

## **RECORDATI S.p.A.**

### **CORPORATE GOVERNANCE REPORT AND OWNERSHIP STRUCTURE**

#### **FINANCIAL YEAR 2012**

pursuant to article 123 *bis* of the Consolidated Finance Act and  
article 89 *bis* of Consob Issuers' Regulations

Approved 7<sup>th</sup> March 2013 by the Board of Directors

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

## GLOSSARY

**CG Code:** the Corporate Governance Code for listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., the Italian Banking Association, Ania (national insurance association), Assogestioni (national association of asset management companies), Assonime (association of joint stock companies) and Confindustria (Confederation of Italian Industry).

**CC:** the Italian Civil Code.

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

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

**Year:** the financial year to which this Report relates (2012).

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

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

**Consob related-party regulations:** the regulations issued by the Consob with Resolution No. 17221 of 12<sup>th</sup> March 2010 (as subsequently amended) concerning transactions with related parties.

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

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

## **1. THE ISSUER**

The Company and the Group that it leads perform research and development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals. They perform their activities in the principal countries of the European Union, in countries in central and eastern Europe and in Turkey. The primary objective of the corporate governance system is the creation of value for shareholders, without, however, losing sight of the social importance of the activity performed and of all the stakeholders involved.

The corporate governance structure of the Company is based on a conventional organisational model and therefore consists of the following corporate bodies: (i) the Shareholders' Meeting, (ii) the Board of Directors, (iii) the Board of Statutory Auditors. Accounting control is delegated, in compliance with the relative legislation in force, to a firm of auditors registered in the special roll maintained by the Consob.

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

Unless otherwise indicated, the information contained in this report relates to the date of its approval by the Board of Directors (7<sup>th</sup> March 2013).

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

### **a) Structure of share capital (pursuant to Art. 123-bis, paragraph 1, letter a) of the TUF)**

The subscribed and paid up share capital amounts to € 26,140,644.5 and is represented by 208,507,656 ordinary shares each with a par value of € 0.125 as reported in the table at the end of this section. Each share entitles the holder to a proportional part of the profits allocated for distribution; Art. 28 of the By-Laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, resolves to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares.

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

The document entitled "Information on Recordati S.p.A.'s stock option plans" disclosed to markets on 17<sup>th</sup> September 2007 and the information documents prepared in accordance with Art. 84-bis of the Consob Issuers' Regulations relating to each outstanding stock option plan, available on the Company website at the address [http://www.recordati.it/rec\\_it/investors/regulated\\_information/stock\\_options](http://www.recordati.it/rec_it/investors/regulated_information/stock_options), may be consulted for information on existing stock option plans and shares issued at the service of those plans.

STRUCTURE OF THE SHARE CAPITAL			
	No. Shares	% of share capital	Listed/unlisted
Ordinary shares	209,125,156	100	listed
Shares with limited voting rights	0	0	
Shares with no voting rights	0	0	

OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe new share issues)				
	Listed/unlisted	No. of instruments outstanding	Type of shares at the service of the conversion/exercise	No. of shares at the service of the conversion/exercise
Convertible bonds	-	0	-	-
Warrants	-	0	-	-

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

The shares of the Company are freely transferable.

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

The significant holdings, both direct and indirect, in share capital are indicated below, as results from the communications in accordance with TUF Art. 120, updated in accordance with the information available to the Company.

SIGNIFICANT SHAREHOLDINGS			
Declarant	Shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital
FIMEI S.p.A.	FIMEI S.p.A.	51.644%	51.644%
TORRE S.S.	TORRE S.S.	3.198%	3.198%
FMR LLC	Discretionary management of investments of which 3.376% on behalf of Fidelity Low Price	3.496%	2.496%
SCHRODER	SCHRODER INVESTMENT	2.002%	2.002%

<b>INVESTMENT MANAGEMENT LTD</b>	<b>MANAGEMENT LTD</b>		
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As at 7<sup>th</sup> March 2013, Recordati S.p.A. held 3.9334% of treasury stock without voting rights in accordance with the law.

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

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

No securities with special rights of control have been issued.

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

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

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

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

**g) Shareholders' agreements** (pursuant to Art. 123-*bis*, paragraph 1, letter g) of the TUF)

The Company has no knowledge of the existence of shareholders' agreements pursuant to TUF Art. 122.

**h) Change of control clauses (pursuant to Art. 123 bis, paragraph 1, letter h) of the TUF) and by-law provisions concerning public tender offers to purchase (pursuant to Art. 104, paragraph 1-ter and 104-bis, paragraph 1)**

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

In addition, a bond issue by the Luxembourg subsidiary, Recordati S.A. Chemical and Pharmaceutical Company, privately placed with international institutional investors and guaranteed by the Company, includes a clause, as is normal in financial operations of this type, which authorises the creditors to obtain an immediate refund if the control of the Company changes.

Furthermore, the Company signed a finance agreement in 2010 with Centrobanca (Banca di Credito Finanziario e Mobiliare S.P.A) for a total of 75 million euro which, as is normal practice in financial transactions of this type, contains a clause which requires the immediate repayment of the loan if the control of Recordati S.P.A. changes.

The By-Laws of the company do not allow exceptions to the provisions concerning takeovers on the passivity rule pursuant to Art. 104, paragraphs 1 *ter* of the Consolidated Finance Act nor do they allow the application of neutralisation rules pursuant to Art. 104-*bis*, paragraphs 1 of the Consolidated Finance Act.

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

The Board of Directors was authorised to increase share capital, pursuant to CC Art. 2443, by a Shareholders' Meeting of 19<sup>th</sup> April 2012.

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

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

The authorisation conferred previously on the Board of Directors by the Shareholders' Meeting held on 11<sup>th</sup> April 2007 expired on 12<sup>th</sup> April 2012 and was never used by the Board.

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

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

The authorisation conferred previously on the Board of Directors by the Shareholder Meeting held on 11<sup>th</sup> April 2007 expired on 12<sup>th</sup> April 2012 and was never used by the Board.

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

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In ordinary session on 19<sup>th</sup> April 2012 a Shareholders' Meeting renewed the authorisation to purchase and assign treasury shares, pursuant to CC articles 2357 *et seq.*, until approval of the financial statements at 31<sup>st</sup> December 2012, scheduled for 17<sup>th</sup> April 2013. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 20,000,000, which corresponds to a total potential payment of not more than € 120,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0,125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, plus 5%. Purchases must

be made on regulated markets, in observance of Art. 144*bis*, paragraph one, letter b), of the Consob Issuers' Regulations and according to standard practices recommended by the Consob in accordance with TUF article 180.

At year-end, the Company held 4.0673% treasury shares in portfolio, accounting for 5.486% of the share capital.

The Board made no use of that authorisation at any time up until the date of the approval of this report.

On 7<sup>th</sup> March 2013 the Company held treasury stock of x shares, accounting for 3.9334% of the share capital.

In consideration of the expiry of the current authorisation which will occur when the Shareholders' Meeting is held to approve the 2012 Annual Report, the Board resolved to submit a proposal to the Shareholders' Meeting convened to approve the 2012 annual report to renew the authorisation to purchase and assign treasury stock in order to maintain the necessary operational flexibility over an appropriate time horizon. The Directors Report on the relative item on the agenda, which will be made available within the legal time limits on the Company website and elsewhere, may be consulted for further information.

#### **j) Management and co-ordination** (pursuant to Art. 2497 *et seq* of the CC)

Although controlled by Fimei Finanziaria Industriale Mobiliare ed Immobiliare S.p.A., the Company is not subject to management and co-ordination by the same, pursuant to CC articles 2497 *et seq*.

Fimei Finanziaria Industriale Mobiliare ed Immobiliare S.p.A. is a mere financial holding company with no operations of any kind; no procedures exist to furnish authorisations or instructions to the Company in its relations with the Parent Company and therefore the Company sets its own strategic and operating policies in full autonomy.

The fully controlled Italian subsidiaries have acknowledged management and co-ordination by the Company and have fulfilled legal disclosure requirements in this respect.

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

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

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

### **3. COMPLIANCE**

#### **(pursuant to Art. 123-bis, paragraph 2, letter a) of the TUF)**

The Company observes the CG Code, in accordance with the procedures contained in this report, which may be consulted on the website of Borsa Italiana at the address [www.borsaitaliana.it](http://www.borsaitaliana.it). On 20<sup>th</sup> December 2012, the Board of Directors assessed and approved the implementation of the amendments approved in December 2011 by the Corporate Governance Committee: the relative information is contained in this Corporate Governance Report published in 2013. Reasons are given where it was decided not to follow those principles or operating criteria.

Neither the Company nor its strategic subsidiaries are subject to foreign laws that influence the corporate governance structure of the Company itself.

### **4. BOARD OF DIRECTORS**

#### **4.1 APPOINTMENT AND SUBSTITUTION**

##### **(pursuant to Art. 123-bis, paragraph 1, letter I) of the TUF)**

The appointment and replacement of Directors is regulated by articles 15, 16 and 18 of the By-Laws, the text of which, last amended by the Board of Directors on 8<sup>th</sup> May 2012 in order to make compulsory amendments to comply with legislation on the balance between genders on corporate bodies, is reproduced for your information in full below:

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

*The lists, signed by the shareholders who present them, must be deposited at the registered office of the Company at least twentyfive days prior to the date of the first convention of the Shareholders' Meeting, available to anyone who requests to see them and they will also be subject to other forms of publicity in accordance with laws and regulations in force at the time. Every shareholder, shareholders who participate in a significant shareholders' agreement pursuant to TUF Art. 122, the parent company, subsidiaries and companies subject to joint control pursuant to TUF Art. 93, may not present or contribute to the presentation of more than one list, not even by means of another person or trustee, nor may they vote for different lists, and each candidate may be listed in only one list or will be disqualified. The subscriptions and votes expressed in violation of this prohibition will not be attributed to any list. Only shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock with voting rights at ordinary meetings, or representing a lesser percentage as established by binding legislative or regulatory provisions*



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

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

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

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

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

*a) all of the Directors to be appointed, except one, will be selected from the list that obtained the greatest number of votes, following the progressive order in which they are listed on the list;*

*b) the remaining director shall be the candidate placed at the number one position on the minority list, which shall not be connected in any way, even indirectly, with those who submitted or voted for the list indicated in letter a) above, which obtains the second highest number of votes. For this purpose, lists that did not obtain a percentage of votes equal to at least half of that required for presentation of the lists as at the fourth paragraph of this article will not be considered.*

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

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

*Furthermore, if with the candidates elected according to the above procedures the composition of the Board of Directors in compliance with the legislation in force at the time concerning*

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

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

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

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

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

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

It is also underlined that, on the basis of the By-Laws in force, the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in an Ordinary Meeting, or representing a lower percentage established by mandatory laws or regulations. In this respect, in accordance with articles 144-*quater* and 144-*septies* of the Issuers' Regulations adopted by Consob Resolution No. 18452 of 30<sup>th</sup> January 2013 with regard to the capitalisation of the Company in the last quarter of 2012, the percentage of the share capital required to present lists of candidates to the Board of Directors of the Company is currently 2%.

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

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

presented by the shareholders in possession of the greater number of shares or, secondarily, with the greatest number of shareholders.

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

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

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

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

The table at the end of this section may be consulted for details of those directors currently in office who meet the requirements for independence in accordance with the TUF and those that are independent in accordance with the CC.

With regard to the new regulations on gender balance in corporate bodies (Law No. 120/2011, new articles 147-*ter* and 148 of the Consolidated Finance Act, new Art. 144-*undecies* of the Issuers Regulations), which apply to the renewal of corporate bodies subsequent to 18<sup>th</sup> August 2012, the Company made the necessary amendments to the By-Laws on 8<sup>th</sup> May 2012 in order to comply with the new regulations.

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

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

#### **4.2 COMPOSITION (pursuant to Art. 123-bis, paragraph 2, letter d) of the TUF)**

The By-Laws currently in force state that the Company is managed by a Board of Directors consisting of a number of members varying between six and sixteen. A shareholders' resolution of 13<sup>th</sup> April 2011 set the number of directors elected at ten and their term of office until the date of the Shareholders' Meeting convened to approve the 2013 Annual Report. The members of the Board of Directors in office at the end of the Year are given below. They were elected by a Ordinary Shareholders' Meeting on 13<sup>th</sup> April 2011. On that occasion only one slate of candidates for the office of director was presented by the shareholder FIMEI S.p.A. The slate presented by FIMEI S.p.A. consisted of the following candidates to the Board of Directors for the years 2011-2012-2013:

1. *Ing.* Giovanni Recordati
2. *Dr.* Alberto Recordati
3. *Sig.* Andrea Recordati
4. *Prof.* Silvano Corbella                      Independent
5. *Dr.* Mario Garraffo                              Independent
6. *Dr.* Germano Giuliani                      Independent
7. *Dr.* Umbero Mortari                      Independent
8. *Avv.* Carlo Pedersoli                      Independent
9. *Prof.* Marco Vitale                              Independent
10. *Dr.* Walter Wenninger                      Independent

All the candidates listed above were elected with 147,899,536 shares in favour out of 150,192,650 shares voting (98.473%). The voting share capital represented 71.82% of the share capital of the Issuer.

