, the guidelines of the succession process aimed at short-term/medium-term management continuity. It is therefore a so-called 'contingency plan' that will enable the Company to deal with any emergency situation immediately,

On the basis of this 'contingency plan':

- upon the occurrence of the early cessation from holding office or impediment, including temporary, to the performance of the Chief Executive Officer's functions, the Group General Manager shall assume the powers for the management of the Company with the same limits as those previously envisaged for the Chief Executive Officer, and a Board of Directors' meeting shall promptly be called in order to take the consequential measures;
- upon the occurrence of the early cessation from holding office or impediment, including temporary, to the performance of the functions of the Director in charge of the Internal Control and Risk Management System, the Chief Executive Officer shall take over the role, and a Board of Directors' meeting shall promptly be called in order to take the consequential measures.

In light of the significant change in the Company's corporate governance - which saw Mr Andrea Recordati, the previous Chief Executive Officer, being appointed as the new Chair as from 1<sup>st</sup> December 2021 and Mr Robert Koremans being appointed as the new Chief Executive on the same date – upon preliminary investigation and the favourable opinion of the Remuneration and Nominations Committee, on 1<sup>st</sup> December 2021, the Board updated the above-mentioned Contingency Plan, providing for the following:

- in the event of the temporary or permanent absence of the Chief Executive Officer, the Chair (*i.e.* Andrea Recordati: who, having held that position until November 2020, was naturally considered to be in a position to fill it again in the event of an emergency) will take over;
- if the unavailability concerns the Director responsible for the Internal Control and Risk Management System (currently confirmed as Mr Fritz Squindo, Group General Manager) the proposal confirms that the Chief Executive Officer will take over.

The Remuneration and Nominations Committee specified that these amendments were necessary to manage the transitional period between the appointment of the new Chief Executive Officer and the appointment of the new Board and that, naturally, the text would subsequently have to be reviewed in the light of the new composition of the Board resolved upon by the Shareholders' Meeting on 29<sup>th</sup> April 2022.

During 2021, the Remuneration and Nominations Committee continued its analysis of the *status quo* regarding the existence of adequate **procedures for the succession of key management personnel** that it had started in 2020, further developing the content and formalisation of the guidelines for these procedures.

The process is aimed at verifying the existence of adequate organisational controls by the Company in order to ensure effective managerial continuity.

The Committee expressed a favourable opinion on the adequacy of the procedures for the benefit of the Board, which in turn, agreed with its assessment.

Lastly, the Committee provided some suggestions for the continuous improvement of these procedures – particularly regarding the further study of paths to develop internal resources in the future – and planned further checks on the actual implementation of the procedures, in order to assess their effectiveness and any need for any further improvements.

## 7.2 REMUNERATION AND NOMINATIONS COMMITTEE

### Composition

During 2021, the Remuneration and Nominations Committee was composed of Joanna Le Couilliard (acting as Chair), Silvia Candini and Michaela Castelli, all directors meeting the independence requirements. The Board of Directors acknowledged that all members have adequate knowledge and experience in financial matters or remuneration policies.

### Duties

As regards specific information on the Remuneration and Nominations Committee's duties and activities in the field of remuneration, please refer to the relevant parts of the Remuneration Report published pursuant to article 123-ter of the TUF.

With regard to the tasks as a nominations committee, according to the organisational regulations, most recently updated in December 2020, the Remuneration and Nominations Committee is assigned the consultative and proposal-making duties described below:

- assisting the Board of Directors in the self-assessment process of the Board itself and its committees;
- also taking into account the results of the aforesaid self-assessment, formulating opinions to the Board of Directors on the optimal composition (qualitatively and quantitatively) of the Board itself and its committees and on the managerial and professional profile whose presence on the Board is deemed appropriate, also in light of the Company's sectoral characteristics, for the purposes of the possible formulation by the outgoing Board of Directors to the shareholders of guidelines in relation to the appointment of the new Board of Directors;
- assisting the Board of Directors in assessing candidates for the office of director in cases of co-optation;
- making recommendations to the Board of Directors on any critical issues related to the application of the non-competition clause provided for Directors by article 2390 of the Italian Civil Code in the event that the Shareholders' Meeting has authorised general and preventive exceptions to this prohibition;

- supporting the Board of Directors by carrying out the necessary investigation activities for the preparation of a possible succession plan for the Chief Executive Officer and the other executive directors granted with management powers, which at least identifies the procedures to be followed to ensure the regular management of the Company in the event of early termination of the office of the Chief Executive Officer and/or of the Director in charge of the Internal Control and Risk Management System – if different from the Chief Executive Officer – with respect to the ordinary expiration of the office;
- assisting the Board of Directors through the necessary investigation activity in order to ascertain the existence of adequate procedures for the succession of top management, *i.e.*, key manager personnel ('Top Management')
- formulating opinions to the Board of Directors in relation to the guidelines on the maximum number of offices held in the management or control bodies in other listed companies or large companies that may be considered compatible with an effective performance of the office of director of the Company, taking into account the commitment deriving from the role held also with reference to the participation of directors in the committees established within the Board.

### **Activities carried out in 2021**

With reference to the above-mentioned duties, during 2021, the Committee mainly:

- preliminary examined the proposed recommendation to the Board of Directors on the maximum number of offices that each director may hold in other listed companies or large companies;
- continued the analysis started in 2020 on the procedures for the succession of key management personnel;
- assisted the Board of Directors in performing the self-assessment process of the Board of Directors and of its committees in relation to the methods of performing the process and the analysis of the results, also with the aim of proposing to the Shareholders guidelines on the quantitative and qualitative composition of the Board considered optimal, in agreement with the Chair of the Board of Directors in compliance with the role assigned to the latter in relation to this process by the 2020 CG Code;
- assisted the Board of Directors in relation to the change of corporate governance of the Company and in particular in the activities of evaluating candidates for the position of Chief Executive Officer and in defining the new role of the former Chief Executive Officer as Chair in the new corporate governance structure;
- examined, on a preliminary basis, to the Board of Directors the proposed Policy on qualitative and quantitative criteria for the purposes of assessing the independence requirements of the members of the Board of Directors pursuant to the CG Code 2020;
- in light of the change of the Company's corporate governance, preliminary examined the Board's proposal of a 'contingency plan' for the Chief Executive Officer and the Director in charge of the internal control and risk management system containing, in the event of early cessation from office or impediment, even temporary, to the performance of their functions, the guidelines of the succession process aimed at ensuring management continuity in the short-medium term.

The percentage of attendance of Committee members at meetings is shown in the table at the end of Section 6 of this Report.

Minutes were duly taken of the meetings of the Remuneration and Nominations Committee , in line with the provisions of the Committee Regulation, which includes specific regulations in this regard, as well as with regard to the procedures for the management of information to committee members in line with what is also provided for in the Regulation of the Board of Directors.

In particular:

- the Committee meets, subject to written notice being given by its Chair (or in his/her absence or impediment, by the Committee member who has served longest on the Board of Directors, or in the event of the same length of service, with the greatest seniority in terms of age) indicating the place, date, time and agenda of the meeting to be held, in general, at least three days prior to the date set for the meeting; in cases of urgency, the time limit may be shorter, provided that a minimum of 24 hours' notice is given, at the registered office or elsewhere in Italy, as indicated in the notice of call; the notice of call is sent to the members of the Committee by the Secretary, on the instructions, of the Chair of such Committee; the notice is also sent by the Secretary to the statutory auditors of the Board of Statutory Auditors and to any other persons invited by the Chair of the Committee to attend the meeting;
  - The Chair, with the assistance of the Secretary, shall ensure that the pre-committee reporting and additional information provided during meetings are suitable so as to enable Committee members to act in an informed manner in carrying out their role; in particular, with regard to the identification of time frames for sending documentation, the Committee indicates the following time frames:
    - three calendar days in most cases;
    - one calendar day for the minutes of the meeting.
- The members of the Committee and the Statutory Auditors are informed in advance if the Chair considers it appropriate that, for particular reasons of confidentiality and/or urgency in relation to the content of the item on the agenda and the related resolution, the supporting documentation be provided directly at the meeting. These timeframes have mainly been complied with, with a few exceptions;
- The Secretary of the Board of Directors acts as Secretary of the Committee and is responsible for taking the minutes of the meetings.

The Committee had access to the information and company departments necessary to carry out its duties; it did not consider it necessary to use external consultants.

After each meeting of the Committee, the Chair shall inform the Board of Directors, at the next available meeting, of the issues discussed and the observations, recommendations and opinions expressed therein, in the manner deemed most appropriate.

## **8. DIRECTORS' REMUNERATION – REMUNERATION COMMITTEE**

For the information on this Section, please refer to the Remuneration Report published by the Company on its website.

## **9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – RISK, CONTROL AND CSR (Corporate Social Responsibility) COMMITTEE**

The Internal Control and Risk Management System, which is based on the Enterprise Risk Management (ERM) approach, consists of a structured process of risk management in line with international best practice and in accordance with the primary requirements of applicable laws and regulations. The goal of the Internal Control and Risk Management System is to guide activities in line with company objectives while promoting informed decisions and ensuring the efficiency and efficacy of internal processes and the reliability of financial information and compliance with applicable laws and regulations.

The principles underlying the Company's risk management processes are based on the Corporate Governance Code for listed companies approved on 31<sup>st</sup> January 2020.

The internal control and risk management system permeates the whole Company, involving a variety of staff with specific roles and responsibilities.

The Group has developed - also with the support of the consulting firm Deloitte S.p.A. - its own Risk Map of the Company, which is kept constantly updated, in order to better identify the risks associated with the achievement of the strategic objectives of the Three Year Plan in force, also with a view to promoting mid- to long-term sustainability and, in general, in order to identify and manage the main internal and external risks of the Group in the most efficient way.

The updating process of the Risk Map of the Company (the so-called 'Risk Assessment') allows it to measure and control the level of exposure of all Group Companies to the various risk factors, as well as to manage overall exposure and implement controls and procedures that are able to reveal anomalous situations. The main risk factors to which the Group is exposed may be related to the external context, strategic and operational risks (including in relation to Research and Development, environment risks, health and safety risks, and pharmacovigilance risks), financial risks, and legal and compliance risks.<sup>14</sup>

The process of updating the Risk Map of the Company (Risk Assessment) is carried out at least annually, in line with the timing of preparation of the Company Budget. The methodology adopted for the performance of Risk Assessment activities is based on a self-assessment process. This choice derives from two considerations:

- the company representatives concerned have a thorough knowledge of the risks and issues involved in managing the business;
- different opinions and points of view can lead to a better understanding of the risks analysed and the safeguards put in place.

The adoption of a Self-Assessment process allows the dissemination of the control culture at all company levels (awareness of business risks); the establishment of an internal control and risk management system based on the accountability and self-assessment of the key persons

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<sup>14</sup> For more information, see the section 'Main Risks and Uncertainties' of the 2021 Consolidated Financial Statements of the Recordati Group.



involved in the control system (Risk Owner and Control Owner) and, finally, the focus of the control bodies on issues that have a significant impact on the company's business.

Risk Assessment activities are initiated with the identification of the corporate mission/vision and strategic objectives, on the basis of which Management sets the specific objectives to be assigned and shared at the various levels of the organisational structure. The Board of Directors of the Parent Company is responsible for determining the Group's strategic guidelines and policies, also with regard to the internal control and risk management system, with the support of the Director responsible for the internal control and risk management system. The corporate objectives are set out in the Three-Year Plan.

Risk Assessment results are set out by drafting a 'Risk Map of the Company', which contains the description of the identified risk, the risk rating, the mitigation measures implemented or under implementation, the corporate persons in charge of monitoring and managing the risk and the persons in charge of implementing the risk mitigation measures.

The Group periodically reassesses the Risk Map throughout the year, usually during the meeting called to approve the budget for the following financial year including by way of a bottom-up approach to the critical assessment of risks, in conjunction with significant company events, such as the definition of the budget, the revision of organisation charts, and other events that could have an impact on the Company's risks. In addition, Recordati updates its Risk Map in conjunction with the approval of extraordinary transactions, such as acquisitions of new assets that are considered significant.

As already mentioned in this Report, during 2021, Recordati updated its Risk Map on several occasions: in April 2021 in conjunction with the 2021-2023 Three Year Plan, in November 2021 at the time of an acquisition project of a Company group, and lastly, at the time of the approval of the 2022 budget, at the Board of Directors' meeting held on 16 December 2021.

Furthermore, in a meeting held on 24<sup>th</sup> February 2021, further to the opinion in favour by the Risk, Control and CSR Committee, the Board approved the adjustment of the guidelines for the internal control and risk management system of the Company and the Recordati Group, on the basis of the Board's resolutions in compliance with the 2020 CG Code; it should be noted that the purpose of these guidelines is to ensure that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored.

The heads of each department are responsible for designing and managing the Internal Control and Risk Management System and for monitoring its effective functioning on the basis of the guidelines approved by the Board of Directors.

The Board of Directors positively assessed the adequacy, effectiveness and actual functioning of the internal control and risk management system on the basis of information provided in meetings in the form of reports presented by the Internal Risk, Control and CSR Committee and by the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01.

With respect to reporting on breaches of applicable regulations, of the Code of Ethics and of internal procedures, the Company has for some time established special whistleblowing channels in place in all Group branches.

The structural components of the internal control and risk management system consist of: the Code of Ethics, which defines the principles and underlying values of the Company's

ethical code and the rules of conduct that are based on those principles; the system of powers and delegations with general and specific authorisations and the internal delegation of powers, according to the responsibilities assigned; corporate operating procedures; IT systems to support both management and production activities and also accounting and financial processes. With regard to compliance, since April 2003 the Issuer has had an organisational model in place pursuant to Italian Legislative Decree no. 231/2001 on administrative liability of companies, which is continuously updated and also a control model pursuant to Italian Law no. 262/2005 for financial reporting (further information is given below on the 'Risk management and internal control systems in relation to financial reporting').

The control mechanisms described above are monitored by management, by the functions and bodies of management and control (*i.e.*, the Board of Directors; the Risk, Control and CSR Committee; the Board of Statutory Auditors; the executive director responsible for the internal control and risk management system; and the ODV (231 Compliance Body)) and involve all personnel of the Recordati Group. The Group's Auditing & Compliance function also conducts the independent audits called for under the annual audit plan. The results of these audits are reported to the Chair and Chief Executive Officer, the executive director responsible for the internal control and risk management system, and to company management, as well as periodically to the Board of Statutory Auditors, the ODV (231 Compliance Body), the Risk, Control and CSR Committee, and the Board of Directors.

#### 9.a) Main characteristics of the risk and internal control management system in relation to the financial reporting process.

The internal control and risk management system, as just defined, covers financial reporting which forms an integral part of it, the preparation of which is governed by organisational procedures and instructions which ensure compliance with the general principles of control laid down by the Issuer (*e.g.*, a proper separation of functions, a proper system of authorisations and powers, checks and balances, accountability, etc.). It is based on the main established reference models (*e.g.*, CoSO Report) being subject at the same time to verification and periodic update by means of a review of the risks to which the Company is exposed.

A description is given below, in accordance with the regulations in force, of the characteristics of the system adopted, with particular reference to (a) the stages of the risk and internal control management system in relation to the financial reporting process and (b) the roles and functions involved and the procedures for co-ordination between the parties involved.

#### (a) The stages of the risk and internal control management system in relation to the financial reporting process

The Issuer has implemented a model for the administrative and accounting control of the system (hereinafter also the '262 Control Model') for some time now in order to ensure the effectiveness of that system. It has also assigned responsibility for verifying proper application of that model and for monitoring the functioning and adequacy of the Internal Control System in relation to the model to the Financial Reporting Officer.

The 262 Control Model consists of a set of corporate rules and procedures designed to enable objectives of reliability, accuracy, completeness and promptness in financial reporting to be achieved by identification and management of the main risks attached to the preparation and disclosure of financial information.

The 262 Control Model consists of

- ✓ administrative and accounting risk assessment;
- ✓ administrative and accounting manuals and procedures,

which are closely related to one another and are subject to continuous update and periodic assessment.

More specifically, administrative and accounting risk assessment is a continuous process of identifying and assessing risks attached to accounting and financial information and it is performed by the Financial Reporting Officer with the support of the Chief of the Internal Audit Function. This process is performed annually by means of:

- the identification, by means of quantitative (size) and qualitative (importance) criteria, of items in the financial statements and in financial information which may be highly sensitive and significant or involve risks of error or omission, with reference to the financial statements of the Parent Company or to the consolidated financial statements of the Group;
- the identification of the relative processes and accounting information input for each significant item of the financial statements and of financial information and of the relative controls to manage the risks identified.

