



BENI STABILI S.P.A. SIIQ

**ILLUSTRATIVE REPORT PREPARED BY THE BOARD OF DIRECTORS ON ITEM NO. 3 ON
THE AGENDA OF THE SHAREHOLDERS' MEETING OF BENI STABILI S.P.A. SIIQ OF 7
APRIL 2016, DRAWN UP PURSUANT TO ARTICLES 123-*TER* AND 125-*TER* OF ITALIAN
LEGISLATIVE DECREE NO. 58/1998**

ILLUSTRATIVE REPORT ON ITEM NO. 3 ON THE AGENDA

3. Examination of the first section of the Remuneration Report.

Pertinent and consequent resolutions.

Dear Shareholders,

This Remuneration Report shows, in compliance with the laws and regulatory provisions in force, the basic principles and guidelines to be pursued by Beni Stabili S.p.A. SIIQ with its Remuneration policy, approved by the Board of Directors on 10 February 2016, upon proposal by the Remuneration Committee and, subject to the opinion of the Chief Executive Officer, for what concerns the remuneration of Executives with Strategic Responsibilities.

In particular, in accordance with Art. 123-*ter* of Italian Legislative Decree 58/1998, in the first section of the Report, which is indicated in full below, the main contents of the Remuneration policy are pointed out (the powers conferred on the matter to the company bodies, the fixed and variable components of the remuneration, the methods for assigning the variable components and the *bonus*), as well as the information concerning the actual adoption and implementation of the policy itself.

With the Remuneration Report, the Company intends to submit to your attention a clear illustration of the overall top management remuneration system of Beni Stabili, so that you can consciously express your advisory vote on the first section of the Report, as provided by Art. 123-*ter*, paragraph 6, of Italian Legislative Decree 58/1998.

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“SECTION I - REMUNERATION POLICY

1. CORPORATE BODIES AND OFFICERS INVOLVED IN THE PREPARATION AND APPROVAL OF THE REMUNERATION POLICY

- Shareholders' Meeting -

The Shareholders' Meeting (“**Shareholders' Meeting**”) of Beni Stabili S.p.A. SIIQ (“**Beni Stabili**” or the “**Company**”), called to approve the annual financial statements pursuant to Art. 2364,

paragraph 2 of the Italian Civil Code shall resolve, in a purely advisory capacity, in favour of, or against, the first section of the Remuneration Report ("**Report**"), illustrating the remuneration policy ("**Policy**"), in force at least for the following year, for the members of the Board of Directors ("**Directors**") and the executives with strategic responsibilities ("**Strategic Executives**"), as well as the procedures used for the adoption and implementation of said Policy.

Should the Policy be significantly amended during the year by the Company Board of Directors ("**Board of Directors**") and, as a result, the Policy is changed substantially from that on which the Shareholders' Meeting expressed its opinion pursuant to the previous paragraph, the Board of Directors shall call a Shareholders' Meeting to express an opinion about such revised Policy - in a purely advisory capacity, in favour or against – on the basis of a special report, drafted by the Board of Directors on the Policy as amended.

- Board of Directors -

As proposed by the Company's Remuneration Committee - and conditional upon the favourable opinion of the Chief Executive Officer of Beni Stabili ("**Chief Executive Officer**" or "**CEO**") as regards the remuneration of the Strategic Executives - the Board of Directors shall approve the Policy and, at least on an annual basis, assess its effectiveness, to be duly reported to the Shareholders' Meeting in the context of the Report.

- Remuneration Committee -

The Company has established within the Board of Directors a Remuneration Committee ("**Committee**"), composed of three independent Directors, one of which with appropriate knowledge and experience of financial matters.

On an annual basis and at the latest during the Board of Directors' meeting resolving upon the call of the Shareholders' Meeting to approve the annual financial statements (and to express the opinion on the first section of the Report), the Committee shall formulate a proposal to the Board of Directors on the Policy adopted by the Company, pointing out any need to amend or integrate the Policy. During the year, the Committee shall also report to the Board of Directors on any possible need to amend or integrate the Policy, as well as on any failure to implement the Policy and/or on the infringement of its principles.

With regard to the operational activity of the Committee, it has to be noted that the Committee always operates through duly called meetings and resolves in absence of the directly interested parties. Meetings are held at the request of anyone of its members and the Committee has the power to access the information and corporate departments necessary or useful in order to perform its duties. All Committee's meetings are duly recorded. The Committee may avail itself of external consultants in order to perform its duties, and in such case the relevant costs shall be borne by the Company.

