

AMPLIFON S.P.A. SHAREHOLDERS' MEETING CALLED ON APRIL 20th, 2018

DIRECTORS' REPORT ON ITEM 4. "APPOINTMENT OF THE INDEPENDENT AUDITORS FOR THE FINANCIAL YEARS 2019-2027; RELATED AND CONSEQUENT RESOLUTIONS - "ANNEX A"

INFORMED RECOMMENDATION BY AMPLIFON'S BOARD OF STATUTORY AUDITORS FOR THE APPOINTMENT OF THE INDEPENDENT AUDITORS FOR THE FINANCIAL YEARS 2019-2027

The current independent auditors' appointment, which Amplifon S.p.A. had granted to PricewaterhouseCoopers S.p.A., will expire upon the approval of the financial statements ending at December 31st, 2018, in accordance with Art. 2409 bis of the Italian Civil Code and Articles 13 et seq. of Legislative Decree no. 39 of January 27th, 2010.

Art. 13 of Legislative Decree no. 39 of January 27th, 2010 provides that the Shareholders' Meeting will make the appointment based on an informed recommendation by the Board of Statutory Auditors.

For public interest entities, Art. 17 paragraph 1 of Legislative Decree no. 39 of January 27th, 2010 provides that "the audit engagement has a duration of nine financial years for an auditing company and seven financial years for the independent individual auditors."

Selection Procedure

In 2017, Amplifon S.p.A. began the process of selecting a new independent auditing company, which will be appointed to the position for the financial years 2019-2027.

The Board of Statutory Auditors, in its capacity as "Committee for Internal Control and Accounting," has provided the following Informed Recommendation to the Board of Directors in accordance with the provisions set out by current EU laws.

Legislative Framework

The legislative framework for independent auditing has been significantly changed by two distinct acts:

Directive 2006/43/EC as amended by Directive 2014/56/EU regarding independent audits of annual accounts and consolidated accounts, transposed by Legislative Decree 39 of January 27th, 2010 as most recently amended by Legislative Decree 135 of July 17th, 2016;

European Regulation 537/2014, regarding public interest entities and independent audits of public interest entities, in force since June 17th, 2016.

The promulgation of the Decree completed the European Community's process of reforming regarding the independent auditing subject in response to the financial crisis of 2008-2009. Legislative Decree 39/2010 contains general rules on independent auditing, as well as some specific rules on independent auditing of Public Interest Entities (PIEs). Regulation 537/2014 instead governs certain specific points of the rules and regulations on independent auditing of PIEs, which include Amplifon. The purpose of the new law is to further harmonize the provisions originally introduced by Directive 2006/43/EC at the European Union level, to permit greater transparency and predictability of the obligations of the parties who perform independent audits and consequently increase their independence and objectivity in performing their duties, including for

purposes of increasing public trust in the annual and consolidated reports of said entities. As an instrument to increase audit quality, the Regulation strengthened the role of the Committee for Internal Control and Auditing (or CICA) (which is the Board of Statutory Auditors in companies that use a traditional management system) in selecting the new independent auditing firm, by giving it the task of presenting an informed recommendation to the governing body (which is the Board of Directors in companies that use a traditional management system) that will allow the Shareholders' Meeting to adequately weigh its decision. In particular, Art. 16 of Regulation 537/2014 establishes that: a) the CICA must present the governing body with an informed recommendation for appointing an independent auditor; b) the informed recommendation must be justified and must contain at least two possible alternatives, expressly indicating a properly justified preference for one of the two; c) the proposal to the Shareholders' Meeting must contain the recommendation and the preference.

At the same time, Art. 13, which gives the Shareholders' Meeting the power to make the independent auditing appointment based on a justified proposal from the control body, refers to the rules in Art. 16.

Requests for Proposal

The company structure has “operative” tasks, while the Board of Statutory Auditors is responsible for managing and assessing the entire process and validating the procedure's regularity.

The Informed Recommendation was prepared in accordance with a special selection procedure instituted by the Company and for which the Board of Statutory Auditors is responsible, and it complies with the provisions of Art. 16 paragraph 3 of the Regulation.

The company, jointly with the Board of Statutory Auditors, completed an assessment to identify which auditing companies should be admitted to the procedure, and on July 27th, 2017 it sent a Request for Proposal (“RFP”), complete with attachments, to the following auditing companies: **KPMG, BDO, EY, Mazars, and Deloitte.**

Deloitte declined the offer for reasons of incompatibility due to its current professional assignments.

The Selection Procedure

In the selection procedure, the Board of Statutory Auditors used the operational support of the Financial Report Officer and the Group Accounting & Finance Director.