If control activities are not found to be adequately documented or regulated in relation to risk areas identified following periodic risk assessment, the function responsible for the process shall provide adequate support documentation, with the support of the Financial Reporting Officer and, if necessary, the Chief of the Internal Audit Function, to enable the existing controls in the area subjected to analysis to be assessed.

When risks were identified as a result of annual risk assessment activities, the Company and the Group put procedures, protocols and documents in place to control administrative and accounting activities. The body of the administrative and accounting manuals and procedures is comprised of the following principal documents:

- the Group Accounting and Reporting Manual, designed to ensure the application of uniform criteria in the Group with regard to the recognition, classification and measurement in the accounts of operating and financial events;
- a system of internal certification by the management and administrative chiefs (CEO and Financial Controller) of the subsidiaries of the Recordati Group with regard to the accuracy, reliability and completeness of accounting information and its compliance with Group accounting policies and local regulations. This system, set out in the Group Accounting and Reporting Manual, is designed, amongst other things, to support the signing of certifications and attestations required by law of the Financial Reporting Officer and of the Chief Executive Officer;
- administrative and accounting procedures and protocols for closing accounts at the end of accounting periods (or 'Financial Closing Protocols') and preparing annual financial statements and reporting packages which define control responsibilities, activities and rules to follow for the administration and accounts of the Parent Company and its subsidiaries;

- procedures for preparation of the consolidated financial statements which regulate the operations and controls to be performed for the preparation of the consolidated financial statements, describing, amongst other things, the activities to be performed in the consolidation IT system adopted by the Group and used in its subsidiaries and which define the responsibilities of the various functions for the proper functioning of that system;
- calendar of end of period activities: a document which is updated and distributed monthly, which gives deadlines for the process of closing accounts and preparing financial statements, reporting packages and the consolidated financial statements;
- operational procedures which define the activities, responsibilities and management operations in terms of authorisation, implementation, control, official approval and recognition in the accounts for those accounting and reporting areas considered significant, in co-ordination with annual accounting and administrative risk assessment. Those responsible for the functions and for the subsidiaries involved in the process of preparing and managing accounting and financial information are responsible for the proper functioning and update of the administrative and accounting internal control system in relation to all the processes and accounting reporting under their control and they must constantly monitor those administrative and accounting procedures in order to ensure that they are properly applied and appropriate to the existing processes;
- tables of administrative and accounting controls, which describe the control activities implemented in each administrative and accounting process in relation to the risk identified and the related control objectives and which summarise the results of control testing activities performed by the Internal Audit & Compliance Function. The controls described by those tables represent the application of control principles described in administrative and accounting control procedures. These tables are therefore used as a tool for the identification of the key controls in place, specific to each significant process, and for the identification of tests to be performed to assess the adequacy of the administrative and accounting internal audit system. These tables are constantly updated by the Internal Audit & Compliance Function.

The Financial Reporting Officer appointed to prepare corporate accounting documents assesses and testifies to the adequacy of the 262 Control Model, which is the administrative and accounting internal control system just described and to the proper functioning of the procedures in place at least twice annually, when the interim half year and annual financial statements (consolidated financial statements of the Group and separate financial statements of the Parent Company) are approved. He is supported by the testing activity performed by the Group Internal Audit & Compliance Function designed to assess the adequacy of the design and proper implementation and operational effectiveness of the controls in place.

In 2021, the Company introduced and implemented a periodic information flow on the activities and accounting areas forming part of the 262 Control Model. By means of a self-assessment process, the Chief Financial Officers of the companies in the Recordati Group were asked to fill in a questionnaire designed to self-assess the correct implementation of the controls provided for by the Control Model pursuant to Italian Law no. 262/2005 and to identify areas for improvement. During 2021, the information received through this information flow was analysed by the Group Audit & Compliance Function and discussed with the Financial Reporting Officer. The 2021 information flows did not reveal any significant

weaknesses and provided indications to start specific improvement and optimisation activities in the existing accounting processes.

Independent testing is performed continuously throughout the year on the basis of the Annual Audit Plan drawn up by the Chief of Group Audit & Compliance. The results of testing activities, assessments of possible areas for improvement and the relative corrective action are officially published in an annual report addressed to the Chief of Group Audit & Compliance, the Financial Reporting Officer and the CEO.

The Financial Reporting Officer is also responsible for monitoring the administrative and accounting internal control system on the basis of information received from the chiefs of corporate functions and reports on the activities performed by the Internal Audit & Compliance Function, in order to ensure that the body of procedures is updated and that the controls identified by means of the administrative and accounting procedures are actually implemented.

(b) Roles and functions involved in the system for the management of risks and internal control in relation to the financial reporting process

The roles involved with specific reference to financial reporting processes are: the Board of Directors, CEO, the Chief of Group Audit & Compliance, the Risk, Control and CSR Committee and the Financial Reporting Officer and the Director responsible for the internal control and risk management system.

The Financial Reporting Officer in conjunction with the CEO is responsible for putting adequate administrative and accounting procedures in place for the preparation of the separate Parent Company and consolidated financial statements.

The Board of Statutory Auditors is also called upon to perform the functions assigned by the current regulations to the **Committee for internal control and accounting audit** ('CICAA'), established by Italian Legislative Decree no. 39/2010 (so-called "consolidated law on statutory audits"), implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and therefore oversees the financial information process, on the effectiveness of the internal control, internal audit and risk management systems, the revision of the annual accounts and consolidated accounts, and the independence of the auditing company. Further information is given in Section 11 on the Board of Statutory Auditors.

## **9.1 DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

On 29<sup>th</sup> October 2020 (and previously on 5<sup>th</sup> February 2019), at the time of adhering to the 2020 CG Code, the Board of Directors, with the support of the favourable opinion of the Risk, Control and CSR Committee, confirmed the appointment of Mr Fritz Squindo, Group General Manager, as Executive Director responsible for the internal control system, confirming, therefore, the assignment of the tasks referred to in Recommendation no. 34 of the new 2020 CG Code, despite the fact that the latter recommends that the CEO be identified as the director responsible for establishing and maintaining the internal control and risk management system.

It is therefore highlighted that this is a case of non-compliance with the 2020 CG Code; in relation to the reasons for this decision, it should be noted that it takes into account the particular characteristics of Mr Squindo's role with reference to the following aspects: a) in-depth knowledge of the group both at business and organisational level; b) his supporting role to the CEO in determining the Group's strategies and objectives; c) the organisational reporting to Mr Squindo of the ESG manager (taking into account that the 2020 CG Code recommends that sustainability objectives be integrated into the internal control and risk management system).

At the time of the change in the Company's corporate governance, which became effective on 1<sup>st</sup> December 2021, the Board considered not to make any changes in this regard. In light of the new Board of Directors to be appointed by the Shareholders' Meeting scheduled for 29<sup>th</sup> April 2022, the Board will reassess the most appropriate identification.

### **Duties**

The Director responsible for the Internal Control and Risk Management System, with the assistance of the Chief of the Group Audit & Compliance

- a) is responsible, as part of the Risk Assessment process adopted by the Company, for identifying the main corporate risks, taking account of the characteristics of the activities performed by Recordati S.p.A. and its subsidiaries, with particular attention to companies of strategic importance, and periodically submits them to the Board of Directors for examination;
- b) implements the guidelines defined by the Board of Directors, monitoring the structuring, implementation and management of the Internal Control and Risk Management System and constantly checking its adequacy and effectiveness;
- c) takes care of the adaptation of the Internal Control and Risk Management System to the dynamics of the operating conditions and the legislative and regulatory framework;
- d) may entrust the Group Internal Audit Function with the task of carrying out checks on specific operational areas and on compliance with internal rules and procedures in the performance of corporate transactions, simultaneously notifying the Chair of the Board of Directors, the Chief Executive Officer (if not identified as the latter person), the Chair of the Risk, Control and CSR Committee and the Chair of the Board of Statutory Auditors;
- e) promptly reports to the Risk, Control and CSR Committee (or to the Board of Directors) on problems and critical issues that have arisen in the performance of its activities or of which it has become aware, so that the Committee (or the Board of Directors) can take the appropriate measures.

### **Activities carried out in 2021**

The Director Responsible for supervising the functionality of the internal control and risk management system during 2021:

- has identified, with the help of the Chief of Group Audit & Compliance, as part of the Risk Assessment process adopted by the Company, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries. In detail, he has completed the update of the Recordati Risk Map relating to (i) the 2021 financial year (again with the assistance of the outside company Deloitte S.p.A.), (ii) the approval of the 2021-2023 Three Year Plan and (iii) some particularly significant M&A transactions of which he informed the Risk, Control and CSR

- Committee and the Board on several occasions during 2021;
- has implemented the guidelines defined by the Board and, with the assistance of the Chief of Group Audit & Compliance and other competent functions within the Company, has designed, constructed and managed the internal control and risk management system, while constantly checking its adequacy and effectiveness;
- has brought the system, again with the help of the Chief of Group Audit & Compliance and other competent functions within the Company, into line with changes in operating conditions and in the legislative and regulatory framework.

## **9.2 RISK, CONTROL AND CSR (Corporate Social Responsibility) COMMITTEE**

### **Composition**

During 2021, the Risk, Control and CSR Committee was composed of the following non-executive and independent Directors: Ms Michaela Castelli, lawyer, Chair, Ms Silvia Candini and Mr Piergiorgio Peluso.

The Committee met 8 times during the Financial Year. In the current financial year, the Committee met three times. The percentage attendance of Committee members at meetings is shown in the table contained at the end of Section 6 of this Report.

The Board determined that all members have adequate experience in accounting and finance or risk management matters.

The entire Board of Statutory Auditors has been constantly invited to participate in the Committee's work.

Upon invitation by the Chair of the Committee and with regard to individual items on the agenda, various non-members have attended some meetings, in particular the Group General Manager and the Director Responsible for the Internal Control and Risk Management System, the Chief of Group Audit & Compliance, the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01, the Group CFO, the IT Director, the ESG Manager, representatives of the Audit Firm, the Cyber Security Manager, the Group Insurance Manager, Employers and the Heads of the Prevention and Protection Service for production sites in Italy with regard to safety in the workplace, the Group Engineering Manager as well as consultants who provided support to the Company on specific projects examined by the Committee.

The Group General Counsel attended all the meetings, also in her capacity as Secretary of the Committee, together with the Group Corporate Law Counsel, also for the purposes of taking the minutes of the meetings.

### **Duties assigned to the Risk, Control and CSR Committee**

The Risk, Control and CSR Committee has been set up with the task of supporting the Board's assessments and decisions relating to the internal control and risk management system and, in particular, it is in charge of analysing the issues and instructing relevant practices to control business activity, by carrying out investigative, advisory and proposal-making functions towards the Board with respect to assessments and decisions relating to the internal control and risk management system – understood as the set of rules, procedures and organisational structures for the actual and efficient identification, measurement, management and

monitoring of the main risks, in order to contribute to the Company's sustainable success (meaning the objective that guides the Board's actions and that consists of the creation of long-term value to the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the Company) – as well as in those relating to the approval of periodic financial and non-financial reports for the purposes of the internal control and risk management system.

In particular, during 2020, while adhering to the 2020 CG Code, the Board of Directors confirmed the assignment to the Risk, Control and CSR Committee of the task of supporting the Board in ensuring that strategies are consistent with the sustainable success objective.

More specifically, the Committee plays an investigative and advisory role *vis-à-vis* the Board in the performance of certain tasks pertaining to the Board itself, such as:

- to carry out the analysis of issues relevant to the creation of long-term value as a preliminary step for the Board's approval of the business plan of the Company and of the Group;
- to define the nature and level of risk compatible with the Company's strategic objectives, by including in its assessments all elements that may be relevant to the Company's sustainable success;
- to identify the director responsible for establishing and maintaining an effective internal control and risk management system (Director responsible for the internal control and risk management system) in the event that the Board decides to depart from the recommendation of the 2020 CG Code, which identifies the latter as the Chief Executive Officer;
- to define the guidelines of the internal control and risk management system in accordance with the Company's strategies;
- to assess, at least once a year, the adequacy of the internal control and risk management system in relation to the characteristics of the company, its risk profile, as well as its effectiveness;
- to appoint and revoke the Chief of the Group Internal Audit Function, by defining his/her remuneration in line with company policies, and ensuring that he/she is provided with adequate resources to perform his/her duties. If the Board decides to entrust the internal audit function, as a whole or by operational segments, to a person external to the Company, the Committee shall first assess that the person adequately meets the requirements of professionalism, independence and organisation and that adequate reasons for such choice are provided in the Corporate Governance Report;
- to approve, at least once a year, the work plan prepared by the Chief of the Group Internal Audit Function, after having consulted with the Board of Statutory Auditors, the Director responsible for the internal control and risk management system and the Chief Executive Officer;
- to assess the appropriateness of adopting measures to ensure the effectiveness and impartiality of judgement of the corporate functions involved in controls (such as the risk management and legal and non-compliance risk monitoring functions, with reference to the organisational structures of the Company set up in relation to such functions), verifying that they have adequate professionalism and resources;
- to assign to the Board of Statutory Auditors or to a specially established body – the ODV (231 Compliance Body) – the supervisory functions pursuant to article 6, paragraph (1)(b) of Italian Legislative Decree no. 231/2001; in the second case, (i) to appoint the members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001,



taking care to assess the advisability of appointing to the Body at least one non-executive director and/or one member of the Board of Statutory Auditors and/or the holder of the company's legal or control functions, in order to ensure coordination between the various persons involved in the internal control and risk management system and (ii) to allocate an annual budget to the ODV (231 Compliance Body). In particular, the Committee formulates proposals to the Board regarding the appointment of members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 and the allocation of an annual budget to that body;

- to assess, in consultation with the Board of Statutory Auditors, the findings set out by the auditor in the letter of suggestions, if any, and in the additional report on key issues arising from the statutory audit addressed to the Board of Statutory Auditors;
- to describe, in the Corporate Governance Report, the main features of the internal control and risk management system and the methods of coordination between the persons involved in it, indicating the models and national and international best practices of reference, expressing its overall assessment of the adequacy of the system itself and giving an account of the choices made regarding the composition of the ODV (231 Compliance Body);
- to generally implement the recommendations contained in the 2020 CG Code in relation to the internal control and risk management system.

Moreover, the Risk, Control and CSR Committee, in compliance with the 2020 CG Code, in assisting the Board:

- assesses, together with the Financial Reporting Officer and after having consulted with the auditor and the Board of Statutory Auditors, the correct use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, prior to the Board's approval of the consolidated financial statements;
- assesses the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved;
- examines the content of periodic non-financial information relevant to the internal control and risk management system;
- expresses opinions on specific aspects relating to the identification of the main corporate risks and supports the Board's assessments and decisions relating to the management of risks deriving from prejudicial facts of which it has become aware;
- examines the periodic reports on the assessment of the internal control and risk management system and those of particular relevance prepared by the Chief of the Group Internal Audit Function;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Group Internal Audit Function;
- may entrust the Group Internal Audit Function with the task of carrying out checks on specific operational areas, simultaneously reporting to the Chair of the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, unless the subject of the request for control specifically concerns the latter's activity;
- reports to the Board, at least every six months, upon the approval of the annual and half-yearly financial reports, on the activities carried out as well as on the adequacy of the internal control and risk management system.

The Risk, Control and CSR Committee also assists the Board **in relation to sustainability issues:**

- monitors sustainability issues related to the Company's operations and the dynamics of its interaction with all stakeholders in accordance with the principle of sustainable success;
- examines the guidelines of the Sustainability Plan and the means for implementing the sustainability policy;
- examines the general approach of the consolidated non-financial statement and the structuring of its contents, as well as the completeness and transparency of the reporting provided through this document;
- at the request of the Board, expresses opinions on sustainability issues.

Lastly, the Risk, Control and CSR Committee also plays an investigative and advisory role *vis-à-vis* the Board of Directors in the performance of the following duties pertaining to the Board itself:

- amending and/or supplementing the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 adopted by the Company; in particular, the Committee makes proposals to the Board of Directors regarding amendments to be made to the Organisational Model pursuant to Italian Legislative Decree no. 231/01 adopted by the Company;
- appointing and dismissing the Internal Audit Officer(s) pursuant to article 150 of Italian Legislative Decree no. 58/1998;
- appointing, subject to the mandatory opinion of the Board of Statutory Auditors, the Financial Reporting Officer pursuant to Article 154-*bis* of Italian Legislative Decree no. 58/1998 and article 25 of the By-Laws; in compliance with the 'Regulations of the Financial Reporting Officer' approved by the Board on 18<sup>th</sup> March 2020, the Committee carries out the preliminary activities regarding the requirements of professionalism and integrity in support of the Board's resolution;
- carries out any further duties assigned to it by the Board of Directors.