The personal and professional characteristics of each Director are documented in Attachment 1 to this Report along with the offices held by directors in other listed companies.

The table at the end of this section and the specific indications given in section 4.6 may be consulted for an assessment of the independence of the directors in office.

#### **Succession Planning**

In compliance with Principle 5.C.2. of the CG Code, the Board of Directors considered the situation when complying with amendments to that Code made in December 2011 and decided that it was not necessary to adopt an official succession plan for executive directors.

Board of Directors in Office											Risk and Audit Committee		Remuneration Committee	
Office	Members	In office since	In office until	Slate (M/m) *	Exec.	Non-Exec.	Indep. according to CG Code	Indep. according to TUF	% ***	Number of other positions ****	**** *	% ***	*** **	% ***
Chairman and CEO	GIOVANNI RECORDATI	13.4.2011	Approval of 2013 AR	M	X				7/8	0				
Vice-Chairman	ALBERTO RECORDATI	13.4.2011	Approval of 2013 AR	M	X				8/8	0				
Director	SILVANO CORBELLA	13.4.2011	Approval of 2013 AR	M		X	X	X	8/8	0			X	6/6
Director	MARIO GARRAFFO	13.4.2011	Approval of 2013 AR	M		X	X (**)	X	8/8	2	X	5/6		
Director	GERMANO GIULIANI	13.4.2011	Approval of 2013 AR	M		X	X	X	7/8	0			X	5/6
Director	UMBERTO MORTARI	13.4.2011	Approval of 2013 AR	M		X	X	X	8/8	0			X	6/6
Director	CARLO PEDERSOLI	13.4.2011	Approval of 2013 AR	M		X	X (**)	X	6/8	0	X	6/6		
Director	ANDREA RECORDATI	13.4.2011	Approval of 2013 AR	M	X				8/8	0				
Director and Lead independent director	MARCO VITALE	13.4.2011	Approval of 2013 AR	M		X	X (**)	X (**)	3/8	0	X	5/6		
Director	WALTER WENNINGER	13.4.2011	Approval of 2013 AR	M		X	X	X	8/8	0				

\* M/m are given in this column where “M” indicates a member elected from the majority slate and “m” from a minority slate.

(\*\*) The Board has qualified *Prof. Marco Vitale, Dr. Mario Garraffo and Avv. Pedersoli* as independent, even though they have been directors of the Company for more than nine years during the past twelve, and in the case of *Prof. Vitale* even though he has been appointed as a professional consultant to the Company with an annual fee of € 50,000.00 (a non-significant amount), considering that by their specific expertise and professional commitment to constant control and stimulation of the Board, they have demonstrated that they have maintained their characteristics of independence and freedom of judgement in evaluating the

operations carried out by management.

(\*\*\*) This column contains the percentage attendance of directors at the relative board and committee meetings (number of presences/number of meetings held during the actual period of office of the person concerned).

(\*\*\*\*) This column gives the number of appointments as a director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets, in financial, banking or insurance companies or in large companies, as in the list contained in Attachment 1 of this document which may be consulted.

(\*\*\*\*\*) An "X" in this column indicates that the Director is a member of the committee.

**INDICATE THE QUORUM REQUIRED FOR THE PRESENTATION OF SLATES WHEN DIRECTORS WERE LAST APPOINTED: 2%**

NUMBER OF MEETINGS HELD DURING THE YEAR IN QUESTION	Board meetings: 8	Audit and Risk Committee: 6	Remuneration committee: 6

### **Maximum number of offices held in other companies**

The Board of Directors has not set any general criterion for the maximum number of positions as director or statutory auditor in other companies that are considered compatible with performing duties as a director of the Company. It has done this because it feels that it is best to allow individual directors to assess this compatibility themselves.

### **Induction Programme**

In the course of meetings of the Board of Directors, the Chairman and Chief Executive Officer shall give information required to present the performance of the Company and the Group, which includes constant updates on the most important changes in legislation and regulations in the sector and their impact on the Company. During the year detailed information was given on the recently and newly acquired companies and on activities to integrate them in the Recordati Group. No additional specific initiatives were necessary to increase the Directors' knowledge of the company and its dynamics, considering, moreover, that all members of the Board have an in-depth knowledge of Company and the Group, either because of the many years in office or great experience acquired working in the sector.

### **4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to Art. 123-bis, paragraph 2, letter d) of the TUF)**

During the Year the Board of Directors met eighteen times, with sessions that lasted an average of approximately two hours, on the following dates: 9<sup>th</sup> February 2012, 7<sup>th</sup> March 2012, 19<sup>th</sup> April 2012, 8<sup>th</sup> May 2012, 26<sup>th</sup> July 2012, 20<sup>th</sup> September 2012, 25<sup>th</sup> October 2012 and 20<sup>th</sup> December 2012. As regards the current year, ten meetings are scheduled and the Board has already met on 6<sup>th</sup> February 2013 and 12<sup>th</sup> February 2013.

The promptness and completeness with which information is provided before board meetings is ensured by the Chairman with the distribution of documents relating to the items on the agenda to members a few days immediately preceding the date set for the meetings. On rare occasions it has not been possible to provide information concerning some items on the agenda until the time of the board meeting itself for reasons of confidentiality and urgency. When implementing amendments to the CG Code made in December 2011, the Board of Directors generally considered notice of three days to be appropriate and that time limit has normally been complied with in the meetings that followed.

During the course of the year and in the meetings already held in 2013 the various persons attended board meetings in order to provide additional information on the items on the agenda. These included the General Manager for the Co-ordination of Operations (who is also the Financial Reporting Officer), the chief of Group Operational Control and Reporting, the Chief of Corporate Development and the Chief of the Legal Service and Corporate Affairs (who also acted as the Secretary to the Board) and the Chief of Group Auditing (who reports to the Board on updates to the CG Code).

In accordance with Art. 22 of the By-Laws, the Board is the corporate body endowed with the broadest powers to handle ordinary and extraordinary management of the Company and it has the right to conclude all acts that it deems appropriate in order to conduct business and to achieve the corporate purposes, excluding only those reserved by the law exclusively for the Shareholders' Meeting. In accordance with CC. Art. 2365, paragraph 2, the Board of Directors is also authorised to decided on the following matters:

- mergers in the cases established by CC articles 2505 and 2505 bis;
- establishment or suppression of secondary offices;
- specification of the Directors who are entitled to represent the Company;
- reduction of share capital in the event of withdrawal of a shareholder;
- alignment of the By-Laws to provisions of the law and regulations;
- transfer of the registered office from one municipality to another in national territory.

The Board is also entitled to appoint and dismiss, following an obligatory opinion from the Board of Statutory Auditors, the Financial Reporting Officer, pursuant to TUF Art. 154-*bis*.

The Board is also responsible, in compliance with the CG Code, for the following:

- examination and approval of strategic, industrial and financial plans of the Company and the Recordati Group (and monitoring implementation of these), the corporate governance system and the structure of the Group;
- evaluation of whether the organisational, administrative and financial structures of the Company and its strategic subsidiaries, as defined herein and as configured by the responsible organs, are adequate, with particular reference to the system of internal control and risk management;
- attribution and cancellation of mandates to CEOs and the Executive Committee, defining the extent, means and intervals (at least quarterly), with which the delegates must refer to the Board about the activities carried out in exercising their mandates;
- establishment, after examination of the proposals from the Remuneration Committee, and heard the opinion of the Board of Statutory Auditors, of the remuneration of CEOs and other Directors with special mandates, as well as the division, for the individual members, of the total allotment for compensation of the Board, if the Shareholders' Meeting has not already decided the matter;
- evaluation of business trends, in accordance with the law and the By-Laws, especially in the light of information provided by the delegated bodies and periodic comparison of results with budget previsions;
- examination and approval prior to strategic economic or financial operations of the Company and its subsidiaries, with particular attention to situations in which one or more Directors have an interest, whether personal or on behalf of third parties, and in general, to operations with related parties in accordance with the Regulations for Related-Party Transactions approved by the Board of Directors itself on 24<sup>th</sup> November 2010; establish guidelines to identify significant operations;
- conduct, once a year, an evaluation of the size and functionality of the Board of Directors and its committees and possibly indicate the type of professional figures whose presence on the Board would be useful;
- communication, in the Corporate Governance Report, of the means of application of the CG Code and in particular, of the number of Board and Executive Committee meetings held during the year and the relative percentage of participation of each Director;



- subject to the opinion of the Audit and Risk Committee, the definition of the guidelines for the internal control and risk management system, so that the principal risks to which the issuer and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored. It also determines the degree to which risks are compatible with management of the Company that is consistent with its strategic objectives;
- the selection of one or more Directors who are given responsibility for the creation and maintenance of an effective internal control and risk management system (Director/s responsible for the internal control system);
- the selection of an Audit and Risk Committee, which by conducting appropriate fact-finding activity, has the task of supporting the Board of Directors in its assessments of the internal control and risk management system and also those relating to the approval of periodic financial reports;
- subject to the opinion of the Audit and Risk Committee, the assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the nature of the company and its risk appetite and also of its effectiveness;
- subject to the opinion of the Audit and Risk Committee, the approval, at least annually, of the working plan drawn up by the Chief of the Internal Audit Function, after, amongst other things, consultation with the Board of Statutory Auditors and the Director with Responsibility for the internal control and risk management system;
- subject to the opinion of the Audit and Risk Committee, a description of the main characteristics of the internal control and risk management system in the Corporate Governance Report and a report on its assessment of its adequacy;
- after consultation with the Board of Statutory Auditors, and assessment of the results furnished by the external statutory auditor in its letter of recommendations (if provided) and in its report on basic issues arising from its external statutory audit;
- on the basis of a proposal submitted by the Director with Responsibility for the internal control and risk management system, subject to the approval of the Audit and Risk Committee and after consultation with the Board of Statutory Auditors, the appointment and removal of the Chief of the Internal Audit Function ensuring that he or she has adequate resources and sets their remuneration consistent with company policies;
- the appointment and removal of members of the Company's Supervisory Committee formed and functioning in accordance with Legislative Decree No. 231/2001;
- the adoption of an Organisation and Control Model drawn up in accordance with Legislative Decree No. 231/2001 and the approval of amendments to it for compliance with changes in legislation and regulations as they come into force from time to time.

On the date of the approval of this Report, the Board took the following actions in relation to the above:

- it studied and approved the 2013 budget of the Group;
- it examined the "Catalogue of Risks" for 2012: with assistance from the consulting company Deloitte S.p.A., the Group has developed its own model to map, manage and monitor risks in the Company and Group. This will be updated constantly to better identify risks connected with the achievement of the strategic objectives of the new 2013-2015 Three-Year Business Plan approved on 12<sup>th</sup> February 2013 and, in general, to identify and manage the main internal and external risks of the Group as efficiently as possible;

- assessed whether the degree and nature of the risks as identified in the Group Catalogue of Risks presented to the Board are compatible with the Group's strategic objectives contained in the 2013-2015 Three-Year Business Plan;
- with the opinion in favour of the Audit and Risk Committee, it approved the update to the guidelines for the Recordati Group Internal Control and Risk Management System in order to implement, amongst other things, amendments introduced by the 2011 Corporate Governance Code;
- after consultation with the Board of Statutory Auditors and the Director with Responsibility for the Internal Control and Risk Management System, it approved the work plan drawn up by the Chief of the Internal Audit Function for 2013;
- it approved the most important company directives;
- it confirmed the following as the subsidiaries with strategic importance, based principally on criteria of size (revenues) or in consideration of the particular market on which the subsidiary operates (such as the orphan drugs market): Laboratoires Bouchara Recordati S.a.s, Recordati Ireland Ltd., Jaba-Recordati S.A., Recordati Pharma GmbH, Innova Pharma S.p.A., Orphan Europe SARL, Recordati Ilac (formerly Dr. F. Frik Ilac Sanayi Ve Ticaret Anonim Sirketi into which Yeni Recordati Ilac Ve Hammaddelerei Sanayi Ve Ticaret Anonim Sirketi was merged in 2012);
- it issued a positive evaluation of the adequacy of organisational, administrative and accounting structures, with particular reference to the internal control system and risk management, on the basis of the information provided to the Board in specific reports and other documentation (such as organisational diagrams) presented by the manager responsible for internal control, the Internal Audit Committee, the Supervisory Committee pursuant to Legislative Decree No. 231/2001 and by the Chairman and CEO himself;
- it evaluated management trends, with particular attention to the information provided by the Chairman and CEO, at the same time it compared the results with the budget provisions;
- it studied and approved strategic operations of the Company and its subsidiaries in advance, when such operations were strategically significant in relation to the economic and financial welfare of the Company (with particular reference to participation in other undertakings and special drugs).

In this respect, on 24<sup>th</sup> November 2010 the Board adopted "Regulations for related-party transactions" – available on the Company website – which establishes general criteria for the identification of related-party transactions. Section 12 of this report may be consulted for a description of those criteria and for further information on regulations governing transactions with related parties.

