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# Report of the Board of Directors

## Item 2 on the agenda

### Appointment of the independent auditors for the financial years 2021-2029 and determination of their fees

Distinguished Shareholders,

with the approval of the financial statements as at 31 December 2020, the office of independent auditors assigned to KPMG S.p.A. for the financial years 2012-2020 by the Shareholders' Meeting on 10 May 2011, expires as it reaches its ninth year, which is the maximum period permitted by law.

In order to ensure a suitable period of roll-over between the current and future independent auditor, it is deemed appropriate to resolve henceforth on the appointment of another auditing firm for the office of independent auditors for the years 2021-2029 and to determine the related fees, with the related adjustment criteria.

To this end, reported below is the reasoned proposal of the Management Control Committee, prepared in compliance with current regulations, which includes two possible alternatives for the appointment and indicates the reasoned preference for one of the two.

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#### **“REASONED PROPOSAL OF THE MANAGEMENT CONTROL COMMITTEE**

#### **Report of the Management Control Committee in its capacity as Internal Control and Audit Committee in accordance with Article 19, paragraph 2, letter. c) of Legislative Decree 39/2010 on the appointment of the independent auditors for the period 2021-2029**

Distinguished Shareholders,

with the approval of the Parent Company's financial statements and the consolidated financial statements as at 31 December 2020, the office of independent auditors for the nine-year period 2012 - 2020 assigned to KPMG S.p.A. by the Shareholders' Meeting of Intesa Sanpaolo S.p.A. on 10 May 2011 is about to expire.

Based on current regulations, last amended by European Regulation 537/2014 (“European Regulation”) and by Legislative Decree no. 135/2016, the office of independent auditors may not be renewed again. The new office of independent auditors must be entrusted through a specific selection procedure to be carried out according to the criteria and methods under Article 16 of the above-mentioned European Regulation.

The Management Control Committee, in its capacity as Internal Control and Audit Committee in accordance with Article 19, paragraph 2, letter. c) of Legislative Decree 39/2010 (“Committee”), deemed it appropriate to bring forward the start of the selection procedure to assign the office of independent auditors for the 2021 - 2029 period, in consideration of the prohibition under Article 5 of the above-mentioned European Regulation that, in order to protect the independence of the auditor, requires it to abstain from providing some types of services other than the statutory audit of accounts already starting from the year immediately preceding the first year of audit. Given the above, it is deemed appropriate to arrange for the Shareholders' Meeting, called to approve the financial statements of Intesa Sanpaolo S.p.A. as at 31 December 2018, to resolve also on the choice of the new independent auditor of Intesa Sanpaolo S.p.A. as well as approve its consideration and related adjustment criteria, on the Committee's reasoned proposal.

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In accordance with the provisions of the mentioned Article 16 of the European Regulation concerning the appointment of the independent auditors for a Public Interest Entity (“PIE”) as defined by Article 16 of Legislative Decree 39/2010 (“Decree”), the proposal formulated by the Committee submitted to you includes two possible alternatives to assign the office and indicates the reasoned preference for one of the two.

### **Subject of the invitation to tender**

The selection procedure and invitation to tender were prepared in compliance with current regulations, specifically the criteria established by Article 16 of the European Regulation, and considered the need to protect the continuity of the current policy of the Sole Auditor of the Intesa Sanpaolo Group (“Group”), as well as ensure an orderly and consistent management of the appointment also by the Group companies. To this end, the invitation to tender was forwarded not only on behalf of Intesa Sanpaolo S.p.A. but also of the PIEs belonging to the Group – based on a specific proxy, received from the respective Internal Control and Audit Committees, to carry out the preliminary activities of the selection procedure – with separate evidence of the aspects that are referable to each Entity. Finally, in consideration of the management and coordination duties towards the remaining Group companies, also these were included in the corporate scope indicated by the invitation to tender.

The preliminary process to assess the bids was handled by the Manager responsible for preparing the Company’s financial reports and his structure, which the Committee met 9 times in order to constantly monitor the progress of the entire process.

