

REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

On the arrangements for planning and organising the work of the Supervisory Board and on the Group's internal control procedures for the financial year ending December 31, 2009 (article L. 225-68 of the French Commercial Code).

Report of the Chairman of the Supervisory Board

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Statutory auditors' report

This report was prepared in close cooperation with Unibail-Rodamco S.E.'s Management Board, the General Counsel and the Group's Director of Internal Audit and Risk Management. In addition, it was discussed with the Group's Statutory Auditors. On February 8, 2010, the Supervisory Board approved this report pursuant to article L. 225-68 of the French Commercial Code.

I. SUPERVISORY BOARD

1. Functioning of the Supervisory Board

1.1 Purpose and powers

The Supervisory Board exerts permanent oversight and control over the Management Board and the general affairs of the Company. To that end, the Supervisory Board conducts appropriate inspections and reviews and may obtain copies of all documents to fulfill its duties. The Supervisory Board functions under the Company's Articles of Association and a specific Charter.

Moreover, it makes suggestions and formulates recommendations to the Management Board on the following:

- company strategy and financial performance;
- business risks;
- structure and administration of internal risk management and control systems;
- financial reporting procedures and compliance with relevant laws and regulations.

In addition, the Supervisory Board makes decisions concerning the Company's corporate governance and its actual implementation. It assesses the functioning of the Management Board, the Supervisory Board (including the Supervisory Board committees) and their individual members. It handles and settles any conflicts of interest and any discrepancies with respect to the functioning of the Management Board.

1.2. Limitation on the powers of the Management Board and the purview of the Supervisory Board

Pursuant to article 11.5 of the Company's Articles of Association, the Supervisory Board's prior approval must be obtained for certain Management Board decisions and operations, in particular:

- acquisitions, investments (including capital expenditures for internal development), interest acquisitions and off-balance sheet commitments exceeding €25 million (consolidated figure) concerning assets or activities located outside European Union Member States or outside the scope of the approved Group strategy. The threshold is raised to €300 million (consolidated figure) for assets or activities located within European Union Member States and within the scope of the Group's strategy;
- asset disposals (including transfers of real property or interest) exceeding €300 million (consolidated figure);
- indebtedness or security interests in excess of €300 million (consolidated figure), threshold raised to €1 Bn for corporate debt refinancing purposes;
- transfers of all or part of the Company's business to third parties in excess of €500 million (consolidated figure);
- any significant changes in the Group's governance and/or organisation, allocation of responsibilities within the Management Board and any action affecting the Company's entitlement to tax regime applicable to listed Property Investment Company (SIC) tax treatment or any other real estate tax-exempt status in a foreign country;
- any alterations of the Company's dividend policy and of proposals by the Management Board in the distribution of interim or full dividends.⁽¹⁾

The Supervisory Board is informed of pending transactions involving amounts in excess of €100 million but below €300 million.

(1) Both available on the Company's website and at the Company's registered office.
(2) For full details please refer to the Articles of Association available on the Company's website and at the Company's registered office.

(3) This threshold is raised to €500 million (consolidated figure) for urgent operations and decisions, subject to prior disclosure between the CEO, the Chairman and the Vice-Chairman of the Supervisory Board.

1.3. Composition

Pursuant to the Articles of Association, the Supervisory Board can consist of 8 (minimum) to 14 (maximum) members, who are appointed by the Company's shareholders. Supervisory Board members are normally appointed for a three year term and may be reelected. Under the Supervisory Board's resignation and election rules, the resignation and reappointment of members is suggested to prevent, to the greatest extent possible, appointments/resignations occurring simultaneously.

In 2009, the Supervisory Board was composed of 12 members. All members qualify as independent members pursuant to the French *Alap-Medef* corporate governance code (December 2008) (*Alap-Medef Code*) criteria and the criteria detailed in its Supervisory Board Charter, except for Mr. Demogre since his tenure as a member of the Boards of Unibail S.A., Unibail-Rodamco S.A. and

Unibail-Rodamco S.E. combined, exceeds twelve years.⁽¹⁴⁾ The Supervisory Board's Governance, Nomination and Remuneration Committee carries out an annual review of each Supervisory Board member's profile against the independence criteria set out in the Supervisory Board Charter and the *Alap-Medef Code*.

At the Company's 2009 Annual General Meeting in accordance with the Company's election rules, the Supervisory Board Chairman and three other members of the Supervisory Board were reappointed; namely: Mrs. Hems, Mr. Louvens and Mr. Pélissier. Further, all Supervisory Board members' terms were reaffirmed following the conversion of the Company into a European Company (May 2009). At the 2010 Annual General Meeting, Messrs. Cremer and Jodet will be proposed for re-election.

The age limit for the Company's Supervisory Board members is 75, while at least two-third of its members must be 70 or younger.

Members of the Supervisory Board of Unibail-Rodamco S.E.

