

9.1. REPORT OF THE SUPERVISORY BOARD

APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

Dear Shareholders,

Pursuant to the provisions of article L. 225-68 of the French Commercial Code, we are required to make our observations concerning the Executive Board report which has just been read to you as well as concerning the corporate and consolidated financial statements for the year ended December 31, 2011.

The Supervisory Board has been kept regularly up to date by the Executive Board about the Group's business and has carried out the required audits and controls.

To do this as part of its mission, the Board called on the services of four special-purpose committees: the Investment Committee, the Audit Committee, the Selection and Compensation and benefits Committee and the Sustainable Development Committee.

The Supervisory Board has no special observations to make concerning the Executive Board's report and the results of fiscal year 2011. It therefore invites you to approve the financial statements and the resolutions proposed.

The Supervisory Board wishes to thank the Executive Board and all Company staff for their work and effort in 2011.

The Supervisory Board

9.2. REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

SUPERVISORY BOARD MEETING OF FEBRUARY 3, 2012 CALLED TO REVIEW THE 2011 FISCAL YEAR

In accordance with article L. 225-68 of the French Commercial Code, and in my capacity as Chairman of the Klépierre Supervisory Board, it is my honor to present you with this report on the 2011 fiscal year, as approved by the Supervisory Board at its meeting of February 3, 2012. It contains information relating to:

- the Board's composition, the application of the principle of equal representation of men and women and the way in which its work is prepared and organized;
- the internal control and risk management procedures implemented by the Klépierre group ⁽¹⁾;
- corporate governance;
- the methods governing the participation of shareholders in the general meetings of shareholders;
- and the publication of information concerning issues potentially relevant to any public offering.

The code of governance which Klépierre has chosen to adopt for the purposes of this report is the code of corporate governance for listed companies in France, published in December 2008 and amended in April 2010 by the French Association for Private Companies (*Association Française des Entreprises Privées* or AFEP) and the French Enterprise Movement (*Mouvement des Entreprises de France* or Medef).

Please note that, since July 21, 1998, Klépierre has been a French corporation (*Société anonyme*) with a two-tier management structure governed by an Executive Board and a Supervisory Board. This corporate form enables the

Company's management to be separated from the control of this management which is exercised by the Supervisory Board ⁽²⁾.

I Composition and application of the principle of equal representation of men and women - Preparation and organization of the Supervisory Board's works

The Supervisory Board is primarily responsible for the permanent oversight of the Company's management by the Executive Board. For this purpose, it may conduct any verifications or checks it sees fit at any time of the year, and may request any and all documents it believes useful to the accomplishment of its mission.

The Executive Board must submit a management report to the Supervisory Board at least once every quarter, and must also submit the Company's financial statements for audit and control.

The Supervisory Board authorizes all transactions and agreements regulated by articles L. 225-68 paragraph 2 and L. 225-86 of the French Commercial Code.

In accordance with article 16 of the bylaws ⁽³⁾, it also authorizes:

- transactions likely to affect the strategy of the Company and its Group, as well as changes to the financial structure and scope of activity;
- the issue of securities of whatever nature, likely to adjust the share capital;
- the transactions listed below when the denomination of such transactions exceeds 8 million euros or its equivalent value in any currency:
 - a) accept and dispose of any equity holdings in all companies created or to be created, except those Klépierre group companies receiving or purchasing buildings belonging to the Klépierre group,
 - b) acquire or dispose of any buildings in kind, except in the case of sale or transfer to a Klépierre group company,

(1) The Klépierre group shall be understood to encompass all the Group's subsidiaries in France and abroad, including Steen & Strøm group companies, subject to the specific organizational features described below.

(2) AFEP/Medef code of corporate governance (point 3).

(3) AFEP/Medef code of corporate governance (point 4).

c) enter into all agreements and transactions and accept any compromise in the event of legal proceedings.

The Supervisory Board granted its Chairman the ability to authorize the Executive Board to complete the transactions referred to in paragraphs a), b) and c) above, where the individual value of such transactions does not exceed 46 million euros or its equivalent value in a foreign currency.

The Chairman of the Supervisory Board and the Executive Board report to the Supervisory Board on the use of these delegations.