Regarding the nature of the auditing services requested, the types below were included:

#### **Statutory auditing services**

- Auditing the financial statements of Intesa Sanpaolo S.p.A., pursuant to Article 14 paragraph 1, letter) of the Decree.
- Auditing of the consolidated financial statements of Intesa Sanpaolo S.p.A., pursuant to Article 14 paragraph 1, letter a) of the Decree, including the certification for the purpose of inclusion in the calculation of the Common Equity Tier 1 capital of the profit being generated at the end of the year, pursuant to Article 26, paragraph 2, letter a) of European Regulation 575/2013 of 26 June 2013 and Decision of the European Central Bank 2015/656; check on the consistency of the report on operations, and some specific information contained in the report on corporate governance and ownership structures, with the financial statements and the consolidated financial statements and their compliance with applicable laws, as well as activities aimed at the issue of the declaration regarding the identification of any significant errors in the report on operations and in some specific information contained in the report on corporate governance and ownership structures, pursuant to Article 14 paragraph 2, letter e) of the Decree.
- Audit activities, during the year, of the due keeping of the corporate accounts and correct recording of operations in the accounts of Intesa Sanpaolo S.p.A. pursuant to Article 14 paragraph 1, letter b) of the Decree.
- Statutory audit (annual financial statements and audit of the due keeping of the corporate accounts) of the separate financial statements and, where applicable, of the reporting package prepared for consolidation purposes of Italian companies consolidated on a line-by-line basis.
- Audit of the separate financial statements according to local legislation and the reporting package prepared for consolidation purposes of international companies consolidated on a line-by-line basis.
- Audit of the financial reports possibly requested by local laws for the foreign branches of Intesa Sanpaolo S.p.A. and other companies of the Group.

#### **Voluntary auditing services**

- Limited review of the half-yearly condensed consolidated financial statements, including the certification for the purpose of inclusion in the calculation of the Common Equity Tier 1 capital of the profit being generated at the end of the first half, pursuant to Article 26, paragraph 2, letter a) of

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European Regulation 575/2013 of 26 June 2013 and Decision of the European Central Bank 2015/656;

- Limited review of the consolidated financial statements and the related explanatory notes as at 31 March and 30 September, for the determination of the net income for the period for the purposes of calculating the Common Equity Tier 1 capital, pursuant to the legislation referred to in the previous point.
- Examination of the accounting positions (reporting packages) of the direct or indirect subsidiaries and companies consolidated on a line-by-line basis, provided to the Parent Company to prepare the half-yearly condensed consolidated financial statements and the consolidated quarterly reports; review of the reporting packages of the foreign branches prepared for the reporting periods of the pertinent company.

#### **Other services strictly connected to the auditing mandate**

- Limited examination (limited assurance engagement) of the “Basel 3 Pillar 3 - Disclosure” of the Group as at 31 December.
- Limited examination (limited assurance engagement) of the “Consolidated non-financial statement” of the Group as at 31 December.
- Audits connected to signing the tax returns of the Italian companies.
- Audits relating to the calculation of the contribution to the National Guarantee Fund.

In order to govern also the supply of services not expressly envisaged in the invitation to tender - given their different nature, as long as admitted by law and the Group’s policy, or aimed at entities currently not within the corporate scope of the Group - the bidding companies were required to include in the proposal a draft Framework Agreement summarising the standard features and related tariffs.

#### **Selection procedure**

The selection procedure adopted by Intesa Sanpaolo S.p.A. was prepared and conducted in full compliance with the criteria outlined by Article 16 of the European Regulation. The selection procedure was also defined in line with the current related Group policy and was aimed at searching for a high-quality statutory auditing service that suits the size and complexity of the Group.

The criteria considered for the choice of the independent auditors to be contacted, the structure of the invitation to tender and the logical flow to assess the proposals received - including the parties and the phases of the process, as well as the scoring system adopted in order to represent in brief the assessments carried out - were shared by the Committee prior to launching the selection.

