



Shareholders' AGM of April 27, 2017

POINT 4 OF THE AGENDA:

Appointment of the independent audit firm for the 2017-2025 period and approval of the relative remuneration. Resolutions thereon (in accordance of Article 125-ter of the CFA)

Dear Shareholders,

with the approval of the 2016 Annual Accounts, the mandate for the audit of accounts conferred for the 2008-2016 nine-year period by BasicNet S.p.A. (the "Company") to the Independent Audit Firm PricewaterhouseCoopers S.p.A. (the "Exiting Auditor") concludes.

The appointment may not be granted to the Exiting Auditor as completing in 2016 the nine-year period established by Article 17 of Legislative Decree No. 39 of January 27, 2010, as modified by Legislative Decree No. 135 of July 17, 2016 in enactment of Directive 2006/43/EC.

It is therefore necessary to submit for the approval of the Shareholders' AGM the appointment of a differing independent audit firm.

In consideration of the conclusion of mandate of the Independent Audit Firm PricewaterhouseCoopers S.p.A., the company, together with the Board of Statutory Auditors in its role as the "Internal Control Committee and Auditor" has carried out a selection procedure as per Article 16, paragraph 3 of the European Regulation 537/2014 (the "Regulation"). Following this procedure, the Board of Statutory Auditors, in accordance with Article 16, paragraph 2 of the Regulation, prepared a reasoned recommendation, reported as Attachment A to this report (the "Recommendation") for the appointment of the Independent Audit Firm, containing two possible alternatives and a duly justified preference for one of the two.

The Board of Directors, acknowledging the offers received from companies addressed the invitation letter and the audit processes outlined in the Offers, also considering the hours and the professional resources to be employed, in sharing the assessment criteria utilised by the Board of Statutory Auditors, with regards to its scope, agreed with the recommendation, including the preference expressed by the Board of Statutory Auditors.

Consequently, the Board of Directors submits for the approval of the Shareholders' AGM the following proposal:

"The Shareholders' AGM, having examined the proposal of the Board of Directors including the Recommendation of the Board of Statutory Auditors, as the "Internal Control Committee and Auditor",

RESOLVES

- to appoint the company Ernst Young S.p.A. as auditor for the years 2017-2025, in accordance with the terms and conditions of the offer drawn up by the above company and summarised in the attachments to the recommendation of the Board of Statutory Auditors;
- to confer to the Chairman of the Board of Directors and to the Chief Executive Officer, separately, all necessary powers for execution of the above motion.

Turin, March 22, 2017

for the Board of Directors

The Chairman

Marco Daniele Boglione

**RECOMMENDATION OF THE BOARD OF STATUTORY AUDITORS OF BASICNET S.P.A.
FOR THE APPOINTMENT OF THE INDEPENDENT AUDIT FIRM
FOR THE YEARS 2017-2025**

1. INTRODUCTION

With the approval of the 2016 Annual Accounts, the mandate for the audit of the accounts of BasicNet S.p.A. (hereafter “Basicnet” or the “Company”) awarded to the Audit Firm PricewaterhouseCoopers S.p.A. (hereafter “Departing Auditor” or PwC”) for the nine-year period 2008-2016 expires.

Therefore, in the second half of 2016, the company considered it appropriate to commence the selection process of the new Audit Firm for the assignment for the years 2017-2025, in accordance with current regulations on the audit of accounts, and the recent modifications introduced in Italy and at EU level:

- Legislative Decree No. 39 of January 27, 2010, as modified by Legislative Decree No. 135 of July 17, 2016 enacting EU Directive 2006/43 (hereafter the “Decree”);
- EU Directive No. 2006/43, modified by EU Directive 2014/56 relating to the audit of annual and consolidated accounts (hereafter the “Directive”);
- EU Regulation No. 537 of April 16, 2014 on the specific requirements relating to the audit of accounts of entities of public interest, applicable from June 17, 2016 (hereafter the “Regulation”);
- Legislative Decree No. 54 of February 24, 1998 (hereafter “CFA”).

Among other matters, the new regulation strengthened the role of the Internal Control and Audit Committee (hereafter “CCIRC”) - identified within the company, which utilises a traditional administration system as the Board of Statutory Auditors - within the process for the appointment of the auditor of the accounts, attributing to them the duties to present to the Board of Directors a reasoned recommendation in order to permit the Shareholders’ Meeting to make a knowledgeable decision.

