



ENAV S.p.A.
ORDINARY SHAREHOLDERS' MEETING OF 27 APRIL 2018
IN SINGLE CALL

Report of the Board of Directors on proposals concerning items on the agenda of the Shareholders' Meeting

Point 5 “Supplement to the Independent Auditors assignment pursuant to Articles 14 and 16 of Legislative Decree no. 39/2010 for the years 2017-2024; related and consequent resolutions”.

Dear Shareholders,

in light of the request received from EY S.p.A., appointed as the independent auditor on the financial accounts of ENAV S.p.A., the Board of Statutory Auditors has asked the Board of Directors to include an item on the agenda of the Ordinary Shareholders' Meeting relating to the supplement of the assignment of the independent auditors for the period 2017-2024.

In this regard, the proposal of the Board of Statutory Auditors, which the Board of Directors is referring to, published in compliance with legal terms and conditions in the section “Governance - 2018 Shareholders' Meeting” of the Company's website (www.enav.it) is submitted to the Shareholders' Meeting.

Chairman of the Board of Directors
Mr. Roberto Scaramella



ENAV S.p.A.

**ORDINARY SHAREHOLDERS' MEETING OF 27 APRIL 2018
IN SINGLE CALL**

**Proposal of the Board of Statutory Auditors prepared pursuant to Article 13,
paragraph 1 of Legislative Decree No. 39 of 27 January 2010**

**Item 5 “Supplement to the Independent Auditors assignment pursuant to
Articles 14 and 16 of Legislative Decree no. 39/2010 for the years 2017-2024;
related and consequent resolutions”.**

Dear Shareholders,

You have been called to discuss and resolve, pursuant to Article 13, paragraph 1 of Legislative Decree 39 of 27 January 2010, with regard to the proposal to supplement the activities and recognise an increase in the fees paid to EY S.p.A. for the statutory auditing of the annual financial statements of ENAV S.p.A. (“ENAV” or the “Company”) and of the consolidated financial statements of ENAV and of the condensed consolidated interim financial statements of the ENAV Group for the period 2017-2024.

The foregoing, for the reasons set out below.

By resolution of ENAV Shareholders' Meeting held on 29 April 2016, Reconta Ernst & Young S.p.A., now EY S.p.A. (“EY”) has been appointed to carry out the statutory audit of the accounts pursuant to Articles 14 and 16 of Legislative Decree 39/2010



relating to the annual and consolidated financial statements of the Company, to the condensed consolidated interim financial statements of the ENAV Group, to the annual financial statements of the subsidiary Techno Sky S.r.l. and for the auditing of the accounting separation for ENAV for the years from 2016 to 2024. The assignment in question, as far as ENAV alone is concerned, involves, as set out in the order letter of 20 June 2016 (the "Order Letter") a total consideration, for the entire period 2016-2024, of € 2,713,200.00 for an undertaking estimated at 35,712 hours. The annual amount of the auditing activities to be carried out for the Company is therefore set at € 301,466.66 for 3,968 hours of work. Pursuant to Article 17 of the Order Letter, entitled "*Contractual changes*": "*during the execution of the contract, ENAV reserves the right to introduce quantitative/qualitative variations in increase or decrease to the services specifically provided for and listed in the contract, with the corresponding Supplier's obligation to accept such variations pursuant to the same conditions envisaged in the contract, up to 20% of the contract's amount*".

In this context, by letter of 22 November 2017 EY addressed to the Company a request for an increase in the consideration set for the assignment for the statutory audit of ENAV financial accounts, pointing out that the independent auditing activities thereto had, both under a quantitative and a qualitative profile, increased significantly as a result of the entry into force - in the meantime - of new auditing principles, and consequent undertaking of additional responsibilities.

The methods for performing audits are governed on a regulatory basis pursuant to: (i) (EU) Regulation 537/2014 (the "Regulation") applicable with effect from the financial years starting from 17 June 2016, or from 1 January 2017; (ii) Legislative Decree 139/2015, which came into force from 1 January 2016 and is applicable to the financial statements relating to the years starting from such date, or 1 January 2017; (iii) the international accounting auditing standards (ISA Italia).

In this latter regard, consideration shall be given to the decision of the State General Accounting Office of 31 July 2017 through which, as from the auditing of annual financial statements starting from 17 June 2016, the new ISA Italia auditing principle



701 “*Disclosure of key aspects of auditing in the independent auditors’ report*” and the new versions of IAS Italia auditing standards 260 “*Disclosures with managers of governance activities*”, ISA Italia 570 “*Business continuity*”, ISA Italia 700 “*Forming an opinion and reporting on the financial statements*”, ISA Italia 705 “*Amendments to opinions in the independent auditors’ report*”, ISA Italia 706 “*References to disclosures related paragraphs and other aspects in the independent auditors’ report*” and ISA Italia 710 “*Comparative information - Corresponding data and comparative financial statements*” will take effect.