Furthermore, in order to ensure an orderly and consistent management of the appointment also by the Group companies qualifying as PIEs, this choice was also shared with the Internal Control and Audit Committees of these companies that, to this end, granted Intesa Sanpaolo S.p.A. the power to invite the independent auditors to submit bids for the performance of the statutory audit activities and to conduct, according to the criteria agreed on, a preliminary assessment also with reference to the bid referring to them.

In consideration of the contents of Article 16, paragraph 3, letter f) of the European Regulation, during the entire process measures were adopted aiming to ensure complete traceability of the selection procedure and compliance with the criteria announced to the bidding companies.

For this purpose, as mentioned, the criteria to be followed to assess the bids were defined prior to launching the selection. To involve the independent auditors and define the bids, the Group Purchasing Procedure was followed, which ensures structured operating processes managed by a subject other than the function of the Manager responsible for preparing the Company’s financial reports who dealt with the preliminary activities of the selection. This procedure adopts strict methods for the accreditation of the potential bidding companies (including the compliance with the laws and the regulatory requirements of the Group) and - via the dedicated web portal - ensures stringent criteria of segregation between them and the applicant structures, complete alignment of the competitive conditions among the bidding companies, full historic records of the information flows between them and Intesa Sanpaolo

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S.p.A.. It must be highlighted that the entire procedure is based on a careful separation of the roles between the various corporate parties and is assisted by specific internal controls.

The Selection Procedure is arranged into the following phases:

**a. Identifying the independent auditors that are the recipients of an invitation to tender**

In consideration of the Group's size, geographical structure and sectors of operations, the criteria adopted in order to define the independent auditors to be contacted were as follows: (i) direct geographical coverage - i.e. via companies belonging to the same network and not via commercial partnerships - of all the countries where the Group is present, with the Primary Team based in Italy; (ii) specific professional experience in the sectors where the Group operates (banking, finance, asset management, insurance) proven by the - current or recent - performance of statutory auditing tasks at entities that are comparable to those of the Group in terms of size and structure; (iii) reasonable evidence of the fact that the bidding company may retain, for the entire duration of the contract and in each of the countries where the Group is located, adequate margins of economic independence, considering the income deriving from the mandate in relation to the total revenue of the bidding company.

The twenty companies present in the special Register of Independent Auditors held by Consob were examined. In addition to KPMG S.p.A., the companies not having the legal form of a joint stock company (S.p.A), those not operating abroad and those not operating in the banking sector were excluded. Following the detailed preliminary analysis conducted on the basis of the data publicly available, seven auditing firms were invited to express their interest in participating in the selection: Baker Tilly Revisa S.p.A., BDO Italia S.p.A., Deloitte & Touche S.p.A., EY S.p.A., Mazars Italia S.p.A., PricewaterhouseCoopers S.p.A. and RIA Grant Thornton S.p.A.. The letter of invitation included as an attachment the document "Technical specifications for the statutory audits of accounts 2021-2029", containing the description of the criteria to be used for the selection of the proposals and the consequent indications regarding the content of the bid with a detailed list of information to be provided. Four of the auditing firms invited expressed an interest in participating in the tender (BDO Italia, Deloitte & Touche, EY and PricewaterhouseCoopers or PwC), while the remaining three declined the invitation. All four of the auditing firms that expressed an interest then submitted a bid, in compliance with the methods specified in the letter of invitation.

**b. Selection**

In compliance with the contents of Article 16, paragraph 3, letter e) of the European Regulation, the assessment of the proposals put forward by the independent auditors was carried out based on the selection criteria defined in the tender documents.

The invitation to tender indicated that the comparative analysis of the bids received would have led to a Technical Assessment of the bids received, while their economic profile would have been taken into consideration only in the presence of proposals with substantially equivalent technical assessments. For this purpose, preliminarily to examining the proposals, an interval of confidence was defined in the values of the score such to identify significant statistical differences between two technical assessments.

