

**DIRECTORS' REPORT ON THE ONLY ITEM ON THE AGENDA OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS**

**(5<sup>TH</sup> FEBRUARY 2019 SINGLE CALL)**

1. Appointment of a new Board of Directors:
  - a. determination of the number of the members of the Board of Directors;
  - b. determination of the length of the term of office of the Board of Directors;
  - c. appointment of the Members of the Board of Directors; relative and consequent resolutions;
  - d. determination of the fees of the Members of the Board of Directors.

Dear Shareholders,

We remind you that on 6<sup>th</sup> December 2018, Recordati S.p.A. informed you of the following:

- in the context of the completion of the changes in the shareholdings and ownership structure of Recordati S.p.A., which have already been disclosed to markets and took place on that date, the Chairman of the Board of Directors (an executive director) Alberto Recordati, the non-independent and non-executive director Marco Vitale and the independent director Paolo Fresia handed in their resignations from all their respective positions held at Recordati S.p.A.;
- the Board of Directors, which met on 6<sup>th</sup> December 2018, following the completion of the aforementioned ownership changes:
  - took note of the resignations of the aforementioned directors and as a consequence resolved, in accordance with Art. 2386 of the Italian Civil Code and Art. 17 of the company by-laws, to co-opt Giampiero Mazza, Cathrin Petty and Søren Vestergaard-Poulsen onto the board, who will remain in office as directors until the next shareholders' meeting;
  - appointed Giampiero Mazza as Chairman of the Board of Directors;
  - similarly noted the resignations handed in by the other directors in office on that date, appointed by a shareholders' meeting on 11th April 2017 on the basis of a proposal from the majority shareholder FIMEI S.p.A. – Andrea Recordati (Vice Chairman and Chief Executive Officer), Fritz Squindo (non-independent and executive), Rosalba Casiraghi, Michaela Castelli, Elisa Corghi and Mario Garraffo (all four independent and non-executive) – in order to allow the appointment of the whole board of directors on the basis of the vote by slate pursuant to art. 15 of the Company's By-laws. The resignations were handed in on 6<sup>th</sup> December 2018 with effect from the next shareholders' meeting, following the conclusion of the changes in the indirect shareholdings and ownership structure of Recordati S.p.A., which took place on 6<sup>th</sup> December 2018;
  - resolved as a consequence to convene an ordinary general meeting of the shareholders for the renewal of the Board of directors.

The Shareholders' Meeting is therefore called upon to appoint a Board of Directors in accordance with the terms and conditions of articles 14 and 15 of the company by-laws (available on the website of the Company [www.recordati.it](http://www.recordati.it), in the Corporate Governance section) and with the applicable laws and regulations in force. The election shall take place according to slate voting procedures. Members may be appointed for not longer than three years and they may be re-elected.

In accordance with the company by-laws, the Board of Directors shall be composed of a minimum of six members and a maximum of 16 members and the shareholders shall determine the number. Nevertheless, in consideration of established rules of corporate governance according to which the number Board members must be appropriate to the dimensions and organisational complexity of the Company and also considering the positive and dynamic functioning of the Board recorded over the last three-year period, the Board is of the opinion that when formulating proposals to the Shareholders' Meeting, the shareholders should set the number of directors to be elected for the three-year period 2019-2021 between nine and twelve and to ensure that the new composition, as already recommended by the Corporate Governance Code and following on from past practice, adequately represents, in relation to the activities carried out by the Company, both the different components (executive, non-executive, independent) and the expertise and professional and managerial experience needed for the proper management of the Company, with account also taken of Recordati's international dimension.

The directors must be in possession of the requirements set by the laws and regulations in force on the matter. Furthermore, the composition of the Board of Directors must comply with the criteria set out in the provisions regarding the minimum number of independent directors and gender balance. In detail, because the Company has declared that it adheres to the Corporate Governance Code recommended by Borsa Italiana (following the procedures illustrated in the Report on Corporate Governance and Ownership Structure), the independent directors must testify that they are in possession of the requirements of independence provided for by law (Art. 148, paragraph 3 of Legislative Decree No. 58/1998) and also those recommended by the aforementioned code.

The Shareholders' Meeting shall also pass resolutions on fees paid to the Board of Directors which, in accordance with Art. 16 of the company by-laws, may be set even in the form of a share in profits. As already reported, with regard to the Board of Directors currently in office, a Shareholders' Meeting of 11<sup>th</sup> April 2017 set the annual total remuneration at €440,000 for the nine directors appointed and authorised the Board to distribute it internally, with account also taken of the participation of some Directors in a possible Executive Committee and other special committees which shall be formed from among the members of the Board, in compliance with the company by-laws.