The main amendments made to the Regulation, which will have an impact on EY's assignment relate to:

- a) the introduction of the new audit report model: Article 10 of the Regulation defines the contents of the audit report for a public-interest entity, which shall include, among other items, the key audit matters or "KAM". Specifically, pursuant to Article 10, paragraph 2 of the Regulation, the audit report, in support of the audit opinion, provides certain additional information with regard to an evaluation of the most significant risks of material errors assessed, including assessed risks of material errors due to fraud, a summary of the audit response to these risks and, where relevant, the observations made in regard to them. In addition, the audit report shall illustrate to what extent the statutory audit by the independent auditors is deemed capable of detecting irregularities, including fraud, and shall report and explain opinions on events or circumstances identified during the audit which could raise serious doubts on the capability of the entity to continue to operate as a going concern. As noted, following the above-mentioned decision of the State General Accounting Office of 31 July 2017, with effect from the auditing of financial statements starting from 17 June 2016, the new ISA Italian auditing standard 701 “*Disclosure of key aspects of auditing in the independent auditors’ report*” and the new versions of related auditing standards came into force. As a result of the entry into force of Article 10 of



the Regulation, which extended the process by which the opinion is formed on the financial statements, the independent auditor shall take on an additional duty of sharing and disclosing the technical content of the above-mentioned aspects to multiple diverse users;

b) the introduction of the obligation to prepare an additional report for the internal control and auditing committee: Article 11 of the Regulation introduced - with effect from 2017 - the obligation for the independent auditor to present an additional report to the competent control body, in the case of ENAV the Board of Statutory Auditors. Such additional report, which factually includes and extends the contents of the former report on fundamental issues (“RQF”), covers a vast number of items and shall, among other things, contain details and findings relating to:

- aspects inherent to the process of planning and carrying out of the audit and to the chosen methodologies thereto;
- compliance with ethical principles;
- experts outside the independent auditors' network;
- contents of meetings and sessions;
- levels of materiality applied to the audit;
- aspects relating to the results of the audit activities;
- events or circumstances which could raise doubts relating to the assumption of going concern;
- significant shortcomings found in the internal control system, if any;
- significant issues regarding cases of non-compliance to laws and regulations or to statutory provisions encountered, if any;
- limitations to the auditing process;
- declaration of independence.

The Regulation requires the above-mentioned additional report to be submitted, accompanied by observations, to the Board of Directors, as well as forwarded to the supervisory authority for the markets, Consob. The contents of the additional report



are therefore more detailed and of a superior quality to the previous RQF and involve the independent auditors in additional activities in terms of interactions, in-depth analyses and coordination with the corporate functions originating the data reported in the topics covered by the report;

- c) following the introduction of Legislative Decree 139/2015, which amended Legislative Decree 39/2010 (Article 14, paragraph 2, letter e), relating to the statutory auditing of annual accounts and consolidated accounts, the independent auditor is required to include the opinion on the consistency of the information contained in the report on operations with the financial statements: (i) expressing an opinion on the conformity of this information with regard to the legal requirements; and (ii) issuing a separate declaration in connection with any significant errors identified in the report on operations, in light of the knowledge and understanding of the business and of the related context as acquired during the auditing of the financial statements. The Auditing Standard (ISA Italia) 720B “*The responsibilities of the party appointed for statutory auditing relating to the information required by law contained in the report on operations and in the report on corporate governance and the ownership structure*” was amended through the above-mentioned law, which, following the decision of the State General Accounting Office of 15 June 2017, came into force with effect from the auditing of the financial statements of the years from 1 July 2016.

With effect from the entry into force of Legislative Decree 139/2015, the scope of the audit opinion on the report on operations and of the information contained in the corporate governance and ownership structure report was therefore accordingly extended, and is no longer limited to expressing an opinion of coherence, but rather represents the expression of an opinion concerning conformity to laws and regulations.



The professional laws and rules governing the issuing of statutory audit reports and the responsibilities pertaining to auditors were therefore changed, so that independent auditors are currently obliged to a greater scope of interaction with the executives involved in governance activities for the Company. The independent auditors must also now see to the identification, analysis and presentation of the quality control procedures on key aspects of the auditing process and effect an even closer connection with the corresponding functions and with the reporting of the Issuer.

The independent auditors should understand the administrative-financial processes underlying the preparation of the report on operations, as well as the sources of information and the related controls of the Company. This information should then be noted with the financial statements or with the details used for preparing them or with the general accounting system or with the underlying accounting records, thus involving a greater effort in terms of time.

Having regard to the foregoing, with the above-mentioned communication EY has estimated an increase in its workload associated with the above-mentioned additional activities of 344 hours per year, equal to 9% of the total hours (3,968) currently provided for in the Order Letter for the statutory audit activities for each year.

Based on the increase in the estimated workload, EY has calculated the economic value per annum thereto, quantifying it - for each year between 31 December 2017 and 31 December 2024 - at € 29,000.00, corresponding to around 10% of the total annual consideration (equal to € 301,466.66) indicated in the Order Letter.