Name	Age	Main positions other than Unibail-Rodamco S.E. Supervisory Board membership	Year appointed to the Supervisory Board of Unibail-Rodamco S.E.	AGM at which Supervisory Board term expires ⁽¹⁵⁾
Robert E. W. van der Grint Chairman Independent member Dutch nationality	73	Member of the Supervisory Board, Chairman of the Audit, Governance Committee and member of the Nominating, Remuneration Committee of Draka Holding N.V.	2007	2012
François Jodet Vice-Chairman Independent member French nationality	60	Director and CEO of Adaxa and Oryx Group	2007	2010*
Franz G. M. Cremer Independent member Dutch nationality	58	Vice-Chairman of the Supervisory Board of Tugro N.V., Member of the Supervisory Boards of N.S. N.V. (Dutch Railways), Royal Vopak N.V., Lathimer Schiphol N.V. and Paccson Capital B.V.	2007	2010*
Jacques Demogre Independent member French nationality	72	Chairman of the French Economic, Social and Environmental Council and Chairman of the French Committee for Expositions and Conventions	2007	2010
Robert de Haer Independent member Dutch nationality	60	Chairman of the Supervisory Boards of Paccson Capital B.V. and VVA Group B.V., Supervisory Board member of Royal Freehold (Amplia N.V., Maxida Retail Group B.V., Univer Bie and B.V., Spierer Holding	2007	2011
Meloy Harris Independent member U.K. nationality	43	Member Supervisory Board and Audit Committee of TNT N.V., Non-Executive Director and member of the Audit Committee of Sunbury plc	2008	2012
Jean-Louis Laurens Independent member French nationality	55	General Partner of Rothschild & Cie Gestion Paris	2007	2012
Yves Lyon-Cazen Independent member French nationality	59	Chairman of the Supervisory Boards of Bénéteau S.A. and Sucres & Denrées	2007	2011
Henri Mandel Independent member French nationality	71	Chairman of Triffle Capital S.A.S. and IIM & Associates S.A.S., Director of Altranet S.A., Inceps S.A., Bouteille S.A., Elixpoline, Neclube V. and Compagnie Financière Simey, S.A.S., Chairman of the Supervisory Boards of Diercke S.A.S. and Coforus Capital S.A.S., Chairman of the Audit Committee of Amnadi S.A., Capion S.A., Redi Agence S.A.	2007	2011
Hart R. Jakobs Independent member Dutch nationality	68	Chairman of the Supervisory Boards of Esalink Group B.V., Barne Group Rotterdam B.V., Van IJeren Holding B.V., Begeerhoeck Group B.V. and the Benjamin van Beuningen Museum, Member Supervisory Boards of Stichting de Nationale Sportwettingsloterij and Luusman Special Trading Equipment Holding B.V.	2007	2011
Ale Pihlman Independent member U.K. nationality	56	None	2008	2012
Jos W.B. Westerburg Independent member Dutch nationality	67	Member Supervisory Board and Chairman of the Remuneration Committee and the Selection and Nomination Committee of ASML Holding N.V., Vice Chairman of the Board of the Association ALECON	2007	2010

(14) This is the sole criterion of the Code with which Mr. Demogre does not comply.

(15) For the information please consult the legal information section (page 162-167).

(*) To be proposed for re-election at the 2010 Annual General Meeting.

1.4. Meetings, attendance and information

According to its Charter, the Supervisory Board meets at least five times a year according to a pre-set schedule. Extraordinary meetings may be held for specific reasons at the written request of the Supervisory Board Chairman, or at least one-third of the members of the Supervisory Board or any of the Management Board members.

To encourage attendance at Supervisory Board meetings, attendance of members is taken into consideration for the payment of the variable portion of the annual Supervisory Board member fees. The Statutory Auditors attend the year-end and half-year meetings of the Supervisory Board where the financial statements, for those periods are reviewed.

A notice of meeting is sent at least three days prior to Supervisory Board meetings (except in unusual circumstances). The notice includes a detailed agenda and comprehensive papers enabling the Supervisory Board members to prepare for the discussion or, if necessary, the approval of the matters on the agenda.

Whenever necessary, Supervisory Board members are sent materials prepared by the Company's advisors and/or risk managers. To ensure that Supervisory Board members are fully informed of developments in the respective industry segments and of events taking place within the Group, operational matters are regularly discussed during Supervisory Board meetings. Supervisory Board members also receive press reviews and financial reports on Unibail-Rodamco, its competitors and on industry matters. In addition, once a year the Supervisory Board and Management Board take the opportunity to discuss strategic matters and market developments in depth at a specially tailored strategic retreat.

1.5. Summary of Supervisory Board activities

The Supervisory Board of Unibail-Rodamco S.E. held eight meetings in 2009 (six ordinary meetings and two extraordinary meetings). Overall attendance at these meetings was 93%.

In addition to the items and decisions within its statutory scope, the Supervisory Board was briefed on and discussed at major events in 2009, both internal matters (e.g. organisation matters, key appointments within the Group, internal audits etc.) and external matters (e.g. acquisitions, disposals, developments in the Group's strategy, development projects, financial policy, etc.)

