

## COIMA RES S.p.A. SIIQ

### STATUTORY AUDITORS' REPORT

#### TO SHAREHOLDERS' MEETING OF COIMA RES S.P.A. SIIQ

pursuant to art. 153 of Legislative Decree 58/1998 and art. 2429 of Italian Civil Code

Dear Shareholders,

the Board of Statutory Auditors of COIMA RES S.p.A. SIIQ ("COIMA RES" or "the **Company**") is required to report to the Shareholders Meeting, called to approve the financial statements for the year ended December 31<sup>st</sup>, 2017, regarding the audit conducted during the year pursuant to art. 153 of Legislative Decree 58/98 and art. 2429 et seq. of Italian Civil Code.

We noted that, in compliance with Legislative Decree n.58 of 1998, the supervisory activities on the regular bookkeeping and of consolidated and separate financial statements have been tasked by the auditing firm EY S.p.A., appointed by Shareholders' Meeting of February 1<sup>st</sup>, 2016, whose reports - which contain no qualifications or emphasis of matter - we refer you.

During the year ended December 31<sup>st</sup>, 2017 the Board of Statutory Auditors of COIMA RES S.p.A. SIIQ carried out the supervisory activities required by existing law, in accordance with Supervisory Authorities recommendations and in particular according to the key required to CONSOB with Communications n. 1025564 of April 6<sup>th</sup>, 2001 and subsequent supplements of 2003 and 2006, and also in accordance with the code of good practice for listed entities for the Board of Statutory Auditors suggested by the Italian National Association of Professional Accountants.

Pursuant to Legislative Decree n.39 of January 27<sup>th</sup>, 2010 for the public interest entities, which is your Company, the Internal Control and Auditing Committee identifies with the Board of Statutory Auditors and therefore, during the period, were carried out the supervisory activities mandated to the same, pursuant to art. 19 of the aforementioned Decree.

In this regard, we inform that, with effect from January 1<sup>st</sup>, 2017, the regulatory provisions introduced by Decree no. 135/2016 as well as by EU Regulation 537/2014, which entailed strengthening the interaction between the auditors and

the Board of Statutory Auditors, identified as “Internal Control and Audit Committee” (also “CCIRC”) at the time introduced into the regulation by Decree n. 39/2010 and to which new tasks and responsibilities are assigned.

In particular, the amendments to the rules governing the statutory audit of the separate and consolidated financial statements, aimed at strengthening the quality of the audit and the independence of statutory auditors and independent auditors assign new tasks and new responsibilities to the Board of Statutory Auditors - also as regards the tasks assigned to the statutory auditor, not specifically related to the auditing activity - as well as a different formulation of the independent auditors' report on the financial statements for the year.

The Board of Statutory Auditors has verified the independence requirements of its members and the auditing firm, as well as the proper procedures for establishing the independence of Board of Directors with this qualification.

We report the following:

- We attended, with limited absences by some of its members, all meetings of the Board of Directors during the year and obtained periodically information from Directors as for activities and on the most significant transactions performed by the Company. We also attended regular meeting of Committees established in accordance with the Code of Conduct, and in particular the Control and Risk Committee, also as Related-Parties Committee, and Remuneration Committee.
- We supervised the activities of the Company entrusted to us by Art. 149 of Single Act of Finance, through specific audits, regular meetings with business leaders, with the Internal Control Committee, with the Supervisory Board, with the heads of corporate functions, including control, as well as through the information sharing with representatives of the auditing firm.
- We assessed and supervised, as for our competence, the adequacy of the internal control and the account administration system, as well as the performance of detection and control system.
- We verified, through information collected by the auditing firm and the executive responsible for the preparation of the accounting documents, the compliance with legal regulation related to the preparation and setting of consolidated and separate financial statements, as well as the Management

Report, exercising the functions entrusted to us pursuant to art. 19 of the Legislative Decree 39/10.

Our participation in Board of Directors' meetings, the meetings with Control Functions and with the manager of various business Functions, as well as the examination of information flows provided by the same Functions, have enable to us to obtain, in different segments, necessary and useful information on the general business performance and on the outlook for operations, organization and internal control system, risk management, and accounting system in order to evaluate its suitability compared to business needs and operational reliability.

Thanks to the meeting with the internal control functions, we have received adequate information on the internal control system and risk management.