In addition to the above, the Committee is also assigned the following duties with reference to the Procedure governing Related-Parties transactions:

- shall express an opinion on the Procedure governing Related-Party Transactions that the Company must adopt in compliance with Consob Regulation no. 17221 of 12<sup>th</sup> March 2010, as well as on any subsequent amendments to the Procedure itself;
- shall express an opinion, either binding or non-binding, on Related-Party Transactions of major importance and on Related-Party Transactions of minor importance in compliance with the aforementioned Procedure for Related-Party transactions adopted by the Company, unless they consist of Related-Party Transactions which concern remuneration.

### **Activities performed in 2021**

At the meetings mentioned above, the Committee mainly carried out the following activities:

- met with the auditing firm EY S.p.A., appointed as Group auditor by the 2020 Shareholders' Meeting, to discuss the structure and purpose of their audit plan;
- followed the developments of the emergency caused by the spread of the SARS-CoV-2 virus with the aim of monitoring the adequacy of the measures adopted by Recordati to ensure the safety of employees and business continuity and subsequently also examined the plans to reopen production activities and, prospectively, the operational activities of the offices as well as, more generally, the measures and guidelines adopted by Recordati, at Group level, to deal with the spread of the Sars-Cov-2 virus;

- examined the periodic reports of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 and of the Chief of the Group Internal Audit Function and the results of the audits performed by the Audit Function, including the audits which specifically concerned the analysis of the correct application and functioning of the Regulations on the management and coordination activities exercised by Rossini Luxembourg S.à.r.l. over Recordati S.p.A. and on the information flows from Recordati S.p.A. to, in particular, Rossini Luxembourg S.à.r.l. which were approved by the Board of Directors of Recordati S.p.A. in 2019 and the follow up on the assessment of IT security, taking account of the way in which staff in the Milan offices work remotely; the Committee also met with the Company's Cyber Security Manager in this respect;
- examined the proposed Audit Plan for 2021 and supervised its progress during the financial year; in particular, it followed and shared the proposals to adjust the activities planned by the internal audit function as a result of the measures adopted to manage the pandemic;
- acknowledged the ODV's (231 Compliance Body) action plan for 2021;
- after consultation with the Audit Firm and the Board of Statutory Auditors and together with the Financial Reporting Officer, examined the results of the audit of the accounts regarding the financial statements and the proper application of accounting standards and their consistency in the preparation of the consolidated financial statements; the Committee subsequently acknowledged the specific reporting to be included within the 2020 annual financial report with respect to the expected impacts of the SARS-Cov-2 coronavirus on the evolution of operating performance and agreed positively with the Company's proposal;
- formulated a proposal for submission to the Board concerning the expenditure budget of the ODV (231 Compliance Body) for the operating expenses of the committee itself concerning the application of the Organisation, management and control model pursuant to Italian Legislative Decree no. 231/01;
- examined the adequacy of the Guidelines for the Internal Control and Risk Management System, giving a favourable opinion;
- examined the section of the Corporate Governance Report for the 2020 financial year concerning the internal control and risk management system;
- examined the organisational structure of the Group Internal Audit Function and examined Recordati's organisational structure following specific reporting from the Chief Executive Officer;
- examined, on a preliminary basis with respect to the approval by the Board of Directors, the Procedure prepared specifically for the management of Directors' conflicts of interest regarding M&A and licensing-in transactions, giving a favourable opinion;
- examined the sustainability objectives for the 2021 financial year on a preliminary basis for the Board of Directors – giving a favourable opinion – and examined in detail the activities implemented by the Company aimed at providing the non-financial information required by Italian Legislative Decree no. 254/2016 relating to the 2021 financial year, giving a favourable opinion; it also supervised during the year the activities carried out by the Company in the various areas of interest highlighted by the materiality analysis;
- examined the 'Risk Map' which had been updated in December 2021 in view of the 2022 financial year, updating it with respect to what had been examined for the 2021 financial year, also for the purposes of supporting the Board's assessment concerning the compatibility of the level and nature of the risks as identified by the Group Risk Map submitted to the Board, with the Group's strategic objectives as set out in the 2022 Budget; during 2021, the Committee examined the update of the Risk Map prior to the

Board's approval of the 2021-2023 Three-Year Plan (also with a view to the sustainability of the Company's activities in the medium-long term) and in relation to specific significant M&A transactions for the acquisition of rights to products considered relevant, should this transaction be completed;

- also expressed its favourable opinion to the Board on the adequacy of the internal control and risk management system at the time of the approval of the 2020 budget and the 2021 half-yearly report;
- reported to the Board twice on its activities performed, at the time of approval of the 2020 financial statements and the 2021 half-yearly interim financial report; the Chair of the Committee in any case informed the Board of Directors at the first subsequent meeting of the decisions taken regarding the matters for which it is competent;
- with regard to safety in the workplace, it examined the reports of the Employers and the Heads of the Prevention and Protection Service of the Milan and Campoverde production plants, as well as the reporting on the Group's foreign plants, specifically focusing on the management of the pandemic and on how to work remotely;
- examined the update of the Procedure for regulating related-party transactions and the related implementing provisions, following the Consob rules and regulations implementing the 'SHRD II' Directive (EU/2017/828);
- in particular, as part of the in-depth examination of risk management, received specific reporting on insurance and tax matters; the Committee also met with the Company's Group Insurance Manager and Tax Manager in this regard;
- preliminarily examined for the Board – giving a favourable opinion – the proposed Regulation of the Board of Directors pursuant to the 2020 CG Code;
- at the end of the 2021 financial year, it reviewed the sustainability matrix for the purpose of the 2021 non-financial statement and preliminarily examined the proposed 2022 Sustainability Plan, giving a favourable opinion.

Finally, the Risk, Control and CSR Committee was constantly updated during the first few months of 2021 on the finalisation and successful conclusion of the process relating to the 'Reverse merger of Fimei S.p.A. and Rossini Investimenti S.p.A. into Recordati S.p.A.', the major related-party transaction.

For further information on the terms and procedures for performing the Merger, please refer to the Merger Plan, the Information Document and the Explanatory Reports, published on the website [www.recordati.com](http://www.recordati.com) (in the 'Investors' area, section 'Shareholders' Meetings - Reverse Merger into Recordati S.p.A. 2020/2021') and on the authorised storage mechanism [1Info https://www.1info.it](https://www.1info.it)

The percentage of attendance of Committee members at meetings is shown in the table at the end of Section 6 of this Report.

Minutes were duly taken of the meetings of the Committee, in line with the provisions of the Committee Regulation, which includes specific regulations in this regard, as well as with regard to the procedures for the management of information to committee members in line with what is also provided for in the Regulation of the Board of Directors.

In particular:

- the Committee meets, subject to prior written notice being given by its Chair (or in his/her absence or impediment, by the Committee member who has served longest on the Board of Directors, or in the event of the same length of service, with the greatest seniority in

terms of age) indicating the place, date, time and agenda of the meeting to be held, in general, at least three days prior to the date set for the meeting; in cases of urgency, the time limit may be shorter, provided that a minimum of 24 hours' notice is given, at the registered office or elsewhere in Italy, as indicated in the notice of call; the notice of call is sent to the members of the Committee by the Secretary, on the instructions of the Chair of such Committee; the notice is also sent by the Secretary to the statutory auditors of the Board of Statutory Auditors and to any other persons invited by the Chair of the Committee to attend the meeting;

- The Chair, with the assistance of the Secretary, shall ensure that the pre-committee reporting and additional information provided during meetings are suitable so as to enable Committee members to act in an informed manner in carrying out their role; in particular, with regard to the identification of time frames for sending documentation, the Committee indicates the following time frames:
  - three calendar days in most cases;
  - one calendar day for the minutes of the meeting.

The members of the Committee and the Statutory Auditors are informed in advance if the Chair considers it appropriate that, for particular reasons of confidentiality and/or urgency in relation to the content of the item on the agenda and the related resolution, the supporting documentation be provided directly at the meeting. These timeframes have mainly been complied with, with a few exceptions;

- The Secretary of the Board of Directors acts as Secretary of the Committee and is responsible for taking the minutes of the meetings.

The Committee had access to the information and company departments necessary to carry out its duties; it did not consider it necessary to use external consultants.

The Board of Directors approved a specific budget for the Risk, Control and CSR Committee for 2021 in order to provide it with adequate financial resources to carry out its duties.

### **9.3 CHIEF OF THE GROUP AUDIT & COMPLIANCE FUNCTION**

It is the responsibility of the Board of Directors, upon the proposal of the Risk, Control and CSR Committee, to appoint and remove the chief of that function, and also to ensure that he has adequate resources to carry out the relative functions and to set the remuneration consistent with Company policies.

The Group Audit & Compliance Department, headed by Mr Giovanni Minora, is not responsible for any operational area whatsoever and reports hierarchically from 20 December 2012 to the Board of Directors; the ordinary management of employment relationships has been assigned to the Chair, also following the appointment of the new Chair on 29<sup>th</sup> October 2020. Following the change in corporate governance with effect as from 1<sup>st</sup> December 2021, the new Chair was confirmed as being in charge of supervising the activities of the internal audit function and liaising with the Board of Directors (without prejudice to the hierarchical dependence of the function on the Board of Directors) and ordinary management of the employment relationship of the chief of the internal audit function.

The Chief of the Group Audit & Compliance Function is also in charge of internal control pursuant to article 150 of Italian Legislative Decree no. 58/1998, as confirmed by the Board of Directors, most recently on 5<sup>th</sup> February 2019.

When he was appointed, the Board, having consulted with the Risk and Control Committee (as named at the time), assessed the appropriateness of the remuneration paid to the Chief of Group Audit & Compliance as an employee of the Company with respect to the Company's policies.

### **Duties**

The duties of the Chief of Group Audit & Compliance are as follows:

- to oversee, both on a continuous basis and in relation to specific needs and in observance of international standards, the functioning and the adequacy of the internal control and risk management system, by carrying out an audit plan approved by the Board of Directors, based on a structured process to analyse and set priorities in relation to the main risks;
- to prepare periodic reports containing adequate information on his activities, on the procedures employed to manage risks and on compliance with the plans drawn up to mitigate them. These periodic reports contain an assessment of the appropriateness of the internal control and risk management system;
- also, upon request by the Board of Statutory Auditors, to promptly prepare reports on events of particular importance;
- to submit periodic reports to the Board of Statutory Auditors, the Risk Control and CSR Committee, the Board of Directors, the Director responsible for the internal control and risk management system and the CEO, except where the subject matter of such reports specifically concerns the activities of such bodies;
- as part of the audit plan, to oversee the reliability of IT systems, including those responsible for bookkeeping.

For the purposes of the above the Chief of Audit & Compliance has direct access to all information useful for performing his/her duties.

Furthermore, the Chief of Group Audit & Compliance:

- explains the proposed annual work programme to the Risk, Control and CSR Committee in order to implement any recommendations that the Committee may intend to make;
- assists the Executive Director responsible for overseeing the functionality of the internal control and risk management system with the design, implementation and management of the Internal Control and Risk Management System and in the Risk Assessment process in order to update the Risk Map of the Company at least on an annual basis;
- schedules and carries out, consistent with the annual work plan, direct and specific audit activities at Recordati S.p.A. and at all the subsidiaries, with particular regard to companies of strategic importance, in order to detect any failings there may be in the internal control and risk management system, in the various risk areas.
- checks that the rules and procedures for auditing and risk management processes are observed and that all individuals involved act in accordance with the predetermined objectives;

- carries out checks on his own initiative or at the request of the Board of Directors, the Risk, Control and CSR Committee, the Executive Director responsible for monitoring the functionality of the internal control and risk management system or the Board of Statutory Auditors.

#### Activities in 2021

In detail, during the course of the Financial Year and in meetings of the Board of Directors already held in 2021, the Chief of Group Audit & Compliance:

- explained the annual work programme and the organisational structure of his function to the Risk, Control and CSR Committee;
- had direct access to all the necessary information to carry out his role;
- carried out direct and specific auditing tasks, in a manner consistent with the annual work plan;
- reported to the Executive Director responsible for monitoring the functionality of the internal control system on the results of the auditing activities undertaken during the Year;
- reported on his actions and on the results of the activities undertaken to the Risk, Control and CSR Committee and to the Board of Statutory Auditors of the Company.

The Chief of Group Audit & Compliance had an operating budget which was used to carry out the audits and checks performed during the Financial Year.

The Board of Directors was informed by the Risk, Control and CSR Committee of the organisational structure of the Group Audit & Compliance Function and it agreed with the assessment of its adequacy in carrying out the responsibilities assigned to it and drawing up the audit plan approved for 2021.

#### **9.4 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001**

All the Italian companies of the Recordati Group (Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., Italmichimici S.p.A. and Natural Point S.r.l.) adopted their own model of organisation, management and control as envisaged under Italian Legislative Decree 231/2001 concerning the administrative liability of organisations. More specifically, Recordati, the Group Parent, adopted its model in 2003, with the latest update of its specific part and protocols in 2021. The Organisation Models of the following other Italian companies were updated in 2021: Natural point S.r.l, Innova Pharma S.p.A. and Recordati Rare Disease Italy S.r.l..

In accordance with Confindustria guidelines, the organisational models of the Italian companies of the Recordati Group are dynamic, effective mechanisms as a result of constant monitoring and updating by the Supervisory Bodies. The organisational models call for specific, confidential channels for the reporting of violations or other anomalies by employees and periodic personnel training on the content of Italian Legislative Decree no. 231/2001 and of the Organisational Model. The ODV (231 Compliance Bodies), which have been appointed within the Group's Italian companies, are boards comprising of the Chief of the Internal Audit & Compliance and outside experts. Each ODV (231 Compliance Body) has its own internal regulations and operate in accordance with a specific programme. The ODV

(231 Compliance Bodies) also periodically report to the Board of Directors and the Board of Statutory Auditors.

In particular, the ODV (231 Compliance Body) of Recordati S.p.A. appointed by the Board of Directors on 29<sup>th</sup> April 2020, is composed of the external members, Prof. Silvano Corbella, Chair and Mr Andrea Scafidi, lawyer, and the internal member Mr Giovanni Minora, Group Audit & Compliance Manager.

During 2021, the two-year training plan on Models 231 was completed, providing training sessions to all personnel of the Group's Italian companies,

In particular, on 14<sup>th</sup> March 2018 Spanish subsidiary Casen Recordati adopted a Management and Control Organisational Model in compliance with Ley Organica 2015/1 of 30<sup>th</sup> March 2015 which introduced in the Spanish criminal code some relevant changes concerning the criminal liability of legal persons. This law, in relation to the conditions for the exemption from administrative liability for legal persons, borrowed the legislative structure envisaged in Italy by Italian Legislative Decree no. 231/01. The model adopted by the Spanish subsidiary therefore has a similar approach to the 231 Models adopted by the Italian companies of the Group. Also, in the Spanish subsidiary, a collective ODV (231 Compliance Body) has been appointed and is operative, as required by best practices. In 2021, the ODV (231 Compliance Body) of the Spanish subsidiary met periodically.

In 2012, the Board of Directors, assisted by the Risk and Control Committee (as named at the time), had also assessed whether to assign to the Board of Statutory Auditors the functions of the ODV (231 Compliance Body) (pursuant to Italian Legislative Decree no. 231/2001 in accordance with Italian Law no. 183/2011 – the 2012 'Stability' Law), and decided in favour of Recordati continuing to maintain a ODV (231 Compliance Body) as a separate highly specialised unit, dedicated entirely to the supervision of ethical, preventative, organisational and management procedures adopted to prevent incurring liability within the meaning of Italian Legislative Decree no. 231/2001 and therefore with specific expertise on compliance with a particular area of law which applies to the Company. These functions were not therefore assigned to the Board of Statutory Auditors.

The Organisation, Management and Control Models adopted by the Group's Italian companies, pursuant to Italian Legislative Decree no. 231/2001, are constantly monitored by the ODVs (231 Compliance Bodies) in charge. The Models are subject to constant updating both for the introduction or updating of the regulations of interest and for organisational changes or internal processes. The updates concern the General part of the Model, with adjustments to risk mapping, the disciplinary system and other general elements and the Special part of the Model, made up of control and behavioural protocols.

The Models consist of a general part and a specific part, arranged into different sections. The general part includes, *inter alia*, the Code of Ethics, the Disciplinary System and the By-Laws of the ODV (231 Compliance Body). The specific part includes, *inter alia*, a 'map' of the areas where the risk of offences is more marked and a significant number of 'protocols' through which measures are put in place to prevent offences being committed in the areas identified in the map.