Before commencing the selection process, the Company, jointly with the Board of Statutory Auditors, identified clear and objective selection criteria in order to guarantee a procedure in which activities and decisions would be transparent and traceable.

In determining the selection criteria, technical, qualitative, and quantitative elements were given equal weight.

In order to better understand the information provided by the independent auditing companies, it prepared a checklist of issues to be clarified during meetings with bidding companies and any additional documents to be requested.

Regarding the independent auditing firm selection criteria, for a better understanding of the hours and services offered, it was decided to prepare a table summarizing the scoping, the hours, and the proposed mix compared with data for the current independent auditor.

Based on the documents received and the established selection criteria, the Company, in agreement with the Board of Statutory Auditors, performed a detailed comparative analysis of the proposals, holding board meetings to analyze and examine the proposals and also meeting with all partners proposed by the bidding companies. For every assessment profile, it noted the distinctive and qualifying aspects of each independent auditing firm.

When determining the selection criteria, the Company considered:

1. the quality of the auditing plan and its ability to meet Amplifon's needs and comply with current law;
2. presence of and access to network centers of excellence related to particular issues and matters, including those concerning Amplifon's business sector;
3. methodology, operating tools, and supports used;
4. attention to analysis of the internal control system and risk management;
5. existence of tools to adequately monitor the requirements of Candidate independence;
6. total number of hours anticipated to perform the independent auditing assignment and number of hours per professional category;
7. experience and technical expertise of the proposed team, CVs of Partners and Managers, membership of Partners and/or Managers in technical associations (such as OIC/Assirevi) and/or participation in important technical events, and any publications;
8. independent auditing of listed companies in Italy over the past three years (excluding companies in the credit, insurance, and financial brokerage sectors);
9. methods of managing and reporting the team's activity and communications to the Board of Statutory Auditors:
 - a. methods of reporting the team's activity, that is information from the independent auditing firm on its auditing and certification procedures, such as but not limited to meetings with company organizational structures, presence of various team members at the company;
 - b. communications to Board of Statutory Auditors, that is degree of formalization and content of documents sent to the control body;
 - c. "Continuous Auditing" approach based on addressing accounting problems in advance;
 - d. ability to provide the service in a way that aligns with the Group calendar (in all countries where the Group operates).

10. Candidate's international presence in terms of geographical coverage of the countries where Amplifon is present or which could become future new markets;
11. methods of managing and coordinating relationships with foreign companies of the network;
12. auditing experience in the "Healthcare Specialties Products, Retail" sector over the past three years;
13. total consideration and payment details for each individual subsidiary/country;
14. methods of adjusting payment based on final results and during subsequent years: "flat fee" proposals with payment variations only in case of significant changes in the consolidation area, accounting standards, pertinent laws, or other extraordinary events;
15. possible efficiencies created by interaction with the Amplifon Group's Internal Audit department and with activities pursuant to Law 262;
16. possible future efficiencies based on increased familiarity with the Amplifon Group.

Assessment of Proposals

By September 22nd, 2017 the Company had received proposals from each of the four auditing companies contacted; this was followed by in-depth meetings with representatives of the Bidding Companies and a request for additional documents.

The analyses of the proposals, the supplementary information received, and the checklist showed that:

- a) the auditing methods described in the proposals are generally adequate for the breadth and complexity of the assignment, including in consideration of the anticipated hours and professional resources;
- b) all proposals contain a specific and well-reasoned statement regarding the commitment to show that the legal requirements of independence have been met, with particular reference to Articles 10 and 17 of the Decree, in accordance with the provisions of current law;
- c) all the auditing companies have an organization and technical-professional capabilities that are adequate for the size and complexity of the assignment pursuant to Articles 10-*bis*, 10-*ter*, 10-*quater*, and 10-*quinquies* of the Decree, albeit with different features and levels, and meet the requirements provided by the Regulation.

The documents received show that all the bidding companies are members of international networks and offer quality and highly professional services. With regard to an assessment of the qualitative and quantitative aspects, we note as follows:

Technical and Quality Aspects

Knowledge of the Group

Within this assessment area, attention was focused on the bidding companies' past knowledge of the Group, in particular through specific assignments performed within the Group; none of said assignments will prejudice the requirements of independence.

Assessment of the independent auditing firm and its network

All the bidding companies have significant experience in auditing: i) listed Italian companies; ii) groups with an organizational structure and operating complexity comparable to the Amplifon Group; this assessment area also focused on examining assignments underway and/or nearing completion and the presence of the IFRS network and practices.