The Supervisory Board was in particular informed of, examined or approved the following matters:

- the conversion of the Company into a European Company;
- the anticipated loss of Dutch EBX tax status in January 2010;
- changes in the composition of the Management Board in May and September 2009;
- the reappointment of Supervisory Board members;
- changes in the composition of the Audit Committee and CHARRC effective March 9, 2009;

1.6. Remuneration

The Chairman of the Supervisory Board is paid a total gross annual remuneration for his duties as Chairman of the Supervisory Board and Chairman of the Governance, Nomination and Remuneration Committee of €130,000, effective January 1, 2009. The annual Supervisory Board fee (including the Supervisory Board Chairman's remuneration) was nominated at €52,000 per member in 2009 (comprising of a 75% fixed portion and a 25% variable portion, allocated according to attendance at meetings). The fixed portion was paid quarterly and the variable portion at year-end. The Vice-Chairman of the Supervisory Board was paid a supplementary annual fixed fee of €15,000. An additional fee of €1,350 per day was paid to Supervisory Board members attending a meeting (or several related meetings) of the Supervisory Board and/or Supervisory Board committee outside their country of residence.

- the remuneration of the Management Board members including on external benchmark of Management Board remuneration;
- the remuneration of all Management Board employment contracts in line with corporate governance developments;
- the remuneration of the Supervisory Board Chairman;
- the total allocation of stock option grants for 2009;
- amendments to the Unibail-Rodamco Group French subsidiaries Company Savings Plan 2009;
- the Company distribution payment policy and interim dividend payment decisions;
- the Company's share buyback programme;
- the amendment of the Management Board and Supervisory Board Charters;
- the formal assessment of the Supervisory Board's performance;
- investment, development and divestment projects and operations;
- the full year 2008 and half year 2009 financial statements;
- the 2009 five-year Group Business plan including its financial resources and financing needs;
- the quarterly Management Board reports for 2009;
- developments in accounting methodologies; and
- the upgrading of the Group's Compliance Book in accordance with corporate governance developments.

Supervisory Board members were informed of the work and recommendations of its specialised committees and the Statutory Auditors. The minutes of all the meetings of the Audit Committee and the Governance, Nomination & Remuneration Committee were systematically appended to those of the Supervisory Board.

The conclusion of the formal annual self-assessment of the Supervisory Board was that the Supervisory Board's functioning is highly satisfactory and that the merger of Unibail S.A. and Rodamco Europe N.V. has been successful. The self-assessment also produced a number of practical suggestions towards greater meeting efficiency, a new approach to the organisation of the Supervisory Board related and strategic reflection.

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2. Functioning of the specialised committees set up by the Supervisory Board

Two specialised committees assist the Supervisory Board: (1) the Audit Committee and (2) the Governance, Nomination and Remuneration Committee. These committees function under separate Charters.

2.1. Audit Committee

Tasks

The Audit Committee's main role is to provide oversight over financial matters, internal control and risk management.

- In this context and in accordance with its Charter, the Audit Committee examines the following matters and issues on opinion to the Supervisory Board:
- quarterly financial statements and consolidated accounts, business information, asset valuations, off-balance sheet commitments and the Group's overall cash position;
 - internal management controls, risk control and the implementation of Company-relevant financial legislation;
 - the Company's financial policy (accounting methods and developments in the legislation, etc.) finance and tax planning;
 - the evaluation and/or adoption of the Statutory Auditors' recommendations;
 - the relationship between the Company and its Statutory Auditors.

Composition

The Audit Committee consists of five independent members including the Chairman of the Audit Committee⁽¹⁾, including at least one that has expertise in financial administration and accounting for listed companies or other large companies exposed to IFRS accounting methods.

Normally, the Chairman of the Management Board (CEO), the Group's Chief Financial Officer (CFO) and the Chief Resources Officer (CRO) attend Audit Committee meetings. Other Management Board members may also attend meetings unless decided otherwise by the Committee. The Audit Committee may decide to meet without the Management Board members or to meet only with the CEO, the CFO or the Statutory Auditors. The Group's Director of Consolidation and Accounting, the Group's Controller and the Group's Director of Internal Audit & Risk Management attend Audit Committee meetings at the request of the Audit Committee.

Meetings and information

The Audit Committee meets at least on a quarterly basis, or whenever one or more Supervisory Board or Management Board members request a meeting. It meets at least once a year with the Statutory Auditors without the members of the Management Board being present. The Audit Committee may solicit the advice of external advisers as it deems necessary. Members receive notices concerning the meetings with an agenda and the meetings' documents at least three days prior to each meeting. To allow for adequate preparation and consideration of the half-year and full-year accounts, the Audit Committee usually meets at least 48 hours prior to the Supervisory Board meeting at which the accounts are reviewed.

The Supervisory Board is informed of the proceedings and recommendations of the Audit Committee at its meeting directly following that of the Audit Committee.

Summary of Audit Committee activity

The Audit Committee met five times in 2009 (twice in the presence of the Statutory Auditors). The member attendance rate was 100%.