The contacts with the Manager responsible for preparing Company's financial reports allowed a feedback on the activities carried out to verify the adequacy and effectiveness of the control procedures relating to the administrative and accounting system, on which it is confirmed that no such critical issues have emerged to be brought to the attention of the Board of Directors.

As for the ways in which institutional tasks assigned were carried out to the Board of Auditors, we inform you and give you act:

- to have acquired necessary knowledge to carry out audit activities for aspects of its competence, on the adequacy of the Company's organizational structure, including links with subsidiaries, through direct surveys, information gathering by managers of the Functions concerned, exchanges of data and information with auditing firm;
- to have supervised the operation of internal control and accounts administration system, in order to evaluate the adequacy to business needs, as well as its reliability in providing an accurate picture of Company operations, through direct surveys on business records, obtaining information by managers of the Functions concerned, analysis of the results of the work carried out by the auditing firm.

In compliance with the recommendations provided by CONSOB as for the content of Board of Auditors' Report, we report the following:

## **1. Considerations on the events and transactions carried out by the Company that had significant impact on assets, financing and operating result, and their compliance with By-laws and regulations**

---

The Separate Financial Statement of COIMA RES S.p.A. SIIQ for the year 2017 recorded a profit of Euro 12,262 thousand, whose formation is described in detail by the Board of Directors in its report, to which we refer you.

During the year 2017, the Company further focused its investment strategy and strengthening the corporate governance. In particular, as for the significant events of the year and as for their relevance, as fully described in the directors' report, the Board reports the following.

- *Investments*

- (i) On January 16<sup>th</sup>, 2017, COIMA RES concluded the agreement for the purchase of the property in Milan, Via Deruta for an amount of Euro 46.0 million, including transaction costs of Euro 1.09 million. The gross rent is approximately Euro 3.6 million a year.
- (ii) On October 24<sup>th</sup>, 2017, the Company purchased “off-market” an office complex in Milan, Via Monte Rosa 93 for an amount of Euro 57.0 million, including transaction cost for Euro 1.55 million. The gross rent is approximately Euro 3.5 million a year.

- *Disposals*

On October 25<sup>th</sup>, 2017, COIMA RES has accepted, through COIMA CORE FUND IV, a binding offer for the sale of a portfolio of 21 Deutsche Bank branches mainly located in Campania, Puglia e Abruzzo for a price of Euro 38.0 million substantially in line with the book value.

- *Loan agreements*

On April 12<sup>th</sup>, 2017, COIMA RES announced that MH Real Estate Crescita Fund (“MHREC”), 86.7% owned by COIMA RES, refinanced Euro 73.0 million of debt on two office buildings - Gioiaotto in Milan and Eurcenter in Rome. The refinancing extended the previous maturity by 3.7 years, to 2022. A margin reduction of 25 bps was achieved.

About loans contracted at the consolidated level, the Board of Statutory Auditors reports that on January 16<sup>th</sup>, 2017, the wholly-owned company COIMA RES S.p.A. SIINQ I, has concluded a loan agreement for a total amount of Euro 20,000,000, with ING BANK N.V. - Milan Branch, for a period of 5 years, to finance the acquisition of the real estate complex “Deruta”, with an annual interest rate equal to 3M Euribor plus a spread of 1.6% for a year.

- *Lease agreements*

On January 23<sup>rd</sup>, 2017, COIMA RES has reported that “MHREC” Fund extended the lease with NH Hotel Group. The new lease, in force from January 1<sup>st</sup>, 2017, will run for nine years with no possibility to withdraw and renewal option for further six years. The annual stabilized rent is approximately Euro 1.5 million, with a potential increase based on the tenant’s annual turnover.

- *Reimbursement*

On October 20<sup>th</sup>, 2017, the Italian Inland Revenue Agency reimbursed to the Company Euro 38.7 million related to the VAT receivables incurred at the time of the acquisition of the so called “Vodafone Village” in June 2016. The cash received was deployed for the full repayment of the related VAT Line requested at the time of the acquisition of the building.

- *Governance*

As for the *Governance*, the Board of Statutory Auditors deems it appropriate to point out that the Board of Directors, in the meeting held on April 26<sup>th</sup>, 2017, appointed two new independent directors - Luciano Gabriel e Olivier Elamine - to replace two executive directors. The two new directors are also members of the Control and Risk Committee and the Remuneration Committee, respectively.

Therefore, the Board of Directors is composed, at the date of the preparation of this report, of seven independent directors, one non-executive director and one executive director, in the person of the Chief Executive Officer.