Consequently on that same date the Board of Directors amended the "Regulations for significant transactions with related parties or when a Director has an interest in the transaction", adopted in 2008, restricting it to significant transactions or transactions in which a Director bears an interest. On the basis of the current Regulations for significant transactions with related parties or when a Director has an interest in the transaction", the following types of transactions are considered to be strategic, operating, capital or financial for the Company, reserved to the exclusive decision of the Board of Directors, except for transactions performed with or between other companies belonging to the Recordati Group (unless atypical or unusual and/or to be concluded under non-standard conditions):

- a) assumption of financial liability of more than Euro 50 million for any single operation;
- b) transfer of real estate for amounts of more than Euro 25 million, where the

industrial operations of the Company or its subsidiaries are conducted at the time of the transfer;

- c) acquisition or transfer of industrial property rights of the Company or its subsidiaries for amounts of more than Euro 25 million for any single operation;
- d) acquisition, transfer or any other provision in relation to holdings in other companies, likewise the acquisition or transfer of companies or company branches, for amounts of more than Euro 25 million for any single operation;
- e) acquisition or transfer of special drugs or products in general, for amounts of more than Euro 25 million for any single operation;
- f) granting of real or personal guarantees for amounts of more than Euro 25 million for any single operation;
- g) investments and disinvestment, other than those specified at the letters above, for amounts of more than Euro 15 million for any single operation.

On the basis of the procedures as above, the Board is also responsible for studying and approving both transactions in which one or more Directors have an interest, whether personal or on behalf of third parties.

The Board of Directors conducted an evaluation of the size, composition and functioning of the Board and its committees. This evaluation was conducted by asking each Director to compile a questionnaire prepared by the Legal Service and Corporate Affairs Office of the Company, which took account, insofar as it was applicable to 2012, of the compliance by the Company with the amendments made to the CG Code in December 2011, following the procedures set by the Board on 20<sup>th</sup> December 2012. The results of that questionnaire were discussed in a board meeting of 12<sup>th</sup> January 2013. The results of the evaluation were positive and potential improvements were suggested by some Directors, with particular reference to the timing for sending documentation relating to Board meetings, of which account had already been taken when the decision concerning appropriate notice was taken.

The Shareholders' Meeting of 13.04.2011 authorised a general and anticipatory exception to the prohibition on competition pursuant to Art. 2390 of the CC. Following their appointment as Directors of the Company, *Dr. Mortari* and *Dr. Giuliani* announced in a Board Meeting, as already mentioned in their *curricula vitae* deposited when slates for election by a Shareholders' Meeting were presented, that they occupied positions in the companies Visufarma S.p.A. and Giuliani S.p.A. respectively, both operating in the pharmaceuticals sector and therefore potentially in competition with the Company. The Board considered, in accordance with the Corporate Governance Code for listed companies, that at that time no difficulties existed in relation to positions filled by the said Directors in the companies mentioned.

#### **4.4 EXECUTIVE OFFICERS AND BODIES**

##### **Chairman and Chief Executive Officer**

In accordance with article 23 of the By-Laws, representation of the Company shall be attributed to the Chairman of the Board of Directors or, in the event of his absence or inability to attend for any reason, to the Vice-Chairman, with sole signing authority for implementation of all resolutions of the Board unless otherwise resolved. The Chairman or, in the event of his

absence or impediment for any reason, the Vice-Chairman, shall represent the Company before the law, with the power to take legal action and institute judicial and administrative proceedings at all levels of jurisdiction, including with respect to revocation and cassation proceedings, and appointing lawyers and attorneys for lawsuits.

In accordance with article 24 of the By-Laws, the Board of Directors may delegate all or part of its powers and functions not only to the Chairman, but also to the Vice-Chairman and one or more executive directors and it may grant special mandates to individual Directors or managers of the Company, including the power of attorney, determining their functions and powers under the law. In accordance with article 25 of the By-Laws, the Board may also delegate all or part of its powers to an Executive Committee.

On 13<sup>th</sup> April 2011 the Board of Directors appointed *Ing.* Giovanni Recordati not only to the position of Chairman of the Board of Directors but also to that of Chief Executive Officer with the purpose of improving the efficiency of the management of the Company.

In his role as Chief Executive Officer, *Ing.* Giovanni Recordati has been authorised, within the limits permitted by law, to exercise the broadest powers for the ordinary and extraordinary management of the Company, expressly including the power to appoint directors and his agents, persons with specific duties, experts and agents of the Company in general for specific actions or types of action, with the sole, exclusive and mandatory exclusion of the following operations reserved to the Board of Directors, except for operations performed with or between other companies of the Recordati Group:

- a) assumption of financial liability of more than € 50 million for any single operation;
- b) transfer of real estate for amounts of more than € 25 million, where the industrial operations of the Company or its subsidiaries are conducted at the time of the transfer;
- c) the purchase or sale of intellectual property of the Company or its subsidiaries for amounts exceeding € 5 million for each transaction;
- d) acquisition, transfer or any other provision in relation to holdings in other companies, likewise the acquisition or transfer of companies or company branches, for amounts of more than € 25 million for any single operation;
- e) the purchase and sale of proprietary medicinal products and generic products, for amounts exceeding € 25 million each;
- f) the grant of real or personal guarantees for amounts of more than € 25 million for any single operation;
- g) investments and disinvestment, other than those specified at the letters above, for amounts of more than € 15 million for any single operation.

The Chairman and Chief Executive Officer also: (i) convenes the Board meetings and ensures that the members of the Board and the Board of Statutory Auditors are provided, with advance notice of three days before the Board Meeting, except for exceptional cases of urgency and particular confidentiality, with the documentation and information necessary to enable them to express an informed opinion about the matters submitted to their examination and approval, (ii) co-ordinates the activities of the Board and conducts the proceedings of Board meetings; (iii) continuously provides information about the frequent variations of the law and the regulations that govern the sector and their impact on the Company, in order to develop the awareness of all Directors in relation to the situation and dynamics of the Company.

The Chairman and Chief Executive Officer does not hold interlocking directorships pursuant to Implementation Criterion 2.C.5. of the CG Code.

### **Executive Committee**

No executive committee has been formed.

### **Reporting to the Board**

The Chairman and Chief Executive Office reported to the Board in individual board meetings on the activities performed in exercising the powers conferred on him by the Board.

## **4.5 OTHER EXECUTIVE DIRECTORS**

In addition to the Chairman and CEO, the other Directors that qualify as executives are *Dr. Alberto Recordati* and *Dr. Andrea Recordati*. *Dr. Alberto Recordati*, Vice-Chairman of the Board of Directors, co-ordinates R&D and “Group Licensing-in” activities and he is also a director of some subsidiaries in the Group (including one of strategic importance). *Dr. Andrea Recordati* is head of the “International Pharmaceutical Division” and responsible for the co-ordination of licensing-out activities and he has also filled the position of Managing Director of some strategic subsidiaries.

## **4.6 INDEPENDENT DIRECTORS**

Following the appointment by a Shareholder’ Meeting on 13<sup>th</sup> April 2011 of seven Directors, *Dr. Silvano Corbella*, *Dr. Mario Garraffo*, *Dr. Germano Giuliani*, *Dr. Umberto Mortari*, *Avv. Carlo Pedersoli*, *Prof. Marco Vitale* and *Dr. Walter Wenninger*, having taken account of the declarations issued by these directors, the Board of Directors, confirmed their possession of the requirements of independence pursuant to Art. 148, paragraph 3 of the TUF and the requirements of independence set forth in the CG Code, except for that which was reported in the notes to the table on page 13 and for that which is specified below.

The requirements of independence for directors are ascertained annually and they were last ascertained on 9<sup>th</sup> February 2013 when the Board repeated that assessment for each of the non-executive directors, as reported below, in accordance, amongst other things, with the 2011 CG Code.

On that occasion the Board confirmed its previous assessment concerning the relationship between the Company and *Prof. Vitale*, attributable to a professional engagement worth € 50,000.00 annually, considering the relationship cited as not significant for the purposes of independence in consideration of the small quantitative nature of the engagement. Furthermore, the Board of Directors decided not to include the requirement relating to a Director holding office for more than nine of the last twelve years among those pursuant to the CG on the basis of which the assessment of the independence of Directors is performed. This is because, with precise reference to *Prof. Vitale*, *Dr. Garraffo* and *Avv. Pedersoli*, the

Board considered that because of their specific expertise and professionalism and for their constant work in supervising and stimulating the Board they have demonstrated that they have maintained their characteristics of independence and freedom of judgement in assessing the work of management intact. Furthermore, the Board of Directors noted that the continuation of a Director in office for more than nine years should not in itself be considered a negative requirement for qualification as independent if the other requirements of the CG are satisfied. This is because great experience of the specific affairs of the issuer, the stature and professionalism of the persons considered, the absence of interests and significant relations with the Company constitute a value to be considered positively and such as to consider their capacity to judge freely and without bias to be untarnished.

The Board of Statutory Auditors verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

The independent directors, at and before the beginning of meetings of the Board of Directors, verified each time the absence of any specific matters that might be significant in relation to their roles as independent Directors.

#### **4.7 LEAD INDEPENDENT DIRECTOR**

Considering the existence of the situation in which the same person holds the offices of Chairman and CEO, in compliance with the CG Code, the Board has designated independent Director Prof. Vitale to be the lead independent director, to guide the independent Directors, with particular reference to the independent Directors, in order to improve the activities and functioning of the Board. The lead independent director collaborates with the Chairman in order to ensure that the Directors receive complete and timely information, and is also authorised to convene special meetings of the independent Directors only, at his own discretion or at the request of other Directors.

#### **5. CONFIDENTIALITY OF CORPORATE INFORMATION**

Following amendments to TUF introduced by Law No. 62/2005 (EC Law 2004) on matters of market abuse, in 2006 the Board of Directors approved the proposal of the Chairman and CEO for “Internal regulations for handling confidential information” (to substitute an internal procedure for the management and external communication of information and confidential documents, adopted in 2001 in accordance with the Corporate Governance Code in force at the time).

These regulations govern the internal management and external communication of information about Recordati S.p.A. and its subsidiaries, with particular reference to confidential and significant information (meaning information that could become confidential, but does not yet have the characteristics of specificity as defined at TUF Art. 181), and the institution of a specific register of the persons who have access to the information as above, a “Register of persons who have access to confidential information”, in accordance with Art. 115 *bis* of the TUF. In particular these regulations establish the obligations of confidentiality of all

persons who have access to significant and confidential information; identify the persons responsible for evaluating the significance of the same information; establishes the rules for access to the same information by persons outside of the Company; establishes some principles and rules for the management of documents and correspondence containing significant or confidential information; establishes the methods of communicating confidential information, and other information about the Company.

In implementing these regulations, a procedure for “Management of the register persons who have access to confidential information” has been adopted, which establishes the method of keeping and updating the same.

The Company also keeps the register in question on behalf of the other companies of the Group (Group Register), having been authorised to do so by the subsidiaries and the holding company.

In 2006 the Board also decided the adoption of an “internal dealing” procedure to discipline communications about transactions in Recordati S.p.A. shares or other related financial instruments issued by “significant persons”, in order to implement the provisions at TUF Art. 114, paragraph 7 (and the provisions of the regulations for application of the same).

Initially some executives holding management positions, insofar as they had regular access to confidential information, were considered (together with directors, statutory auditors, the general manager and the parent company FIMEI S.p.A.) “significant persons” for the purposes of this procedure, even if they did not hold the power to make management decisions which might affect the future development and prospects of the Company.

On 17 December 2008, the Board of Directors, having taken account of the organisational and decision-making structure of the Company and of the Group, and having considered in particular that every management decision that might affect the future development and prospects of the Group is always and in any event authorised either by the Board of Directors or by the Chairman and Chief Executive Office, in virtue of the powers conferred upon them, decided to review the list of “significant persons”, excluding all executives, with the sole exception of the Group General Manager for the Co-ordination of Operations.

## **6. INTERNAL COMMITTEES OF THE BOARD**

The Board of Directors has formed a Remuneration Committee and an Audit and Risk Committee (formerly the Internal Audit Committee; the name of the Committee was changed on 20<sup>th</sup> December 2012, when amendments were made to comply with the December 2011 CG Code) from among its members, both with consultative and proposal-making functions and consisting exclusively of independent directors.

## **7. APPOINTMENTS COMMITTEE**

Finally, when implementing amendments made to the CG Code in December 2011, the Board did not consider it necessary to form an Appointments Committee, but expressly reserved the duties assigned to the latter by the CG Code to itself sitting in plenary session. This is mainly because until now no difficulty has been encountered in making appointment proposals, partly

due to the presence of a shareholder who holds legal control of the Company and also because it is therefore considered preferable to reserve the functions that the CG Code attributes to an Appointments Committee, and which the Board already performed, to the Board sitting in plenary session – it will be recalled that the Board is composed of seven independent members out of a total of ten.

## **8. REMUNERATION COMMITTEE**

Please consult the relevant part of the Report on Remuneration published in accordance with Art. 123-ter of the TUF for information on this section.

## **9. DIRECTORS' REMUNERATION**

Please consult the relevant part of the Report on Remuneration published in accordance with Art. 123-ter of the TUF for information on this section.

## **10. AUDIT AND RISK COMMITTEE**

The Board has formed an Audit and Risk Committee (formerly the Internal Audit Committee; the name of the Committee was changed on 20<sup>th</sup> December 2012, when amendments were made to comply with the December 2011 CG Code) comprising the following non-executive and independent (within the meaning described above) directors: *Prof.* Marco Vitale, Chairman, *Dr.* Mario Garraffo and *Avv.* Carlo Pedersoli.

