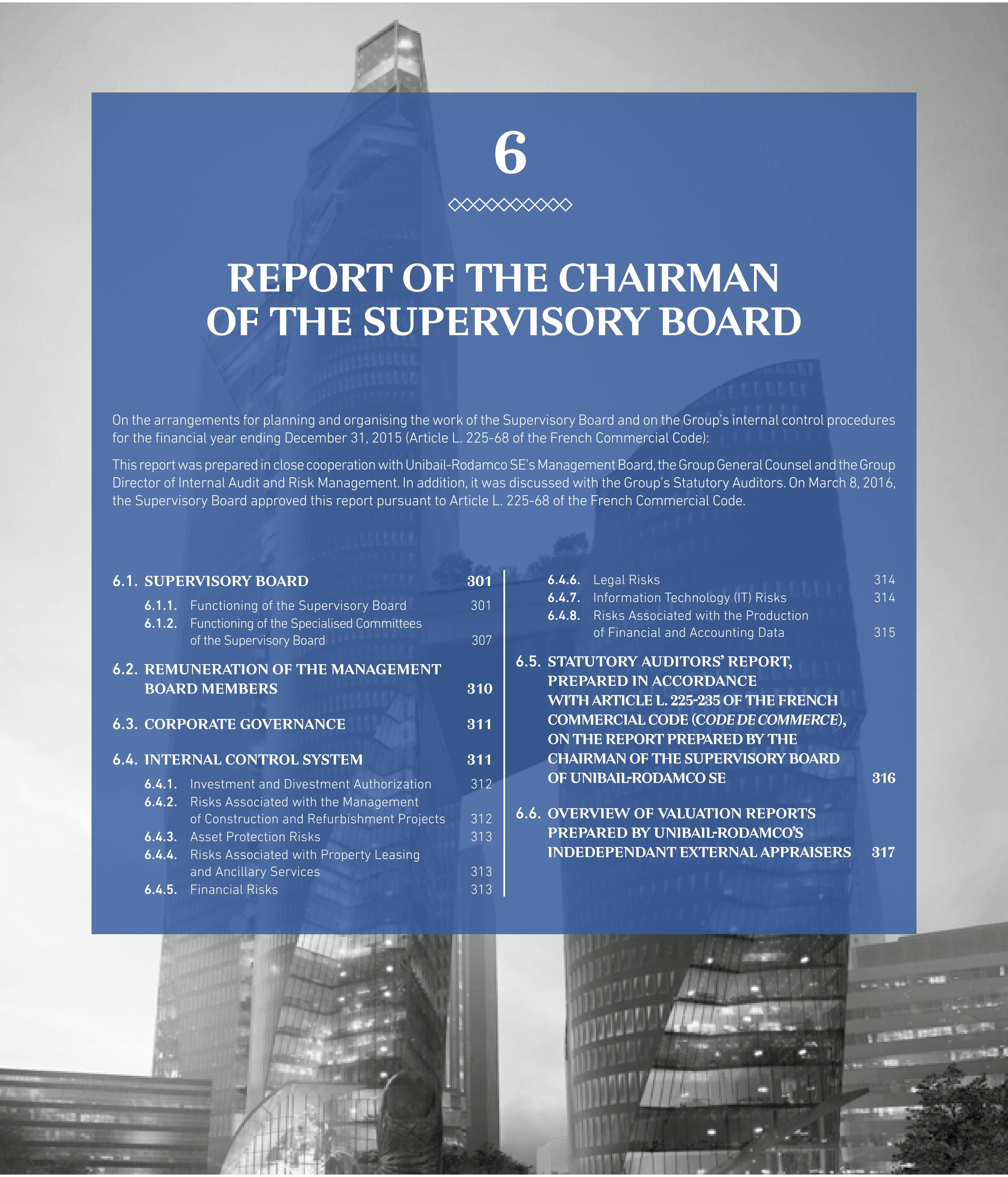

6

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, 2015 (Article L. 225-68 of the French Commercial Code):

This report was prepared in close cooperation with Unibail-Rodamco SE's Management Board, the Group General Counsel and the Group Director of Internal Audit and Risk Management. In addition, it was discussed with the Group's Statutory Auditors. On March 8, 2016, the Supervisory Board approved this report pursuant to Article L. 225-68 of the French Commercial Code.

6.1. SUPERVISORY BOARD

6.1.1. Functioning of the Supervisory Board

6.1.1.1. 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 any document to fulfil its duties. The Supervisory Board functions under the Company's Articles of Association and a Supervisory Board specific Charter[1]. It makes recommendations to the Management Board on matters including:

- 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 Board and/or Management Board.

6.1.1.2. Limitations 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, in particular:

- acquisitions, investments (including capital expenditures for internal development), acquisitions of shareholdings and off-balance sheet commitments exceeding €25 Mn (consolidated figure) concerning assets and/or activities located outside European Union Member States or outside the scope of the approved Group strategy. The threshold is raised to €500 Mn (consolidated figure) for assets and/or activities located within European Union Member States and within the scope of the Group's strategy. This threshold is raised again to €700 Mn (consolidated figure) for urgent operations and decisions; subject to prior dialogue between the CEO, the Chairman and the Vice-Chairman of the Supervisory Board;
- asset disposals (including transfers of real estate or shareholdings) in real estate exceeding €500 Mn (consolidated figure). This threshold is raised to €700 Mn (consolidated figure) for urgent operations and decisions; subject to prior dialogue between the CEO, the Chairman and the Vice-Chairman of the Supervisory Board;
- indebtedness or guarantees in excess of €500 Mn (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 Mn (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 the tax regime applicable to Listed Property Investment Company (SIIC) tax treatment or any other real estate tax-exempt status in a foreign country;
- any alterations to the Company's dividend policy and proposals by the Management Board in the distribution of interim or full dividends.

