

BENI STABILI S.P.A. SIIQ

**ILLUSTRATIVE REPORT PREPARED BY THE BOARD OF DIRECTORS ON ITEM NO. 1 ON
THE AGENDA OF THE ORDINARY SECTION OF THE SHAREHOLDERS' MEETING OF BENI
STABILI S.P.A. SIIQ OF 10 DECEMBER 2015, DRAWN UP PURSUANT TO ARTICLE 125-
TER OF ITALIAN LEGISLATIVE DECREE NO. 58/1998**

ILLUSTRATIVE REPORT ON ITEM NO. 1 ON THE AGENDA OF THE ORDINARY SECTION

1. Consensual early termination of the external audit assignment and new external audit assignment for the period from 2015 to 2023:

- 1.1 Consensual early termination of the external audit assignment of the company Mazars S.p.A.: pertinent and consequent resolutions.
- 1.2 External audit assignment for the period from 2015 to 2023. Determination of the fees. Pertinent and consequent resolutions.

Dear Shareholders,

In relation to item no. 1 on the agenda of the ordinary section, you are requested to resolve upon the consensual early termination of the external audit assignment entrusted by the Shareholders' Meeting of Beni Stabili S.p.A. SIIQ ("**Beni Stabili**") of 22 April 2008 to Mazars S.p.A. ("**Mazars**", today BDO Italia S.p.A.) for the financial years from 2008 to 2016, expiring on the date of the Shareholders' Meeting called to approve the financial statements for the 2016 financial year, as well as, at the same time, on the new external audit assignment for the nine-year period from 2015 to 2023 and on the determination of the relevant remuneration.

In this regard, note that, pursuant to Article 13, paragraph 4, of Italian Legislative Decree no. 39/2010, and to Article 7 of Italian Ministerial Decree of the Ministry of the Economy and Finance no. 261/2012, the Shareholders' meeting resolves upon the early termination of the assignment, after hearing the control body and acquiring the observations formulated by the independent auditors, by assigning at the same time the task to another external auditor or to other independent auditors. Pursuant to paragraph 1 of the same Article 13 of Italian Legislative Decree no. 39/2010, the Shareholders' meeting assigns the external auditor and determines the relevant remuneration on the reasoned proposal of the Board of Statutory Auditors.

All this being stated beforehand, this report includes:

- 1) with reference to the consensual early termination of the external auditor assignment currently carried out by BDO Italia S.p.A. ("**BDO**"):
 - a) the resolution proposed by the Board of Directors;
 - b) the opinion of the Board of Statutory Auditors, which is enclosed with this report under letter "A";
 - c) the observations of the BDO, which are enclosed with this report under letter "B";
- 2) with regard to the external audit assignment for the period from 2015 to 2023 and calculation of the relevant remuneration:
 - a) the resolution proposed by the Board of Directors;
 - b) the reasoned proposal of the Board of Statutory Auditors, which is enclosed with this report under letter "C".

* * *

1.1 Consensual early termination of the external audit assignment of the company Mazars S.p.A.: pertinent and consequent resolutions.

It is hereby notified that on 24 July 2015, Beni Stabili was informed that Mazars, effective as from 00.00 of 24 July 2015, transferred to the company Alpha, later on called BDO, its business unit concerning the audit, advisory and compliance activities - in particular, a business unit that also includes the external audit assignment entrusted to Mazars by the Shareholders' Meeting held on 22 April 2008.

In relation to the above, pursuant to Articles 2558, 2559 and 2560 of the Italian Civil Code, the above-mentioned assignment is transferred without interruption to BDO under the same terms and conditions.

It is necessary to note that Beni Stabili, being part of the Foncière des Régions Group, and being controlled by the latter and included in the Group's consolidated financial statements, during the aforementioned Shareholders' meeting of 22 April 2008 had resolved upon the assignment of the

auditing of its financial statements and of its consolidated financial statements to Mazars, assuming that the latter, being part of the Mazars Group - a French company - together with Reconta Ernst & Young, certifies the financial statements of the parent company Foncière des Régions S.A.

