UNIBAIL-RODAMCO-WESTFIELD

COMBINED GENERAL MEETING OF MAY 15, 2020
ANSWERS TO SHAREHOLDERS' WRITTEN QUESTIONS
(Articles L. 225-108 and R. 225-84 of the French Commercial Code)

Unibail-Rodamco-Westfield SE ("**URW**") received several written questions from two shareholders by email. The full text of the written questions received[1] and the answers provided by the Management Board are included in this document published on the URW's website.

I. Questions from the *Forum pour l'Investissement Responsable*

Environment

1. What is the list of your activities not compatible with the Paris agreements (i.e. a climate scenario keeping the rise of global temperature to a well-below 2°C level and pursuing these efforts in order to limit this increase to 1.5°C)? What are the actions undertaken in order to stop these activities in 2020?

As part of its CSR strategy, Better Places 2030, the Group commits to cutting carbon emissions across its value chain by -50% between 2015 and 2030. This strong commitment marked a first in the listed commercial property industry by covering such a comprehensive part of the Group's Scope 3 emissions:

- greenhouse gas emissions generated in the construction of its development projects;
- greenhouse gas emissions due to the private energy consumption of its tenants;
- and finally, emissions due to travel by building occupants and especially visitors to the Group shopping centres.

The Group's carbon target between 2015 and 2030 breaks down into the following three complementary objectives:

- Reduce emissions from construction by -35% by 2030;
- Reduce emissions from operations by -80% by 2030;
- Reduce emissions from transport by -40% by 2030.

In 2019, with the support of independent experts, the Group was able to verify that its strategy to reduce greenhouse gas emissions is in line with the mitigation efforts necessary to keep global warming below 2°C. This modelling work was based on the *SBTi* absolute approach using the IPCC's 5th Amendment Report emissions pathway.

The Group's CSR strategy illustrates its willingness to commit 100% of its standing assets and new development projects to reducing its carbon footprint.

For more details, please refer to section "2.2.1 Address climate change" of our 2019 Universal Registration Document.

2. How are your CapEx/development plans aligned with a climate scenario compliant with the Paris agreement?

The CSR approach is fully embedded into the key processes of Unibail-Rodamco-Westfield, in line with the Company's strategic priorities and operational concerns. Relevant management processes have been set up at each stage of the business cycle, along with appropriate key performance indicators. For example:

- development projects are regularly reviewed in light of Better Places 2030 targets in order to deliver the highest standards;

[1] The questions were submitted in French. The English translation of the written questions is a free translation for information purposes.

- managed assets have an environmental action plan, with annual performance reviews;
- decision-making processes incorporate CSR performance indicators in line with the Better Places 2030 programme. Since 2017, annual budget reviews performed on assets, either when selecting investments in the standing portfolio, keeping track of development projects or making new property investment decisions, include criteria such as energy efficiency, carbon footprint and sustainable mobility.

For more details, please refer to section “2.1.5.3 Integration within core processes” of our 2019 Universal Registration Document.

3. How do you analyze the impacts of your activities on global and local ecosystems (for example, biodiversity)? What are your 5 main impacts on them (positive and negative)?

As part of its Better Places 2030 strategy, the Group commits to contribute to greener cities, by protecting biodiversity. This translates into the objectives to have 100% of its development projects, and 100% of its standing assets with high biodiversity stakes, to implement a biodiversity action plan by 2022. To reach these objectives, the Group commits to developing a new group biodiversity strategy in 2020. Meanwhile, Unibail-Rodamco-Westfield integrates biodiversity into its current development projects through requirements in its Sustainability Brief and in its standing assets with independent or certification-based actions.

Moreover, the Group has begun research and development into urban agriculture and beekeeping projects at a number of its assets. Other than the benefits incurred from diversifying surface usage and influencing food consumption trends, this type of project also has a positive impact on promoting biodiversity in cities.

For more details regarding the integration of biodiversity in development projects and standing assets as well as urban farming, please refer to section “2.2.5 Integrate nature and biodiversity” of our 2019 Universal Registration Document.

Social

4. The coronavirus crisis will considerably weaken the economic landscape, especially for small and medium size companies. In this context, does the Group plan to change the payment terms of its suppliers and, if yes, how and on which geographical scope?

URW operates in an operational ecosystem with many different services providers, big and small, and will continue to focus on optimizing the cost that are associated with those services. Specific terms of the contracts with our suppliers are optimized on a case by case basis with a clear focus on balancing favorable contractual terms with a high quality of services to be provided in order to secure the best customer journey for our visitors.

