

SOGEFI S.p.A.

Company subject to management and coordination of Cir S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998

To the Shareholders' Meeting of SOGEFI S.p.A.

During the financial year closed at 31 December 2016, we carried out our supervisory activity as required by law and the Articles of Association, in accordance with the Rules of Conduct for the Board of Statutory Auditors recommended by the Italian Council of Accountants and the Corporate Governance Code issued by the Corporate Governance Committee of Borsa Italiana S.p.A., and hereby report on such activity. This report was drawn up following the recommendations set out in Consob Communication no. 1025564 of 6 April 2001 as amended.

As regards the methods employed to perform our duties during the period under consideration, we report as follows:

- we attended the Shareholders' Meetings and Board of Directors meetings held during the period under consideration and obtained timely and adequate information on operations and their outlook, as well as on significant operational, financial and equity-related operations conducted by the Company and subsidiaries within the Group, as required by Italian law and the Articles of Association; all meetings of the Control and Risk Committee and of the Appointment and Remuneration Committee were attended by one or more members of the Board of Statutory Auditors;
- we obtained the necessary information to perform our tasks and determine compliance with Italian law and the Articles of Association, proper governance principles, adequacy of the Company's organisational structure, internal control system and of the administration-accounting system, by direct investigation, collection of information from the heads of the involved departments and sharing of data and significant information with the appointed Independent Auditors;
- under art. 19 of Italian Legislative Decree no. 39/2010, our activities in our capacity as Internal Control and Audit Committee addressed the following issues: a) financial reporting process; b) effectiveness of internal control and of risk and internal audit management systems; c) statutory audits of annual and consolidated accounts; and d) independence of the Independent Auditors; these activities were conducted by direct investigation, collection of information from the heads of the involved departments, and analysis of the results of the Independent Auditors' work;
- we examined the results of the quarterly audits of accounts as to ensure proper accounting by the Independent Auditors;
- we obtained the Reports provided for by art. 14 and art. 19, sub-paragraph 3 of Italian Legislative Decree no. 39/2010 from the Independent Auditors; specifically, we discussed the content of the Report provided for by art. 19, sub-paragraph 3, and no material aspects emerged;
- pursuant to art. 17, sub-par. 9, letter a) of Italian Legislative Decree no. 39/2010, the Independent Auditors submitted their annual Statement of Independence, a disclosure of any additional, non-audit services provided to SOGEFI S.p.A. and the Group by the Independent Auditors or its affiliates for our examination;

- pursuant to art. 17, sub-par. 9, letter b) of Italian Legislative Decree no. 39/2010, we analysed the risk associated with the independence of the Independent Auditors and the measures they take to reduce such risk;
- we monitored the performance of the system used to control subsidiaries and the adequacy of the directions given to them, also under art. 114, sub-paragraph 2 of Italian Legislative Decree no. 58/1998;
- we monitored the actual methods used to implement the corporate governance rules set out in the Corporate Governance Code issued by Borsa Italiana S.p.A., as adopted by the Company;
- we determined whether the Organization, Management and Control Model as per Italian Legislative Decree no. 231/2001 as amended had been updated to comply with the expanded scope of the aforementioned Decree;
- pursuant to art. 4, sub-par. 6 of the Regulation approved by Consob Resolution no. 17221 of 12 March 2010, we monitored compliance with the Discipline for related-party transactions approved by the Board of Directors;
- we ensured that no significant issues existed that the controlling bodies of SOGEFI S.p.A.'s subsidiaries should have disclosed;
- we determined compliance with law provisions and regulations concerning the preparation, layout and statements of the statutory and consolidated financial statements as well as their accompanying documents. We also determined that the Report on Operations complied with the law and regulations in force and was consistent with the resolutions of the Board of Directors;
- we ascertained the adequacy, in terms of method, of the impairment test process implemented to identify the presence of any impairment loss on assets entered to the financial statements subject to impairment test;
- we determined that the Board of Directors had properly implemented the verification criteria and procedures to assess the independence of its members, based on the statements made by the Directors and the opinions issued by the Board of Directors.

After completing our audit and monitoring activities as outlined above, we did not identify any significant events which should have been reported to the Supervisory Authorities, nor any proposals concerning the financial statements, their approval or any other issue within our area of responsibility.

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Outlined below is the information specifically required by the aforementioned Consob Communication of 6 April 2001 as amended.

- We collected adequate information on significant operational, financial and equity-related operations conducted by SOGEFI S.p.A. and its subsidiaries and established their compliance with Italian law and the Articles of Association; the Directors provided adequate disclosure on such transactions in the Report on Operations; we also obtained information on and assurance that the transactions resolved and carried out were not manifestly imprudent, risky, in conflict with Shareholders' Meeting resolutions or in potential conflict of interest with them or, in any case, of such a nature as to jeopardise integrity of corporate assets.