Composition of the Supervisory Board

The Supervisory Board is composed of a minimum of three and a maximum of 12 members who are elected by the ordinary general meeting of shareholders for a three-year term. Some Board members are replaced at each annual general meeting of shareholders, depending on the number in office, in order to ensure a turnover of members as regularly as possible, with the Board changing in its entirety at the end of each three-year period.

Each member of the Supervisory Board must hold at least sixty shares throughout their term of office.

The Supervisory Board appoints a Chairman and Vice-Chairman from its members.

During the 2011 fiscal year there were nine Supervisory Board members: Michel Clair (Chairman), Vivien Levy-Garboua (Vice-Chairman), Jérôme Bédier, Bertrand de Feydeau, Dominique Hoenn, Bertrand Jacquillat, Bertrand Letamendia, Philippe Thel and Mrs. Dominique Auberon. 11% of Board members are female⁽¹⁾. The renewal of mandates approved by the general meeting of shareholders on April 7, 2011 did not affect the proportion of men and women on the Supervisory Board.

Information concerning the Supervisory Board members' professional experience is available in the governance section of the 2011 registration document and their mandates and responsibilities are listed in the Corporate Governance section of this document.

Any member who has no relationship whatsoever with the Company, its Group or its Management that could compromise his or her freedom of judgment is considered as an independent member of the Supervisory Board. In accordance with the definition and criteria set out in the AFEP/Medef code, four out of nine members of the Supervisory Board are considered to be independent: Bertrand de Feydeau, Bertrand Jacquillat, Bertrand Letamendia and Jérôme Bédier⁽²⁾.

Meetings of the Supervisory Board

The Supervisory Board meets as often as the interests of the Company require.

A quorum of at least half the members of the Supervisory Board is required in order to conduct business. The members may participate in the proceedings of Supervisory Board meetings by means of videoconferencing or any other means of telecommunication ensuring their clear identification and effective participation. This condition will not apply to meetings held to verify and check the corporate and consolidated financial statements.

Resolutions are adopted on the basis of a majority vote of those members present or represented.

In the event of a tied vote, the Chairman of the meeting will have the casting vote.

(1) AFEP/Medef code of corporate governance (point 6).

(2) AFEP/Medef code of corporate governance (points 7 and 8).

(3) AFEP/Medef code of corporate governance (point 10).

(4) AFEP/Medef code of corporate governance (point 9).

(5) AFEP/Medef code of corporate governance (point 13).

In accordance with the provisions of article L. 823-17 of the French Commercial Code, the Company's statutory auditors will be invited to attend meetings of the Supervisory Board called to inspect or approve the annual and interim financial statements.

The Board met 11 times during the 2011 fiscal year. The attendance rate was 96.97%⁽³⁾.

The main items discussed at these meetings are listed below:

- the annual corporate and consolidated financial statements for 2010 and the management report on these statements;
- the Executive Board's quarterly business review;
- the half-year corporate and consolidated financial statements;
- Report of the Chairman of the Supervisory Board;
- Re-election of the members of the Supervisory Board;
- Re-election of the Chairman of the Supervisory Board;
- composition of the committees;
- the operation of the Supervisory Board;
- implementation of a formal assessment of the Supervisory Board;
- implementation of a stock option plan;
- investments and disposals in France and abroad;
- asset holding strategy;
- financing activities;
- the annual authorization given to the Executive Board for granting guarantees, endorsements and sureties;
- regulated agreements.

In February 2011, the Supervisory Board examined its composition, organization and functioning. It carried out a review of the Supervisory Board's and special-purpose committees' principal work and believes that this work clearly demonstrates their ability to meet shareholders' expectations.

A formal assessment was carried out at the end of 2011⁽⁴⁾. This assessment was based on a questionnaire on the Board's organization, operating conditions and core activities as well as on the composition and work of the committees.

The assessment document comprised 39 questions in conjunction with a grading scale. Members of the Supervisory Board were invited to propose improvements in relation to each of the topics covered. Board members expressed a favorable opinion of the organization and operation of the Board and the committees. The main suggestions for improvements involved increasing the amount of time spent on Group strategy and consolidation of compensation reviews.

The Supervisory Board's work and that of the special-purpose committees is prepared and organized by their respective Chairmen.