- During 2009, the Audit Committee considered and/or issued opinions on:
- the anticipated loss of Dutch FBT tax status in January 2010;
 - the evaluation of net assets, the Company's financial statements and consolidated accounts for the 2008 full-year accounts and the 2009 half-year accounts;
 - the quarterly Management Board reports for 2009;
 - the funding of the Group's five-year business plan, financial resources and borrowing requirements;
 - the working terms and conditions of the Statutory Auditors for the closing of the 2008 annual accounts;
 - the Company dividend payment policy and the proposal to the AGM regarding the allocation and distribution of profits;
 - the internal audit charter, risk mapping, the internal audit reports for 2009 and the audit plan for 2010;
 - the examination of the Company's exposure to and management of risks.

The conclusion of the annual self-assessment of the Audit Committee was that the Committee's functioning is highly satisfactory.

Remuneration

Yearly attendance fees for the Committee in 2009 were maintained at €20,000 for the Chairman and €10,000 for the other members. An additional fee of €1,350 per day was paid to members attending a meeting (or several related meetings) of the Audit Committee and/or the Supervisory Board held outside the member's country of residence. As of January 2010, 25% of the Audit Committee fee will become a variable fee, allocated according to attendance at Audit Committee meetings.

2.2. Governance, Nomination And Remuneration Committee – GN&RC

Tasks

The GN&RC's role is to examine all issues falling within its scope of action under the GN&RC Charter and to advise the Supervisory Board accordingly. Its tasks specifically include a constant review of the independence of the Supervisory Board members against the criteria set out in the Supervisory Board Charter and the Asep Medel Code. In relation to governance matters, the GN&RC assesses the adequacy of the Company's corporate governance practices and rules concerning the Company as a whole as well as the Management Board, the Supervisory Board and its committees. It continuously evaluates the Company's compliance with these rules. The GN&RC also monitors the Group's remuneration policy and related remuneration arrangements (fixed income, short-term incentive, long-term incentive and pension) for Management Board members and the remuneration and attendance fee arrangements for Supervisory Board members. In relation to nomination matters, it develops profiles and screening criteria for Supervisory Board members and initiates proposals for the renewal and appointment of Supervisory Board and Management Board members. It also assesses the performance of Supervisory Board and Management Board members on a regular basis.

Composition

The GN&RC consists of six members, five of which are independent. As already mentioned above, the only reason that Mr. Demoghe does not comply as independent is that his terms as a member of the Boards of Unilever S.A., UnileverFoodDomo S.A. and UnileverFoodDomo S.E., combined, exceed 12 years.

In addition to its members, the CEO and the Chief Resources Officer typically attend the GN&RC's meetings. Other persons may be invited to attend by the GN&RC's Chairman.

Meetings and information

The GN&RC meets at least three times a year and whenever one or more Supervisory Board or Management Board members request a meeting. Members receive a notice convening each meeting with an agenda and the relevant documentation at least three days before each meeting. The Supervisory Board is informed of the GN&RC's proceedings and recommendations at the meeting directly following that of the GN&RC.

Summary of GN&RC activity

The Committee met seven times during 2009. The member attendance rate was approximately 98%.

- In 2009, the GN&RC considered and/or issued opinions on:
- the annual review of the Supervisory Board's profile and the inclusion of a specific commitment towards gender diversity;
 - the annual review of the independence of Supervisory Board members;
 - long term incentive arrangements, including the 2009 allocation of stock options to Management Board members;
 - the short-term incentive payout for Management Board members regarding their performance in 2008;
 - the implementation of the Group Company Savings Plan for 2009;
 - the scenario analysis and formal external benchmarking of Management Board remuneration;
 - the remuneration of all Management Board employment contracts;
 - the delegation of powers and responsibilities from the CEO to each Management Board member, with authority to subdelegate;
 - UnileverFoodDomo S.E.'s governance practices compared to the Asep-Medel and Dutch (Rijnd) corporate governance codes;
 - the amendment of the Supervisory Board Charter and the Management Board Charter.

The conclusion of the annual self-assessment of the GN&RC was that the Committee's functioning is highly satisfactory.

Remuneration

Yearly attendance fees for the GN&RC members in 2009 (excluding the GN&RC Chairman) was maintained at €10,000 per member. An additional fee of €1,350 per day was paid to members attending a meeting (or several related meetings) of the GN&RC and/or the Supervisory Board held outside the member's country of residence. As of January 2010, 25% of the GN&RC committee fee will become a variable fee, allocated according to attendance at GN&RC meetings.

(1) Available on the Company's website and/or as requested office.
(2) Messrs. Looze and Rempe were appointed to the Audit Committee in March 2009. Mr. Looze then resigned from the Audit Committee in March 2009.

II. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS⁽⁹⁾

UnibailRodamco S.E. complies with all Asep-Medel recommendations on executive officer remuneration as published on October 6, 2008 and incorporated into the Asep-Medel Code on December 2008. The Management Board remuneration policy was developed by the Governance Nomination & Remuneration Committee prior to the merger. It was approved by the Supervisory Board in June 2007 and renewed in 2009. The remuneration of Mr Forbes, appointed to the Management Board on September 1, 2009, was approved by the Supervisory Board on July 22, 2009, on the recommendation of the GNA&RC.