This Committee is responsible for analysing problems and defining important policies for the auditing of company activities, providing consultancy and making proposals to the Board of Directors with regard to the preparation, analysis and functioning of the internal control system and to risk management.

The Committee met six times during the year (average session lasting 1.5 hours) on : 9<sup>th</sup> February 2012, 7<sup>th</sup> March 2012, 24<sup>th</sup> July 2012, 8<sup>th</sup> October 2012, 22<sup>nd</sup> October 2012 and 21<sup>st</sup> November 2012. The Committee met on 7<sup>th</sup> February 2013 and 1<sup>st</sup> March 2013 in the current year. The percentage attendance of Committee members at meetings is shown in the table contained at the end of section 4.2 of this Report.

Two of the three members of the Committee have experience in accounting and financial matters.

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

Invited by the Chairman of the Committee and with regard to individual items on the agenda, various non-members have participated in some meetings, in particular the Chairman and



Chief Executive Officer, the General Manager for the Co-ordination of Operations, the Chief of Group Audit, the Supervisory Committee pursuant to Legislative Decree 231/01, representatives of the Audit Firm and the heads of the prevention and protection services for production sites in Italy, on matters concerning safety at the workplace.

The Legal Service and Corporate Affairs Office is always involved for the minuting of meetings.

### **Duties assigned to the Audit and Risk Committee**

The functions of the Audit and Risk Committee are to advise and submit proposals to the Board of Directors: by conducting appropriate fact-finding activity, it provides support to the Board of Directors in its assessments of the internal control and risk management system and also those relating to the approval of periodic financial reports. More specifically, it expresses opinions on the following:

- a) on the guidelines for the internal control and risk management system, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored, and on the determination of criteria to assess whether such risks are compatible with management of the Company that is consistent with its strategic objectives;
- b) an assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the nature of the company and its risk appetite and also its effectiveness;
- c) the approval, at least annually, of the work plan drawn up by the Chief of the Group Audit Function;
- d) the description of the main characteristics of the internal control and risk management system and on the assessment of its adequacy in the Corporate Governance Report;
- e) the assessment of the results furnished by the external statutory auditor in its letter of suggestions (if provided) and in its report on basic issues arising from its external statutory audit;
- f) the appointment and removal of the Chief of the Group Audit Function (formerly the Internal Control Officer in accordance with Art. 150 of Legislative Decree No. 58/1998), on the assignment of adequate resources to the latter to fulfil his/her duties and on the remuneration set for him/her consistent with Company policy.

Furthermore, in its work to support the Board of Directors, the Audit and Risk Committee:

- shall assess, together with the Financial Reporting Officer appointed to prepare the corporate accounting documents and after consultation with the external statutory auditors and the Board of Statutory Auditors, the correct use of accounting policies and their consistency in the preparation of the consolidated financial statements, prior to approval of the consolidated financial statements by the Board of Directors;
- shall express opinions on specific aspects concerning the identification of the main corporate risks;
- shall examine periodic reports for the assessment of the internal control and risk management system and those of particular importance prepared by the Group Audit Function;
- shall monitor the independence, adequacy and effectiveness of the Group Audit Function;

- shall require the Group Audit Function to investigate specific operational areas, reporting promptly to the Chairman of the Board of Statutory Auditors;
- shall report to the Board, at least semi-annually, when annual and interim financial reports are approved, on its activities and also on the adequacy of the internal control and risk management system;
- shall make proposals to the Board of Directors regarding changes to be made to the Organisational Model established pursuant to Legislative Decree 231/01 adopted by the Company;
- shall make proposals to the Board of Directors regarding the appointment of members of the Supervisory Committee created pursuant to Legislative Decree No. 231/01 and regarding the allocation of an annual budget to that body;
- shall express an opinion on the appointment of the Financial Reporting Officer appointed to prepare the corporate accounting documents;
- shall express an opinion on the Regulations for Related-Party Transactions which the Company must adopt in compliance with Consob Regulation No. 17221 of 12<sup>th</sup> March 2010 and also on any subsequent amendments to those regulations;
- shall express an opinion, either binding or non-binding, on Related-Party Transactions of Major Importance and on Related-Party Transactions of minor importance in compliance with the aforementioned regulations governing related-party transactions adopted by the Company, unless they consist of Related-Party Transactions which concern remuneration;
- shall assist the Board of Directors on the implementation of recommendations contained in the Corporate Governance Code for listed companies in relation to the internal control and risk management system.

The Committee's activities in the aforementioned meetings mainly concerned: an evaluation of the adequacy of the accounting principles; an examination of the reports of the Supervisory Committee set up pursuant to Legislative Decree 231/01 and of the Internal Control Officer; an examination of the work plan prepared by the Internal Control Officer; examination of the reports furnished by the managers of the Group prevention and protection service on safety at the workplace; the submission of a proposal to the Board concerning the spending budget of the Supervisory Committee for the operating expenses of the committee itself concerning the application of the organisation, management and control model pursuant to Legislative Decree 231/01; compliance by the Company with the amendments made to the CG Code in December 2011 and examination of the Recordati Group Catalogue of Risks. The committee also reported to the Board on the activities undertaken and on the adequacy of the internal control system, at the time of approval of the annual accounts and half-yearly report.

Meetings of the Committee were properly minuted.

The Committee had the opportunity to access company information and access the units necessary to perform its duties; it did not make use of external advisors.

The committee did not incur any expenses in the performance of its duties during the Year.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

As already mentioned in point 4.3, the Board of Directors has examined the “Catalogue of Risks” for 2012, drawn up with assistance from the consulting company Deloitte S.p.A., in order to better identify the risks connected with the achievement of the strategic objectives of the new 2013-2015 Three-Year Business Plan and, in general, to obtain an even clearer picture of the main internal and external risks of the Recordati Group and of the various tools and processes in place to manage those risks. In this respect a procedure has already been defined to ensure periodic updating of the Catalogue of Risks already identified.

On the basis, amongst other things, of that examination, the Board has assessed whether the degree and nature of the risks, as identified in the Group Catalogue of Risks presented to the Board, are compatible with the Group’s strategic objectives contained in the 2013-2015 Three-Year Business Plan.

Furthermore, with the opinion in favour of the Audit and Risk Committee, the Board approved the update of the guidelines for the internal control and risk management system of the Company and the Recordati Group, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored.

The internal control and risk management system consists of a structured and organic set of procedures and organisational units designed to prevent or limit the consequences of unexpected results, to enable corporate objectives to be achieved and to ensure both compliance with the law and regulations and proper and transparent reporting internally and to markets. The internal control and risk management system permeates the whole Company, involving a variety of staff with specific roles and responsibilities.

The Board positively assessed the adequacy, effectiveness and actual functioning of the internal control and risk management system on the basis of information provided in meetings in the form of reports presented by the Internal Audit Committee and by the Supervisory Committee pursuant to Legislative Decree 231/01

The heads of each department are responsible for designing and managing the internal control and risk management system and for monitoring its functioning on the basis of the guidelines laid down by the Board of Directors.

The structural components of the internal control and risk management system consist of: the Code of Ethics, which defines the principles and underlying values of the Company’s ethical code and the rules of conduct that are based on those principles; the system of powers and delegations with general and specific authorisations and the internal delegation of powers, according to the responsibilities assigned; corporate operating procedures; IT systems to support both management and production activities and also accounting and financial processes. With regard to compliance, the Issuer has had an organisational model in place pursuant to Legislative Decree No. 231/2001 since April 2003 which is continuously updated and also a control model pursuant to Law No. 262/2005 for financial reporting (further information is given below on the “Risk management and internal control systems in relation to financial reporting”).

The control instruments described above are monitored by management and also independently by the Group Audit Function by means of auditing activities contained in the annual audit plan. The results of auditing activities are reported to the Chairman and Chief Executive Officer and to management and also periodically to the Chairmen of the Audit and Risk Committee and the Board of Statutory Auditors.

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

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

The financial reporting process of the Issuer was subjected to a series of procedural and organisational initiatives with action taken to create an internal controls system for administrative and accounting activities designed to guarantee the reliability, accuracy, completeness and promptness of financial reporting and to regularly produce management, operating and financial reports to the board and to the statutory and external auditors.

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

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

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

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

The 262 Control Model consists of

- administrative and accounting risk assessment;

- administrative and accounting manuals and procedures,

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

More specifically administrative and accounting risk assessment is the constant process of identifying and assessing risks attaching to accounting and financial information and it is performed by the Manager appointed to prepare corporate accounting documents with the support of the Group Internal Audit Function. This process is performed annually by means of:

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

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

When risks were identified following annual risk assessment activities, the Company and the Group put procedures, protocols and documents in place to control administrative and accounting activities.

The body of the administrative and accounting manuals and procedures is comprised of the following principal documents:

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

in the consolidation IT system adopted by the Group and used in its subsidiaries and which define the responsibilities of the various functions for the proper functioning of that system;

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

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

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

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

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

The roles involved with specific reference to financial reporting processes are: the Board of Directors, CEO, the Chief of Group Audit, the Internal Audit Function, Audit and Risk Committee and the Financial Reporting Officer.

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

With regard to the latter, Legislative Decree No. 39/2010 (“Consolidated Legal Audit Act”), which implements EC Directive No. 2006/43/EC concerning the legal audit of annual accounts and entered into force on 7<sup>th</sup> April 2010, assigned new functions to the Board of Statutory Auditors in its role of “Internal Audit and Accounting Audit Committee”, specifying that it should supervise the financial reporting process and the effectiveness of internal control, internal audit, if applicable and risk management systems. Further information is given in Section 14 on the Board of Statutory Auditors.

### **11.1 DIRECTOR WITH RESPONSIBILITY FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

On 13<sup>th</sup> April 2011 the Board of Directors identified the Chairman and Chief Executive Officer, *Ing.* Giovanni Recordati, as the Executive Director responsible for monitoring the functionality of the internal control system. When implementing the amendments made to the GC Code in December 2011, on 20<sup>th</sup> December 2012 the Board confirmed *Ing.* Giovanni Recordati, Chairman and Chief Executive Officer, in the position of Director Responsible for the internal control and risk management system.

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

- has identified, with the help of the Chief of Group Audit, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries and has reported on this to the Board. In detail, in 2012 he started and completed the compilation of the Recordati Catalogue of Risks, with the assistance of the outside company Deloitte S.p.A. and he reported on this in detail to the Audit and Risk Committee and the Board;
- has implemented the guidelines defined by the Board and, with the assistance of the Chief of Group Audit and other competent functions within the Company, has designed, constructed and managed the internal control and risk management system, while constantly checking its adequacy and effectiveness;
- has brought the system, again with the help of the Chief of Group Audit and other competent functions within the Company, into line with changes in operating conditions and in the legislative and regulatory framework.

The Executive Director responsible for monitoring the functionality of the internal control system:

- may request the Internal Audit Function to investigate specific operational areas and compliance with internal rules and procedures in carrying out company operations, reporting promptly to the Board of Directors, to the Chairman of the Audit and Risk Committee and to the Chairman of the Board of Statutory Auditors;
- shall report promptly to the Audit and Risk Committee (or to the Board of Directors) with regard to problems and difficulties found in carrying out their activities or of which they have nevertheless learnt, so that the Committee (or the Board) make undertake appropriate initiatives.
- shall submit a proposal to the Board of Directors for the appointment and removal of the Chief of the Group Audit Function and also on the remuneration for him, consistent with Company policy.

## **11.2 CHIEF OF THE GROUP AUDIT FUNCTION**

When implementing amendments made to the CG Code in December 2011, on 20<sup>th</sup> December 2012, with specific reference to the Chief of the Group Audit Function, the Board of Directors acknowledged that it was the responsibility of the Board of Directors to appoint and remove the chief of that function on the basis of a proposal submitted by the Director Responsible for the internal control and risk management system, and also to ensure that he has adequate resources to carry out the relative functions and to set the remuneration consistent with Company policies.

The Board therefore delegated responsibility to the Chairman and Chief Executive Officer for the ordinary management of the employment relationship with the Chief of the Group Audit Function and confirmed the Chief of the Group Audit Function as the Internal Control Officer pursuant to Art. 150 of Legislative Decree No. 58/1998.

It is therefore underlined that the Group Audit Function, headed by *Dr. Minora*, has no connection with any operational area and reports hierarchically from 20<sup>th</sup> December 2012 to the Board of Directors. The Chief of Group Audit also reports to the Chairman and Chief Executive Officer because these are charged by the Board with oversight of the internal control and risk management system.

When he was appointed, the Board, having consulted with the Audit and Risk Committee, assessed the appropriateness of the remuneration paid to the Chief of Group Audit as an employee of the Company with respect to the Company's policies.

