

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, 2010 (Article L. 225-68 of the French Commercial Code).

This report was prepared in close cooperation with Unibail-Rodamco S.E.'s Management Board, the Group Director of Legal and the Group's Director of Internal Audit and Risk Management. In addition, it was discussed with the Group's Statutory Auditors. On February 9, 2011, 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 fulfil its duties. The Supervisory Board functions under the Company's Articles of Association and a specific Charter⁽¹⁾. 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 implementation. It assesses the functioning of the Management Board, the Supervisory Board (including its committees) and their individual members. It handles and settles any conflicts of interest and any discrepancies with respect to the functioning of the Supervisory and/or 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 and the thresholds set out in the Supervisory Board Charter, the Supervisory Board's prior approval must be obtained for certain Management Board decisions and operations. The thresholds were amended by the Supervisory Board on February 9, 2011 however, for the financial year ending December 31, 2010, the principle thresholds were as follows:

- 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⁽²⁾ (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⁽³⁾ (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 (SIIIC) 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.

The Supervisory Board was also, pursuant to its Charter, informed of transactions involving amounts in excess of 100 million but below 300 million. For full details and information concerning the new thresholds, refer to the Supervisory Board Charter.⁽⁴⁾

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

(3) Ibid 2.

(4) Available on the Company's website and at the Company's registered office.

(1) Available on the Company's website and at the Company's registered office.

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 re-elected. Under the Supervisory Board's resignation and rotation rules, the resignation and reappointment of members is staggered to prevent, to the greatest extent possible, appointments/resignations occurring simultaneously. The Supervisory Board was composed of 10 members in 2010.⁽⁵⁾ All members qualify as independent members pursuant to the criteria defined in the Supervisory Board Charter based on the French Afep-Medef corporate governance code (December 2008) (Afep-Medef Code) with the exception of Mr. Henri Moulard as 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 (as of May 2010). This is the sole independence criterion with which Mr Moulard does not comply.

Each year, the Supervisory Board and its Governance, Nomination and Remuneration Committee reviews individual Supervisory Board member independence. The Supervisory Board profile set out in the Supervisory Charter contains a commitment to diversity in its membership in terms of gender, age and nationality. In 2010, in the context of the French legislative developments on equal representation between men and women on supervisory boards and the new Afep/Medef recommendations on the subject incorporated into the Afep-Medef Code in April 2010, the Supervisory Board conducted a thorough review of its current profile, competencies and composition. As a result of this review, three new members (including one woman) will be proposed for nomination to Unibail-Rodamco shareholders at the company's AGM on April 27, 2011.

At the Company's 2010 Annual General Meeting, in compliance with the Company's rotation rules, the Supervisory Board Vice-Chairman, François Jaclof, and Supervisory Board Member, Frans Cremers, were each reappointed for a 3-year term.

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

⁽⁵⁾ Messrs Jacques Dermagne & Jos Westerburgen did not stand for re-election at the 2010 Annual General Meeting reducing the number of Supervisory Board members from 12 to 10 as of April 28, 2010.

Members of the Supervisory Board of Unibail-Rodamco S.E. as at 31 December 2010⁽⁶⁾