Organization and functioning of the special-purpose committees assisting the Supervisory Board

To carry out its duties, the Supervisory Board has formed special-purpose committees⁽⁵⁾. Working within the scope of its own area of expertise, each committee brings forward proposals, recommendations and advice as necessary, and reports on its work to the Supervisory Board.

Additional information concerning the missions and operation of these committees is given in the Governance chapter of this registration document.

These committees are:

The Investment Committee

This committee has a minimum of three, and a maximum of six, members appointed by the Supervisory Committee from its members.

During the 2011 fiscal year, the Investment Committee members were: Mr Bertrand de Feydeau (Chairman of the Investment Committee), Mr Jérôme Bédier, Mr Michel Clair, Mr Dominique Hoenn, Mr Philippe Thel and Mrs Dominique Aubernon. Two of the six members (33.33%) are considered independent: Mr Bertrand de Feydeau and Mr Jérôme Bédier.

This committee's role is to inspect the investment and/or disposal plans submitted to it prior to their official authorization by the Supervisory Board. To this end, it examines the real estate characteristics, as well as the commercial, legal and financial aspects of proposed transactions. More specifically, it seeks to ensure that planned investments and divestments are in line with the investment strategy and criteria of the Klépierre group. Before issuing a favorable opinion, the Investment Committee may request any additional information it deems useful, as well as recommend that any or all of the real estate, commercial, legal or financial aspects be modified.

The Board met nine times during the 2011 fiscal year. The attendance rate was 96.30%⁽¹⁾.

The work involved 15 investments or divestments. Nine of these transactions were completed or became the subject of future commitments and three were either in progress or at the negotiation stage. Three of these transactions were not concluded.

The most significant projects concerned:

- the sale of the Melun Boissenart shopping center (France);
- the acquisition of the Roques-sur-Garonne shopping center (France);
- the Kristianstad development project (Sweden).

The Audit Committee ⁽²⁾

This committee has a minimum of three, and a maximum of six, members appointed by the Supervisory Board from its members.

During the 2011 fiscal year, the committee members were: Mr Bertrand Jacquillat (Chairman of the Audit Committee), Mr Dominique Hoenn, Mr Bertrand Letamendia and Mr Vivien Lévy-Garboua. Two of the four members (50%) are considered independent: Mr Bertrand Jacquillat and Mr Bertrand Letamendia⁽³⁾.

This committee meets at least twice a year to evaluate major accounting issues, financial information, the quality of internal control and risk management procedures, and the statutory auditors' fee.

The Board met four times during the 2011 fiscal year. The attendance rate was 81.25%⁽⁴⁾. Its key tasks included:

- the preparation of financial information:
 - information on the half-year and annual corporate and consolidated financial statements,
 - the principal highlights of the year or half-year;

- the monitoring of banking covenants;
- the monitoring of appraisals and the methods used by appraisers;
- IFRS changes and their impact on the Klépierre financial statements;
- the statutory auditors' 2011 and 2012 budgets as well as the declaration of independence of the statutory auditors;
- internal control procedures:
 - reporting on the work done during 2011 by the Periodic Control and Business Ethics functions and validation of the action plan for 2012,
 - permanent control system: risk mapping updates and definition of priority projects.

The Selection and Compensation and benefits Committee ⁽⁵⁾

This committee has a minimum of two, and a maximum of five, members appointed by the Supervisory Committee from amongst its members.

During the 2011 fiscal year, the committee members were: Mr Bertrand Letamendia (Chairman of the Selection and Compensation Committee), Mr Bertrand de Feydeau, Mr Dominique Hoenn and Mr Vivien Lévy-Garboua. Two of the four members (50%) are considered independent: Mr Bertrand Letamendia and Mr Bertrand de Feydeau⁽⁶⁾.

This committee meets at least once per year to formulate recommendations for submission to the Board concerning the selection and compensation of Executive Committee members, pensions and employee benefits, benefits in kind, and stock option grants and plans.