In particular, pursuant to Article 19, paragraph 1, letter f of the Decree, the CCIRC is “*responsible for the procedure for the selection of the legal auditor or audit firm*”; the CCIRC’s remit also includes “*recommend the legal auditor or audit firm pursuant to Article 16 of the European Regulation*”.

The Regulation also provides that the CCIRC presents to the Board of Directors a reasoned recommendation for the appointment of the audit assignment containing “*two possible alternatives for the assignment*”, expressing a justified preference for one of the two.

Based on that illustrated above, the Board of Statutory Auditors, in its role as CCIRC, prepared the following recommendation (“Recommendation”) to be presented to the Board of Directors of the company, in accordance with the purposes prescribed by current regulations and that prescribed by the *Group procedure for the audit assignment to the audit firm* of BasicNet, approved by the Board of Directors of the company on October 28, 2016.

The Recommendation was prepared following a specific selection process, undertaken by the company in accordance with Article 16, paragraph 3 of the Regulation, for which the Board of Statutory Auditors is, in accordance with the same article, directly responsible.

For the purposes of the selection process, the Board of Statutory Auditors utilised the operational support of the Executive Officer for Financial Reporting (hereafter the “Executive Officer”) as well as, where considered necessary and/or appropriate, other company departments.

2. THE SELECTION PROCESS

2.1 The request for offers from audit firms

For the selection process of the new audit firm for the assignment for the years 2017-2025, BasicNet - in accordance with Group procedures on the matter - preliminarily (i) developed a rating model based on the key factors for the awarding of the assignment (see *infra*, paragraph 3.1) and (ii) presented to the Board of Statutory Auditors the methodological proposal, in accordance with the provisions of law, on the *procedure* and timeframe for the selection process of the audit firm.

The Board of Statutory Auditors approved this methodological proposal.

Therefore, together with the Board of Statutory Auditors, the company carried out an assessment to identify the audit firms to send the Invitation Letters (as defined below) on the basis of the letters of transparency published in relation to the year 2015 pursuant to Article 18 of the Decree and of the professional assignments/services undertaken on behalf of entities of public interest.

On the completion of this assessment, and considering that the assignment may not be conferred to the Departing Auditor having completed, at the end of 2016, the nine-year period as per Article 17 of the Decree ⁽¹⁾, the three residual auditors of the so-called “big four” were identified.

The company, therefore, together with the Board of Statutory Auditors, determined the contents of the letter to be sent in relation to the “*Request for an offer as auditor of the accounts and additional professional services for the years 2017-2025*” to the companies identified on the completion of the assessment process illustrated above, as well as to the companies which autonomously expressed interest in participating in the tender. The Invitation Letter was therefore sent to:

- Deloitte & Touche S.p.A. (hereafter “Deloitte”);
- Ernst & Young S.p.A. (hereafter “EY”);
- KPMG S.p.A. (hereafter “KPMG”);
- Mazars Italia S.p.A. (hereafter “Mazars”);
- Ria Grant Thornton S.p.A. (hereafter “GT”).

Despite the initial choice for the recipients of the Invitation Letter, we highlight that participation in the selection process was in no way precluded to any entity which, in the previous calendar year, received less than 15% of their fees from the audit of entities of public interest in Italy.

The Invitation Letter provided that the presentation of the offer was as follows:

- in one single envelope, through registered post (either post or express mail) or hand-delivered envelope;
- by the time of 7 PM on December 15;
- in three copies, in a signed envelope and company seal on all closures.

As the auditors of BasicNet assumes importance as the principal auditor of the Group to which the company belongs (hereafter the “Group”), the Invitation letter made a specific request for services for BasicNet and for each subsidiary included in the offer.

⁽¹⁾ See Legislative Decree No. 39/2010, Article 17: “*The audit assignment has a duration of nine years for the audit firms and seven years for legal auditors. It may not be renewed and newly conferred if at least four years have not passed since the ending of the previous appointment*”.

The Invitation Letter was prepared indicating:

- the information necessary in order to understand the operations of the company and of the Group, as well as the type of activities requested;
- further terms and conditions in relation to the selection process.

2.2 Documentation and information requested in the Invitation Letter

Based on that indicated in the Invitation Letter, the offers must contain three sections respectively: (i) administration information, (ii) technical information and (iii) economic proposal.