A presentation of the Model adopted by the Company is available on the Company's website at [https://www.recordati.it/en/corporate\\_governance/compliance\\_programmes/](https://www.recordati.it/en/corporate_governance/compliance_programmes/)

### **The Code of Ethics**

The Code of Ethics, approved by Recordati S.p.A. for the first time in 2002 and constantly updated and supplemented, is a clear embodiment of the Company's corporate values.

During 2020, the Group approved a new version of its Code of Ethics. This update was guided by the Recordati Group's desire to further increase the accessibility and usability of that document and was achieved by means of meticulous drafting and critical revision by an internal inter-functional team, supported by external specialists as well as by the ODV (231 Compliance Body) of Recordati S.p.A.

The new version of the Code of Ethics, approved in July 2020 by the Board of Directors of Recordati S.p.A., defines Recordati's fundamental values which guide and support the Group in its daily operations and in its relations with both its internal and external stakeholders.

The Code of Ethics also describes the responsibilities of all those to whom it is addressed, both internal and external to the Group, and defines 'shared commitments', *i.e.*, those forms of conduct through which Recordati's values are put into practice. This section includes information on:

- How we manage our business, *i.e.*, guidelines concerning:
  - Ethical and legally compliant behaviour
  - Product quality and safeguarding health
  - Commitment to environmental protection and sustainable development
  - Conflicts of interest and asset protection
  - Accounting transparency, confidentiality of information, personal data and social media
- People and workplaces, *i.e.*, indications concerning:
  - Protection of employees
  - Fairness, equality and protection of human rights
  - Health and safety in the workplace
- Relations with our stakeholders.

The Code is adopted by all Group companies and applies to all employees, shareholders, directors, members of corporate bodies, commercial partners and other third parties with whom the Group cooperates, such as consultants, intermediaries, agents and contractors, clearly defining the Company's expectations regarding ethical standards and behaviour.

The Code is therefore a point of reference for all Recordati's stakeholders and it represents the Group's commitment to conducting its business and managing its internal and external relations in an ethical and sustainable manner.

The Code is based on the main existing regulations and guidelines on corporate governance, human rights and the environment, such as, for example, the United Nations Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the decent work standards laid down by the ILO (International Labour Organisation) conventions, the OECD (Organisation for Economic Co-operation and Development) Guidelines for

multinational companies, national and supranational Anti-Bribery regulations (e.g.: OECD Anti-Bribery Convention, Italian Legislative Decree no. 231/2001, Foreign Corrupt Practices Act, Bribery Act, Loi Sapin 2, Ley Organica, etc.) and ISO 14001 environmental standards.

The new version of the Code of Ethics defines the procedures for reporting infringements (whistleblowing) and provides information on how to handle such reports.

The Code of Ethics has been published on the Recordati Group's website, in order to ensure that it is widely distributed and accessible, and can be consulted at the following link: [https://www.recordati.it/en/corporate\\_governance/compliance\\_programmes/](https://www.recordati.it/en/corporate_governance/compliance_programmes/)

In order to facilitate the dissemination and understanding of the principles contained in the Code of Ethics, during the 2020-2021 two-year period a training programme was completed for all employees of the Group and for external persons who, although not employees of the Recordati Group, perform activities on an ongoing basis in the name and on behalf of the Recordati Group.

### **The Recordati Group's Anti-Bribery Model**

Because of its international reach, the Recordati Group is present in a diverse range of social, cultural, economic and political contexts and is responsible for acting in accordance with applicable laws based on an awareness that any act of corruption would compromise the integrity of the business would jeopardise the organisation and would expose the company to legal and financial risks and risks to the company image.

The Group is firmly committed to conducting business transparently, honestly and ethically in every nation in which it operates, and it rejects all forms of corruption, aware of the potential risks deriving from numerous relations with government that are typical of the industry in which the Group operates.

To that end, since 2009, the Group has been conducting an assessment of the status of internal mechanisms in accordance with the main international and supranational anti-bribery laws and regulations in the countries in which it has branches.

The Group's anti-bribery programme involves the employees of both the Parent Company and of the various branches and is made up of four stages:

1. assessment of local and supranational legislation;
2. assessment of the local systems, procedures and models to protect against corruption;
3. analysis of inherent risks and of existing mechanisms for identifying residual risks;
4. definition and release of the Group's Anti-Bribery Model.

Based on the documentation and information gathered, various areas of the organisation potentially exposed to a risk of corruption were identified, and the principles of conduct to avoid corruption have been defined for these areas. Based on this analysis, an Anti-Bribery Manual for the Group has been implemented.

During 2019, the Group Anti-Bribery Manual was revised. The manual was updated with new areas of attention, with new explanatory examples and new behavioural guidelines. The Manual, in its updated version, contains 16 business areas potentially exposed to the risk of corruption and, for each of them, specific principles of conduct have been formulated to avoid cases of corruption.

The 16 areas most exposed to corruption risk are the following: Research and Development; Production; Relations with doctors and healthcare organisations; regulatory activities; transactions with government; consulting; medicine samples; courses and conferences; marketing material; contributions and donations; financial transactions; Human Resources, relations with politicians and political organisations, purchasing management, relations with public administrations and management of agency costs.

During 2021 the Manual was distributed again to all of the Group's subsidiaries.

During the 2020-2021 two-year period, training sessions dedicated to ethics and anti-corruption were provided to all employees of the Recordati Group.

In 2021 all members of the Board of Directors of Recordati S.p.A. received communication on the policies and procedures adopted through periodic reporting by the Chief of Group Internal Audit & Compliance.

### **Other models of control and adoption of national codes of ethics**

The systemic approach of the Organisation, Management and Control Model defined under Italian Legislative Decree no. 231/2001 may also be found in other models in other areas of the company, such as within the scope of health and safety in the workplace, environmental management, and data protection.

Regarding data management and privacy, the Recordati Group has conformed to the new General Data Protection Regulation (No. 2016/679, hereinafter 'GDPR'). The Group companies have adopted the measures envisaged by European regulation with the introduction of a privacy management model and of new rules and business processes, both at the group level and at the local level. On the organisational front, the Company has appointed a Data Protection Officer and a Key Privacy Person in each subsidiary concerned. With regard to the processes and operating rules, Group policies are in place for the management of personal data, from which local procedures adopted by the various European branches derive.

The Recordati Group also adheres to the codes of self-regulation issued by industry associations that oversee activities related to detailing activities. A large portion of the Group's branches has adopted the codes of ethics defined by their local pharmaceutical associations. These codes of conduct are based on the European Federation of Pharmaceutical Industries and Associations (EFPIA) code, which establishes the ethical standards for European pharmaceutical firms for the management of detailing activities and relations with the medical community.

Within the scope of involvement with the industry associations and adoption of their codes of ethics, the branches are taking specific action aimed at maximising transparency in their management of relations with the medical and scientific community. This includes Project Transparency (and publication of the 'Transfers of Value' for healthcare organisations and operators) and the certification of detailing procedures. This disclosure is provided by many of the Group's companies, in compliance with legal rules (such as those that apply in France, Portugal and the USA) and with ethical standards (in addition to Italy, Spain, Germany and others).

## **9.5 AUDIT FIRM**

EY S.p.A. is the firm of external auditors appointed to audit the Company for 2021. The appointment was formally made by a Shareholders' Meeting on 29<sup>th</sup> April 2020 for the financial years 2020-2028, as proposed by the Board of Statutory Auditors.

For further information on the engagement conferred by the Shareholders' Meeting to EY S.p.A., please refer to the Shareholders' Meeting documentation available on Recordati's website in relation to the Shareholders' Meeting of 29<sup>th</sup> April 2020.

## **9.6 THE FINANCIAL REPORTING OFFICER**

During the 2021 financial year the Financial Reporting Officer was Mr Luigi La Corte, the Group CFO.

At the time of the appointment (18<sup>th</sup> March 2020), it was confirmed that he satisfied the requirements of integrity and professionalism laid down in the applicable legislation and in the Company's By-Laws, which stipulate, in article 25, that the Financial Reporting Officer must not only satisfy the requirements of integrity laid down by law for those performing administrative and managerial duties but also the requirements of professionalism characterised by specific competence in administrative and accounting matters. This competence, to be verified by the Board of Directors, must be acquired through working experience in a position of adequate responsibility over a suitable period of time.

The Financial Reporting Officer is given duties and powers to perform that assignment also with reference to the provisions of the operational guidelines for the Financial Reporting Officer, lastly approved, on 18<sup>th</sup> March 2020, by the Board of Directors updating those previously adopted since 2007.

In particular, the Financial Reporting Officer is responsible for:

- a) the definition of the administrative and accounting procedures necessary for the preparation of corporate accounting documents and any other communication of a financial nature as well as their adequacy and effective application;
- b) the correspondence of the corporate accounting documents with the results in the accounting books and records and their suitability to provide a true and fair view of the asset, economic and financial position of Recordati and of the Group;
- c) the completeness of the contents and, in general, compliance with the rules applicable to financial statement documentation.

The Board of Directors or, in any event, the Chief Executive Officer, provides the Financial Reporting Officer with human and material resources that enable him/her to organise a team for preparing, updating and implementing the administrative and accounting procedures for the preparation of the financial statements, as required by law. The Financial Reporting Officer is granted extensive autonomy in organising his/her team, with the use of internally available resources.

The Financing Reporting Officer has free access to any information, which is relevant or necessary, both with reference to the Company and with reference to the Group companies,

he/her can liaise and exchange information with all the management and control bodies of the Company and of the group companies, including the Risk, Control and CSR Committee, the Board of Statutory Auditors and the Audit Firm.

Lastly, the Financial Reporting Officer is invited to attend all meetings of the Board of Directors (with the exception of the discussion of items on the agenda items which do not pertain to his/her activity).

### **9.7 CO-ORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Company has specified the roles and responsibilities of those involved in the internal control and risk management system in detail, in the Guidelines for the Internal Control and Risk Management System of Recordati S.p.A. and of the Recordati Group and also the procedures for co-ordination between the parties involved.

In this respect, the Company encourages meetings between the different roles involved in order to exchange information and to co-ordinate. As already reported, the entire Board of Statutory Auditors in particular is constantly invited to participate in the proceedings of the Risk, Control and CSR Committee and also the Director in charge of the internal control and risk management system, the Chief of Group Audit & Compliance, the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01, the Group CFO and the Financial Reporting Officer as well as senior representatives of the external audit firm have participated in various meetings on invitation of the Chair of the Committee and on individual items on the agenda.

The Board of Statutory Auditors of the Company and the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 have organised and held joint meetings during the year for the same purposes of co-ordination on matters of common interest.

Finally, the Board of Statutory Auditors meets periodically with the Financial Reporting Officer, the external auditors and the various corporate functions involved in the processes and procedures that must be subject to specific audit by the Board of Statutory Auditors, including those relating to the internal control and risk management system.

### **9.8 REGULATIONS FOR CONTROLLED FOREIGN COMPANIES LOCATED IN NON-EU COUNTRIES**

In relation to the provisions of articles 15 and 18 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31<sup>st</sup> December 2021 the regulatory provisions of article 15 of the Markets Regulations have applied to the Turkish subsidiary Recordati İlaç Sanayi Ve Ticaret Anonim İrketi, to the American subsidiary Recordati Rare Diseases Inc, to the Russian subsidiary Rusfic Llc and to the Swiss subsidiary Recordati AG.

With reference to those companies, the Company:

- publicly discloses its financial statements used for preparing consolidated financial statements;

- ensures that they regularly deliver information to the external auditor of the Parent Company needed to audit the annual and interim accounts of the Parent Company itself.

Finally, the Company possesses continuous knowledge of the composition of the corporate bodies of the controlled companies with information on the company officers and on the corporate by-laws of the companies.

## 10. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

As also reiterated most recently in the Regulation of the Board of Directors approved in 2021, Directors who have an interest, even potential or indirect, with reference to the subject matter of a resolution of the Board of Directors shall promptly and fully inform the Board of Directors.

Without prejudice to the general rules on conflicts of interest and more specifically on related-party transactions, the Board - subject to the prior favourable opinion of the Risk, Control and CSR Committee – approved an ad hoc procedure aimed at regulating possible conflicts of interest of Directors in relation to M&A/Licensing-in transactions (the 'Policy on Conflicts of Interest and Disclosure in relation to M&A/Licensing-in Transactions'). Such transactions have been deemed worthy of specific regulation, taking into account that M&A activity has historically been an integral part of the Group's business and that the experience in the Pharma sector, which is preferred in order to enrich the Board's expertise, could give rise to conflict of interest issues.

Under this policy, directors receive certain preliminary information, prior to the details of a possible transaction being shared with them, so that they can promptly disclose to the Chief Executive Officer any interest that may constitute a conflict of interest or a potential conflict of interest. This duty remains in place even if such conflicts of interest arise after more detailed information on the M&A/licensing-in transaction has been received. The Chief Executive Officer shall determine, in consultation with the Group Corporate Development/Licensing Director, whether such a conflict exists and at the same time the Group VP and Director Corporate Legal Affairs will be informed. The director who has a conflict of interest will not receive any further information on the transaction and will not participate in the meetings of the Risk, Control and CSR Committee (called to analyse risks), if it is a member, or of the Board, in relation to the part of the meeting's discussion examining the transaction. The Company has also reserved the right to exercise its discretion in reviewing any situation that is not specifically defined as a conflict of interest under this policy, but which falls within its spirit, in accordance with the procedures set out in this policy. The Risk, Control and CSR Committee is responsible for overseeing this Policy. The Chief Executive Officer periodically reports – or promptly when circumstances render it appropriate – to the Risk, Control and CSR Committee and to the Board of Directors on the matters dealt with in the Policy.

With respect to related-party transactions, subject to the prior favourable opinion of the Risk and Control Committee (now the Risk, Control and CSR Committee) identified as the Committee Responsible pursuant to article 4 paragraph 3, of Consob Regulation no. 17221 of 12<sup>th</sup> March 2010, in a meeting held on 24<sup>th</sup> November 2010, the Board adopted 'Regulations for related-party transactions' in accordance with article 2391-*bis* of the Italian Civil Code and

with the aforementioned Regulations to replace the 'Procedure for significant transactions with related parties or when a Director has an interest in the transaction' adopted in 2008.

The Procedure for Related-Party Transactions ('**RPT Procedure**') defines the guidelines and the criteria for the identification of related-party transactions and gives details of the roles, responsibilities and operating procedures designed to ensure adequate reporting transparency and the relative proper conduct in form and substance for those transactions. The Company has also issued internal rules in order to ensure that the Regulations are fully implemented.

The RPT Procedure, which has been in force since 1<sup>st</sup> January 2011, has been periodically reviewed and updated by the Board and, most recently, in June 2021 in order to adapt its contents to the amendments to the Consob Related-Party Regulation approved by the latter in December 2020 in implementation of the (EU) 2017/828 Shareholder Rights Directive 2 (SHRD II).

The main changes made to the previous version concerned (i) the introduction of a mobile reference to the definitions contained in the international accounting standards in force at the time (in particular, IAS 24 on 'Related Party Disclosures') for the definition of 'related parties' and 'transactions with related parties' and, consequently, the definitions of these terms (*i.e.* 'control', 'joint control', 'key management personnel', 'significant influence', 'joint venture' and 'close family members'); (ii) the introduction of a new definition of 'directors involved in the transaction' (identified as those who have an interest in the transaction, on their own behalf or on behalf of third parties, that conflicts with that of the Company) and their abstention from voting on the transaction, without prejudice to the provisions of article 2391 of the Italian Civil Code; (iii) the introduction of an obligation to verify in advance the independence of the experts involved by the competent committee; (iv) the introduction of new cases of exemption from the application of the Procedure; and (v) the introduction of the obligation to inform the competent committee on the application of the cases of exemption by sending a specific report, as well as on the performance of transactions with related parties subject to exemption, on an annual basis and at least with reference to transactions of major importance.