The Board met four times during the 2011 fiscal year. The attendance rate was 93.75%⁽⁷⁾. Its key tasks included:

- the methods used to determine the variable portion of compensation of the members of the Executive Committee in 2011. The overall compensation figure has three components:
 - a fixed portion, which is determined annually at the beginning of the year,
 - a variable portion which depends, for each member of the Executive Board and each member of the Executive Committee, on the personal targets set for members of the Executive Board by the Supervisory Board and for members of the Executive Committee by the Executive Board,
 - benefits in kind which, at Klépierre, involve the provision of a company car for each member of the Executive Committee, a part of whose cost relating to personal use is payable by the beneficiary and subject to tax and social security charges;
- a review of those members of the Supervisory Board whose terms of office are coming to an end;
- approval of the regime governing the 2011 stock options plan and setting the total number of options to be granted and the amount of individual grants to members of the Executive Committee;
- the suspension of Mr Laurent Morel's contract of employment in respect of compensation for his position as Chairman of the Executive Board, as set by the Supervisory Board.

(1) AFEP/Medef code of corporate governance (point 10).

(2) AFEP/Medef code of corporate governance (point 14).

(3) AFEP/Medef code of corporate governance (point 14): the composition of the Audit Committee does not comply with the Code which recommends that at least two-thirds of the members should be independent. Exemption from these recommendations is justified by the composition of the Company's share capital and the expertise involved in the work carried out by this committee.

(4) AFEP/Medef code of corporate governance (point 10).

(5) AFEP/Medef code of corporate governance (point 15).

(6) AFEP/Medef code of corporate governance (points 15 and 16): the composition of the Selection and Compensation Committee does not comply with the Code which recommends that the majority of the members should be independent. Exemption from these recommendations is justified by the composition of the Company's share capital.

(7) AFEP/Medef code of corporate governance (point 10).

The Sustainable Development Committee

This committee has a minimum of two, and a maximum of four, members appointed by the Supervisory Board from amongst its members.

During the 2011 fiscal year, the committee members were: Mr Jérôme Bédier (Chairman of the Sustainable Development Committee), Mr Michel Clair, Mr Vivien Levy-Carboua and Mr Philippe Thel. One of the four members (25%) is considered independent: Mr Jérôme Bédier.

This committee meets at least twice a year. Its responsibilities include:

- listing the principal categories of risk to which Klépierre is exposed;
- monitoring the action plan implemented to address those risks;
- and examining the contribution made by the Klépierre group to sustainable development.

It met four times during the 2011 fiscal year. The attendance rate was 81.25% ⁽¹⁾. Its key tasks included:

- finalization of the Group's philanthropic project (with the creation of a Klécoeur/Ségénial* committee which met three times in 2011 to analyze, select and monitor employees' projects);
- the implementation of a non-financial reporting protocol consisting of environmental, social and community indicators in line with EPRA and GRI expectations;
- research into the measurement of the energy consumed by assets.

II Internal control and risk management procedures

In preparing this report we used the general principles set out in the reference framework on risk management and internal control procedures published in July 2010 by the Autorité des marchés financiers (AMF).

I) Definition and objectives

Internal control is the structure within which resources, behavior, procedures and actions are implemented by the Executive Board and throughout the Company to ensure that activities and risks are fully controlled and to obtain the reasonable assurance that the Company's strategic objectives have been met.

Klépierre's internal control procedures aim to ensure:

- compliance with current laws and regulations;
- the application of instructions and directions given by the Executive Board;
- the optimization of operations and the smooth functioning of the Group's internal processes;
- the reliability of financial information.

The system is based on the following three key principles:

- the involvement of and taking responsibility by all personnel: all Group employees contribute to internal control procedures. Each employee, at his or her level, should exercise effective control over the activities for which he or she is responsible;
- the full extent of the scope of the procedures: the procedures should apply to all Klépierre group entities (operational and legal). The Steen & Strøm subsidiary has its own organization under the responsibility of the general management of this company, which reports to a Board of Directors on which both shareholders Klépierre and ABP sit. This internal control organization is structured around the appointment of a Risk Manager

with responsibility for identifying, analyzing and managing operational, commercial and ethical risks;

- separation of tasks: control functions should be independent of operating functions.

The internal control procedures designed to address the objectives described above, however, cannot ensure with certainty that these objectives will be achieved, since all procedures have inherent limitations, but they aim to make a very significant contribution in this direction.