2.2.1. "Administration Information" Section

For the administration section the company requested the audit firms to provide the following documentation:

- declaration of consent to handling of their personal data for the purposes of the tender, duly completed and signed by the legal representatives, together with a copy of an identity document by the presenter.
- declaration to have received mandate to participate in the tender, and therefore unconditionally accept the contents in the offer documents and to present the technical and economic offer;
- declaration of commitment to remove, by December 31, 2016, any cause for incompatibility existing pursuant to current regulations between audit firms, BasicNet and the companies of the Group;
- statement of compliance with the independence requirements (both for the audit firm and the entities within the Italian and international network) in accordance with the provisions of current regulations, including a description of the current procedure to guarantee compliance with the independence requirements.

2.2.2. "Technical Information" Section

The technical offer, which should be prepared in accordance with the indications contained in Consob communication No. 96003556 of April 18, 1996 and the Invitation Letter and its attachments, must contain, as a minimum, the following information, necessary for the company to assess qualitatively the offers received:

- description of the network to which the audit firm belongs: capacity to service global clients, national and international size of the audit firm and its network (i.e. revenues, employees, countries within the network, etc.), experience in the sector;
- information on the audit team assigned, with inclusion of the relative CV's, including any specialists: this documentation should detail the experience of the audit team in the sector in which the BasicNet Group operates, knowledge of the Group with indication of any experience, specific know-how on international accounting standards IAS/IFRS;
- description of the operating approach for undertaking the assignment, with reference to analytical information on the annual hours for each of the services of the offer.

The company also requested the audit firms to attach to the offer the Transparency Report, pursuant to Article 18 of Legislative Decree of January 27, 2010.

2.2.3. "Economic Proposal" section

The economic offer, prepared in accordance with the indications contained in Consob No. 96003556 of April 18, 1996 and as outlined in the Invitation Letter and its attachments must:

- be presented in Euro for each company in attachment 2 to the Invitation Letter;
- contain revaluation mechanisms of the fees in line with the consumer price index in the various countries in which the Group operates;
- illustrate: the grade of the personnel involved (partner, manager, senior, assistant), the number of resources, the number of total hours allocated, the hourly tariff applied, the total cost per professional grade, the total cost for the activities requested;
- be quoted net of the oversight contribution to be paid to Consob;
- provide for fees not subject to change to take into account any errors in the assessment of the estimates of the hours presented;
- provide quotations including any expenses relating to the utilisation, within the audit activity, of specialists such as, for example, experts in national and international tax, experts in the measurement of the fair value of assets and liabilities in the financial statements, experts in the assessment models of impairment tests, and in international accounting standards (IAS/IFRS) and actuaries.

2.3 Functioning of the tender

On November 28, 2016, through certified electronic post and under the responsibility of the corporate affairs office, the Invitation Letter was sent to the companies identified in the assessment process, as well as to the companies which expressed an autonomous interest in participation in the tender.

On December 1, 2016, as a partial modification to that indicated in the Invitation Letter, the company extended the deadline for the sending of the offers (initially fixed for December 15, 2016) to January 9, 2017 by the time of 7 PM.

On January 9, 2017, the company received offers from the following:

- Deloitte & Touche S.p.A.
- Ernst & Young S.p.A.;
- KPMG S.p.A.;
- Mazars Italia S.p.A.;
- Ria Grant Thornton S.p.A.

(hereafter also, jointly, the "Offering Companies"), together with the relative information and documentation requested.

The Board of Statutory Auditors and the Executive Officer did not consider it necessary to undertake detailed meetings with the individual Offering Companies, nor request further clarifications/integrations to the offers presented.

The company, in accordance with the provisions of the *Group procedure for the appointment of the audit firm*, analysed the proposals received, preparing a report on the conclusion of the procedure which was then presented to the Board of Statutory Auditors.

The Board of Statutory Auditors, within the collegial meetings held, oversaw the overall analysis process and comparison of the offers received on the basis of the rating model prepared by the company, assessing in detail the offers received through the analysis, for each assessment criterion, of each of the individual distinctive and qualified aspects ⁽²⁾.

The analysis took account of the requirements and/or indications of the Supervisory Authority with regard to the auditing of accounts (for example in relation to independence, mandatory insurance coverage, professional standing and the composition of the team), in addition to the information and historic data provided by the Executive Officer.