The amounts were calculated using the hourly rates in the financial quote attached to the Order Letter, taking into account, as far as the recourse to specialist resources not set out in the financial quotation is concerned, the various professional categories that will be employed to carry out the work.

The table below summarises the extended workload with reference to the additional activities and the related fees.



ENAV – Additional hours and fees expected for each financial year from 31 December 2017 to 31 December 2024										
Team	Hourly rates	Expansion of scope of interactions with Governance Bodies and preparation of the Additional Report		Key Audit Matters		Report on operations compliance judgment			Total hours	Total fees
		Wider scope of interactions with executive's responsible for governance	Greater depth of the contents of the Additional Report than the Report on Fundamental Issues	Identification, analysis, presentation, quality control procedures on key aspects of audit	Critical review of the Issuer's information and the financial statement closing process (matters reported as key aspects of audit)	Identification of the legal rules that can be linked to information to be provided in the Report on operations	Understanding of the administrative and financial processes underlying the preparation of the Report on operations, the sources of informative elements and the relative controls of the company	Comparison on the information contained in the Report on operations and in the corporate governance report with the financial statements or with details used for preparing the latter or with the general accounting system or with the underlying accounting records		
Partner	115	14	14	8	4	4	4	4	52	5,980
Manager	104	36	18	18	16	18	8	16	130	13,520
Senior	70	18	18	18	18	18	18	18	126	8,820
Assistant	34.07	0	0	0	18	0	0	18	36	1,227
Total		68	50	44	56	40	30	56	344	29,547

Rounded to € **29,000**

The total contractual amount on an annual basis, including the above-mentioned additional fees, would therefore come to € 330,46666, while the overall increase, for the years 2017 to 2024 would come to € 232,000.00.



During the meeting of 28 February 2018, followed by letter of 1 March 2018, the Chief Financial Officer and the Administration Officer of ENAV provided the Board of Statutory Auditors with evaluations with regard to the request of the independent auditors, after examining (i) the consistency of this request in relation to the provisions of the existing contract between ENAV and EY for the period 2016-2024; (ii) the exceptional nature of the events that have resulted in the need for a wider scope of activities compared with when the appointment was made; (iii) the merit of the major activities carried out and to be provided by EY.

As a result, the Chief Financial Officer and the Administration Officer reported to the Board of Statutory Auditors that:

- (i) the number of hours quantified by EY for its additional workload is consistent with the scope of the above mentioned regulatory updates, which do require additional activities by the auditor on top of those already set out in the Order Letter. The distribution of the hours by professionals is also consistent, since the type of additional activities to be carried out requires additional work mainly with reference to medium-/high-level members of the audit team (managers and experts), with a view to achieving a greater interaction with governance bodies and for the completion of a critical analysis under the scope of the expression of an opinion on conformity with laws and regulations;
- (ii) the additional fee requested by the independent auditors appears to be in line with the quantity and quality of the work to be carried out and it is consistent with the contractually-agreed hourly rates in the Order Letter.

Based on the above considerations, the Board of Statutory Auditors, in relation to the request for an increase in the workload required from the independent auditors, in compliance with the applicable regulations, for the additional statutory auditing activities of the financial statements for the years 2017-2024, and to the relating



request for an increase in the fees to be paid to EY compared with those in the Order Letter and taking into account that:

- in formulating the request for the additional fees, the independent auditors have provided all the necessary evaluation elements;
- the additional activities carried out are conducive to the correct completion of the statutory audit of the annual financial statements of the Company and the consolidated financial statements;
- having taken note of the evaluations of the corporate unit involved, which are shared;

submits the following resolution for your approval:

“The Ordinary Shareholders' Meeting of ENAV S.p.A.,

- *having examined the report of the Board of Directors;*
- *taking into account the increase in fees submitted by EY on 22 November 2017 as a result of the additional activities associated with the audit for the financial statements for the year ended 31 December 2017 and the subsequent years until 2024;*
- *having examined the reasoned proposal of the Board of Statutory Auditors prepared pursuant to Article 13, paragraph 1 of Legislative Decree 39 of 27 January 2010 and sharing the grounds thereto*

resolves

to approve the increase in the workload required from the independent auditors requested by letter of 22 November 2017, in compliance with the applicable regulation, for the additional activities of the audit of the financial statements for the years 2017-2024, for a total of 344 hours per year or 2,752 hours in total for the entire remaining duration of the appointment, and relating to an increase in the fees to be paid to EY S.p.A. for the additional audit activities of the financial statements of ENAV S.p.A. for the years 2017-2024 carried out by the latter in compliance with the provisions of the new and first-time auditing standards, for a total amount of €29,000 per year, or €232,000.00 in total for the entire remaining duration of the



appointment, without prejudice to every other stipulation envisaged within the assignment in force.”

Rome, 19 March 2018

for the Board Of Statutory Auditors

The Chair

Ms Franca Brusco