II) Five components of internal control procedures

a) Organization and environment

Klépierre's internal control procedures distinguish permanent control from periodic control procedures ⁽²⁾, which are independent but complementary:

Permanent control is the responsibility of all Group employees. It is linked directly to the business sectors, functions and subsidiaries.

Managers of the business sectors, functions and subsidiaries aim to ensure compliance with the Group's internal control procedures. Their role is:

- to ensure the methods chosen at Group level are coordinated and implemented by their teams;
- to design and adapt the reporting of the procedures on a regular basis, giving the most appropriate indicators to obtain clear visibility of their permanent control;
- to transmit this reporting regularly to their superiors and indicate problems and incoherences in order to enable appropriate decisions to be taken regarding changes to the controls.

Permanent control procedures require several participants. The involvement of many players necessitates tight coordination of actions and methods. At Klépierre group level, the coordination of permanent control is carried out under the authority of the Head of the Accounting, Management Control and Information Systems Department.

Periodic control procedures are carried out by the Klépierre group's internal audit function. The audit is an independent and objective process of assurance and advice, the object of which is to deliver added value and improve organizational operation. It helps the Executive Board to achieve its targets by means of a systematic and methodical approach to the evaluation and improvement of risk management, control and corporate governance processes.

Internal control also includes:

- the description of the Group's governance and organization of business sectors and functions which make up the general framework enabling the Group's objectives to be reached, as well as the hierarchical and functional structure;
- an instruction guide which formalizes and rolls out the internal rules and procedures to be applied, as well as controls to be carried out. These procedures make up the basis of preparation for internal control. Managers of Group entities are responsible for drawing up and updating this basis of preparation;
- the principle of delegation underlies the system. It is carried out in stages, each responsible for implementing procedures in a way that is coherent with Group policy;
- separation of functions: this mainly occurs between the teams setting up operations and those implementing them. Group structure should ensure and maintain a clear distinction between those who operate and those who validate;

(1) AFEP/Medef code of corporate governance (point 10).

(2) At Steen & Strøm, the role of the Risk Manager is essentially one of permanent control. The periodic audit function is outsourced in most instances.

- good policy aims to comply with legal and regulatory requirements which promote ethical behavior by implementing a code of conduct for employees, in particular regarding the confidentiality of information, ethics with regard to third parties, sustainable development and the use of information technology.

b) Internal communication of relevant information

The responsibilities, independence and role of permanent and periodic control within the Group are fixed by a Permanent Control Charter and an Internal Audit Charter respectively. These are jointly signed by the Chairman of the Executive Board and the Chairman of the Supervisory Board.

An intranet site, used purely for documentation purposes and easily accessible by all employees, communicates, publishes and raises the profile of the charters and internal rules and procedures which enable each individual to meet his/her responsibilities.

They are updated whenever necessary (as regulatory requirements change, business activity changes or reorganizations take place etc.) and reviewed at least once every 18 months by the relevant management, assisted by the Permanent Control Coordinator.

The Klépierre group continually reviews all those procedures already drafted, updates procedures where necessary and drafts new procedures.

c) Risk management

The Klépierre group is careful to anticipate and manage major risks likely to affect the achievement of its goals and to compromise its compliance with current laws and regulations. These risks are identified under the "Risk Factors" section of the management report. This inventory of risks covers both strategic and operational risks.

Risk assessment is carried out by means of risk mapping which shows the Group's exposure to risks and the level of each risk. In addition, as one of the initiatives recommended in the 2010 AMF reference framework, the group's risk mapping procedures were updated in 2011, by adopting a rigorous and sustained approach:

- of identifying and assessing the risks by listing, at an operational level, the Executive Committee's expectations;
- of reconciling this analysis with a process-by-process approach;
- of assessing both the risks and the internal control procedures.

The identification and evaluation of risks is used as a reference to determine procedures and controls which, in turn, influence the level of residual risk. The procedures provide a framework for the activity, in a more precise way where risks have been identified, and their application provides a control mechanism. Subsequent to the Group's risk mapping procedures being updated and within the context of implementing an ERP (Enterprise Resource Planning), priority projects were defined, mainly involving procedural and control upgrades.

