

## **2010/2011 REMUNERATION REPORT INCLUDING THE REMUNERATION POLICY OF THE SUPERVISORY BOARD OF EUROCOMMERCIAL PROPERTIES N.V.**

### **Introduction**

This report has been prepared by the Supervisory Board of Eurocommercial Properties N.V. (the "Company") and is available on the website of the Company. It addresses the remuneration policy of the Company and the remuneration for the members of the Board of Management and the Supervisory Board for the financial year 2011/2012, which will be proposed to the Annual General Meeting of Shareholders to be held on 1 November 2011 (section A and C) as well as the remuneration specifics for the financial year 2010/2011 (section B). This report will also address the way in which the policy will be pursued for the financial year 2011/2012 and beyond (section C). This report is an update of the 2009/2010 Remuneration Report of the Supervisory Board.

### **A. Remuneration policy**

#### **Goal**

The purpose of our remuneration policy is to attract, motivate and retain qualified executives and staff who will contribute to the success of the Company. The remuneration policy aims to reward management and key staff for their contribution to the performance of the Company and its group (the "Group").

#### **Work method**

The Supervisory Board proposes the general remuneration policy and implementation of that policy to the Annual General Meeting of Shareholders based on recommendations of the Board of Management. The Annual General Meeting of Shareholders is therefore invited to approve both the policy and its implementation.

In order to implement the policy the Supervisory Board reviews and discusses the remuneration of the members of the Board of Management at the end of each financial year. The level of remuneration for the members of the Board of Management reflects the differences in responsibilities of the Board members as well as their individual performance. The benchmark for remuneration of the Board of Management is based on an independent survey of the remuneration of Directors of international real estate companies with comparable positions, determined by size and complexity of the organisation and the responsibilities of the Board members.

The Supervisory Board is informed about the level of remuneration for Property Directors. This level is linked to the European market and is comparable with the international (property) companies in the countries where the Company is active. External independent benchmarking of the remuneration for both the Board of

Management and Property Directors has taken place in the autumn of 2000, in the summer of 2004, in the spring of 2005, in the summer of 2007 and in the spring of 2008, 2009, 2010 and 2011. In the other years only indexation has been applied. The latest report dated May 2011 has been prepared by Michael Lamb Associates of London and the peer group for benchmarking purposes consisted of 28 listed property companies and property organisations. This peer group included British Land, Hammerson, Land Securities, Klepierre, Mercialis, Unibail-Rodamco, Beni Stabili, Corio, Nieuwe Steen, VastNed and Wereldhave, but also included major real estate investment managers like Schroder Group, Henderson Global Investors, Grosvenor, etc. and major real estate investors like CPPIB etc. The analysis performed included both a report on base salaries and bonuses and a report on long term incentives.

### **Remuneration package**

The Company's remuneration package for employees and members of the Board of Management comprises the following elements:

- base salary – total annual gross fixed income including holiday allowance;
- short-term variable annual performance-related gross cash bonuses;
- long-term incentives through a stock option plan;
- pension and other benefits.

### ***Base salary***

The base salary reflects the responsibilities and individual performance, in line with market standards as described above. The total annual gross fixed income is determined each year in June and takes effect as from 1 July each year.

### ***Short-term variable cash bonuses***

Variable cash bonuses may be granted each year in addition to the base salary. Variable cash bonuses for executives and members of the Board of Management are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share, which is again directly linked to the Company's strategy producing stable and rising dividends and adding long term value to its property portfolio, all within a defensive risk profile.

These bonuses are calculated on the basis of the published audited annual results of the Company for the financial year to which the bonuses relate and can therefore be verified directly using the published audited figures. The gross variable cash bonus is equal to the sum of growth of the dividend per share and the net asset value per share multiplied by six times the base salary of the year in which the bonus is paid out. Negative growth of either the dividend per share or the net asset value per share will not be taken into account when applying the aforesaid formula. For information purposes, the following example is included:

- assumptions: annual base salary: € 300,000, dividend per share growth 2%, net asset value per share growth 3%;

- gross variable cash bonus is: € 300,000 x 6 x {2% + 3% = 5%} = € 90,000

There is no minimum variable cash bonus guaranteed for members of the Board of Management and the variable cash bonus for members of the Board of Management is capped. If the formula produces an amount higher than one year's base salary, the excess amount will be made available in depositary receipts in the capital of the Company blocked for three years, so that the gross cash amount will not be higher than one year's base salary. The excess amount is also capped at one year's base salary. Any variable cash bonus and any variable bonus in blocked depositary receipts awarded on the basis of incorrect financial or other data may be recovered by the Company from members of the Board of Management (claw back clause). During the last five years variable cash bonuses ranged between 10% and 120% of base salaries. Variable bonuses are usually paid in the first quarter in which the annual results of the Company are published.