5. How does your company prepare its employees for the transitions of the 21st century that are shaking your industry?

The Group developed its Innovation Champions network through its internal “Innovation Champion Graduate Programme” to harness collective intelligence and innovation, open new career perspectives and promote diversity within teams. A stronger involvement at country level was achieved in 2019, with overall 13 participants to the program (compared to 6 in 2018). Participants received specific training and coaching in areas such as brainstorming techniques and design thinking, and pitched their project’s outcomes at various innovation meetings and workshops. They have also participated in a dedicated, two-day learning expedition discovering trend-setting and innovative concepts in retail and entertainment in London.

In 2019, Business training represented 74% of total training hours. These trainings are delivered by Group in-house experts and Senior Managers. Highlights this year included the URW Fundamentals programme – a two-day onboarding event that is organised every quarter for all newcomers – which was both delivered in Europe and launched in the US. The programme was updated to include latest key global strategic topics, new Together at URW values framework as well as a new welcome video from the URW’s Group CEO. Trainings have also been deployed to align local teams on Group processes and policies, such as Better Places 2030, Anti-Corruption, Security or Asset valuation. E-learnings are also in high demand, with 17 different modules now available.

The Group has committed to developing and rolling-out Group-wide leadership & management programmes integrating CSR and for 100% of Group employees to have participated in CSR training by 2022.

6. Do you have a definition of "decent wage" that is not limited to the local legal minimum wage? If yes, which one? How does your company guarantee its employees a decent salary, especially in the main countries where you operate?

At URW, we believe that a decent salary should enable employees and their families to fulfil their material and social needs without feeling excluded. This implies affording first necessity goods and services (food, housing, health care, clothing) but also education, transport and even some others such as leisure and savings.

This concept varying from one country to another, URW trusts local Human Resources teams who are fully aware of local economic and legal context to determine as fairly as possible what a decent salary means.

Moreover, remuneration (fixed and sometimes variable) of all Group employees are reviewed each year locally and at Group Headquarters by HR and members of the Senior Management Team, to ensure internal equity and salary decency.

Finally, throughout the year, analyses are conducted to identify any bias that could lead to remuneration discrepancies.

7. Within the framework of the profit-sharing agreements applicable to your employees in France, do you take environmental and social criteria into account? If yes, how and in what proportion?

At the moment, there are no environmental and social criteria in our current French profit sharing scheme. These schemes must be reviewed in 2020, and we are currently exploring the most meaningful criteria for our organisation and business sector.

Besides, almost all employees in the Group have annual objectives which must include at least one ESG goal. The achievement of these objectives determines the amount of annual variable compensation for eligible employees.

Moreover, 13% of Group employees participate in the Group Long-Term Incentive plan, which includes 10% of ESG-related performance conditions.

8. In the context of employee savings plans, what portion of funds have a responsible label (CIES, Finansol, Greenfin, ISR)?

Among the seven available funds (excluding the URW fund), two benefit from a responsible label, i.e., almost 30% of employee savings funds offered to URW employees:

- Amundi Label Equilibre Solidaire ESR – F combines ISR and '*Solidaire'* labels. It is invested in socially responsible securities, matching the label's ESG standards, and includes 5 to 10% of securities promoting employment and social integration.

- Amundi Label Actions Euroland ESR - F received the CIES label (*Comité Intersyndical de l'Epargne Salariale*). It is invested in shares from socially responsible companies, matching the label's ESG standards.

More generally, all available securities selected in the funds in our Group Savings Plan are selected for their ESG standards and their long-term focus on sustainable development.

There is no Group Retirement Savings Plan in the wholly-owned subsidiaries of the Group.

Governance

9. Is the country by country breakdown of taxes discussed by the board of directors[2] as a whole and/or by the audit committee? Are you considering the publication of the country by country breakdown of taxes?

URW is a publicly traded Group dedicated to investing in commercial real estate across Europe and the US. The tax position of URW reflects the geographical location of its real estate portfolio and is consistent with the normal course of its business operations and strategy. The Group declares profits and pays taxes where its activities are carried out. This translates into payments to local or national tax authorities of corporate income tax, business taxes and taxes withheld on dividend payments especially where tax transparency regimes are available locally. URW pays significant amounts of taxes locally due to the fact that holding real estate assets requires it to pay property taxes.

The Group does not use investment routes through non-cooperative countries or territories or artificial structures to locate income in low tax jurisdictions. The tax function within URW is organized to ensure compliance with the tax laws and regulations. Tax risks are followed and monitored by a team of internal and external tax experts and discussed with an internal committee whose members include the Group Chief Executive Officer and the Group Chief Financial Officer, the Group's auditors, the Group's Audit Committee and Supervisory Board. In addition, the Group Director of Tax attends all Audit Committee meetings. URW complies with tax transparency regulations such as the United States FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) and files its fiscal Country-By-Country-Report with the French tax authorities.

