

# Report on the Remuneration Policy and the remuneration paid

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

Approved by the Board of Directors on March 24th  
2020

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# Letter from the Chair

## of the Remuneration Committee



Dear Shareholders,

Together with the other members of the Remuneration Committee, I hereby present to you the Report on the 2020 Remuneration Policy and remuneration paid for 2019, structured as required by article 123-ter of the Consolidated Law on Finance and approved by the Board of Directors on March 24th 2020.

During 2019 we carried out an in-depth analysis of the voting taken at the last Shareholders' Meeting. We also carefully considered the degree of alignment between the remuneration plans and the interests of Shareholders and Stakeholders, the Company's strategic plan, the Italian and EU reference legislation, as well as market best practices.

We have significantly amended this report versus previous years in terms of both form and content. We believe that this approach is more informative and comprehensive and in line with the expectations of the main recipients and users of our Remuneration Policy and with the general guidelines for a Company of our calibre.

In addition, this Report incorporates the additional changes introduced in light of the amendments made to article 123-ter of the Italian Consolidated Law on Finance by Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019, namely, the provision of a binding vote on Section I and a non-binding vote on Section II by the Shareholders' Meeting.

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

- widen the description of Recordati's remuneration policy, focusing more on elements of primary importance such as the pay mix of top positions and the performance objectives of the variable incentive schemes and the related incentive curves;
- broaden and strengthen the description of how the Remuneration Policy supports the corporate strategy, the pursuit of long-term interests, with a focus on sustainability issues;
- explain in greater detail the governance process underlying the definition of the Company's Remuneration Policy.

During 2019, in addition to the work already indicated, the Remuneration Committee reviewed the short-term variable incentive scheme, with the aim of directing the Company's key resources towards achieving excellent results linked both to the Group's new strategic plan 2019-2021 and to the specific nature of the position held and the areas of individual responsibility. In particular, the new MBO short-term incentive scheme is characterised by greater simplicity and transparency and a stronger link with the Group's strategic priorities. Furthermore, the Committee carried out in-depth analyses aimed at also assessing the possibility of introducing, in future financial years, a long-term incentive scheme other than the Stock Options, deeming, however, that instead the plans currently in place would be amended to be more in line with business needs and investors' expectations.

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

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

Best regards,

Joanna Le Couilliar  
**Chair of the Remuneration Committee**

# Introduction

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

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

Section I illustrates the Remuneration Policy adopted by the Company for the 2020 financial year (hereinafter the '**Remuneration Policy**'), with reference to the following persons:

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

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

The 2020 Remuneration Policy was approved by the Company's Board of Directors on 24 March 2020, on the proposal of the Remuneration Committee. It may be updated by the Board of Directors, on the proposal of the Remuneration Committee, which is responsible for the periodic assessment of its adequacy, overall consistency and effective application.

Section II of the Report provides information, with reference to the 2019 financial year, on each of the items that compose the remuneration of the persons indicated above in points i) to iii), including the members of the Board of Statutory Auditors. It also gives details in an appropriate table of the remuneration paid to those persons for any reason and in any form by the Company or its subsidiaries during the 2019 financial year, in addition to remuneration not yet paid on the date of the approval of the Report but relating to the 2019 financial year.

Data on stock options granted to the said persons in implementation of the current Stock Option Plans is also reported in another table pursuant to article 84-*bis* paragraph 5, of the Issuers' Regulations. Finally, another table

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

<sup>2</sup> It should be noted that the new Corporate Governance Code was published in January 2020 in order to be applied by listed companies starting from 2021.

illustrates the shares held in the Company or its subsidiaries by the above persons (and by persons related to them) pursuant to article 84-*quater*, paragraph 4, of the Issuers' Regulations.

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

The text of this Report is disclosed to the market by the twenty-first day prior to the date of the Shareholders' Meeting called to approve the 2019 Financial Statements, in accordance with current regulations, and can be viewed in the Corporate Governance section of the Company's website [www.recordati.it](http://www.recordati.it).

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

# Executive Summary

The table below summarizes the main elements of the 2020 Remuneration Policy of Recordati, aimed to support the Company in achieving its strategic business goals.

|  | Purposes  | Modes of operation  | Components  |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
|--|---|---|---|----------|----------------|---------------|-------|--|----------|-----------|------------------|--------------------------------|---|--------------------------------|------------|------------------------|----------|------------------------|--------------------|------------------------------|----------|------------------------|------------------|------------------|-----|------------------|-----|--|------------|---|------------|-----------------|-----------|--------|---------|--------------|---|--|--|------------|-------|-----|--------|------------------------------|-----|-----|-----|
| <b>Fixed component</b>   | To enhance the skills, experiences and support required for the assigned role.  | <p>The fixed remuneration is defined in such a way as to be consistent with the characteristics, responsibilities and any proxies associated with the role.</p> <p>The Company monitors on an annual basis the main market practices for comparable figures in order to ensure the consistency and competitiveness of the remuneration offered to its top positions.</p>  | <p>The following table summarizes the fixed remunerations provided for the Chair, the CEO, and the Group General Manager:</p> <table border="1"> <thead> <tr> <th></th> <th>Director's Fee</th> <th>Fixed Rem.</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td><b>Chair – From 01.01.2020 to 29.04.2020</b></td> <td>60,000 €</td> <td>240,000 €</td> <td><b>300,000 €</b></td> </tr> <tr> <td><b>Chair – From 29.04.2020</b></td> <td colspan="3">The remuneration will be determined by the Board on the proposal of the Remuneration Committee<sup>3</sup>.</td> </tr> <tr> <td><b>CEO</b></td> <td>60,000 €</td> <td>1,140,000 €</td> <td><b>1,200,000 €</b></td> </tr> <tr> <td><b>Group General Manager</b></td> <td>60,000 €</td> <td>450,000 €<sup>4</sup></td> <td><b>510,000 €</b></td> </tr> </tbody> </table> <p><b>Other Executive Directors:</b> they have waived the receipt of any remuneration for the position as Director<sup>5</sup>.</p> <p><b>Other Non Executive Directors:</b> 60.000€</p> <p><b>Key Management Personnel:</b> gross annual remuneration defined in line with the role and areas of responsibility.</p>   |          | Director's Fee | Fixed Rem.    | Total | <b>Chair – From 01.01.2020 to 29.04.2020</b> | 60,000 € | 240,000 € | <b>300,000 €</b> | <b>Chair – From 29.04.2020</b> | The remuneration will be determined by the Board on the proposal of the Remuneration Committee <sup>3</sup> . |                                |            | <b>CEO</b>             | 60,000 € | 1,140,000 €            | <b>1,200,000 €</b> | <b>Group General Manager</b> | 60,000 € | 450,000 € <sup>4</sup> | <b>510,000 €</b> |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
|  | Director's Fee  | Fixed Rem.  | Total   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>Chair – From 01.01.2020 to 29.04.2020</b>                                     | 60,000 €  | 240,000 €   | <b>300,000 €</b>  |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>Chair – From 29.04.2020</b>   | The remuneration will be determined by the Board on the proposal of the Remuneration Committee <sup>3</sup> .   |   |   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>CEO</b>   | 60,000 €  | 1,140,000 €   | <b>1,200,000 €</b>  |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>Group General Manager</b>   | 60,000 €  | 450,000 € <sup>4</sup>  | <b>510,000 €</b>  |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>Short-term variable component (MBO)</b>                                       | To promote a performance culture and encourage management to pursue expected objectives by creating a strong correlation between remuneration and performance achieved during the year. | <p>The payment of the annual variable remuneration, identified in the MBO scheme, is directly linked to the achievement of performance objectives, assigned to each beneficiary in line with the role held.</p> <p>For the beneficiaries of the MBO scheme, in addition to corporate objectives, indicators linked to the specific nature of the role covered and the areas of responsibility are provided.</p> <p>The MBO scheme is based on a circuit breaker, linked to the Group Operating Income result. If the Group Operating Income result is lower than 95% of the target result, no bonus will be paid out.</p> | <p>The following table summarizes the KPIs for the CEO and for the Group General Manager:</p> <table border="1"> <thead> <tr> <th colspan="2">CEO Kpis</th> <th colspan="2">Group GM Kpis</th> </tr> <tr> <th>KPI</th> <th>Weight</th> <th>KPI</th> <th>Weight</th> </tr> </thead> <tbody> <tr> <td><b>Economic-Financial KPIs</b></td> <td><b>70%</b></td> <td><b>Economic-Financial KPIs</b></td> <td><b>80%</b></td> </tr> <tr> <td>Group Operating Income</td> <td>35%</td> <td>Group Operating Income</td> <td>40%</td> </tr> <tr> <td>Group Net Revenues</td> <td>21%</td> <td>Group Net Revenues</td> <td>24%</td> </tr> <tr> <td>Group Net Profit</td> <td>14%</td> <td>Group Net Profit</td> <td>16%</td> </tr> <tr> <td><b>Strategic KPI linked to implementation of M&amp;A/Licensing transactions.</b></td> <td><b>30%</b></td> <td><b>Qualitative KPIs: ESG roadmap Integration plan</b></td> <td><b>20%</b></td> </tr> </tbody> </table> <p>The following table summarizes the MBO opportunity in % of the fixed remuneration for the Chair and the CEO, and in % of the Annual Base Salary for the Group General Manager:</p> <table border="1"> <thead> <tr> <th>% of fixed rem.</th> <th>Threshold</th> <th>Target</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td><b>Chair</b></td> <td colspan="3">Not included in the beneficiaries of the Plan</td> </tr> <tr> <td><b>CEO</b></td> <td>48.5%</td> <td>83%</td> <td>117.5%</td> </tr> <tr> <td><b>Group General Manager</b></td> <td>25%</td> <td>50%</td> <td>75%</td> </tr> </tbody> </table> | CEO Kpis |                | Group GM Kpis |       | KPI  | Weight   | KPI       | Weight           | <b>Economic-Financial KPIs</b> | <b>70%</b>  | <b>Economic-Financial KPIs</b> | <b>80%</b> | Group Operating Income | 35%      | Group Operating Income | 40%                | Group Net Revenues           | 21%      | Group Net Revenues     | 24%              | Group Net Profit | 14% | Group Net Profit | 16% | <b>Strategic KPI linked to implementation of M&amp;A/Licensing transactions.</b> | <b>30%</b> | <b>Qualitative KPIs: ESG roadmap Integration plan</b> | <b>20%</b> | % of fixed rem. | Threshold | Target | Maximum | <b>Chair</b> | Not included in the beneficiaries of the Plan |  |  | <b>CEO</b> | 48.5% | 83% | 117.5% | <b>Group General Manager</b> | 25% | 50% | 75% |
| CEO Kpis   |   | Group GM Kpis   |   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| KPI  | Weight  | KPI   | Weight  |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>Economic-Financial KPIs</b>   | <b>70%</b>  | <b>Economic-Financial KPIs</b>  | <b>80%</b>  |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| Group Operating Income   | 35%   | Group Operating Income  | 40%   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| Group Net Revenues   | 21%   | Group Net Revenues  | 24%   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| Group Net Profit   | 14%   | Group Net Profit  | 16%   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>Strategic KPI linked to implementation of M&amp;A/Licensing transactions.</b> | <b>30%</b>  | <b>Qualitative KPIs: ESG roadmap Integration plan</b>   | <b>20%</b>  |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| % of fixed rem.  | Threshold   | Target  | Maximum   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>Chair</b>   | Not included in the beneficiaries of the Plan   |   |   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>CEO</b>   | 48.5%   | 83%   | 117.5%  |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |
| <b>Group General Manager</b>   | 25%   | 50%   | 75%   |          |                |               |       |  |          |           |                  |                                |   |                                |            |                        |          |                        |                    |                              |          |                        |                  |                  |     |                  |     |  |            |   |            |                 |           |        |         |              |   |  |  |            |       |     |        |                              |     |     |     |

<sup>3</sup> On 18<sup>th</sup> March 2020, Mr. Flemming Ørnskov resigned from the position of Chairman of the Board of Directors with effect from the Shareholders' Meeting that approves the financial statements at 31.12.2019. In this regard, the Board of Directors has expressed its intention to proceed, once his resignation has become useful, to the appointment, as new Chairman of the Board of Directors, of the director Mr. Alfredo Altavilla.

<sup>4</sup> Gross annual remuneration as employee.