The Supervisory Board must also, pursuant to its Charter, be informed of transactions involving amounts in excess of €300 Mn but below €500 Mn. The thresholds were last amended by the Supervisory Board on February 9, 2011. For full details and information, refer to the Supervisory Board Charter[1].

6.1.1.3. Composition

Pursuant to the Articles of Association, the Supervisory Board can consist of eight (minimum) to fourteen (maximum) members, who are appointed by the Company's shareholders. Supervisory Board members are appointed for a three year term and may be re-appointed. 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 age limit for Supervisory Board members is 75 and at all times at least two-thirds of its members must be 70 or younger. It is noted that the Company does not fall under the scope of Article 225-79-2 of the French Commercial Code providing for employee representation on Supervisory Boards.

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

Each year, the Governance, Nomination and Remuneration Committee (GN&RC) and the Supervisory Board review the Supervisory Board profile which reflects the desired composition of the Supervisory Board to best carry out its responsibilities and duties to the Company and all others involved in the Company (including its shareholders). The profile outlines the objectives to be met in establishing and maintaining an independent board reflecting diversity in its membership in terms of gender, age and nationality, with the required skill, expertise and experience. Individual Supervisory Board member independence is also reviewed on an annual basis by the GN&RC and the Supervisory Board.

As at December 31, 2015, the Supervisory Board was composed of eleven members[1]. Four out of eleven members are women, the average age of members is 58.2 years and five nationalities are represented. The current composition of the Supervisory Board reflects a diversity of experience, expertise and background and a strong commitment to the independence of its members and to the Group's European profile. The varied skills and expertise of members are summarised in the detailed biographies provided in the Legal Information chapter (pages 253 to 254).

In the event of a vacancy on the Supervisory Board, in accordance with the terms of the Supervisory Board profile, an individual profile is drawn up by the GN&RC in consultation with the Management Board, and on occasion, with an executive search consulting firm. Such profile reflects both the requirements outlined in the Supervisory Board profile as well as any specific additional criteria in light of the Group's strategy and corporate governance principles. Each profile is subject to the approval of the Supervisory Board. A short list of possible candidates is then determined by the Supervisory Board Chairman and the Chief Resources Officer, followed by candidate interviews with the Supervisory Board Chairman, at least two members of the GN&RC, the Chief Executive Officer and the Chief Resources Officer. Selected candidates are then presented to the Supervisory Board for approval prior to being proposed to shareholders for appointment at the Annual General Meeting (AGM).

Supervisory Board Members[1]
As at December 31, 2015

AUDIT COMMITTEE MEMBERS

Name	Age	Gender	Nationality	Independent	SB Attendance Rate	Committee Attendance Rate	Last Renewal	Term Expires at AGM	Number of Shares Held
Mr François Jaclot Vice-Chairman	66	M	French	Yes	75%[2]	50%[2]	2013	2016[3]	339
Mr Frans J.G.M. Cremers	63	M	Dutch	Yes	100%	100%	2013	2016[3]	329
Mr Jean-Louis Laurens AC Chairman	61	M	French	Yes	100%	100%	2015	2018	363
Mr Alec Pelmore	62	M	British	Yes	100%	100%	2015	2018	500
Mrs Sophie Stabile	45	F	French	Yes	100%	100%	2015[4]	2018	5

GN&RC MEMBERS

Name	Age	Gender	Nationality	Independent	SB Attendance Rate	Committee Attendance Rate	Last Renewal	Term Expires at AGM	Number of Shares Held
Mr Rob ter Haar SB & GN&RC Chairman	65	M	Dutch	Yes	100%	100%	2014	2017	354
Mr José Luis Duran[5]	51	M	Spanish	Yes	100%	80%	2014	2017	350
Mrs Mary Harris	49	F	British	Yes	100%	100%	2015	2018	600
Mrs Dagmar Kollmann	51	F	Austrian	Yes	100%	100%	2014[4]	2017	100[6]
Mr Yves Lyon-Caen	65	M	French	Yes	75%	80%	2014	2017	404
Mrs Jacqueline Tammenoms Bakker	62	F	Dutch	Yes	83%	100%	2015 [4]	2018	21

(1) For detailed biographies see Legal Information chapter (pages 253 to 254).
(2) Exceptional absences due to personal reasons, discussed directly with the Supervisory Board Chairman.
(3) No re-appointment sought due to term limit of 12 years in order to maintain independence as specified in the Supervisory Board Charter.
(4) First appointment.
(5) Joined the Audit Committee as of January 1, 2016.
(6) Holds 240 shares as at February 2016.

(1) At the April 16, 2015 AGM Mrs Mary Harris, Mr Jean-Louis Laurens and Mr Alec Pelmore were each re-appointed for a three-year term. Additionally Mrs Sophie Stabile and Mrs Jacqueline Tammenoms Bakker were each appointed for the first time for a three-year term.

6.1.1.4. Independence and Conflicts of Interest

Every year an in-depth independence analysis is conducted for each Supervisory Board member pursuant to the criteria defined in the French Afep-Medef corporate governance code (last updated in November 2015) (Afep-Medef Code) and incorporated into the Supervisory Board Charter[1]. Where any kind of relationship is determined to exist a further quantitative and qualitative analysis is conducted on a case-by-case basis to understand the significance of the relationship in order to analyze the independence of that particular member.