Further information on URW's approach to tax is available on our website at the following link: https://www.urw.com/en/investors/taxation-information.

URW publishes information on the geographic breakdown of taxes paid (for financial year 2019, page 92 of the Universal Registration Document "2.3.2.1 Tax footprint"). The Group does not consider to make public the Country-By-Country-Report it files with the French tax authorities since this is likely to impair the Group's competitiveness.

10. Are the problems of social cohesion due to gaps in wages examined by the board of directors[2] and are they the subject of a policy?

The pay equity ratio (executive remuneration as a multiple of average employee remuneration) is now published in our Universal Registration Document and is presented at the Annual General Meeting.

Any Management Board remuneration decision will be analysed through its consequences on this ratio. Any variation will have to be reasonable and should be explained with the Group's performance variation, as the URW executives have a larger pay-for-performance proportion of their remuneration than the average employee.

11. Is the policy to ensure equality between women and men in terms of remuneration, career and access to positions of responsibility and the targets to be achieved discussed within the board of directors[2]?

We currently measure the gender pay gap according to local regulations in France, the United Kingdom and the United States of America. The results of these analyses are reviewed by the Supervisory Board and disclosed.

Further work is currently ongoing to define a Group methodology, quantitative and qualitative, which would provide the Supervisory Board with an overall view of the gender pay gap and any required corrective actions.

[2] The questions submitted by the *Forum pour l'Investissement Responsable* refer to the "board of directors" *(conseil d'administration).* It is specified that URW has a two-tier governance structure with a Management Board and a Supervisory Board. The governance structure of URW is further described in Chapter 3 of the 2019 Universal Registration Document (page 130 *et seq.*), available on URW's website.

12. Do you plan to publish the opinion of the social partners on the Group's non-financial performance statement (*Déclaration de Performance Extra-Financière*)?

The non-financial performance statement is addressed in Chapter 2 of the 2019 Universal Registration Document. It is part of the information made available to the Social and Economic Committee as part of the periodic consultation on the Group's economic and financial situation. This consultation is scheduled for June 2020.

II. <u>Questions from Mr. Charles CUNY, individual shareholder</u>

1. Could you remind us of how the rents are invoiced? What is the share between fixed and variable rents of the total invoiced amount (Europe, US and UK)? How are variable and Minimum Guaranteed Rent set?

The majority of the Group's rent is fixed for the duration of the lease agreement - this is the Minimum Guaranteed Rent (MGR). The standard lease agreements differ slightly per country. In most of Continental Europe, the MGR is normally indexed annually with the local CPI, in the US the rent is normally increased by a fixed amount agreed upon signing of the lease and in the UK there is typically an upward only rent review after 5 years (for a standard 10 year contract). Almost all our lease agreements have on top of the fixed rent a variable part linked to the turnover of the retailer. The Sales Based Rent (SBR) only comprised 2.7% of the Group's retail NRI last year.

2. What is the typical profile of your tenants? What percentage do SMEs represent? What is the share of the tenants that are at risk? In your press release of April 29, you indicated that you received 20% of the April rent, do you see an improvement or deterioration as at May 15. Why is this level so low? Can you describe your support measures? Finally, are the unpaid rents covered by an insurance company, and if so, in what proportion?

URW has a very broad and diversified tenant base, which is enhanced through our geographical diversification. It ranges from big international chains to local champions.

As landlord, URW only has information about the sales that tenants are doing in our centers and not on their overall turnover, therefore it is currently not possible to give an the exact percentage of SMEs in the portfolio. During the coming weeks, the discussions with the tenants will continue, we will get more information about this.

As we understand the impact of the pandemic on the cashflows of tenants, URW took the initiative to inform tenants that URW would allow those with stores that were closed to defer rents for April until Q3. So tenants were not required to pay the April rent at this time. Despite this, we collected 20% of the April rent. We have also typically deferred the May rents as well.

We will support our tenants through the crisis in an appropriate way, primarily those who most need the help, i.e. small and medium size retailers as well as certain restaurant operators, through a combination of rent relief and rent deferral.

We expect no coverage of unpaid rents by insurance companies. However, many tenants have provided security of a few months which could, if needed, be an offset against unpaid rents should a tenant decide to not reopen. In some countries, such as Sweden or Czech Republic, the government is also providing support to landlords who reduce their rental demands.