Furthermore, the management has decided to propose annual appointment to the Board of Directors at the next shareholders' meeting, rather than the current three years.

- *SIIQ Regime*

The company takes advantage of the benefit for the application of the SIIQ tax regime, subject to the condition that the company carried out via prevalent real estate lease activity, starting from the year ended December 31<sup>st</sup>, 2016. The special taxation regime provides that the income derived from the business of real estate lease is exempt from corporate income tax (IRES) and the regional tax on productive activities (IRAP) and the part of statutory profit corresponding to it is subject to taxation for shareholders in the distribution in the form of dividends, which may not be less than 70% of net profit.

\*\*\*

The Board of Statutory Auditors, on the on the basis of the information acquired and in the light of verifications carried out, has no comments or comments to report on the specific point, in relation to compliance with the Law and Article of Association of the operations carried out by the Company.

## **2. Atypical and unusual intercompany, third and related parties transactions**

---

During our supervisory activities, we do not encounter atypical or unusual transactions carried out between your Company and third parties.

### 2.1 Atypical and unusual related parties transactions

During our supervisory activities we did not notice atypical or unusual transactions carried out with related parties.

### 2.2 Atypical and unusual third and related parties transactions

During our supervisory activities we did not notice atypical or unusual transactions carried out with third and related parties.

### 2.3 Ordinary intercompany and related parties transactions

On May 13<sup>rd</sup>, 2016, the Company, in accordance with Related Parties Regulation n. 17221 approved by Consob of March 12<sup>th</sup>, 2010, as subsequently amended, as well as according to directions and

guidelines mentioned in Consob Communications n. DEM/10078683 of September 24<sup>th</sup>, 2010, adopted the "Related Parties Transactions Procedure" for the management, review, approval and market disclosure of transactions carried out with related parties.

The Board of Directors provided information in the Notes of Financial Statements, as for the ordinary transactions carried out with related parties, which reference is made.

We report that these transactions are related to ordinary business operations involving: i) COIMA SGR S.p.A. for providing services included in the Asset Management Agreement and for the lease agreement related to the headquarter of the Company; ii) COIMA S.r.l. for providing services included in the development & project management agreement, as well as provision property & facility management.

We also report that have been entered into transactions with related parties that have generated interest income relating to dividends paid by funds invested by the Company during the year 2017.

The Board of Statutory Auditors considers the procedures in compliance with the principles set out in the Consob Regulation and has attended, during the year 2017, all control and risk Committees' meeting in which the operations were reviewed, ensuring compliance with the procedure adopted by the Company.

### **3. Comments about any emphasis of matter of Independent Auditors**

---

On March 12<sup>th</sup>, 2018, the auditing firm EY S.p.A. has issued its Reports unqualified and without emphasis of matter, pursuant to Art. 14 and 16 of Legislative Decree n.39/2010 concerning the Separate Financial Statements and Consolidated Financial Statements.

#### **4. Complaints ex art. 2408 of the Civil Code.**

---

During the year 2017, and up to the date of the Report, no complaints according to art. 2408 of the Civil Code are occurred.

#### **5. Presentation of claims**

---

During the year 2017, and up to the date of the Report, no exposed to be reported to Shareholders' meeting are occurred.

#### **6. Supervisory and control activities performed by the Board of Statutory Auditors in relation to the tasks assigned to it as "Internal Control and Auditing Committee"**

---

The Board of Statutory Auditors, identified as the "Internal Control and Auditing Committee" (also "CCIRC"), took note of the deep evolution that characterized the audit activity, through the Reform of the statutory audit of the separate and consolidated financial statements of the companies, implemented in accordance with EU Regulation n. 537/2014 (with Legislative Decree No. 135/2016) and the Directive n. 2014/56, whose amendments mainly include:

- a new audit report, on both form and content;
- the substantial amendment in the Internal Control and Auditing Committee Report;
- the expression of an opinion on the compliance with the law of the management report, and the declaration on any significant mistakes (as from the financial year ended December 31<sup>st</sup>, 2017).

Therefore, in relation to the new and different tasks assigned to the Board of Statutory Auditors, in its capacity as CCIRC, independent assessments of the organizational controls were carried out, aimed at fully implementing the new regulatory provisions, aimed at strengthening the quality of the audit and the

independence of independent auditors and audit firms, in order to improve market and investor confidence in financial information.