Furthermore, it should be noted that, on the basis of these Regulations, as most recently amended:

- the Risk, Control and CSR Committee was identified as the committee responsible for issuing a reasoned opinion on both transactions of major importance and transactions of minor importance, except for related-party transactions concerning remuneration, for which the committee responsible would be the Remuneration and Nominations Committee ('Competent Committee' or 'RPT Committee').
- the reference is to the definition of related parties in force at the time of the start of negotiations on the transaction (as specified by Consob);
- at the date of this Report, Key Manager Personnel are 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 identified as six managers of the Company – five of which are employees of the Company and one who is an employee of the subsidiary – by the Board of Directors, and proposed by the Chief Executive of the Company;
- Transactions of Major Importance are defined as those related-party transactions for which

at least one of the relevance indicators contained in the aforementioned Attachment No. 3 of the Consob Related-Party Regulations and which are applicable according to the characteristics of each related-party transaction (i.e. value of the transaction in relation to shareholders' equity or, if greater, to capitalisation; total assets of the entity involved in the transaction compared to the total assets of the Company; total liabilities of the entity acquired compared to the total assets of the Company) exceeds 5%;

- Transactions of Minor Importance are defined as those related-party transactions which are not transactions of Major Importance and not transactions of negligible amounts i.e., transactions for an individual amount of less than € 150,000 if the related party is an individual, or not exceeding € 300,000 if the related party is a person other than an individual.

The procedure does not apply to:

- Transactions of Negligible Amounts unless the overall value of more than one Transaction of Negligible Amounts, to be performed as part of a single plan, exceeds the amounts indicated above, depending on the nature of the related party;
- Intercompany Transactions provided that no Significant Interests of other related parties of the Company exist in the subsidiaries of Recordati or in associate companies of Recordati which counterparties to the transaction are. It is considered that the existence of 'Significant Interests' of other related parties could be determined by:
  - the existence of a significant amount receivable by the Chief Executive Officer of the Parent from a subsidiary;
  - one or more directors or other key manager personnel shared between companies who benefit from share-based incentive schemes (or in any case variable remuneration) dependent on the results of subsidiaries or associate companies with which the transaction is performed;
  - an interest held in a subsidiary or associate company (even indirectly) by the party that controls the parent.
- shareholders' resolutions pursuant to article 2389, first paragraph, of the Italian Civil Code, concerning the remuneration due to members of the Board of Directors and resolutions concerning the remuneration of Directors appointed to special positions which forms part of the total amount determined in advance by shareholders in accordance with article 2389, third paragraph, of the Italian Civil Code;
- shareholders' resolutions pursuant to article 2402 of the Italian Civil Code, concerning the remuneration due to members of the Board of Statutory Auditors;
- remuneration schemes based on financial instruments approved by shareholders in accordance with article 114-*bis* of the TUF and the relative transactions to implement them;
- decisions (other than those referred to under the preceding point concerning the remuneration of Directors, Directors appointed to special positions and other key manager personnel, when (i) the Company has adopted a remuneration policy approved by the shareholders' meeting (the formulation of which involved a committee formed exclusively of non-executive directors, the majority of which are independent) and (ii) remuneration actually assigned is compliant with that policy and quantified on the basis of criteria that do not involve discretionary assessments. It is understood that, where resolutions on remuneration are subject to the procedure because they do not fall within the exemptions set out in this point, as well as in the three previous points, the first case described above may still apply for transactions for small amounts;
- transactions which fall within the ordinary performance of Operating Activities and the related financial activities concluded under conditions equivalent to market conditions or



standards (*i.e.* conditions similar to those normally practiced with non-related parties for transactions of an analogous nature, magnitude and risk or based on regulated tariffs or on compulsory prices or those practiced for parties with which the Company is obliged by law to negotiate at a determined consideration). The 'ordinary performance' is identified by considering the contents, recurrence, function or purpose and timing of the transaction and also the nature of the counterparty, even if it is a related-party. Operating Activities are defined as the main revenue generating activities and all other normal activities of the Company that are not classifiable as investment or financial activities pursuant to International Financial Reporting standard seven adopted by EC Regulation No. 1126 of 2008, as subsequently amended from time to time. Should the exemption contained in this point apply, the Company is nevertheless required, without prejudice to article 114, paragraph 1, of the TUF, to comply with the provisions of article 13, paragraph 3, letter c), points i) and ii) of the Consob Related-Party Regulation. More specifically, if the transactions mentioned in this item g) are of greater importance pursuant to the subsequent sub-section 03.03, the Company shall notify Consob and the Competent Committee, within seven days from the approval of the transaction, of the counterparty, the subject and the consideration for the transaction and the reasons why the transaction is considered ordinary and concluded under conditions equivalent to market or standard conditions, providing objective evidence of the same. The Competent Committee verifies without delay, and in any case within seven business days from the communication, the correct application of the aforementioned exemption;

- transactions approved by the Company and addressed to all shareholders on equal terms, including: full or partial demerger transactions in the strict sense with proportional share allocation criteria (ii) share capital increases with option rights reserved to shareholders and to any holders of financial instruments (therefore issuances which are performed without excluding their option rights) including to service convertible bonds, and capital increases on a gratuitous basis provided for by article 2442 of the Italian Civil Code; (iii) share capital reductions through reimbursement to shareholders provided for by article 2445 of the Italian Civil Code and (iv) purchases of treasury shares pursuant to article 132 of the TUF;
- transactions to be performed on the basis of instructions for the purpose of stability issued by the supervisory authority, without prejudice to disclosure obligations under Consob Regulations.

The full text of the RPT Procedure is available on the company's website [https://www.recordati.it/en/corporate\\_governance/related\\_parties/regulations\\_for\\_related-party\\_transactions/](https://www.recordati.it/en/corporate_governance/related_parties/regulations_for_related-party_transactions/).

As already mentioned in this Report, the RPT Committee is identified as the Risk, Control and CSR Committee, except for related party transactions concerning remuneration, for which this committee is identified as the Remuneration and Nominations Committee. It should be noted that both Committees are composed of Independent Directors only. Please refer to the table on the structure of Board committees in Section 6 of this Report for further information on their composition and note that there were no changes during the current financial year.

The meetings of the Risk, Control and CSR Committee and the Remuneration and Nominations Committee, acting as RPT Committee, are coordinated by the Chair of the relevant committee and minutes are regularly taken. In view of the fact that the RPT Committee does not constitute an autonomous committee, but that its functions and work are included into those

of the two above-mentioned Board Committees, it is not possible to provide independent data on the average duration of meetings as an RPT Committee during the year in question (2021). Reporting on the activities of the two committees, including those acting as RPT Committees, is provided to the first Board of Directors by the chair of the competent committee.

With regard to transactions with related parties carried out in the 2021 financial year, the Remuneration and Nominations Committee was also called on to express its opinion as the RPT Committee, in some cases for transactions of minor importance. For more information, please refer to the Remuneration Report published by the Company.

## 11. BOARD OF STATUTORY AUDITORS

### 11.1 APPOINTMENT

The appointment of Statutory Auditors is governed by article 26 of the By-Laws, which is given below:

*‘Article 26) The Shareholders’ Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law. Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that of the company are the research, production and sale of chemical and pharmaceutical products. The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.*

*Unless otherwise provided for in laws or regulations, the Board of Statutory Auditors shall be appointed according to the procedures set out in the following paragraphs on the basis of slates submitted by Shareholders in which candidates are listed by means of a progressive number and in compliance with the existing legislation in force concerning gender balance.*

*The slate must specify whether each candidate is nominated for the position of Statutory Auditor or for the position of Alternate Auditor.*

*Only Shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock or representing a lesser percentage as established or provided by binding legal or regulatory provisions which shall be specified in the notice of meeting, shall have the right to present slates.*

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

*The slates submitted shall be deposited at the Company’s head offices at least twenty-five days before the date scheduled for the first convocation of the Shareholders’ Meeting without prejudice to further disclosure required by regulatory or other provisions in force at the time. Without prejudice to any further procedural duty required by the legislation and also by the regulations currently in force, the following must be deposited together with each slate, within the time limit already mentioned:*

a) *information on the identity of the shareholders who have submitted the slates, indicating the total percentage of capital stock held;*

b) *a declaration by shareholders other than those who hold, singly or jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided for by the regulations in force;*

c) *a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.*

*Slates containing a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage of candidates to the position of Statutory Auditor and candidates to the position of Alternate Auditor are equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Statutory Auditors belongs to the less represented gender in a given slate.*

*Slates not satisfying the requirements specified above shall be considered as not having been submitted.*

*Statutory Auditors shall be elected as follows:*

*1. from the slate which obtained the highest number of votes at the Shareholders' Meeting, two Statutory Auditors and one Alternate Auditor shall be elected, based on the progressive order with which they are listed in the sections of the slate;*

*2. from the second slate which obtained the highest number of votes at the Shareholders' Meeting and which, in accordance with regulations in force, has no connection, not even indirectly, with those who submitted and voted for the slate which obtained the highest number of votes, one Statutory Auditor, who shall chair the Board of Statutory Auditors, and one Alternate Auditor shall be elected, based on the progressive order with which they are listed in the slate.*

*In the event of a tie between slates for the appointment of the Auditors indicated in point 2 of the foregoing paragraph, the slate submitted by shareholders owning the largest shareholding or, alternatively, the slate submitted by the largest number of shareholders shall prevail.*

*If by following the above procedures, the composition of the full members of the Board of Statutory Auditors in compliance with the legislation in force at the time concerning gender balance is not ensured, the necessary replacements shall be made from the candidates to the position of full Statutory Auditor on the slate that obtained the majority of votes on the basis of the order of the names on the slate.*

*Should a single slate or no slate be submitted, all candidates for that position named on the aforesaid slate or those voted by a Shareholders' Meeting (as long as they receive a relative majority of the votes cast in the Shareholders' Meeting) shall be elected as Statutory and Alternate Auditors and provided the existing legislation in force on gender balance is complied with.*

*Should they no longer satisfy the requirements laid down by law and in the by-laws, the auditor shall leave office.*

*Should it become necessary to replace a Statutory Auditor, the Alternate Auditor belonging to the same slate as the outgoing auditor shall take the latter's place or, failing this, should the minority auditor leave office, he shall be replaced by the next candidate on the slate from which the outgoing auditor was elected, or, alternatively, by the first candidate on the minority slate that obtained the second highest number of votes.*

*It is understood that the Board of Statutory Auditors shall continue to be chaired by the minority auditor and the composition of the Board of Statutory Auditors must comply with the existing legislation in force on gender balance.*

*The procedure outlined below shall be followed when the Shareholders' Meeting is required to appoint Statutory and/or Alternate Auditors to complete the board: if it is necessary to replace auditors elected on the basis of the majority slate, the replacements shall be appointed by relative majority vote without slate voting; if, however, it is necessary to replace auditors elected on the basis of the minority slate, the Shareholders' Meeting shall replace them by a relative majority vote by choosing them from the candidates on the slate from which the outgoing auditor was elected or on the slate that obtained the second highest number of votes. Should the application of the above procedures not result in the replacement of the auditors designated by minority shareholders for whatever reason, the shareholders' meeting shall hold a relative majority vote, following the presentation of candidatures by shareholders that, individually or together with others, possess shareholdings with voting rights that represent at least the percentage indicated above in relation to the procedure for the presentation of slates. However, votes registered by shareholders who hold the relative majority of voting rights that may be exercised in the meeting as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly, or jointly with other shareholders who have signed a shareholders' agreement as indicated in article 122 of Italian Legislative Decree no. 58/1998, shall not be considered in establishing the outcome of said vote.*

*The replacement procedures set forth in the above paragraphs must in any event ensure compliance with the legislation in force at the time concerning gender balance.*

*Members of the Board of Statutory Auditors may participate in meetings remotely by means of audio-visual connection, video conferencing or telephone link-up systems.*

*In the above case:*

*- the following must always be established:*

*a) the identity of all members attending, at each point of connection, shall be confirmed;*

*b) each member attending shall be permitted to express a personal opinion verbally, to view, receive or send any documentation and to participate simultaneously in the discussion of the points at issue and pass resolutions;*

*- meetings of the Board of Statutory Auditors shall be considered to be held at the place where both the Chair and Secretary are located.*

*The statutory audit of the Company's accounts shall be performed by the Audit Firm on the basis of applicable regulations'.*

It is underlined, in particular, that the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in the ordinary Shareholders' Meeting, or representing any lower percentage established by mandatory laws or regulations. It should be noted that In accordance with articles 144-*quater* and 144-*septies* of Consob Issuers' Regulations, according to the Consob resolution no. 60 of 28<sup>th</sup> January 2022, the minimum percentage of the share capital required to present slates of candidates to the Board of Statutory Auditors of the Company is currently 1%.

The minority slates shall elect one Statutory Auditor and one Alternate Auditor. As regards the appointment mechanism adopted for choosing the candidates on the various slates submitted, we note that, again according to the above transcribed article 26 of the By-Laws, two Statutory auditors and one Alternate auditor are elected from the slate which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order by which they are listed in the sections of the slate; from the second slate which obtained the highest number of votes after the first slate and which has no connection, not even indirectly, with the shareholders who submitted or voted for the slate which obtained the highest number of

votes, one Statutory Auditor, who will chair the Board of Statutory Auditors, and one Alternate Auditor are elected, based on the progressive order by which they are listed in the slate.

With regard to the rules on gender balance in corporate bodies, Italian Law no. 160 of 27<sup>th</sup> December 2019 (Budget Law 2020) amended articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the TUF, providing for a different quota reserved for the least represented gender equal to 'at least two-fifths' (compared to previous one 'at least one-third') of the members and established that this allocation criterion applies for 'six consecutive terms of office'.

According to the Budget Law 2020, the criterion of allocation of 'at least two-fifths' applies 'as from first renewal of the management and supervisory bodies of the companies listed on regulated markets following the date of entry into force of this Law', which occurred on 1<sup>st</sup> January 2020.

Consob, by means of Communication no. 1/20, has therefore provided clarifications on the interpretation of the application, to corporate bodies composed of three members, of the rules on gender quotas, introduced by the aforementioned provisions of the TUF and which have already applied to the renewal of the Board of Statutory Auditors at the 2020 shareholders' meetings: since in the case of boards composed of three members, the two-fifths reserve is inapplicable due to arithmetical impossibility, Consob has clarified that for corporate bodies composed of three members only the rule of rounding down rather than upwards applies, as currently provided for in article 144-*undecies*.1, paragraph 3, of the Consob Issuers' Regulations.

It should be noted that the Company By-Laws, as from 2012, provide that the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates presented by shareholders).

Again with respect to gender balance in the bodies of listed companies, the Company also acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies introduced first in the 2018 CG Code and then confirmed by the 2020 CG Code, which indicates that at least one third of the board of directors and control body is made up of members of the least represented gender.

Finally, we report that article 19, paragraph 3 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, requires that members of the committee for internal control and the accounting audit – which for 'public interest entities' is the Board of Statutory Auditors – are competent as a whole and also in the sector in which the company operates. The business activities closely related to the Company's activities consist of research, production and trade in chemical and pharmaceutical products.

### **11.2 COMPOSITION AND FUNCTIONING (pursuant to article 123-*bis*, paragraph 2, letter d) and d-*bis*) of the TUF)**

The composition of the Board of Statutory Auditors in office on the closing date of the Financial Year is shown below. The Board was appointed by the Ordinary Shareholders' Meeting of 29<sup>th</sup> April 2020 and its term of office will expire at the Shareholders' Meeting called to approve the financial statements for the year ended on 31<sup>st</sup> December 2022.

At the Ordinary Shareholders' Meeting of 29<sup>th</sup> April 2020, two slates for the position of statutory auditor were presented: one by the shareholder FIMEI S.p.A., holder of 108,368,721

ordinary shares equal to 51.82% of the Recordati S.p.A. share capital, and another, following the shareholding required in order to present a minority slate being cut in half, presented by other shareholders – SGR and institutional investors, - which collectively hold 1,662,725 shares equal to 0.79509% of share capital.

In detail:

The first slate, presented by FIMEI S.p.A., named the following individuals to be members of the Board of Statutory Auditors:

Statutory Auditors

Ms Livia Amidani Aliberti

Mr Ezio Simonelli

Mr Emiliano Nitti

Alternate Auditors

Ms Patrizia Paleologo Oriundi

Mr Marco Antonio Viganò

The second slate presented by the institutional investors named the following individuals to be members of the Board of Statutory Auditors:

Statutory Auditors

Mr Antonio Santi

Alternate Auditors

Mr Andrea Balelli

As a result, and in accordance with the mechanism established to ensure female representation on the board, the following individuals were elected:

Mr Antonio Santi Statutory Auditor and Chair

Ms Livia Amidani Aliberti Statutory Auditor

Mr Ezio Simonelli Statutory Auditor

Ms Patrizia Paleologo Oriundi Alternate Auditor

Mr Andrea Balelli Alternate Auditor

The voting capital represented 84.016% of the Issuer's share capital with voting rights. In favour of list no. 1, 133,547,362 shares (63.860% of the share capital with voting rights). In favour of list no. 2, 41,519,283 shares (19.854% of the share capital with voting rights).