3. How much of your shopping centres are open today? Can you give us an update per country, mainly focusing on France, the US, Central Europe, Spain, Scandinavia and the UK? What is the percentage of income from food stores?

An update of the opening dates is given in the presentation to the General Meeting available on the website. All our shopping centers in Germany, Austria, Czech Republic, Poland and Denmark have been re-opened. Sweden and the Netherlands kept trading.

In France, a dozen of shopping centres have reopened on May 11th. Ten centres, including some of the most significant centres of our French portfolio (9 in the Paris region and 1 in Lyon) remain closed due to administrative decisions. We are actively working with the public authorities to allow these centres to reopen as soon as possible.

In the US, five of our Florida shopping centres will open today, and our two centres in Connecticut, another centre in Florida and Westfield Galleria at Roseville in the Sacramento region will reopen next week.

The exposure to Food Stores, including bakeries, butchers and similar stores is limited, approximately 3% of the MGR, especially since in Europe it remains common for the supermarket / hypermarket to be owned by the operator.

4. What is the status of the disposal of the five French shopping centres announced last February. Could the Crédit Agricole / La Française consortium still opt out? Can they lower the price? What drives the difference between the €2 Bn asset valuation and the net proceeds of €1.5 Bn?

As normal and in line with regulatory obligations, we will update the market accordingly if there is news on the transaction. The total value of the portfolio is €2Bn. It is specified that URW will retain a stake in the joint-venture. The €1.5Bn accounts for the difference between the amount of the loan and the equity to be contributed by Crédit Agricole Assurances and La Francaise Asset Management.

5. How do you explain the underperformance of the share price (vs. the CAC40 and Klepierre in particular)? Can you talk about the main questions (fears but also hopes) of the financial community (brokers, investors, rating agencies) on your company?

It is not up to us to interpret the financial markets, but in general, the significant volatility in markets is not directly related to and doesn't reflect the strength of our business, nor our assets.

Part of the relative underperformance might be driven by the temporary short-selling ban which was implemented by several European countries including France, Spain and Italy following the COVID-19 outbreak. Investors are not able to increase their short position as long as the ban is in place for companies that are listed in those markets. URW is however also listed in The Netherlands, which didn't implement such a ban. As such, investors that want to short the retail sector are likely over represented in URW.

Certainly the business is challenging considering the fundamental retail changes going on in our society today, in combination with the current COVID-19 lockdowns and aftermath.

We believe that although recovery may take a while, people are resilient, and will go back to visit our mixed-use destinations where people can shop, work, come together to share memorable experiences, and have a seamless customer experience.

URW has been anticipating the change in the retail environment and we have been actively been positioning ourselves for this by selling smaller retail assets which in todays' market are fundamentally weaker than our flagships. This is also reflected in the better operating performance of URW assets, with tenant sales outperforming the market indices consistently.

What are investors asking about:

- <u>The economic recovery after re-opening of the economies</u>

- <u>Retail prospects and the rise of e-commerce</u>

  In today's market, investors have a hard time looking beyond the headlines about how bad retail is, even if that is not reflective of how all retailers are doing, particularly more innovative omni-channel players. And while online sales have been increasing, our malls also increased market share through tenants sales that consistently outperformed national sales indices. The significant drop in turnover by most retailers during the COVID-19 crisis, despite the increase in online sales, shows the importance of physical stores.

Currently the market seems to make no differentiation between the outlook for high quality portfolios like ours and other, lower quality portfolios.

In addition, there are unjustified fears that Continental Europe will follow the same path as the UK. URW only has assets in London, and malls in Continental Europe are anchored by hypermarkets instead of department stores like in the UK.

- <u>The leverage level and a fall in asset values</u>

  Investors in this environment are of course focused on the Group's balance sheet position. The asset values are set twice a year, both for our half year and full year results, by independent appraisers. As at December 31, 2019, the LTV was 38.6% and the ICR 5.7x, leaving ample headroom to covenant levels of 60% and 2x, respectively. To reach the LTV covenant level, we would need to see a deterioration in the asset valuation of roughly twice what we saw in the GFC.

  The fact that we have already sold €4.8 Bn of assets in the last two years (upon closing of the disposal of the five French assets) on good terms after the closing of the Westfield transaction and the assets URW could sell should provide comfort on the group's debt. Following the outbreak of COVID-19, the Group further reviewed its pipeline and announced that it will remove an additional €1.6 Bn of controlled projects, including Westfield Milano, on top of the €3.2 Bn that has been removed at FY19. This obviously will reduce the group's cash needs.

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