The regulatory amendments have involved, with particular reference to the EIP, as COIMA RES, a strengthening of the interaction between auditors and the CCIRC, with particular emphasis on maintaining the independence requirement, also through constant monitoring of the activities carried out by the independent auditor, distinguishing between audit services (Audit Service) and other services (Non Audit Service) and, among the latter, distinguishing between services admitted and services considered prohibited by art. 5 of the aforementioned Regulation, where it is expressly provided that any task entrusted to the Independent Auditor, which falls within the "Non Audit Service", must be previously subject to the assessments and the expression of an opinion by the CCIRC.

During the year 2017, the Board of Statutory Auditors, in particular regarding the adequacy of the provision of services different from auditing of the entity, in accordance with art. 5 of the EU Regulation, constantly verified and monitored the independence of the Auditor, issuing appropriate and specific opinions for any assignment entrusted and other than the auditing of the financial statements.

However, as for the audit activity, the Board of Statutory Auditors, during the many meetings held with the independent auditor EY:

- a) has acquired information on the audits carried out by the auditing firm, on the regular keeping of the company accounts and on the correct reporting of operating events in the accounting records;
- b) received from the Independent Auditor, pursuant to art. 11 of EU Regulation no. 537/2014, the additional report for the Internal Control and Auditing Committee, from which: i) there are no significant deficiencies in the internal control system in relation to the financial reporting process and / or accounting system, such as to be considered sufficiently relevant to deserve to be brought to the attention of the CCIRC; ii) no significant issues have been identified regarding situations of actual or presumed non-compliance with laws and regulations or with statutory provisions; iii) there has been no limitation to the process of obtaining audit evidence; iv) no audit

difference has been identified; v) no significant aspects related to transactions with the related parties of the company have emerged, such as to be communicated to the heads of governance activities.

- c) received from the same company, pursuant to art. 6, paragraph 2, letter a) of EU Regulation 537/2014 and pursuant to paragraph 17 of ISA Italia 260, its independence confirmation, reporting the total amount of fees charged to the Company and its subsidiary.

Furthermore, the Board of Statutory Auditors examined the reports prepared by the Independent auditor EY S.p.A. and issued on March 12<sup>th</sup>, 2018, whose activity integrates the general framework of the control functions established by the law with reference to the financial reporting process.

As anticipated, the text of the Audit Report, following the amendments of the Audit Reform, has been deeply reviewed in terms of form and content, both as for the certifications and the information, especially with regard to the so called "Key Matter" of the audit, or those aspects considered most significant in the context of the audit of the financial statements and the consolidated financial statements.

As for the opinions and attestations, the Independent Auditors, in the Report on the financial statements, have:

- issued an opinion stating that the financial statements of COIMA RES give a true and fair view of the financial position of the Company as at December 31<sup>st</sup>, 2017, of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union, as well as with the provisions issued pursuant to art. 9 of Legislative Decree no. 38/05 and of the art. 43 of Legislative Decree 136/15;
- issued an opinion on the consistency, which shows that the Business Reports attached to the financial statements for the year ended December 31<sup>st</sup>, 2017 and some specific information given in the "Corporate Governance and the Company's Ownership Structures Report" provided for by art. 123-bis, paragraph 4 of the TUF, which is

- the responsibility of the directors of the Company, are prepared in compliance with the law;
- declared, as for any significant mistakes in the Business Reports, based on the knowledge and understanding of the company and the relative context acquired during the audit, to have nothing to report.

The Board of Statutory Auditors has stated that the Independent Auditor, in accordance with art. 10 paragraph 2 letter c) of EU Regulation 537/2014, described the paragraph "Significant matters emerging from the audit" of its Additional Report, the most significant assessed risks of relevant errors, including the assessed risks of relevant errors due to fraud. As for the identification of the Key Matters, it is noted that the same only concern the valuation at fair value of the real estate portfolio. In this regard, the Board of Statutory Auditors has been able to examine the audit procedures in response to the Key Matters, agreeing with the audit aimed at mitigating any risks deriving from the aspects considered significant.

## **7. Supervisory activities on the independence of external auditors**

---

As said before, the Board of Statutory Auditors examined the report on the independence of the external auditor, issued on March 12<sup>th</sup>, 2018 pursuant to art. 6, paragraph 2, letter a) of the EU Regulation 537/2014, and pursuant to paragraph 17 of ISA Italia 260, that does not highlight situations which might have compromised the independence or causes of incompatibility, pursuant to art. 10 and 17 of Legislative Decree no. 39/2010 and art. 4 and 5 of EU Regulation 537/2014.