3. ASSESSMENT CRITERIA

3.1 The rating model adopted

Before commencing the selection process of the new auditors the company, together with the Board of Statutory Auditors, identified clear and objective selection criteria, in order to ensure a procedure based on transparency and traceability of the activities undertaken and of the decisions.

In the definition of the selection criteria, account was taken of qualitative elements (such as knowledge of the Group, the characteristics of the audit firm and its network, the methodological approach proposed and the composition of the audit team), in addition to quantitative elements (such as the breakdown of the overall hours and the areas of intervention).

The quality-quantitative elements as identified were, therefore, designed to develop a rating model which would measure the key factors of the offers received, assigning to each of them a score.

The indication of the key factors was made favouring therefore the quality and the reliability of the work of the audit firm, also taking into account the peculiarities of the BasicNet Group.

The model is composed of:

- a technical section, in which the quality/quantitative characteristics of the offers received are measured, to which a maximum score obtainable is 70;
- an economic section, in which the amount requested for the services to be provided is assessed, to which a maximum score obtainable is 30.

The maximum score obtainable by the audit firm is therefore 100.

3.1.1 Technical section

Within the technical section, the company identified 6 macro-categories, attributing to each of them a specific weighting in terms of score assigned.

For each macro-category, a variable numeric indicator was assigned (17 in total), attributing to each individual indicator a maximum score established based on the importance of each indicator, so that the sum of the maximum score attributable to each indicator is equal to the score assigned to the macro-category.

Below are specified, for each macro-category, the drivers which guided the underlying assessments attributed of the score.

- **Capacity to serve global clients**

The overall capacity was assessed of the audit firm to work with listed companies, with organisational structures and operational complexities similar to that of BasicNet and of the Group. The general characteristics of the audit firm were assessed based on overall size and the global presence of the network, attributing in any case to this area a relatively low weight, within the overall technical assessment.

⁽²⁾ For the details of the analysis and the assessments made on the offers received reference should be made to infra, paragraph 3.2.

- **Audit team of the parent company**

This macro-area was attributed a relatively high weight, after that on the knowledge of the company and of the Group.

All the information was assessed relating to the team assigned, directly or as support, in order to assess the level of professionalism, seniority, relationship and availability, such as: the composition of the team which will be effectively working on the audit, the experience in the sector (in particular of the partners, managers and specialised professional staff) and the level of knowledge of the Group by the partners and managers which will be working on the audit.

- **Hours and mix**

The mix of the hours proposed by each audit firm was carefully assessed with reference to the use of professional figures proposed in the assignment. Specifically, an assessment was made, in addition to the total number of hours estimated by the audit firm for the assignment, also - and in particular - of the breakdown of the total hours by professional grade, avoiding an excessive concentration of the more strictly operative figures, and also on the contrary, on staff with a higher profile.

- **Knowledge of the Group and of the sector**

The knowledge of the sector and, in particular, of the Group is the area which was attributed the highest weight within the technical assessment of the offer, especially in view of the peculiar business model which characterises the BasicNet operations and of the Group in general. All the information necessary was assessed in order to evaluate and ensure the carrying out of an efficient undertaking of the assignment, such as the main audit assignments of listed companies in the sector (fashion/textile) in the last three years (and, in general, the experience in the sector), as well as specific knowledge of the Group.

- **IFRS**

The level of experience within IAS/IFRS was reviewed, assessed through the specific experience of the audit team in relation to IAS/IFRS international accounting standards, participation within international organisations and any publications by the team.

- **Method**

All the elements and information relating to the audit process to evaluate the level of technicality, automation and strategy was assessed with particular reference to the strategy/audit plan to critical areas in the consolidated financial statements of the Group and to the presence of sector specialists in the team for the audit of BasicNet

3.1.2 Economic section

The rating model provides, in the economic section, the attribution of a score calculated based on the amount requested by each single company for the services requested.

We note that the participants in the tender were requested to comply with some specific technical procedures for the quotation (for example exclusion of Consob contribution), in order to render the offers comparable.

3.2 Assessment of the offers

3.2.1 Introduction

The company and the Board of Statutory Auditors undertook, firstly, a preliminary verification on the completeness and formal correctness of the administration information requested in the Invitation Letter. Specifically, in this phase, with the support of the Executive Officer:

- detailed reviews and verifications were undertaken also in relation to the declarations provided by the offering companies;

- information was acquired from the principal internal departments in relation to the qualitative and quantitative aspects of consultation relationships with the Offering Companies and the other companies of the respective networks, also in order to assess any possible risks, present or future, of objectivity and independence.