In the light of the above, note that, due to the mentioned transfer of the business unit, the combination of certain elements - such as the Mazars brand, the connections with the international organisation of Mazars and the teams selected by Mazars - no longer exists.

The lack of the combination of these three factors eliminated the basis for the continuation of the BDO relationship, since BDO itself is not part of the international organisation to which the independent auditors of the Group that includes Beni Stabili belong.

In relation to the above, the Board of Directors of Beni Stabili, also taking account of the reasons put forward by the Mazars Group, considered that the misalignment among the different persons responsible for the external auditing of Foncière des Régions S.A. and Beni Stabili would have a direct impact on the activity currently carried out by BDO for the Beni Stabili Group, both in terms of different work approach among the different auditors, with possible negative effects on the efficiency of the overall auditing process, and in terms of higher costs and expenses, procedural or otherwise.

Therefore, owing to what has been previously described, the Board of Directors resolved to propose to the Shareholders' meeting the consensual early termination of the external auditor assignment currently carried out by BDO, in order to entrust the new external audit assignment for the financial years from 2015 to 2023.

It should be noted in this regard that the reasons behind the proposal of consensual early termination – as described above – do not relate in any way to the activities carried out or to the behaviour of Mazars in carrying out the current task, nor are they in any way associated with and/or due to diverging views on accounting treatments or audit procedures.

To this end, it is further recalled that the consensual early termination of the audit assignment is

allowed by Article 13, paragraph 4, of Italian Legislative Decree no. 39/2010, and by Article 7 of Italian Ministerial Decree of the Ministry of the Economy and Finance no. 261/2012, pursuant to which – as already mentioned – the Shareholders' meeting passes the resolution, after hearing the control body and acquiring the observations formulated by the independent auditors.

This being stated, note that the Board of Statutory Auditors of the Company also expressed its opinion with regard to this proposal of consensual early termination; the latter, on 27 October 2015, on the basis of the reasons described above, and having regard to the observations related to the consensual early termination of the task sent by BDO to the Company on 20 October 2015, expressed a favourable opinion to the early termination of the audit assignment.

This being stated, we submit the following resolution to your approval:

“The ordinary Shareholders' meeting of Beni Stabili S.p.A. SIIQ:

- having examined the proposal of the Board of Directors;
- having heard the opinion issued by the Board of Statutory Auditors;
- having regard to the observations made by BDO Italia S.p.A.;
- considering that, pursuant to Article 13, paragraph 4, of Italian Legislative Decree no. 39/2010, and of Article 7 of Italian Ministerial Decree of the Ministry of the Economy and Finance no. 261/2012, the Shareholders' Meeting, acquiring the observations formulated by the independent auditors and after hearing the control body, resolves to terminate the audit agreement;
- having acknowledged that the reasons behind the early termination do not relate in any way to the activities carried out or to the behaviour of Mazars in carrying out the current task, nor are they in any way associated with and/or due to diverging views on accounting treatments or audit procedures,

resolves

- to carry out the consensual early termination, pursuant to Article 13, paragraph 4, of Italian

Legislative Decree no. 39/2010 and to Article 7 of Italian Ministerial Decree of the Ministry of the Economy and Finance no. 261/2012, for its residual part, of the external audit assignment originally entrusted to the independent auditors Mazars S.p.A. (today BDO Italia S.p.A.), for the financial years from 2008 to 2016, by the Shareholders' Meeting of the Company of 22 April 2008;

- to grant separate powers to the Chairman of the Board of Directors and to the Chief Executive Officer for the completion of all the formalities concerning the formalisation of this resolution."

* * *

1.2 External audit assignment for the period from 2015 to 2023. Determination of the fees. Pertinent and consequent resolutions.

As mentioned above, pursuant to the combined provisions of Article 13, paragraph 4, of Italian Legislative Decree no. 39/2010, and of Article 7 of the Italian Ministerial Decree of the Ministry of the Economy and Finance no. 261/2012, the Shareholders' meeting that passes the resolution on the consensual termination of the external audit assignment must at the same time entrust the task to another external auditor or to other independent auditors, according to the procedures envisaged in Article 13, paragraph 4, of Italian Legislative Decree no. 39/2010.