The table below, drawn up pursuant to art. 149-duodecies of the CONSOB Issuers Regulation (resolution No. 11971 of May 14<sup>th</sup>, 1999 and subsequent amendments and additions), shows only the fees relating to 2017 for auditing and other services provided by the auditing firm and by companies belonging to its network.

Service provided	Firm	Fee
Auditing of Parent Company	EY S.p.A.	170
Auditing of subsidiary	EY S.p.A.	12
<b>Total</b>		<b>182</b>

The fees for the Parent Company's statutory audit relate to the limited review of the Consolidated Half-Year Financial Statements as of June 30<sup>th</sup>, 2017, the statutory audit of the Separate and Consolidated Annual Financial Statements as of December 31<sup>st</sup>, 2017 and the limited review of the Financial Statements as of September 30<sup>th</sup>, 2017 to issue the opinion on the distribution of interim dividends pursuant to art. 2433 bis paragraph 5 of the Civil Code.

As for the amounts paid to the auditing firm, the Board of Statutory Auditors notes that they are only related to auditing services, therefore it is not necessary to carry out further assessments on the potential risks of independence of the external auditor and of the safeguards applied pursuant to art. 22b of Directive 2006/43 / EC.

In view of the foregoing, as for the appointments assigned to EY and its network by COIMA RES and the companies of the Group, the Board of Statutory Auditors does not consider any critical issues regarding the independence of the Auditor.

## **8. Supervisory activities on the administrative accounting and financial reporting process**

---

The art. 19 of Legislative Decree No. 39/2010, in its new formulation, establishes that the CCIRC is responsible for monitoring the financial reporting process and presenting recommendations or proposals aimed to guarantee its integrity.

Therefore, during the year the Board of Statutory Auditors monitored the activities carried out by the Function of the Manager responsible for preparing the Company's financial reports, with which he held periodic meetings, examining the reference model that the Board deems to be able to provide

reasonable assurance on the reliability of financial reporting, on the effectiveness and efficiency of operating activities, on compliance with internal laws and regulations.

Then, the Board examined the structure and content of the periodic reports, prepared by the Manager Responsible for the Half-Year Report and the Financial Statements, noting that the activities conducted to assess the adequacy and effective application of the processes and functional procedures to the financial information of COIMA RES, have enabled to support adequately the certification required to the Chief Executive Officer and the Company's Manager Responsible pursuant to art. 154 bis of Legislative Decree 58/98 (Consolidated Law on Finance, hereinafter "TUF").

In this regard, the Board of Statutory Auditors did not find evidence of criticality or weaknesses that could undermine the adequacy and effective application of the administrative accounting procedures, and, for their part, the heads of the Independent Auditors, in the periodic meetings with the Board of Statutory Auditors, they did not report elements that could undermine the internal control system related to the same procedures.

## **9. Opinion issued pursuant to Law**

---

In relation to what has already been reported in the paragraph concerning the supervisory activities on auditing performed by independent auditors, during the year 2017 the Board of Statutory Auditors did not issue further opinions.

## **10. Frequency of Board of Directors' and Board of Statutory Auditors' meeting**

---

During the year 2017, the Board of Statutory Auditors held n° 14 meetings of which n° 5 with the independent auditor and/or with the control functions; it also attended n° 11 Board of Directors' meeting, n° 10 Control and Risk Committee's meeting, n° 5 Compensation Committee's meetings and also the only Shareholders' meeting held during the year.

During the year 2018, the Board also met the Independent Auditor in two preparatory meetings to finalize the reports attached to the financial statements.

#### **11. Comments on compliance with principles of proper administration**

---

The Board of Statutory Auditors monitored, for all aspects falling within its competence, compliance with the principles of proper administration. The activity of the Board of Statutory Auditors has been addressed to review the legitimacy of Directors' decisions and their compliance, in the process of their formation, with criteria of equity and financial economic rationality, according to the technique and practice suggested by the best doctrine and best company practices.

The Company is, in the opinion of the Board of Statutory Auditors, managed in compliance with the Law and the Articles of Association rules.

The structure of powers and delegated powers - as designated - appear adequate for the size and operation of the Company.