Name	Age	Main positions in addition to Unibail-Rodamco S.E. Supervisory Board membership	Year appointed to the Unibail-Rodamco S.E. Supervisory Board	AGM at which Supervisory Board term expires
<i>Robert F.W. van Oordt</i> Chairman Independent member Dutch national	74	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
<i>François Jacloz</i> Vice-Chairman Independent member French national	61	Director and CEO of Addax and Oryx Group	2007	2013
<i>Frans J.G.M. Cremers</i> Independent member Dutch national	58	Vice-Chairman of the Supervisory Board of Fugro N.V. Member of the Supervisory Boards of N.S. N.V. (Dutch Railways), Royal Vopak N.V., Luchthaven Schiphol N.V., Parcom Capital B.V. and SBM Offshore N.V.	2007	2013
<i>Robert ter Haar</i> Independent member Dutch national	60	Chairman of the Supervisory Boards of Parcom Capital B.V. and VVAA Groep B.V. Supervisory Board member of Royal FrieslandCampina N.V., Maxeda Retail Group B.V. and B.V. Sperwer Holding Advisory member to the Board of Univar Inc.	2007	2011*
<i>Mary Harris</i> Independent member U.K. national	44	Member Supervisory Board and Audit, Remuneration and Nomination committees of TNT N.V. Non-Executive Director and member of the Audit, Nomination and Corporate Responsibility committees of Sainsbury plc and Advisory Board member of Irdeto N.V.	2008	2012
<i>Jean-Louis Laurens</i> Independent member French national	56	General Partner of Rothschild & Cie Gestion, Paris	2007	2012
<i>Yves Lyon-Caen</i> Independent member French national	60	Chairman of the Supervisory Boards of Bénéteau S.A. and Sucres & Denrées	2007	2011*
<i>Henri Moulard</i> Non-Independent member French national	72	Chairman of Truffle Capital S.A.S. and HM & Associés S.A.S. Director of Alltamed S.A., Involys S.A., Burelle S.A., Neufize Vie and Compagnie Financière Sainte-Colombe S.A.S. Chairman of the Supervisory Boards of Cie Foncière du St-Gothard (ex. Dixence S.A.S.) and Centuria Capital S.A.S. (and member of the Centuria Capital S.A.S. Audit Committee) Chairman of the Audit Committees of Amundi Group and Amundi S.A., Chairman of the Remuneration Committee of GFI Informatique	2007	2011
<i>Bart R. Okkens</i> Independent member Dutch national	69	Chairman of the Supervisory Boards of Esselink Groep B.V., Bornet Group Rotterdam B.V., Van Hoorn Holding B.V., Bergschenhoek Groep B.V. and the Boijmans van Beuningen Museum Member Supervisory Boards of Stichting de Nationale Sporttotalisator and Huisman Equipment Holding B.V.	2007	2011
<i>Alec Pelmore</i> Independent member U.K. national	57	Senior Independent Director on the board of Metric Property Investments plc., Chairman of its Audit Committee and member of its nomination and remuneration committees	2008	2012

(*) To be proposed for re-election at the 2011 Annual General Meeting

(6) For full information please consult the Legal Information section.

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1.4. Meetings, attendance and information

Pursuant 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 one-third of the members of the Supervisory Board or any Management Board member. 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 and the Group's corporate sustainability performance 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 seven meetings in 2010 (including its meeting at the annual Supervisory Board retreat). Overall attendance at these meetings was 97%. In addition to the items and decisions within its statutory scope, the Supervisory Board was briefed on and discussed all major events in 2010, 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 in particular approved:

- the 2010 Budget;
- investment, development and divestment projects and operations above its prior approval thresholds in force in 2010; in particular, the acquisition of Simon Iwanhoe's portfolio in Europe announced in February 2010;
- the remuneration of the Management Board members taking into account an external independent benchmark of Management Board remuneration;

- the total allocation of stock options for 2010 including the allocations to Management Board members;
- the consequences of the resignation of Mr Bertrand Julien-Lafrière from the Management Board in October 2010;
- amendments to the Management Board and Supervisory Board Charters;
- the re-allocation of responsibilities amongst Management Board members in October 2010;
- the profile and composition of the Supervisory Board;
- changes in the composition of the GN&RC effective April 2010⁽⁷⁾;
- the incorporation of a variable component based on attendance for SB committee fees in accordance with Afep-Medef corporate governance recommendations;
- the resignation & reappointment of Supervisory Board members in April 2010⁽⁸⁾;
- the functioning and efficiency of the Supervisory and Management Boards (Annual Self Assessment process);
- the Company distribution payment policy and distribution payment decisions, including the special distribution approved by the extraordinarily convened shareholders meeting on September 8, 2010; and
- regulated agreements pursuant to French law.