The Technical Assessment of the information provided in the documents sent by the bidding companies consisted in examining the 44 information items requested, divided into five sections making up the technical part of the invitation to tender.

The first two sections are representative of the characteristics deemed essential and qualifying of the bidding company, and in particular:

- Characteristics of the bidding company (20 items) includes, among others, information about the structure of the company and its network in the various countries where the Group is present, the related dimensions, past experience with customers comparable to Intesa Sanpaolo S.p.A., IT tools, internal training and quality control policies, representation in international bodies and institutions, the penalties received from supervisory authorities of the sector;
- Independence (4 items) aims to assess the risks for the independence of the auditor connected to a high incidence of the consideration deriving from the bid on the 2017 turnover and, prospectively, on that reasonably expected in the term of the mandate, in all the countries where the Group is present, as well as those potentially consequent to recent mandates, other than auditing, carried out at Intesa Sanpaolo S.p.A. or its subsidiaries.

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Whereas the remaining three sections regarded the quality of the formulated bid:

- Professionalism (7 items) looks at the workforce available to the bidding company in the countries and sectors concerned, and in detail at the composition of the teams specifically proposed for the office, identifying the key figures (partners, managers, specialists) and the related professional contacts;
- Technical issues (10 items) examines the audit approach and plan, with details on identifying risks, materiality thresholds, technical support tools, managing the transition process to start the auditing;
- Commitment foreseen (3 items) assesses the professional effort and mix budgeted, in terms of number of hours for each task and professional role, including the total hours dedicated to the handover from the outgoing auditor and the commencement of the activity.

For each bid, the documentary feedback given by the bidding company for each piece of evidence requested within each section was assessed, and the award was summarised by attributing a score for the specific item.

As indicated in the invitation to tender, in light of the fact that some characteristics of the bidding company were deemed indispensable, the sections “Characteristics of the bidding company” and “Independence” were judged preliminarily to every other element of the proposal. As a consequence, only the bids formulated by companies that obtained an overall suitable assessment with reference to the requirements of these two sections were admitted to the subsequent assessment of the “Professionalism”, “Technical issues” and “Commitment foreseen” sections.

The significance assigned to each item and to each section for the purpose of the overall summary was set prior to the tender. For the total score, the overall assessment of the auditing firms was assigned a weight of 30%, while the content of the bid was assigned a weight of 70%. As part of the assessment of the independent auditors, the “Characteristics of the bidding company” and “Independence” sections were weighted, respectively, at 70% and 30%. As part of the content of the bid, the “Professionalism” and “Technical issues” sections were assigned a weight of 40% each and the remaining 20% was assigned to the “Commitment foreseen” section.

The adequacy of each bid was assessed separately for each of the three characteristic business sectors of the Group (banking, insurance and asset management) and, subsequently, in the Group’s consolidation.

To protect the independence of the award, according to the process the assessment of each item resulted from the comparison and sharing of the opinions independently expressed by two different expert appraisers. The process was also monitored by internal controls aiming to ensure suitable quality standards and constant supervision by the Heads of the intermediate structures and the Manager responsible for preparing the Company’s financial reports.

### **Results of the selection procedure**

Following the analysis relating to the “Characteristics of the bidding company” and “Independence” sections of the four bidding companies, BDO Italia and Deloitte & Touche did not achieve suitable assessments to proceed to the examination of the subsequent sections. Among the reasons that led to the exclusion of these two bidding companies, it is worth highlighting for both the impact of the consideration potentially deriving from the office on the 2017 assurance turnover and expected in the period of the mandate. Furthermore, for BDO, also the limited size of the network and lower experience with customers of a size and characteristics that are comparable to those of the Group is worth to be highlighted. Whereas for Deloitte & Touche, incomplete information regarding the application tools supporting the audit activity and the quality control processes must be highlighted.

The Committee continued the analysis on the remaining sections of the bids for EY and PwC only. At the end of the investigation process relating to the Technical Assessment, the Committee met the two representatives of EY and PwC in order to acquire more assessment elements in addition to those already provided in the set of documents for the bid.