As a result of the foregoing analysis, as at December 31, 2015 all members qualify as independent.

AFEP-MEDEF Code independence criteria (additional SB Charter criteria shown in blue)

SB members as at 31/12/2015	Not an employee or executive director of the Company, nor an employee or director of its parent or of one of its consolidated subsidiaries, and has not been one during the previous 5 years.	Not an executive director of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a current or former (during the previous five years) executive director of the Company is a director.	Not (nor bound directly or indirectly to) a customer, supplier, investment banker or commercial banker: that is material to the Company or its group; or for which the Company or its group represents a material proportion of the entity's activity. Materiality Analysis: for both entities, when possible, the financial relationship, the continuity in duration and intensity of the relationship and the position of the SB member in the company.	Not related by close family ties to an executive director.	Not an auditor of the Company within the previous 5 years.	Not a director of the Company for more than 12 years (upon expiry of the term of office during which the 12 year limit is reached). For the avoidance of doubt, the past function of an SB member in Rodamco Europe NV or Unibail S.A. prior to the closing of the merger shall be taken into account for the purpose of this paragraph. As at 31/12/2015:	Not received personal financial compensation, including any compensation related to the performance of the Company (neither STI nor LTI), from the Company other than the compensation received for the work performed as an SB member and in so far as this is in line with the normal course of business.	Not a member of the management board of a company, of which an MB member (that he/she supervises) is a supervisory board member (cross ties).	Has not temporarily managed the Company during the preceding 12 months while members of the MB were absent or unable to fulfil their duties.	Not represent any major shareholder of the Company (>10%)	Conclusion
Mr Rob ter Haar	OK	OK	OK	OK	OK	10.5 years (first app. 2005)	OK	OK	OK	OK	**Independent**
Mr François Jaclot	OK	OK	OK	OK	OK	12.5 years (first app. 2003)	OK	OK	OK	OK	**Independent**
Mr Frans Cremers	OK	OK	OK	OK	OK	10.5 years (first app. 2005)	OK	OK	OK	OK	**Independent**
Mr José Luis Duran	OK	OK	OK (see analysis)	OK	OK	4.5 years (first app. 2011)	OK	OK	OK	OK	**Independent**
Mrs Mary Harris	OK	OK	OK	OK	OK	7.5 years (first app. 2008)	OK	OK	OK	OK	**Independent**
Mrs Dagmar Kollmann	OK	OK	OK (see analysis)	OK	OK	1.5 years (first app. 2014)	OK	OK	OK	OK	**Independent**
Mr Jean-Louis Laurens	OK	OK	OK (see analysis)	OK	OK	8.5 years (first app. 2007)	OK	OK	OK	OK	**Independent**
Mr Yves Lyon-Caen	OK	OK	OK	OK	OK	10.5 years (first app. 2005)	OK	OK	OK	OK	**Independent**
Mr Alec Pelmore	OK	OK	OK	OK	OK	7.5 years (first app. 2008)	OK	OK	OK	OK	**Independent**
Mrs Sophie Stabile	OK	OK	OK (see analysis)	OK	OK	0.5 year (first app. 2015)	OK	OK	OK	OK	**Independent**
Mrs Jacqueline Tammenoms Bakker	OK	OK	OK	OK	OK	0.5 year (first app. 2015)	OK	OK	OK	OK	**Independent**

Further quantitative and qualitative analysis was carried out by the GN&RC and then by the full Supervisory Board with respect to the assessment of the independence of Mr Rob ter Haar, given his role as Supervisory Board Chairman, and of Mr José Luis Duran, Mrs Dagmar Kollmann, Mr Jean-Louis Laurens and Sophie Stabile given their relationships with the Group during 2015 which are separate to their role as Supervisory Board members.

(1) See Article 3.4 of the Supervisory Board Charter, available on the Company's website and at the Company's registered office.

Mr Rob ter Haar: the Afep-Medef Code makes no presumption on the non-independence of a Chairman of the Supervisory Board, whereas it presumes the non-independence of the Chairman of the Board of Directors. This last presumption inconsistent with a dual corporate governance structure in which the Supervisory Board's role is to only exert oversight and control over the actions of the Management Board, and governed by a principle of non-interference in the executive duties of the Management Board, to avoid all risks of a conflict of interest. Nonetheless, the French Financial Market Authority, *Autorité des Marchés Financiers* (AMF) recommends to transpose the same requirements for the Chairmen of Boards of Directors to the Chairmen of Supervisory Boards requesting that the independence of a Chairman of a Supervisory Board be justified in detail. As such, a specific independence analysis has been conducted for Mr Rob ter Haar, Supervisory Board Chairman. Notably, as demonstrated by the chart above, other than as member and Chairman of the Supervisory Board and GN&RC, he has no, nor has he previously had any relationship of any kind with the Company, its group or the management of either. Other than the compensation received for the work performed as a Supervisory Board member, he has not received personal financial compensation, including any compensation related to the performance of the Company (neither STI nor LTI), from the Company. In addition, as a Supervisory Board Chairman in a two-tier structure, Mr ter Haar has no executive functions and is not involved in the day-to-day operations nor the operational decisions of the Company. Accordingly, Mr ter Haar is determined to be independent

Mr José Luis Duran's independence was further analyzed given his other mandates as Non-Executive Director of Orange S.A. and Non-Executive Director of Inditex. The following criteria were assessed for each brand: the legal entity signing lease contracts; the percentage, at group level, each brand represented: out of all stores, of gross lettable area (GLA), and of minimum guaranteed rent for the Group's consolidated portfolio in 2015; and the date a business relationship was first established for each brand at group level. Notably, he is not and has never been an employee nor executive director of the companies; as a Non-Executive, he is not implicated in the day-to-day operations nor the operational decisions of the companies; the lease contracts between the companies are routine agreements and are entered into on an arm's length basis; except for three assets, the lease contracts between the companies are entered into between subsidiaries of each group and not at the group level; discussions on specific lease terms and negotiations never rise to the Supervisory Board or Orange or Inditex Board level, therefore, he does not participate in negotiations nor have an impact on any negotiations between the entities; and other than the compensation received for the work performed as a Supervisory Board or Board member, he has not received personal financial compensation, including any compensation related to the performance of the companies (neither STI nor LTI), from the companies. Accordingly, Mr Duran is determined to be independent.