<sup>5</sup> These directors are identified as Executive Directors in accordance with the provisions of the Corporate Governance Code as they hold managerial positions in the parent companies and/or companies of the CVC Group (including the positions also held at the Company).

|   |   |   | <p><b>Key Management Personnel:</b> maximum variable opportunity depending on the role held, between 42% and 50% of the fixed remuneration, with the exception of two cases where in one case the maximum opportunity can reach 62% and, in the other case, 75%.</p>  |      |                    |                     |                    |     |     |     |     |                       |     |     |     |                          |     |     |     |
|---|---|---|---|------|--------------------|---------------------|--------------------|-----|-----|-----|-----|-----------------------|-----|-----|-----|--------------------------|-----|-----|-----|
| <p><b>Long-term variable component (Stock Option)</b></p> | <p>To promote the creation of value for Shareholders and Stakeholders by also fostering the loyalty and engagement of resources.</p>  | <p><b>Stock Option Plan 2018-2022</b></p> <p>The plan provides for the assignment to beneficiaries of the right to purchase a certain number of Shares of the Company at a predetermined price (strike price or exercise price) at the end of a certain time period (vesting period) and upon achievement of the performance condition identified by the Consolidated Net Profit.</p>   | <p><b>Chair:</b> is not included in the beneficiaries of the Plans.</p> <p><b>CEO:</b></p> <ul style="list-style-type: none"> <li>Stock Option Plan: number of options granted in line with the position held and based on best market practices</li> </ul> <p><b>Group General Manager:</b></p> <ul style="list-style-type: none"> <li>Stock Option Plan: number of options granted in line with the position held and based on best market practices</li> </ul> <p><b>Key Management Personnel:</b></p> <ul style="list-style-type: none"> <li>Stock Options Plan: number of options granted in line with the position held and based on best market practices</li> </ul> |      |                    |                     |                    |     |     |     |     |                       |     |     |     |                          |     |     |     |
| <p><b>Pay Mix</b></p>                                     | <p>To balance the fixed component aimed at remunerating the position held and the variable component, short and long term, aimed at ensuring a deep link between the remuneration of the Management, the performance of the Company and the creation of value for the Shareholders.</p> | <p>In order to determine the pay mix, the following elements have been considered:</p> <ul style="list-style-type: none"> <li>fixed remuneration;</li> <li>target performances in relation to the short-term incentive scheme;</li> <li>the fair value of the Stock Option plan for the year are assumed.</li> </ul> <p>For the Key Management Personnel, the average values of the individual elements mentioned above have been considered.</p> | <table border="1"> <thead> <tr> <th>Role</th> <th>Fixed remuneration</th> <th>Short-term variable</th> <th>Long-term variable</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>44%</td> <td>37%</td> <td>19%</td> </tr> <tr> <td>GROUP GENERAL MANAGER</td> <td>45%</td> <td>22%</td> <td>33%</td> </tr> <tr> <td>KEY MANAGEMENT PERSONNEL</td> <td>49%</td> <td>16%</td> <td>35%</td> </tr> </tbody> </table> <p> <span style="color: red;">■</span> Fixed remuneration    <span style="color: grey;">■</span> Short-term variable    <span style="color: green;">■</span> Long-term variable </p>  | Role | Fixed remuneration | Short-term variable | Long-term variable | CEO | 44% | 37% | 19% | GROUP GENERAL MANAGER | 45% | 22% | 33% | KEY MANAGEMENT PERSONNEL | 49% | 16% | 35% |
| Role  | Fixed remuneration  | Short-term variable   | Long-term variable  |      |                    |                     |                    |     |     |     |     |                       |     |     |     |                          |     |     |     |
| CEO   | 44%   | 37%   | 19%   |      |                    |                     |                    |     |     |     |     |                       |     |     |     |                          |     |     |     |
| GROUP GENERAL MANAGER                                     | 45%   | 22%   | 33%   |      |                    |                     |                    |     |     |     |     |                       |     |     |     |                          |     |     |     |
| KEY MANAGEMENT PERSONNEL                                  | 49%   | 16%   | 35%   |      |                    |                     |                    |     |     |     |     |                       |     |     |     |                          |     |     |     |



# 2020 New Features

Taking into account the voting results of the Shareholders' Meeting of 11<sup>th</sup> April 2019, the analyses performed on these votes and the main practices and recommendations of proxy advisors and institutional investors, as well as the relevant elements that Recordati intends to further strengthen in the context of a best practice orientation policy, the main new features introduced in the 2020 Remuneration Policy Report are summarised below:

- broadening of the description of Recordati's Remuneration Policy, with particular reference to:
  - pay mix of the Chief Executive Officer and Key Management Personnel;
  - widening and strengthening of the description of how the Remuneration Policy supports corporate strategy, the pursuit of long-term interests, with a focus on sustainability issues;
  - in-depth description of the short-term incentive plans, including the disclosure on the performance objectives assigned and the related incentive curves;
  - description of the Remuneration Policy with respect to the Board of Statutory Auditors;
- introduction of the new short-term incentive system (MBO) based on a scorecard of objectives linked to the achievement of company and individual performance over a one-year period. This system stems from the need to ensure greater incentives towards the achievement of annual economic and financial objectives, as well as of further annual strategically important objectives for the Company, while simultaneously ensuring greater alignment with market practices;
- introduction of clawback clauses in relation to the new short-term incentive plan (MBO) and the long-term incentive plan, Stock Option Plan 2018-2022, as regards future assignments;
- widening of the description of the remuneration paid during 2019, with particular reference to the description of the performance objectives linked to the short-term variable incentive schemes, the level of achievement of each objective and the related bonus paid or payable during the year.

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

Furthermore, by this Report, Recordati implements the additional new features introduced in light of the amendments made to article 123-*ter* of the Consolidated Law on Finance by Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019, namely:

- the provision of a *binding* vote on Section I ('Remuneration Policy Report') by the Shareholders' Meeting;
- the provision of a *non-binding* vote on Section II ('Report on remuneration paid') by the Shareholders' Meeting.

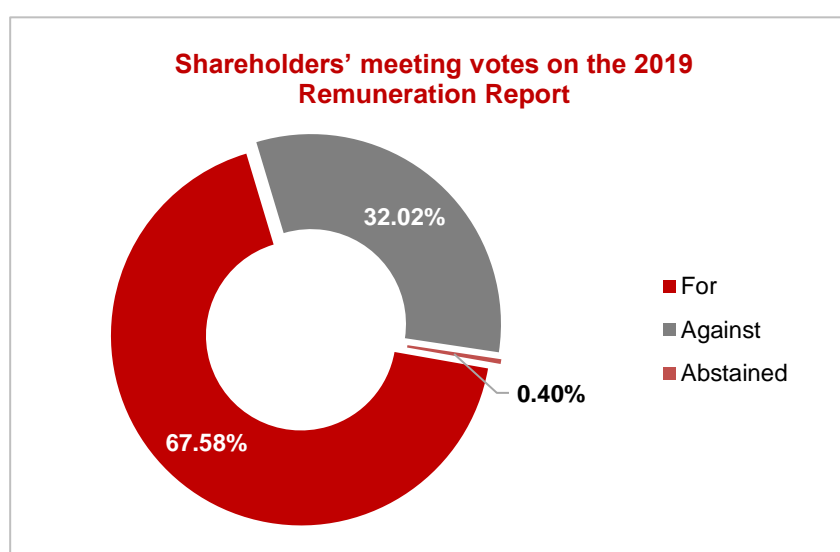
**Section I:  
2020 Remuneration  
Policy Report**

# 1. Engagement

## and remuneration policies

### 1.1 Voting results and investor feedback

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



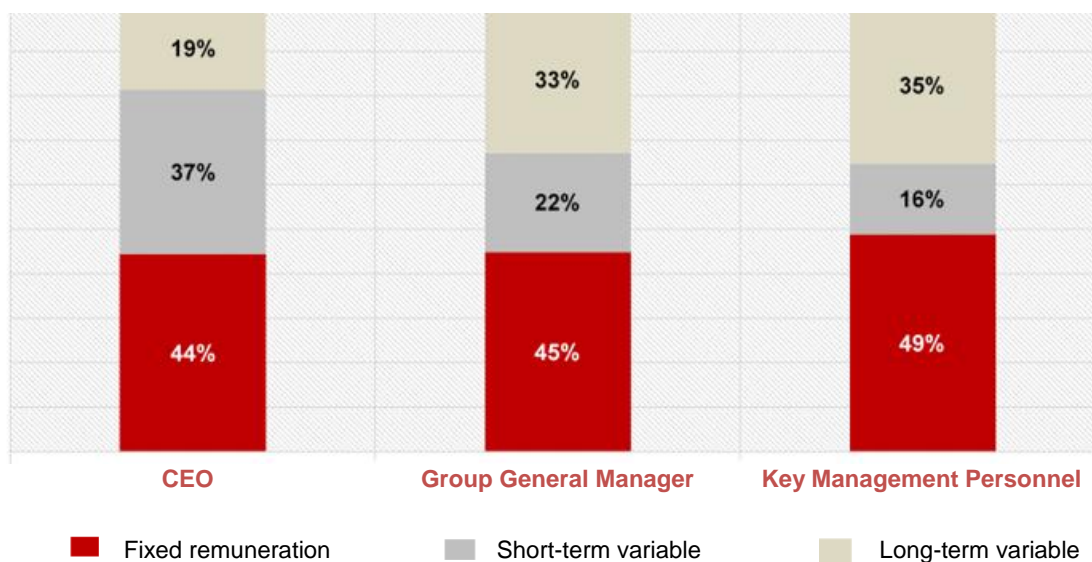
The voting result of the Shareholders' Meeting was analysed within the overall governance framework that characterises the Company's remuneration and incentive policies and schemes. The main reasons to the against votes were the need to increase disclosure of elements related to the Company's remuneration policy and the remuneration paid during the previous year. Further to this analysis process, Recordati has therefore implemented the activities necessary to ensure an improvement in this Report, performing in-depth analyses of the indications received from Institutional Investors and Proxy Advisors at the last Shareholders' Meeting, with the objective of developing the considerations expressed by them with regard to the main areas of improvement in the Report on the Remuneration Policy and remuneration paid.

The analysis of these votes has provided Recordati's technical structures and the Remuneration Committee with a valuable starting point for assessing the changes and improvements introduced in this text, in order to ensure increasingly greater levels of disclosure and alignment of Recordati's remuneration policy to best market practices. Furthermore, by this Report, Recordati ensures greater transparency, which it considers to be a key element for a correct relationship with its Shareholders.

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

Below evidence is provided regarding the estimation of the current pay mix of the Chief Executive Officer, the Group General Manager and Key Management Personnel, *i.e.* the percentage breakdown of the individual remunerative components within the overall package in the case of target performance, without prejudice to the Board of Directors' authority to assign new tranches of options during 2020 with consequent impact on the pay mix shown below.

### Target Pay Mix<sup>6</sup>



<sup>6</sup> In order to determine the pay mix, target performances in relation to the short-term incentive scheme and the fair value of the Stock Option plan for the year are assumed. For the Key Management Personnel, the average values of the individual elements of the remuneration package are considered.

# 2. Governance

## of the remuneration process

### 2.1 Bodies and persons involved

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

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

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

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

#### 2.1.1 Shareholders' Meeting

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

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

#### 2.1.2 Board of Directors

##### *Composition*

Recordati's Board of Directors currently in office was appointed by the Shareholders' Meeting on 5<sup>th</sup> February 2019 for a term of three financial years, ending with the Shareholders' Meeting called to approve the financial statements for the year ended as at 31<sup>st</sup> December 2021, and is composed of 11 directors, three of whom are independent.

The composition of the Board of Directors at the date of this Report<sup>7</sup> and the qualifications of each Director at that date are summarised below:

|  |                            |
|--|----------------------------|
| Flemming Ørnskov<br>(Chair)                      | Non-Executive              |
| Alfredo Altavilla<br>(Vice-Chair)                | Non-Executive              |
| Andrea Recordati<br>(Chief Executive Officer)    | Executive                  |
| Silvia Candini<br>(Director)                     | Non-Executive, Independent |
| Michaela Castelli<br>(Director)                  | Non-Executive, Independent |
| Joanna Le Couilliard<br>(Director)               | Non-Executive, Independent |
| Francisco Javier de Jaime Guijarro<br>(Director) | Executive*                 |
| Giampiero Mazza<br>(Director)                    | Executive*                 |
| Cathrin Petty<br>(Director)                      | Executive*                 |
| Søren Vestergaard-Poulsen<br>(Director)          | Executive*                 |
| Fritz Squindo<br>(Director)                      | Executive                  |

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

### Functions assigned

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

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

- to determine the remuneration of the Directors vested with special duties, following consultation of the Board of Statutory Auditors. This remuneration is determined in line with the decisions of the Shareholders' Meeting which can determine a total amount for the remuneration of all Directors, including those vested

<sup>7</sup> On March 18<sup>th</sup>, 2020, Mr. Flemming Ørnskov, Chairman of the Board of Directors, Mr. Søren Vestergaard-Poulsen and Mr. Francisco Javier de Jaime Guijarro, Directors resigned from their respective positions with effect from the date of the Shareholders' Meeting which will approve the 2019 Financial Statements. In this regard, the Board of Directors has expressed its intention to proceed, once the resignation has become effective, to the appointment, as new Chairman of the Board of Directors, of the director Mr. Alfredo Altavilla.

- with special duties;
- to define the objectives and approve the Company's results for the performance plans to which the determination of the variable remuneration of Executive Directors is linked;
- to approve the general criteria for the remuneration of the Key Management Personnel;
- to approve the Remuneration Report, to be submitted to the vote of the Shareholders' Meeting.

Moreover, the Board of Directors, supported by the Remuneration Committee, monitors the correct implementation of the Remuneration Policy.

## 2.1.3 Remuneration Committee

### *Composition*

Recordati's Remuneration Committee was established in 2001, in compliance with the recommendations of the Corporate Governance Code. Moreover, when the Related Party Transactions Procedure was approved, the Remuneration Committee was given the power by the Board to formulate an opinion (non-binding or binding, according to the case) on related party transactions relating to the remuneration of members of the management and supervisory bodies and Key Management Personnel, without prejudice to the provisions of article 2.01 f) of the aforementioned Procedure.

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

Ms. Joanna Le Couilliard  
(Chair)

Ms. Silvia Candini  
(Member)

Ms. Michaela Castelli, lawyer  
(Member)

### *Functions assigned*

The functions currently assigned to the Committee are as follows:

- to formulate proposals to the Board regarding the remuneration policy for Directors, Key Management Personnel and, where appropriate, other senior Managers of the Recordati Group;
- to periodically assess the appropriateness, overall consistency and concrete implementation of the Remuneration Policy for Directors, Key Management Personnel (and also, where appropriate, the other senior Managers of the Recordati Group), making use in this regard of the information provided by the Chief Executive Officer;
- to submit proposals or express opinions to the Board of Directors on the remuneration of Executive Directors and other Directors vested with special duties as well as on the setting of performance objectives related to the variable component of such remuneration; to monitor the implementation of the decisions adopted by the Board itself, verifying, in particular, the actual achievement of the performance objectives;
- to perform the functions assigned by the Board of Directors in relation to the management of plans for the grant to employees and/or directors of the Company and its subsidiaries of the Company's shares or options on them ('Stock Options'), without prejudice to the general powers and supervision of the Board also in this matter;
- to express a binding or non-binding opinion, on related party transactions of major importance and on related party transactions of minor importance, concerning remuneration respectively, in compliance with the provisions of the Related Party Transactions Procedure.