In addition, the Supervisory Board examined / was informed of the following matters:

- the quarterly Management Board reports for 2010;
- regular updates on Group's business activities;
- regular updates on Corporate Sustainability initiatives;
- investment, development and divestment projects and operations below its prior approval thresholds in force in 2010;
- internal audit, risk management and compliance matters;
- the working terms and conditions of the Statutory Auditors for the closing of the 2009 annual accounts and planning for the renewal / rotation of the Statutory Auditors in 2011;
- the Company's share buy-back programme;
- the full year 2009 and half year 2010 financial statements;
- the 2010 five-year Group business plan including its financial resources and financing needs;
- the Company's rotation of its credit rating agencies;
- the anticipated loss of Dutch FBI tax status in January 2010;
- the implementation of the Company Savings Plan in 2010 in France;
- updates to the Group's Compliance Book; and
- succession planning.

Supervisory Board members were also 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 are systematically distributed to all members of the Supervisory Board.

(7) Mr Yves Lyon-Caen, existing Supervisory Board member, joined the Governance, Nomination & Remuneration Committee in April 2010.

(8) Messrs Dermagne & Westerburgen's terms expired and Messrs Cremers and Jaclot were reappointed for a 3 year term at the 2010 AGM.

The Annual Self Assessment process involved a comprehensive review of the Supervisory Board and its committees' current charters, annual agenda, preparatory material, the frequency, timing and effectiveness of meetings and CAC40 corporate governance practices. 100% of Management Board and Supervisory Board members participated in the process and contributed ideas and feedback pursuant to a formal survey (internally co-ordinated) and a subsequent verbal discussion. The conclusion of the assessment was that the current corporate governance structure is functioning well.

1.6. Supervisory Board Remuneration⁽⁹⁾

The Chairman of the Supervisory Board is paid a total gross annual remuneration of €130,000 for his duties as Chairman of the Supervisory Board and Chairman of the Governance, Nomination and Remuneration Committee. This amount has remained unchanged since January 1, 2009.

The annual fee paid to Supervisory Board members (with the exception of the Supervisory Board Chairman) was maintained at €52,000 per member in 2010. The fee comprises of a 75% fixed portion and a 25% variable portion allocated according to attendance at Supervisory Board meetings. The fixed portion is paid quarterly and the variable portion at year-end. The Vice-Chairman of the Supervisory Board is paid a supplementary annual fixed fee of €15,000.

An additional fee of €1,350 per day is paid to Supervisory Board members (with the exception of the Supervisory Board Chairman) who attend a meeting (or several related meetings) of the Supervisory Board and/or a Supervisory Board committee outside their country of residence.

2. Functioning of the specialised committees of the Supervisory Board

Two specialised committees assist the Supervisory Board: (1) the Audit Committee and (2) the Governance, Nomination and Remuneration Committee. All Supervisory Board members participate in one of these committees. The committees function under separate Charters.⁽¹⁰⁾

2.1. Audit Committee

Tasks

The Audit Committee's main role is to oversee financial matters, internal control and risk management. In this context and in accordance with its Charter⁽¹¹⁾, the Audit Committee examines and reports to the Supervisory Board on the following matters:

- 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 pursuant to the criteria defined in the Supervisory Board Charter, including the Chairman of the Audit Committee. All Audit Committee members are financially literate and, pursuant to French Commercial Code requirements, at least one member has expertise in financial administration and accounting for listed companies or other large companies exposed to IFRS accounting methods. Typically, 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 Deputy CFO, 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 and whenever one or more Supervisory Board or Management Board members request a meeting. The Audit Committee 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 notice convening the meetings with an agenda and the meetings' documents at least three days prior to each meeting. To allow for adequate preparation and consideration, the Audit Committee usually meets at least 48 hours prior to the Supervisory Board meeting at which the full year 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.