Mrs Dagmar Kollmann's independence was further analyzed given her other Non-Executive mandates as Supervisory Board Member of Deutsche Telekom AG and as Vice-Chair of the Supervisory Boards of Deutsche Pfandbriefbank AG and of HRE Holding AG (mandate ended July 2015). The following criteria were assessed for Deutsche Telekom AG: the legal entity signing lease contracts; the percentage represented at group level: out of all stores, of GLA, and of minimum guaranteed rent for the Group's consolidated portfolio in 2015; and the date a business relationship was first established at group level. The following criteria were assessed for Deutsche Pfandbriefbank and HRE Holding: the euro amount of loans granted, if any, and the euro amount and percentage of financing provided, if any, by any entity above to the Company or the Group during 2015; and the date a business relationship was first established, the overall duration and the continuity of same.

Notably, a non-material business relationship with Deutsche Pfandbriefbank ended during the course of 2015 and as at December 31, 2015, no business relationship existed with Deutsche Pfandbriefbank nor HRE Holding; the business relationship between Deutsche Pfandbriefbank and the Company was limited in duration and non-continuous; she is a Non-Executive Supervisory Board member at each company; she is not and has never been an employee nor executive director of the companies; as a Non-Executive, she is not implicated in the day-to-day operations nor the operational decisions of the companies; the contracts between the companies are routine agreements and entered into on an arm's length basis; the lease contracts between Deutsche Telekom and the Company are entered into between subsidiaries of each group and not at the group level; discussions on specific loan terms (Deutsche Pfandbriefbank) or lease terms (Deutsche Telekom) and negotiations never rise to the companies' Supervisory Board level, therefore, she does not participate in negotiations nor have an impact on any negotiations between the entities; and other than the compensation received for the work performed as a Supervisory Board member, she has not received personal financial compensation, including any compensation related to the performance of the companies (neither STI nor LTI), from the companies. Accordingly, Mrs Kollmann is determined to be independent.

Mr Jean-Louis Laurens' independence was further analyzed given his other mandates in the Rothschild investment banking group as General Partner at Rothschild & Cie Gestion Paris; Chairman of the Board of Rothschild Management Asset Inc. New York; and Chairman of the Board of Risk Based Investment Solutions Ltd, London (Rothschild group). All of these roles are limited to asset management of the Rothschild entities. The following criteria were assessed: the euro amount of investment banking mandates granted, if any, and the euro amount and percentage of financing provided, if any, to any entity above by the Company or the Group during 2015; and the date a business relationship was first established with any entity above, the overall duration and the continuity of same. Notably, a non-material business relationship with the Rothschild group ended during the course of 2015 and as at December 31, 2015, no business relationship existed with any Rothschild group entity; the business relationship between the two groups was limited in duration and non-continuous; as a Supervisory Board member of the Company, he is not implicated in the day-to-day operations nor the operational decisions of the Company; the contracts between the companies are routine agreements and entered into on an arm's length basis; discussions on mandate terms and negotiations never rise to the Supervisory Board level, therefore, he does not participate in negotiations nor have an impact on any negotiations with respect to the Company; and other than the compensation received for the work performed as a Supervisory Board member, he has not received personal financial compensation, including any compensation related to the performance of the Company (neither STI nor LTI), from the Company. Accordingly, Mr Laurens is determined to be independent.

Mrs Sophie Stabile's independence was further analyzed given her other mandates in the Accor group as Executive Committee Member of AccorHotels and Chief Executive Officer of HotelServices France and as a Non-Executive Board Member of Spie. With respect to the Accor group, the following criteria were assessed: the percentage of GLA and NRI the Accor hotels represent for the Group's consolidated portfolio in 2015; the type of business relationship; and the date a business relationship was first established. With respect to Spie, the following criteria were assessed: the type of business relationship; the total euro amount paid for services in 2015; and date a business relationship was first established, the overall duration and the continuity of same.

Notably, as a Non-Executive Supervisory Board member of the Company and of Spie, she is not implicated in the day-to-day operations nor the operational decisions of the Company nor of Spie; the hotel management contracts (Accor) and service contracts (Spie) are granted after a tender, are routine agreements for the companies and entered into on an arm's length basis; discussions on specific management contract terms (Accor) or service contract terms (Spie) and negotiations never rise to the Supervisory Board level nor to the Board level for Spie, therefore, from the Company's perspective she does not participate in negotiations nor have an impact on any negotiations with respect to the Company; and other than the compensation received for the work performed as a Supervisory Board member and as a Board member of Spie, she has not received personal financial compensation, including any compensation related to the performance of the Company nor of Spie (neither STI nor LTI), from the Company nor from Spie. Accordingly, Mrs Stabile is determined to be independent.