In particular, also as regards the Board of Directors resolution process, the Board of Statutory Auditors assessed, even attending at the meetings, the compliance with the Law and the Articles of Association of decisions taken by Directors and verified that the resolutions were assisted by specific analyzes and opinions prepared - if necessary - also by consultants, with particular reference to economic and financial fairness of transactions and their compliance with corporate interests.

This activity of the Board of Statutory Auditors took place without merit control on the opportunity and convenience of management decisions.

There were no comments on compliance with the principles of proper administration.

#### **12. Comments on the adequacy of the organizational structure**

---

The Board of Statutory Auditors monitored, for all aspects falling within its competence, Company's organizational structure, through direct observations,

hearings, gathering of information from the competent corporate functions and meetings with the heads of the control functions.

Considering the specific model adopted, which provides Coima SGR as outsourcer of the Company, the Board of Statutory Auditors has in particular monitored the suitability of the information flow structure to ensure adequate representation of business matters.

It is noted that, during the year, the administrative structure was strengthened by hiring a new employee in the *“Investor Relator”* function and a new employee in the administrative function.

As a whole, our reliability evaluation of the organizational structure is that this is substantially adequate, needing a constant monitoring of the effectiveness of the interaction between the two companies during the year.

### **13. Comments on the adequacy of the internal control system**

---

COIMA RES has set up its own internal control system in order to maintain, in line with the current legal and regulatory provisions: i) strategic control over the different areas of business in which the Company operates and the different risks related to activities; ii) a management control in order to ensure the balance between economic, financial and capital conditions; iii) technical-operational control aimed at evaluating the various risks.

The Board of Statutory Auditors examined the adequacy of the internal control system directly through meetings with the heads of the various business areas, through an ongoing dialogue with the Control Functions and attending the meetings of Control and Risk Committee, regular meetings with the Director responsible for the internal control system and management of risks, the Manager responsible for preparing the Company’s financial reports and the Independent Auditors, verifying that the system did not highlight significant problems or facts or elements that should be reported here.

The Board of Statutory Auditors, as part of the tasks assigned, followed, also, the various activities performed and was informed on the implementation of business plans and results achieved, including coordination effectiveness of the activities and information flows between the various parties involved.

With regard to controls implemented by the Company to cover the risks to which it is exposed, the Board of Statutory Auditors took note of how COIMARES has adopted an appropriate risk management and control mechanisms in order to ensure an efficient and effective business processes management, and to ensure the trustworthiness, accuracy, reliability and timeliness of financial information as well as assets protection, compliance with laws and regulations, the Articles of Association and internal procedures.

In this respect, the company adopted a regulation on internal control and risk management, based on a traditional model with three levels of control:

- "line" controls (or "first level"), carried out by the operational units, aimed at ensuring the proper performance of operations;
- "second level" controls, carried out by Risk Management Function and the legal department, as well as the *Compliance* function, with the objective of ensuring, inter alia: i) the proper implementation of the risk management process; ii) compliance with the operational limits in place for the various functions; iii) compliance with rules, including self-regulation, of company's operations;
- "third level" controls, responsibility of Internal Audit function, in order to identify violations of procedures and regulations as well as to periodically assess completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and information system (ICT audit).

In the first months of the current year Compliance function has been set up, integrating its activities with the internal audit activities.

As for the organizational controls, the Board of Statutory Auditors also took note of how the Company intends to regulate in a rigorous way the procedures for carrying out its activities, by establishing, within the definition of the strategic, industrial and financial plans, a specific statutory provision in terms of risk-taking. In particular:

- a) investment in a single property with urban and functional characteristics should be limited to a maximum amount equal to 40% of the total value of the Company's most recently approved budget;

- b) rents from a single tenant - or tenants belonging to the same group - may not exceed 40% of the total amount of the Company's rents;
- c) debt, net of cash and cash equivalents and financial receivables from the parent company may not exceed 70% of the total assets in the last approved financial statements.

The Board of Statutory Auditors has finally taken note of the activities carried out by the Supervisory Body, appointed to guarantee the adequacy, compliance with and updating of the organization and management model pursuant to Legislative Decree no. 231/01.

Based on the analyses and tests carried out in relation to the areas and functions involved in internal audit activities, the Board of Statutory Auditors assesses as substantially adequate the internal control system adopted.