### *Organisational rules*

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

- Committee meetings are chaired by the Committee Chair or, in the event of his/her absence or impediment, by the most senior member of the Committee in terms of length of service on the Board of

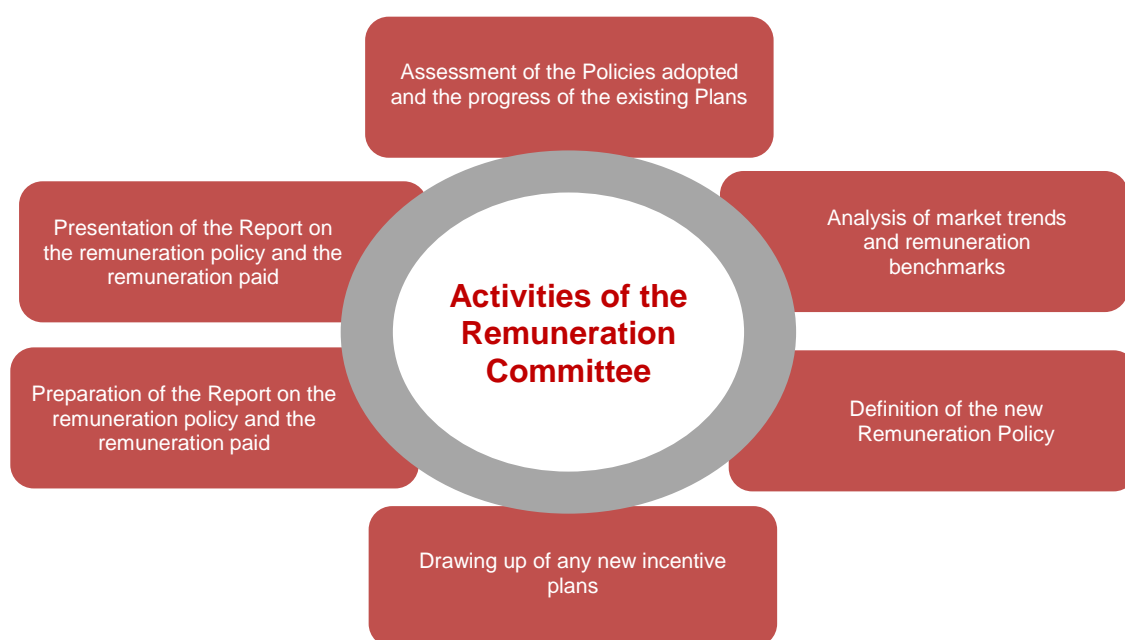
- Directors, or in the case of equality, the most senior by age;
- the minutes of the Committee meetings are taken by the Chair, who shall appoint a secretary from time to time, who may also not be a Committee member and who is called upon to minute the meeting;
- the Committee shall meet, upon written notice from the Committee Chair (or in the event of his/her absence or impediment, by the most senior member of the Committee in terms of length of service on the Board of Directors or, in the case of equality, the most senior by age), indicating the place, date, time and agenda of the meeting to be held at least two days before the date set for the meeting, at the Company's registered office or elsewhere in Italy, as specified in the notice of call;
- remote participation in meetings of the Committee, by means of audio-visual connection, teleconference or telephone, is permitted, on condition that all participants can be identified and that they are able to speak and at the same time examine the agenda and the related documents and pass resolutions on them. In these cases the meeting is considered as held in the place where the secretary is present;
- the Committee meeting is validly held and validly decides with, respectively, the presence and the favourable vote of the majority of the members in office;
- the Chair of the Board of Statutory Auditors or, in the event of his/her absence or impediment, another auditor designated by him/her, participates in the proceedings of the Remuneration Committee; other auditors may also participate;
- the Chief Executive Officer and other corporate functions whose participation in the Committee is necessary or appropriate in relation to the duties of the Committee may also be invited to attend the meeting by the Committee from time to time, with reference to individual items on the agenda;
- no Director with proxies takes part in the meetings of the Committee in which proposals are made to the Board relating to their remuneration (art. 6.C.6), unless these are proposals that concern the general nature of the members of the Committees set up within the Board of Directors.

Further, to each Committee meeting, the Chair informs the Board of Directors, at the first appropriate meeting, of the matters discussed and the observations, recommendations and opinions expressed therein.

In carrying out its functions, the Remuneration Committee has the right to access the information and corporate functions necessary to carry out its duties, as well as to make use of external consultants, within the terms established by the Board of Directors. The Committee may request that adequate financial resources be made available to it to carry out its duties.

### Activities

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





## 2.1.4 Other intra-board committees

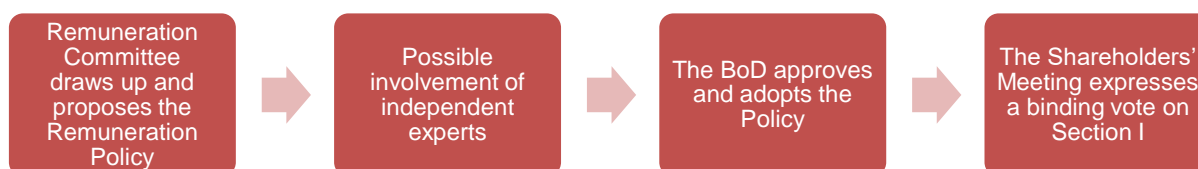
It should be noted that, where provided for by internal regulations and corporate governance processes, specific remuneration and incentive issues are also discussed in the Risk, Control and CSR Committee, which formulates its opinion, making use, where deemed necessary, of the relevant internal functions.

As provided for by article 123-ter, paragraph 3-bis of the Consolidated Law on Finance updated in 2019, Recordati may temporarily derogate from its remuneration policies when exceptional circumstances exist, without prejudice to compliance with legal and regulatory restraints. Exceptional circumstances mean only situations where the derogation from the remuneration policy is necessary to pursue the long-term interests and sustainability of the company as a whole or to ensure its ability to stay on the market. The process followed is summarised below.

The Board of Directors, acting on the opinion of the Remuneration Committee as the Committee responsible for related party transactions as provided for by the relevant Group procedure, limited to the remuneration policy elements set out in chapter 3 of the first section of this document, may temporarily derogate from the remuneration policy in the circumstances identified above.

## 2.2 Policy approval process

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



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

## 2.3 Independent experts and other persons involved

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

In addition, the Company decided to avail itself of the support of the consultancy firm Willis Towers Watson also in relation to the preparation of this Report, as well as the third-party and independent assessment for the definition of the new short-term incentive plan, as well as to explore the possibility of introducing, in the future financial years, a long-term incentive scheme other than the Stock Options.

For the purposes of defining the Company's Remuneration Policy, the Human Resources Department prepares the guidelines. This function also acts as an internal technical support body for the Remuneration Committee, for which it prepares the preparatory material for the Committee's activities. The Administration, Finance and Control

Department assists in identifying and assessing the economic and financial objectives underlying the short and long-term incentive schemes. The heads of the other company departments are also consulted in order to define the project objectives or objectives relating to specific issues regarding short-term incentive schemes.

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

# 3. The Company's

## Remuneration Policy

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

The purposes pursued with the Remuneration Policy are to meet the objective of establishing a remuneration that meets the requirements to:

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

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

On 8<sup>th</sup> May 2019 Recordati's Board of Directors approved the new business plan for the 2019-2021 three-year period. Recordati's strategic vision is to continue with the profitable growth that the Company has been sustaining since the early nineties, focusing on both organic growth and development through strategic acquisitions in both the Rare Diseases business and in the Primary and Specialty Care business, with the objective of strengthening its presence in selected markets worldwide. In fact, over the last few decades, the Group has grown steadily, thanks to the success of its products and its growth model based on internalisation and diversification, implemented precisely through an acquisition strategy that is still underway. All of this takes place in a context of searching for new opportunities and continuous market evolution.

In addition, starting in 2018, the Company has also undertaken several initiatives in the field of sustainability, which it intends to pursue in the 2019-2021 three-year period. Given the nature of the Company, sustainability plays an integral role in the Group's strategy, aimed at bringing benefits not only to patients but also to all those with whom and for whom the Company works: shareholders, customers, scientific and business partners, collaborators and local communities.

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

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

## Remuneration component

## Features and Purposes

|   |  |
|---|--|
| <b>Fixed remuneration</b>                     | <ul style="list-style-type: none"><li>▪ It includes all the fixed annual remuneration (<i>i.e.</i> gross annual salary from employment, remuneration for directors, remuneration for special positions);</li><li>▪ It is defined in such a way as to adequately remunerate the role, <i>i.e.</i> the nature of the activity carried out and the relevant responsibilities attributed to it, even in the event of a reduction or absence of variable components.</li></ul>  |
| <b>MBO</b><br>(Short-term variable incentive) | <ul style="list-style-type: none"><li>▪ It is commensurate with the role held, <i>i.e.</i> the nature of the impact on the Company's overall results in the short-term;</li><li>▪ It is linked to the achievement of annual, quantitative and/or qualitative performance objectives that are objectively measurable and consistent with the objectives set out in the Company's strategic plan and sustainability policy;</li><li>▪ It is designed to be reduced or increased in proportion to the level of performance generated with respect to the objectives assigned.</li></ul> |
| <b>LTI</b><br>(Stock Option)                  | <ul style="list-style-type: none"><li>▪ It is commensurate with the role held, <i>i.e.</i> the nature of the impact on the Company's overall results in the long-term;</li><li>▪ It is linked to the primary objective of creating value for shareholders, consistent with the objectives of the strategic plan.</li></ul>   |

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



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

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



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

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



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

The Acquisition/Licensing objective, assigned to the Chief Executive Officer and certain Key Management Personnel, is included among the objectives of the MBO scheme to support the Group's acquisition strategy, which has always been a key element for the growth of the company.



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

The 'Recordati Group ESG Roadmap' objective, assigned to the Group General Manager, is included among the objectives of the MBO scheme to support the strategy on environmental, social and governance issues.

## 3.2 Principles and criteria underlying the Policy

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

- to adequately balance the fixed and variable components of the remuneration according to the strategic

- objectives of the Company and of the Group;
- to provide for a fixed component of the total remuneration that is sufficient and adequate to remunerate the services performed in the event that the variable component is not paid due to the failure to achieve the performance objectives;
- to provide for maximum limits for variable components, linking them to predetermined, measurable, qualitative and quantitative performance objectives linked to the creation of value for shareholders in both the short and medium to long-term horizon;
- to encourage the retention and protection of the Group's key resources by encouraging them to remain within the Group.

### 3.3 Implementation of the 2020 Remuneration Policy

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

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

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

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

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

#### 3.4.1 Remuneration of the Board of Directors

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

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

With regard to Non-Executive Directors, for which article 6 of the Corporate Governance Code provides that the remuneration shall not be – other than for an insignificant portion – linked to the economic results achieved by the Company. Recordati has established a single fixed annual remuneration, thus fully falling within the provisions of the article. For the 2019-2021 term of office, this remuneration, determined by the Shareholders' Meeting of 5<sup>th</sup> February 2019, on the basis of the proposal made by the reference shareholder, is equal to:

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

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

€ 60,000

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

### **Remuneration for participation in Board Committees**

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

The Board, most recently when setting up the Committees following the appointment of the new Board of Directors on 5<sup>th</sup> February 2019, confirmed the decision made in previous years not to set up an Appointments Committee, expressly reserving the duties assigned to the latter by the Corporate Governance Code to itself sitting in plenary session.

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

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

### **3.4.2 Remuneration of the Board of Statutory Auditors**

The annual remuneration of the Members of the Board of Statutory Auditors consists of only the fixed component, commensurate with the commitment required of each of them. The remuneration of the current Board of Statutory Auditors, in office until the Shareholders' Meeting called to approve the 2019 Financial Statements, was determined by the Shareholders' Meeting of 11<sup>th</sup> April 2017 and is equal to:

| <b>Board of Statutory Auditors</b> |          |
|------------------------------------|----------|
| Chair                              | € 50,000 |
| Statutory Auditor                  | € 35,000 |

The Ordinary Shareholders' Meeting of 29<sup>th</sup> April 2020 will appoint the new Board of Statutory Auditors and determine the remuneration due to the Chair and each statutory member of the Board, keeping into account the report provided by the board of directors, based on the recommendations of the Remuneration Committee, with regards to this item of the agenda of the Annual General Meeting.

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

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

It should be noted that on March 18<sup>th</sup>, 2020, Mr. Flemming Ørnskov resigned from the position of Chairman of the Board of Directors. In this regard, the Board of Directors has expressed its intention to proceed, once his resignation has become effective, to the appointment, as new Chairman of the Board of Directors, of the director Mr. Alfredo Altavilla.

Therefore, the Board of Directors, on the proposal of the Remuneration Committee, will define the relative compensation for the Chairman after the Shareholders' Meeting on April 29, 2020.

Below are the elements that make up the fixed remuneration of the Chair of the Board of Directors in office until the Shareholders' Meeting of April 29, 2020:

| <b>Chair of the Board of Directors</b>  |                  |
|---|------------------|
| Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code                       | € 60,000         |
| Remuneration for special positions pursuant to article 2389, paragraph 3, of the Italian Civil Code | € 240,000        |
| <b>Total Remuneration</b>   | <b>€ 300.000</b> |

Overall, therefore, the Chair of the Board of Directors, Mr. Flemming Ørnskov, is entitled to an annual fixed component of € 300,000, which will be paid pro-rata according to the effective period of the office (01.01.2020 – 29.04.2020).