The Committee lastly submitted its proposal to the Board of Directors in relation to the Policy on February 10, 2016. In its proposal, the Committee confirmed that the Policy is compliant and consistent with the existing corporate practices and suitable to allow the definition of competitive remuneration levels and to promote equality and transparency. The assessments of the Committee were performed independently and without requesting support from independent experts.

The Board of Directors fully approved the proposal of the Committee on February 10, 2016. The Committee will verify the correct implementation of the Policy, duly reporting to the Board of Directors.

- Chief Executive Officer -

Where appropriate, the Chief Executive Officer may submit proposals to the Board of Directors relating to the Policy adopted by the Company on the remuneration to be paid to the General Manager if appointed, and to the Strategic Executives, illustrating any need to amend or integrate the Policy in this respect. Should the Board of Directors decide to accept the amendment or addition to the Policy proposed by the Chief Executive Officer, it shall in any event obtain prior and binding favourable opinion from the Committee. The aforementioned power may be exercised by the Chief Executive Officer at the Board of Directors' meeting which resolves to call the Shareholders' Meeting for the approval of the financial statements pursuant to Art. 2364, paragraph

2 of the Italian Civil Code, or at any other Board of Directors' meeting resolving upon the calling of a Shareholders' Meeting, so that a report on the amended Policy may be included in the agenda of the forthcoming Shareholders' Meeting.

During the year, with particular reference to the General Manager if appointed and the Strategic Executives' remuneration, the Chief Executive Officer will verify the correct implementation of the Policy, duly reporting to the Board of Directors.

2. AIMS OF THE REMUNERATION POLICY AND UNDERLYING PRINCIPLES

The Policy is a key instrument to protect and strengthen the reputation of Beni Stabili and create long-term value for all the Shareholders.

In compliance with the applicable regulations and in line with the values of transparency and responsibility, the Company, by means of the Policy, the Company intends to:

- a) guarantee, also through constant monitoring of market trends, a correct definition of competitive remuneration levels, promoting internal equality and transparency;
- b) guarantee that the remuneration of Directors and Strategic Executives is established at a level sufficient to attract, retain and motivate staff with the appropriate professional skills to best perform their respective duties and to successfully manage the Company;
- c) structure the remuneration in order to promote a medium/long-term sustainability and to guarantee that the remuneration is also based on results achieved in the medium/long term.

The Policy approved by the Board of Directors on February 10, 2016 is substantially in line with the remuneration practices previously adopted by the Company.

It has to be noted that the Board of Directors will terminate its mandate upon approval by the Shareholders' Meeting – to be held on April 7, 2016 - of the financial statements as of December 31, 2015. Therefore, the Policy outlines the guidelines applicable to the remuneration of the Directors to be appointed by such Shareholders' Meeting (as well as to the Strategic Executives, including therein the General Manager, if appointed). On turn, the new Board of Directors to be appointed by the Shareholders' Meeting will analyze and resolve upon such Policy as deemed appropriate.

3. POLICY ON FIXED AND VARIABLE COMPONENTS OF REMUNERATION

Non-executive Directors

According to the Policy, the remuneration of non-executive Directors consists of a fixed annual remuneration commensurate with the commitment required to each one. The amount of this component of the remuneration is the same for all non-executive Directors, except for the Chairman who is granted with an higher remuneration (please refer to paragraph 11 below).

Attendance fees could be foreseen as a variable portion of the Remuneration, based on the actual attendance by each director to the meetings of the Board of Directors and of the specialised Committees.

Executive Directors

With respect to the executive Directors, the Policy provides that their remuneration shall be composed of a fixed component and two possible variable components, in line with the guidelines below:

- the fixed component shall be sufficient to retain and motivate the executive Directors to best perform their duties, in accordance with the standard practice in force from time to time and in line with the market average;
- the executive Directors shall benefit of a possible yearly "variable" component ("**MBO**"), consisting of a cash premium up to 100% of the fixed component of the remuneration, to be granted upon achievement of predetermined annual performance targets;

- the executive Directors shall also benefit of a possible medium-long term “variable” component (“**LTI**”), consisting of a number of free shares of Foncière des Régions S.A. (“FdR”) equivalent to an amount representing up to 100% of the fixed component of the remuneration, to be granted upon achievement of predetermined medium-long term performance targets. In this respect, it has to be noted that the possible assignment of the FdR free shares to the executive Directors shall be resolved upon by the Company Board of Directors, in accordance with specific agreements in force between Beni Stabili and FdR and in compliance with the free shares plans approved by the competent corporate bodies of FdR (“**FdR Plans**”).