⁽⁹⁾ For full details, refer to the Legal Information section

⁽¹⁰⁾ Available on the Company's website and at its registered office.

⁽¹¹⁾ Ibid 10.

Summary of Audit Committee activity

The Audit Committee met four times in 2010 (twice in the presence of the Statutory Auditors). The member attendance rate was 100%. In 2010, the Audit Committee considered and reported to the Supervisory Board on:

- the anticipated loss of Dutch FBI tax status in January 2010;
- the revaluation of net assets, the Company's financial statements and consolidated accounts for the 2009 full-year accounts and the 2010 half-year accounts;
- the quarterly Management Board reports for 2010;
- the funding of the Group's five-year business plan, financial resources and borrowing requirements;
- taxation;
- the Company's rotation of credit rating agencies;
- the working terms and conditions of the Statutory Auditors for the closing of the 2009 annual accounts and the renewal / rotation of the Statutory Auditors in 2011;
- the Company dividend payment policy and the proposal to the AGM regarding the annual allocation and distribution of profits as well as a special distribution voted by an extraordinarily convened AGM in September 2010;
- the internal audit charter, risk mapping, the internal audit reports for 2010 and the audit plan for 2011;
- the examination of the Company's exposure to and management of risks; and
- the review of relevant governance developments including the AMF's report on Audit Committees chaired by Olivier Poupart published on 22 July 2010.

Audit Committee Remuneration⁽¹²⁾

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

2.2. Governance, Nomination & 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⁽¹³⁾ 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. 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 five members, including the SB Chairman, four of which are independent pursuant to the criteria defined in the Supervisory Board Charter. As already mentioned, the sole reason why Mr Moulard does not qualify as independent is that his tenure as a member of the Boards of Unibail S.A., Unibail-Rodamco S.A. and Unibail-Rodamco S.E. (combined), as of May 2010, exceeds twelve years.

In addition to GN&RC members, the CEO and the Chief Resources Officer typically attend GN&RC meetings. They are absented from matters concerning them where appropriate. Other persons may be invited to attend by the GN&RC Chairman.

Meetings and information

The GN&RC meets at least two times a year⁽¹⁴⁾ 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 six times in 2010. The member attendance rate was 100%. In 2010, the GN&RC considered and reported to the Supervisory Board on:

- Unibail-Rodamco S.E.'s governance practices compared to the Afep-Medef and Dutch corporate governance codes;
- the annual review of the Supervisory Board's profile including, in particular, the development of the new French law on equality in board representation between the sexes and the Afep-Medef recommendation on the same subject issued in April 2010;
- the annual review of the independence of Supervisory Board members;
- the expiration of mandates and reappointment of Supervisory Board members pursuant to the resignation and rotation planning;
- Supervisory Board & Management Board efficiency in conjunction with the annual self assessment process;

⁽¹²⁾ For full details, refer to the Legal Information section.

⁽¹³⁾ Available on the Company's website and at its registered office.

⁽¹⁴⁾ On February 9, 2011, the Supervisory Board decided to reduce the number of regular GN&RC meetings from 3 to 2 meetings a year.

- the incorporation of a variable fee structure for the Supervisory Board committees;
- the remuneration of Management Board members taking into account an external independent benchmark of Management Board remuneration;
- long term incentive arrangements, including the 2010 allocation of stock-options to Management Board members;
- the short-term incentive pay-out for Management Board members for 2009 performance;
- the resignation of Mr Bertrand Julien-Laferrière from the Management Board in October 2010 and the re-allocation of responsibilities amongst Management Board members;
- succession planning;
- the delegation of powers and responsibilities from the CEO to Management Board members;
- the amendment of the Supervisory Board Charter and the Management Board Charter; and
- the implementation of the Group Company Savings Plan for 2010.