#### ***Long-term incentive – stock option plan***

Starting in 2000, the Company has operated a long-term incentive for (some) Group employees and members of the Board of Management through its Stock Option Plan. The options under the Stock Option Plan each confer the right to one depositary receipt representing ten ordinary shares of €0.50 par value in the capital of the Company. Series of options on depositary receipts in the Company were granted in 2000, 2001, 2004, 2007 and 2010. The numbers of granted options on depositary receipts were based on the exercise price of the depositary receipts at the date of grant and the total gross remuneration of the respective employee multiplied by four. The maximum number of all options to be granted under the Stock Option Plan to all eligible employees and members of the Board of Management is also limited to 3% of the issued share capital of the Company over three years. The granted options were blocked for a period of three years.

Thereafter, the options could be exercised during a period of seven years. No options were granted in 2002, 2003, 2005, 2006, 2008 and 2009 and have not been granted in 2011 to members of the Board of Management and/or any employees. The Stock Option Plan is still in force and includes corporate performance targets for option holders. The options outstanding are conditional upon employment with the Company during the three year blocking period after the date of grant. Half of the options are conditional upon the growth of the dividend per share of at least 8% over the three year blocking period and the other half of the options are conditional upon the growth of the net asset value per share of at least 8% over the three year blocking period. In case of a lower growth rate a proportionally lower percentage of the number of options granted may only be exercised with the remaining options lapsing. Any negative growth of the dividend per share or the net asset value per share over a certain financial year will not be taken into account for the purpose of calculating the growth. The exercise price is in principle equal to the market price of depositary receipts in

the capital of the Company listed on NYSE Euronext Amsterdam at the date of grant.

In case any new options are granted under the Stock Option Plan, such options will only be granted under conditions similar to these set out in the previous paragraph and under the condition that the number of options could be adjusted at the vesting date, if such number would be unfair due to extraordinary circumstances. Any new options granted under the Stock Option Plan on the basis of incorrect financial or other data may be recovered by the Company from members of the Board of Management (claw back clause).

### ***Pension and other benefits***

The Company has a competitive package of benefits. Members of the Board of Management and (some) Group employees receive allowances and benefits in accordance with the general Group rules. These benefits include in some cases usage of a company car or a travel allowance, health insurance and travel and accident insurance. Pension plans differ from country to country. All offices of the Company have their own pension plans or follow the local (state) pension practice. For The Netherlands, the pension scheme is based on a defined contribution plan. For the United Kingdom pensions are mostly based on defined benefits plans. Only one member of the Board of Management has joined a pension scheme. This scheme is a defined contribution scheme with current annual premiums being capped at an amount equal to approximately an indexed 12% of the base salary.

## **B. Remuneration in 2010/2011**

### **Remuneration of the Board of Management**

In the reporting year, the Company's remuneration policy resulted in the following variable and non-variable rewards to the Board of Management. The total remuneration of the Board of Management members amounted to € 1,724,000 (2009/2010: € 1,253,000, 2008/2009: € 975,000; 2007/2008: € 1,275,000, 2006/2007: € 1,863,000; 2005/2006: € 1,650,000, 2004/2005: € 1,383,000, 2003/2004: € 1,209,000; 2002/2003: € 1,005,000; 2001/2002: € 1,225,000; 2000/2001: € 1,290,000) and is specified as follows:

**Specification of the variable and non-variable remuneration of the Board of Management for the financial years 2010/2011, 2009/2010, 2008/2009, 2007/2008, 2006/2007, 2005/2006, 2004/2005, 2003/2004, 2002/2003 and 2001/2002**