The remuneration of each Management Board member consists of 4 components: (i) Fixed Income (FI), (ii) Short Term Incentive (STI), (iii) Long Term Incentive (LTI) comprised of stock options subject to performance conditions, and (iv) other benefits (pension, company car, insurance, etc.).

In 2009, the Governance, Nomination and Remuneration Committee engaged an external consulting firm to conduct a comprehensive benchmark of all 4 components of MB remuneration against CAC 40, AEX 25 and real estate industry practice. The consultation attended three GNA&RC meetings in connection with the benchmark and produced a formal report with information and recommendations that were considered by the GNA&RC and the Supervisory Board in their review of Management Board remuneration.

Going beyond the Asep-Medel recommendations, as of and 2009, none of the Management Board members have employment contracts.

III. CORPORATE GOVERNANCE

In accordance with article L. 225-68 of the French Commercial Code, UnibailRodamco S.E. hereby states that it adheres to and endorses the French Asep-Medel corporate governance code, as published in consolidated form by Asep-Medel in December 2008 (Asep-Medel Code⁽¹⁰⁾), and adopts the Asep-Medel Code as its code of reference for corporate governance matters.

UnibailRodamco S.E. has analysed its practices and procedures against the Asep-Medel Code. As of the date of filing, the Company complies 100% with the Asep-Medel Code's principles.

In line with the Group's commitment to the highest standards of corporate governance and its activities in the Netherlands, the Group is also compliant with the vast majority of the Dutch (filings) Corporate Governance Code⁽¹¹⁾ requirements, even though the Company is not legally required to comply with this code.

All shareholders have the right to attend shareholders' meetings. The terms and conditions are defined in article 18 of the Company's Articles of Association.

All information stipulated under article L. 225-100 of the French Commercial Code that is likely to have an effect in the event of a takeover, such as the information specified in article L. 225-100.3, is included in the annual report available to shareholders.

IV. INTERNAL CONTROL SYSTEM

The UnibailRodamco Group is active in the commercial property sector, more specifically in the development, management and regular refurbishment of shopping centres and offices, and the management and organisation of convention and exhibition venues and associated services. Apart from general risk factors, the Group's business is subject to common exposure and systemic risks including, in particular, the cyclical nature of the property sector. The Group's strategy and policies aim to limit the negative effects of these risks. However, sudden changes in the geopolitical, political, social, economic, financial, monetary, regulatory, health and ecological environment could have a negative impact on the Group, and result in, amongst other things, a decrease in asset values, an increase in certain costs, or investment/divestment operations being delayed or even abandoned.

"Controlable" risks are identified through a risk mapping process which focuses on key risks and assesses them on the basis of probability and magnitude. This risk mapping was updated and approved by the Management Board in 2009. In addition, it was discussed by the Group Audit Committee in July 2009.

These "controlable" risks are monitored through the Group's internal control system. This system covers all activities of the Group in all regions, except those where UnibailRodamco is not directly involved in the management, notably Consequosum. This system is based on a set of principles that aim to provide reasonable assurance that the following internal control objectives are met:

- transactions are executed effectively and optimised;
- property assets are protected;
- financial information is reliable; and
- all operations comply with prevailing legislation, regulations and UnibailRodamco's internal rules.

The Group's internal control system is in line with the general principles of the Internal Control System reference framework drafted by the AMF working group and is based on:

- standardised procedures;
- the accountability of managers in charge of the business, finance and control;
- a committee-based decision-making process for acquisitions, disposals and refurbishment/conservation projects; and
- a segregation of duties between the executive and control functions.

UnibailRodamco S.E. is run by a Management Board, composed of 6 members, which manages all of the Group's activities. The Management Board holds regular fortnightly meetings as well as ad-hoc meetings whenever required. It acts as the decision-making body for any issues that, due to their financial significance or strategic and/or cross-functional nature, require the involvement of the Group's senior management. Its main focus areas are set out in the Management Board Charter, which is available on the Group's web site.

The Group's control environment includes the Compliance Book (or Governance, Organisation & Corporate Rules (Compliance Book)) which was approved in December 2008 by the Management Board. The Compliance Book details:

- the Group organisation structure, a matrix organisation with a double reporting line at corporate and regional levels;
- the governance organisation for UnibailRodamco S.E. and its subsidiaries;
- a framework of core processes and internal rules covering investment & divestment, development, leasing activities and support functions, notably Finance and Human Resources; and
- a Code of Ethics covering the Group's core values and rules of conduct, with particular emphasis on ethical behaviour, conflicts of interests, confidentiality of information, and transactions involving the Group's stores.

In addition to the Compliance Book, the Group's control environment comprises of:

- job descriptions and an appraisal system based on performance targets for the entire Group;
- a set of delegation of authority and responsibility rules and limits that span all of the Group's activities;
- specific procedures applicable at the corporate level and in the different regions where the Group is present; and
- formal instructions and recommendations that nevertheless form an integral part of the internal control system.