Curricula vitae providing information on the personal and professional characteristics of each candidate were attached to the slates presented by FIMEI and by institutional investors, accompanied by a list of the management and supervisory positions occupied in other companies and which are significant in accordance with the law and also by declarations made by each candidate that they accept their candidature and that there are no grounds for ineligibility or incompatibility and that they satisfy the requirements prescribed by law and in the By-Laws for the office of Statutory Auditor. The above documentation may be consulted on the website [www.recordati.it](http://www.recordati.it) (in the section Investor Relations, Shareholders' Meetings, financial year 2020).

Moreover, it should be underlined that the personal and professional features of each auditor range from economic and financial, to legal and corporate governance subjects and are detailed in Appendix 1 of this Report.

<b>TABLE OF THE STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS AT 31<sup>ST</sup> DECEMBER 2021 AND CURRENTLY IN OFFICE</b>										
<b>Office</b>	<b>Members (surname and name)</b>	<b>Year of birth</b>	<b>Year of first appointment</b>	<b>In office since</b>	<b>In office until</b>	<b>Slate (M/m)</b>	<b>Indep. under the Code</b>	<b>Indep. under the TUF</b>	<b>Attendance at the Statutory Auditors' meetings</b>	<b>Number of other offices</b>
						*			**	***
Chair	SANTI Antonio	1977	2017	29.4.2020	Approval of the 2022 financial statements	m	X	X	11/11	9
Statutory Auditor	AMIDANI ALIBERTI Livia	1961	2014	29.4.2020	Approval of the 2022 financial statements	M	X	X	11/11	3
Statutory Auditor	SIMONELLI Ezio	1958	2020	29.4.2020	Approval of the 2022 financial statements	M	X	X	11/11	21
Alternate Auditor	PALEOLOGO ORIUNDI Patrizia	1957	2014	29.4.2020	Approval of the 2022 financial statements	M	X	X	N/A	12
Alternate Auditor	BALELLI Andrea	1975	2017	29.4.2020	Approval of the 2022 financial statements	m	X	X	N/A	25

\* M/m is indicated in this column depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).

\*\* This column shows the attendance of Statutory Auditors at meetings of the Board of Statutory Auditors (no. of attendances / no. of meetings held during the actual period of office of the person concerned during the financial year in question).

\*\*\* This column shows the number of positions as director or auditor held by the person concerned pursuant to article 148-bis of the TUF and the relevant implementing provisions contained in the Consob Issuers' Regulations. The full list of the offices is published by Consob on its website pursuant to article 144-quinquiesdecies of the Consob Issuers' Regulations. In addition, all the positions held by the members of the Board of Statutory Auditors are indicated in full in the in Attachment 1 of this document dedicated to the curricula of the Statutory Auditors.

**INDICATE THE QUORUM REQUIRED FOR THE SUBMISSION OF SLATES BY MINORITY SHAREHOLDERS IN ACCORDANCE WITH THE LAST APPOINTMENT: 0.5% (following the reduction of the 1% threshold in accordance with article 144-sexies, paragraph 5, of the Issuers' Regulations)**

**NO. OF MEETINGS HELD DURING 2021: 11**

During the Financial Year the Board of Statutory Auditors met 11 times, with meetings lasting approximately 1.5 hours on average.

As regards the current financial year, 11 meetings are scheduled and the Board of Statutory Auditors has already met 2 times in 2022. The percentage attendance of Auditors in these meetings during the 2021 Financial Year is shown in the table above.

### **Criteria and diversity policies**

Information on the diversity criteria and policies applied in relation to the composition of the control bodies with regard to aspects such as age, gender composition and educational and professional background required by article 123-*bis*, paragraph 2, letter d-*bis*, of the TUF, is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.3).

The composition of the Board of Statutory Auditors complies with the criteria indicated in the applicable provisions on gender balance and therefore at least one third of the statutory and alternate auditors is made up of auditors of the least represented gender.

### **Independence**

In application of article 144-*novies* of the Issuers' Regulations and the 2020 CG Code, the satisfaction of the requirements mentioned above by members of the Board of Statutory Auditors is assessed by the latter, which submits the results to the board of directors which discloses them, after the appointment, by means of a press release, and subsequently on an annual basis, in the corporate governance report.

The Board of Statutory Auditors conducted an internal verification process concerning its independence on 26<sup>th</sup> February 2021. The result of such verification confirmed that all members of the Statutory Auditors in office possessed the requirements for independence according to article 148 of the TUF as well as the independence requirements contained in the 2020 CG Code.

During 2022, the aforementioned assessment was renewed, with a positive outcome, on 24<sup>th</sup> February 2022.

### **Remuneration**

The remuneration of statutory auditors is determined by the Shareholders' Meeting at the time of their appointment.

The remuneration of the Board of Statutory Auditors' in charge was set by the Shareholders' Meeting of 29<sup>th</sup> April 2020 – upon recommendation of the Board of Directors (and, in turn, upon recommendation of the Remuneration Committee) included in the Directors' Report on the renewal of the Board of Statutory Auditors - providing for an annual fee of € 62,000 for the Chair of the Board of Statutory Auditors and of € 45,000 for each Statutory Auditor, gross of withholding tax.

Details of the fees earned in 2021 are nevertheless given in detail in the Remuneration Report.

### **Management of interests**

During 2021, no situations of interest within the meaning of Recommendation 37 of the CG Code 2020 were brought to the attention of the Chair of the Board.

### **Further information on the activities of the Board of Statutory Auditors**



The Board of Statutory Auditors monitored the independence of the auditing firm EY S.p.A., verifying both compliance with the relevant regulatory provisions and the nature and extent of non-audit services provided to certain subsidiaries by the same auditing firm and entities belonging to its network. As concerns services other than auditing provided by the audit firm to the Company and its subsidiaries, reference should be made to the specific exhibit concerning 'disclosure of audit and non-audit fees' contained in the consolidated financial statements for the year ended on 31<sup>st</sup> December 2021 and in the draft separate financial statements of Recordati S.p.A. for the year ended on 31<sup>st</sup> December 2021.

The Board of Statutory Auditors, in the performance of its activities, liaised with the Chief of Group Audit & Compliance and with the Risk, Control and CSR Committee through the constant presence in Committee meetings, in which the Chief of Group Audit & Compliance also usually participates. It also worked with the ODV (231 Compliance Body) appointed in accordance with Italian Legislative Decree no. 231/2001. The Board reported to the Director in charge of the internal control and risk management system as well as with the Financial Reporting Officer. Finally, it participated in the works of the Remuneration and Nominations Committee and of the Risk, Control and CSR Committee.

It should also be noted that the Board of Statutory Auditors, by participating in the meetings of the Board of Directors, receives periodic updates on operations and on developments within the regulatory and legislative framework, and was involved, during 2021 in the focus conducted on the main regulatory framework applicable to the Company as a listed company, following the entry of the new CEO, and in-depth analysis of the Specialty & Primary Care business.

As part of its oversight of procedures for the concrete implementation of corporate governance rules, the Board of Statutory Auditors:

- participated in the in-depth analyses, also together with the Independent Directors on governance and risk control issues;
- verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

The Board of Statutory Auditors is also called upon to carry out the duties assigned by the legislation in force to the **Committee for internal control and accounting audit (CICAA)**, set up by Italian Legislative Decree no. 39/2010 (the 'Consolidated Statutory Audit Act'), which implements Directive no. 2006/43/EC concerning the statutory audit of annual accounts which entered into force on 7<sup>th</sup> April 2010, as subsequently amended.

More specifically, the CICAA is required to monitor the efficacy of systems for the internal control of a company's quality and risk management and, if applicable, internal audit, as far as the financial reporting of the entity subject to audit is concerned, without violating its independence.

Furthermore, from the specific viewpoint of the statutory audit, on the basis of the current article 19 of Italian Legislative Decree no. 39/2010, the duties of the CICAA are as follows:

- to monitor the statutory audit of the annual separate company and consolidated financial reports;
- to report to the management body and the results of the statutory audit and to submit to it the additional report required by article 11 of Regulation no. 537/2014,

- accompanied by any remarks that there may be;
- to verify and monitor the independence of the statutory auditors or the firm of statutory auditors, especially with regard to the adequacy of non-auditing services provided;
  - these activities also include responsibility for the procedure for the selection of the auditing firm as well as the indication of the firm to be appointed in the recommendation (in accordance with the provisions of article 16 of Regulation no. 537/2014).

In this regard, in view of the fact that the engagement conferred on KPMG S.p.A. by the Shareholders' Meeting of 13<sup>th</sup> April 2011 for the financial years 2011-2019, would expire with the approval of the financial statements for the financial year 2019, the Board of Statutory Auditors, in its capacity as the CICA, had initiated in 2019, with the assistance of the Company, a specific procedure for the selection of the new audit firm to be appointed for the financial years 2020-2028, in accordance with the applicable law, particularly, article 16 of Regulation (EU) no. 537/2014. At the end of the selection procedure, the Internal Control and Audit Committee prepared its reasoned recommendation addressed to the Board of Directors and subsequently to the Shareholders' Meeting, which, on 29<sup>th</sup> April 2020, in line with the latter, conferred to EY S.p.A. the engagement for the purposes of the statutory audit for the nine-year period 2020-2028.

For further details, please refer to that recommendation which was published within the terms set forth by law and can be found in the section of Recordati's website dedicated to the shareholders' meeting of 29<sup>th</sup> April 2020.

The Board of Statutory Auditors meets systematically with the Directors of the main corporate functions, who provide the information requested by the Board.

## **12. RELATIONS WITH SHAREHOLDERS**

The Company has created a specific section on its website called 'Investors', which is easily identifiable and accessible, and which contains important information about the Company for its shareholders so that they can exercise their rights in an informed manner. The Company has also created a special section of its website dedicated to corporate governance containing full documentation, including this Report and an archive of past reports as well as a specific section on 'sustainability'.

With regard to the publishing and storage of regulatory information pursuant to article 113-ter of the TUF we report that the company:

- ✓ for the transmission of regulatory information, the Company makes use of the dissemination system '1Info SDIR' at [www.1info.it](http://www.1info.it), which is managed by Computershare S.p.A. based in Milan (Via L. Mascheroni 19) and has been authorised by Consob with Resolution no. 18994 of 30<sup>th</sup> July 2014;
- ✓ uses the centralised storage system for regulatory information named '1Info' to store regulatory information. This can be consulted at the website [www.1info.it](http://www.1info.it) and it is operated by Computershare S.p.A. with registered offices in Milan and is authorised by the Consob with Resolution no. 18852 of 9<sup>th</sup> April 2014.

As part of the Company's organisational structure, Ms Federica De Medici, the Director

Investor Relations & Corporate Communications was identified as the person in charge of the management of the relations with the shareholders.

In addition, the tasks of the Group Corporate Legal Affairs Office also include the task of looking after relations with shareholders in general.

The Investor Relations department of the Company is also responsible for relations with financial analysts who cover the Company and with institutional investors. This function organises periodic conference calls regarding periodic financial information, and the documentation presented for these calls is also made available to the public on the Company's website and by way of the centralised storage system for regulatory information named '1Info' (see [www.1info.it](http://www.1info.it)).

Recordati promotes dialogue with its shareholders and institutional investors as an essential element for positively influencing the conduct of the Company and increasing the level of transparency. In this context, the Company has established an ongoing and continuous relationship with proxy advisors and major institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementing its policy on the remuneration of directors and key manager personnel.

This activity is carried out through the development of an engagement plan performed on an annual basis, which involves the participation of the corporate functions of Human Resources, Investor Relations and Legal Affairs, supported by the Chair of the Remuneration and Nominations Committee in order to highlight the committee's commitment on matters within their competence.

The results, indications and feedback emerged during the engagement activities, once reported, are examined and assessed by the Remuneration and Nominations Committee in order to provide any clarifications and verify the overcoming of potential criticalities. Finally, the Committee reports to the Board of Directors on the relevant developments and significant contents emerging from such engagement activities, through the Chair or another member designated by the latter. In addition, the CFO provides the Board with reporting on major interactions with investors and analysts as far as it is deemed relevant.

Finally, it should be noted that the new 2020 CG Code has recommended that the Board - on the proposal of the Chair, formulated in agreement with the Chief Executive Officer - adopt a 'policy for the management of general dialogue with shareholders', taking into account the 'engagement policies adopted by institutional investors and asset managers'; the aim is for companies to strengthen market dialogue.

When adopting the 2020 CG Code, the Board resolved to proceed with the adoption of such policy, in 2021, highlighting, however, the need to better understand, in advance, the content of said policy in terms of areas to be regulated and objectives to be pursued. In light of the change in the governance structure in 2021, it was considered more appropriate to postpone the process of defining and adopting the policy until 2022, in order to allow the new Chief Executive Officer to strengthen his knowledge of Recordati beforehand.

### **13. SHAREHOLDERS' MEETINGS**

In accordance with article 9 of the By-Laws in force, Shareholders' Meetings are convened in the manner and within the legal time limits on the Company's website and, where necessary due to mandatory provisions or decided by the directors, in the Official Gazette and in at least one of the following national newspapers: 'Il Corriere della Sera', 'La Repubblica', 'La Stampa', 'Il Giornale', 'Milano Finanza', as well as according to other procedures provided for by the legislation and regulations currently in force.

Article 3 of Italian Legislative Decree no. 91 of 18.6.2012 (the 'Corrective Decree') has established that Shareholders' Meetings are convened by a notice published on the Company's website by the thirtieth day prior to the date of the Shareholders' Meeting and also using other procedures and within the time limit set by the Consob with regulations issued in accordance with article 113-ter, paragraph 3 of the TUF, inclusive of the publication of extracts in daily newspapers. These provisions apply to Shareholders' Meetings for which the notice to convene is published after 1<sup>st</sup> January 2013.

Following amendments made by the Shareholders' Meeting of 13<sup>th</sup> April 2011 to the By-Laws, article 9 states that 'notice to convene may also contain the date of meetings convened subsequent to the first. The Board of Directors may decide, if it considers it appropriate, to convene Ordinary and Extraordinary Shareholders' Meetings to be held following one single Notice of Meeting. In the case of a single call the legal majorities for that purpose apply.'

Furthermore, that same article 9 of the By-Laws also states that: 'Ordinary Shareholders' Meetings are called to approve the financial statements within one hundred and twenty days of the end of the company's financial year. Where permitted by the law, a Shareholders' Meeting may be convened within one hundred eighty days from the end of the financial year. Directors shall indicate the reasons for the delay in the report required by article 2428 of the Italian Civil Code. Other than on the initiative of the Board of Directors, a Shareholders' Meeting may be called pursuant to the law by the Board of Statutory Auditors or by only two of its members, or upon the request of shareholders representing at least 5% of the share capital.'

In accordance with article 12 of the By-Laws in force, resolutions of ordinary and extraordinary meetings, on the first and successive calls, as well as for single calls, are valid if made in the presence of the required number of persons and the majorities required by law. Therefore, an ordinary Shareholders' Meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital with voting rights at the meeting itself and resolutions are passed by an absolute majority of those participating, including abstentions.

An ordinary shareholders' meeting is validly constituted in second call no matter what proportion of the share capital is represented and resolutions are passed by an absolute majority of those participating, including abstentions.

An extraordinary shareholders' meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital and resolutions are passed with the vote in favour of shareholders representing at least two-thirds of the share capital.

An extraordinary shareholders' meeting is validly constituted in second call with the attendance of shareholders accounting for at least a third of the share capital and resolutions

are passed with the vote in favour of shareholders accounting for at least two-thirds of the share capital present at the meeting.

In the case of a single call: an Ordinary Shareholders' Meeting passes resolutions with an absolute majority, whatever the percentage of the capital stock represented and an Extraordinary Shareholders' Meeting is validly constituted when at least one-fifth of the capital stock is represented and it passes resolutions with the vote in favour of at least two-thirds of the share capital represented in the Shareholders' Meeting.

In relation to the right to participate in Shareholders' Meetings and voting rights, on the basis of article 83-*sexies* of the TUF, legitimate authorisation to participate in Shareholders' Meetings and to exercise voting rights is certified by a communication to the issuer, performed by the intermediary, in compliance with its accounting entries, certifying the party entitled to vote on the basis of information relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting in first call or a single call. Nevertheless, the legitimate right to participate and vote remains, should the communications be received by the Company later than the aforementioned time limit, provided they are received before the commencement of the proceedings of each single session of the shareholders' meetings.

In accordance with article 10 of the By-Laws, those holding the right to vote may be represented by a written proxy, where no incompatibilities and limitations exist pursuant to the legislation and regulations in force. The Company may be notified of the proxy for participation in the Shareholders' Meeting by sending the document to the email address indicated in the Notice of Meeting.