(Amounts in €'000)	J.P. Lewis	E.J. van Garderen	Total
<b>Base salary</b>			
2010/2011	467	351	818
2009/2010	451	334	785
2008/2009	451	334	785
2007/2008	450	318	768
2006/2007	488	318	806
2005/2006	482	318	800
2004/2005	445	306	751
2003/2004	443	294	737
2002/2003	435	285	720
2001/2002	417	272	689
<b>Variable cash bonuses</b>			
2010/2011	464	326	790
2009/2010	200	143	343
2008/2009	46	34	80
2007/2008	215	164	379
2006/2007	526	356	882
2005/2006	433	250	683
2004/2005	293	201	494
2003/2004	201	140	341
2002/2003	109	73	182
2001/2002	250	169	419
<b>Pension premiums</b>			
2010/2011	0	37	37
2009/2010	0	37	37
2008/2009	0	37	37
2007/2008	0	38	38
2006/2007	0	41	41
2005/2006	7	41	48
2004/2005	7	40	47
2003/2004	7	37	44
2002/2003	6	34	40
2001/2002	7	29	36
<b>Total rewards</b>			
2010/2011	931	714	1,645
2009/2010	651	514	1,165
2008/2009	497	405	902
2007/2008	665	520	1,185
2006/2007	1,014	715	1,729
2005/2006	922	609	1,531
2004/2005	745	547	1,292
2003/2004	651	471	1,122
2002/2003	550	392	942
2001/2002	674	470	1,144
<b>Social security charges</b>			
2010/2011	74	5	79
2009/2010	80	8	88
2008/2009	63	10	73
2007/2008	84	6	90
2006/2007	127	7	134
2005/2006	114	5	119
2004/2005	87	4	91
2003/2004	83	4	87
2002/2003	59	4	63
2001/2002	76	5	81
<b>Total remuneration</b>			
2010/2011	1,005	719	1,724
2009/2010	731	522	1,253
2008/2009	560	415	975
2007/2008	749	526	1,275
2006/2007	1,141	722	1,863

2005/2006	1,036	614	1,650
2004/2005	832	551	1,383
2003/2004	734	475	1,209
2002/2003	609	396	1,005
2001/2002	750	475	1,225

### **Base salary**

The base salaries for J.P. Lewis and E.J. van Garderen for the financial year 2010/2011 compared to the financial year 2009/2010 increased by 5%.

### **Variable cash bonuses**

Variable cash bonuses are awarded over the financial year to which they relate and reflect the growth realised, as described above. For the financial year 2010/2011 using the above described formula J.P. Lewis and E.J. van Garderen are awarded a gross cash bonus equal to 88% of the relevant base salary.

### **Long-term incentive – stock option plan**

The movements in options granted under the existing Stock Option Plan are highlighted in the table below:

	J.P. Lewis	E.J. van Garderen	Total
Number of options at 30/06/10	100,000	120,000	220,000
2010/2011 movements in options			
Not vested	(6,250)	(4,375)	(10,625)
Exercised	0	(50,000)	(50,000)
Granted	105,000	75,000	180,000
Number of options at 30/06/11	198,750	140,625	339,375

During the financial year Mr E.J. van Garderen exercised 50,000 options resulting in a gross option gain of € 398,400 (50,000 options sold at an average stockprice of € 32.788; all options had an exercise price of €24.82).

The outstanding 339,375 options (180,000: 2010 options, exercise price of € 32,45 plus 159,375: 2007 options, exercise price of € 37.28) held by the Board of Management represent 0.83% of the current issued share capital of the Company.

The options granted in 2007 are unconditional due to the expiry of the three year blocking period and the fact that the conditions prevailing were partially met, which implied that 6.25% of the options initially granted, did not vest. At the date of granting of these options the fair value per option was € 4.10, whereas at the date of vesting the intrinsic value per option was € 0.00.

The 180,000 options granted in 2010 are conditional as explained on page 3 of this report, and will become unconditional on 8 November 2013, provided the conditions prevailing are met. At the date of granting of these options the fair value per option was € 4.01.

The amount charged to the profit and loss account for these 159,375/180,000 options was € 194,000 for the financial year 2010/2011. No options were granted in 2002, 2003, 2005, 2006, 2008, 2009 and have not been granted in 2011.