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

- to oversee, both on a continuous basis and in relation to specific needs and in observance of international standards, the functioning and the adequacy of the internal control and risk management system, by carrying out an audit plan approved by the Board of Directors, based on a structured process to analyse and prioritise the main risks;
- has no responsibility for any operational area and reports to the Board of Directors;
- has direct access to all information useful for performing his/her duties;



- to prepare periodic reports containing adequate information on his activities, on the procedures employed to manage risks and on compliance with the plans drawn up to mitigate them. These periodic reports contain an assessment of the appropriateness of the internal control and risk management system;
  - he promptly prepares reports on events of particular importance;
  - he submits periodic reports to the Board of Statutory Auditors, the Audit and Risk Committee, the Board of Directors and the Director with responsibility for the internal control and risk management system;
  - as part of the audit plan, he oversees the reliability of IT systems, including those responsible for bookkeeping.
- Furthermore, the Chief of Group Audit:
- explains the proposed annual work programme to the Audit and Risk Committee in order to implement any recommendations that Committee intended to make;
  - assists the Executive Director responsible for overseeing the functionality of the internal control and risk management system with the design, management and monitoring of the internal control and risk management system and with the identification of the various risk factors;
  - schedules and carries out, consistent with the annual work plan, direct and specific audit activities at Recordati S.p.A. and in all the subsidiaries, with particular regard to companies of strategic importance, in order to detect any failings there may be in the internal control and risk management system, in the various risk areas.
  - checks that the rules and procedures for auditing and risk management processes are observed and that all individuals involved act in accordance with the predetermined objectives;
  - carries out checks on his own initiative or on the request of the Board of Directors, the Audit and Risk Committee, the Executive Director responsible for monitoring the functionality of the internal control and risk management system or the Board of Statutory Auditors.

In detail, during the course of the year and in meetings of the Board of Directors already held in 2013, the Chief of Group Audit:

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

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

### **11.3 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001.**

The Company has adopted and effectively implemented a model which represents an organisational and operational tool aimed at preventing the Company's employees and colleagues from committing the crimes specified in Legislative Decree 231/01.

The duties of monitoring the adequacy, updating and effectiveness of the Model have been transferred by the Company to a Supervisory Board having collective form, comprising two external members and one Company employee.

When the new CG Code was examined, the Board of Directors, assisted by the Audit and Risk Committee, assessed whether to assign the functions of the Supervisory Committee (pursuant to Legislative Decree No. 231/2001 in accordance with Law No. 183/2011 – the 2012 “Stability” Law), and decided in favour of Recordati continuing to maintain a Supervisory Committee as a highly specialised unit, dedicated entirely to the supervision of ethical, preventative, organisational and management procedures adopted to prevent incurring liability within the meaning of Legislative Decree No. 231/2001 and therefore with specific expertise on compliance with a particular area of law which applies to the Company.

The organisation, management and control model is constantly updated and monitored with particular attention paid to preventing crimes and to risk assessment, following the new regulatory changes.

The Model consists of a general part and a specific part, arranged into different sections. The general part includes, *inter alia*, the Code of Ethics, the Disciplinary System and the By-Laws of the Supervisory Board. The specific part includes, *inter alia*, a "map" of the areas where the risk of crime is more marked and a significant number of "protocols" through which measures are put in place to prevent the commission of offences in the areas identified in the map. A similar model has been adopted for the subsidiaries Innova Pharma S.p.A. and Orphan Europe Italia S.r.l.

A presentation of the Model adopted by the Company is available on the Company's website at [http://www.recordati.it/rec\\_it/cg/compliance\\_programs/](http://www.recordati.it/rec_it/cg/compliance_programs/).

For subsidiaries of strategic importance located abroad, policies with a function similar to those of the Organisational Model pursuant to Legislative Decree 231/01 adopted by the Company have been implemented and are being implemented, where considered necessary.

#### **11.4 AUDIT FIRM**

KPMG S.p.A. is the firm of external auditors appointed to audit the Company. The appointment was formally made by a Shareholders' Meeting on 13<sup>th</sup> April 2011 for the years 2011-2019, as proposed by the Board of Statutory Auditors.

#### **11.5 THE FINANCIAL REPORTING OFFICER**

On 3<sup>rd</sup> May 2007, the Board of Directors, having noted the favourable opinion of the Board of Statutory Auditors and of the Internal Audit Committee, appointed Fritz Squindo, General Manager for the co-ordination of operations, as the Financial Reporting Officer.

During that meeting, it was confirmed that he satisfied the requirements of respectability and professionalism laid down in the applicable legislation and in the Company's By-Laws, which stipulate, in Art. 25, that the Financial Reporting Officer must not only satisfy the requirements of respectability laid down by law for those performing administrative and managerial duties but also the requirements of professionalism characterised by specific competence in administrative and accounting matters. This competence, to be verified by the Board of Directors, must be acquired through working experience in a position of adequate responsibility over a suitable period of time.

The Financial Reporting Officer is given duties and powers to perform that assignment, which include the provisions of the operational guidelines for that manager approved by the Board of Directors on 3 May 2007.

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

On the one hand, the Company has specified the roles and responsibilities of those involved in the internal control and risk management system in detail, in the guidelines for the internal control and risk management system of Recordati S.p.A. and of the Recordati Group and on the other hand it encourages meetings between the different roles involved in order to exchange information and to co-ordinate.

In this respect, as already reported, the entire Board of Statutory Auditors in particular is constantly invited to participate in the proceedings of the Audit and Risk Committee and also the Chairman and Chief Executive Officer, the Director Responsible for the internal control and risk management system, the Chief of Group Audit, the Supervisory Committee pursuant to Legislative Decree No. 231/01, and representatives of the external audit firm have participated in various meetings on invitation of the Chairman of the Committee and on individual items on the agenda.

The Board of Statutory Auditors of the Company and the Supervisory Committee pursuant to Legislative Decree No. 231/01 have organised and held joint meetings during the year for the same purposes of co-ordination on matters of common interest.

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

In relation to the provisions of articles 36 and 39 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31<sup>st</sup> December 2012 the regulatory provisions of Art. 36 of the Markets Regulations have applied to the Turkish subsidiary Ilac Sanayi Ve Ticaret Anonim Sirketi (formerly Dr. F. Frik Ilax Sanayi Ve Ticaret Anonim Sirketi into which Yeni Recordati Ilac Sanayi Ve Ticaret Anonim Sirketi was merged in 2012).

With reference to that Turkish company, the Company:

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

- b) ensures that Turkish company regularly delivers information to the external auditor of the Parent Company needed to audit the annual and interim accounts of the Parent Company itself.

Finally the Company possesses continuous knowledge of the composition of the corporate bodies of the controlled companies with information on the company officers and on the Corporate By-Laws of the companies.

## **12. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS**

Subject to the opinion in favour of the Audit and Risk Committee identified as the Committee Responsible pursuant to Art. 4 paragraph 3 of Consob Regulation No. 17221 of 12<sup>th</sup> March 2010, in a meeting held on 24<sup>th</sup> November 2010, the Board adopted “Regulations for related-party transactions” in accordance with Art. 2391-*bis* of the Italian Civil Code, with Art. 9.c.1 of the CG and with the Regulations just mentioned to replace that part relating to related-party transactions contained in the “Procedure for significant transactions with related parties or when a Director has an interest in the transaction” adopted in 2008, which remains in force for the regulation of significant transactions or those where a Director bears an interest in the transaction.

The Regulations for Related-Party Transactions (the full text is available on the Company website at [www.recordati.it](http://www.recordati.it) in the “Corporate Governance” section), in force since 1<sup>st</sup> January 2011, defines the guidelines and the criteria for the identification of related-party transactions and it gives details of the roles, responsibilities and operating procedures designed to ensure adequate reporting transparency and the relative proper conduct in form and substance for those transactions. The Company has also issued internal rules in order to ensure that the Regulations are fully implemented.

The following was performed on the basis of the new Regulations:

- the Internal Audit Committee was identified as the Committee Responsible for issuing a reasoned opinion on both transactions of Major Importance and transactions of Minor Importance, except for related-party transactions concerning remuneration, for which the Committee Responsible would be the Remuneration Committee. As already reported both committees are composed exclusively of independent Directors;
- a related-party transaction is defined as any transfer of resources, services or obligations (i.e. any contractual commitment) between Recordati – either directly or through its subsidiaries – and one or more Recordati Related Parties, independently of whether any consideration has been agreed upon;
- a Recordati related-party is defined as:
  - (a) the parent of Recordati and its shareholders;
  - (b) any other party which, either directly or indirectly, including through subsidiaries, trust companies or intermediaries and/or jointly with other parties (also defined as related parties):
    - (i) exercises Control over Recordati, is controlled by it or is subject to Common Control;
    - (ii) holds an interest in the share capital of Recordati such that it is able to exert Significant Influence over it;
  - (c) an associate company of Recordati;
  - (d) a joint venture in which Recordati SpA is a venturer;
  - (e) an executive with strategic responsibilities of Recordati or its parent;

(f) a close member of the family of one of the parties referred to in letters (a), (b) or (e);  
(g) an entity in which one of the parties referred to in letters (e) or (f) exercises Control, Joint Control or Significant Influence or holds, either directly or indirectly, a significant proportion, and in any case not less than 20%, of the voting rights;  
(h) a collective or individual, Italian or foreign, supplementary pension fund, formed for the benefit of Recordati employees, or any other entity related to it, to the extent by which that fund has been formed or promoted by Recordati, or in the circumstance that Recordati may influence its decision-making processes.

- Executives with Strategic Responsibilities are defined as 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, full members of the Board of Statutory Auditors, the general managers, the manager appointed to prepare corporate accounting documents (the “Financial Reporting Officer”) and all those additional persons identified from time to time such by the Board of Directors, and proposed by the Chief Executive of the Company;
- Transactions of Major Importance are defined as those related-party transactions for which at least one of the relevance indicators contained in the aforementioned Attachment No. 3 of the Consob Regulations and which are applicable according to the characteristics of each related-party transaction (i.e. value of the transaction in relation to shareholders’ equity or, if greater, to capitalisation; total assets of the entity involved in the transaction compared to the total assets of the Company; total liabilities of the entity acquired compared to the total assets of the Company) exceeds 5%;
- Transactions of Minor Importance are defined as those related-party transactions which are not transactions of Major Importance and not transactions of negligible amount i.e. transactions for an individual amount of less than 150,000 euro.

The Regulations do not apply to:

- Transactions of Negligible Amount unless they are more than one Transaction of Negligible Amount performed as part of a single plan, the total value of which exceeds the sum of 150,000 euro;
- intercompany transactions provided that no Significant Interests of other related parties of the Company exist in the subsidiaries of Recordati or in associate companies of Recordati which are counterparties to the transaction. It is considered that the existence of “Significant Interests” of other related parties could be determined by:
  - the existence of a significant amount receivable by the Chief Executive Officer of the Parent from a subsidiary;
  - one or more directors or other executives with strategic responsibilities shared between companies who benefit from share based incentive schemes (or in any case variable remuneration) dependent on the results of subsidiaries or associate companies with which the transaction is performed;
  - an interest held in a subsidiary or associate company (even indirectly) by the party that controls the parent.
- shareholders’ resolutions pursuant to Art. 2389, paragraph one of the Italian Civil Code, concerning the remuneration due to members of the Board of Directors and resolutions concerning the remuneration of Directors appointed to special positions

- which forms part of the total amount determined in advance by shareholders in accordance with Art. 2389, paragraph three of the Italian Civil Code;
- shareholders' resolutions pursuant to Art. 2402 of the Italian Civil Code, concerning the remuneration due to members of the Board of Statutory Auditors;
  - remuneration schemes based on financial instruments approved by shareholders in accordance with Art. 114-*bis* of the TUF and the relative transactions to implement them;
  - decisions (other than those referred to under the preceding letter c) concerning the remuneration of Directors, Directors appointed to special positions and other executives with strategic responsibilities, when (i) the Company has adopted a remuneration policy (the formulation of which involved a committee formed exclusively of non-executive directors, the majority of which are independent) (ii) the Company has submitted a report which illustrates the remuneration policy to a Shareholders' Meeting for approval or a consultative vote, and (iii) the remuneration actually assigned is consistent with that policy;
  - decisions, to be taken when a professional arrangement is established with Recordati, concerning the remuneration of executives with strategic responsibilities, other than Directors and members of the Board of Statutory Auditors;
  - transactions which fall within the ordinary performance of operating activities and the related financial activities concluded under conditions equivalent to market conditions or standards (i.e. conditions similar to those normally practiced with non-related parties for transactions of an analogous nature, magnitude and risk or based on regulated tariffs or on compulsory prices or those practiced for parties with which the Company is obliged by law to negotiate a determined consideration). The "ordinary performance" is identified by considering the contents, recurrence, function or purpose and timing of the transaction and also the nature of the counterparty, even if it is a related-party. Operating Activities are defined as the main revenue generating activities and all other normal activities of the Company that are not classifiable as investment or financial activities pursuant to International Financial Reporting standard seven adopted by EC Regulation No. 1126 of 2008, as subsequently amended from time to time. Should the exemption contained in this point apply, the Company is nevertheless required, without prejudice to Art. 114, paragraph 1 of the TUF, to comply with the provisions of Art. 13, paragraph 3, letter c), points i) and ii) of the Consob Regulation No. 17221 of 12<sup>th</sup> March 2010;
  - demerger transactions in the strict sense of the proportional type, share issues with option rights reserved to shareholders and to any holders of financial instruments (therefore issuances which are performed without excluding their option rights) and transactions for the purchase/sale of treasury stock if performed, other conditions remaining the same, to the benefit of both related parties and all others holding rights;
  - transactions to be performed on the basis of instructions for the purposes of stability issued by the supervisory authority, without prejudice to disclosure obligations under Consob Regulations.