The scope of intervention of periodic control covers all Group activities and risks in all entities, including the activities of wholly- or jointly-owned subsidiaries and activities which have been outsourced contractually. In addition, upon the identification of a major risk, periodic control may exercise its right to launch any investigation it deems necessary.

d) Control activities to meet these risks

The internal control and risk management system is based on three levels of control, the first two relating to permanent control, and the third to periodic control:

First level - First degree - Permanent control

The first level and first degree of control is exercised by every employee as part of his or her job-related tasks with reference to the applicable procedures.

Control is ensured on an ongoing basis by the initiation of a task by operating employees themselves or by automatic systems for carrying out operations.

First level - Second degree - Permanent control

The second level is exercised by the management of the business section or function. Controls are carried out either in the framework of operating procedures or in autonomous control procedures.

Since 2011, an incident feedback database has been in use for French shopping centers. With data inputted on a daily basis, this database improves risk monitoring in relation to the safety of goods and persons in shopping centers. There is also a Risk Committee which meets every quarter to work on incident feedback and for regulatory watch purposes.

Second level - Permanent control

The second level of control is intended to ensure that the first level controls have been carried out and respected correctly. It is undertaken by separate functions, specially dedicated to permanent control. These functions are set up in countries where Group assets are largest.

Coordination of Group permanent control

At Group level, the Coordination of the Group permanent control function has the following tasks:

- to ensure the drawing up and implementation of actions to improve permanent control in the Group's business sectors, functions and subsidiaries;
- to coordinate the choice of methodologies and tools;
- to roll out directives in the permanent control area and monitor the development of the procedures in the business sectors, functions and subsidiaries;
- and in particular, coordinating the actions contained in the Business Continuity Plan, i.e. all those measures intended to maintain the essential services of the Company and ensure the continuity of business activity on a fallback site, where such measures are necessary as the result of a major disaster.

Key indicators have been defined and implemented with regular feedback to the Coordination function, with the aim of better monitoring the implementation and effectiveness of controls.

Internal accounting control

A dedicated function within the Accounting Department is charged with checking the smooth functioning of first level accounting controls. See section below "Internal control procedures relating to the preparation and processing of accounting and financial information".

Business Ethics function

Specifically identified, the Business Ethics Department ensures compliance with ethical and professional standards, the prevention of insider trading and the control of measures to prevent money laundering.

All of the Group's internal control entities report to the Executive Board and the Audit Committee on the fulfillment of their missions.

Third level - Periodic control

The third level of control is exercised by the Group's Internal Audit Department.

Accordingly, an annual audit plan drawn up jointly by the Chief Internal Audit Officer and the Executive Board is submitted for the approval of the Audit Committee. This plan is based on a preventive approach to risks that seeks to define audit priorities consistent with the Group's objectives. However, one-off assignments may also be conducted to address a specific problem that may arise.

At the same time, audits are carried out in France on a three-year cycle on the application of internal regulations and procedures in the framework of shopping mall management, using standard bases of preparation covering the following areas:

- security of people and goods, particularly within the framework of regulations applicable to public-access buildings;
- real estate administration;
- rental management;
- managing groups of retail traders.

The Internal Audit Department has direct access to the Executive Board and reports on its work to the Audit Committee, also providing reports, recommendations and implementation plans.

In addition to senior management, there are six internal auditors assigned to periodic control.

e) Management and supervision of internal control procedures

Under the direction of the Executive Board, the activities and functions managers carry out the supervision of the systems with the support of the permanent control coordination function.

An internal control coordination committee meets at least twice per year, bringing together players from permanent control, periodic control, Business Ethics functions, Finance and Legal. Its work and conclusions are reported to the Executive Board, as well as to Klépierre's Audit Committee.

The supervision is also supported by the comments and recommendations of the statutory auditors and by any regulatory supervision which may take place. The Coordination function of permanent control and accounting control monitors the implementation of corrective action plans centrally.

A report on the 2011 fiscal year as well as the action plan for 2012 have been presented to the Audit Committee.

III) Risk management and internal control bodies

The main bodies involved in managing the internal control procedures are:

a) Executive and Supervisory Boards

The Executive Board, under the supervision of the Supervisory Board, has overall responsibility for the Group's internal control systems. The Executive Board is tasked with defining the general principles of the internal control procedures system, creating and implementing an appropriate internal control system and associated roles and responsibilities, and monitoring its smooth functioning in order to make any necessary improvements.