For further details with respect to the criteria governing the assignment of the variable components of the remuneration payable to the executive Directors and the relevant performance objectives, please refer to paragraph 5.

Finally, the Policy allows the Company to provide and assign, to executive Directors, for a limited period of time, not longer than one fiscal year, an entirely fixed remuneration upon occurrence of exceptional circumstances to be discretionarily evaluated by the Board of Directors, such as in case of possible short-term alternation/succession of Directors, with the definition of a new corporate governance structure.

Strategic Executives

The remuneration of the General Manager, if appointed, shall be structured in a manner substantially similar, *mutatis mutandis* (also with reference to the criteria for assessment of results), to the scheme provided for the remuneration of the Executive Directors, taking into account the functions allocated to the General Manager and the objectives assigned to the same.

The remuneration to be granted to the other Strategic Executives consists of the fixed remuneration set forth in the relevant employment contracts.

The Strategic Executives may also be awarded with bonus of a variable amount - up to a maximum of 30% of their gross annual remuneration – based essentially to the achievement of predetermined objectives and/or additional objectives non identifiable in advance but actually achieved. As a general remark, it has to be noted that the performance of the Strategic Executives is evaluated not only on the basis of the annual performance, but also on the basis of the relevant medium/long-term impact.

Incentive schemes based on financial instruments

Currently the Company does not have any incentive schemes based on financial instruments in force.

Nonetheless, the remuneration system, as already anticipated, contemplates the possible assignment - by the Beni Stabili Board of Directors to the executive Directors of Beni Stabili – of free FdR shares, in accordance with specific agreements in force between Beni Stabili and FdR and with the FdR Plans.

According to the terms of the FdR Plans, each year the Board of Directors of FdR may resolve to assign free FdR shares to the beneficiaries (including Strategic Executives) - identified on each occasion, based on Group performance. The assignment becomes final on completion of a vesting period beginning on the date of the resolution regarding each annual assignment and that shall last 3 years minimum. For the entire duration of the vesting period, the beneficiaries cannot be considered owners of the shares and, therefore, are not entitled to exercise the rights attributed to the shareholders.

4. POLICY ON FRINGE BENEFITS

According to the Policy, the Executive Directors Officer and the Strategic Executives may be granted (for mixed use) and with tax withholdings pursuant to applicable laws) with certain fringe benefits, standard for directors/officers holding similar positions in listed companies similar, in size and quality, to the Company. Such fringe benefits consist of (i) accommodation if applicable, (ii) company car and (iii) company mobile phone.

5. CRITERIA FOR ASSESSMENT OF RESULTS

General approach

The variable components of the remuneration (including any possible bonuses to the Strategic Executives) are assigned on the basis of an assessment of the short and medium/long term results achieved, performed using the benchmarks indicated in the Policy (see below) and taken into account the specific economic situation and the real estate market situation.

The Company considers that the case-by-case assessment, in any event based on company budget forecasts, is in line with Beni Stabili's intention to reward persons who, despite the economic and financial crisis, contribute positively to the aim of creating value for all the Company Shareholders.

In general, the performance assessment is based on profitability and on other sustainable business leverages. Beni Stabili also takes into consideration numerous other circumstances, including the compliance with the Group values, the generation of value and the increase of the EBIT.

MBO component for executive Directors

The MBO component shall be assigned to the executive Directors upon achievement of performance objectives clear, precise, quantifiable and operational. These targets are determined every year by the Board of Directors, based on proposals put forward by the Committee. They are determined according to the strategic plan, the budget approved by the Board of Directors for the relevant year, and the Company's priorities at the time. In general, the MBO component of the remuneration is awarded according to the below guidelines:

- c. 70% in case of achievement of quantitative targets regarding Real Estate and financial Key indicators, such as (i) the generation of sustainable value (ii) the adequate level of remuneration for Shareholders, with particular reference to the net income per share (EPRA/RNI and EPRA/NAV per share), (iii) the improvement of the quality of the Company's portfolio, (iv) the increase of the occupancy levels, (v) the enhancement of the financial profile, (vi) the enhancement of market positioning with particular regard to the Italian market;
- c. 30% in case of achievement of qualitative targets relating to the management, leadership and strategic position within the Company and the Group.