The Committee shared the outcome of the Technical Assessment formulated. In particular, since the scoring system, adopted to represent in a condensed form the assessments carried out, highlighted in favour of the EY bid a statistically significant difference between the overall judgements, according to

the contents of the tender procedure, the Committee expressed an opinion of overall preference for the EY bid compared to that of PwC, without resorting to the comparative examination of the “Economic conditions” section of the bids.

The main elements of the EY bid deemed qualifying and such to motivate the preference expressed in favour of this bidding company were the following:

- the audit approach characterised by low materiality thresholds that are such to provide a high assurance, appreciable for both the individual legal entity and – also as a consequence of a greater coverage of the scope of consolidation - at consolidated level;
- the planned use of in-depth substantive checks based on the risk assessment carried out;
- a high amount of hours forecast as a consequence of a more granular materiality and in-depth substantive checks;
- the skills and professional experience of the teams proposed, specifically acquired in the Group’s operating sectors;
- the differentiation of the professional mix depending on the audit service - with reference to Intesa Sanpaolo S.p.A. - with a balanced subdivision of the effort among the roles with various levels of seniority and an adequate commitment of the qualified resources (partners, managers, specialists);
- the arrangement of the teams, with separate operating branches with no overlaps (absence of multiple roles on more than one company/sector/country);
- the high level of detail of the bid, set for both the individual audit assignments and the individual entities of the Group, with accurate identification of the risks and comprehensive working programmes thanks to the full use of the information elements presumed from the documentation provided and that publicly available on the Group.

### **Economic conditions**

As shown, with regard to the two appointment alternatives identified, the Committee was able to express a reasoned preference towards EY based on the outcome of Technical Assessment only.

Although this is not relevant for the purpose of the reasoned preference, provided below is a framework of the contents of the two alternatives identified in terms of hourly rates, commitment foreseen (hours) and fees.

The average hourly rates stated below come from the application of the professional mixes foreseen for all the tasks quoted by the bids, which means statutory and voluntary auditing services and activities strictly linked to them. The details for Italy and the main countries where the Group is located are provided.

*Table 1. Average hourly fees applied in Italy and in the main countries where the Group is located*

Countries	EY Average hourly fee (€)	PwC Average hourly fee (€)
Italy	70	75
Croatia	52	46
Ireland	53	96
Luxembourg	80	122
Romania	26	47
Slovakia	44	66
Slovenia	36	46
Hungary	43	52

The table below summarises the commitment foreseen, the fees and the average hourly rates calculated for Intesa Sanpaolo S.p.A. and the companies of the Group.

Table 2. Commitment foreseen, fees and average rates for Intesa Sanpaolo and the Group

Type of services	EY			PwC		
	Effort (k hours)	Fees (million €)	Average rates (€)	Effort (k hours)	Fees (million €)	Average rates (€)
<i>ISP financial statements</i>	37.0	2.8	76	27.8	2.2	79
<i>ISP consolidated financial statements</i>	7.5	0.6	81	9.9	0.8	79
<i>Audits of regular account keeping</i>	2.5	0.2	73	2.0	0.2	79
<i>Foreign branches: annual reporting package</i>	8.4	0.5	64	6.7	0.6	93
<i>Half-yearly condensed consolidated financial statements</i>	7.0	0.5	76	10.0	0.8	77
<i>Foreign branches: half-yearly reporting package</i>	2.9	0.2	62	0.7	0.1	94
<b>Total proposed for the ISP auditing services</b>	<b>65.2</b>	<b>4.8</b>	<b>74</b>	<b>57.0</b>	<b>4.6</b>	<b>81</b>
Other services	28.1	1.9	66	24.8	1.9	76
<i>Foreign branches: obligations for local laws</i>	8.1	0.4	44	4.5	0.3	70
<i>Consolidated financial statements (31/3 and 30/9)</i>	16.0	1.2	76	14.9	1.1	77
<i>Foreign branches: reporting package (31/3 and 30/9)</i>				1.0	0.1	94
<i>Other services connected to auditing</i>	4.0	0.3	69	4.3	0.3	77
Total Intesa Sanpaolo	93.4	6.7	71	81.7	6.5	79
Other Group Companies	148.2	8.2	55	132.3	9.4	71
Total Intesa Sanpaolo and Group companies	241.6	14.9	62	214.0	15.9	74

As the tables show, the EY bid, already preferable in light of the “technical” content, is generally better value for money in terms of the average hourly rates applied.