The regulations for significant transactions or where a Director holds an interest regulate transactions in which a director holds an interest either on his own behalf or on behalf of third parties, even potential or indirect, and it expressly reserves them to the approval of the Board of Directors. In these cases that Director must promptly inform the Board and the Board of Statutory Auditors respectively of his interest in a timely and thorough manner - specifying the

nature, terms, origin and extent of that interest - and must stay away from the meeting during the respective negotiations unless the Board considers his participation in the discussion and resolution to be necessary, depending on the specific circumstances, including, inter alia, the need to maintain the required quorums. A similar disclosure obligation exists for any Auditor who holds an interest, including a potential or indirect interest, in relation to the aforesaid matters or transactions.

### **13.APPOINTMENT OF STATUTORY AUDITORS**

The appointment of Statutory Auditors is regulated by article 26 of the Corporate By-Laws, the text of which, last amended by the Board of Directors on 8<sup>th</sup> May 2012 in order to make compulsory amendments to comply with legislation on the balance between genders on corporate bodies, is reproduced below:

*"Art. 26) The Shareholders' Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law.*

*Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that of the company are the research, production and sale of chemical and pharmaceutical products.*

*The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.*

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

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

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

*Each shareholder, including shareholders who have signed a shareholders' agreement pursuant to Art. 122 of Legislative Decree No. 58/1998, the holding entity, subsidiaries, and jointly controlled entities are not permitted to submit or help to submit more than one list or vote for different lists, including through an intermediary or trust company. Each candidate may only be present on one list failing which he will be ineligible. Votes cast in violation of the above prohibition shall not be attributed to any list.*

*Submitted lists shall be deposited at the Company's registered office at least twentyfive days before the date scheduled for the Shareholders' Meeting at first call without prejudice to any further forms of disclosure required by any rules or regulations from time to time in force.*

*Without prejudice to all other rules prescribed by the rules and regulations in force the following documents shall be submitted together with each list by the deadline specified above:*

- a) information on the identity of the shareholders who have submitted the lists, indicating the total percentage of capital stock held;*
- b) a declaration by shareholders other than those who hold, including jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided by applicable regulations;*
- c) a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.*

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

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

*Auditors shall be elected as follows:*

- 1. from the list which obtained the highest number of votes at the Shareholders' Meeting, two statutory auditors and one alternate auditor shall be elected, based on the progressive order with which they are listed in the sections of the list;*
- 2. from the second list which obtained the highest number of votes at the Shareholders' Meeting and which, in accordance with regulations in force, has no connection, not even indirectly, with those who submitted and voted for the list which obtained the highest number of votes, one statutory auditor, who shall chair the Board of Statutory Auditors, and one alternate auditor shall be elected, based on the progressive order with which they are listed in the list.*

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

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

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

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

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

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



*The procedure outlined below shall be followed when the Shareholders' Meeting is required to appoint statutory and/or alternate auditors to complete the board: if it is necessary to replace auditors elected on the basis of the majority list, the replacements shall be appointed by relative majority vote without list voting; if, however, it is necessary to replace auditors elected on the basis of the minority list, the Shareholders' Meeting shall replace them by a relative majority vote by choosing them from the candidates on the list from which the outgoing auditor was elected or on the list that obtained the second highest number of votes.*

*Should the application of the above procedures not result in the replacement of the auditors designated by minority shareholders for whatever reason, the Shareholders' Meeting shall hold a relative majority vote, following the presentation of candidatures by shareholders that, individually or together with others, possess shareholdings with voting rights that represent at least the percentage indicated above in relation to the procedure for the presentation of lists. However, votes registered by shareholders who hold the relative majority of voting rights that may be exercised in the meeting as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly, or jointly with other shareholders who have signed a shareholders' agreement as indicated in article 122 of Italian Legislative Decree No. 58/1998, shall not be considered in establishing the outcome of said vote.*

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

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

*In the above case:*

*- the following must always be established:*

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

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

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

It is underlined that the right to submit lists is only held by shareholders who, individually or together with other shareholders submitting lists, hold voting shares representing at least 2.5% of the voting capital in the Ordinary Meeting, or representing any lower percentage established by mandatory laws or regulations. In accordance with articles 144-*quater* and 144-*septies* of the Issuers' Regulations adopted by Consob Resolution No 11971 of 14.4.1999 and Consob Resolution No. 18452 of 30<sup>th</sup> January 2013 with regard to the capitalisation of the Company in the last quarter of 2012, the percentage of the share capital required to present lists of candidates to the Board of Statutory Auditors of the Company is currently 1%.

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

one statutory auditor, who will chair the Board of Statutory Auditors, and one alternate auditor are elected, based on the progressive order with which they are listed in the list.

With regard to the new legislation on gender balance in corporate bodies (new articles 147-ter and 148 of the Consolidated Finance Act, new Art. 144-undecies of the Issuers Regulations, as amended by Law No. 120/2011), which apply to the renewal of corporate bodies subsequent to 18<sup>th</sup> August 2012, the Company made the necessary amendments to the Corporate By-Laws on 8<sup>th</sup> May 2012 in order to comply with the new regulations.

In particular, the Board of Statutory Auditors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of lists of candidates presented by shareholders). Furthermore the Corporate By-Laws set out the procedures to follow to ensure that the composition of the Board of Statutory Auditors complies with the existing legislation in force concerning gender balance: the text of the above article 26 reproduced in full may be consulted in this respect.

#### **14. STATUTORY AUDITORS**

The composition of the Board of Statutory Auditors in office on the closing date of the Year is shown below. The Board was appointed by the Ordinary Shareholders' Meeting of 13<sup>th</sup> April 2011 and its term of office will expire at the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013.

One single slate of candidates was presented for the office of Statutory Auditor in the ordinary Shareholders' Meeting of 13<sup>th</sup> April 2011 by the shareholder FIMEI S.p.A. The slate presented by FIMEI S.p.A. contained the following candidates to the Board of Statutory Auditors for the years 2011-2012-2013:

- |                                    |                   |
|------------------------------------|-------------------|
| 1. <i>Dr. Marco Nava</i>           | Statutory Auditor |
| 2. <i>Dr. Marco Rigotti</i>        | Statutory Auditor |
| 3. <i>Dr. Achille Severgnini</i>   | Statutory Auditor |
| 4. <i>Dr. Marco Antonio Viganò</i> | Alternate Auditor |
| 5. <i>Dr. Antonio Mele</i>         | Alternate Auditor |

All the candidates listed above were elected with 149,910,627 shares in favour out of 150,192,650 shares voting (99.812%). The voting share capital represented 71.684% of the share capital of the Issuer.

*Curricula vitae* providing information on the personal and professional characteristics of each candidate were attached to the slate presented by FIMEI, accompanied by a list of the management and supervisory positions occupied in other companies and which are significant in accordance with the law and also by declarations made by each candidate that they accept their candidature and that there are no grounds for ineligibility or incompatibility and that they satisfy the requirements prescribed by law and in the By-Laws for the office of Statutory Auditor. The above documentation may be consulted on the website [www.recordati.it](http://www.recordati.it) (in the section Investor Relations, Shareholders' Meetings, financial year 2011).

The personal and professional characteristics of each auditor are in any case contained in Attachment 1 of this Report.

Board of Statutory Auditors								
Office	Members	In office since	In Office until	(M /m )	Indep. according to CG Code	Indep. according to TUF	** (%)	Number of other offices ***
Chairman	MARCO NAVA	13.4.2011	Approval of 2013 AR	M	X	X	7/7	31 (-)
Statutory Auditor	MARCO RIGOTTI	13.4.2011	Approval of 2013 AR	M	X	X	7/7	4 (2)
Statutory Auditor	ACHILLE SEVERGNINI	13.4.2011	Approval of 2013 AR	M	X	X	5/7	13 (-)
Alternate Auditor	ANTONIO MELE	13.4.2011	Approval of 2013 AR	M	X	X	-	9 (2)
Alternate Auditor	MARCO ANTONIO VIGANO'	13.4.2011	Approval of 2013 AR	M	X	X	-	24

\* M/m are given in this column where "M" indicates a member elected from the majority slate and "m" from a minority slate.

\*\* This column contains the percentage attendance of Auditors at the relative board meetings of Statutory Auditors (number of presences/number of meetings held during the actual period office of the person concerned).

\*\*\* This column gives the number of directorships or appointments as statutory auditor (or full member of other supervisory bodies) held by the person concerned at 31<sup>st</sup> December 2012 in companies that are significant within the meaning of Art. 148 *bis* of the Consolidated Finance Act (excluding that held in the Company) and, in brackets, the number of those positions held in joint stock companies listed on regulated markets.

On 15<sup>th</sup> January 2013, the Statutory Auditor *Dr. Marco Rigotti* held the position of Chairman of the Board of Directors of the company Air Italy Holding srl.

**INDICATE THE QUORUM REQUIRED FOR THE PRESENTATION OF LISTS WHEN OFFICERS WERE LAST APPOINTED: 2%**

**Number of meetings held during 2012: 7**

During the Year the Board of Statutory Auditors met seven times, with meetings lasting approximately two hours on average, on the following dates: 28<sup>th</sup> February 2012, 8<sup>th</sup> March 2012, 31<sup>st</sup> May 2012, 5<sup>th</sup> July 2012, 25<sup>th</sup> July 2012, 22<sup>nd</sup> October 2012 and 5<sup>th</sup> December 2012. As regards the current year, eight meetings are scheduled and the Board of Statutory Auditors has already met on 27<sup>th</sup> February 2013. The percentage attendance of Auditors in these meetings is shown in the table above.

The Board of Statutory Auditors conducted an internal verification of its independence after its appointment. It was found from the outcome of that verification that all the Statutory Auditors in office possessed the requirements for independence according to Art. 148 of the TUF and also with regard to the criteria contained in the CG Code. That assessment was repeated with a positive outcome on 27<sup>th</sup> February 2013.

In the procedure prepared by the Company governing significant transactions, or in which a Director holds an interest, it was specified that, as is the case for the Directors, any auditor who holds a personal or third party interest in a specific transaction of the Company must inform the other Auditors and the Board in a timely and thorough manner about the nature, terms, origin and extent of his interest.

The Board of Statutory Auditors has checked the independence of the audit firm KPMG S.p.A., checking both compliance with legislative provisions and the nature and extent of services other than financial auditing provided to a number of subsidiaries by the same audit firm and by the entities belonging to the latter's network. For information concerning services other than those of auditing the accounts provided by the audit firm to the Company and its subsidiaries, reference may be made to the relative attachment "Disclosure of auditors' fees for accounting audits and other services" to the consolidated financial statements at 31<sup>st</sup> December 2012 and the draft separate financial statements of Recordati S.p.A. at 31<sup>st</sup> December 2012.

The Board of Statutory Auditors, in the performance of its activities, liaised with the Head of the Group Auditing Unit and with the Audit and Risk Committee through the constant presence in Committee meetings, in which the Head of the Group Auditing Unit also usually participates.

As already reported in Section 11, Legislative Decree No. 39/2010 ("Consolidated Legal Audit Act"), which implements EC Directive No. 2006/43/EC concerning the legal audit of annual accounts and entered into force on 7th April 2010, assigned new functions to the Board of Statutory Auditors in its role of "Internal Audit and Accounting Audit Committee". In detail Art. 19 of that decree establishes that that committee supervises the following:

- a) the financial reporting process;
- b) the effectiveness of internal control, internal audit, if applicable, and risk management systems;
- c) the legal audit of annual and consolidated accounts;
- d) the independence of the legal auditor or legal audit firm, with regard in particular to the provision of non-auditing services to the entity subject to a legal accounting audit.

Also for audit purposes pursuant to article 19, letter b) of the aforementioned Decree, the Board of Statutory Auditors examined the model to map, manage and monitor risks in the Company and the Group (named the "Catalogue of risks") for 2012 developed by the Group with assistance from the consulting company Deloitte S.p.A., which is constantly update by the Company.

In the course of meetings of the Board of Directors, attended also by members of the Board of Statutory Auditors, the Chairman and Chief Executive Officer shall give information required to present the performance of the Company and the Group, which includes constant updates on

the most important changes in legislation and regulations in the sector and their impact on the Company. During the year detailed information was given on the recently and newly acquired companies and on activities to integrate them in the Recordati Group. No additional specific initiatives were necessary to increase the Statutory Auditors' knowledge of the company and its dynamics, considering, moreover, that all members of the Board of Statutory Auditors have an in-depth knowledge of Company and the Group, having been members of the supervisory body since 2008.

## **15. RELATIONS WITH SHAREHOLDERS**

The Company has created a specific section on its website called "Investors", which is easily identifiable and accessible and which contains important information about the Company for its shareholders so that they can exercise their rights in an informed manner. The Company has also created a special section on its website entitled "Regulated information" in which regulated information pursuant to Art. 113-ter of the TUF that is regulated is published as required by article 65 bis of the Issuers' Regulations.

Following Consob Communication No. DME/12027454 of 5<sup>th</sup> April 2012, the storage of "Regulated information" will continue to be carried out on the *Borsa Italiana* website on a transition basis, with links to the websites of the issuer companies.