LTI component for executive Directors

The LTI component shall be assigned to the executive Directors in case of achievement of performance targets - each analysed over vesting period - in accordance with the following guidelines:

- 50% for [the overall stock market performance of Beni Stabili (Total Shareholder Return "TSR") in relation to the EPRA index;
- 50% for the achievement of MBO targets.

Possible bonuses to Strategic Executives

The Strategic Executives may be granted with bonuses of a variable amount essentially linked to the achievement of predetermined objectives and/or objectives additional to those identifiable in advance. In any case, the evaluation of their performance is based not only on the annual performance, but also on the medium/long-term impact of the same. In particular, the Company may assign a variable bonus to each Strategic Executive, up to a maximum of 30% of the gross annual remuneration of the same.

The Chief Operating Officer and Chief Financial Officer are currently the only Company's Strategic Executives. The criteria for assessment of the results for these officers are listed below.

Provided that the parameters to operate under the "SIQ" Regime have to be satisfied, the performance objectives of the Chief Operating Officer are associated with:

- (i) efficient strategic and operational planning;
- (ii) achievement of the objective of constant corporate growth;
- (iii) efficiency of operational risk management;
- (iv) improvement of profitability of the property assets, with a view to optimising the value of individual properties, also through asset rotation;
- (v) launch of new property development projects and renovation works to guarantee that a high quality standard of the real estate portfolio is maintained;
- (vi) consolidation and improvement of relations with tenants.

The performance objectives of the Chief Financial Officer are associated with:

- (i) reduction in cost of debt and reinforcement of debt structure / maturity
- (ii) cost control and reduction, provided that the quality of reporting (internal/management and external/institutional) and IT systems remains high;
- (iii) efficiency of financial risk management and, in general, financial planning (with regard to the deadlines for the closure of interim/annual reporting periods);
- (iv) organisational and administrative process efficiency;
- (v) improvement in the level of cash flows and the capacity to obtain funding.

6. INFORMATION ON COMPLIANCE OF THE REMUNERATION POLICY WITH THE LONG-TERM INTERESTS OF THE COMPANY AND WITH THE RISK MANAGEMENT POLICY

The Company considers that the remuneration system as a whole is consistent with the objective of creating value for all Shareholders.

The Policy is such that Directors and Strategic Executives are under no circumstances expected to assume risks to an extent exceeding the risk appetite envisaged in the corporate strategies, also taking into consideration the various levels of control exercised by the relevant corporate bodies, with particular reference to the risk management system.

7. MATURITY OF RIGHTS AND ANY DEFERRED PAYMENT SYSTEMS

The performance objectives to be achieved are identified during the Board of Directors' Meeting called to approve the draft annual financial statements and/or in connection with the possible appointment of an executive director by the Board of Directors.

The achievement of the predetermined performance objectives is assessed during the last Board of Directors' Meeting to be held in the fiscal year or, at the latest, during the Board of Directors' Meeting called to approve the draft financial statements, normally coinciding with the first Board Meeting after the end of the financial year.

The Company may envisage a deferred payment system of the MBO component. The Policy also allows the Company to enter into specific *ad hoc* arrangements with the executive Directors, concerning the MBO component, in order to permit the Company to hold deferred payments or to reclaim, in whole or in part, the MBO variable components possibly awarded, but subsequently proved to be awarded based on data manifestly misstated.

The assignment of the LTI component shall become final on completion of a vesting period starting from the date of the Board of Directors' allocation decision.

8. INFORMATION ON ANY LOCK UP CLAUSES REQUIRING THAT FINANCIAL INSTRUMENTS ARE KEPT IN PORTFOLIO AFTER THEIR ACQUISITION, WITH AN INDICATION OF THE RELEVANT LOCK UP PERIODS AND CRITERIA USED TO DETERMINE SUCH PERIODS

At present, the Company has no incentive schemes based on financial instruments, nor maturing plans including clauses requiring that financial instruments be retained in the portfolio after their acquisition.

For the sake of completeness, the FdR Plans referred to in paragraph 3 above do not envisage that the Executive Directors and the Strategic Executives retain the allocated FdR shares in portfolio.