On conclusion of the administration verification, the assessment procedure was carried out, for each audit firm:

- with reference to the technical section, attributing a specific score, within the maximum limits established, to each individual indicator, adding and comparing the various results obtained;
- with reference to the economic section, attributing a score calculated on the basis of the formula within the rating mode.

The Executive Officer and the Board of Statutory Auditors adopted an assessment procedure, aware of the important responsibility in the appointment of the legal auditor, in order to analyse and individually assess each single important aspect and, thereafter, combine and appreciate these aspects within the overall picture. All the various factors involved in the assessment process were therefore weighed in such a manner that the final score would faithfully respect the specific requirements identified by the company.

In consideration of the matters outlined above and taking into account, in particular, the procedure in the weighting of the qualitative and quantitative aspects illustrated, the Board of Statutory Auditors made the following assessment of the offers.

3.2.2 *Technical section*

- **Capacity to serve global clients**

Three of the five Offering Companies highlighted significant experience in the audit of Italian listed companies with an organisational structure and operational complexity similar to that of the Group: these companies were awarded the full score relating to the macro-area in consideration.

The remaining two companies present, with immaterial differences between them, significantly lower characteristics, in terms of size, global presence and audit experience with companies similar to BasicNet.

- **Audit team of the parent company**

In relation to the professional qualifications of the team, all the Offering Companies consist of resources with strong know-how in the sector, for which it was considered appropriate to attribute an equal score to each of them.

In relation to experience, the maximum score was attributed to two audit firms, with the other three lower scores; particular importance was given to the profile of the lead partner and the specialist members of the team.

Finally, in relation to the knowledge of the Group by the partners and managers which will be involved in the audit, the two highest scores were attributed to the companies which, to varying degrees, already have had relationships with the Group; the remaining three Offering Companies were attributed a score equal to zero, given their substantial lack of activity with the BasicNet Group.

- **Hours and mix**

In relation to the number of hours, the maximum score was attributed to two companies which proposed a total number of hours substantially in line, and thereafter in decreasing order for the others; we report that one company was attributed a score equal to zero, consequent of the evident under estimation of the total number of hours assumed for the undertaking of the assignment, approximately 60% less compared to the average of the hours indicated by the other four companies.

In relation to the mix of the hours the highest score was attributed to the audit firm which indicated the most even breakdown of the overall hours by professional grade, followed by - equally - two other Offering Companies; a lower score was assigned to the fourth company, due to an excess concentration of

hours in the lower level professional staff. One company was attributed a score equal to zero, based on the significant imbalance of the distribution of the hours in favour of the highest level professional grade, with a consequent marginal use of more operative professional staff.

- **Knowledge of the Group and of the sector**

In this assessment area consideration was given to the knowledge of the Group matured in the past by the Offering Companies, in particular, through the provision of non-audit services.

Specifically, in relation to experience in the sector in the last three years, reference was made to the current client portfolio of the Offering Companies in the fashion/textile sector, attributing based on this criterion a decreasing score to the Offering Companies.

In relation to the proven knowledge of the Group, account was taken of the contacts which three Offering Companies have matured over time with the company and the Group (prior audit assignments, consulting activity etc.), attributing to them decreasing scores; the two companies which did not have any direct contact were attributed a score equal to zero.

Finally, the number of listed Italian companies (clients) in the sector over the last three years was assessed, attributing to two companies the two highest scores, followed by - equally - the remaining three audit firms.

- **IFRS**

All the Offering Companies presented a team with equal skill sets and knowledge within IAS/IFRS, level assessed both through the analysis of the specific experiences of the members of the audit team within IAS/IFRS international accounting standards and the publications made or courses undertaken on the subject matter.

- **Method**

In relation to the methodological approach numerous profiles characterising the audit process were assessed, such as the data analytics techniques and the audit analytics techniques, noting that all the Offering Companies have developed and implemented systems and processes for the acquisition and treatment of large quantities of data and information.

In view of the assessments made, the same score was attributed to all of the Offering Companies.

3.2.3 *Economic section*

Under the economic profile, the Board of Statutory Auditors noted that the total cost indicated in the offer from the Offering Companies for the audit activities on the separate and consolidated financial statements of the Group and for the related services were, in almost all of the cases, in line with the expectations of the company, although with some differences in terms of total fees proposed, and in hourly rates applied.