A description of the main risks monitored by this internal control system follows.

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1. Investment and Divestment Authorisation

Corporate business development or property acquisition projects are always discussed by the relevant management team. Any deal opportunity is presented to the Chief Executive Officer and the Group Director of Investments in order to determine whether the transaction is worth pursuing and investigating. If it is worth pursuing or investigating, a project manager is appointed.

A legal, financial, technical and commercial review of these transactions is subsequently presented to an ad-hoc committee comprising of the Chief Executive Officer, the Chief Financial Officer, the Chief Development Officer (for property development and re-development), the Chief Operating Officer (for retail operations), the General Counsel (at the last quarter of 2009), the Group Director of Investments and the relevant Regional Managing Director and regional investment teams. This committee approves the value creation strategy, the assumptions made and the offer price, subject to a more in-depth audit (data room) and final approval in compliance with the Group's authorisation rules. Various financial models (e.g. discounted cash flows, peer comparisons) have been developed and provide the basis for the committee's assessment.

During the annual budget review within each region, a disposal schedule is drawn up for mature properties. These transactions are then prepared and analysed by the committee referred to above, which verifies the assumptions on which the disposal conditions are based.

The UnibailRodamco Group has centralised the documentation and management of legal matters relating to all of its property assets in France. This centralised organisation makes it easier to prepare data rooms when properties are being sold and helps to improve the liquidity of the assets. This system is in the process of being implemented in all regions.

UnibailRodamco's property assets are valued twice a year by external experts. This enables the Group to assess the market value and to verify and validate the internal assumptions that are used to determine the selling price or rental value of its different properties.

Most of the teams involved in reviewing and managing these transactions have experience in mergers and acquisitions acquired through investment banks, law firms or other institutions specialising in such areas of functional expertise. The Group calls upon external experts, such as lawyers, tax specialists, auditors and consultants, whenever necessary.

In accordance with the Group's authorisation rules, any transaction exceeding €100 million is subject to final approval by the Management Board, as is any transaction below €25 million that falls outside the Group's existing strategy and/or in a country outside European Union member states. Acquisitions, disposals or investments exceeding €300 million, and transactions exceeding €25 million that fall outside the Group's existing strategy and/or are in countries outside European Union member states, also require prior approval from the Supervisory Board (refer to page 187 for more detail on Supervisory Board prior approval requirements).

(9) For full details, please consult the legal information section.
(10) Available on the AMF website www.amf.fr

(11) As published by the Filings Committee in December 2009.
(12) Available on the Company's website and at its registered office.

2. Risks Associated with the Management of Construction and Relinquishment Projects

Unibail-Rodamco's construction projects are carried out in countries where the Group has a local team. A minimum level of pre-qualifying in Retail is required before launching any project to secure each project from a financial point of view.

Unibail-Rodamco, except in exceptional cases, selects large, reputable contractors to work on its construction and relinquishment projects by issuing invitations to tender based on a set of clear specifications. The final choice of contractors is made once a comparative analysis of written offers has been carried out. Any discrepancies in relation to the original budget must be explained and justified.

In addition, Unibail-Rodamco employs construction experts within its own organisation. They act as project managers and are responsible for ensuring that:

- the properties built by the Group's contractors comply with the design specifications,
- construction and renovation costs are kept under control and remain in line with initial budgets, and
- buildings comply with the Group's Environmental Quality Charter and any regulations applicable to owners.

The progress of the works, the budget and internal rate of return of each project is reviewed on a quarterly basis at Group level by the Control Department and the Management Board.

To manage environmental risks, the Group has created an International Environmental Performance Committee and Regional Environmental Performance Committees, which work to shape a common environmental performance policy and monitor the way it is embedded in operating practices. The Group has been a constituent of the Dow Jones Sustainability Index since 2008. Unibail-Rodamco SE publishes a Corporate Sustainability Report, available on its website every year. This report deals with the Group's environmental policy, its targets and achievements.

Asset protection risks

Unibail-Rodamco is covered by a Group insurance program that is underwritten by reputable leading insurance companies. This program is monitored by the Group Insurance Department in liaison with local teams and insurance brokers.

For property damage and terrorism, most of the Group's property assets are insured for their full reconstruction value, which is regularly assessed by external property insurance valuers, for business interruption and loss of rents. The Group has also taken out general liability insurance that covers financial damages incurred by third parties.

Construction projects and renovation works on properties are covered by Contractor's All Risk policies in all regions. Defects affecting the works are covered by Decennial Insurance in France and by Contractors liabilities policies for works in other regions.

In addition, Unibail-Rodamco regularly arranges inspections of technical facilities that could have an impact on the environment and/or personal safety, such as firefighting equipment, ventilation and air conditioning systems, electric installations and elevators.

To mitigate health and safety risks, the Group has issued a health and safety manual which is used for all of the properties that are managed by the Group in France. This manual provides a single and comprehensive source of information on the management of sanitary/environmental risks such as water, air, lead, asbestos and legionnaires' disease.