9. POLICY ON TERMINATION OF OFFICE OR EMPLOYMENT CONTRACT

No indemnities in case of unfair dismissal are currently provided in favour of any Director.

However, the Policy allows the Company to enter into specific *ad hoc* contractual arrangements on Executive Directors and the General Manager, if appointed, concerning indemnities payable in case of anticipated termination of the office, provided in any case that (i) no indemnity shall be payable in case of fair dismissal nor in the case of voluntary resignation from office, (ii) such indemnities cannot exceed 200% of the fixed yearly remuneration of the relevant Director and (iii) the agreements shall be compliant with the relevant market benchmarks and with the applicable laws and regulations.

Except in cases of termination/dismissal for just cause, in all cases of termination of employment by the Company, Strategic Executives shall receive an indemnity equal to 30 months of the cost of their total remuneration as at the time of the termination of the employment contract. Such indemnity shall also be payable if the officers resign within 180 days of certain selected events (e.g. unilateral amendment by the Company that significantly reduce the powers, office or duties of the Strategic Executives; change of control of Beni Stabili).

10. INFORMATION ON ANY INSURANCE COVER, WELFARE OR PENSION CONTRIBUTIONS PROVIDED, OTHER THAN MANDATORY ELEMENTS

According to the Policy, the Executive Directors and Strategic Executives may benefit of the following insurance covers, additional to the mandatory covers:

- “Directors & Officers’ Liability” policy (D&O), which covers, , third party liability, *inter alia* , of the Chief Executive Officer and Strategic Executives for monetary losses deriving from claims for compensation for damages in relation to any offence committed by the insured during the course of his/her duties, except in case of wilful misconduct and to the extent that the Company has already compensated the insured;
- “Legal aid policy”, which covers the costs relating to any legal aid provided as defence counsel to the insured, in court proceedings and in out-of-court settlements, with regard to the specific cases envisaged.

In addition, the Strategic Executives may benefit from the following mandatory insurance, which are characterised by a coverage cap exceeding that one provided by the relevant National Collective Labour Agreement, whose exceeding cost relating to the higher coverage cap is borne by the Company:

- “Executive life policy”, in their capacity as executives, with coverage cap exceeding that one envisaged in the relevant National Pay Agreement. In particular, the Company shall be liable for the difference between the maximum envisaged in the aforementioned policy and that one provided by the relevant National Pay Agreement;
- “Professional and equivalent accident policy”, the coverage cap of which is calculated on the seriousness of the accident and the type of event involved, using a maximum of 5 times (in case of death) or 6 times (in case of permanent disability) the gross annual remuneration of the insured. It has to be noted that, whereas professional accident cover is mandatory under the National Pay Agreement, equivalent accident cover is not mandatory;
- “Supplementary healthcare policy” covering medical, health and surgery costs which are not fully reimbursed under the mandatory health policy envisaged in the relevant employment contracts.

11. OTHER INFORMATION

The Policy does not contemplate specific remunerations for the independent Directors.

As regards the membership to each committee within the Board of Directors, Directors shall receive a fixed annual remuneration. The amount of such fixed annual remuneration shall be the same, regardless of the specific internal committee of which the Director is a member.

Attendance fees could be foreseen, based on the actual attendance by each director to the meetings of the Board of Directors and of the specialised Committees.

The fixed remuneration payable to the Chairman, who holds also the office of independent Director and has certain specific technical skills, shall include an additional fixed compensation, to be added to the fixed remuneration contemplated in favour of the other non-executive Directors.

With regard to the offices held in subsidiaries by any Beni Stabili director or Strategic Executive, the Policy provides that (i) if the relevant office held in the subsidiary is a non-executive one, the remuneration due shall be returned in full to Beni Stabili, while (ii) if the relevant office is an executive one, the remuneration due to the relevant director may be retained by the same.

The Policy has been defined independently by Beni Stabili, without making reference to remuneration policies adopted by other companies.

The Policy is substantially in line with the remuneration principles and guidelines in force within the Beni Stabili Group and, in particular, with the directives of FdR, the Company exercising management and coordination activity."

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Having regard to the above, we therefore invite you to express your vote on the first section of the Report that illustrates the Remuneration policy of the Company and the procedures used for adopting and implementing this policy.

Rome, 17 March 2016

For the Board of Directors

The Chairman

(Enrico Laghi)