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

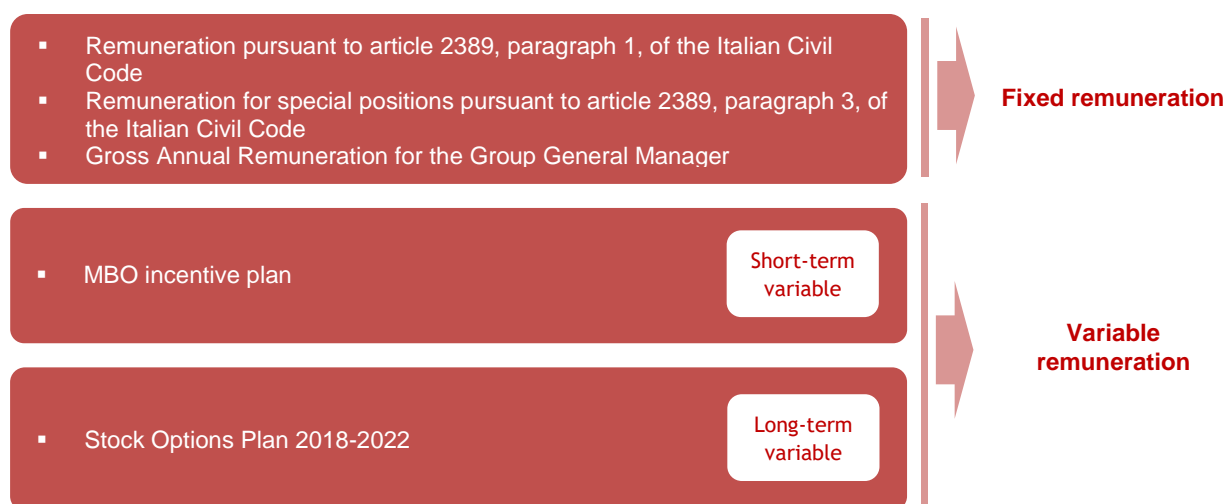
The Remuneration Policy for Recordati's Chief Executive Officer and the Group General Manager as executive Directors is defined in accordance with the specific powers granted to the role, the purposes on which the Company's Remuneration Policy is based, as well as the remuneration levels and best market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

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

- Francisco Javier de Jaime Guijarro;
- Giampiero Mazza;
- Cathrin Petty;
- Søren Vestergaard-Poulsen;

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

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



### 3.6.1 Fixed component of remuneration

The fixed component of the remuneration of the Chief Executive Officer and of the Group General Manager is commensurate with the duties and responsibilities assigned and is determined in such a way as to remunerate the position adequately even in the event of a reduction in the variable remuneration.

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

| Chief Executive Officer   |                    | Group General Manager   |                 |
|---|--------------------|---|-----------------|
| Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code                       | € 60,000           | Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code | € 60,000        |
| Remuneration for special positions pursuant to article 2389, paragraph 3, of the Italian Civil Code | € 1,140,000        | Gross Annual Remuneration   | € 450,000       |
| <b>Total Remuneration</b>   | <b>€ 1.200.000</b> | <b>Total Remuneration</b>   | <b>€510.000</b> |

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

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

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

During 2019 the Company deemed it appropriate to renew the incentive scheme for previously existing objectives, in order to ensure greater incentives towards the achievement of annual economic and financial objectives included in the budget, in line with the strategic plan, as well as additional annual non-economic objectives. The new MBO scheme has the following new features:

- introduction of a 'circuit breaker' identified in the Group Operating Income indicator (*Margine Operativo Gestionale di Gruppo*), which if not achieved will result in the total zeroing of the bonus;
- revision of the formula for calculating the bonus, which is expressed in an additive formula according to which each objective contributes to the accrual of a predefined percentage of the total bonus;
- adjustment of the incentive curves, also taking into account that under the new scheme the individual quantitative objectives are set excluding M&A/licensing transactions related to products already on the market, performed during the reference financial year.

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

The following tables show the performance objectives defined for 2020 for the Chief Executive Officer and for the Group General Manager:

#### 2020 MBO OBJECTIVES - CHIEF EXECUTIVE OFFICER

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



| OBJECTIVES   | FEATURES   |
|--|--|
| <b>ECONOMIC AND FINANCIAL OBJECTIVES (70%)</b> set excluding M&A/licensing transactions related to products already on the market, performed during the reference financial year | <b>Threshold: 38.5% of the Fixed Remuneration</b><br><b>Target: 63% of the Fixed Remuneration</b><br><b>Maximum: 87.5% of the Fixed Remuneration</b>   |
| 1. Group Operating Income (35%)  | The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +3%</li> <li>• Maximum: budget +6%</li> </ul>   |
| 2. Group Net Revenues (21%)  | The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +1.5%</li> <li>• Maximum: budget +3%</li> </ul> |
| 3. Group Net Profit (14%)  | The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +3%</li> <li>• Maximum: budget +6%</li> </ul>   |
| <b>STRATEGIC OBJECTIVES (30%)</b>  | <b>Threshold: 10% of the Fixed Remuneration</b><br><b>Target: 20% of the Fixed Remuneration</b><br><b>Maximum: 30% of the Fixed Remuneration</b>   |
| 1. Acquisition/Licensing   | The objective is linked to implementation of M&A/Licensing transactions. The result is measured in relation to value in € Mil current/peak sales achieved. Three different performance levels are provided.                                      |

## 2020 MBO OBJECTIVES - GROUP GENERAL MANAGER

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

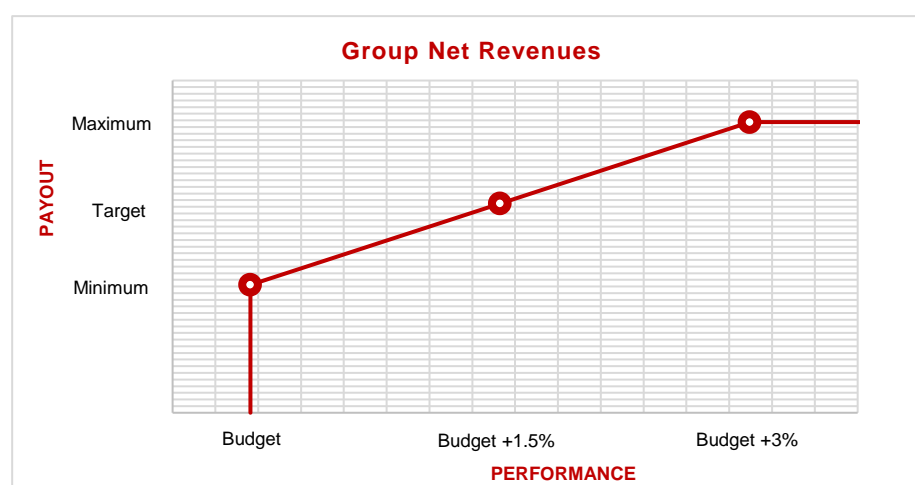
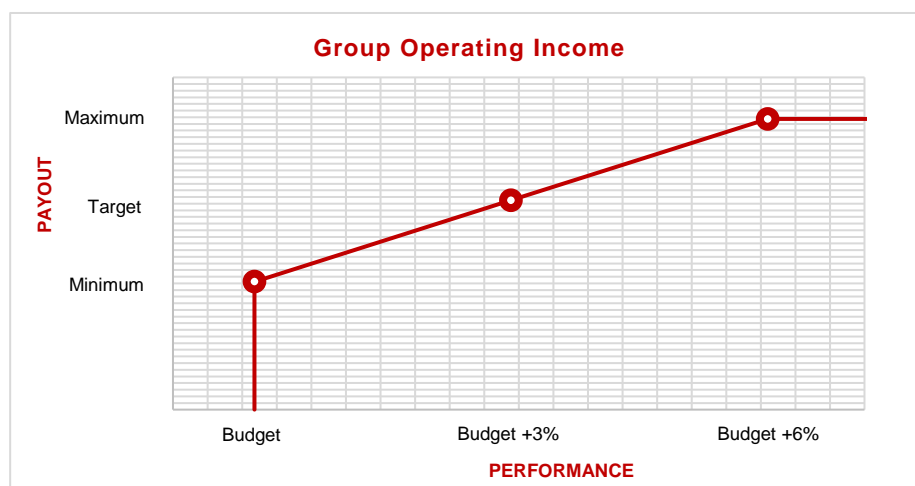
| OBJECTIVES   | FEATURES   |
|--|--|
| <b>ECONOMIC AND FINANCIAL OBJECTIVES (80%)</b> set excluding M&A/licensing transactions related to products already on the market, performed during the reference financial year | <b>Threshold: 20% of the Annual Base Salary</b><br><b>Target: 40% of the Annual Base Salary</b><br><b>Maximum: 60% of the Annual Base Salary</b>   |
| 1. Group Operating Income (40%)  | The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget + 3%</li> <li>• Maximum: budget + 6%</li> </ul> |
| 2. Group Net Revenues (24%)  | The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +1.5%</li> <li>• Maximum: budget +3%</li> </ul> |
| 3. Group Net Profit (16%)  | The result is measured in relation to the predefined budget. The following performance levels are provided: <ul style="list-style-type: none"> <li>• Threshold: budget</li> <li>• Target: budget +3%</li> <li>• Maximum: budget +6%</li> </ul>   |

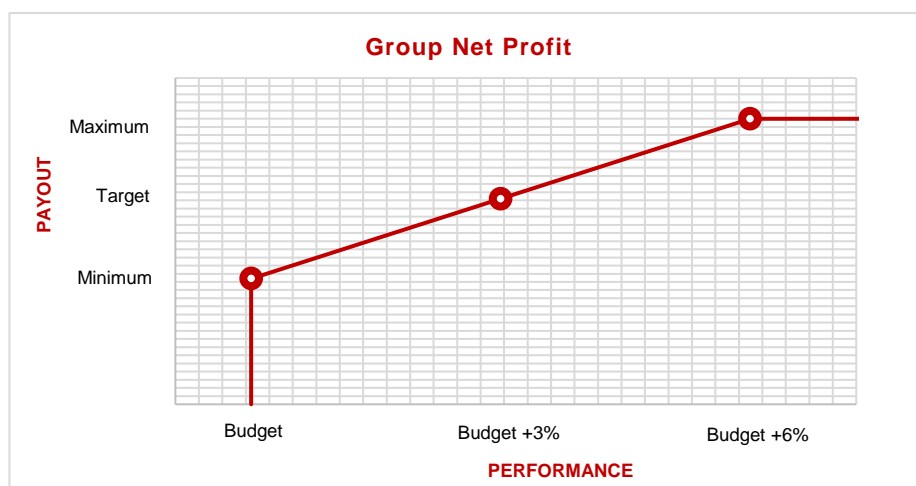
|  |   |
|--|---|
| <b>QUALITY OBJECTIVES (20%)</b>  | <b>Threshold: 5% of the Annual Base Salary</b><br><b>Target: 10% of the Annual Base Salary</b><br><b>Maximum: 15% of the Annual Base Salary</b>   |
| <ol style="list-style-type: none"> <li>1. Presentation of the 'Recordati Group ESG Roadmap'</li> <li>2. Definition of integration plans and subsequent implementation in relation to potential M&amp;A transactions</li> </ol> | <p>The objectives are qualitative. The result of each objective is measured in relation to the assessment attributed on the basis of 3 different performance assessments: Achieved, Overachieved, Outstanding).</p> |

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

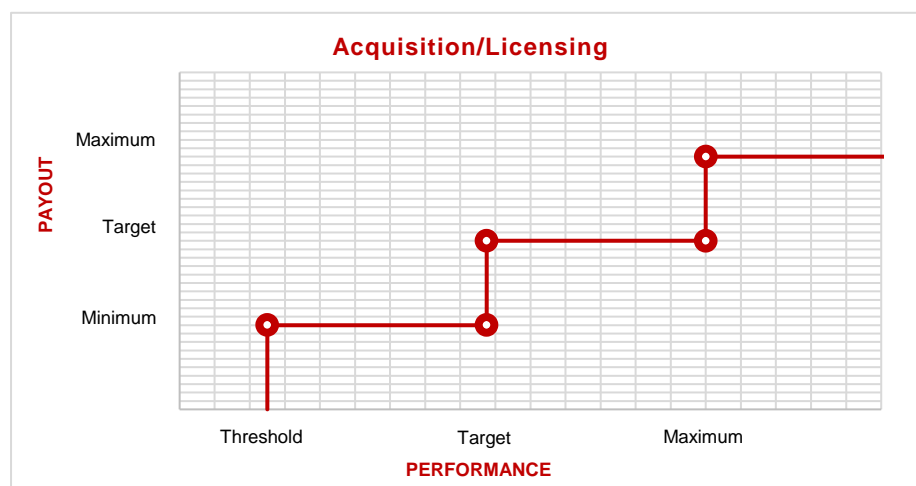
The right to payment of the bonus accruals upon approval by the Board of Directors of the consolidated financial statements, which show that at least 95% of the Group Operating Income objective that was set when the objective was determined has been achieved. The payment of the bonus is made during the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

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





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



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

The following table summarizes the potential bonus payout for the CEO and for the Group General Manager according to the different performance levels:

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

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

In setting the MBO objectives of the Chief Executive Officer and the Group General Manager, the Board of Directors

may, subject to the opinion of the Remuneration Committee, assess the achievement of such objectives net of significant extraordinary items, where appropriate, on an equitable basis.

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

Without prejudice to the right to compensation for any further damages, after the bonus has been paid, the Company reserves the right, within the statute of limitations provided for by current legislation and regardless of whether the relationship is still ongoing or terminated, to request the Chief Executive Officer and the Group General Manager to refund the bonus already paid (the so-called 'clawback') if one of the following cases occurs:

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

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

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

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

In particular, reference is made to the 2018-2022 Stock Options Plan, approved by the Shareholders' Meeting of 18<sup>th</sup> April 2018, the tranches of which are still being vested.

It should also be noted that the Stock Option Plan 2014-2018 and the Stock Option Plan 2010-2013, approved by the Shareholders' Meeting on 17 April 2014 and 16 April 2010 respectively, continue to regulate the tranches of options granted on the basis of these plans that have not yet vested (as regards the Stock Option Plan 2014-2018) or the tranches of options already vested but not yet exercised (as regards the Plan 2010-2013).

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

The grant of options under the Stock Option Plan 2018-2022 has an annual or biannual frequency based on what has been approved by the Board of Directors, upon the proposal of the Remuneration Committee. The number of options granted to each beneficiary is linked to the importance of the organisational role held by the various top positions. The Executive Directors include the Company's Chief Executive Officer and the Group General Manager as beneficiaries.

The exercise price of each new grant is established by using the fair market value calculation (the arithmetic average of the Company's share prices quoted on the market in the period running from the date of grant of the options and the same day of the previous calendar month); the total options assigned to each beneficiary are divided into four equal tranches, with four subsequent different vesting periods: in particular, the first tranche can be exercised (when the other conditions provided for in the Plan are met) in the second financial year following that in which the options were granted; the second, third and fourth tranches can be exercised respectively in the third, fourth and fifth financial year following that in which the options were granted. Overall, therefore, only 25% of the options can be exercised before 3 years from the grant.