As announced in the Group's 2008 Annual Report, the implementation of a group-wide policy on health and safety risk management began in all regions in June 2009. This policy consists of group-wide rules and guidelines and is complemented at the local level by additional procedures mandated by local regulations and one the responsibility of each Regional Managing Director. This policy will cover all of the Group's main assets.

3. Risks Associated with Property Leasing and Ancillary Services

The marketing of assets is handled by dedicated teams within the scope of the Office Division, additional support from leading external brokers. Targets (e.g. prices, deadlines and prospective tenants) are defined within each region in collaboration with a team at Group level and are presented to the Management Board for approval. Terms that are particularly important in terms of value or special interests and conditions (e.g., price, term, and security) must be approved in advance at Management Board level by the Chief Operating Officer (for shopping centres) or by the Chief Executive Officer (for offices).

The large number of tenants in the Group's shopping centre portfolio is varied, and thus minimises the risks associated in the event of the insolvency of any retailer.

The Group's principal tenants in its office portfolio are blue-chip companies.

When tenants sign their lease agreements, most are required to provide financial guarantees, such as a deposit, first demand guarantee or surety bond equal to 2 to 6 months' rent.

The amounts due under the lease agreements are invoiced by the Group's property management companies in all regions, a set of procedures describes how invoicing and the recovery of rents and service charges are organised and monitored.

Payments for ancillary services provided by the Convention and Exhibition division are generally received in advance, thereby reducing the risk of unpaid debts.

Late payment reminders are systematically issued in respect of late payments and are monitored by local teams in each region. These teams decide on the prudence or actual litigation action to be taken.

3.1. Financial risks

Sensitivity to interest rates, currency movements, liquidity and counterparty risks is monitored by the Group Treasury Department in line with the policy defined by the Group Asset & Liability Management Committee (ALM Committee). This committee has 6 members, including 3 members of the Management Board (the Chief Executive Officer, the Chief Financial Officer and the Chief Resources Officer).

The groundwork for this committee is prepared by the Group Treasury Department, which regularly provides each member with a comprehensive report on the Group's interest rate position, liquidity projections, bank covenant positions, availability under the Group's committed lines of credit, proposed (re)financing or hedging operations (if applicable), the details of any (re)financing operations or transactions (hedging operations, share buybacks, etc.) completed since the last ALM Committee meeting, and a report on counterparty risks. Currency exposure is also reviewed on an ad hoc basis.

The ALM Committee met 4 times in 2009. Throughout the year, the members of this committee receive regular updates on significant changes in the financial environment, especially changes in interest rates, financing conditions, share prices or trade operations.

The Group's market-leading guidelines for hedging operations and transactions involving Unibail-Rodamco shares, and its transaction control guidelines are formally set out ensuring the segregation of duties between execution and control functions.

In terms of cash management, a project was launched in 2009 to optimise the cost and the use of liquidity across the Group and to enhance the visibility of cash forecasts. This new organization will be implemented in the first semester of 2010.

To reduce the risk of fraud and embezzlement, the Group has implemented a secure payments procedure and has formalised the rules for opening, changing and closing bank accounts.

Unibail-Rodamco must comply with fiscal obligations resulting from the various BEI regimes in the countries where it operates. These requirements are followed on a quarterly basis by dedicated specialists within the Finance Department.

3.2. Legal risks

In September 2009, the Supervisory Board of Unibail-Rodamco SE appointed a General Counsel to the Management Board to support the Chief Executive Officer on corporate strategic activities and, among other responsibilities, manage the Group's European-wide legal department.

Legal risks are monitored by the General Counsel, who oversees the deployment of the Group's legal philosophy, policies and procedures to protect the Group's interests and ensure that Unibail-Rodamco complies with the regulations that govern its operations. The legal organisation is composed of a central corporate department and regional departments which are monitored on a day-to-day basis by the Group Director of legal. These departments are in charge of protecting the Group's interests in contractual matters, drawing up standard contracts and supervising litigation. The Group employs lawyers who are specialists in jurisdictions in which the Group operates and who entail the support of external counsel and experts as required.

In all regions, the Group legal department has implemented systematic information procedures to ensure senior management at Group and regional levels is informed immediately of any new risks or of any events likely to alter the assessment of an existing risk.

Every quarter, all local legal departments provide the General Counsel and the Group Director of legal with formal progress reports on the Group's main outstanding disputes.

There is a criminalised procedure for registered mail that is received at the Group's French registered office. Every day, a copy of the first page of these letters is automatically sent to the Chief Resources Officer, the Group Director of legal and the Group Director of Internal Audit and Risk Management. An equivalent procedure has been implemented in all of the regions.

3.3. Information technology (IT) risks

The IT Department of Unibail-Rodamco is in charge of defining the IT strategy and implementing and operating the shared IT systems for the Group.