Furthermore, article 135-*undecies* of the TUF, inserted by Italian Legislative Decree no. 27/2010 introduced the role of a *'Designated representative of a listed company'* *'unless the By-Laws stipulate otherwise, listed companies designate a representative for each Shareholders' Meeting to which shareholders may grant, by the end of the second day of market trading prior to the date set for the Shareholders' Meeting, even in a call after the first one, an authorisation with voting instructions on all or some of the motions on the agenda. The proxy is valid solely for proposals in relation to which voting instructions have been given.'* At present Recordati's Company By-Laws contain no provisions in this respect, and this new provision is therefore considered applicable to future Shareholders' Meetings of the Company, until different provisions are introduced to the Company By-Laws.

The Board believes that there are no conditions that require the adoption of particular initiatives regarding attendance of Meetings and the exercise of voting rights by shareholders such as, for example, postal voting.

In accordance with article 127-*ter* of the TUF, shareholders may submit questions on the items on the agenda even before the Shareholders' Meeting. Answers are given to questions received prior to the Shareholders' Meeting, subject to verification of the relevance and the legitimacy of the asker, at the latest during the meeting itself and the Company has the right to give a single answer to questions having the same content.

In this respect article 127-*ter* of the TUF, expressly allows the Company to set a time limit within which questions formulated prior to a Shareholders' Meeting must be received if they

are to be considered. The time limit is at the discretion of the Company, but cannot be earlier than five trading days prior to the date of the Shareholders' Meeting (in first or single call) or the date indicated in article 83-*sexies*, paragraph 2, of the TUF if the notice of call provides for the Company to provide, before the Shareholders' Meeting, an answer to the queries received. In such latter case, answers shall be provided at least two days before the Shareholders Meeting, also by publication in a special section of the company's website, and the ownership of voting rights may be certified even after the queries have been sent, provided that this is done by the third day following the date indicated in article 83-*sexies*, paragraph 2, of the TUF. Cases where a reply is not obligatory are then specified: when the information required is already available in the format 'answer and reply' in the relevant section of the website and also when the reply has already been published on the website.

Starting from 2013, the Company adopted a Shareholders' Regulation, the text of which is available on the Company's website at [www.recordati.it](http://www.recordati.it), in the corporate governance section; this is to ensure that Shareholders' Meetings can be held in an orderly and functional manner and to ensure that each Shareholder can speak on the items on the agenda.

During the 2021 financial year, **the Shareholders met once**: in ordinary call on 20<sup>th</sup> April 2021.

Firstly, it should be noted that, in view of the health emergency related to the COVID-19 epidemic and taking into account the emergency regulatory provisions issued for the containment of the contagion, at the meeting mentioned above, as indicated in the respective notice of call, the Company decided to avail itself of the option provided for by article 106 of Italian Law Decree no. 18 of 17<sup>th</sup> March 2020 - converted with amendments into Italian Law no. 27 of 24<sup>th</sup> April 2020 and as extended by paragraph 6 of article 3 of Italian Law Decree no. 183 of 31<sup>st</sup> December 2020, converted by Italian Law no. 21 of 26<sup>th</sup> February 2021 - providing that the intervention at the Shareholders' Meeting of those entitled to vote was allowed exclusively through the Delegated Representative of the Company pursuant to article 135-*undecies* of the TUF to whom a proxy had to be conferred; the Delegated Representative could also be conferred proxies or sub-proxies pursuant to article 135-*novies* of the TUF, as an exception to article 135-*undecies*, paragraph 4, of the TUF.

At the Shareholders' Meeting held on **20<sup>th</sup> April 2021**, in a single call, in ordinary session, **with the attendance of 84.233% of the share capital with voting rights**, it was resolved (i) to approve the financial statements for the year ended on 31<sup>st</sup> December 2020 and the allocation of the 2020 profit for the year, (ii) the binding vote on the first section of the Report on remuneration policy and remuneration paid, (iii) the approval of the new 2021-2023 Stock Option Plan and (iv) the authorisation to purchase and dispose of treasury shares. The Shareholders' Meeting also cast its non-binding vote on the second section of the Report on remuneration policy and remuneration paid in 2020.

In addition to the Chair, Mr Alfredo Altavilla, the following Directors were also attending the meeting via audio/video conference: Mr Guido Guidi (Vice-Chair), Mr Andrea Recordati (Chief Executive Officer), Mr Francesco Balestrieri, Ms. Michaela Castelli, lawyer, Mr Giorgio De Palma, Mr Piergiorgio Peluso and Mr Fritz Squindo. Also present for the outgoing Board of Statutory Auditors were Mr Antonio Santi, Chair, Ms Livia Amidani Aliberti and Mr Ezio Simonelli, Statutory Auditors.

In consideration of the fact that, due to the particular way in which the shareholders' meeting was conducted, it was not possible to hold a debate at the meeting, the Company provided for the answers to any questions raised, pursuant to article 127-*ter* of the TUF, by certain

shareholders to be published one day in advance, compared to the deadline of two days prior to the date of the shareholders' meeting indicated in the regulations, in order to allow a more informed choice in the voting instructions to the Designated Representative.

The documentation relating to the items on the agenda, together with the voting results, has been filed in accordance with the law and applicable regulations and can be consulted on the website [www.recordati.it](http://www.recordati.it) (section - investors/shareholders-\_meetings/2021/).

As in the past, and *a fortiori* given the way in which the Shareholders' Meeting was conducted due to the continuing pandemic, the Remuneration and Nominations Committee and the Risk, Control and CSR Committee decided that they did not need to report to the Shareholders' Meeting on how they exercised their functions, taking into account that this information is contained, with respect to the former, in the Report on Remuneration Policy and Remuneration Paid and, for both, where applicable, also in this Report, which were made available to shareholders prior to the Shareholders' Meeting.

Lastly, it should be noted that during 2021, no changes or events occurred that would have led the Board to deem it necessary to draw up reasoned proposals to be submitted to the Shareholders' Meeting concerning (i) the choice and characteristics of the corporate model (ii) the size, composition and appointment of the Board and the term of office of its members (also taking into account that the appointment of the new Board is scheduled for the Shareholders' Meeting of 29<sup>th</sup> April 2022); (iii) the structure of the administrative and equity rights of the shares; and (iv) the percentages established for the exercise of the prerogatives established to protect minorities.

The corporate governance system is functional to the needs of the Company.

#### **14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-bis, paragraph 2, letter a) of the TUF)**

The Issuer does not apply any additional corporate governance practices, other than those described in the preceding sections of this Report.

#### **15. CHANGES OCCURRING SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE**

There were no further changes in the Company's corporate governance structure, except for a change in the perimeter of key manager personnel, which will be reported in the Report for the next financial year.

#### **16. OBSERVATIONS ON THE LETTER OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE OF 3<sup>rd</sup> DECEMBER 2021**

The recommendations to promote good corporate governance formulated, as per practice, in the letter of the chair of the Corporate Governance Committee dated 3<sup>rd</sup> December 2021 were brought to the attention, first, of the Chair of the Board of Directors, the Chief Executive Officer, the Director in charge of the Internal Control and Risk Management System, the

Board of Statutory Auditors and as well as the members of the Risk, Control and CSR Committee on 9<sup>th</sup> December 2021.

It was therefore made available to all of the directors on 16<sup>th</sup> December 2021.

On 16<sup>th</sup> February 2021, the Board of Directors acknowledged these new recommendations and that the Committees will discuss them in greater detail at future meetings, as part of the 2022 Work Plan, in order to verify any further measures that may be appropriate.

Milan, 17<sup>th</sup> March 2022

For the Board of Directors  
CEO  
Mr. Robert Koremans



## **ATTACHMENT 1 PROFESSIONAL OVERVIEW OF THE DIRECTORS AND STATUTORY AUDITORS**

At the date of approval of this Report (17<sup>th</sup> March 2022)

### **Members of the Board of Directors**

#### **Andrea Recordati**

Andrea Recordati gained a Bachelor of Arts in medieval and modern history from the University of London Royal Holloway and Bedford New College. Between September 1995 and March 1998, he participated in the SmithKline Beecham Management Access Program, in the United Kingdom, starting off as Assistant Product Manager in Consumer Healthcare and then, for one year, occupying the role of medical representative in Essex before becoming Project Manager responsible for the development and implementation of an innovative SmithKline Beecham marketing initiative. He joined Recordati in 1998 as Project Leader for a project aimed at improving Sales Force productivity and better use of marketing investments. In April 1998, he joined the Board of Directors of the Company. In 1999, he was given responsibility for Pharmaceutical Business Development.

In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed Sole Director of the German subsidiary Recordati Pharma GmbH. In August 2007, the Northern and Central Europe Subsidiaries Division was set up and he was appointed head of that division. That division was enlarged in 2010 to include all western European companies. In February 2011 he was appointed General Manager of the International Pharmaceuticals Division. In July 2013 he was appointed Chief Operating Officer, being responsible for all the commercial and production activities of the Group and sitting on several boards of directors within the Group. From 16<sup>th</sup> August 2016 to 5<sup>th</sup> February 2019, he was appointed as Vice Chairman and from 16<sup>th</sup> August 2016 to 1<sup>st</sup> December 2021 he was appointed as CEO of Recordati S.p.A.

Currently he holds the office of Chairman of the Board of Directors.

#### **Robert Koremans**

Robert Koremans qualified as a medical doctor from RSM Erasmus University in the Netherlands and has over 30 years' experience in managerial and executive roles, gained mainly in the pharmaceutical industry at various international companies, including Serono, Grünenthal, Sanofi-Aventis and Teva.

He has worked globally and lived in the Czech Republic, Germany, Switzerland and the Netherlands. In 2018, he was appointed as Chief Executive Officer in Nutreco, a global leader in animal nutrition. Previously, he had been President and CEO of Global Specialty Medicines and a member of the Executive Committee at Teva Pharmaceutical Industries Ltd. From 1<sup>st</sup> December 2021, he is Chief Executive Officer of Recordati S.p.A..

#### **Silvia Candini**

Silvia Candini was born in Milan on 2<sup>nd</sup> July 1970, she earned a degree in economics (summa cum laude) at Università Commerciale Luigi Bocconi and an Exchange Programme at The Wharton School (MBA) of University of Pennsylvania. In 1994 she began her career at Lehman

Brothers London in the Corporate Finance team where she worked on marketing and structuring of IPOs and convertible bonds. In 1996 she moved to the Debt Origination team at JP Morgan London to cover Italian banks and local authorities as issuers. From 1998 to 2008 she continued to work at JP Morgan in the fixed income sales & trading department, assuming responsibility for the distribution to Italian institutional clients of fixed income products, plain vanilla and structured, with a specializing in structured credit. Since 2009 she has been managing partner of Studio C&C, providing Family Office and financial advisory services to High Net Worth private clients. From 2016 to 2019 she has been an independent board director at Unipol Gruppo (FTSE MIB listed company).

Current roles:

- Independent Director, Member of the Audit, Risk and Sustainability Committee and Member of the Remuneration and Nominations Committee at Recordati S.p.A. (FTSE MIB listed company);
- Independent Director, President of the Nomination and Corporate Governance Committee at BPER Banca (FTSE MIB listed company).

### **Michaela Castelli**

Born in Rome on 7<sup>th</sup> September 1970; after the degree in Law and a specialization course in financial law, her working experience started in London dealing with Capital Market and then she worked with major legal firms in Italy, dealing with corporate and financial markets law. She worked for Borsa Italiana S.p.A. for 9 years, where she dealt with primary market and assisting, listed issuers on matters concerning extraordinary operations, price sensitive information, compliance and corporate governance. Registered in Milan Bar Association, she gained a significant experience as a member of the Boards of Directors and Supervisory Bodies of major listed and unlisted companies. Author of sector publications and lecturer on various continuous education courses on corporate and financial markets law; she participated in numerous conferences as a speaker.

Current relevant positions:

- Chairman of ACEA S.p.A. (listed on the Milan Stock Exchange);
- Chairman of Nexi S.p.A. (listed on the Milan Stock Exchange);
- Member of the Board of Directors of Recordati S.p.A. (listed on the Milan Stock Exchange).

### **Giorgio De Palma**

Graduated summa cum laude in Nuclear Engineering from Politecnico di Milano. He holds an engineering degree from the École Centrale de Paris.

His career began at Morgan Stanley, where he worked for more than four years in the M&A team.

He joined the Italian team at CVC Capital Partners in 2005, where he became Partner afterwards.

Giorgio De Palma currently holds the following positions: (i) Member of the Board of Directors of CVC Advisers (Italia) S.r.l., Sisal Lottery Italia S.p.A, Sisal S.p.A. and Recordati S.p.A. (listed on the Milan Stock Exchange) and (ii) Sole Director of Donizetti Holdings S.r.l.

### **Guido Guidi**

Born on 27<sup>th</sup> March 1953, he graduated in medicine, cum laude, in 1979 at the University of Milan, with a specialization, at the same university, first in immunology and allergology, achieved in 1984, and then in rheumatology, achieved in 1989.

Medical doctor since 1980, he was Medical Advisor first in Smith Kline & French Italia from 1981 to 1982 and then, from 1983 to 1985 in Roussel UCLAF Italia, then Medical Director from 1986 to 1989 in Sharper Italia (Roussel UCLAF Group).

In Sandoz Italy since 1990, until 1991 as head of the immunology and transplantation area and from 1992 to 2000 as head of the Specialty Products unit.

Since 2000 he has been in charge of the Southern Europe oncology unit at Novartis and from 2002 to 2012 he was head of the Head of Oncology, Europe at the Milan office where he led the marketing of several oncology products and played a key role in several partnership operations as a Novartis Deal Committee member. From December 2012 to February 2017, at the Swiss headquarters in Basel, he was appointed Head of Pharma, Europe, where he leads the marketing of several key products, coordinates operations and supervises a staff of over 7,000 employees working in more than 50 countries, including Russia and Israel.

Meanwhile he attended business courses in Lausanne in 2000 and from 2003 to 2015 in Boston (USA) at Harvard University.

Throughout his career, he has also been Chairman of the Board of Directors of Novartis Italy, Novartis Spain, Novartis Nordics and Novartis UK, he was a member of the Novartis Pharma Executive Committee (PEC) and Chairman of the Novartis European Executive Committee (EEC) as well as a member of the Novartis Portfolio Management Board, R&D Oncology and Pharma and the EFPIA Executive Committee. He was awarded the Novartis CEO Excellence Award in 2006 and the Novartis CEO Talent Development Award in 2008.

Currently senior advisor at Boston Consulting Group and he holds the positions of:

- founder and chairman of the board of directors of AuroraTT S.r.l.;
- member of the board of directors of Aurora Science S.r.l.;
- member of the board of directors of Philogen S.p.A. (listed on the Milan Stock Exchange);
- member of the board of directors of Genenta Science S.r.l. (Nasdaq listed company);
- member of the board of directors and SAB member of Zambon S.p.A.;
- SAB member and consultant of Italfarmaco S.p.A.;
- vice President of the board of directors of Recordati S.p.A. (FTSE MIB listed company);
- Chairman of Cellestia Biotech AG.

### **Joanna Le Couilliard**

Joanna Le Couilliard has 25 years' healthcare management experience gained in Europe, the United States and Asia.

Much of her career has been in pharmaceuticals at GlaxoSmithKline where, amongst other roles, she headed the U.S. vaccines business and Asia Pacific Pharmaceuticals business and led a program to modernise the commercial model.

She was previously Chief Operating Officer at the BMI group of private hospitals in the U.K. She was Non-Executive Director at Frimley Park NHS Foundation Trust in the UK and at the Duke NUS Medical School in Singapore and Cello Health PLC, listed on the London Stock Exchange.

She is a graduate of Cambridge University and a Chartered Accountant.

She is currently a Non-Executive Director at Indivior PLC, Alliance Pharma PLC and Circassia Group PLC, all listed on the London Stock Exchange.

### **Giampiero Mazza**

Giampiero Mazza graduated summa cum laude from Rice University (Houston, Texas, USA) with a degree in Economics in 1991 and he completed a Master in Business Administration at the Harvard Business School (Boston, Massachusetts, USA) in 1996.

He started his career as business strategy Advisor in Bain & Company (Dallas, Texas, USA). He joined James D. Wolfensohn Inc (New York, NY, USA), a firm specialized in M&A transactions. From 2005 to 2010 he was Partner in BC Partners (London, UK), a private equity firm.

In 2010 he joined CVC Capital Partners, a private equity fund, where he currently is Managing Partner and CEO of the Milan office CVC Advisers (Italia) S.r.l., responsible for the Italian business.