In order to ensure that each Supervisory Board member acts with loyalty, independence and professionalism, the Supervisory Board Charter has strict requirements with regards to any conflicts of interest[(1)]. Each Supervisory Board member must immediately report any potential conflicts of interest with the Company to the Chairman of the Supervisory Board and to the other Supervisory Board members providing all information relevant to the conflict of interest. Such conflicted member must abstain from discussions and the decision-taking process on the subject or transaction to which he/she has a conflict of interest. Additionally, SB members must seek prior SB approval before accepting a new directorship in order for the SB to conduct, among other things, a conflicts of interest analysis. For more detail regarding conflicts of interest, in particular, the Group's Code of Ethics, see the Group Compliance Programme section on page 256.

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

The meeting documents are sent at least three days prior to Supervisory Board meetings (except in unusual circumstances). This 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 appropriate, 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 and strategic 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 SE and on industry matters.

Once a year, the Supervisory Board and Management Board take the opportunity to visit a country where the Group is active to discuss strategic matters and market developments in-depth. In 2015, the Supervisory Board and Management Board took the opportunity to visit the new German headquarters in Düsseldorf, Germany, visit three German assets, interact with the local management team and discuss in detail Group's strategy and market developments. The Supervisory Board and Management Board also held separate strategy meetings during this visit whereby the Group's strategic objectives and opportunities as well as the Group's financial strategy and its digital strategy were discussed.

(1) *See Article 11 of the Supervisory Board Charter, available on the Company's website and at the Company's registered office.*

An annual training day is held for the Supervisory Board members which typically includes a Group asset site visit. In 2015, the Supervisory Board members visited the Polygone Riviera asset a few months prior to its grand opening as well as a neighboring competitor asset. Furthermore, each new member to the Supervisory Board participates in an induction program individually tailored to that particular member's skill, experience and expertise. The induction program provides the new member with information unique to the Group and its business activities, its financial reports and legal affairs as well as site visits to particular assets.

6.1.1.6. Summary of Supervisory Board Activities

The Supervisory Board held eight meetings in 2015 (including its annual offsite meeting and two *ad hoc* meetings). Overall average attendance at these meetings was 95%. Since 2013, the Supervisory Board begins its meeting twice a year in the absence of the Management Board (*i.e.* "executive sessions"). In addition to the matters within its statutory scope, the Supervisory Board was briefed on and discussed all major events in 2015, both internal (*e.g.* organisation matters, key appointments within the Group, internal audits, etc.) and external (*e.g.* acquisitions, disposals, developments in the Group's strategy, development projects, financial policy, etc.). The Supervisory Board in particular approved:

- the 2015 Budget;
- the AGM agenda and resolutions to be submitted for shareholder approval;
- investment, development and divestment projects and operations above its prior approval thresholds in force in 2015;
- related party agreements or absence thereof;
- the funding of the Group's five-year business plan, financial resources and borrowing requirements;
- the 2015 internal audit plan;
- the qualitative objectives set for each non-CEO Management Board member by the CEO;
- the remuneration of the Management Board members;
- the total allocation of stock options and performance shares for 2015, including the allocations to Management Board members;
- appointment at a new CRO;
- revisions to the STI formula structure;
- amendments to the Supervisory Board Charter, including the Audit Committee and GN&RC Charters;
- the profile and composition of the Supervisory Board and the composition of its committees;
- the appointment of new Supervisory Board members, Mrs Sophie Stabile and Mrs Jacqueline Tammenoms Bakker;
- an increase in allocation of the variable portion of the Supervisory Board member fees;
- the formal evaluation of the functioning and efficiency of the Supervisory Board and Management Board (annual self-assessment process); and
- the Company distribution payment policy and distribution payment decisions.

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

- the quarterly Management Board reports for 2015;
- regular updates on the Group's share price and business activities, including human resources, sustainability initiatives and the progress of development projects;
- updates on the operations of UR Germany;
- changes in tax regulations at the European level (OECD);
- updates on discussions with shareholders and shareholder expectations;
- important investment, development and divestment projects and significant operational matters below its prior approval thresholds in force in 2015;
- internal audit, risk management (including additional updates to the risk mapping) and compliance matters;
- review of the whistleblowing policy;
- updates on security, including "Vigipirate" security, and IT risks and security, including insuring against cyber-risks;
- the full year 2014 and half year 2015 financial statements;
- the 2015 Group's five-year business plan, including its financial results and financing resources and needs;
- the implementation of the Company Savings Plan in 2015 for the French subsidiaries of the Group;
- the report on the Group's Compliance program;
- the annual review of equal opportunity with respect to diversity and equality of pay within the Group; and
- the succession planning of the Supervisory Board, Management Board and the Group Management Team.

Supervisory Board members were also informed of the work and recommendations of its specialised committees and that of the Statutory Auditors. The minutes and documents of all the meetings of the Audit Committee and the GN&RC were systematically made available to all members of the Supervisory Board.

6.1.1.7. Annual Supervisory Board Self-Assessment

The annual self-assessment exercise was performed by the full Supervisory Board in accordance with the provisions of the Afep-Medef Code by way of a formal in-depth written questionnaire and discussion thereafter. The formal evaluation of the Supervisory Board consisted of a detailed questionnaire which was completed on a confidential basis and had the purpose of providing insight into each member's assessment of the performance of the Supervisory Board and of the Supervisory Board Chairman, the GN&RC Chairman and the Audit Committee Chairman as well as on the overall functioning of the Supervisory Board. In addition to this, a discussion on the functioning of the Supervisory Board was also carried out which was structured around several key points. The Audit Committee and the GN&RC performed their own separate self-assessment exercises in the form of a discussion. Management Board members were not present and did not participate in these assessments. This type of formal self-assessment is carried out every three years, with an informal self-assessment carried out annually. The conclusion of the three assessments was that the current corporate governance structure and arrangements are functioning well and that there is a good level of overall participation and contribution of each member.