In particular, the principal misalignment compared to the general trend were represented by:

- a) the economic offer of one of the companies, which was approx. 46% lower than the average amount indicated by the other Offering Companies;
- b) the hourly rate proposed by another company, approx. 31% above the average rates indicated by the other Offering Companies.

Specifically, in relation to point sub a), the Board noted that this misalignment was not due to a particularly advantageous hourly rate, but in fact derives from the number of hours estimated for carrying out the assignment; it is therefore reasonable to consider that the relative economic offer (substantially lower than all the others presented), rather than representing a positive assessment element, gives rise to doubts on the correct estimate made by the audit firm on the level of work necessary to undertake the assignment.

Despite this, it was however considered necessary to carry out the economic offer in question for the purposes of the rating model, obtaining a score which, for the reasons illustrated, is the maximum compared to the interval of the values identified; we report, however, that this choice, although resulting in a change in absolute terms of the final score assigned to the Offering Companies, did not result in any difference in relative terms and therefore in the final grading.

3.2.4 Total score assigned

Preliminary we note that from the documentation received all the Offering Companies belong to primary international networks, with high levels of quality and professional services; however, a greater level of experience is evident (in the sector and in listed companies with characteristics similar to those of BasicNet) in three of the five Offering Companies.

From an economic viewpoint, apart from the maximum score obtained by one of the audit firms (which, as already previously clarified, was probably due to an under-estimation of the amount of hours required), the offers show limited differences, with a small advantage to one company, which presented the best economic offer.

The analysis undertaken on the offers and on the additional information received illustrated, among other matters, that:

- (i) the method for carrying out the audit, illustrated in the Offers, also considering the hours and the professional resources to be used, are considered adequate in relation to the extent and complexity of the appointment;
- (ii) all of the Offers contain specific and reasoned declarations concerning the commitment to confirm the existence of the independence requirements established by law, with particular reference to Articles 10 and 17 of the Decree, in accordance with the applicable regulations;
- (iii) all of the Offering Companies have in place, although with differing features and quality levels, appropriate organisations and adequate technical skills for the size and complexity of the appointment in accordance with Article 10-bis, 10-ter, 10-quater and 10-quinquies of the Decree and the requirements of the Regulation.

Based on the activities undertaken and previously described the following total scores were assigned (expressed in cents):

	Maximum score	Assigned score				
		KPMG	EY	DELOITTE	MAZARS	GRANT THORNTON
Technical section	70	37	56	56	29	23
Economic section	30	16	17	16	16	30
Total	100	53	73	72	45	53

4. REASONED RECOMMENDATION OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors:

- on the basis of the procedure undertaken, of the offers received, of the assessments made and of the results therein;
- taking into account that Article 16, paragraph 2 of the Regulation provides that the reasoned recommendation of the Board of Statutory Auditors should contain at least two possible alternatives for the assignment in order to permit a choice and

- considering also that the above-mentioned Article 16, paragraph 2, requires the Board of Statutory Auditors to express a duly justified preference,

RECOMMENDS

to the Board of Directors to propose to the Shareholders' Meeting to award the audit assignment of BasicNet S.p.A. for the years 2017-2025 to the company Ernst & Young S.p.A. or to the company Deloitte & Touche S.p.A., whose economic offers and relative mix of hours proposed are shown in Attachment 1 and Attachment 2 of the present Recommendation.

Between the two

EXPRESSES THEIR PREFERENCE

to **Ernst & Young S.p.A.** as, with parity of score obtained in the technical section, the company presented the better economic offer compared to Deloitte, resulting in - on the completion of the assessment procedure - a higher score.

Ernst & Young S.p.A. is therefore the audit firm with the most appropriate credentials for the assignment, in line with the requirements identified by the company.

5. DECLARATIONS

The Board of Statutory Auditors declares, in accordance with Article 16, paragraph 2, of the Regulation, that the present Recommendation was not influenced by third parties and that there were no contractual clauses applied of any type pursuant to Article 16, paragraph 6 of the Regulation.

February 17, 2017

**The Board of Statutory Auditors of BasicNet S.p.A.
acting in its capacity as the Internal Control and Audit Committee**

Maria Francesca Talamonti

Carola Alberti

Massimo Boidi

ATTACHMENT 1

Audit Firm: Ernst & Young S.p.A.