- We obtained adequate information on intercompany and related party transactions. Based on obtained information, we determined that such transactions complied with Italian law and the Articles of Association, satisfied the interest of the company and raised no doubts as to their accurate, exhaustive disclosure in the financial statements, the existence of any conflict-of-interest situations, the protection of corporate assets and of non-controlling shareholders; periodic audits and inspections carried out at the Company's premises did not identify any atypical and/or unusual transactions.
- The Directors provided adequate disclosures on key transactions, as well as on the dealings between SOGEFI S.p.A., Group companies and/or related parties in the Report on Operations and in the Notes, and stated that such dealings had been conducted at arm's length, taking into account the quality and type of services rendered; such dealings mainly consisted in the provision of administrative and financial services, including the management of the Group's centralised treasury and interest debiting and crediting, as well as management support and communication services and use of the Group's information system SAP; in addition, SOGEFI S.P.A. made use of administrative, financial, fiscal and corporate services provided by the Parent Company CIR S.p.A. and joined the Group tax filing system; appropriate financial details were provided and the impact on the statement of financial position was adequately described in the documents accompanying the 2016 statutory financial statements.
- The Independent Auditors Deloitte & Touche S.p.A. issued their Audit Reports under art. 14 of Italian Legislative Decree no. 39/2010 on the statutory and consolidated financial statements as at 31 December 2016. These reports included the auditors' opinion on consistency as provided for by art. 14, sub-par. 2, letter e) of Italian Legislative Decree no. 39/2010 and art. 123 *bis* of Italian Legislative Decree no. 58/1998, without any disclosure observations or statements.
- During the year, a complaint was lodged with the Board of Statutory Auditors under paragraph 1 of art. 2408 of Italian Civil Code concerning a petition filed with Consob by a shareholder. The Board investigated the matter and found that the complaint was ungrounded.
- During the year 2016, SOGEFI S.p.A. engaged the Independent Auditors to perform certain certifications after due inspection - in addition to its auditing services - for a consideration of Euro 1.000. During the same period, the subsidiaries of SOGEFI S.p.A. engaged entities affiliated with the Independent Auditors to perform other services for a consideration of Euro 45.000.
The amounts paid were found to be adequate consideration for the scope and complexity of the services rendered and were not deemed liable to affect the independence and discretion of the auditors in performing their auditing tasks.
- During the year under consideration, we gave advice pursuant to article 2389 of Italian Civil Code.
- The following meetings were held during the year 2016: 8 Board of Directors meetings, 6 Control and Risk Committee meetings, 2 Appointment and Remuneration Committee meetings; and 8 Statutory Board of Directors meetings.
- Proper governance principles seemed to have been implemented consistently, and the organizational structure was found to be adequate to meet the requirements for operations management and control.
- The internal control system seemed to be adequate to the size and management style of the Company, as was confirmed during the meetings of the Control and Risk Committee, which were attended by the Chairman of the Statutory Board of Auditors

(or by a Statutory Auditor appointed by the Chairman) as provided for by corporate governance rules. In addition, the Group's Chief Internal Auditing Officer and Internal Control Officer under the Corporate Governance Code issued by the Corporate Governance Committee for listed companies acted as a liaison and provided the necessary information on the methods adopted to perform his duties and the results of his audits, among other things by attending some meetings of the Statutory Board of Auditors.

- There are no observations to be made as to the adequacy of the administrative/accounting system and its ability to provide a reliable view of operations; with regard to the disclosures in the statutory and consolidated financial statements as at 31 December 2016, the Managing Director and the Manager responsible for preparing the Company's financial reports under art. 154-*bis*, subparagraph 5 of Italian Legislative Decree 58/1998 and art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended, issued their relevant statements.
- There are no observations to be made on the adequacy of information flows from subsidiaries to the Holding Company aimed at ensuring timely compliance with disclosure obligations under Italian law.
- During the periodic exchange of data and information between the Board of Statutory Auditors and the Auditors, among other things under art. 150, subparagraph 3 of Italian Legislative Decree no. 58/1998, no issues were found that would need to be disclosed in this report.
- The Company substantially followed the recommendations contained in the Corporate Governance Code drafted by the Corporate Governance Committee for listed companies and described its corporate governance model in the relevant Report, which was prepared among other things under art. 123-*bis* of Italian Legislative Decree no. 58/1998. Within the limits of our responsibility, we monitored the actual methods used to implement the corporate governance rules set out in the above mentioned Corporate Governance Code, as adopted by the Company, and ensured that the findings of the Board's periodic assessment of Statutory Auditors' compliance with the independence requirements according to the same criteria applicable to Independent Directors under the aforementioned Corporate Governance Code had been included in the Corporate Governance Report of SOGEFI S.p.A.. In compliance with Italian Legislative Decree no. 231/2001, the Company adopted, implemented and maintained up-to-date an "Organizational Model" that governs its behavior and business conduct and set up a Supervisory Body as provided for by the Decree. The Company also adopted a Code of Ethics.
- Our auditing and monitoring activities took place during the year 2016 in the normal course of business and identified no material omissions, reprehensible facts and/or anomalies to be reported.
- After the appointment of the new Independent Auditor, we drafted our Proposal separately on 31 January 2017 and the Directors called the Shareholders' Meeting to resolve on it, also pursuant to art. 19 sect. 1 letter f) of the amended Italian Legislative Decree no. 39/2010.

After completing our audit and monitoring activities, we have no proposals concerning the statutory financial statements as at 31 December 2016, their approval or any other issue within our area of responsibility pursuant to article 153, paragraph 2 of Italian Legislative Decree 58/1998, nor any remarks on the proposed allocation of the profit for the year submitted by the Board of Directors for approval.

We thank you for your trust.

Milan, 29 March 2017

The Board of Statutory Auditors

Riccardo Zingales (Chairman of the Board of Statutory Auditors)

Giuseppe Leoni (Acting Auditor)

Claudia Stefanoni (Acting Auditor)