#### **14. Comments on the adequacy of the accounting system**

---

The Board of Statutory Auditors has regularly monitored the functioning of the system also through meetings with the Manager responsible for preparing the Company's financial reports, gathering information from the heads of the relevant corporate departments, examining company documentation and regular analysis of the outcome of the work performed by the Independent Auditors, including the Half-Year Report of the Company.

With regard to the accounting information contained in the Financial Statements and in the Consolidated Financial Statements as of December 31<sup>st</sup>, 2017, it is reported that the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports have certificated, without qualification for the preparation of corporate financial statements, as well as in relation to the Directors' report on the reliability of performance and management results, as well a description of the risks and uncertainties faced by the Company and have also issued the prescribed certification under art. 81-ter of CONSOB Regulation no. 11971/1999 and ss.mm.

From the evaluation of the accounting and administrative system there are no facts and circumstances likely to be mentioned in this report and it is believed that the administrative and accounting function is sufficiently structured and

appropriate to address the business needs shown during the year, both in terms of resources used and in terms of professionalism and so it is able, therefore, to properly reflect the Company's events.

## **15. Comments on the adequacy of the instructions given to subsidiaries**

---

The Board acknowledges that it has examined the instructions given by the Company to its subsidiary and to the Real Estate Alternative Investment Funds of which the Company holds a significant participation, and that it considers them adequate with respect to the financial disclosure requirements of the parent company.

## **16. Adherence to the Corporate Governance Code**

---

The Company has joined the standards included in the Corporate Governance Code promoted by the Italian Stock Exchange and, on February 21<sup>st</sup>, 2018, the Board of Directors approved the Corporate Governance's annual report.

We note that:

- (i) within the Board of Directors, with an advisory and prepositive role, operates the Control and Risk Committee; about the role, tasks and operation, see the specific chapter dedicated in the Corporate Governance Report;
- (ii) the Board of Directors appointed Manfredi Catella, as Director in charge of supervising the internal control and risk management system;
- (iii) the Company set up the Remuneration Committee; the Company decided not to set up a Nomination Committee;
- (iv) The Company also set up, in consideration of the business performed, an Investment Committee.

The Board of Statutory Auditors verified the correct application of the criteria adopted by the Board of Directors to evaluate the independence of its non-

executive members as well as the correct application of the relevant verification procedures.

At the end of this process the Board of Statutory Auditors did not have comments to be reported.

The Board of Statutory Auditors has also assessed positively the independence of its members.

### **17. Closing comments regarding supervisory activity**

---

We finally certify that there are no omissions, reprehensible facts or irregularities to be reported to Shareholders and to Supervisory Authorities emerged from our supervisory activities.

### **18. Proposals to Shareholders' meeting**

---

The Board of Statutory Auditors acknowledge that it has monitored the compliance with procedural rules and law regarding the preparation of the 2017 separate and consolidated financial statements, as well as the respect of Directors' duties in this matter.

The Separate and Consolidated Financial Statements of the Company concluded by the certification issued by the Chief Executive Officer and the Manager responsible for preparing Company's financial reports pursuant to art. 154 bis of the Consolidated Law of Finance and art. 81-ter of Consob Regulation n. 11971 of May 14<sup>th</sup>, 1999 as amended.

The Separate and Consolidated Financial Statements of COIMA RES S.p.A. SIIQ have been prepared in accordance with International Financial Reporting Standards. Since the Board of Statutory Auditors is not responsible to analyze the content of the financial statements, the activities were limited to supervise the general definition of the financial statements, their general compliance with the law in relation to their preparation and structure and compliance with the mandatory template.

Based on the foregoing, no recognizing objections, we agree, for all aspects falling within its competence, with the approval of the Separate Financial Statements for the year 2017, together with the Directors' Report as presented by the Board of Directors.

Furthermore, we do not have objections on the proposal of the Board of Directors regarding the allocation of the net profit of Euro 16,261,816.

In conclusion, we inform you that, with the approval of the Financial Statements for the year ended December 31<sup>st</sup>, 2017, the Shareholders' Meeting will be called to resolve, inter alia, on the appointment of the new Board of Statutory Auditors for the three-year period 2018-2020 and the new Board of Directors for the financial year 2018, inviting you to take the necessary determinations.

Milan, March 12<sup>th</sup>, 2018

**The Board of Statutory Auditors**

**The Chairman**

Massimo Laconca \_\_\_\_\_

**Members**

Milena Livio \_\_\_\_\_

Marco Lori \_\_\_\_\_

*This report has been translated into English language only for the convenience of international readers.*