Giampiero Mazza also holds the following positions: (i) member of the board of directors of CVC Advisers (Italia) S.r.l., Sisal S.p.A., Sisal Lottery Italia S.p.A., Mooney S.p.A., Mooney Servizi S.p.A., Mooney Group S.p.A., Recordati S.p.A. (listed on the Milan Stock Exchange), Multiversity S.r.l., Pegaso Management S.r.l., Università Telematica Pegaso S.p.A., Università Telematica Pegaso S.r.l., Paganini BidCo S.p.A., Multiversity S.p.A., Wiversity S.p.A., Bip S.p.A., Bach HoldCo S.p.A., Bach MidCo S.p.A., Bach BidCo S.p.A. and (ii) Sole Director of Akoa Place S.r.l.

### **Piergiorgio Peluso**

Diploma in humanities, degree in 'Economics and Social Sciences (D.E.S.)' from Università Commerciale L. Bocconi, with a specialization in Finance, obtained in 1992, and an experience in Arthur Andersen, he joined Mediobanca S.p.A. in the Participations and Special Affairs Service, dealing with mergers, acquisitions and financial restructuring.

In 1998 he worked at Credit Suisse First Boston in London on mergers, acquisitions and capital market transactions in the financial institutions (banking and insurance) and utilities area.

In 2002 he joined Medio Credito Centrale S.p.A. (Capitalia Group), as Central Director of the Advisory Area, and subsequently assumed direct responsibility for the Corporate Division of the Capitalia Group with the title of Central Director and member of the Executive Committee of the banking group. During the years of his management, he was actively involved in the Capitalia Group's recovery plan. In 2007, following the merger between Capitalia S.p.A. and UniCredit Group S.p.A., he was confirmed as Head of Investment Banking in Italy and, subsequently, Managing Director of the corporate bank of the UniCredit Group (UniCredit Corporate Banking S.p.A.) and Head for Italy of the Corporate & Investment Banking Division of the banking group.

From 2011 to September 2012, he was General Manager of Fondiaria-SAI S.p.A., working on the relaunch plan of the insurance group and the subsequent integration with the Unipol group. From September 2012 to June 2019, he was Telecom Italia's CFO, with responsibilities of various kinds in the areas of: planning and control, transformation office, purchasing, real estate and logistics, finance and investments, accounting and financial, tax, mergers and acquisitions and risk management; participation in road shows and meetings with investors; regular attendance in Telecom Italia's Board of Directors and the Internal Control Committee.

During his career, he has also held the position of Director in several companies, including Banco di Sicilia S.p.A., Edison S.p.A., Gemina S.p.A., Aeroporti di Roma S.p.A., Milano Assicurazioni S.p.A., Fondazione Telecom Italia, Telecom Italia Media S.p.A. and Telecom Argentina S.A. (Argentina).

Since January 2020 he holds the position of member of the Board of Directors of Sacertis S.r.l., a start-up that deals with the monitoring of infrastructures and diagnostics for risk assessment. He is a member of the Board of Directors of Recordati S.p.A. (listed on the Milan Stock Exchange).

**Cathrin Petty**

Cathrin Petty holds a Master of Arts in Natural Sciences from New Hall, Cambridge University and a post-graduate Diploma in Management Studies from the Judge Institute, Cambridge.

She started her career at Schroders and Schroder Ventures. She has been partner at APAX Partners, and prior to moving to CVC Capital Partners, she was Head of Healthcare EMEA with JP Morgan Chase & Co.

Currently, she serves as Managing Partner and Head of Healthcare at CVC Capital Partners, where she joined in July 2016.

Cathrin is currently member of the board of directors in the following companies: Theramex HQ UK Limited (significantly-sized company), Rayner, System C Holdings Limited, Graphnet Health Limited (significantly-sized company), Sebia and Recordati S.p.A. (listed on the Milan Stock Exchange).

**Fritz Squindo**

Fritz Squindo graduated 'cum laude' in Economics at the Bocconi University in Milan, Italy. He started his career in 1981 in Telettra S.p.A., a telecommunications company within the Fiat Group, where he was employed in the finance department. In 1986 he joined Sanofi S.p.A., the Italian subsidiary of the French pharmaceutical group Sanofi, where he was first Head of Finance and, as from 1990, Head of Management Accounting.

In 1992 he joined Recordati S.p.A. as Head of the Management Accounting department.

In 1995 he was appointed Chief Financial Officer and as from 2008 to 31st October 2019 also Managing Director.

Since November 2019 he is appointed Group General Manager.

Since 2013 Mr. Squindo is a member of the Board of Directors of Recordati S.p.A.

**Kim Stratton**

Kim Stratton has 30+ years experience in Biopharmaceuticals as CEO, C-Suite and Non-Executive Director and has held a variety of senior commercial leadership roles at both Global and country level, combined with experience in Global External & Public Affairs, HSE and Compliance & Diversity across developed and emerging markets.

Kim Stratton is recognised for her strong track record leading turnaround & business transformations and integrations in the rare diseases, specialty and primary care businesses.

She is currently (i) Non-Executive Director and member of Nomination and Remuneration Committee and Innovation committees for Novozymes A/S (listed company), a leading biotech in industrial enzymes, proteins and microorganisms, (ii) Non-Executive Director and member of the Audit and Innovation Committees for Vifor AG (listed company), a global specialty pharma leader in nephrology, cardio-renal and iron deficiency therapies, (iii) Chief Executive Officer of Centogene N.V. (Nasdaq listed company) and member of the Board of Directors of Recordati S.p.A. (listed on the Milan Stock Exchange).

**Members of the Board of Statutory Auditors****Effective Auditors**

**Antonio Santi**

Graduated in Business Administration - University of Rome 'La Sapienza', with a PhD in Business Administration at University of Rome 'Roma 3'.

Registered with the Register of Italian Corporate and Tax Affairs Experts (*Albo dei Dottori Commercialisti*) and with the Register of Certified Auditors (*Registro dei Revisori Contabili*).

He carries out advisory activities with regards to the appraisal of companies and branches, - of both the public and private sector - economic and financial feasibility studies and restructuring plans. During his professional experience he has developed consistent expertise in accounting control and supervision activities carried out by company control subjects.

He is member of the Board of Directors of Enav S.p.A. – listed company (where he carries out the role of president of the CRPC Committee and member of the CRN) and member of the Board of Directors of Adue Consulting S.r.l.

He is member of the Board of Statutory Auditors of companies operating in different sectors: he is the sole member of the Board of Statutory Auditors of Acea Liquidation and Litigation S.r.l.; Chairman of the Board of Statutory Auditors of F.A.I. Service S. COOP. and of the CQS Holding S.r.l. group companies in liquidation. He is also Chair of the Board of Statutory Auditors of Recordati S.p.A. (listed on the Milan Stock Exchange).

**Livia Amidani Aliberti**

Livia Amidani Aliberti graduated in Economics and Commerce at LUISS (Rome, Italy) and holds a Post Graduate Diploma from FT-Pearson (UK). She has completed the INSEAD International Corporate Directors programme. She holds status of authorised Person by BCE, (FCA- Financial Conduct Authority – until 2021)- she is a Dottore Commercialista (Chartered Accountant) and a member of the Reflection Group of NedCommunity on Internal Controls and Risk Management. With almost twenty years of consulting and research in corporate governance, she is also engaged in gender diversity research, area where she authored several publications on gender diversity and directors.

Livia Amidani Aliberti occupies the following positions, as corporate director, in other companies:

- Unicredit Bank Austria A.G., part of the Unicredit Group: independent director, chair of the strategy and nomination committee and the remuneration committee;
- Cassa Depositi e Prestiti: independent director, RPT member;
- Messaggerie Italiane S.p.A.: independent director;
- Centre for European social research, ltd. by guarantee - UK –director;
- AgriCult Ltd by guarantee, UK director.

**Ezio Simonelli**

Ezio Simonelli graduated in Economics at University of Perugia (Italy) on 1980 (Grade: 110/110 cum laude). On 1982 he has been registered Italian qualified Chartered Accountant and Tax Adviser (District of Milan) and on 1995 Italian qualified Chartered Statutory Auditor.

On 1997: Journalist and Publicist.

On 2013 he has been Appointed Honorary Consul of Canada in Milan by the Government of Canada, admitted by a decision issued on 06.03.2013 by the Ministry of Foreign Affairs.

Ezio Simonelli is currently a Managing Partner of Studio Legale Tributario Simonelli Associati, with offices in Milan and more than 20 professionals.

Previous Work Experience: Member of the Board of Directors of Banca Nazionale dell'agricoltura and Interbanca; Member of the Supervisory Board of Banca Popolare di Milano SCARL; Chairman of Statutory Auditors of UBS Italia, ING Group Italia, Dexia Crediop, Alba Leasing, Mediolanum, Cremonini, Meridiana, Arexpo and Lega Nazionale Professionisti Serie A e Serie B; Member of the Statutory Auditors of Cerved, Banca Akros, Abaxbank, Montetitoli, E-Mid.

As Author or Co-author of the following books:

- 'L'impresa e il nuovo testo unico delle imposte dirette' (IPSOA Editore 1988);
- 'L'attuazione della IV direttiva CEE' (Giuffr  Editore 1992);
- 'Oneri deducibili' (Giuffr  Editore 1993);
- 'Il revisore contabile' (Editore Il Sole 24 Ore 1996);
- 'Tassazione dell'utile e politiche fiscali sui dividendi' (Maggioli Editore 1997);
- 'Finanza straordinaria d'impresa' (Editore Il Sole 24 Ore 1999);
- 'Economia e gestione della banca' (Editore Mc Grow-Hill 2010).

Holding positions as Chairman or member of Supervisory Boards pursuant to Legislative Decree 231/01 in the following companies:

- AGC BIO S.p.A. (Chairman of the Supervisory Board);
- LA VILLATA S.p.A. (Esselunga) (Chairman of the Supervisory Board);
- Aprilia Racing S.r.l. (Member of the Supervisory Board);
- Diasorin S.p.A. (Chairman of the Supervisory Board);
- Fondazione Milano Cortina 2026 (Chairman of the Supervisory Board).

List of Administration and Control offices held by Mr Simonelli in other companies:

Chairman of Statutory Auditors:

- Chairman of Statutory Auditors of Aprilia Racing S.r.l.;
- Chairman of Statutory Auditors of ATEX S.p.A.;
- Chairman of Statutory Auditors of Branchini Associati S.p.A.;
- Chairman of Statutory Auditors of Intraco S.p.A.;
- Chairman of Statutory Auditors of La Villata S.p.A.;
- Chairman of Statutory Auditors of Mediaset Italia S.p.A.;
- Chairman of Statutory Auditors of Sisal Entertainment S.p.A.;
- Chairman of Statutory Auditors of Sisal S.p.A.;
- Chairman of Statutory Auditors of Sisal Lottery S.p.A.;
- Chairman of Statutory Auditors of Vortice S.p.A.

Member of the Board of Statutory Auditors:

- Member of Statutory Auditors of Arnoldo Mondadori Editore S.p.A. (listed on the Milan Stock Exchange);
- Member of Statutory Auditors of Different S.p.A.;
- Member of Statutory Auditors of F2I SGR S.p.A.;
- Member of Statutory Auditors of Mondadori Scienza S.p.A.;
- Member of Statutory Auditors of Phs Group S.p.A.;
- Member of Statutory Auditors of Recordati S.p.A. (listed on the Milan Stock Exchange).

Member of the Board of Directors:

- Member of Board of Directors of Fondazione BPM;
- Member of Board of Directors of Sintesy Pharma S.r.l.;
- Member of Board of Directors of Plusadvance S.r.l.

Sole Director:

- Sole Director of Gosen S.r.l.;
- Sole Director of Gosen Immobiliare S.r.l.;
- Sole Director of Immobiliare San Sebastiano S.p.A.;
- Sole Director of UBK S.r.l.;
- Sole Director of Wings of Hermes S.r.l.

Liquidator of National Professional Football League.

Chairman of Auditors' committee of Fondazione Altagamma.

**Alternate Auditors**

**Patrizia Paleologo Oriundi**

Born in Milan on January 24<sup>th</sup> 1957, she is a 1980 Business Administration graduate of Università Commerciale L. Bocconi. She is a member of the Milan Association of Certified Public Accountants since 1983 and a financial auditor since 1995.

She has been built up her career working for renowned law firm specialized in tax regulation, becoming an expert in consulting for multinational and for non-commercial companies, tax litigations, in addition to legal and administrative control of companies, foundations and associations. She also deals with real estate and insurance companies.

She has 30-years of experience as legal controller and member of the Supervising Body established by Legislative Decree no. 231/01.

Foreign Languages: English, Spanish and French.

She occupies the following management and supervisory positions in other companies:

- Chairman of Auditors' committee of Associazione dei Componenti degli Organismi di Vigilanza ex D. Lgs. 231/2001;
- Chairman of Auditors' committee of Valore D - Donne al vertice per l'azienda di domani';
- Statutory Auditor of Centervue S.p.A.;
- Sole Statutory Auditor of Cushman & Wakefield AS Italy S.R.L.
- Sole Auditor of Blend Management S.R.L.
- Chairman of Auditors' committee of Consorzio Universitario per l'ingegneria nelle assicurazioni (CINEAS);
- Auditor of Fondazione Giannino Grillo;
- Chairman of the Board of Statutory Auditors of Helvetia Vita S.p.A.;
- Chairman of the Board of Statutory Auditors of Helvetia Italia Assicurazioni S.p.A.;
- Shareholder Director of Quisi snc di Patrizia Paleologo & C.;
- Vice Chairman of the Board of Directors of Fondazione Biscozzi Rimbaud;
- Chairman of the Board of Statutory Auditors of Virgin Active Italia S.p.A.;
- Statutory Auditor of Falck Renewables S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of LU-VE S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of ICIM S.p.A.;



- Alternate Auditor of Recordati S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of Siolo Nuova S.p.A.;
- Alternate Auditor of Silver Fir Capital SGR S.p.A.;
- Statutory Auditor of Ford Credit Italia S.p.A.

**Andrea Balelli**

Graduated cum laude in Economics at La Sapienza University of Rome in 2000. Business Advisor, Certified Public Accountant and Auditor.

He started his professional experience at PricewaterHouseCoopers. He subsequently worked at the Government Printing Office and Mint and Capitalia Service Jv in Rome.

He then moved to Milan working for Archon Group (Goldman Sachs Group) as Vice President of the Corporate Accounting Team.

He is now top management advisor for both public and private companies on strategic, organizational and financial aspects such as M&A advisory (including mergers, acquisitions, spinoffs, liquidations, fairness opinions); corporate valuations; strategic plans; business and debt restructuring; performance measurement and control systems; organizational models pursuant to legislative decree 231 of 2001.

He is member of the Board of Directors and the Board of Statutory Auditors for companies operating in various sectors.

He occupies management and supervisory positions in the following companies:

- Sole Director of Fedaiia Spv S.r.l.;
- Sole Director of Gardenia Spv S.r.l.;
- Sole Director of Italian Credit Recycle S.r.l.;
- Sole Director of Restart Spv S.r.l.;
- Sole Director of Rienza Spv S.r.l.;
- Sole Director of Re Vesta S.r.l.;
- Director of Leviticus ReoCo S.r.l.;
- Director of Malfante 2009 S.r.l.;
- Director of Ferroli S.p.A.;
- Chairman of the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (Company listed on the Milan Stock Exchange);
- Chairman of the Board of Statutory Auditors of Wellcomm Engineering S.p.A.;
- Chairman of Supervisory Body ex D.Lgs 231/2001 of Salvatore Ferragamo S.p.A. (Company listed on the Milan Stock Exchange);
- Statutory Auditor AdR Infrastrutture S.p.A.;
- Statutory Auditor Airport Cleaning S.r.l.;
- Statutory Auditor Autostrade Tech S.p.A.;
- Statutory Auditor Danesi Caffè S.p.A.;
- Statutory Auditor Hotel Cristallo S.p.A.;
- Statutory Auditor of Infoblu S.p.A.;
- Statutory Auditor of Infomobility S.r.l.;
- Statutory Auditor of Leonardo Energia Scarl;
- Statutory Auditor of Pillarstone Italy S.p.A.;
- Statutory Auditor of Pillarstone Italy Holding S.p.A.;
- Statutory Auditor of PS Reti S.p.A.;
- Statutory Auditor of Sirti S.p.A.;
- Statutory Auditor of Tangenziale di Napoli S.p.A.;



- Alternate Auditor of Recordati S.p.A. (listed on the Milan Stock Exchange).