GN&RC Remuneration⁽¹⁵⁾

The annual GN&RC fees in 2010 were maintained at €10,000 per member (excluding the GN&RC Chairman who is remunerated separately for his duties as SB and GN&RC Chairman)⁽¹⁶⁾. An additional fee of €1,350 per day is paid to members attending a meeting (or several related meetings) of the GN&RC and/or the Supervisory Board held outside of a member's country of residence. As of January 2010, 25% of the GN&RC committee fee is variable and allocated according to attendance at GN&RC meetings.

II. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS⁽¹⁷⁾

Unibail-Rodamco S.E. complies with all of the Afep-Medef recommendations on executive officer remuneration as incorporated into the Afep-Medef Code on December 2008. Further and going beyond these Afep-Medef recommendations, as of the end 2009, none of the Management Board members have employment contracts. The Management Board remuneration policy was developed by the Governance Nomination & Remuneration Committee prior to the merger of Unibail SA and Rodamco Europe NV in 2007. It was approved by the Supervisory Board in June 2007 and has remained unchanged since. 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.).

III. CORPORATE GOVERNANCE

In accordance with Article L. 225-68 of the French Commercial Code, Unibail-Rodamco S.E. hereby states that it adheres to and enforces the French Afep-Medef corporate governance code, as published in consolidated form by Afep-Medef in December 2008 (Afep-Medef Code) and adopts the Afep-Medef Code as its code of reference for corporate governance matters. Unibail-Rodamco S.E. has analysed its practices and procedures against the Afep-Medef Code. As at the date of filing, the Company complies 100% with the Afep-Medef Code's principles.

As an exception, in 2007, the Company decided that the criteria applicable to the assessment of the independence of the ex-Supervisory Board members of Rodamco Europe N.V., now presiding on the Unibail-Rodamco Supervisory Board, should not take into account that Rodamco Europe N.V. subsequently became a consolidated subsidiary.

This decision was motivated: (i) by the fact that Rodamco Europe N.V. became a consolidated subsidiary only as a result of a Public Exchange Offer at the initiative of the Company; and (ii) so as not to artificially and unjustifiably distinguish between members of the Supervisory Board according to their previous memberships on the boards of Unibail Holding or Rodamco Europe N.V..

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 Corporate Governance Code⁽¹⁸⁾ 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 of participation in shareholders meetings are set out in Article 18 of the Company's Articles of Association.⁽¹⁹⁾ All information pursuant to 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 Unibail-Rodamco 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,

(15) For full details, refer to the Legal Information section.

(16) Ibid 15.

(17) Ibid 15.

(18) As published by the Corporate Governance Code Monitoring Committee in December 2008.

(19) Available on the Company's website and at its registered office.

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.

"Controllable" 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 February 2010. In addition, it was discussed by the Group Audit Committee and, subsequently the Supervisory Board, in April 2010.

These "controllable" risks are monitored through the Group's internal control system. This system covers all activities of the Group in all regions, except those where Unibail-Rodamco is not directly involved in the management, notably Comexposium. 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 Unibail-Rodamco'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/construction projects; and
- a segregation of duties between the executive and control functions.

Unibail-Rodamco S.E. is run by a Management Board, composed of 5 members as at December 31, 2010, which manages all of the Group's activities. The Management Board holds 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 its involvement. Its main focus areas are set out in the Management Board Charter, which is available on the Group's website.

The Group's control environment includes the Compliance Book for Governance, Organisation & Corporate Rules (Compliance Book) which was updated twice in 2010 and approved 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 Unibail-Rodamco 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 shares.

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
- less 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.

1. Investment and Divestment Authorisation

In October 2010, the Supervisory Board approved amendments to the Management Board Charter and the reallocation of responsibilities between MB members, notably the expansion of the General Counsel's responsibilities to the Group's investment & divestment activities and the change in his title to "Chief Investment Officer".