Furthermore, the following areas of improvement were identified:

- increase the meeting times for certain Supervisory Board and committee meetings, in particular where important strategic matters are discussed;
- have focused reports on the specific strategic topics identified by the Supervisory Board in 2016;
- continue to focus on the Supervisory Board succession planning to ensure recruitment of particular profiles;
- continue to implement IT and digital development and keep the Supervisory Board informed of market trends in this area;
- further improve the efficiency of meetings by ensuring the executive summary of documents outlines the major key points and contains a clear summary of general background information particularly for long-term projects.

6.1.1.8. Supervisory Board Remuneration[1]

In 2014, as part of the Supervisory Board succession planning, the Supervisory Board commissioned a market study through an independent external consultant to ensure that the Supervisory Board member remuneration was aligned with market practices. The study revealed that the Chairman fees were low in comparison to its peers (*i.e.* large listed companies of similar size in France and Netherlands with a two-tier governance structure and an independent Chairman). As a result, the Supervisory Board voted, in the absence of the Chairman, to revise the Chairman's fees for 2015. In 2015, the Chairman of the Supervisory Board was paid a total gross annual remuneration of €150,000 for his duties as Chairman of the Supervisory Board. This amount increased from a total gross annual remuneration of €130,000 in 2014 which had been unchanged since 2009. Additionally a separate annual fee of €20,000 is paid for the performance of his GN&RC Chairman duties. The Supervisory Board Chairman receives no compensation related to the performance of the Company (neither STI nor LTI). For details on the revised fees for 2015, see the Remuneration of Members of the Supervisory Board section of the Legal Information chapter (page 290).

The annual fee paid to Supervisory Board members (with the exception of the Supervisory Board Chairman) was maintained at €52,000 per member in 2015 (unchanged since 2007). In 2015, the fee was comprised 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 was paid a supplementary annual fixed fee of €15,000.

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

For 2016, the Supervisory Board has revised the fee compensation structure maintaining the same overall annual fee, but increasing the variable portion to 60% and decreasing the fixed portion to 40%. Additionally, as physical absence should be extraordinary, a "Physical Presence Rule" will be implemented in 2016 wherein no more than 30% of scheduled meetings (Supervisory Board and committee meetings inclusive) should be attended by call-in or the member will forego the variable portion of the fees for the meetings attended by call-in above such threshold.

6.1.2. Functioning of the Specialised Committees of the Supervisory Board

Two specialised committees assist the Supervisory Board: (1) the Audit Committee and (2) the GN&RC. All Supervisory Board members participate in one of these committees. The committees function under separate Charters[2].

(1) For full details, refer to the Legal Information section.
(2) Available on the Company's website and at its registered office.

6.1.2.1. 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[(2)], 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, internal audit, risk control and the implementation of Company-relevant financial legislation;
- the Company's financial policy (accounting methods and developments in 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 was composed of five members in 2015 and as of January 2016 is composed of six independent members, including the Chairman of the Audit Committee, pursuant to the criteria defined in the Afep-Medef Code also incorporated into the Supervisory Board Charter. 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 Chief Financial Officer (CFO), the Deputy Chief Financial Officer (Deputy CFO) and the Chief Resources Officer (CRO) attend Audit Committee meetings. Other Management Board members may also attend meetings unless decided otherwise by the Audit 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 Director of Tax, the Group Director of Consolidation and Accounting, the Group Director of Control and the Group 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 member(s) requests a meeting. The Audit Committee receives a presentation from the Statutory Auditors twice a year after which they meet with the Statutory Auditors without the members of the Management Board being present. During its annual self-assessment the Audit Committee meets without the members of the Management Board being present. The Audit Committee may decide to meet without the Management Board members or to meet only with the CEO as it deems necessary. The Audit Committee may solicit the advice of external advisers as it deems necessary.

Members receive the meeting documents which include an agenda and comprehensive papers 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 and 24 hours prior to the Supervisory Board meeting at which the half-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.

Summary of Audit Committee Activity

The Audit Committee met four times in 2015 (twice in the presence of the Statutory Auditors). The average member attendance rate was 90%. In 2015, the Audit Committee considered and reported to the Supervisory Board on:

- the revaluation of net assets, the Company's financial statements and consolidated accounts for the 2014 full-year accounts and the 2015 half-year accounts, including corporate risks and off-balance sheet commitments;
- the quarterly Management Board reports for 2015;
- the 2015 Budget;
- the funding of the Group's five-year business plan, financial resources and borrowing requirements;
- taxation;
- the working terms and conditions of the Statutory Auditors for the closing of the 2014 annual accounts;
- the organisation of human resources within the finance departments throughout the Group;
- the reporting lines to the CFO and Deputy CFO within the finance departments throughout the Group;
- the Company dividend payment policy and the proposal to the AGM regarding the annual allocation and distribution of profits;
- the internal audit charter, risk mapping and the internal audit reports and internal audit plan for 2015;
- review of the whistleblowing policy;
- updates on security including "Vigipirate" security and IT risks and security including, insuring against cyber risks;
- updates to IT tools;
- the review of changes in tax regulations at the European level (OECD);
- the examination of the Company's exposure to and management of risks;
- the internal control and management of risk part of the Report of the Chairman of the Supervisory Board 2014;

- the review of relevant accounting and governance developments such as IFRS developments; and
- the annual evaluation of the functioning of the Audit Committee.

