



**ILLUSTRATIVE REPORTS
OF THE BOARD OF DIRECTORS
FOR THE SHAREHOLDERS' MEETING
OF APRIL 29, 2020
ON POINTS 1, 2, 3 AND 4
OF THE AGENDA**

**ILLUSTRATIVE REPORT
OF THE BOARD OF DIRECTORS
TO THE ORDINARY SHAREHOLDERS' MEETING
OF APRIL 29, 2020**

- 1. Financial Statements of Garofalo Health Care S.p.A. at December 31, 2019. 2019 Directors' Report. Report of the Board of Statutory Auditors and of the Independent Audit Firm. Presentation of the Consolidated Financial Statements at December 31, 2019 and of the 2019 consolidated Non-Financial Report pursuant to Legislative Decree No. 254 of December 30, 2016. Resolutions thereon.***

Dear Shareholders,

your Company's Board of Directors has called you to the Ordinary Shareholders' Meeting to propose the approval of the financial statements of Garofalo Health Care S.p.A. (the "**Company**") as at December 31, 2019, comprising the balance sheet, income statement, cash flow statement and notes to the financial statements, in accordance with law.

The Company's "Annual Financial Report at December 31, 2019" is available to the public according to law at the Company's registered office, at Borsa Italiana S.p.A., at the "eMarket STORAGE" authorised storage mechanism available at www.emarketstorage.com, and on the Company's website. It contains the Company's draft financial statements and the consolidated financial statements approved by the Board of Directors on March 23, 2020, together with the Directors' Report on Operations and the certification referred to in Article 154-bis, Section 5, of Legislative Decree No. 58 of February 24, 1998 (the "**CFA**").

The reports of the Board of Statutory Auditors and the Independent Audit Firm are available on the Company's website along with the Annual Financial Report. Reference should therefore be made to these documents.

The 2019 consolidated Non-Financial Report pursuant to Legislative Decree no. 254 of December 30, 2016 and Consob Regulation no. 20267 of January 18, 2018, approved by the Board of Directors on March 23, 2020, is also available to the public by the same means. Specifically, this report contains information on environmental, social and personnel issues, respect for human rights and the fight against active and passive corruption.

It should be noted that the Consolidated Financial Statements, the Directors' Report, the reports of the Board of Statutory Auditors and the Independent Audit Firm, as well as the Non-Financial Report, are presented to the Shareholders' Meeting for informational purposes only, since they are not subject to approval by the Meeting.

As such, we request your approval for the Company's Financial Statements at December 31, 2019.

We therefore submit for your approval the following resolution:

"The Shareholders' Meeting of Garofalo Health Care S.p.A, meeting in ordinary session,

- having heard and noted the information set out by the Board of Directors;*
- having examined the Garofalo Health Care S.p.A financial statements at December 31, 2019, comprising the balance sheet, income statement, cash flow statement and the notes to the financial statements;*

- *having noted the Directors' Report, the statement as per Article 154-bis, paragraph 5 of Legislative Decree no. 58 of February 24, 1998, the Reports of the Board of Statutory Auditors and of the Independent Audit Firm, of the Consolidated Non-Financial Report as per Legislative Decree no. 254 of December 30, 2016, and of the consolidated financial statements at December 31, 2019*

resolves

to approve the financial statements at December 31, 2019 in all their parts and findings."

Rome, March 23, 2020

The Chairman of the Board of Directors

Alessandro Maria Rinaldi

**ILLUSTRATIVE REPORT
OF THE BOARD OF DIRECTORS
TO THE ORDINARY SHAREHOLDERS' MEETING
OF APRIL 29, 2020**

2. Allocation of the net profit for the year; resolutions thereon.

Dear Shareholders,

the financial statements at December 31, 2019 which we submit for your proposal as per point 1 on the agenda show a profit for the year of approximately Euro 1,673 thousand.