Ernst & Young S.p.A.	Hours and Fees	
	Hours ^(*)	Fees
Audit of BasicNet S.p.A.		
Audit of the financial statements ^(**)	347	17,000
Audit of the consolidated financial statement ^(**)	290	14,000
Verification of the accounting records	80	3,500
Submission tax declarations	60	4,000
Limited audit of the Half-Year Report	193	9,500
Annual and Half-Year Reporting Package of the other subsidiaries	700	34,500
Total hours and fees BasicNet	1,670	82,500
Annual Reporting Package, financial statements (full audit) and Half-Year Reporting Package (limited audit) BasicItalia S.p.A., Basic Retail S.r.l. and Basic Village S.p.A. ^(***)	1,655	77,500
Total hours and fees	3,325	160,000

^(*) Mix of Hours by professional grade: Partner 6%, Manager 15%; Expert Auditor/Senior 34% and Staff 45% for all activities; in the first three years, the total hours of partner and executives will be however 35% of the total hours (21% on normal basis).

^(**) Includes the verification of the translation of the financial statements in English and the Auditors' Report in English and the activities carried out in order to certify the declaration containing information on environmental, social, personnel and human rights and the fight against active and passive corruption, in accordance with EU Directive 2014-95 ("Barnier Directive").

^(***) The appointment will be approved by the Shareholders' Meeting of the individual companies, within their autonomy.

The fees will be adjusted to take into account changes for inflation; the annual adjustment will be equal to the percentage change in the ISTAT index relating to the cost of living (base month January 2017) and will apply from July 2018.

The hours and the fees estimated in the proposal may be reviewed exclusively in the case where circumstances arise currently unknown or unforeseen in the formalisation of the estimate for the fees indicated in the proposal above, such as for example purposes changes in law and/or regulations relating to audit firms, changes in regulatory provisions on financial reporting adopted in the preparation of the financial statements, changes in the system and/or bodies within the internal control system, changes in the consolidation scope. Any of the above situations must be discussed in advance and agreed upon with the Board of Statutory Auditors and the Executive Officer for Financial Reporting.

ATTACHMENT 2

Audit Firm: Deloitte & Touche S.p.A.

Deloitte & Touche S.p.A.	Hours and Fees	
	Hours ^(*)	Fees
Audit of BasicNet S.p.A.		
Audit of the financial statements and the consolidated financial statements of BasicNet, including the opinion on the consistency with the Directors' Report and the corporate governance and ownership structure report.	760	51,000
Verification of the accounting records	60	3,000
Verifications concerning the signing of the tax declarations	90	-
Limited audit on the Half-Year Consolidated Financial Statements of the BasicNet Group	140	10,000
Audit of the consolidation package prepared by the companies of the Group at the end of the year for inclusion in the consolidated financial statements	390	18,000
Audit of the consolidation package prepared by the companies of the Group for the first half-year for inclusion in the consolidated financial statements	260	12,000
Translation into English of the separate financial statements and the consolidated financial statements of the Group, of the half-year financial statements and of the Auditors' Report in English	50	-
Total hours and fees BasicNet	1,750	94,000
Full audit of the financial statements pursuant to local regulations of the companies of the Group BasicItalia S.p.A., Basic Retail S.r.l. and Basic Village S.p.A. ^(**)	1,650	86,000
Total hours and fees	3,400	180,000

(*) Mix of Hours by professional grade: Partner 6%, Manager 16%; Expert Auditor/Senior 18% and Staff 60% for all activities.

(**) The appointment will be approved by the Shareholders' Meeting of the individual companies, within their autonomy.

The above-mentioned fees will not change due to increases in the size of the Group through internal growth.

Where circumstances arise which would increase the time required for the assignment compared to that estimated in the offer, such as, for example purposes, the change in the structure, the size of the company and of the Group following significant acquisitions, changes in the bodies in the internal control system, regulatory changes on accounting standards and/or audit changes, complex operations undertaken by the company and/or by the Group, further audit procedures and additional obligations may be required for the audit; in such case additional fees will be agreed upon between the parties. In relation to this however no change in fees will be applied within the limit of an increase equal to 10% of the hours included in the Offer.

In addition, the fees will be adjusted to take into account changes for inflation; the annual adjustment will be equal to the percentage change in the ISTAT index relating to the cost of living (base month April 2017) and will apply to the financial statements for the year 2018.