It is considered that the above described 'phased' vesting period strongly limits the possibility that the beneficiaries of the Stock Option Plans may behave in a way that favours, in the short-term, an increase in the market value of the Shares, to the detriment of the creation of value in the long-term timeline.

An essential condition for the exercise of each of the tranches of options granted is the achievement of a performance objective, which is based on the budgeted Consolidated Net Profit parameter of the reference exercise. The existence of a performance clause in the Stock Option Plans is also in line with the principle of consistency of the Remuneration Policy with the pursuit of the interests of the Company and its Shareholders to which the interests of Management must be aligned.

The current Stock Option Plans do not provide for the obligation for the beneficiaries to hold part of the shares purchased following the exercise of stock options in the portfolio; this is because it is considered that the abovementioned structure of the Stock Option Plans, with a “phased” vesting period over four financial years and expiry date of the options in the eighth financial year following that of the grant of the options, is sufficient to ensure that priority is given to the creation of value for the Shareholders in the long-term horizon.

During 2020, the Board of Directors, having heard the opinion of the Remuneration Committee, reserves the right to propose changes to the current incentive plan at the next Shareholders' Meeting, with particular reference to the vesting period and the characteristics relating to the exercise of shares, in order to ensure greater alignment with the best market practices and the Corporate Governance Code.

It should also be noted that the component relating to the long-term incentive plan will be assessed as regards the Chief Executive Officer, in order to align it to market practices and considering the more general evolution of the role given the change in the corporate structure of the Group.

In relation to the Stock Option assignment that will take place starting from the 2020 financial year, without prejudice to the right to compensation for any further damages, the Company reserves the right, within the statute of limitations provided for by current legislation and regardless of whether the relationship is still in existence or terminated, to obtain from the Beneficiary to revoke the Exercisable Options or to return the shares held by the Beneficiary (less a number of shares of a value corresponding to the exercise price of the Options and the tax, social security and welfare contributions connected with the exercise of the Options, possibly also by offsetting them against the remuneration and/or severance indemnity of the Beneficiary) if the shares of the Beneficiary have already been sold, should any of the following cases occur:

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

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

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

## 3.7 Remuneration of Key Management Personnel

Key Management Personnel are those persons who have the power and responsibility, directly or indirectly, for planning, management and control of the Company's activities. At the date of this Report, the following persons are Key Management Personnel (in addition to members of the Board of Directors and of the Board of Statutory Auditors):

- Enrico Baroncia – General Manager Pharmaceuticals Italy;
- Corrado Castellucci – Executive VP Rare Diseases Business Unit;
- Raffaele Sabia – Senior VP Pharmaceutical Research & Development;
- Roberto Teruzzi – Executive VP Group Industrial Operations;
- Gabriele Finzi – VP Corporate Development & Licensing;
- Luigi La Corte – Group Chief Financial Officer;
- Miguel Isla Rodriguez – Executive VP International Specialty and Primary Care Business Unit;
- Cédric Ripert – VP Pharmaceuticals International Sales.

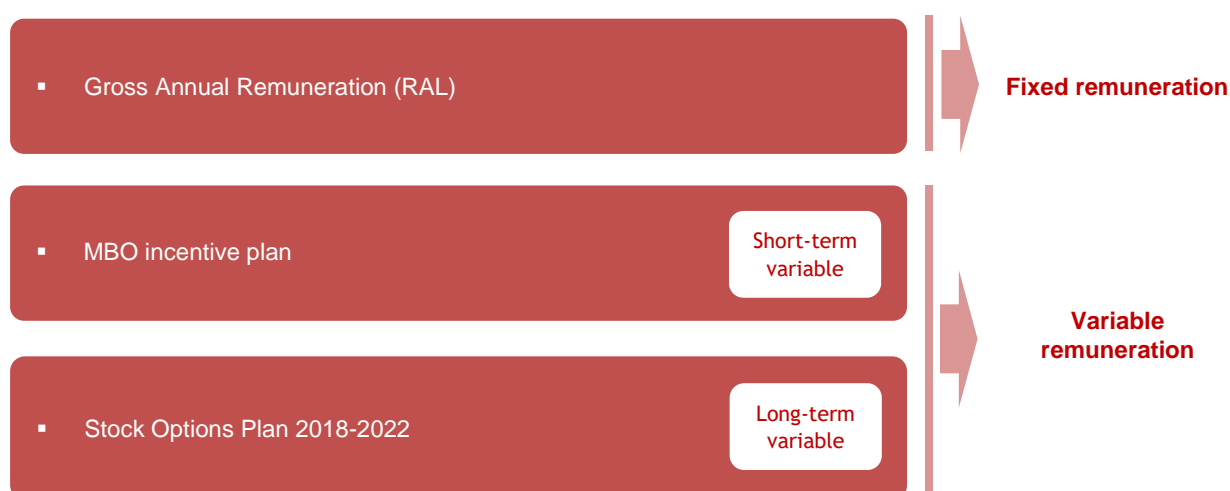
In defining the Remuneration Policy for Key Management Personnel, it was taken into account that these were recipients of a Policy in which a part of the remuneration is linked to the achievement of specific performance objectives, including those of a non-economic nature, previously indicated and determined in accordance with the guidelines contained in the general remuneration policy defined by the Board of Directors itself (Principle 6.P.2. of

the Corporate Governance Code<sup>8</sup>).

Principles 6.C.1 and 6.C.2 of the Corporate Governance Code apply, insofar as they are compatible, also to the determination of the remuneration of Key Management Personnel.

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

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



### 3.7.1 Fixed component of remuneration

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

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

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

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

<sup>8</sup> It should be noted that the new Corporate Governance Code, to which Recordati adheres, was published in January 2020 and will be applicable from the first financial year beginning after 31<sup>st</sup> December 2020.

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

#### 2020 MBO OBJECTIVES – KEY MANAGEMENT PERSONNEL

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

All Key Management Personnel have the following Group objectives:

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

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

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

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

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

The amount of the incentive actually paid varies according to the level of achievement of the targets assigned to the individual objectives. In the event of failure to achieve 95% of the Group's Operating Income objective, nothing is due.

In the event of overperformance, it is not possible to achieve a bonus higher than the maximum set, which, for Key Management Personnel, can vary from 42% to 50% of the annual base salary depending on the position held (and up to a maximum of 62% and 75% respectively for two Key Management Personnel).

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

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

Recordati's Key Management Personnel are beneficiaries of the same long-term incentive scheme (LTI) as that envisaged for the Chief Executive Officer and the Group General Manager, *i.e.* the Stock Option Plan 2020-2022 and, until its expiry, the Stock Options Plan 2014-2018 and the Stock Option Plan 2010-2013, which are fully referred to herein.

## 3.8 Further information on remuneration

### 3.8.1 Transaction Bonus and Integration Bonus

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

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

- A transaction bonus aimed at rewarding the roles directly involved and having a significant impact on the success of an M&A/licensing transaction; the positive outcome, and therefore the possible awarding of this bonus, will be assessed by the Chief Executive Officer on the basis of an outlook linked to economic and financial indicators and of the timing of the transaction itself. The value of the bonus awarded may vary between 15% and 30% of the Gross Annual Remuneration. 50% of the bonus will be paid at the time of the closing of the extraordinary transaction and 50% after one year subject to the achievement of predefined economic and financial results relating to the transaction itself.
- An integration bonus, aimed at specifically rewarding roles with a significant impact on the positive outcome of the integration process following an M&A transaction. The positive outcome, and therefore the possible awarding of this bonus, will be assessed directly by the Chief Executive Officer on the basis of an outlook linked to economic-financial indicators and the timing of the integration itself. The value of the bonus awarded may vary between 15% and 30% of the Gross Annual Remuneration. 70% of the bonus will be paid at the time when predefined milestones have been reached in the integration plan, and 30% at the end of the integration plan and subject to the achievement of predefined integration objectives.

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

### 3.8.2 Non-monetary benefits

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



### 3.8.3 Severance indemnity

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

With regard to other Key Management Personnel, including executive Directors (excluding the Executive Directors qualified as such by the Board pursuant to the Corporate Governance Code, who, as noted above, have previously declared that they do not wish to receive any remuneration), if deemed appropriate in the best interests of the Company and in relation to the importance of the Manager's position within the company organisation, agreements may be entered into which involve the payment of special indemnities, usually equal to a certain number of monthly payments or annuities, in the event that the Company terminates the employment relationship for reasons other than just cause, also with reference to the market practices in force at the time; taking these practices into account, there is generally no provision for links between such treatments and the Company's performance. In particular, agreements have been entered into that provide for termination indemnities for the Chief Executive Officer, in addition to an agreement providing for a severance indemnity for the Group General Manager and for another Key Management Person (details are highlighted in Section II of this Report). In all other cases, in the event of early termination of the employment relationship for reasons other than just cause, Key Management Personnel will be paid the indemnities provided for, in Italy, by law and the current National Collective Bargaining Agreement for 'Executives of Companies Producing Goods and Services' (so-called Industrial Companies) or for employees of foreign subsidiaries, by locally applicable regulations/collective bargaining agreements, in certain cases in addition to a further amount, determined on an equitable basis.

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

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

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

**Section II:**  
**Report on the remuneration  
paid for 2019**

# Introduction

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

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

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

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

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

The implementation of the Policy, as verified by the Remuneration Committee during the periodic assessment provided for in the Corporate Governance Code, was in line with the general principles approved by the Board of Directors, except that, subject to the favourable opinion of the Remuneration Committee, a manager with strategic responsibility hired during 2019 has been granted the right to a maximum short-term variable remuneration already aligned with the MBO system adopted for the 2020 financial year, anticipating the adjustments of the incentive curves envisaged by the new system. However, this manager did not receive any MBO bonus with reference to the 2019 financial year, since the time spent in service in that financial year was lower than that provided for by the MBO system for the purpose of accruing the right to the bonus.

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

The remuneration items reported are consistent with the Policy approved in 2019 by the Board of Directors and submitted to the advisory and non-binding vote of the Shareholders' Meeting on 11<sup>th</sup> April 2019 pursuant to article 123-*ter*, paragraph 6, of the Consolidate Law on Finance, which voted in favour.

# Part I

## 1. Activities of the Remuneration Committee

During 2019 the Remuneration Committee convened 8 times. The percentage of attendance of Committee members at meetings is shown in the table at the end of paragraph 4.2 of the Report on Corporate Governance and the Ownership Structure.

Minutes of the Remuneration Committee meetings have been duly taken.

The Committee had the opportunity to access the information and Company Functions necessary to carry out its duties; it did not deem it necessary to make use of external consultants.

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

During 2019 and up to the date of the approval of this report, the activity of the Committee has mainly concerned the following:

|                                    |   |
|------------------------------------|---|
| <b>January - June 2019</b>         | <ul style="list-style-type: none"><li>▪ Examination and formulation of an opinion to the Board, even in its capacity as committee for related-party transactions concerning remuneration, regarding the <b>agreement for the mutual termination of the employment relationship between the Company and Mr. Alberto Recordati</b>;</li><li>▪ Examination and formulation of an opinion to the Board, even in its capacity as committee for related-party transactions concerning remuneration, regarding the <b>agreement for the mutual termination of the employment relationship between the Company and Mr. Andrea Recordati</b>;</li><li>▪ Examination and formulation of an opinion to the Board regarding the <b>remuneration of the Chair</b>;</li><li>▪ Examination and formulation of an opinion to the Board, even in its capacity as committee for related-party transactions concerning remuneration, regarding the <b>remuneration of the Chief Executive Officer</b>;</li><li>▪ Examination and formulation of an opinion to the Board, even in its capacity as committee for related-party transactions concerning remuneration, regarding the <b>supplementary agreement to the employment relationship between the Company and Mr. Fritz Squindo</b>;</li><li>▪ Formulation of a proposal for submission to the Board in relation to the <b>determination of the 2019 objective for the Stock Option Plans adopted by the Company</b>;</li><li>▪ Formulation of a proposal for submission to the Board in relation to <b>amendments to the 2018-2022 Stock Option Plan</b> so as to include the Chief Executive Officer, in his capacity as such, among the beneficiaries;</li><li>▪ Formulation of a proposal for submission to the Board in relation to the <b>Remuneration Policy for 2019</b>;</li><li>▪ Examination and formulation of an opinion in respect of the <b>2019 performance objectives of the Chief Executive Officer</b>;</li><li>▪ Examination and opinion to the Board on the <b>remuneration package of the new Group CFO</b>, identified as a key manager.</li></ul> |
| <b>September 2019 - March 2020</b> | <ul style="list-style-type: none"><li>▪ Examination and proposal to the Board in respect of the <b>new MBO variable incentive scheme of the Group for top managers</b>;</li><li>▪ Examination of the appropriateness of a study on <b>possible long-term incentive systems as an alternative to stock option plans</b>;</li><li>▪ Examination and proposal to the Board in respect of the <b>MBO objectives for 2020 of the Chief Executive Officer and the Group General Manager</b>;</li><li>▪ Formulation of a proposal to the Board in respect of setting the <b>2020 objective of the Stock Option Plans adopted by the Company</b>;</li><li>▪ Analysis and review of the <b>Report on the Remuneration Policy and the Remuneration Paid</b>;</li><li>▪ <b>Calculation of the 2019 performance targets</b> of the Chief Executive Officer and the Group General Manager and examination of the information on the summary of the 2019 MBO objectives of key management personnel members;</li><li>▪ Formulation of a proposal to the Board in respect of the <b>2020 Remuneration Policy</b>.</li></ul>  |

## 2. Fixed remuneration

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

### Non-Executive Directors

Non-executive Directors were paid - *pro rata temporis* - the fixed remuneration as concerns the office held from 1<sup>st</sup> January 2019 to 5<sup>th</sup> February 2019, equal to € 3,945.20, and fixed remuneration - still *pro rata temporis* - approved by the Shareholders' Meeting on 5<sup>th</sup> February 2019 for the office held from 5<sup>th</sup> February 2019 to 31<sup>st</sup> December 2019, equal to € 54,082.19.