Assessment of the external auditing team

All working groups proposed by the bidding companies include resources with significant expertise and solid experience in the sector. Within this assessment area, particular attention was focused on assessing the responsible partner and the teams dedicated to specialized areas (International Accounting Standards, Tax Area, Laws and Regulations, Information Technology).

Quantitative Aspects

In terms of quantity, the total cost indicated in the external auditing proposals received from the bidding companies is in line with the Company's expectations, although with some differences in terms of total estimated hours and hourly rates.

In addition, for all proposals received, the economic conditions are better than those of the outgoing independent auditing firm.

Final Considerations

Having considered everything noted above, in particular the result of the procedure for weighting the technical, qualitative, and quantitative aspects noted above, the Board of Statutory Auditors feels that Amplifon's Shareholders' Meeting can be advised that KPMG S.p.A. and EY S.p.A. are the candidates for the assignment to certify the 2019-2027 financial statements.

The Board of Statutory Auditors unanimously preferred the proposal submitted by KPMG. The teams proposed by both KPMG and EY have solid knowledge and experience, including at international level, but the team proposed by KPMG has more seniority. In addition,

KPMG is better due to the greater contribution from its Partners/Managers/Senior staff members based on total estimated hours.

From the economic perspective as well, in terms of cost for total hours provided, KPMG's final proposal (€1,120,000 for 12,260 total hours per year) to perform independent auditing of Amplifon S.p.A.'s accounts for financial years 2019-2027, submitted on December 5th, 2017, is more competitive than EY's most recent proposal (€1,100,000 for 11,600 total hours per year).

In addition to the above costs, out-of-pocket and/or accessory costs, contributions (retirement funds, CONSOB, or other supervisory authorities), VAT, and adjustments based on changes in the ISTAT cost of living index must be added.

Informed Recommendation of the Board of Statutory Auditors

The Board of Statutory Auditors:

- based on the proposals received, the selection process identified, and the assessments made;
- considering that Art. 16 paragraph 2 of the Regulation: i) provides that the Board of Statutory Auditor's informed recommendation must contain at least two possible alternatives for awarding the assignment; and ii) requires the Board of Statutory Auditors to express a duly justified preference,

RECOMMENDS

that the Board of Directors of Amplifon S.p.A. proposes to the Shareholders' Meeting called for April 20th, 2018, that the independent auditing assignment for financial years 2019-2027 be awarded to one of the following companies: KPMG S.p.A. or EY S.p.A.

The economic conditions offered by said auditing companies are reported in Annex 1; of the two

ITS EXPRESSED PREFERENCE

is KPMG S.p.A., as it is the company assessed to offer best quality and quantity, based on the selection procedure, and is thus considered more suitable for the assignment and in line with the identified needs of the Company and the Group.

Declaration

Pursuant to Art. 16 paragraph 2 of the Regulation, the Board of Statutory Auditors declares that this Informed Recommendation was not influenced by outside parties and that none of the clauses in Art. 6 of the Regulation were applied.

Milan, February 23rd, 2018

The Board of Statutory Auditors

Raffaella Pagani

Maria Stella Brena

Emilio Fano

Annex 1

ANNUAL FEES PROPOSED BY KPMG S.P.A.

| | KPMG | |
|---|---------------|----------------------|
| | Hours | Payments in €/000 |
| Italy | | |
| external auditing annual financial statements | 1,740 | 128 |
| external auditing consolidated financial statements | 1,100 | 81 |
| limited external audit half-yearly consolidated financial statements | 700 | 52 |
| certification of accounting records | 80 | 6 |
| signing tax statements | 80 | 6 |
| limited audit of Non-Financial Declaration | 500 | 37 |
| | 4,200 | 310 |
| Other countries | | |
| Auditing of reporting packages and financial statements of foreign affiliates | 8,060 | 810 |
| TOTAL | 12,260 | 1,120 |

ANNUAL FEES PROPOSED BY EY S.P.A.

| | EY | |
|---|---------------|----------------------|
| | Hours | Payments in €/000 |
| Italy | | |
| external auditing annual financial statements | 1,457 | 100 |
| external auditing consolidated financial statements | 894 | 62 |
| limited external audit half-yearly consolidated financial report | 670 | 46 |
| certification of accounting records | 161 | 10 |
| signing tax statements | 89 | 6 |
| limited audit of Non-Financial Declaration | 393 | 27 |
| | 3,664 | 252 |
| Other countries | | |
| Auditing of reporting packages and financial statements of foreign affiliates | 7,936 | 848 |
| TOT | 11,600 | 1,100 |