

REPORT OF THE BOARD OF DIRECTORS ON THE EIGHT ITEM OF THE AGENDA**Appointment of the Independent Auditors for the nine-year period 2020-2028 and determination of the remuneration.**

Shareholders,

This point concerns the appointment of the independent auditors for the nine-year period 2020-2028 and determination of the remuneration.

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 appointment of the independent auditors for the nine-year period 2020-2028 and determination of the remuneration set out below.

“Dear Shareholders,

the General Meeting of shareholders called to approve the financial statements at 31 December 2019 will also mark the expiry of the appointment, for the period from 2011 to 2019, of the audit firm PricewaterhouseCoopers S.p.A (hereinafter “PwC”), on 14 April 2011, to audit the company and consolidated financial statements of Poste Italiane S.p.A. (hereinafter “Poste” or the “Parent Company” or the “Company”), including the abbreviated six-monthly consolidated report of Poste Italiane Group (hereinafter the “Group”) and the accounting separation activities of Poste.

In the light of the applicable regulations – as recently amended by Regulation (EU) No. 537/2014 (hereinafter the “EU Regulation”) and Legislative Decree 135/2016 – it will no longer be possible to renew the appointment of, nor re-engage, PwC, except after at least four years from the prior appointment.

In order to ensure a smooth transition between the current and the future audit firm, this Board of Statutory Auditors (hereinafter also the “Board”), in its capacity as “Internal Control and Audit Committee”, pursuant to paragraph 1, letter f), of article 19 of Legislative

Decree 39/2010, agrees with the proposal, by the competent management authorities of Poste, to bring forward the procedure for the selection and appointment of a new audit firm for the next 9-year period, from 2020 to 2028, in order to allow the General Meeting to decide on and approve, in good time, the new engagement. This step, besides being allowed by Italian law, is also consistent with the decisions taken by other national and international companies and with the applicable regulations governing incompatibility and independence, in particular with a view to preventing any circumstances of incompatibility, in relation to the prohibited non-audit services (article 5, paragraph 1, of the EU Regulation), several of which (letter e) of the said article 5) to be assessed for the 12 months prior to the inception of the appointment (in this specific case, from 1 January 2019).

Therefore, in June 2018, the Company kicked off the preliminary activities for the selection and appointment of a new audit firm, for the period from 2020 to 2028, in accordance with the applicable regulations, a more detailed description of which is provided below, sharing the relevant process with the Board. In this preliminary phase, inter alia, the Board has addressed and investigated several aspects of the process, including the determination of the type of tender process, the identification of the services relating to the tender and the proposal to appoint a single Group-wide audit firm. The preliminary investigation has been carried out with the involvement of all the subsidiaries, which include Public-Interest Entities (PIEs), within the meaning of the national regulations (Poste Vita S.p.A., Poste Assicura S.p.A.), and an Entity subject to an intermediate regime (PostePay S.p.A.).

An interdisciplinary Working Group (hereinafter the “WG”) was set up for the planning, coordination and implementation of the audit firm appointment activities, whose membership comprises the Company’s Financial Reporting Officer and representatives of the AFC Administration & Budgeting function and the Procurement, Corporate Affairs and Legal Affairs functions.

Consistently with the current regulatory framework, the Board of Statutory Auditors, pursuant to paragraph 2 of article 16 of the EU Regulation, has prepared the following recommendation (hereinafter also the “Recommendation”), in accordance with the applicable regulations.

Regulatory framework

The Community regulations governing the auditing of accounts has recently been modified by the two following instruments:

- *Directive 2006/43/EC, as amended by Directive 2014/56/EU on statutory audits of annual accounts and consolidated accounts, transposed into Italian Legislative Decree 39/2010, as amended by Legislative Decree 135/2016; and*
- *Regulation (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities, which entered into effect on 17 June 2016.*

In particular, article 16, paragraph 2, of the EU Regulation has strengthened the role of the Board of Statutory Auditors, acting as an “Internal Control and Audit Committee”, being tasked to submit a justified recommendation to enable the General Meeting to make a more considered and informed decision: “The audit committee shall submit a recommendation to the administrative or supervisory body of the audited entity for the appointment of statutory auditors or audit firms.”