### Chair

The Chair, Flemming Ørnskov, was paid:

- the 'basic' *pro rata* remuneration as a director of Recordati S.p.A., equal to € 54,082.19, from 5<sup>th</sup> February 2019 to 31<sup>st</sup> December 2019;
- the *pro rata* remuneration for the special position as Chair, pursuant to article 2389, paragraph 3, of the Italian Civil Code, equal to € 216,328.77, from 5<sup>th</sup> February 2019 to 31<sup>st</sup> December 2019.

Therefore, the total annual financial treatment for the Chair, paid as fixed remuneration, was equal to € 270,410.96.

Mr. Giampiero Mazza, who held the position as Chair of the Board of Directors from 6<sup>th</sup> December 2018 to 5<sup>th</sup> February 2019, has declared that he waived all remuneration for the position as Chair and Director.

### Chief Executive Officer and Executive Directors

The Chief Executive Officer, Andrea Recordati, was paid the following:

- the 'basic' *pro rata* remuneration for the position of director of Recordati S.p.A. from 1<sup>st</sup> January 2019 to 5<sup>th</sup> February 2019, equal to € 3,945.20;
- the *pro rata* remuneration for the special position of Vice-Chair and Chief Executive Officer from 1<sup>st</sup> January 2019 to 5<sup>th</sup> February 2019, pursuant to article 2389, paragraph 3, of the Italian Civil Code, equal to € 9,863.01;
- the Gross Annual Remuneration as an employee of the company for the period from 1<sup>st</sup> January 2019 to 11<sup>th</sup> February 2019, equal to € 10,201.23;
- the 'basic' *pro rata* remuneration for the position of director of Recordati S.p.A. from 5<sup>th</sup> February 2019 to 31<sup>st</sup> December 2019 equal to € 54,082.19;
- the *pro rata* remuneration for the special position of Chief Executive Officer from 5<sup>th</sup> February 2019 to 31<sup>st</sup> December 2019, pursuant to Article 2389, paragraph 3 of the Italian Civil Code, equal to € 1,006,632.10.

Therefore, the total annual economic treatment for the Chief Executive Officer, paid as fixed remuneration, was equal to € 1,084,723.73.

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

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

Lastly, the amount of € 350,000 was paid to the Chief Executive Officer in consideration of the mutual termination agreement with the Company, also taking into account that the variable MBO component for the 2018 financial year was not paid because the termination of the employment relationship was completed before bonus accrual. In addition, € 2,621.78 was paid as severance indemnity.

The Group General Manager, Fritz Squindo, was paid the following:

- the *pro rata* 'basic' remuneration as a director of Recordati S.p.A. (€ 58,027.39);
- the Remuneration as a company employee by virtue of the role of Group General Manager equal to € 602,348.96.

Therefore, the total annual economic treatment for the Group General Manager, paid as fixed remuneration, was equal to € 660,376.35.

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

### 3. Variable remuneration

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

#### Short-term variable incentive

##### *Chief Executive Officer and Group General Manager*

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

| OBJECTIVES   | WEIGHT | LEVEL OF ACHIEVEMENT  |
|--|--------|---|
| Group Operating Income (on like-for-like basis)          | 30%    | Intermediate between threshold (Budget) and maximum achievement |
| Net sales revenues of the Group (on like-for-like basis) | 18%    | Intermediate between threshold (Budget) and maximum achievement |
| Net income of the Group                                  | 12%    | Maximum achievement   |
| Closing of M&A / Licensing transactions                  | 20%    | Maximum achievement   |
| 5 Year Strategic Plan (2019-2023)                        | 20%    | Maximum achievement   |

On the basis of the performance achieved, the overall remuneration for the Chief Executive Officer, to be paid as short-term variable component relating to the 2019 performance period, is therefore equal to € 897,600 gross, equal to 74.8% of the gross annual remuneration. The incentive accrued in 2019 as MBO will be paid in 2020 in accordance with the procedures set out in the MBO system.

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

| OBJECTIVES   | WEIGHT | LEVEL OF ACHIEVEMENT  |
|--|--------|---|
| Group Management Operating Income  | 60%    | Intermediate between threshold (Budget) and maximum achievement |
| Net income of the Group  | 20%    | Maximum achievement   |
| Preparation of integration plans and subsequent implementation in relation to potential acquisitions | 20%    | Maximum achievement   |

On the basis of the performance achieved, the overall remuneration for the General Manager, to be paid as short-term variable components relating to the 2019 performance period, is therefore equal to € 144,000 gross, equal to 24% of the gross annual remuneration. The MBO incentive accrued pertaining to the 2019 financial year will be

paid in 2020 in accordance with the procedures set out in the MBO scheme.

### *Key Management Personnel*

The other Key Management Personnel members have accrued - based on the draft Financial Statements for the 2019 financial year - an overall annual variable remuneration of € 462,000, on average equal to approximately 21% of the gross annual remuneration.

In addition, two Key Management Personnel members were also paid additional remuneration as a recruitment bonus and as bonuses for M&A and licensing transactions, equal to € 215,000.

### *Long-term variable incentive*

As at 31<sup>st</sup> December 2019, the following long-term incentive plans are in place:

- 2010-2013 Stock Option Plan;
- 2014-2018 Stock Option Plan;
- 2018-2022 Stock Option Plan.

### *Chief Executive Officer and Group General Manager*

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

- 45,000 options, assigned in 2014, in relation to the 2014-2018 Stock Option Plan;
- 27,000 options, assigned in 2016, in relation to the 2014-2018 Stock Option Plan.

During 2019, the Chief Executive Officer did not exercise option rights.

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

- 45,000 options, assigned in 2014, in relation to the 2014-2018 Stock Option Plan;
- 27,000 options, assigned in 2016, in relation to the 2014-2018 Stock Option Plan.

During 2019, the Group General Manager exercised the following options:

- 90,000 options of the 2010-2013 Stock Option Plan, matured in relation to the 2012 assignment;
- 90,000 options of the 2014-2018 Stock Option Plan, matured in relation to the 2014 assignment.

The remaining options, already assigned and not yet matured in 2019, will mature in the next years according to the timing provided for in the Plan Regulations.

### *Key Management Personnel*

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

- a total of 98,750 options assigned to four (4) Managers of the Company with Strategic Responsibilities in 2014 in relation to the 2014-2018 Stock Option Plan;
- a total of 20,000 options assigned to one (1) Manager of subsidiaries with Strategic Responsibilities in 2014 in relation to the 2014-2018 Stock Option Plan;
- a total of 83,250 options assigned to five (5) Managers of the Company with Strategic Responsibilities in 2016 in relation to the 2014-2018 Stock Option Plan;
- a total of 17,000 options assigned to two (2) Managers of subsidiaries with Strategic Responsibilities in 2014 in relation to the 2014-2018 Stock Option Plan.

During 2019, the 5 Key Management Personnel exercised the following options:

- a total of 95,000 options of the 2014–2018 Stock Option Plan, matured in relation to the 2014 assignment;

- a total of 45,000 options of the 2014–2018 Stock Option Plan, matured in relation to the 2016 assignment.

During 2019, the 2 Managers of subsidiaries with Strategic Responsibilities, instead, exercised the following options:

- a total of 20.000 options of the 2014-2018 Stock Option Plan, matured in relation to the 2014 assignment.

In addition, during 2019, 80,000 options were assigned in relation to the 2018-2022 Stock Option Plan to a Manager of the Company with Strategic Responsibilities, for the office held beginning 2<sup>nd</sup> August 2019.

The remaining options, already assigned and not yet matured in 2019, will mature in the next years according to the time scales provided for in the Plan Regulations.

It is hereby clarified, for the avoidance of any doubt, that in Table 1 column 7 (fair value of equity remuneration), the amounts indicated therein do not include the fair value of Rossini Luxembourg (indirect shareholder of Recordati S.p.A) shares, acquired at nominal value by said Key Management Personnel, as beneficiaries (in addition to a limited number of other managers) of an incentive plan, with a vesting period of five years, managed exclusively by Rossini Luxembourg and which does not establish obligations for Recordati. At termination of the vesting period they will benefit from a return. As prescribed by IFRS 2 a charge of € 0.9 million was booked to profit and loss.

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

Remuneration paid for the participation on board committees from 01/01/2019 to 05/02/2019 was paid on a *pro rata temporis* basis. In particular:

- € 986.30 as a member of the Remuneration Committee and of the Risk, Control and CSR Committee;
- €1,972.60 as Chair of the Remuneration Committee and of the Risk, Control and CSR Committee.

Below is the remuneration due for positions on Board Committees, which is paid on a *pro rata temporis* basis, as regards the Board of Directors in office from 5<sup>th</sup> February 2019 to 31<sup>st</sup> December 2019:

| Remuneration Committee |             | Risk, Control and CSR Committee |             |
|------------------------|-------------|---------------------------------|-------------|
| Chair                  | € 13,520.55 | Chair                           | € 18,027.40 |
| Member                 | € 9,013.71  | Member                          | € 9,013.71  |

Lastly, for the 2019 Financial Year, the remuneration approved by the Shareholders' Meeting was paid to the members of the Board of Statutory Auditors, namely:

| Board of Statutory Auditors |          |
|-----------------------------|----------|
| Chair                       | € 50,000 |
| Statutory Auditor           | € 35,000 |

In addition, a total remuneration of € 26,239.76 was paid to Mr. Marco Nava for the offices held in the subsidiaries (Innova, Italcimici, Natural Point, RRD Italy).

## 5. Non-monetary benefits

During 2019 benefits were awarded in line with the Policy, with regard to the Chair, the Chief Executive Officer and the other Key Management Personnel members, the value of which is shown in Table 1.



## 6. Information on the consequences of termination of employment or management relationship and on the existence of special agreements with Directors and Key Management Personnel

On 11<sup>th</sup> February 2019 - in the context of the change of control of the Company, after having approved the signing of the above mentioned mutual termination agreement, with effect from the same date, of the employment relationship existing between the Company itself and Mr Andrea Recordati, remaining therefore between the Company and Mr Andrea Recordati only the relationship as a member of the governing body - the Board of Directors, having heard the favourable opinion of the Remuneration Committee, as part of the determination of the remuneration of Mr Andrea Recordati as Chief Executive Officer, resolved to grant to Mr Andrea Recordati: (i) an amount equal to 7.4% of the overall remuneration – composed of the overall gross fixed annual remuneration<sup>9</sup> and of the short-term variable remuneration based on the M.B.O. system, the 'Overall Remuneration' – received for each year of term of office as Chief Executive Officer, gross of any tax or social contribution, as severance indemnity (*trattamento di fine mandato*); and (ii) an exit indemnity in case of termination of the office (*indennità di fine carica*) in case of revocation, without just cause, before the expiry of the term of the office, resignation from the office and termination of office for expiration of the term, pursuant to the terms described below. In case of revocation, without just cause, before the expiry of the term of his office (namely, before the date of the Shareholders' Meeting convened for the approval of the financial statements relating to the 2021 financial year), Mr Andrea Recordati or his heirs will be entitled to an amount pursuant to Article 2383, paragraph 3, of the Italian Civil Code, inclusive of any greater damage and any other claims related thereto, equal to the Overall Remuneration received in the twelve months preceding the termination of his office (or an amount equal to EUR 2,400,000.00 should the revocation occur in the first twelve months of his office as director) multiplied by 3 (the 'Revocation Case'). Should Mr Andrea Recordati resign from his office for a reason that does not allow the continuation, even temporarily, of his relationship with the Company, as well as in the event that the resignation is necessary following a revocation or modification of the powers granted to him, Mr Andrea Recordati or his heirs will be entitled to an overall amount, inclusive of any other claims related thereto, equal to the Overall Remuneration received in the twelve months preceding the termination of his office (or an amount equal to EUR 2,400,000.00 if the revocation occurs in the first twelve months of his office as director) multiplied by 3 (the 'Resignation Case'). Finally, upon termination of office for expiration of the term, with the exclusions set out below, Mr Andrea Recordati or his heirs will receive, as additional remuneration for the expiration of his mandate, inclusive of any other claims related thereto, an amount equal to the Overall Remuneration received by Mr Andrea Recordati in the twelve months prior to termination of his office, multiplied by 3 (the 'Additional Remuneration'). The Additional Remuneration will not be granted to Mr Andrea Recordati in the following cases: (i) if the mandate of Mr Andrea Recordati is renewed or extended for further 3 financial years (A) on economic terms and conditions that are not less favourable than the actual one, (B) with the same powers delegated during the first term and (C) with the provision that, if a Revocation Case or a Resignation Case occurs during the second mandate, Mr Andrea Recordati or his heirs will receive an amount equal to the Overall Remuneration received during the twelve months preceding the termination of the mandate, multiplied by 3; (ii) if the non-renewal or non-extension of the mandate is in any case due to the choice of Mr Andrea Recordati; and (iii) in the event of early termination of the mandate in a Revocation Case or in a Resignation Case.

In 2019, Mr Alberto Recordati was also paid an amount equal to € 268,620 as severance indemnity following the mutual termination of the employment relationship, which took place on 1<sup>st</sup> February 2019 and disclosed to the market on the same date.

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

In 2014, a supplementary agreement to the executive employment contract between the Company and Mr. Fritz Squindo (the 'Supplementary Agreement') was signed with a favourable opinion from the Remuneration Committee. This agreement provides for the payment to this Manager of an indemnity equal to his gross

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<sup>9</sup> Note that the overall gross fixed annual remuneration of the Chief Executive Officer is equal to EUR 1,200,000, of which EUR 1,140,000 is granted as gross fixed annual remuneration pursuant to Article 2389, paragraph 3 of the Italian Civil Code and EUR 60,000 is granted as gross annual 'basic' remuneration as a director of Recordati.

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

Furthermore, with respect to another member of key manager personnel, prior to signing an employment contract, a supplementary agreement to the contract subsequently entered into was signed, which provides for the payment to the senior manager of a 'golden handshake' remuneration of 36 month's salary in the event of termination of employment contract by the Company, except for termination for 'just cause'. The senior manager shall have the right to that remuneration until the moment when there will be three years to obtaining the right to a pension, after which time the remuneration will diminish by one month for each month of employment.