Under this last provision, the Shareholders' Meeting, on a reasoned proposal of the control body, entrusts the external audit assignment and determines the remuneration payable to the external auditor or to the independent auditors for all the duration of the assignment, as well as possible criteria for the adjustment of this remuneration during the assignment.

In view of the foregoing, the Board of Directors submits to your attention the reasoned proposal of the Board of Statutory Auditors related to the external auditor assignment for the financial years from 2015 to 2023, which is enclosed with this report under letter "C", and invites you to adopt the following resolution:

"The ordinary Shareholders' Meeting of Beni Stabili S.p.A. SIIQ, having acknowledged the

“Proposal of the Board of Statutory Auditors of the Ordinary Shareholders' Meeting for the external auditor assignment for the period from 2015 to 2023 and for the determination of the relevant remuneration” and the considerations therein,

resolves

- to entrust the independent auditors Reconta Ernst & Young with the task of external auditor of Beni Stabili S.p.A. SIIQ for the financial years from 2015 to 2023, under the conditions set out in the proposal submitted by it with letter of 16 October 2015, for a total consideration for the entire nine-year period of Euro 2,160,000;
- to grant separate powers to the Chairman of the Board of Directors and to the Chief Executive Officer for the completion of all the formalities concerning the assignment of the task at issue.”

Rome, 9 November 2015

For the Board of Directors

The Chairman

(Enrico Laghi)

COURTESY TRANSLATION**Board of Auditors' opinion on consensual early termination of the legal audit mandate to the company Mazars S.p.A.**

Dear shareholders,

the shareholders' meeting has been called to approve the early resolution of the mandate for a legal external audit given to Mazars S.p.A ("**Mazars**", as of today BDO Italia S.p.A.) by the shareholder's meeting on April 22nd 2008 for the fiscal years 2008-2016 and expiring on the day in which the shareholder's meeting will be called to approve the closing balance for the year 2016.

Given that on July 24th 2015 this Company was informed by Mazars that, starting hours 00.00 on July 24th, the whole branches concerning *audit, advisory and compliance* were going to be sold to BDO Italia S.p.A ("**BDO**") - activities which also include the mandate given by Beni Stabili - the Company together with BDO co-signed an early consensual termination agreement.

As for the above mentioned, noted art. 13 D.Lgs. no. 39/2010 and art. 7 D.M Ministry of Economy and Finance no. 261/2012, this Board of Auditors has to state its opinion to be evaluated at the shareholders' meeting.

On September 22nd the Company appointed an interdisciplinary Committee called the "Technical Committee for the evaluation of independent auditor's replacement" with the task of assessing the possible actions following Mazars de-branching.

The Committee noticed that, following the de-branching, a series of key elements became absent, such as the *brand* Mazars itself, the networking with the international organization and the selected professional teams of Mazars. The absence of these elements nullified the grounds on which the mandate has been given; considering also that BDO is not part of an international organization this entails negative consequences on legal audit cost rationalization and efficiency within the auditing process, risking an increase both of cost and charges.

Based on the aforementioned evaluations, on October 21st the Company has co-signed a consensual termination agreement with BDO, subordinate to the shareholders' meeting approval, putting in motion all steps necessary to

approve the resolution of the legal audit mandate with Mazars and, consequently, proceed with the appointment of a new mandate for the years 2015-2023.

We note that the resolution was in no way determined by any actions or behaviour from Mazars (now BDO) made during their mandate, or by the existence of other issues such, for example, opinion divergences on accounting evaluation or auditing procedures. The resolution is justified solely on the necessity to avoid an audit procedure misalignment between Beni Stabili S.p.A SIIQ and the mother company Foncière de Régions S.A. both in terms of efficiency and company cost rationalization for the whole auditing process.