Pursuant to paragraph 1 of article 19 of Legislative Decree 39/2010: “In the case of public-interest entities, the internal control and audit committee is tasked with: ... f) the responsibility for the procedure aimed at selecting the statutory auditors or audit firm and to recommend the statutory auditors or audit firm to be designated pursuant to article 16 of the EU Regulation”, and, pursuant to paragraph 2 of the said Legislative Decree “The internal control and audit committee shall be identified with: a) the board of statutory auditors”.

The purpose of the new regulation is to further harmonise the provisions originally introduced by Directive 2006/43/EC, across the European Union, to ensure a greater transparency and predictability of the obligations applying to the entities tasked with auditing a company’s accounts, and to increase their independence and objectivity in the performance of their duties, also with a view to increasing the trust of the public in the annual and consolidated accounts of the entities.

The Recommendation sets out the stages of the selection procedure prepared by the Company, according to the criteria found in article 16 of the EU Regulation, for which the

Board of Statutory Auditors has assumed responsibility pursuant to article 16, paragraph 3, of the said Regulation.

Preliminary activities to the selection procedure

The Board of Statutory Auditors has, first and foremost, shared the type of tender identified by the Company for the purposes of the selection procedure, namely, a restricted European tender procedure consisting of two stages: i) the first, beginning with the publication of the prequalification notice in the Official Journal (Gazzetta Ufficiale), aimed at identifying the audit firms eligible and qualified to take part in the tender procedure; ii) the second step is to identify – based on a tender among the participating companies – the company deemed most suited to occupy the position. Therefore, the tender procedure is consistent with the applicable regulatory positions, including Legislative Decree 50/2016, as amended (the so-called “Public Procurement Code”).

Regarding the services referred to in the tender procedure, the Board has recommended to include all the other audit-related services among the activities to be awarded, which, due to their specific characteristics (nature, recurrence, regulatory requirements) may be envisaged in advance and which it is deemed expedient/necessary to award to the said audit firm.

Regarding the decision to perform a single tender procedure for selecting a single Group-wide audit firm for the 9-year period between 2020 and 2028, through the publication of a single call for tenders for the purpose of awarding the auditing services contract relating to Poste and its subsidiaries, and also including the consolidated financial statements of Poste Group and of Poste Vita group, also involving as the contracting authorities all the subsidiaries controlled by the Parent Company, on 20 July 2018 the Board notified to the Internal Control Bodies of the Group companies its intention to manage the tender procedure in a centralised manner, taking on the role of coordinating entity and receiving a positive response from the Boards of Statutory Auditors of all the subsidiaries, in particular the PIEs Poste Vita and Poste Assicura.

This solution, which does not contrast with article 16, paragraph 3, of the EU Regulation, considering that the contractor will be selected, in any case, through a competitive procedure – albeit within the Group as a whole – will foster and enhance the effectiveness

and efficiency of the intra-group auditing process and also reduce the relevant costs and bureaucratic formalities.

Finally, the Board, without prejudice to the decision to select the audit firm through a tendering procedure, and in consideration of the complex organisation of Poste, preventively agreed with the WG the characteristics that the applicants must possess in order to effectively perform the auditing activities of Poste Italiane Group.

The pre-selection stage

The Board of Statutory Auditors agrees with the prequalification criteria, as identified within the WG, on the basis of the size, characteristics and complexity of Poste Italiane Group, and considers them to be clear, objective and aimed at ensuring a transparent and traceable procedure, with regard to both the activities carried out and the decisions taken.

Regarding the professional and technical requirements of the applicants, the following selection criteria have been envisaged:

- having performed professional auditing engagements – in the 2015-2017 3-year period*
 - with regard to the consolidated financial statements of at least 2 companies included, at 31 December 2017, in the FTSE MIB 40 Index, either directly or through other members of the network to which they belong;*
- possessing – or undertaking to set up, in the event of a successful tender and, in any case, before entering into the Framework Agreement – operational facilities in Rome, where the head office and operating units of the Group are based.*

Furthermore, the following subjective requirements have been identified:

- registration with a Chamber of Commerce (C.C.I.A.A.) in Italy, or equivalent organisation in the case of applicants based in an EU-member State;*
- absence of grounds for disqualification referred to in article 80 of Legislative Decree 50/2016, as referred to in article 133, paragraph 1, of the said Decree;*
- registration with the list of approved auditing firms – Registro dei revisori legali dei conti – kept by the Italian Ministry of Economy and Finance, pursuant to Legislative Decree 39/2010, as amended;*