Article 40 of the By-Laws states that, in accordance with law, "5% (five percent) of the net profits resulting from the company's financial statements must be retained in the statutory reserve, until said reserve has reached an amount equal to one fifth of the share capital" and that "from the net profits, an amount equal to a maximum of 1% (one percent) of the same must also be deducted, according to the indications provided by the Board of Directors, to be allocated to a fund to be used autonomously by the Board of Directors for scientific and/or charitable purposes".

The Board of Directors confirms that the legal reserve has not reached an amount equal to one-fifth of the share capital, and that consequently an amount of approximately Euro 84 thousand will be deducted from the net profits to be allocated to the legal reserve.

The Board of Directors also proposes to deduct from the year's profit an amount of approximately Euro 17 thousand, in compliance with the statutory limit, to be disbursed by the Board of Directors "for scientific and/or charitable purposes".

Considering the above and the result, we therefore propose the following allocation of the profit for the period: Euro 83.66 thousand to the legal reserve, Euro 16.73 thousand to the provision as per Article 40 of the By-Laws, and the remainder - Euro 1,572.76 thousand - to the extraordinary reserve.

We therefore submit for your approval the following resolution:

"The Shareholders' Meeting of Garofalo Health Care S.p.A, meeting in ordinary session,

- having heard and noted the information set out by the Board of Directors;

resolves

to allocate Euro 83.66 thousand to the legal reserve, Euro 16.73 thousand to the provision as per Article 40 of the By-Laws, and Euro 1,572.76 thousand to the extraordinary reserve."

Rome, March 23, 2020

**The Chairman of the Board of Directors
Alessandro Maria Rinaldi**

**ILLUSTRATIVE REPORT
OF THE BOARD OF DIRECTORS
TO THE ORDINARY SHAREHOLDERS' MEETING
OF APRIL 29, 2020**

3. *Appointment of three members of the Board of Directors in accordance with Article 2386 of the Civil Code and allocation of the relative remuneration; resolutions thereon.*

Dear Shareholders,

in relation to the third item on the agenda, you are called upon to discuss and resolve on the appointment of three members of the Board of Directors, to supplement the Board in office, pursuant to Article 2386 of the Civil Code.

In this regard, it should be noted that the Shareholders' Meeting held on October 29, 2018 resolved, among other things, to set the number of members of the Board at eleven. Following the resignation of the three Independent Directors, the Board of Directors, in accordance with the provisions of Article 2386 of the Civil Code and Article 27 of the By-Laws, replaced them during the meeting held on June 18, 2019 by co-opting Ms. Franca Brusco, Mr. Federico Ferro-Luzzi, and, in the meeting of July 3, 2019, Ms. Grazia Bonante. In this regard, it should be noted that Ms. Franca Brusco was co-opted by the Board of Directors on the recommendation of the Assogestioni Managers' Committee, which ruled on the basis of an express request by the Company.

The Board of Directors has verified that the co-opted Directors meet the requirements of independence pursuant to both Article 148, paragraph 3, of Legislative Decree no. 58 of February 24, 1998 ("CFA"), as referred to in Article 147-ter, paragraph 4, of the CFA, and Article 3 of the Self-Governance Code. These independence requirements for the three co-opted Directors were verified by the Board of Directors at the time of their respective appointments, on the basis of the documentation provided by the parties concerned and the information available to the Company, and in particular on the basis of the following documents: (i) an updated *curriculum vitae*, accompanied by a list of all administrative and control positions held in other companies; (ii) notice of acceptance of the appointment to the office of Director of the Company; (iii) certification of the possession of the requirements of integrity for the office of Statutory Auditor in listed companies, as per Article 148, paragraph 4, of the CFA and Article 2 of Ministry of Justice Decree no. 162 of March 30, 2000, as referred to in Article 147-quinquies of the CFA; (iv) certification of the possession of the requirements for independence established by Article 148, paragraph 3, of the CFA, as referred to in Article 147-ter, paragraph 4, of the CFA, and Application Criterion 3.C.1. of the Self-Governance Code. The *curriculum vitae* and the list of positions held by the co-opted Directors - updated to the date of publication of this illustrative report - are attached to the "*Report on Corporate Governance and Ownership Structure*" prepared in accordance with Article 123-bis of the CFA and available on the Company's website www.garofalohealthcare.com.