As at 30 June 2011 other executives and employees of the Group hold 1,181,420 options (645,000: 2010 options + 488,420: 2007 options + 43,000: 2004 options) representing 2.90% of the current issued share capital of the Company.

The scenario analyses as referred to in best practice provision II.2.1 of the Code have been carried out.

### ***Pension***

All pension costs as explained above are incurred by the Company. Only E.J. van Garderen is a member of the pension scheme. This is a defined contribution scheme with retirement age of 65 and current annual premiums being capped at an amount equal to approximately an indexed 12% of the base salary.

### ***Other arrangements***

All members of the Board of Management were employed on indefinite contracts, but have accepted the amendments that (i) they are appointed for a maximum period of four years (latest appointment on 4 November 2008) and subsequently may be reappointed for a term of not more than four years at a time and that (ii) the amount of compensation which they may receive on termination of their employment may not exceed one year's base salary. The notice period to be observed by the Company for the termination of employment of J.P. Lewis is 24 months; this notice period is 6 months for E.J. van Garderen. There are no loans granted by the Company to the members of the Board of Management and there are no guarantees issued by the Company for the members of the Board of Management.

### ***Shareholdings***

J.P. Lewis and entities associated with him hold 905,333 depository receipts, in total representing 2.22% of the issued share capital of the Company. E.J. van Garderen holds 20,000 depository receipts, in total representing 0.049% of the issued share capital of the Company.

### **Remuneration of the Supervisory Board**

In the reporting year, the total remuneration of the Supervisory Board amount to € 160,000 (2009/2010 € 150,000, 2008/2009: € 140,700, 2007/2008: € 118,600, 2006/2007: € 124,600, 2005/2006: € 101,300, 2004/2005: € 97,500, 2003/2004: € 85,000; 2002/2003: € 85,000; 2001/2002: € 68,000) and are specified below.

**Specification of the remuneration of the Supervisory Board for the financial years 2010/2011, 2009/2010, 2008/2009, 2007/2008, 2006/2007, 2005/2006, 2004/2005, 2003/2004, 2002/2003 and 2001/2002.**

(Amounts in €'000)	10/11	09/10	08/09	07/08	06/07	05/06	04/05	03/04	02/03	01/02
Previous board members	-	-	-	8.6	25.0	33.8	45.0	40.0	40.0	32.0
H.W. Bolland	30.0	28.0	28.0	25.0	25.0	22.5	22.5	20.0	20.0	16.0
P.W. Haasbroek	30.0	28.0	18.7							
W.G. van Hassel	40.0	38.0	38.0	35.0	35.0	30.0	30.0	25.0	25.0	20.0
J.C. Pollock	30.0	28.0	28.0	25.0	25.0	15.0	-	-	-	-
A.E. Teeuw	30.0	28.0	28.0	25.0	14.6	-	-	-	-	-
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Total	160.0	150.0	140.7	118.6	124.6	101.3	97.5	85.0	85.0	68.0

Members of the Supervisory Board do not receive options on (or compensation in) depositary receipts in the Company, nor will personal loans or guarantees be granted to them by the Company.

As at 30 June 2011 only Mr W.G. van Hassel indirectly held depositary receipts in the Company (3,179 depositary receipts representing 0.0078% of the issued share capital of the Company) and Mr A.E. Teeuw held depositary receipts in the Company (7,000 depositary receipts representing 0.017% of the issued share capital of the Company).

**Other employees**

As at 30 June 2011 employees, excluding the Board of Management, hold in total 13,616 depositary receipts and 292,537 ordinary registered shares, representing in total 0.105% of the issued share capital in the Company. Three senior executives have notice periods of 24 months.

**C. Remuneration policy in 2011/2012 and beyond**

**General**

In 2010/2011, the remuneration policy as spelled out above was pursued. It is the intention that the current policy will be continued in the next financial year and beyond.

It is proposed that for the financial year 2011/2012 base salaries of the members of the Board of Management will be increased to € 500,000 for Mr J.P. Lewis and to € 369,000 for Mr E.J. van Garderen.

For the senior executives the result of the benchmark study held in the spring of 2011 will be used as guidance, resulting in increases ranging between 4% and 7% of base salaries.

It is also proposed that for the financial year 2011/2012 the remuneration for each of the members of the Supervisory Board will be increased by €2,000.