- *absence of any circumstances, within the applicants or the network to which the applicant belongs, such as to affect and impair the independence of the firm or give rise to any situations of incompatibility or (actual or potential) conflict of interest, as referred to in article 12 of Legislative Decree 135/16 and in accordance with Legislative Decree 39/2010 and with the applicable (national and EU) regulations governing the auditing of accounts, or the commitment to resolve any such issues;*
- *commitment to terminate any engagements regarding the delivery of non-audit services, which, under article 5 of the EU Regulation, are strictly prohibited for the audit firm, or any member of the network to which the audit firm belongs.*

The above mentioned criteria have been included in the prequalification notice by the Company, on 3 August 2018, in agreement with the Board of Statutory Auditors.

The draft prequalification notice also describes the nature of the services to be provided:

- *the legal auditing of the accounts of Poste Italiane Group in the 9 financial from 2020 to 2028 (including the auditing of the annual consolidated accounts, of the annual separate accounts and of the consolidated financial report);*
- *additional services strictly related to the legal auditing of the Group members' accounts, such as, given by way of example only and without limitation:*
 - ✓ *attesting documents or opinions which the appointed audit firm is required to issue by law (accounting separation of postal services, interim dividends);*
 - ✓ *auditing services relating to the issuing of attesting documents or comfort letters (EMTN Programme);*
 - ✓ *attesting documents relating to the auditing of separate assets (former ISAE 3000), or as provided by any special regulations applying to the Insurance and Banking sectors;*
 - ✓ *auditing services aimed at issuing attesting documents for tax purposes required by law (statements of conformity);*
 - ✓ *auditing procedures requested by regulatory bodies or otherwise foreseeable as being of a recurrent nature.*

Finally, the prequalification notice encloses the formats relating to the following documents to be submitted by the applicants:

- the tender application;
- a declaration to the effect that the applicant possesses the professional, technical and subjective qualifications mentioned above; in particular, the applicant must (i) declare that it is not:
 - ✓ engaged in the provision of any prohibited non-audit services from 2019, or which would be prohibited from 2020;
 - ✓ affected by any circumstances of incompatibility, no later than 1 September 2019.

Analysis and evaluation of the responses received in relation to the prequalification notice

The following entities examined the prequalification notice documents: BDO SpA, Crowe AS, Deloitte & Touche SpA, Ernst & Young SpA, KPMG SpA, Mazars SpA, PwC Advisory SpA, of which the following submitted an application for participating in the selection process, namely Deloitte & Touche SpA, Ernst & Young SpA and KPMG SpA.

Based on the assessment of the conformity and completeness of the documents produced by the said applicants, in accordance with the prequalification notice, the companies shortlisted and invited to submit a tender for the auditing services of the Group's accounts were Ernst & Young SpA, Deloitte & Touche SpA and KPMG SpA.

In order to rule out the existence or subsequent arising of any circumstances of incompatibility, the Board of Statutory Auditors made sure that Poste carried out the relevant checks on the three prequalified companies, with regard to both the contracts under way and the contracts in the process of being awarded, with a focus on any engagements for the delivery of services prohibited from 2019 and from 2020. To this end, the Company examined the declarations received, in the prequalification stage, from the qualified applicants, sharing the information with the functions to which the relevant services will be provided, which functions were also pre-alerted as to the need of suspending the provision thereof from 1 January 2019 and of the possible early termination of the contract under way with the successful tenderer. Furthermore, the Company – with regard to any incompatible contracts and activities requiring a resolution within 1 January 2020 – determined the expression, by each prequalified company, of the commitment to

resolve the relevant incompatibility issues by 1 September 2019, in the event of the awarding of the contract.

The Board also made sure that Poste would continue to monitor both the contracts under way and those in the process of being awarded, as well as any extensions of contracts expiring on 31 December 2018, in order to rule out the existence or arising of any circumstances of incompatibility.

Invitations to tender and tenders

The Board of Statutory Auditors has agreed to the criteria determined by the WG for evaluating the tenders, according to which the contract would be awarded based on the choice of the tender offering the best value for money, pursuant to article 95 of Legislative Decree 50/2016 (the “Public Procurement Code”), envisaging a maximum of 70 points for the technical offer and 30 points for the financial offer. The Board of Statutory Auditors has agreed to the criteria for evaluating the technical offer, which have been notified to the Boards of Statutory Auditors of the subsidiaries, and especially to the PIEs Poste Vita and Poste Assicura.