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 Chief Investment Officer 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 Investment Officer, the Chief Financial Officer, the Group Managing Director of Development (for property development and re-development), the Chief Operating Officer (for retail operations) 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) are being used 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 scheduled transactions are then prepared and analysed by the committee referred to above, which verifies the assumptions on which the disposal conditions are based. The Unibail-Rodamco Group has centralised the documentation and management of legal matters relating to all of its property assets in Austria, France, Spain, and in The Netherlands. 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 will be implemented in the rest of the Group.

Unibail-Rodamco's property assets are valued twice a year by external experts. This enables the Group to assess the respective market values 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 as at December 31, 2010, 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. As at December 31, 2010, 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.⁽²⁰⁾

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

Unibail-Rodamco's construction projects are carried out in countries where the Group has a locally based team. A minimum level of pre-leasing 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 refurbishment 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 S.E. publishes detailed corporate sustainability information dealing with the Group's environmental and social 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 and 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 fire-fighting 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 and in Spain. This manual provides a single and comprehensive source of information on the management of sanitary/environmental risks such as water, air, lead, asbestos and Legionnaire's disease.

This organisation is part of the group-wide policy on health and safety risk management. This policy consists of group-wide rules and guidelines and is complemented at the local level by additional procedures mandated by local regulations and are the responsibility of each Regional Managing Director. This policy will continue to be rolled out to cover all of the Group's main assets.

⁽²⁰⁾ The Supervisory Board prior approval thresholds were amended on February 9, 2011. Refer to the Supervisory Board Charter available on the Company's website and at its registered office.

3. Risks Associated with Property Leasing and Ancillary Services

The marketing of assets is handled by dedicated teams with, in the case 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. Leases that are particularly important in terms of value or special terms 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 2-6 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 pre-litigation 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 3 times in 2010. Throughout the year, the members of this committee received 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 trading 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, as announced in the Group's 2009 annual report, a European cash management system has been implemented in 2010 to optimise the cost and the use of liquidity across the Group and to enhance the visibility of cash forecasts. This European cash management system applies to all regions, except Poland which was in the process of incorporating new assets (Simon Ixanhoe merger), it is planned to be integrated in the Group cash pooling in 2011.

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 REIT-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

Legal risks are monitored by the Chief Investment Officer, 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 charged with 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 enlist 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 Chief Investment Officer and the Group Director of Legal with formal progress reports on the Group's main outstanding disputes. There is a centralised 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:

- internally designed & developed software dedicated to the efficiency of assets and leases management;
- software packages from well-known IT companies such as SAP, SOPRA and CODA; and
- a set of data warehouses/datamarts enabling comprehensive reporting on all functions with extracting 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 right 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, an outsourced data centre in the north of Paris ensures the high availability of the mailing and treasury systems, being also a backup platform for IT continuity.

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. Unibail-Rodamco uses manuals for accounting procedures and instructions which describe the segregation of duties between the accounting execution and the control.

Unibail-Rodamco 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 (or 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 (GRI, 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 double-checked 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 Unibail-Rodamco 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:

- variations 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 appraisal of the internal control system is carried out by the Group Internal Audit Department (composed of 4 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 findings is sent to the Audit Committee on a quarterly basis.

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

OVERVIEW OF VALUATION REPORTS PREPARED BY UNIBAIL-RODAMCO'S INDEPENDENT EXTERNAL APPRAISERS

Scope of Instructions

In accordance with your instructions we have undertaken valuations of the various freehold and leasehold property interests as at 31st December 2010 (the "valuation date") either held directly by Unibail-Rodamco (the "Company") or held in a Joint Venture where the Company holds a share, as referred to in our valuation reports for each individual property. This Overview letter has been prepared for inclusion in the Company's accounts.

The valuations have been undertaken by our local valuation teams in each relevant country and have been reviewed by the Pan European Valuation teams of all four valuation firms. In arriving at an opinion of Market Value for each property we have taken into consideration European wide investment transaction activity and not solely any investment activity in the domestic market.