Audit Committee Remuneration[(1)]

The annual Audit Committee fees were maintained in 2015 at €20,000 for the Audit Committee Chairman and €10,000 for the other Audit Committee members (unchanged since 2007). 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 of a member's country of residence. In 2015, 25% of Audit Committee fees were variable and allocated according to attendance at Audit Committee meetings.

For 2016, the Supervisory Board has revised the committee fee compensation structure maintaining the same overall annual fee, but increasing the variable portion to 60% and decreasing the fixed portion to 40%. Additionally, the Physical Presence Rule described in Section 6.1.1.8. will apply in 2016 to Supervisory Board and committee meetings inclusive.

6.1.2.2. 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[(2)] 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 rules and practices, 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 against 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 supplementary contribution scheme) 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 consisted of six members year-end 2015 and consists of five members as of January 2016, including the Supervisory Board Chairman, all of whom are independent pursuant to the criteria defined in the Afep-Medef Code also incorporated into the Supervisory Board Charter.

In addition to GN&RC members, the CEO and the CRO typically attend GN&RC meetings. The GN&RC may decide to meet without the CEO and the CRO or to meet only with the CEO as it deems necessary, in particular in matters concerning them. Twice a year, during the annual self-assessment of the GN&RC as well as during the assessment of and the decision on the compensation of the Management Board, the GN&RC meets without the CEO and the CRO being present. At least once a year the GN&RC receives a Compliance Report presentation from the Group Director Internal Audit & Risk Management. Additionally, 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 and whenever one or more Supervisory Board or Management Board member(s) request a meeting. Members receive the meeting documents which include a detailed agenda and comprehensive papers 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 GN&RC met five times in 2015. The average member attendance rate was 93%. In 2015, the GN&RC considered and reported to the Supervisory Board on:

- Unibail-Rodamco SE's governance practices compared to the Afep-Medef Code;
- updates on discussions with shareholders and shareholder expectations;
- the annual review of the Supervisory Board's profile;
- the annual review of the independence of Supervisory Board members;
- the expiration of mandates and re-appointment of Supervisory Board members pursuant to the resignation and rotation rules;
- the profile and composition of the Supervisory Board and the composition of its committees;

(1) For full details, refer to the Legal Information section.
(2) Available on the Company's website and at its registered office.

- the succession plan of the Supervisory Board, including the revised profiles and screening criteria for new Supervisory Board candidates and interviewing and discussing identified candidates;
- the appointment of new Supervisory Board members, Mrs Sophie Stabile and Mrs Jacqueline Tammenoms Bakker;
- review of the allocation of the variable portion of the Supervisory Board member fees;
- appointment of a new CRO;
- the qualitative objectives set for each non-CEO Management Board member by the CEO;
- the remuneration of Management Board members;
- long-term incentive arrangements, including the 2015 allocation of Stock Options and Performance Shares to Management Board members;
- the short-term incentive pay-out for Management Board members for 2014 performance;
- proposed revisions to the STI formula structure;
- the succession planning of the Management Board and the Group Management Team;
- the report on the Group's Compliance program;
- the annual review of equal opportunity with respect to diversity and equality of pay within the Group;
- the annual evaluation of the GN&RC;
- the amendments to the Supervisory Board Charter, including the Audit Committee and GN&RC Charters;
- the corporate governance part of the Report of the Chairman of the Supervisory Board 2014; and
- the implementation of the Group Company Savings Plan for 2015.

GN&RC Remuneration[1]

The annual GN&RC fees in 2015 were maintained at €10,000 per member (unchanged since 2007)[1]. As part of the market study conducted in 2014, described in Section 6.1.1.7 above, the Supervisory Board voted, in the absence of the GN&RC Chairman, to provide a separate committee fee, as of January 2015, of €20,000 to the GN&RC Chairman (the same amount paid to the Audit Committee Chairman) in order to allow flexibility in the succession planning and permit the disassociation of the Supervisory Board Chairman and the GN&RC Chairman going forward.

An additional fee of €1,350 per day was paid to members (with the exception of the Supervisory Board Chairman) 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. In 2015, 25% of GN&RC fees were variable and allocated according to attendance at GN&RC meetings.

For 2016, the Supervisory Board has revised the committee fee compensation structure maintaining the same overall annual fee, but increasing the variable portion to 60% and decreasing the fixed portion to 40%. Additionally, the Physical Presence Rule described in Section 6.1.1.8. will apply in 2016 to Supervisory Board and committee meetings inclusive.

6.2. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS[1]

Unibail-Rodamco SE complies with all of the Afep-Medef recommendations on executive officer remuneration as incorporated into the latest consolidated version of the Afep-Medef Code (November 2015).

The Management Board remuneration policy is developed by the GN&RC and approved by the Supervisory Board. The remuneration of each Management Board member consists of four components: (i) Fixed Income (FI), (ii) Short-Term Incentive (STI), (iii) Long-Term Incentive (LTI) comprised of Stock Options and Performance Shares both subject to performance and presence conditions which promote the principle of Pay For Performance wherein only outperformance is rewarded, and (iv) other benefits (including supplementary contribution scheme, company car and insurance). The goal of the Management Board remuneration policy is to ensure an incentive structure that rewards long-term performance by aligning pay with performance (for more detail see the Legal Information chapter page 224).

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

6.3. CORPORATE GOVERNANCE

In accordance with Article L. 225-68 of the French Commercial Code, Unibail-Rodamco SE hereby states that it adheres to and enforces the Afep-Medef Code and adopts the Afep-Medef Code as its code of reference for corporate governance matters. Unibail-Rodamco SE has analysed its practices and procedures against the Afep-Medef Code. As at the date of filing, the Company fully complies with the Afep-Medef Code's principles.