In the specific case of Klépierre, its Executive or Supervisory Boards may call upon the General Inspection Unit of its consolidating entity, the BNP Paribas group, to audit its organization and procedures.

b) The Audit Committee

The Audit Committee is informed at least once a year of the status of all the Group's internal control procedures, changes made to the system and the findings of the work carried out by the various participants working in the system.

c) Permanent control functions

These functions, distinct from internal audit, ensure the communication and update of procedures. Together with business function specialists, they coordinate the work determined by the Internal Control Coordination Committee.

d) Internal audit

Internal audit is responsible for evaluating the work of the risk management and internal control systems, monitoring it on a regular basis and recommending any improvements.

It contributes to the awareness and development of the internal control framework but is not involved in setting up or running of the system on a day-to-day basis.

Its analyses and observations are used to direct permanent control work, identify areas for improvement and strengthen procedures.

e) Functional management

Functional management departments define the orientation and procedures of their respective sectors, which they communicate to both countries and subsidiaries.

f) Company personnel

Operating and line managers are responsible for controlling risks and are the principal players in terms of permanent control. They exercise first level controls.

Internal control procedures relating to the preparation and processing of accounting and financial information

I) Definition and objectives

The aim of accounting controls is to ensure adequate coverage of the main accounting risks. They rely on understanding operational processes and the way they are translated into the Company accounts, and on defining the responsibilities of the individuals responsible for accounting scopes and information system security.

Internal accounting controls aim to ensure that:

- published accounting and financial information complies with accounting regulations;
- the accounting principles and instructions issued by the Group are applied by all its subsidiary companies;
- the information distributed and used internally is sufficiently reliable to contribute to processing accounting information.

II) Management process for accounting and financial organization

Accounting organization

The production of accounting information and the application of the controls implemented to ensure the reliability of said information are primarily the responsibility of the subsidiary company financial departments that submit information to the Group, and which certify its compliance with the internal certification procedure (especially in the case of foreign subsidiaries).

The corporate and consolidated financial statements are prepared by the Accounting, Management Control and Information Systems Department, which reports directly to the Executive Board.

Management controllers, who work in the head office and the subsidiaries, strengthen the internal control system.

The France and international internal accounting control unit, reports directly to the Head of Accounting, Management Control and Information Systems, and is charged with:

- updating accounting rules in view of changes in accounting regulations;
- defining the various levels of accounting control to be applied to the financial statement preparation process;
- ensuring correct operation of the internal accounting control environment within the Group, with particular reference to the internal certification procedure described below;
- preparing and updating procedures, validation rules and authorization rules applying to the department;

- monitoring the implementation of recommendations made by internal and external auditors.

Financial risk management

Financial risk management, and in particular the financial structure of the Group, its financing needs and interest rate risk management procedures, is provided by the Financing and Financial Communications Department. It reports to the finance committee which is chaired by one of the directors.

At the end of each year, the Supervisory Board validates the provisional financing plan for the following year, which sets out the broad outlines in terms of the balance and choice of resources, as well as interest rate hedges. During the year, key financial transaction decisions are submitted individually for approval by the Supervisory Board, which also receives a summary of these transactions once they have been completed.

The Financing and Financial Communications Department also develops internal procedures that define the distribution of intra-group responsibilities for cash management and the implementation of Klépierre share buyback programs.

The processing and centralization of cash flows, together with interest rate and exchange rate hedging, are the responsibility of the Financing Department, which keeps a record of commitments and ensures that they are reflected in the accounting system.

Information systems structure

Accounting and management control information is gathered using a consolidation software package (Magnitude) and a management control software package (Hyperion Essbase). These two packages are interconnected, and are administered and updated by a dedicated team reporting to the Accounting, Management Control and Information Systems Department. Data is fed into the consolidation system at the local level in the Group's main operating countries via local accounting system interfaces.

All accounting and financial data follow IT procedures based on daily back-ups to media stored off-site.

Decisions concerning the choice of accounting and financial management software are taken by the Group. Group policy is to standardize the accounting systems in order to improve the consistency of accounting information. From 2012, an ERP will be extended to 65% of group entities, covering regions such as France, Central Europe and Iberia.