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

As concerns the effects of the end of an employment relationship on existing incentive plans based on current financial instruments approved by Recordati S.p.A., in accordance with Article 114-*bis* of TUF (*Testo Unico della Finanza*), it should be noted that the 2014-2018 Stock Option Plan approved by the Shareholders' Meeting held on 17<sup>th</sup> April 2014 and the 2018-2022 Stock Option Plan approved by the Shareholders' Meeting held on 18<sup>th</sup> April 2018 provide for the following, it being understood that, with reference to the 2018-2022 Stock Option Plan, what is set out below in relation to the Termination of the Employment Relationship (as defined below) shall be referred also to cases of termination of other relationships that are equivalent to the Participant's employment relationship with the Company or, as the case may be, with another company of the Group: 'Unless established otherwise by the Board or the Chair of the Remuneration Committee, the termination of the Participant's employment relationship with the Company or, according to the case, with another company of the Group, (the 'Termination of the Employment Relationship'), for any reason, will result in the automatic exclusion of the Participant from the Plan and the permanent and irrevocable loss of validity for the tranches not yet vested of the Options already granted at the date of Termination of the Employment Relationship.'

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

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

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

Notwithstanding the provisions of the aforementioned stock option plans, on 1<sup>st</sup> February 2019 the Board of Directors of the Company, following the favourable opinion of the Remuneration Committee and having taken into account the termination of the employment relationship previously existing between the Company and Mr. Alberto Recordati, resolved to grant Mr. Alberto Recordati the right to exercise the options granted to the latter pursuant to

the 2014-2018 Stock Option Plan, limited to the tranches of options that will vest on 12<sup>th</sup> May 2019 if the relevant conditions of the Plan are met.

Notwithstanding the provisions of the aforementioned stock option plans, on 11<sup>th</sup> February 2019, the Board of Directors of the Company, following the favourable opinion of the Remuneration Committee and having taken into account the termination of the employment relationship previously existing between the Company and Mr. Andrea Recordati, resolved to: (i) confirm, as far as necessary, the participation of Mr. Andrea Recordati to the 2018-2022 Stock Option Plan and to maintain in favour of Mr. Andrea Recordati the right to mature and exercise the options already granted to him and not yet vested according to the terms and conditions of the plan itself; and (ii) grant Mr. Andrea Recordati the right to vest and exercise, in accordance with the terms provided for under the 2014-2018 Stock Option Plan, Mr. Andrea Recordati's options not yet vested, as well as the right to exercise, in accordance with the terms and conditions of the abovementioned plan, the options vested but not exercised as at the date of the 11<sup>th</sup> February 2019 resolution.

The 2010-2013 Stock Option Plan that is still ongoing in relation to options granted within the said Plan, provides for the following in relation to options granted under that plan: 'Unless established otherwise by the Board or the Committee Chair, the termination of a Participant's employment relationship with the Company or, as the case may be, with another company of the Group, depending on the context (the 'Termination of the Employment Relationship'), for any reason, will result in the automatic exclusion of the Participant from the Plan and the permanent and irrevocable loss of validity for the tranches not yet vested of the Options already granted at the date of Termination of the Employment Relationship.

Without prejudice to the above, if at the date of Termination of the Employment Relationship, a Participant in the Plan holds Options which have already vested in relation to one or more tranches, but which have not yet been exercised, the Participant may exercise those Options, in relation to the tranches already vested, within 30 days of the date of the Termination of the Employment Relationship, while those Options shall lose all validity if they are not exercised within that period.

Without prejudice to the above, in the event of the Termination of the Employment Relationship due to death or permanent invalidity of a Participant in the Plan, the Options already granted on the date of the Termination of the Employment Relationship shall become immediately exercisable by the heirs of the Participant in the case of the death of the latter, or by the Participant in person of his/her legal representative if incapacitated in the case of permanent invalidity, for a period of one year following the date of the Termination of the Employment Relationship. After that period of one year has passed, the Options shall permanently and irrevocably lose their validity.

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

# Part II

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

(€000)

| Remuneration paid to Directors (*) |   |                                     |   |                    |   |                                  |                  |                       |                    |            |                                   |  |              |   |
|------------------------------------|---|-------------------------------------|---|--------------------|---|----------------------------------|------------------|-----------------------|--------------------|------------|-----------------------------------|--|--------------|---|
| A                                  | B   | C                                   | D   | 1                  | 2   | 3                                |                  | 4                     | 5                  | 6          | 7                                 | 8  |              |   |
| Name and Surname                   | Position  | Period in which the office was held | Date at which the office ends                         | Fixed remuneration | Remuneration for attendance on committees | Non-equity variable remuneration |                  | Non-monetary benefits | Other remuneration | Total (**) | Fair Value of equity remuneration | Severance indemnity for end of office or termination of employment |              |   |
|                                    |   |                                     |   |                    |   | Bonuses and other incentives     | Share in profits |                       |                    |            |                                   |  |              |   |
| Flemming Ørnskov                   | Chair   | From 05.02.2019 to 31.12.2019       | Approval of the financial statements as at 31.12.2021 | (i)                | 54  | 0                                | 0                | 0                     | 0                  | 0          | 270                               | 0  | 0            |   |
|                                    |   |                                     |   | (ii)               | 216                                       |                                  |                  |                       |                    |            |                                   |  |              |   |
| Andrea Recordati                   | Vice-Chair (up to 05.02.2019) and Chief Executive Officer | From 01.01.2019 to 31.12.2019       | Approval of the financial statements as at 31.12.2021 | (i)                | 58  | 0                                | 897,6            | 0                     | 0                  | 0          | 1.982,1                           | 271.988  | 352,6<br>(A) |   |
|                                    |   |                                     |   | (ii)               | 1,016.5                                   |                                  |                  |                       |                    |            |                                   |  |              |   |
|                                    |   |                                     |   | (iii)              | 10  |                                  |                  |                       |                    |            |                                   |  |              |   |
| Alfredo Altavilla                  | Vice-Chair  | From 05.02.2019 to 31.12.2019       | Approval of the financial statements as at 31.12.2021 | (i)                | 54  | 0                                | 0                | 0                     | 0                  | 0          | 54                                | 0  | 0            |   |
| Silvia Candini                     | Director  | From 05.02.2019 to 31.12.2019       | Approval of the financial statements as at 31.12.2021 | (i)                | 54  | (a)                              | 9                | 0                     | 0                  | 0          | 0                                 | 72   | 0            | 0 |
|                                    |   |                                     |   |                    |   | (b)                              | 9                |                       |                    |            |                                   |  |              |   |
| Michaela Castelli                  | Director  | From 01.01.2019 to 31.12.2019       | Approval of the financial statements as at 31.12.2021 | (i)                | 58  | (a)                              | 10               | 0                     | 0                  | 0          | 0                                 | 88   | 0            | 0 |
|                                    |   |                                     |   |                    |   | (d)                              | 20               |                       |                    |            |                                   |  |              |   |
| Joanna Le Couilliard               | Director  | From 05.02.2019 to 31.12.2019       | Approval of the financial statements as at 31.12.2021 | (i)                | 54  | (b)                              | 9                | 0                     | 0                  | 0          | 0                                 | 77   | 0            | 0 |
|                                    |   |                                     |   |                    |   | (c)                              | 13.5             |                       |                    |            |                                   |  |              |   |

|                                    |                                       |                               |   |  |    |     |   |      |   |        |         |       |
|------------------------------------|---------------------------------------|-------------------------------|---|--|----|-----|---|------|---|--------|---------|-------|
| Fritz Squindo                      | Director                              | From 01.12.2019 to 31.12.2019 | Approval of the financial statements as at 31.12.2021 | (i) 58<br>(iii) 602  | 0  | 144 | 0 | 3,46 | 0 | 807,46 | 190.749 | 0     |
| Francisco Javier de Jaime Guijarro | Director                              | From 05.02.2019 to 31.12.2019 | Approval of the financial statements as at 31.12.2021 | Mr Francisco Javier de Jaime Guijarro waived his right to receive any remuneration for the office of Director. |    |     |   |      |   |        |         |       |
| Giampiero Mazza                    | Chair (up to 05.02.2019) and Director | From 01.01.2019 to 31.12.2019 | Approval of the financial statements as at 31.12.2021 | Mr Giampiero Mazza waived his right to receive any remuneration for the office of Director.                    |    |     |   |      |   |        |         |       |
| Cathrin Petty                      | Director                              | From 01.01.2019 to 31.12.2019 | Approval of the financial statements as at 31.12.2021 | Ms Cathrin Petty waived her right to receive any remuneration for the office of Director.                      |    |     |   |      |   |        |         |       |
| Søren Vestergaard-Poulsen          | Director                              | From 01.01.2019 to 31.12.2019 | Approval of the financial statements as at 31.12.2021 | Mr Søren Vestergaard-Poulsen waived his right to receive any remuneration for the office of Director.          |    |     |   |      |   |        |         |       |
| <b>Total</b>                       |                                       |                               |   | 2,236  | 71 | 0   | 0 | 3    | 0 | 2,310  | 0.0     | 352.6 |

| Remuneration paid to Directors whose office ended during the 2019 Financial Year |          |                                     |                               |                    |   |                                  |                  |                       |                    |            |                                   |  |
|--|----------|-------------------------------------|-------------------------------|--------------------|---|----------------------------------|------------------|-----------------------|--------------------|------------|-----------------------------------|--|
| A  | B        | C                                   | D                             | 1                  | 2   | 3                                |                  | 4                     | 5                  | 6          | 7                                 | 8  |
| Name and Surname   | Position | Period in which the office was held | Date at which the office ends | Fixed remuneration | Remuneration for attendance on committees | Non-equity variable remuneration |                  | Non-monetary benefits | Other remuneration | Total (**) | Fair Value of equity remuneration | Severance indemnity for end of office or termination of employment |
|  |          |                                     |                               |                    |   | Bonuses and other incentives     | Share in profits |                       |                    |            |                                   |  |
| Rosalba Casiraghi  | Director | From 01.01.2019 to 05.02.2019       | 05.02.2019                    | (i) 4              | (a) 1<br>(b) 1                            | 0                                | 0                | 0                     | 0                  | 6          | 0                                 | 0  |
| Mario Garraffo   | Director | From 01.01.2019 to 05.02.2019       | 05.02.2019                    | (i) 4              | (c) 2                                     | 0                                | 0                | 0                     | 0                  | 6          | 0                                 | 0  |
| Elisa Corghi   | Director | From 01.01.2019 to 05.02.2019       | 05.02.2019                    | (i) 4              | (b) 1                                     | 0                                | 0                | 0                     | 0                  | 5          | 0                                 | 0  |
| <b>Total</b>   |          |                                     |                               | 12                 | 5   | 0                                | 0                | 0                     | 0                  | 17         | 0                                 | 0  |

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

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

## **LEGEND**

### **FIXED REMUNERATION**

(i) Emoluments approved by shareholders even if not paid.

(ii) Remuneration for special positions pursuant to Article 2389, paragraph 3 of the Italian Civil Code.

(iii) Fixed employee remuneration gross of social security and tax obligations borne by the employee, net of compulsory collective social security obligations borne by the Company.

*Neither attendance payments nor lump-sum expense reimbursements are paid.*

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

(a) For the office of member of the Remuneration Committee.

(b) For the office of member of the Risk, Control and CSR Committee.

(c) For the office of Chair of the Remuneration Committee.

(d) For the office of Chair of the Risk, Control and CSR Committee.

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

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

### **SEVERANCE INDEMNITY FOR END OF OFFICE OR TERMINATION OF EMPLOYMENT**

(A) Composed of € 350k as payment in consideration of the mutual termination agreement between the Company and Mr. Andrea Recordati, effective from 1<sup>st</sup> February 2019, and the remainder by way of severance indemnity.

| Remuneration paid to Statutory Auditors                   |                   |                                     |   |                    |   |                                  |                  |                       |                    |            |                                   |  |
|---|-------------------|-------------------------------------|---|--------------------|---|----------------------------------|------------------|-----------------------|--------------------|------------|-----------------------------------|--|
| A   | B                 | C                                   | D   | 1                  | 2   | 3                                |                  | 4                     | 5                  | 6          | 7                                 | 8  |
| Name and Surname  | Position          | Period in which the office was held | Date at which the office ends                     | Fixed remuneration | Remuneration for attendance on committees | Non-equity variable remuneration |                  | Non-monetary benefits | Other remuneration | Total (**) | Fair Value of equity remuneration | Severance indemnity for end of office or termination of employment |
|   |                   |                                     |   |                    |   | Bonuses and other incentives     | Share in profits |                       |                    |            |                                   |  |
| <b>(I) Remuneration at Recordati S.p.A.</b>               |                   |                                     |   |                    |   |                                  |                  |                       |                    |            |                                   |  |
| Antonio Santi   | Chair             | From 01.01.2019 to 31.12.2019       | Approval of Financial Statements as at 31.12.2019 | 50                 | 0   | 0                                | 0                | 0                     | 0                  | 50         | 0                                 | 0  |
| Livia Amidani Aliberti                                    | Statutory Auditor | From 01.01.2019 to 31.12.2019       | Approval of Financial Statements as at 31.12.2019 | 35                 | 0   | 0                                | 0                | 0                     | 0                  | 35         | 0                                 | 0  |
| Marco Nava  | Statutory Auditor | From 01.01.2019 to 31.12.2019       | Approval of Financial Statements as at 31.12.2019 | 35                 | 0   | 0                                | 0                | 0                     | 0                  | 35         | 0                                 | 0  |
| <b>(II) Remuneration from subsidiaries and associates</b> |                   |                                     |   |                    |   |                                  |                  |                       |                    |            |                                   |  |
| Marco Nava  |                   |                                     |   | 26                 | 0   | 0                                | 0                | 0                     | 0                  | 26         | 0                                 | 0  |
| <b>(III) Total</b>  |                   |                                     |   |                    |   |                                  |                  |                       |                    |            |                                   |  |
| Antonio Santi   |                   |                                     |   | 50                 | 0   | 0                                | 0                | 0                     | 0                  | 50         | 0                                 | 0  |
| Livia Amidani Aliberti                                    |                   |                                     |   | 35                 | 0   | 0                                | 0                | 0                     | 0                  | 35         | 0                                 | 0  |
| Marco Nava  |                   |                                     |   | 61                 | 0   | 0                                | 0                | 0                     | 0                  | 61         | 0                                 | 0  |

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

| Remuneration paid to Key Management Personnel                |                                     |                    |   |                              |                  |                       |                    |         |                                   |  |
|--|-------------------------------------|--------------------|---|------------------------------|------------------|-----------------------|--------------------|---------|-----------------------------------|--|
| A  | B                                   | 1                  | 2   | 3                            |                  | 4                     | 5                  | 6       | 7                                 | 8  |
| Name and Surname   | Period in which the office was held | Fixed remuneration | Remuneration for attendance on committees | Fixed remuneration           |                  | Non-monetary benefits | Other remuneration | Total   | Fair value of equity remuneration | Severance indemnity for end of office or termination of employment |
|  |                                     |                    |   | Bonuses and other incentives | Share in profits |                       |                    |         |                                   |  |
| Six (6) Key Management Personnel members of the Company (*)  |                                     | 1,777              | 0   | 363,9                        | 0                | 16                    | 215 (A)            | 2,371.9 | 729,203                           | 0  |
| Two (2) Key Management Personnel members of subsidiaries (*) |                                     | 589                | 0   | 98,1                         | 0                | 37                    | 0                  | 724.1   | 198,556                           | 0  |
| <b>Total</b>   |                                     | 2,366              | 0   | 462                          | 0                | 53                    | 215                | 3,096   | 927,759                           | 0  |

(\*) As at 31<sup>st</sup> December 2019, 6 Key Management Personnel members were in office at the Company and 2 Key Management Personnel members were in office at subsidiaries.