Regarding the financial offer, it has been decided to assign the maximum score (30 points) to the company offering the best price compared to the basic contract value, with a lower score being assigned to the other companies, indexed on the basis of the difference between the relevant bid and the price offered by the company with the highest score.

The technical offer was broken down based on the following 3 macro-areas of evaluation:

- 1 – Quality of the work team, based on specific experience (maximum score of 35 points): the score is assigned depending on the quality of the work team, which is assessed by comparing the prior professional experience, as stated in the CVs of the team members (partner, executive manager and non-executive manager) and the business sectors of the audited legal entities;
- 2 – Number of hours envisaged and professional mix (maximum score of 20 points): a premium score assigned on the basis of the number of hours envisaged for the services and the best mix of professionals. The score will be assigned by converting into hours the expertise of the three top roles (partner, executive manager and non-executive

manager), multiplying the hours offered by the categories partner, executive manager and non-executive manager by 2, 1.5 and 1, respectively; minimum effort thresholds have also been provided, compared to the total hours employed for the services offered to each Group company;

- 3 – Operating approach (audit plan) by the audit firm and general characteristics of the company/competences (maximum score of 20 points): this component aims to assess the level of technicality, the understanding of the significant accounting issues of Poste Group, the degree of automation and strategies of the tenderer. In order to minimise the margin of discretion applied in awarding the score, the tenders committee must issue its judgment based on a predefined valuation scale, determined on the basis of the contents of a special document submitted by the tenderer and reporting the objectives, approach, information on the identification of the principal risk areas and the determination of the level of significance of Poste Italiane and the Group, the use of audit-supporting technologies, the team membership and the relevant timelines.

The Board of Statutory Auditors has examined the contents of the Technical Specifications – as proposed by the WG – requesting its integration/reformulation as follows:

- (i) the request for information on the IT tools that the tenderer intends to use for performing its services, with a view to controlling, on an ex post basis, the implementation by the future audit firm of the services included in its tender;
- (ii) the provision that – in the event it becomes necessary to request further services, during the 9-year term – the authorisation procedure for formalising the agreement meets the applicable regulations and with the Guidelines for the “Engagement of Audit Firms”, issued on 15 March 2017 to adapt the EU Regulation, and that the extra services be priced according to the average hourly rate of the 2020-28 audit contract;
- (iii) the provision of restrictive clauses for adjusting the rates in connection with any extraordinary and/or unforeseeable circumstances that give rise to considerable expenses, for the contractor, due to the additional services associated with the ordinary risks naturally related to the nature of the engagement.

Finally, the Board has recommended to raise the awareness of the tender committee about the importance of carefully assessing any anomalies in the tenders.

Downstream from the agreement of the evaluation criteria for the tenders and the Technical Specifications, the Company, on 26 October 2018, sent out invitations to tender, indicating the relevant contract awarding procedures and criteria. The tenders of the three qualified companies were received within 19 November 2018.

Appointment of the tender commission and evaluation of the tenders

On 3 December 2018, consistently with the applicable regulatory provisions, including Legislative Decree 50/2016, as amended (i.e. the “Public Procurement Code”), and in accordance with the criteria established by the Internal Regulation and the General Procedure for works, services and supply contracts, the tender commission appointed to assess and examine, in detail, the tenders received, in accordance with the relevant evaluation criteria (committee consisting of two members appointed by lot and three designated members, of which one must be an expert of the subject-matter of the contract).

In a preliminary capacity, based on the documents received, it has been confirmed that the tenderers belong to international networks with significant operations in Italy, offering services featuring high quality and professional standards.

In connection with the evaluation of the tenders, with the support of the competent Officer and of the WG, thorough investigations were carried out on the declarations by the tenderers and supplementary information collected, also for the purpose of assessing all the possible present and future risks of objectiveness and independence.

