

**REPORT OF THE BOARD OF DIRECTORS ON THE SIXTH ITEM OF THE AGENDA OF THE ORDINARY MEETING**

**Additional fees regarding the external audit assignment related to the Poste Italiane S.p.A. Financial Statements and the consolidated financial statements for each fiscal year of the three-years period 2017-2019 pursuant to articles 13, 14, and 16 of Legislative Decree n. 39/2010.**

Shareholders,

This point concerns the supplement to the fee for the assignment to perform the statutory audit of the accounts entrusted to PricewaterhouseCoopers S.p.A for the financial years from 2017 to 2019.

The Board of Directors therefore submits for the approval of this Meeting the reasoned proposal formulated by the Board of Statutory Auditors pursuant to Article 13(1) of Legislative Decree No 39 of 27 January 2010 concerning the supplement to the fee paid to PricewaterhouseCoopers S.p.A for financial years from 2017 to 2019 set out below.

“Shareholders,

*With the resolution passed by the Shareholders’ Meeting of 14 April 2011, at the reasoned proposal of the Board of Statutory Auditors, the assignment, for financial years 2011 to 2019, to perform the statutory audit of the annual and consolidated financial statements of Poste Italiane and the consolidated condensed half-year financial statements of the Poste Italiane Group, and the audit of the accounting unbundling activities of Poste Italiane S.p.A, was entrusted to PricewaterhouseCoopers S.p.A (hereinafter, also PwC) in accordance with Articles 13 and 17 of the version then in force of Legislative Decree No 39/2010.*

*With respect to the date of conferring the nine-year assignment, the following should first be noted.*

– *The rules governing statutory audits have recently undergone a wide-ranging review. The aim was to provide greater transparency with respect to audit obligations and to increase the independence and objectivity of auditors and auditing firms.*

*In particular, the European Parliament and the Council of the European Union, on 3 and 14 April respectively, approved the following acts to be read jointly and as forming an integral whole:*

- *Regulation (EU) No 537/2014 of 16 April 2014 (hereinafter also “EU Regulation”) on specific requirements regarding the statutory audit of public-interest entities, directly applicable, as a primary source of law, with effect from 17 June 2016;*
- *Directive No 2014/56 of 16 April 2014 (amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, transposed into our legal system through Legislative Decree No 39/2010), transposed into Italian law on 21 July 2016 through Legislative Decree No 135/2016, which entered into force on 5 August 2016 and amended the provisions of Legislative Decree No 39/2010.*

*Regulation 2014/53/EU envisages, inter alia, that the audit report should also contain additional information regarding the most significant assessed risks of material misstatement (Key Audit Matters).*

*Similarly, the additional report to which Article 11 of the EU Regulation refers replaces and, to a significant degree, expands upon the report on key matters.*

*In addition, as of 1 January 2018 the following new international accounting standards are to be applied:*

- *IFRS 9 Financial Instruments, adopted through Commission Regulation (EU) No 2016/2067 and applicable from 1 January 2018, which replaces International Accounting Standard (IAS) 39 and contains a model for the classification and measurement of financial instruments based on three categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss;*
- *IFRS 15 Revenue from contracts with customers, adopted through Regulation (EU) No 2016/1905 and applicable since 1 January 2018, which replaces IAS 18 and 11. IFRS 15*

*introduces a model to identify revenue focused on identifying individual contractual obligations.*

*Considering the activity of the Poste Italiane Group, the introduction of the above accounting standards, and in particular IFRS 9, has a significant impact on the financial reporting process. The above-mentioned changes regarding the application of IFRS 9 involve a significant amount of one-off activities by the audit company in the course of the financial years ending 31.12.2017 and 31.12.2018. These entail the analysis and comprehension of the approaches identified, the verification of the procedural arrangements and support systems implemented by Poste Italiane, the testing of balances and transactions, including back-testing, in place on the date of the transition. They also involve the periodic performance of new and additional audit activities.*

*In this regard, on 6 September 2017 Poste Italiane received from the audit firm, in the light of the new legislative framework, a proposed supplement to the nine-year statutory audit mandate for 2017-2019. This contained a description of the subject and purpose of the proposal, the nature of the engagement and of the additional activities, and the corresponding fee adjustment as shown in the attached table (Annex 1).*

*The fee supplement requested by PwC amounts to €350,000 (excluding VAT) for the three-year period 2017-2019. This sum is broken down as follows: €130,000 for 2017, in consideration of the introduction of the new methodologies, and €110,000 for each of the following two years.*

*The conferral of the assignment, in line with the provisions of Article 13(1) of Legislative Decree No 39/2010, must be decided by the Shareholders' meeting at the reasoned proposal of the Board of Statutory Auditors.*

*For the purposes of the preliminary appraisal for which it is competent, the Board of Statutory Auditors took the following action.*

- The Board of Statutory Auditors examined PwC's proposal, asking the auditor for further information on its detailed activities, with a quantification of the hours and the mix of*

*professionals involved. The fee is calculated by applying the same average hourly fee (about €62/hour) as in the original nine-year contract with a professional mix weighted more towards experts. The auditor pointed out that performing the additional activities in question requires the involvement of professional resources with the relevant experience/level of specialisation. This is because they are related to the introduction of important new developments that have a direct impact on the production of the deliverables (reports on the financial statements, report on significant matters pursuant to Article 11 of Regulation (EU) No 537/2014, declaration of independence, opinion on the annual report's compliance with the law, etc.) and concern the initial application/reporting of complex technical procedures such as those required by IFRS 9.*