For all the above mentioned, the Auditors have:

- taken note of all the correspondence between the Company and BDO Italia S.p.A;
- taken note of the evaluation made by the "Technical Committee for the evaluation of independent auditor's replacement" *ad hoc* created on September 22nd;
- taken note of BDO observations (October 20th) on the early consensual termination;
- taken note on the early consensual termination agreement co-signed on October 21st;
- considering valid all of the motivation mentioned in the early termination agreement;

and unanimously express their favourable opinion for the early consensual termination agreement about the legal audit mandate originally signed with Mazars S.p.A (as of today BDO Italia S.p.A), which will be subject to approval from the ordinary shareholders' meeting.

Rome, October 27th 2015

The Board of Auditors

Giuseppe Cerati (President)

Marcellino Bortolomiol (Effective Member)

Emanuela Rollino (Effective Member)



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Via Cornaggia, 10
20123 Milan

For the attn. of Luca Lucaroni

and FYI

To the Chairman of the Board of Statutory Auditors
Giuseppe Cerati

We follow up the previous verbal contacts that dealt with the fact that the external audit assignment entrusted on 22 April 2008 by Beni Stabili S.p.A. to Mazars S.p.A. continued with regard to the transferee BDO Italia S.p.A., following the transfer of the business unit concerning the audit, advisory and compliance activities completed on 23 July 2015 under the hand and seal of the Notary Public Mario Notari of Milan with Index no. 23047/13503.

During these contacts, according to the parent company Foncière de Régions SA, holding of Beni Stabili S.p.A. SIIQ, it was necessary, as already explicitly shown at the time of the assignment of the task subject matter of the aforementioned transfer and inferred in the transferred task, for the external audit of the financial statements of the subsidiary companies - including your Company - to be carried out by independent auditors belonging to the same network of reference of the independent auditors responsible for auditing the consolidated financial statements of the Group.

Since none of the cases set forth in Italian Ministerial Decree no. 261 of 28 December 2012 (implementing Article 13, paragraph 4, of Italian Legislative Decree No. 39 of 27 January 2010) is such as to justify a cancellation for just cause of the task by Beni Stabili S.p.A. or the resignation by BDO Italia S.p.A., we inform you that our Company, as already informally shared with you, is willing to carry out the consensual termination of the external audit agreement currently in force in order to allow you to comply with the expressed will of the parent company, as indeed it resolves – should you accept this document - subject to and as from the date of the shareholders' meeting of Beni Stabili S.p.A. SIIQ, to be held no later than 31 December 2015 – which will pass the resolution of the audit assignment in force and entrust the audit assignment to another auditor, in compliance with the provisions set forth in Article 7 of the aforementioned Italian Ministerial Decree no. 261/2012 and subject to the final payment of the fees accrued by BDO Italia S.p.A. for the external audit activity carried out in the meantime.

This notice consists of "*observations*" to be submitted to the Shareholders' meeting pursuant to paragraph 2 of the aforementioned Article 7 of Italian Ministerial Decree no. 261/2012.

We look forward to hearing from you.

Best regards.

Milan, 20 October 2015

BDO Italia S.p.A.

Simone Del Bianco
(Partner)

Aosta, Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Pescara, Potenza, Roma, Torino, Trieste, Verona

BDO Italia S.p.A. - Sede Legale: Viale Abruzzi, 94 - 20131 Milano - Capitale Sociale deliberato Euro 1.000.000 sottoscritto e versato Euro 975.000
Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842

Iscritta al Registro dei revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013

BDO Italia S.p.A., società per azioni italiana, è membro di BDO International Limited, società di diritto inglese (company limited by guarantee), e fa parte della rete internazionale BDO, network di società indipendenti.

COURTESY TRANSLATION**Board of Auditors' proposal to the Shareholders about statutory audit conferral for the years 2015-2023 and determination of fees.**

Shareholders,

the Board of Directors of Beni Stabili S.p.A. SIIQ ("**Beni Stabili**") today resolved to carry out all the activities and steps necessary to submit to the upcoming shareholders' meeting the consensual early termination of the mandate for the years 2008-2016 given to Mazars S.p.A. (now BDO Italia S.p.A.), which is the current statutory auditor of Beni Stabili, and to give a new mandate of statutory audit for the period 2015-2023.