- Unibail-Rodamco's information system relies on software packages from well-known IT companies such as SAP, SQRPA and CODA, and
- a set of data warehouses / databases enabling comprehensive reporting on all functions with extensive controls to guarantee data consistency and integrity.

Unibail-Rodamco's IT risk management approach is largely based on:

- Security policy: individual passwords are required to access to computers and applications. In addition, the control of access rights requests ensures the security and integrity of the Group's information system.
- Change Management policy: IT development projects are monitored through dedicated status committees where planning, costs and key issues are addressed. IT developments are approved by end users.
- Business Continuity management: the regular and formalised backup of data is stored off site and ensures continuity in activity in the event of a failure in the information system. In addition, Unibail-Rodamco has signed computer services contracts which aim to ensure that critical operations can be resumed within a reasonable time frame in the event of a major incident. The Group's IT recovery plan was tested successfully in November 2009.

3.4. Risks associated with the production of financial and accounting data

Accounting systems can be a source of financial risk, particularly in the context of end-of-period accounting, the consolidation of accounts, and accounting for off-balance sheet obligations.

Accounting processes are handled by local and corporate teams using multiple information systems. UnibailRodamco uses manuals for accounting procedures and instructions which describe the segregation of duties between the accounting execution and the control.

UnibailRodamco maintains analytical accounting reporting on each property, event and exhibition which enables it to monitor the realisation of its budgets closely.

A common process and reporting template, the Quarterly Flash Report (QFR), is used. This report consists of a set of quarterly for half-yearly data concerning valuations, pipeline projects and operational key performance indicators (KPIs), as well as financial data such as comparisons between actuals and budget, actuals year by year, and full year forecasts (GR). NRI administrative expenses, etc.] Reports are checked at the regional level before being submitted to the Group Control and Consolidation departments.

Regional quarterly reports are doublechecked and challenged by the Group Control Department which analyses the KPIs as well as any discrepancies between the budget and end-of-period actuals or forecasts. Group Control establishes a Group Quarterly Flash Report which consolidates all Group KPIs.

The QFRs are presented to the Management Board by the country management teams of each region and are provided to the Audit Committee and the Supervisory Board.

Consolidated financial statements are produced for the UnibailRodamco Group as well as for Rodamco Europe N.V. The consolidation process is centralised and carried out by a dedicated team in the Group Consolidation department.

When consolidating the accounts, multiple checks are carried out of which

- variances in the controlling shares of subsidiaries and investments are tracked to ensure an appropriate method of consolidation,
- consolidated packages received from regions are reconciled with the Quarterly Flash Reports,
- adjustments to consolidated figures are analysed and explained in a report,
- reports from local external auditors are analysed, and
- variation analyses related to budgets and forecasts are cross checked with Controlling.

Rules for off-balance sheet commitment recordings have been laid down in specific procedures in order to ensure that each commitment is centrally logged by the Legal Department. Commitments given and received are aggregated and brought to the attention of the Management Board and the Supervisory Board.

Group financial statements are reviewed by the Statutory Auditors before being presented and explained to the Management Board, the Audit Committee and, ultimately to the Supervisory Board.

The approval of the internal control system is carried out by the Group Internal Audit Department (composed of 3 persons) which conducts regular assignments into all of the Group's business units, in line with the annual audit plan approved by the Management Board and the Group Audit Committee.

Occasionally, the Chief Executive Officer or the Chairman of the Audit Committee may ask the Group Internal Audit Department to carry out one-off "flash" assignments in order to provide a rapid response to urgent issues and/or the treatment of new risks or problems. Final audit reports are addressed to the Management Board and to each department which has been involved in the audit. A summary of audit assignments is sent to the Audit Committee on a quarterly basis.

UnibailRodamco's Internal Audit Charter sets out the different missions of the audit function. To ensure it remains genuinely independent, the Internal Auditor reports directly to the Chief Executive Officer and to the Chairman of the Audit Committee.

STATUTORY AUDITORS' REPORT

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French commercial code (code de commerce), on the report prepared by the chairman of the Supervisory Board of UnibailRodamco

To the Shareholders

In our capacity as statutory auditors of UnibailRodamco and in accordance with article L. 225-235 of the French commercial code (code de commerce), we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-65 of the French commercial code (code de commerce) for the year ended December 31, 2009.

It is the chairman's responsibility to prepare and submit for the supervisory board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-68 of the French commercial code (code de commerce), particularly in terms of corporate governance.

It is our responsibility to

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information and
 - confirm that the report also includes the other information required by article L. 225-68 of the French commercial code (code de commerce). It should be noted that our role is not to verify the fairness of this other information.
- We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the Supervisory Board in accordance with article L. 225-68 of the French commercial code (code de commerce).

Other information

We confirm that the report prepared by the chairman of the Supervisory Board also contains other information required by article L. 225-68 of the French commercial code (code de commerce).

Neuilly-sur-Seine and Paris 12e Défense, March 22, 2010
The Statutory Auditors French Original signed by

DELGITE MARQUE & GENDROT
represented by Joël Assayon

ERNST & YOUNG AUDIT
represented by Bernard Heller