The examination of the tenders and of the additional information received have highlighted, inter alia, that:

- the audit procedures, as set out in the tenders, generally appears suited to the extent and complexity of the appointment;*
- the tenders feature a specific and justified declaration about the commitment to prove the possession of the independence requirements provided by the law, especially with regard to articles 10 and 17 of Legislative Decree 39/2010, in accordance with the applicable regulations;*

- *the tenderers appear to possess the organisation and technical and professional skills, suited to the extent and complexity of the engagement, pursuant to article 10 bis, 10 ter, 10 quater and 10 quinquies of Legislative Decree 39/2010 and the requirements referred to in the EU Regulation.*

From a quantitative point of view, the overall costs indicated in the tenders received, in respect of the auditing of the account of the Group and the related services, are specified in the table below (economic conditions):

<i>Company</i>	<i>Offer (€/K)</i>	<i>Number of annual hours of work</i>
<i>Deloitte & Touche S.p.A.</i>	<i>32,040</i>	<i>50,110</i>
<i>EY S.p.A.</i>	<i>34,200</i>	<i>56,000</i>
<i>KPMG</i>	<i>32,328</i>	<i>52,000</i>

In the light of the findings of the preliminary investigation, the WG, under the supervision of the Board of Statutory Auditors, has examined in detail, and comparatively, for each evaluation profile, the distinctive and qualifying aspects of each company, also in the light of the EU Regulation effective from 17 June 2016, and aimed at improving the integrity, independence, objectiveness, responsibility, transparency and reliability of the audit firm engaged to the audit the PIEs.

At the completion of the selection process, as described above, and taking into account the outcome, in particular, of the qualitative and quantitative weighting procedure, on 27 February 2019, the Company issued its “Report on the conclusion of the tender procedure”, pursuant to article 16, paragraph 3, letter e) of the EU Regulation, containing the grounds for its preference of the tender submitted by Deloitte & Touche S.p.A., as the one with the highest technical and financial score and the successful outcome of the adequacy evaluation.

In particular, the tender submitted by Deloitte & Touche S.p.A. was preferred because of its better knowledge of the accounts of the Company and the Group, the use of audit support technology, its nationwide operations, the membership of the working team, which boasts a good professional standing with a past record of auditing experiences and promptness.

Consistently with the Company's evaluations, the Board, in validating this judgment, also verified whether, during the selection procedure, the requirements set out in article 17 of the EU Regulation had been met, as well as that the conformity of the selection procedure with the said "Guidelines for the engagement of audit firms" issued by Poste. The Board also represents that the said recommendation has not been influenced by third parties, and that none of the clauses of the type referred to in paragraph 6 of article 16 of the EU Regulation have been applied, since the selection process has been carried out in accordance with article 16, paragraph 3, of the EU Regulation.

Given all of the above, the Board of Statutory Auditors of Poste,

- considering the findings of the procedure for selecting a single Group-wide audit firm, on the basis of the comparative and comprehensive examination of the tenders received, with a special focus on the requirement of independence, and on the technical, qualitative and financial aspects thereof,
- taking into account that article 16, paragraph 2, of the EU Regulation provides that the justified recommendation of the Board of Statutory Auditors must contain at least two possible alternatives, to allow the possibility of exercising an option, and
- considering that the said article 16, paragraph 2, of the EU Regulation requires that the Board of Statutory Auditors express a duly justified preference, hereby

RECOMMENDS

for all the above-mentioned reasons, the following two audit firm engagement alternatives, namely Deloitte & Touche S.p.A. and KPMG S.p.A., whose proposals are shown, in summary, in the attached table;

EXPRESSES

a preference for Deloitte & Touche S.p.A. and, subordinately, for KPMG S.p.A., based on the scores obtained by the different tenders, as a result of the relevant evaluation procedure;

PROPOSES TO THE GENERAL MEETING

to engage the audit firm as follows, for the 9-year term from 2020 to 2028, in accordance with the above-mentioned conditions and prices, to audit the accounts of Poste Italiane Group for the 2020-2028 period,

- preferentially, Deloitte & Touche S.p.A.;

- *subordinately (in the event the proposal of Deloitte & Touche S.p.A. is rejected), KPMG S.p.A.”*

Declaration pursuant to article 16, paragraph 2 of the EU Regulation 537/2014

The Board of Statutory Auditors, pursuant to article 16, paragraph 2, of the EU Regulation, hereby represents that this Recommendation has not been influenced by third parties and that no clause has been stipulated by the Company and a third party, as referred to in paragraph 6 of article 16 of the said Regulation, aimed at restricting the choice by the general meeting of shareholders.