#### **Procedures, time limits and requirements for the presentation of slates**

The appointment of the Board of Directors shall be performed on the basis of slates presented by shareholders on which the candidates are placed in numerical order.

Only shareholders who, either singly or together with other shareholders presenting a slate, own a total number of shares representing at least 1% of the share capital with voting rights shall be entitled to present slates in accordance with Consob Resolution No. 20273/2018.

Each shareholder, including shareholders who have signed a significant shareholders' agreement pursuant to Art. 122 of Legislative Decree No. 58/1998, controlling entities, subsidiaries, and entities under common control, may not individually or jointly submit more than one slate or vote for different slates, not even through a third party or trust company and each candidate may only run on one slate under penalty of disqualification. Endorsements of slates and votes cast in violation of this prohibition shall not be attributed to any slate.

Slates must be deposited at the registered offices of the Company or sent by email from a certified email address to the address [recordati@pec.recordati.it](mailto:recordati@pec.recordati.it), at least 25 days prior to the date set for the shareholders' meeting (on Friday 11<sup>th</sup> January 2019, not later than 6:00 p.m. if delivered by hand).

The following items must be filed with each slate within the respective time limits set out above and in compliance with the regulations currently in force, taking account also of the Corporate Governance Code adopted by the Company:

- a) statements with which each candidate accepts their candidacy and declares, on their own responsibility, that there are no reasons for ineligibility or incompatibility and that the candidate satisfies any specific requirements there may be for the respective position;
- b) a curriculum vitae fully detailing each candidate's personal and professional characteristics and indicating whether the candidate may be considered independent (and therefore with an indication of the possible possession of the requirements for independence in compliance with Art. 148, paragraph 3 of the Legislative Decree No. 58/1998 and the requirements for independence pursuant to the Corporate Governance Code for listed companies);
- c) information on the identity of the shareholders who have submitted the slates and on the total percentage of the share capital held.

Slates containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Directors belongs to the least represented gender: at least one third of the directors is reserved to the least represented gender (with the figure rounded up to the next whole number, if the number is a fraction).

A specific certification demonstrating ownership of the necessary number of shares for the presentation of a slate at the time of the deposit of the slate at the Company, issued by a legally authorised intermediary, must also be deposited at the Company within the time limits set by the applicable regulations for the publication of slates by the Company – i.e. not later than 6:00 p.m. on 15<sup>th</sup> January 2019.

Slates which do not comply with the above requirements are considered as not having been presented.

With respect to the above, Shareholders are also invited to consider the following:

- the recommendations contained in Consob Communication No. DEM/9017893 of 26<sup>th</sup> February 2009 (more specifically, the recommendation to shareholders who present a minority slate to deposit a declaration together with the slate certifying the absence of connections, in accordance with art. 144-*quinquies* of the Issuers' Regulations, between the minority shareholders and the shareholders who hold a controlling interest);
- the provisions of Art. 147-ter, paragraph 4 of Legislative Decree No. 58/1998, where it states that at least one Director, or two if the Board is composed of more than seven members, must possess the requirements of independence laid down for statutory auditors under paragraph 3 of Art. 148 of that same Legislative Decree No. 58/1998. In this respect, and also for the purposes of forming internal Board committees, in compliance with the corporate governance rules for issuers belonging to the FTSE-Mib index, the number of independent board members must constitute at least one third of the Board of Directors;
- with regard to the request for information on the personal and professional characteristics of each candidate, the invitation to Shareholders to in any case also present a list of the management and supervision positions held by candidates in other companies;
- the provisions of the last available Report on Corporate Governance and Ownership Structure of the Company with regard to the appointment and composition of the Board of Directors.

\*

In consideration of the foregoing, the shareholders are invited to:

- determine the number of members of the Board of Directors;
- determine the length of the term of office of the Board of Directors;
- appoint a new Board of Directors, with account taken of the proposal submitted by shareholders with a legitimate right;
- determine the overall remuneration due to Directors, inclusive of those appointed to specific positions.

It will be recalled that the Shareholders Meeting may resolve, in so far as these are resolutions concerning the appointment of the Board, to exempt new Directors from non-competition obligations pursuant to Art. 2390 of the Italian Civil Code and also to appoint a Chairman (otherwise, in accordance with the company by-laws, this responsibility falls to the Board itself).

The Company shall make the slates of candidates deposited by shareholders together with the relative documentation available to the public at the Company's registered office, on the Recordati website ([www.recordati.it](http://www.recordati.it)) and on the authorised storage facility 1Info ([www.1Info.it](http://www.1Info.it)) at least twenty-one days prior to the date set for the Shareholders' Meeting (not later than the 15<sup>th</sup> January 2019).

Milan, 18<sup>th</sup> December 2018

For the Board of Directors

The Vice Chairman and Chief Executive Officer

Andrea Recordati