Also in accordance with Article 27 of the By-Laws and Article 2386 of the Civil Code, the aforementioned Directors have been appointed and will remain in office until the next Shareholders' Meeting. This is, therefore, called upon to proceed with the supplementation of the Board of Directors in accordance with the ordinary procedures and majorities provided for by law and the By-Laws and, therefore, without applying the slate voting mechanism, as these are not cases of full renewal of the Board of Directors.

It is therefore necessary to supplement the Board by appointing three Directors who, in accordance with law, will remain in office until the conclusion of the mandate of the current Board, i.e. until the Shareholders' Meeting called to approve the financial statements at December 31, 2020.

Considering the recommendations made by the Appointments and Remuneration Committee on professional figures whose presence on the Board is considered opportune, the Board of Directors therefore proposes to appoint as members of the Board of Directors those persons already co-opted by the Board of Directors, namely Ms. Franca Brusco, born in Catanzaro (CZ) on October 5, 1971, tax code BRSFNC71R45C3520 (suggested at the time of co-option by the Committee of Managers of Assogestioni), Mr. Federico Ferro-Luzzi, born in Rome (RM) on September 22, 1968, tax code FRRFRC68P22H501C, and Ms. Grazia Bonante, born in Foggia (FG) on October 23, 1967, tax code BNNGRZ67R63D6430. The Board of Directors also proposes that the emoluments for these newly-appointed Directors should correspond to those allocated to the other members of the Board of Directors by the Shareholders' Meetings of July 31, 2018, August 8, 2018 and October 29, 2018.

We therefore submit for your approval the following resolution:

"The Shareholders' Meeting of Garofalo Health Care S.p.A, meeting, in ordinary session,

- *having taken note of the conclusion of office of the three co-opted Directors in office until today, and the consequent need to appoint three members to the Board of Directors pursuant to Article 2386 of the Civil Code;*
- *deeming it appropriate to confirm the candidates proposed by the Board of Directors and to pay them the same emolument as allocated to the other Directors by the Shareholders' Meetings of July 31, 2018, August 8, 2018 and October 29, 2018,*

resolves

- 1) *to appoint as members of the Board of Directors the following candidates, for a term of office until the expiration of the term of office of the current Board of Directors and thus concluding on the date of the Shareholders' Meeting called to approve the financial statements at December 31, 2020:*
 - *Ms. Franca Brusco, born in Catanzaro (CZ) on October 5, 1971, tax code BRSFNC71R45C3520 (identified at the time of co-option by Assogestioni);*
 - *Mr. Federico Ferro-Luzzi, born in Rome (RM) on September 22, 1968, tax code FRRFRC68P22H501C, and;*
 - *Ms. Grazia Bonante, born in Foggia (FG) on October 23, 1967, tax code BNNGRZ67R63D6430;*
- 2) *to allocate to each of the Directors thus appointed an annual gross emolument of Euro 20,000;*
- 3) *to grant the Chairman and the Chief Executive Officer, severally, the widest possible powers to implement the resolution referred to in point 1), including through third-party attorneys and intermediaries, in compliance with the requirements of the applicable legislation and the relevant authorities"*

Rome, March 23, 2020

The Chairman of the Board of Directors

Alessandro Maria Rinaldi

**ILLUSTRATIVE REPORT
OF THE BOARD OF DIRECTORS
TO THE ORDINARY SHAREHOLDERS' MEETING
OF APRIL 29, 2020**

4. Approval of the Remuneration Policy and Report as per Article 123-ter of the CFA.

Dear Shareholders,

the Board of Directors presents and submits for your approval the Remuneration Policy and Report approved by the Board of Directors of the Company on March 23, 2020, following adoption of the proposal of the Nominations and Remuneration Committee on March 23, 2020, pursuant to Article 123-ter of Legislative Decree no. 58 of February 24, 1998 ("CFA"), Article 84-*quater* and Annex 3A, Scheme 7-*bis* of Regulation no. 11971 approved by Consob with resolution dated May 14, 1999 and subsequent amendments and additions (the "Issuers' Regulation").