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[1]. 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 (see page 226).

6.4. 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, consumer behavior, 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.

"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 fully reviewed by the Group Risk Committee (created in January 2015). This committee is composed of the Chief Resources Officer (Chair), the Chief Financial Officer, the Deputy Chief Financial Officer, the General Counsel and the Group Directors of Human Resources, Information Technology, Internal Audit, Insurance, Property Maintenance and Purchasing. It aims at anticipating risks and following up on risk indicators.

The risk mapping was discussed by the Management Board on June 24, 2015. In addition, the risk mapping was reviewed and discussed by the Audit Committee and subsequently by the Supervisory Board on December 11, 2015. These "controllable" risks are monitored through the Group's internal control system. This system covers all activities of the Group in all regions. 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 optimized;
- property assets are protected;
- financial information is reliable; and
- all operations comply with prevailing legislation, external regulations and Unibail-Rodamco's internal rules.

Note that this system has now been fully implemented in the Group's German operations at UR Germany.

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 SE is run by a Management Board, composed of six members as at December 31, 2015, 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). 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 SE 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

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

- 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.

6.4.1. Investment and Divestment Authorization

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 Financial 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 Financial Officer, the Chief Operating Officer, the Chief Development Officer (for property development and re-development) 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 authorization 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 asset divestments are then prepared and analysed in detail by the committee referred to above, which verifies the assumptions on which the disposal conditions are based.

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 authorization rules, any transaction within the boundaries of the Group's existing strategy and/or in European Union member states is subject to final approval by the Management Board when exceeding €100 Mn and is subject to the additional prior approval by the Supervisory Board when exceeding €500 Mn.

For transactions outside the Group's existing strategy and/or in a country outside European Union member states, the Management Board's approval is required and the Supervisory Board's approval is required for such transactions exceeding €25 Mn.

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 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.

6.4.2. 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.

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.

This organisation is completed by the Director of Finance of Unibail-Rodamco Development who is in charge of monitoring the financial, legal and tax structuring of Unibail-Rodamco Development projects and optimising Development project costs, controlling, budgeting and reporting.

To manage environmental risks, the Group organizes regular meetings with all regional contacts responsible for environmental policy, and closely examines each environmental action plan and achievements annually at site level to shape a common environmental performance policy and monitor the way it is embedded into operating practices. The Group has been listed on The Dow Jones Sustainability Index since 2008.

Unibail-Rodamco SE publishes detailed corporate sustainability information annually dealing with the Group's environmental and social policy, its targets and achievements.

6.4.3. 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. In addition, Unibail-Rodamco carries out a regular follow-up of the solvency rating of its insurers.

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 appraisers 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.

Prompt measures were implemented following the Paris terrorist attacks to strengthen existing procedures and processes to assist local teams and reinforce the security of customers, employees, suppliers' employees and tenants' employees by:

- reinforcing strong relationships with police authorities;
- providing temporary additional staffing for securing access;
- providing training to shopping centre management teams to identify and manage situations linked to terrorism; and
- further developing crisis management principles and best practices.

Most 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 Contractor's All Risk policies for works in other regions (an inherent defect insurance is occasionally taken out for large projects outside of France).

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.

A Health and Safety annual risk assessment was conducted in 2015 for all managed assets in all regions to mitigate health and safety risks. The risk assessment is performed by an independent Health & Safety inspector. This risk assessment provides a single and comprehensive source of information on the management of sanitary and 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.

6.4.4. 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 or by the Chief Executive Officer.

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.

6.4.5. 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 six members, including three members of the Management Board (the Chief Executive Officer, the Chief Financial Officer and the Deputy Chief Financial 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 twice in 2015. 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, a European cash management system is in place in order 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 at UR Germany.

The IT application supporting cash management allows the automatic recording of financial transactions *via* a workflow between the front-office and the back-office and is completed by a module where bank proxies management is fully integrated for France.

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.

6.4.6. Legal Risks

Legal risks are monitored by the Chief Resources 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 by the General Counsel. 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 General Counsel 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.

A data protection task force was created following the Court of Justice of the European Union decision invalidating the data transfer pact between the US and Europe ("Safe Harbor Privacy Principles") which had allowed companies to transfer personal data to the US and still comply with European privacy laws.

6.4.7. 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, CODA, and IGEL; 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 computers and applications. In addition, the control of access right requests, firewall and anti-spam protections ensure the security and integrity of the Group's information system.
  - An IT Risk Officer was appointed in December 2014 with the creation of the Information Technology Risk Committee;
  - 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 Recovery management: the regular and formalised backup of data is stored off site and ensures the recovery of the activity in the event of a failure in the information system. An outsourced data centre ensures the high availability of the mailing and treasury systems, being also a backup platform for the IT recovery system. In addition, the Group Business Recovery Plan (BRP) has been updated in 2015. This BRP provides a technical and organizational action plan in case of a major breakdown (temporary unavailability of Head Offices and\or computing infrastructures).

- In July 2015, an audit of the information system security was performed by an external company to reinforce the information system security. In addition to the policy covering standard risks related to the IT system, a cyber-risks policy was taken out in July 2015.

6.4.8. 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 (Gross Rental Income, Net Rental Income, administrative expenses, etc.). Reports are prepared and 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, valuations and pipeline projects. The QFRs are presented to the Management Board by the country management teams of each region and the consolidated QFR is provided to the Audit Committee and the Supervisory Board.

Consolidated financial statements are produced for the Unibail-Rodamco Group. 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 QFRs;
- 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 four 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 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 provided 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.