- The Board of Statutory Auditors also met the head of the Administration and Budget Department of Finance and Audit (AFC), as well as the executive in charge of drawing up the company's accounting documents, to examine with said executive whether the additional activities envisaged by PwC were reasonable, in terms of the description of those activities and the quantification of the hours involved.*
- The Board of Statutory Auditors received from the head of Legal Affairs a statement to the effect that the conferral of the supplementary auditing assignment is compatible with the original nine-year statutory audit contract, given that the original contract envisages the possibility of variations and additional services required or deemed necessary by Poste.*
- The Board of Statutory Auditors received from the head of Administration and Budget and the executive concerned a note in which the former provides an analysis of the request for a fee supplement for the purpose of assessing its congruence. The head of Administration and Budget also provided the outcome of a benchmark analysis which shows that the supplements requested by PwC are in line with the minimum fee increase that the other leading audit firms have asked customers/public-interest entities to pay;*
- The Board of Statutory Auditors received a statement from the head of Procurement to the effect that the assignment is compatible with the public procurement legislation*

*and with internal procedures (taking into account that PwC is the only provider to which the assignment can in effect be conferred).*

- *The Board of Statutory Auditors received from PwC, on 1 March, the confirmation of independence referred to in Article 6 of Regulation (EU) No 537/2014.*

*As a result of the above activities, the Board of Statutory Auditors considers that the request to supplement the audit activities, in the light of the statements provided by the company's departments, is consistent with the statutory audit process as referred to in the engagement currently in place, considering the new audit activities imposed by the new legislative provisions. The Board of Statutory Auditors also considers the assignment to be appropriate with respect to the professional commitment required and in line with the existing economic conditions.*

In the light of the above, and in keeping with the terms of the proposed supplement to the nine-year statutory audit mandate requested by the audit firm, the Board of Statutory Auditors proposes that the Meeting confer “The assignment to perform supplementary statutory procedures regarding the financial statements and consolidated financial statements of Poste Italiane S.p.A for each financial year of the three-year period 2017-2019” to the audit firm PwC (entered in the special register envisaged by Article 161 of Legislative Decree No 58/98 (Consolidated Law on Financial Intermediation), with registered office in Milan, Via Monte Rosa, 91, for the total net amount of €350,000 (three hundred and fifty thousand euro), plus VAT, broken down as follows for each financial year: €130,000 (one hundred and thirty thousand euro) for 2017 and €110,000 (one hundred and ten thousand euro) for each of the following two financial years”.

Annex 1 "Additional activities and corresponding fee"

<b>Additional activities relating to the reform of statutory audit for financial year 2017</b>						
	Discounted hourly fee as per statutory audit proposal for 2011-2019	Estimated hours	Estimated fees in €	Estimated professional mix	Minimum professional mix as per statutory audit proposal 2011-2019	
Partner	190,80	130	24.804	20%	10%	
Executive	128,63	130	16.722	20%	10%	
Expert auditor	46,34	260	12.048	40%	47%	
Assistant	25,08	130	3.260	20%	33%	
<b>Total</b>		<b>650</b>	<b>56.835</b>	<b>100%</b>	<b>100%</b>	
		(b)	(B)			
Differential paid by PwC (A)			- 16.835	-30% (A/B)		
	Total net estimated fees in €		40.000 (a)			
	Estimated net average hourly fee in €		62 (a/b)			

<b>Additional activities relating to the new IFRS 9/15 standards for financial year 2017</b>						
	Discounted hourly fee as per statutory audit proposal for 2011-2019	Estimated hours	Estimated fees in €	Estimated professional mix	Minimum professional mix as per statutory audit proposal 2011-2019	
Partner	190,80	218	41.499	15%	10%	
Executive	128,63	363	46.628	25%	10%	
Expert auditor	46,34	653	30.237	45%	47%	
Assistant	25,08	218	5.455	15%	33%	
<b>Total</b>		<b>1.450</b>	<b>123.819</b>	<b>100%</b>	<b>100%</b>	
		(b)	(B)			
Differential paid by PwC (A)			- 33.819	-27% (A/B)		
	Total net estimated fees in €		90.000 (a)			
	Estimated net average hourly fee in €		62 (a/b)			

Annex 1 "Additional activities and corresponding fee"

<b>Additional activities relating to the reform of statutory audit for financial years 2018 and 2019</b>						
	Discounted hourly fee as per statutory audit proposal for 2011-2019	Estimated hours	Estimated fees in €	Professional mix	professional mix as per statutory	
Partner	190,80	86	16.313	15%	10%	
Executive	128,63	114	14.664	20%	10%	
Expert auditor	46,34	228	10.566	40%	47%	
Assistant	25,08	143	3.574	25%	33%	
<b>Total</b>		<b>570</b>	<b>45.117</b>	<b>100%</b>	<b>100%</b>	
		(b)	(B)			
Differential paid by PwC (A)			- 10.117		-22% (A/B)	
	Total net estimated fees in €		35.000	(a)		
	Estimated net average hourly fee in €		61	(a/b)		
<b>Additional activities relating to the new IFRS 9/15 standards for financial years 2018 and 2019</b>						
	Discounted hourly fee as per statutory audit proposal for 2011-2019	Estimated hours	Estimated fees in €	Professional mix	professional mix as per statutory	
Partner	190,80	144	27.475	12%	10%	
Executive	128,63	300	38.589	25%	10%	
Expert auditor	46,34	480	22.243	40%	47%	
Assistant	25,08	276	6.922	23%	33%	
<b>Total</b>		<b>1.200</b>	<b>95.229</b>	<b>100%</b>	<b>100%</b>	
		(b)	(B)			
Differential paid by PwC (A)			- 20.229		-21% (A/B)	
	Total net estimated fees in €		75.000	(a)		
	Estimated net average hourly fee in €		63	(a/b)		