We can also confirm that our opinion of Market Value has been reviewed against other valuations conducted across Europe for consistency of approach and consideration of the evidence and sentiment in the market place.

The valuations have been based upon the discounted cash-flow or yield methodologies that are regularly used for these types of properties.

Basis of Valuation and Assumptions

We set out below the basis and assumptions we have used in preparing our Valuation.

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements contained within the RICS Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Our valuations are fully compliant with IFRS accounting standards and IVSC valuation standards and guidance.

The valuations have been also prepared in accordance with the AMF recommendations regarding the presentation of valuation parameters of listed real estate companies, published February 8, 2010.

We can confirm that we have prepared our valuations as External Valuers as defined in the Royal Institution of Chartered

Surveyors Valuation Standards and our valuations have been prepared in accordance with our General Principles.

Our valuations are prepared on the basis of Market Value and are reported as gross values (Market value gross of any deduction made for typical purchaser costs).

Market Value is defined as: *"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

Date of Valuation

The effective date of valuation is 31 December 2010.

Information

We have made an assumption that the information which the Company has supplied to us in respect of the property is both full and correct. It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings and, outstanding requirements under legislation have been made available to us and that the information is up to date.

Floor Areas

We have not measured the property and have relied on the areas which have been supplied to us.

Environmental Investigations and Ground Conditions

We were not instructed to carry out a site survey or environmental assessment nor have we investigated any historical records, to establish whether any land or premises are or have been, contaminated. Unless we have been provided with information to the contrary, we assume that properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect their present or future use.

Planning

We have not seen planning consents and we assume that properties have been erected and are being occupied and used in accordance with all necessary consents and that there are no outstanding statutory notices. We assume that buildings comply with all statutory and Local Authority requirements including building, fire and health and safety regulations. We also assume that any extensions currently under construction satisfy all planning regulations and all necessary permits are in place.

Title and Tenancies

We have relied upon tenancy schedules, summaries of additional income, non recoverable costs and capital expenditure and business plans which have been supplied to us.

Our valuations assume that, other than disclosed in our reports, there is good and marketable title to the properties and that they are free of any undisclosed burdens, outgoing, restrictions or charges. We have not read documents of title and for the purposes of our advice have accepted the details of tenure, tenancies and all other relevant information, which have been supplied by the Company.

Condition

We have reflected the general condition of the property as noted during our inspections. We were not instructed to carry out a structural survey but we have reflected any apparent wants of repair in our opinion of the value as appropriate. The property has been valued on the basis of the Company's advice except where we have been specifically advised to the contrary, that no harmful materials have been used in its construction.

Taxation

No allowance has been made in our valuations for expenses of realisation or for any taxation, which may arise in the event of a disposal. All rental and capital values stated are exclusive of Valued Added Tax.

Confidentiality and Publication

Finally and in accordance with our normal practise we confirm that our valuations are confidential to the party to whom it is addressed for the specific purpose to which they refer. No responsibility whatsoever is accepted to any third party and neither the whole of our valuation reports, nor any part, nor references thereto may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear. In signing this Overview, each appraiser does so on its behalf for its own valuation work only.

Yours faithfully,

Dermot Charleson
MRICS

Director

For and on behalf of Jones
Lang LaSalle Limited

Bryn Williams

Director

For and on behalf of DTZ
Debenham Tie Leung Limited

Denis François
FRICS

President

For and on behalf of
CBRE Valuation

Marc Gerretsen

Partner

For and on behalf of
PricewaterhouseCoopers
Corporate Finance

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 Unibail-Rodamco

To the Shareholders,

In our capacity as statutory auditors of Unibail-Rodamco 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. 225-68 of the French Commercial Code (code de commerce) for the year ended December 31, 2010.

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-La Défense, March 11, 2011

The Statutory Auditors French Original signed by

DELOITTE MARQUE & GENDROT
represented by Joël Assayah

ERNST & YOUNG AUDIT
represented by Bernard Heller