As for the above mentioned, pursuant to Article 13 of Legislative Decree. no. 39/2010 and Article 7 of D.M. Minister of Economy and Finance no. 261/2012, this Board of Auditors issued on October 27th 2015 a favourable opinion on the consensual resolution of the current mandate, which will be subject to the approval from the shareholders' meeting; the latter, subject to the resolution of the current mandate of BDO Italia S.p.A., will appoint a new statutory auditor, and determine the relevant fees.

In this respect, as amply illustrated by the Board of Auditors in its opinion, the resolution is motivated by the fact that BDO Italy S.p.A. is no longer part of the international organization belonging to the parent company Foncière des Régions S.A. This occurrence might cause a misalignment in the performance of the statutory audit, in the rationalization of costs and efficiency of group dynamics, with possible effects on the whole auditing process, both in terms of increased costs and related charges.

These are the reasons given by Mazars Group itself and by the "Technical Committee for the evaluation of independent auditor's replacement" appointed on September 22nd 2015 precisely in order to evaluate the actions to be taken after Mazars de-branching.

Given the above, this Board of Auditors, in accordance with all legal requirements, will give priority, for the purposes of its evaluation concerning the appointment of the new statutory auditor, to a company belonging to the network of the two audit firms currently responsible for auditing the financial statements of Foncière des Régions S.A., thus Mazars Group or Reconta Ernst & Young ("EY").

Since, at present, the international Mazars group no longer has an established local structure, according to this Board the auditing firm EY could allow a better coordination at a group level.

Given the above, on October 16th 2015 EY issued an offer, for nine years (2015-2023), which provides the following services and to the following conditions:

- Audit of Financial statements and consolidated financial statements;
- Audit, during the year, of the regular bookkeeping and of the correct reporting of operating events in the accounting records;
- Verification of the consistency of the management report with the financial statements and the consolidated financial statements;
- Activities aimed at the signature of Tax Returns;
- Limited audit of the half-yearly consolidated financial statements.

These activities will be carried out with a workload amount of 3430 hours and for a fee of EUR 240,000 per year.

As indicated in the "Technical Committee for the evaluation of the replacement of the independent auditors" meeting's minutes on October 20th 2015, the Board of Auditors has explicitly requested to compare the proposal of EY with similar proposals received from other two major audit firms, notably PricewaterhouseCoopers S.p.A. ("PwC") and Deloitte & Touche S.p.A. ("Deloitte"), in order to achieve its full conviction, in compliance with current legislation.

Notwithstanding the scope of the audit services rendered, PwC made an offer that includes an annual fee of EUR 270,000, compared to 3640 hours, while Deloitte has submitted an offer which provides an annual fee of EUR 280,000, compared to 3620 hours.

The Board, after examination of the bids received, considering that:

- the auditing firm EY is already appointed to audit the financial statements and consolidated financial statements of the parent company Foncière des Régions S.A.;
- the accounting firm EY has organization and technical suitability adequate to the mandate;
- the accounting firm EY satisfies all independence requirements provided for by law and that, at present, this Board has no knowledge of situations of incompatibility;
- the analytical identification of the scope of the mandate proposed by EY satisfies the applicable laws and regulations;

- the fees requested by EY, in relation to:
 - the object of the mandate;
 - the identification of the professionals involved;
 - the quantification of the expected hours of work;
 - the resulting amount of the fees requested;

can be considered appropriate by this Board, even taking into account PwC and Deloitte offers.

The Board of Auditors hereby proposes to the Shareholders to appoint the audit firm Ernst & Young for the statutory audit of Beni Stabili S.p.A. SIQ for the years 2015-2023, under the conditions of the proposal issued on October 16th 2015, as described above, for a total consideration of Euro 2.160.000,00 (two million one hundred sixty thousand euro) for the entire nine-year period, in addition to reimbursement of expenses in a flat rate of 5% .

Milan, November 4th 2015

The Board of Auditors

Giuseppe Cerati (President)

Marcellino Bortolomiol (Effective Member)

Emanuela Rollino (Effective Member)