The overall framework of effort and the related fees submitted as part of the bid, also relating to the statutory auditing services assignable by the Group companies and the potential tasks of a voluntary nature assignable by both Intesa Sanpaolo S.p.A. and the other Group companies, would be - for the EY bid - equal to a total of 14.9 million euro, compared with PwC’s overall fee of 15.9 million euro and a cost for the tasks assigned to the current auditor of about 21.4 million euro.

As requested in the tender documents, each bidding company then stated as part of the bid the main economic content that will be applicable for the entire duration of the auditing office to all the current and future Group companies and for all the statutory and voluntary auditing services, as well as for the other services strictly connected to the auditing mandate that will be assigned from time to time.

In particular, reported below are the main cases proposed by EY and PwC applicable to the future tasks assigned by Intesa Sanpaolo S.p.A. and the Group companies:

- the reimbursement of the expenses incurred to carry out the work, such as the expenses for off-site permanence and the transfers, is quantified in both the bids based on the costs effectively incurred and in any case within the limit of 5% of the overall fees. Also foreseen is a charge on a collective basis for the accessory expenses relating to technology, secretariat and communication services, to the tune of 1% of EY’s fees and 2% of PwC’s;
- the annual adjustment of the remuneration is foreseen, in both offers, based on the change of the ISTAT index (in the case of Italian companies and products relating to third party assets managed in Italy) and the corresponding local indexes relating to the cost of life in the case of foreign branches and international subsidiaries. The adjustment will start on 1 July 2021 (June 2019 as a basis) in both the cases;
- the methods for any integrations to the original office in case of acquisitions of new companies or business branches were specified in both bids, in light of an effort proportional to that of the Group companies operating in the same business sector and the parameters better representing the intrinsic difficulties of auditing;

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- the reductions in the original assignment following mergers by incorporation were defined by EY in an accurate manner, quantifying ex-ante the change in the commitment – both in the year when the merger takes place and in the subsequent years – and the consequent mechanisms to reduce the costs when certain combinations regarding activity types and IT systems occur. Instead PwC only specified that the reduction in the fees will be determined on the basis of the same criteria and parameters used for the integrations;
  - the pricing of any other services not included in those listed in the invitation to tender, or services of the types already indicated but to be performed in favour of the new Companies entering the scope of the Group, will take place - for both bidding companies - by applying the same hourly rates per professional role as stated in the bid, including the annual adjustments made from time to time. EY also foresaw the use of three professional mixes differentiated according to the complexity of the tasks and the related professional risks, to which three average hourly rates are associated.

The Framework Agreement containing the economic conditions offered and applicable to all the companies of the Group will be signed by Intesa Sanpaolo S.p.A. at the same time of appointing the independent auditors of the Parent Company Intesa Sanpaolo S.p.A. and will be binding for the entire duration of the nine-year period. As a consequence, all the tasks assigned by the companies of the Intesa Sanpaolo Group to subjects of the network of the new Group Auditor must refer to the general conditions of this Framework Agreement, except for possible specific provisions of the countries of establishment for those signed by international companies.

Downstream of the above, the Committee thus approved the report drawn up by Intesa Sanpaolo S.p.A. in its capacity as Entity subject to auditing pursuant to Article 16, paragraph 3 letter e) of the Regulations on the conclusions of the selection procedure for the appointment of the independent auditors in the 2021 – 2029 period.