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

(A) Includes remuneration paid as an entry bonus and bonuses for M&A transactions.



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

| Stock options granted to Directors, General Managers and other Key Management Personnel members |                                   |                               |                    |                             |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|---|-----------------------------------|-------------------------------|--------------------|-----------------------------|--------------------------|--------------------|-----------------------------|---|--------------------|---|---------------------------|--------------------|---|-------------------------|-------------------------------|-------------------------|-------|--|--|--|
|   |                                   | Options held as at 01.01.2019 |                    |                             | Options assigned in 2019 |                    |                             |   |                    |   | Options exercised in 2019 |                    |   | Options expired in 2019 | Options held as at 31.12.2019 | Options related to 2019 |       |  |  |  |
| A   | 1                                 | 2                             | 3                  | 4                           | 5                        | 6                  | 7                           | 8                                       | 9                  | 10  | 11                        | 12                 | 13  | 14                      | 15= 2+5-11-14                 | 16                      |       |  |  |  |
| Name and Surname and position held as at 31.12.2019   | Plan - Resolution date            | Number of options             | Exercise price (€) | Exercise period (from - to) | Number of options        | Exercise price (€) | Exercise period (from - to) | Fair value as at date of assignment (€) | Date of assignment | Market price of Recordati share as at date of assignment of options (€) | Number of options         | Exercise price (€) | Market price of Recordati share as at exercise date (€) | Number of options       | Number of options             | Fair value (€)          |       |  |  |  |
| Andrea Recordati<br>Chief Executive Officer   | 2014-2018 Plan<br>-<br>17.04.2014 | 45,000                        | 12.29              | 2018*-31.12.22              |                          |                    |                             |   |                    |   |                           |                    |   | 0                       | 398,000                       | 271,988                 |       |  |  |  |
|   |                                   | 45,000                        | 12.29              | 2019*-31.12.22              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 27,000                        | 21.93              | 2018*-31.12.24              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 27,000                        | 21.93              | 2019*-31.12.24              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 27,000                        | 21.93              | 2020*-31.12.24              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   | 2018-2022 Plan<br>-<br>18.04.2018 | 27,000                        | 21.93              | 2021*-31.12.24              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 50,000                        | 30.73              | 2020*-31.12.26              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 50,000                        | 30.73              | 2021*-31.12.26              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 50,000                        | 30.73              | 2022*-31.12.26              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 50,000                        | 30.73              | 2023*-31.12.26              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
| Fritz Squindo<br>Group General Manager  | 2010-2013 Plan<br>-<br>13.04.2010 | 45,000                        | 5.307              | 2014*-31.12.20              |                          |                    |                             |   |                    |   | 45,000                    | 5.307              | 34,02   | 0                       | 418,000                       | 190,749                 |       |  |  |  |
|   |                                   | 45,000                        | 5.307              | 2015*-31.12.20              |                          |                    |                             |   |                    |   | 45,000                    | 5.307              |   |                         |                               |                         |       |  |  |  |
|   |                                   | 45,000                        | 5.307              | 2016*-31.12.20              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 45,000                        | 5.307              | 2017*-31.12.20              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   | 2014-2018 Plan<br>-<br>17.04.2014 | 45,000                        | 12.29              | 2016*-31.12.22              |                          |                    |                             |   |                    |   |                           | 45,000             | 12.29   |                         |                               |                         | 34,13 |  |  |  |
|   |                                   | 45,000                        | 12.29              | 2017*-31.12.22              |                          |                    |                             |   |                    |   |                           | 45,000             | 12.29   |                         |                               |                         | 34,22 |  |  |  |
|   |                                   | 45,000                        | 12.29              | 2018*-31.12.22              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 45,000                        | 12.29              | 2019*-31.12.22              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 27,000                        | 21.93              | 2018*-31.12.24              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |
|   |                                   | 27,000                        | 21.93              | 2019*-31.12.24              |                          |                    |                             |   |                    |   |                           |                    |   |                         |                               |                         |       |  |  |  |

|  |                |         |                |                |             |                |                |  |  |  |        |       |       |   |         |         |  |
|--|----------------|---------|----------------|----------------|-------------|----------------|----------------|--|--|--|--------|-------|-------|---|---------|---------|--|
|  |                | 27,000  | 21.93          | 2021*-31.12.24 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  | 2018-2022 Plan | 32,500  | 30.73          | 2020*-31.12.26 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  | -              | 32,500  | 30.73          | 2021*-31.12.26 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  | 18.04.2018     | 32,500  | 30.73          | 2022*-31.12.26 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  |                | 32,500  | 30.73          | 2023*-31.12.26 |             |                |                |  |  |  |        |       |       |   |         |         |  |
| Six (6) Key Management Personnel members of the Company (*)  | 2014-2018 Plan | 27,500  | 12.29          | 2017*-31.12.22 |             |                |                |  |  |  | 27,500 | 12.29 | 35,95 | 0 | 869,000 | 729,203 |  |
|  | -              | 54,750  | 12.29          | 2018*-31.12.22 |             |                |                |  |  |  | 27,500 | 12.29 |       |   |         |         |  |
|  | 17.04.2014     | 98,750  | 12.29          | 2019*-31.12.22 |             |                |                |  |  |  | 40,000 | 12.29 |       |   |         |         |  |
|  |                | 53,250  | 21.93          | 2018*-31.12.24 |             |                |                |  |  |  | 15,000 | 21.93 | 36,52 |   |         |         |  |
|  |                | 83,250  | 21.93          | 2019*-31.12.24 |             |                |                |  |  |  | 30,000 | 21.93 |       |   |         |         |  |
|  |                | 83,250  | 21.93          | 2020*-31.12.24 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  |                | 83,250  | 21.93          | 2021*-31.12.24 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  | 2018-2022 Plan | 111,250 | 30.73          | 2020*-31.12.26 | (**) 20,000 | 30.73          | 2020*-31.12.26 |  |  |  |        |       |       |   |         |         |  |
|  | -              | 111,250 | 30.73          | 2021*-31.12.26 | (**) 20,000 | 30.73          | 2021*-31.12.26 |  |  |  |        |       |       |   |         |         |  |
|  | 18.04.2018     | 111,250 | 30.73          | 2022*-31.12.26 | (**) 20,000 | 30.73          | 2022*-31.12.26 |  |  |  |        |       |       |   |         |         |  |
|  | 111,250        | 30.73   | 2023*-31.12.26 | (**) 20,000    | 30.73       | 2023*-31.12.26 |                |  |  |  |        |       |       |   |         |         |  |
| Two (2) Key Management Personnel members of subsidiaries (*) | 2014-2018 Plan | 20,000  | 12.29          | 2019*-31.12.22 |             |                |                |  |  |  | 20,000 | 12.29 |       | 0 | 218,000 | 198,556 |  |
|  | -              | 17,000  | 21.93          | 2018*-31.12.24 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  | 17.04.2014     | 17,000  | 21.93          | 2019*-31.12.24 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  |                | 17,000  | 21.93          | 2020*-31.12.24 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  |                | 17,000  | 21.93          | 2021*-31.12.24 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  | 2018-2022 Plan | 37,500  | 30.73          | 2020*-31.12.26 |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  | -              | 37,500  | 30.73          | 2021*-31.12.26 |             |                |                |  |  |  |        |       |       |   |         |         |  |
| 18.04.2018   | 37,500         | 30.73   | 2022*-31.12.26 |                |             |                |                |  |  |  |        |       |       |   |         |         |  |
|  | 37,500         | 30.73   | 2023*-31.12.26 |                |             |                |                |  |  |  |        |       |       |   |         |         |  |

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

(\*) As at 31<sup>st</sup> December 2019, 6 Key Management Personnel members were in office at the Company and 2 Key Management Personnel members were in office at subsidiaries.

(\*\*) Options relating to the 2018 Stock Option Plan allocated to a Key Manager of the Company hired in 2019.

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

(€000)

| Cash plans granted to Directors, General Managers and other Key Management Personnel members |                         |          |                |          |                  |                         |                     |                |               |
|--|-------------------------|----------|----------------|----------|------------------|-------------------------|---------------------|----------------|---------------|
| A  | B                       | 1        | 2              |          |                  | 3                       |                     |                | 4             |
| Name and Surname   | Position                | Plan     | Bonus for 2019 |          |                  | Bonuses for prior years |                     |                | Other Bonuses |
|  |                         |          | (A)            | (B)      | (C)              | (A)                     | (B)                 | (C)            |               |
|  |                         |          | Payable / paid | Deferred | Deferment period | No longer payable       | Payable / paid (**) | Still deferred |               |
| Andrea Recordati   | Chief Executive Officer | 2019 MBO | 897.6          |          |                  |                         | 0                   |                |               |
| Fritz Squindo  | Group General Manager   | 2019 MBO | 144            |          |                  |                         | 170                 |                |               |
| Six (6) Key Management Personnel members of the Company (*)                                  |                         | 2019 MBO | 363.9          |          |                  |                         | 394                 |                | 215 (A)       |
| Two (2) Key Management Personnel members of subsidiaries (*)                                 |                         | 2019 MBO | 98.1           |          |                  |                         | 110                 |                |               |
| <b>Total</b>   |                         |          | 1,503.6        | 0        | 0                | 0                       | 673                 | 0              | 215           |

(\*) As at 31<sup>st</sup> December 2018, there were 6 Key Management Personnel members in office at the Company and 2 Key Management Personnel members in office at subsidiaries.

(\*\*) MBO bonus relating to 2018 paid in 2019.

(A) Includes remuneration paid as entry bonus and bonuses for M&A transactions.

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

| Board of Directors<br>(Name and Surname)                                | Position                | Recordati S.p.A.<br>type of shares | No. of shares held<br>as at 31.12.2018 | No. of shares<br>purchased in 2019 | No. of shares sold<br>in 2019 | No. of shares held<br>as at 31.12.2019 |
|---|-------------------------|------------------------------------|--|------------------------------------|-------------------------------|--|
| <b>DIRECTORS IN OFFICE AS AT 31.12.2019</b>                             |                         |                                    |  |                                    |                               |  |
| Flemming Ørnkov   | Chair                   | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Alfredo Altavilla   | Vice-Chair              | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Andrea Recordati  | Chief Executive Officer | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Silvia Elisabetta Candini   | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Michaela Castelli   | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Francisco Javier de Jaime Guijarro                                      | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Joanna Susan Le Couilliard  | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Giampiero Mazza   | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Cathrin Petty   | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Fritz Squindo   | Director                | ordinary                           | 122,000                                | 180,000*                           | 180,000*                      | 122,000                                |
| Søren Vestergaard-Poulsen   | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| <b>DIRECTORS NO LONGER IN OFFICE AS AT 5<sup>TH</sup> FEBRUARY 2019</b> |                         |                                    |  |                                    |                               |  |
| Rosalba Casiraghi   | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Elisa Corghi  | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |
| Mario Garraffo  | Director                | ordinary                           | 0                                      | 0                                  | 0                             | 0                                      |

\* Shares resulting from the exercise of stock options.

|  | <b>Recordati S.p.A.<br/>type of shares</b> | <b>No. of shares held<br/>as at 31.12.2018</b> | <b>No. of shares<br/>purchased in 2019</b> | <b>No. of shares sold<br/>in 2019</b> | <b>No. of shares held<br/>as at 31.12.2019</b> |
|--|--|--|--|---------------------------------------|--|
| Eight (8) Key Management Personnel members (*) | ordinary                                   | 29,000   | 160,000*                                   | 169,000*                              | 20,000   |

(\*) As at 31.12.2019, 6 Key Management Personnel members were in office at the Company and 2 Key Management Personnel members were in office at subsidiaries.

\* Shares resulting from the exercise of stock options.

| <b>Board of Statutory Auditors<br/>(Name and Surname)</b> | <b>Position</b>  | <b>Recordati S.p.A.<br/>type of shares</b> | <b>No. of shares held<br/>as at 31.12.2018</b> | <b>No. of shares<br/>purchased in 2019</b> | <b>No. of shares sold<br/>in 2019</b> | <b>No. of shares held<br/>as at 31.12.2019</b> |
|---|------------------|--|--|--|---------------------------------------|--|
| Antonio Santi   | Chair            | ordinary                                   | 0  | 0  | 0                                     | 0  |
| Marco Nava  | Standing Auditor | ordinary                                   | 0  | 0  | 0                                     | 0  |
| Livia Amidani Aliberti                                    | Standing Auditor | ordinary                                   | 0  | 0  | 0                                     | 0  |