The Board of Directors notes that Article 123-ter of the CFA was significantly amended by Legislative Decree no. 49 of May 10, 2019 (the "Decree") containing "*Implementation of Directive 2017/828 of the European Parliament and Council of May 17, 2017 amending Directive 2007/36/EU as regards encouraging long-term shareholder commitment*" (*Directive on Shareholder Rights 2 or DSHR 2, the "Directive"*).

The Directive, in particular, aims to: (i) strengthen shareholder engagement, (ii) facilitate the exercise of their rights, and (iii) with regard to remuneration policies, increase transparency, strengthen the rights relating to the so-called "say on pay" and create a level playing field in the European market.

It should also be noted that the new provisions of Article 123-ter of the CFA apply immediately, regardless of the implementation of secondary legislation by Consob, and therefore as from the Remuneration report that is the subject of this illustrative report.

Among the main new regulations, the following information is of particular note.

The Report - pursuant to the new Article 123-ter of the CFA - is divided into two sections:

- (i) the first must clearly and comprehensibly describe the Company's policy on remuneration of members of the Board of Directors, of General Managers and of Senior Executives for at least the following year, and, without prejudice to Article 2402 of the Civil Code, members of the control boards, as well as the procedures utilised for the adoption and implementation of this policy.

This section is submitted for your approval, and the resolution passed by the Shareholders' Meeting is binding. Should the Shareholders' Meeting fail to approve this first section of the Report, the Company would be required to continue to pay remuneration in accordance with the most recent remuneration policy on which the Shareholders' Meeting passed a favourable resolution on May 24, 2019;

(ii) the second must provide a clear, comprehensible and adequate description of each of the items that make up remuneration, and illustrate analytically the remuneration paid during the year, as well as how the Company took into account last year's vote on this second section of the Report.

This section is submitted for your approval, and the resolution passed by the Shareholders' Meeting, whether favourable or unfavourable, is not binding.

The Remuneration Policy and Report is made available to the public, as per law, at the Company's registered office, at Borsa Italiana S.p.A. and on the Company's website. Reference should therefore be made to it.

We therefore submit for your approval the following resolution:

“The Shareholders’ Meeting of Garofalo Health Care S.p.A, meeting in ordinary session, having noted the Remuneration Policy and Report, and, in particular:

- *Section I, which describes the Company’s policy on remuneration of members of the Board of Directors, of General Managers and of Senior Executives for 2020, and, without prejudice to Article 2402 of the Civil Code, members of the control boards, and the procedures utilised for the adoption and implementation of this policy,*
- *Section II, which provides an adequate description of each of the items that make up remuneration, and illustrates analytically the remuneration paid during 2019,*

approved by the Board of Directors of the Company on March 23, 2020, on the proposal of the Appointments and Remuneration Committee adopted on March 23, 2020, pursuant to Article 123-ter of the CFA and Article 84-quater and Annex 3A, Scheme 7-bis of the Issuers' Regulation

resolves

- 1) *to approve, with a binding resolution, Section I of the Remuneration Policy and Report, which describes the Company’s policy on remuneration of members of the Board of Directors, of General Managers and of Senior Executives for 2020, and, without prejudice to Article 2402 of the Civil Code, members of the control boards, as well as the procedures utilised for the adoption and implementation of this policy;*
- 2) *to approve, with a non-binding resolution, Section II of the Remuneration Policy and Report, which provides an adequate description of each of the items that make up remuneration, and illustrates analytically the remuneration paid during 2019.”*

Rome, March 23, 2020

The Chairman of the Board of Directors
Alessandro Maria Rinaldi



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