As part of the Company's organisational structure, Marianne Tatschke has been identified as Investor Relations Manager. In addition, the tasks of the Group Legal Service and Corporate Affairs Office also include the task of looking after relations with shareholders in general.

The Investor Relations function of the Company is also responsible for relations with financial analysts who cover the Company and with institutional investors. That function organises periodic "conference call" meetings designed to provide periodic operational and financial information and the documentation presented in those meetings is disclosed to the public at the same time on the Company website and it is filed with Borsa Italiana.

## **16. SHAREHOLDERS' MEETINGS**

On 26<sup>th</sup> October 2010 the Board of Directors amended the Corporate By-Laws in order to make compulsory amendments to comply with Legislative Decree No. 27/2010 for the "Implementation of directive 2007/36/ EC, concerning the exercise of some rights by company shareholders" and as a consequence of Consob Resolution No. 17592 of 14<sup>th</sup> December 2010.

The Shareholders' Meeting of 13<sup>th</sup> April 2011 had therefore approved amendments of an optional nature, recommended by the Board of Directors, to the Corporate By-Laws in accordance with Legislative Decree No. 27/2010. In this respect the Directors' Report on the item disclosed to the public for that Shareholders' Meeting may be consulted on the Company website [www.recordati.it](http://www.recordati.it) (in the section Investor Relations, Shareholders' Meetings, financial year 2011).

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

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

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

Furthermore, that same Art. 9 of the By-Laws also states that: "Ordinary Shareholders' Meetings are called to approve the financial statements within one hundred and twenty days of the end of the company's financial year. Where permitted by the law, a Shareholders' Meeting may be convened within one hundred and eighty days from the end of the financial year. Directors shall indicate the reasons for the delay in the report required by Article 2428 of the Italian Civil Code.

Other than on the initiative of the Board of Directors, a Shareholders' Meeting may be called pursuant to the law by the Board of Statutory Auditors or by only two of its members, or upon the request of shareholders representing at least 5% of the capital stock."

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

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

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

An extraordinary Shareholders' Meeting is validly constituted in second call with the attendance of shareholders accounting for at least a third of the share capital and resolutions are passed with the vote in favour of shareholders accounting for at least two thirds of the share capital present at the meeting.

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

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

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

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

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

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

Legislative Decree No. 91 of 18<sup>th</sup> June 2012 (the "Corrective Decree") significantly amended article 127-*ter* of the Consolidated Finance Act, expressly allowing the Company to set a time limit within which questions formulated prior to a Shareholders' Meeting must be received if they are to be considered. The time limit is at the discretion of the Company, but may not be greater than three days prior to the date of the Shareholders' Meeting (in first or single call) or five days prior to the Shareholders' Meeting with, however, the obligation of the Company to

furnish a reply at least two days prior to the Shareholders' Meeting, which may be by publication on the Company website. The "Corrective Decree" then specifies the cases where a reply is not obligatory: when the information required is already available in the format "answer and reply" in the relevant section of the website and also when the reply has already been published on the website.

When implementing amendments made to the CG Code made in December 2011, the Board felt it would be advisable to draw up regulations for proceedings in Shareholders' Meetings, even though no particular difficulties had been encountered in past meetings. The objective is to further ensure that the proceedings in Shareholders' Meetings are well-organised and practical and to ensure that each shareholder is able to speak on the items on the agenda.

The Board of Directors therefore decided to submit a proposal to the Shareholders' Meeting convened for the approval of the 2012 Annual Report to approve regulations for Shareholders' Meetings. The Directors' Report may be consulted for further information on this matter.

The Board of Directors, through the Chairman and Chief Executive Officer, reported, in the Shareholders' Meeting held on 19<sup>th</sup> April 2011, on activities undertaken and those planned, and responded to questions posed by a number of shareholders. The volume containing a copy of the draft separate financial statements and consolidated financial statements, with the accompanying reports and the Directors' Reports on the proposals concerning items placed on the agenda was handed out at the entrance and also sent to shareholders who had taken part in recent meetings in order to ensure adequate disclosure of the necessary information so that they could take the decisions for which they are responsible with full knowledge of the facts. The above documentation has been made available and it may be consulted on the Company website [www.recordati.it](http://www.recordati.it).

During the year, there were no changes in the market capitalisation of the Company's shares or in the composition of its corporate structure sufficient to require consideration of a proposal to the Shareholders' Meeting for changes to the Corporate By-Laws concerning the percentages established for the exercise of the actions and prerogatives provided for the protection of minorities.

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

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

#### **18. CHANGES OCCURRING SINCE THE END OF THE YEAR**

No changes in the structure of the corporate governance of the company have occurred since the end of the Year.



Milan, 7<sup>th</sup> March 2013

On behalf of the Board of Directors

The Chairman

Ing. Giovanni Recordati

## ATTACHMENT 1

### PROFESSIONAL OVERVIEW OF THE DIRECTORS

#### **GIOVANNI RECORDATI**

Giovanni Recordati holds a degree in chemical engineering from the Politecnico di Milano and a master's degree in Management Sciences from Imperial College London.

He joined Recordati in 1974 as a researcher. In 1980, he was appointed as Central Production Manager and, in 1984, as Deputy General Manager for Operations and Research. In 1990, he was appointed Chief Executive Officer with responsibility for managing the operational activities of the Group's Italian and foreign companies. He has been a member of the Board of Directors since 1977. Presently he is Chairman, Chief Executive Officer and General Manager of Recordati S.p.A..

#### **ALBERTO RECORDATI**

Alberto Recordati graduated from University of London King's College in 1977 with a degree in biochemistry and in 1984 successfully completed a research PhD within the Biochemistry Department of Charing Cross Hospital Medical School part of that same university.

He joined Recordati in 1984 as a researcher in the biochemistry laboratories. In 1987 he was appointed Head of the Planning and Product Development Office. From 1990 to 1992, he worked for the US subsidiary Pharmetrix Corp as research project coordinator. In 1992 he was appointed Industrial Manager for Biochemicals with responsibility for biochemical/microbiological research and for the Cascina dè Pecchi biochemical/fermentation production site. In 1995, he became Head of the Chemical Research and Technologies Division. In 1999, he was appointed director in charge of the fine chemicals sector and in 2004 Deputy Vice-Chairman of Recordati S.p.A. He has held responsibility for co-ordinating the “Drug Discovery” and “Drug Development” activities of the Company since 2008 and also for licensing-in activities since 2011 .

#### **SILVANO CORBELLA**

Silvano Corbella was born in Novara, April 18th 1965. After he received the degree in Business Administration at Bocconi University in Milan, he began the academic career, teaching at Bocconi University, SDA Bocconi, Libero Istituto Universitario Carlo Cattaneo in Castellanza and Cattolica University in Cremona. In 1994 he joined the University of Verona as Assistant Professor. At the same time, and until 2008, he taught at SDA Bocconi, where for nearly a decade he was also tenured of the Financial Accounting course at the Master in Business Administration. At the beginning of 2011, after various career steps, he became Full Professor at the University of Verona, where he has been teaching Accounting and carrying out his research activity for 15 years.

He is Chartered Accountant and Auditor and holds various assignments: he is Chairman and/or Supervisory Body member of both listed and unlisted companies and of an American Merchant Bank branch. Moreover, he is member of several Boards of Statutory Auditors. Finally, he was appointed by Banca d'Italia as a member of “Comitato di Sorveglianza” in a bank under compulsory administration. In relation to his professional activity, he provided capital evaluations for different purposes, also with regard to listed companies, and financial – economic opinions; he has been an accounting expert of Arbitral Board and of civil and penal proceedings.

He is author of several articles and four monographs on topics related to internal audit system, financial statement and stock options. With regard to these topics, he is a regular speaker at conferences and workshops.

Prof. Silvano Corbella is chairman/member of the Board of Statutory Auditors of the following companies:

1. Everel Group S.p.A.
2. Leonardo & Co S.p.A.
3. Growermetal S.r.l.
4. Procos S.p.A.
5. Librerie Feltrinelli S.r.l.
6. Gian Giacomo Feltrinelli Editore S.r.l.
7. Ivri Direzione S.p.A.
8. I.V.R.I. Istituti di Vigilanza Riuniti S.p.A. (Milan)

Prof. Silvano Corbella is, also, member of the Board of Directors of EVS Embedded Vision Systems S.r.l.

#### **MARIO GARRAFFO**

Mario Garraffo graduated in 1960 with a degree in Economics and Commerce from the Università Bocconi di Milano. Between 1960 and 1970, he was Controller and Development Director of *La Centrale Finanziaria Generale*, a holding company principally involved in the area of public services (communications and energy). From 1970 to 1980, he was Investment Director at the IFI group; from 1980 to 1985 he was Chief Executive Officer of IFIL - *Finanziaria di Partecipazioni* and from 1985 to 1993 Chairman of IFINT (now EXOR). In 1993 he was appointed Chief Executive Officer of Lazard Italia until the acquisition of Vitale, Borghesi & Co. in 1998. In 1998, he was appointed Chief Executive Officer of UNIM, a post which he held until 2000 and as Chairman of General Electric Italia from 2000 to 2004. He was a Senior Advisor for General Electric Europe from 2004 until 2007. He is an independent director and member of the Internal Audit Committee of the Recordati S.p.A.. He has been a Trustee of the Johns Hopkins University of Baltimore and a Trustee of the Johns Hopkins School for Advanced International Studies (SAIS) in Bologna. From 1995 to 2006 he was President of the Università Bocconi Alumni Association and member of the Board of Directors of the Donna Javotte Bocconi Foundation (founding entity of the Università Bocconi).

Dr. Garraffo holds the following additional positions:

- Chairman IVG SGR SpA
- Director of GE INTERBANCA SpA

#### **MARIO GERMANO GIULIANI**

Mario Germano Giuliani was born in London on February 26<sup>th</sup> 1972 and he holds a degree in Economy and Commerce from at the Università Cattolica del Sacro Cuore of Milan.

He starts his career in the pharmaceutical industry in 1996 in Giuliani SpA where he works in marketing, sales, finance and control.

In 1998 and 1999, Mr. Giuliani was an investment professional with Vector Fund Management, a private equity firm focused on healthcare and life sciences with approximately \$250 million under management.

After his experience in the US, Mr. Giuliani re-joins Giuliani SpA as chief financial officer until 2001. In 2001 he becomes chief executive officer and in 2003 president.

In 2012 he joins the Board of Directors of HBM Healthcare Investments, a company listed on the Zurich Stock Exchange.

#### **UMBERTO MORTARI**

Umberto Mortari was born in Milan on October 27th, 1946. He got a degree in Law at the “La Sapienza” University of Rome. He attended different Business and Management Programs at INSEAD and at the Business Schools of Harvard University and Michigan University.

In June 2001 he was awarded by the University of Chieti “G.D’Annunzio” an HC degree in Medicine and in September 2005, by the University of Pavia, an HC degree in Pharmacy.

He joined Merck Sharp & Dohme (Italia) S.p.A. in 1972, where he held various positions in the areas of Marketing, Sales and Business Planning Research.

In 1981 he was appointed Marketing Director, in 1986 Director of Pharmaceutical Division, in 1987 member of the Board of Directors and Managing Director in 1991.

Since January 1992 to December 2007 he became President, Managing Director and Vice President of Merck Europe. He has held the following positions in other companies of Merck Italia Group: President and Managing Director of Neopharmed in Milan; President and Managing Director of the Istituto Gentili in Pisa; member of the Board of Directors of the Istituto di Ricerche Biomolecolari-Pietro Angeletti in Pomezia and President of the MSD Foundation.

Member of FARMINDUSTRIA Board, where he was Vice President for eight years.

He was also President of the Center of Clinical Physiology and Hypertension of the University of Milan; Vice President of the Forum for Biomedical Research of CENSIS and member of the Board of the Italian Society of Pharmaceuticals Sciences.

Currently he is member of Visufarma S.p.A. Board of Directors.

#### **CARLO PEDERSOLI**

Carlo Pedersoli was admitted to the Milan bar in 1980.

A partner in the Pedersoli e Associati law firm, he is a civil lawyer who deals predominantly in company and commercial law for national and international clients operating both in the financial/banking sector and in the industrial sector. He has spoken at conferences on company and commercial law, analysing the topic of financial statements, validity of shareholders' resolutions and responsibility of auditors.

He is part of the Board of Directors and of the Audit and Risk Committee of Recordati S.p.A..

He has also been a Director of the companies Riello S.p.A., Sigla Engineering S.p.A., Nextam Partners SGR S.p.A., Welfare Italia Servizi S.r.l. and Chairman of the company Sistemi Tecnologici Holding S.p.A., the holding company of Sistemi Tecnologici S.p.A. which is in turn the holding company of Sirti S.p.A..

#### **ANDREA RECORDATI**

Andrea Recordati gained a Bachelor of Arts in medieval and modern history from the University of London Royal Holloway and Bedford New College. Between September 1995 and March 1998, he participated in the SmithKline Beecham Management Access Program, in the United Kingdom, starting off as Assistant Product Manager in Consumer Healthcare and then, for one year, occupying the role of medical representative in Essex before becoming Project Manager responsible for the development and implementation of an innovative SmithKline Beecham marketing initiative.