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Having stated the above, the Committee, with regard to the assignment, for the nine-year period 2021 - 2029, of the mandate by Intesa Sanpaolo S.p.A. for:

- the statutory auditing activities listed below:
  - (i) auditing the financial statements of Intesa Sanpaolo S.p.A., pursuant to Article 14 paragraph 1, letter a) of the Legislative Decree 39/2010;
  - (ii) auditing the consolidated financial statements of Intesa Sanpaolo S.p.A., pursuant to Article 14 paragraph 1, letter a) of the Legislative Decree 39/2010;
  - (iii) auditing the due keeping of the corporate accounts and correct recording of operations in the accounts of Intesa Sanpaolo S.p.A. pursuant to Article 14 paragraph 1, letter b) of the Legislative Decree 39/2010;
  - (iv) foreign branches: annual reporting package;
- the voluntary auditing activities listed below:
  - (i) half-yearly condensed consolidated financial statements;
  - (ii) foreign branches: half-yearly reporting package;
- based on the selection procedure, the bids received, the assessments carried out and their outcome,
- considering that Article 16 of European Regulation 537/2014 requires the reasoned proposal made to the Shareholders' Meeting to contain at least two possible appointment alternatives,
- considering that Article 16 of the above-mentioned Regulation requires the expression of a duly justified preference for one of the two,

## SUBMITS

- to the Shareholders' Meeting of Intesa Sanpaolo S.p.A., pursuant to Article 16, paragraph 2, of European Regulation 537/2014 as well as Article 13, paragraph 1, and Article 17, paragraph 1, of Legislative Decree 39/2010, alternatively, the proposals relating to the nine-year period 2021-2029 formulated by EY S.p.A. and PricewaterhouseCoopers S.p.A.<sup>1</sup> whose economic components referring to the effort (hours) and the average rates referring to each individual financial year are summarised below:

Table 3. Commitment foreseen, fees and average rates for Intesa Sanpaolo

Type of services	EY			PwC		
	Effort (hours)	Fees (€)	Average rates (€)	Effort (hours)	Fees (€)	Average rates (€)
<i>ISP financial statements</i>	37,000	2,810,520	76	27,755	2,201,165	79
<i>ISP consolidated financial statements</i>	7,500	605,700	81	9,913	786,131	79
<i>Audits of regular account keeping</i>	2,500	183,600	73	1,983	157,226	79
<i>Foreign branches: annual reporting package</i>	8,367	534,351	64	6,670	620,718	93
<i>Half-yearly condensed consolidated financial statements</i>	7,000	531,720	76	9,960	766,334	77
<i>Foreign branches: half-yearly reporting package</i>	2,864	176,276	62	688	64,762	94
<b>Total Proposed for the auditing services</b>	<b>65,231</b>	<b>4,842,167</b>	<b>74</b>	<b>56,969</b>	<b>4,596,336</b>	<b>81</b>

## EXPRESSES

its preference in favour of the EY S.p.A. bid as this is preferable in light of the technical content and, in addition, is better value for money in terms of the average hourly rates applied;

## DECLARES

that the recommendation above was not affected by third parties and that none of the clauses of the type under paragraph 6 of Article 16 of European Regulation 537/2014 were applied.

Milan, 21 February 2019

For the Management Control Committee  
The Chairman - Marco Mangiagalli"

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	EY	PwC
<b>Company name</b>	EY S.p.A., in full also Ernst & Young S.p.A.	PricewaterhouseCoopers S.p.A.
<b>Registered office</b>	Via Po 32, 00198, Rome	Viale Monte Rosa 91, 20149, Milan
<b>Tax code and CR registration no.</b>	00434000584	12979880155
<b>Consob register registration no.</b>	10831 of 16 July 1997	12282 of 21 December 1999

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Therefore, the Shareholders are kindly requested to make their decisions on this matter, taking into account the proposal of the Management Control Committee reported above.

26 February 2019

For the Board of Directors  
The Chairman - Gian Maria Gros-Pietro

*“This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.”*