He joined Recordati in 1998 as Project Leader for a project aimed at improving Sales Force productivity and better use of marketing investments. In April 1998, he joined the Board of Directors of the Company.

In 1999, he was given responsibility for Pharmaceutical Business Development.

In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed Sole Director of the German subsidiary Recordati Pharma GmbH (previously named Merckle Recordati GmbH). In August 2007, the Northern and Central Europe Subsidiaries Division was set up and he was appointed head of that division. That division was enlarged in 2010 to include all western European companies. In February 2011 he was appointed General Manager of the International Pharmaceuticals Division.

### **MARCO VITALE**

Marco Vitale business economist. He has taught for several years business economy at Pavia University; Bocconi University, Milan; Libero Istituto Universitario Carlo Cattaneo (for which he was vice-president, President of the Scientific Committee, and responsible for management area and which he contributed to create). He has been chairman of Istud (Foundation for the business culture and management), which he also contributed to relaunch, and has been co-ordinator for management area of ISTAO, post-degree management school founded by the economist Prof. Giorgio Fuà.

Former partner of Arthur Andersen & Co., he is founding partner and president of Vitale–Novello & Co. S.r.l., top management consulting firm. In this context he is consultant and member of the board of directors for many important companies.

He is President from March 2010 of Fondo Italiano di Investimenti SGR SpA, constituted by the Treasury Ministry, Confindustria, ABI, Banca Intesa, Unicredit, Monte Paschi, Crediop and some popular banks, with a capital of 1.2 billion Euro, with the aim of sustaining development projects and internationalization of little medium companies.

He has been president from 1984 till 2003 of A.I.F.I. (Italian Venture Capital and Private Equity Association) and promoter and first president of Arca Group, the mutual fund company of popular banks. He has been Vice-president, member of the board and of the Executive Committee of Banca Popolare of Milan from 2001 till 2009 and was Chairman of Bipiemme Gestioni S.G.R., the Asset Management Company of the BPM Group.

President of the Rino Snaidero Scientific Foundation; President of the Scientific Committee of AIDAF (the Italian Family Business Association); member of the Board of Olivetti Foundation; member of the Board of FAI Foundation.

He has been appointed to several important public tasks.

He contributes to important leading newspapers and business magazines.

He published several books including:

Società, bilanci e borse valori in un mercato mobiliare evoluto (Etas-Kompass); La riforma delle società per azioni (Giuffrè); La lunga marcia verso il capitalismo democratico (Ed. Il Sole-24 Ore); Liberare l'economia: le privatizzazioni come terapia alla crisi italiana (Ed. Marsilio); Le Encicliche sociali, il rapporto fra la Chiesa e l'economia (Ed. Il Sole-24 ore); Sviluppo e Spirito d'Impresa (Ed. Il Veltro); America. Punto e a capo (Scheiwiller); Il Mito Alfa (Egea editore, Bocconi); Lezioni di Impresa, da tempi e luoghi diversi – I proverbi di Calatafimi (Piccola Biblioteca Inaz, 2008); Gli angeli nella città (ESD Edizioni); Passaggio al Futuro, Oltre la Crisi attraverso la Crisi (Ed. Egea, Bocconi); Corruzione (ESD Bologna 2010); Responsabilità

nell'impresa (Piccola Biblioteca d'Impresa Inaz, 2010); Spiritualità nell'impresa (Piccola Biblioteca d'Impresa Inaz, 2011); Viaggio nello sport italiano (ESD Edizioni, 2011).

He was editor in Italy and USA of the bilingual version of the essay of Carlo Cattaneo: "Intelligence as a principle of public economy".

Good mountain - climber, he has covered great part of Italy by bicycle, a good way to observe the Italian economy as it really is and not as people say to be.

Prof. Vitale holds the following additional positions:

- Director SAME DEUTZ FAHR SpA.
- Chairman SAME DEUTZ FAHR ITALIA SpA.
- Director ERMENEGILDO ZEGNA HOLDITALIA SpA.
- Director Snaidero SpA.
- Director LUVE SpA
- Director SMEG SpA
- Director Banca Passadore SpA
- Chairman of the Fondo Italiano d'Investimento SGR

#### **WALTER WENNINGER**

Walter Wenninger has worked for more than 30 years in the international healthcare industry in Germany, Europe and USA.

He has been a member of the Board of Management at Bayer AG, Germany, responsible for life science and health care and Chairman of the Board of Bayer Corp. Pittsburg, USA.

He has been a member of the Board of Trustees of the German Cancer Research Centre, Heidelberg and of the German Cardiac Research Foundation, Frankfurt.

He currently occupies various positions on the boards of directors of European biopharmaceutical companies and he is a member of the Executive Committee of the Robert-Koch-Foundation in Germany.

Wenninger holds positions in the following companies:

- Chairman of the Board of Directors of Noxxon Pharma AG, Berlin, Germany.
- Chairman of the Board of Directors of Santaris Pharma, Horsholm, Denmark, since Dec. 2012
- Deputy Chairman of the Board of Directors of Evotec AG, Hamburg, Germany.
- Member of the Novo A/S Advisory Group, Hellerup, Denmark.

## CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS

### STATUTORY AUDITORS

#### MARCO NAVA

Marco Nava graduated in Economics and Commerce and in Jurisprudence at the *Università Cattolica del Sacro Cuore* of Milan. He started his career as an accountant in 1988. He has been registered as an auditor since the first publication of the register (1995).

He performs his principal activity as an accountant with his own offices in a partnership of accountants and lawyers.

He is a statutory auditor and external auditor for companies operating in various sectors.

Marco Nava holds positions in the following companies:

- Chief Executive Officer Nava Viganò Revisori Associati Srl
- Sole director Tazat Srl
- Chairman of the Board of Directors QE Qualità Europe Srl
- Chairman of the Board of Statutory Auditors Cavenaghi SpA
- Chairman of the Board of Statutory Auditors Dott. G. Cavenaghi SpA
- Chairman of the Board of Statutory Auditors Finset srl
- Chairman of the Board of Statutory Auditors Fratelli Re SpA
- Chairman of the Board of Statutory Auditors Generale de Santé Italia SpA
- Chairman of the Board of Statutory Auditors Max Moda SpA
- Chairman of the Board of Statutory Auditors Prodotti naturali SpA
- Chairman of the Board of Statutory Auditors Promunidi Srl
- Chairman of the Board of Statutory Auditors RBR Valvole spa
- Chairman of the Board of Statutory Auditors SL Diagnostic Services Italy srl
- Chairman of the Board of Statutory Auditors Synlab Italia Srl
- Statutory Auditor Beaumanoir Italy srl
- Statutory Auditor Campo spa
- Statutory Auditor Chili SpA
- Statutory Auditor Elcrom srl
- Statutory Auditor Fimei SpA
- Statutory Auditor Giuseppe & Fratelli Bonaiti SpA
- Statutory Auditor Innova Pharma SpA
- Statutory Auditor J Colors SpA
- Statutory Auditor Junionfin SpA
- Statutory Auditor Marionnaud Parfumeries Italia SpA
- Statutory Auditor Pompetravaini SpA
- Statutory Auditor Recofarma Srl
- Statutory Auditor S.I.S.A. Società Italiana Spalmature ed Affini SpA
- Statutory Auditor Twister Communications SpA
- Statutory Auditor Avio San Michele srl
- Statutory Auditor Società Italiana di Biochimica Clinica (SIBioC).
- Statutory Auditor Associazione Italiana Medicina Nucleare (AIMN).

**MARCO RIGOTTI**

Marco Rigotti was born in Milan on 16<sup>th</sup> June 1967. He graduated in Corporate Economics at the Bocconi University of Milan in 1992, and registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan in 1993 and in the register of auditors in 1999.

He left the Consob in 1998 where he performed studies into insider trading and share price manipulation. He practices as an accountant in Milan and performs research at the A. Sraffa Department of Legal Studies at the Bocconi University where he is a lecturer in commercial law.

He is the author of numerous academic publications on company law and financial markets.

*Dr. Marco Rigotti occupies the following management and supervisory positions in other companies:*

- Chairman of the Board of Statutory Auditors of TAS NCH Holding S.p.A.
- Chairman of the Board of Statutory Auditors of AUTOGRILL S.p.A.
- Chairman of the Board of Directors of Meridiana Fly S.p.A.
- Chairman of the Board of Directors of Air Italy Holding srl since 15<sup>th</sup> January 2013.

**ACHILLE SEVERGNINI**

Achille Severgnini graduated in Business Administration at the Libero Istituto Universitario Carlo Cattaneo of Castellanza in 1998.

Registered as an accountant of Dottori Commercialisti in Milan in 2002 and since 2002 had his career at Milan, as a partner of Studio Severgnini - Commercialisti Associati.

He is a director, statutory auditor and external auditor for the following companies:

- Statutory Auditor di Artes s.r.l.
- Chairman of the Board of Statutory Auditors Bacamul S.p.A.
- Statutory Auditor Colombo Immobiliare 81
- Director Finsev S.p.A.;
- Director Giuliani Group S.p.A.
- Director Giuliani S.p.A.
- Statutory Auditor Immobiliare Vitagliano S.p.A.
- Chairman of the Board of Statutory Auditors Immobiliare Apollo XIV S.p.A.
- Statutory Auditor Immobiliare Arkimede S.p.A. in liquidation
- Chairman of the Board of Directors of Severgnini Family Office s.r.l.
- Chairman del Board of Directors SFO Fiduciaria s.r.l.
- Statutory Auditor of Technit Industrial Corporation S.p.A.
- Statutory Auditor of Tecnova S.p.A.



## ALTERNATE AUDITORS

### **Antonio Mele**

Antonio Mele was born in Galatina (LE) on the 5th of June 1968 and he graduated with highest honors in Economics and Banking in 1991, he is a Chartered Accountant registered in Milan since 2007 and member of the Auditors Register since 1999.

Antonio started his career in Consob as supervisory inspector.

After leaving Consob in 1999, he joined Sanpaolo IMI Group (now Intesa Sanpaolo), working in various roles in Banca IMI, the Group investment bank; in 2002 he became CFO and in 2005 he was appointed Head of the Operations (including all the support functions: finance and administration, middle office, back office, legal, etc...).

In 2007 Antonio left the Group starting an independent consultancy activity focused on banking and financial sector (financial reporting, governance, operations, legal and compliance).

Antonio is collaborating with leading investment banks in structuring various capital market transactions.

He occupies the following supervisory positions with other companies:

- Member of the Board of Statutory Auditors of MERIDIANA Fly S.p.A.
- Member of the Board of Statutory Auditors of MERIDIANA S.p.A.
- Member of the Board of Statutory Auditors of SHINE SIM S.p.A.
- Member of the Board of Statutory Auditors of TASNCH HOLDING S.r.l.
- Member of the Board of Statutory Auditors of SOFIB S.r.l.
- Member of the Board of Statutory Auditors of VALUE INVESTMENTS S.p.A.
- Member of the Board of Statutory Auditors of BANCA ITB S.p.A.
- Member of the Board of Statutory Auditors of POLARIS REAL ESTATE SGR S.p.A.
- Member of the Board of Statutory Auditors of TAS S.p.A.

### **MARCO ANTONIO VIGANÒ**

Marco Antonio Viganò graduated in Corporate Economics, specialising in freelance professionals, at the Bocconi University of Milan in 1984. He passed state examinations and qualified to practice as an accountant in 1986 when he registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan.

He has been registered as an auditor since the first publication of the register (1995). An expert in commercial and tax law, he practices as an accountant and advises companies, groups and organisations operating in a variety of economic sectors.

He has been a lecturer at the *Scuola di Formazione del Praticantato* for accounting students and accountant and auditor for the *Università Cattolica del Sacro Cuore* of Milano.

Dr. Marco Antonio Viganò occupies the following management and supervisory positions in other companies:

This auditor holds positions in the following companies:

- Sole Director Chem Investment Consulting Srl.
- Chief Executive Officer QE Qualità Europa Srl.

- Director R.B.R. Valvole SpA.
- Chairman of the Board of Statutory Auditors Beaumanoir Italy Srl.
- Chairman of the Board of Statutory Auditors Elcrom Srl.
- Chairman of the Board of Statutory Auditors J Colors SpA.
- Chairman of the Board of Statutory Auditors Junionfin SpA.
- Chairman of the Board of Statutory Auditors Marionnaud Parfumeries Italia SpA.
- Chairman of the Board of Statutory Auditors Twister Communication Group SpA.
- Chairman of the Board of Statutory Auditors Vibro-mac Srl.
- Chairman of the Board of Statutory Auditors of Xilografia Nuova srl.
- Chairman of the Board of Directors Masseria Giancamisa Soc. Agr. Srl.
- Chairman of the Board of Directors Nava Viganò Revisori Associati Srl.
- External Auditor of Assovernici.
- External Auditor of Ilas.
- External Auditor of Progetto DDD Onlus.
- Statutory Auditor Finset Srl.
- Statutory Auditor Fratelli Re SpA.
- Statutory Auditor Generale de Santé Italia SpA.
- Statutory Auditor Immobiliare Parabiago SpA.
- Statutory Auditor Immobiliare Risanamento SpA.
- Statutory Auditor Pompetravaini SpA.
- Statutory Auditor Vi.Ma. SpA.
- Sole Statutory Auditor of Temec srl.