Management systems

The quarterly management control reporting system monitors the trend in key performance indicators for each country and each asset to ensure that they are on target with the annual budget.

A global reconciliation is also carried out by Group management control to ensure that accounting income is consistent with consolidated management income.

The Audit Committee

The clarity of financial information and the relevance of the accounting principles used are monitored by the Audit Committee (whose role has already been specified), working in collaboration with the statutory auditors.

III) Processes contributing to the preparation of accounting and financial information

Operational processes used to generate accounting information

The financial statements of French companies are prepared centrally at Klépierre's corporate headquarters using a single information system. The operational departments carry out a series of controls on the management data defined in the specific procedures. Entered into a single management system, key transactions are interfaced automatically with the accounting system. The

accounting system uses two methods of analysis (per building and per sector) to deliver precise budgetary control.

All the processes used to prepare accounting information are subject to various levels of accounting control programs, validation rules, authorization rules and instructions relating to the justification and documentation of accounting procedures.

The finance departments of the Group's foreign subsidiaries apply controls to the data they produce and contribute to the quality of the accounts prepared by the accounting entities by working at their own level to make appropriate reconciliations between accounting and management data.

The Accounting Department has set up a system of internal certification for quarterly country data and controls carried out, in which each country manager certifies that:

- the accounting data provided to the consolidation service are reliable and comply with the Group's accounting standards;
- the internal accounting control system is in good working order, in order to guarantee the quality of accounting information, significant events which occur after the closing date and any impact on the consolidated financial statements.

Processes used to prepare the corporate and consolidated financial statements

Financial statements for the entire scope are consolidated by the Consolidation Department.

Preparation of the consolidated financial statements is the subject of a process based on precise instructions and a detailed schedule distributed to all finance departments to ensure compliance with deadlines and Group accounting standards.

The principle accounting controls carried out at each quarterly closing date as part of the process of consolidating the financial statements are:

- control of changes in the scope of consolidation;
- verification of the correct adjustment and elimination of internal transactions;
- analysis and justification of all restatements of consolidation according to IFRS standards;
- analysis and justification of all variances in respect of budgets and forecasts.

Off-balance-sheet commitments are centralized in the Magnitude consolidation system for each consolidated entity.

Klépierre also uses external consulting services, primarily for tax issues both in France and abroad. In the Group's main operating countries, tax preparation packages are reviewed annually by a specialist firm.

Financial communications (press releases, topic-based presentations, etc.)

The Financing and Financial Communications Department is responsible for handling the financial communication obligations imposed by market regulators. The team drafts and edits the financial communications materials published to inform shareholders, institutional investors, analysts and ratings agencies of Group activities, explain its financial results and detail its growth strategy.

The Financial Communications team provides ongoing monitoring of Group obligations in terms of financial information provision. The distribution of information to financial markets follows a precise schedule, which is distributed internally. With assistance from a number of different departments, this team designs financial results presentations and other presentations on specific topics. It works with the Legal Department to ensure that information is communicated within the required deadlines and complies fully with all applicable legislation and regulations.

III Corporate governance

At its meeting of December 19, 2008, the Supervisory Board confirmed its agreement to the Company's adoption of the corporate governance rules set out in the AFEP/Medef code (available at: www.medef.fr).

Compensation paid to Supervisory Board and special-purpose committee members ⁽¹⁾

The compensation paid to Supervisory Board and special-purpose committee members takes the form of directors' fees.

A total of 270,000 euros was paid in directors' fees to Supervisory Board members during the 2011 fiscal year. The terms and conditions of payment were as follows:

- 90,000 euros divided equally among the members of the Supervisory Board who serve as its Chairman or Vice-Chairman, or who serve as Chairman of any one of the following committees: Audit, Investment, Selection and Compensation and Sustainable Development (a fixed sum of 15,000 euros for each);
- 126,000 euros divided among the members of the Supervisory Board for their Supervisory Board duties, of which:
 - 72,000 euros divided equally among the members of the Supervisory Board in respect of the fixed portion,
 - 54,000 euros divided among the members of the Supervisory Board on a variable basis, depending on their actual attendance at Supervisory Board meetings;
- 54,000 euros divided among members of the Board serving as members of one or more of the Board's special-purpose committees, paid on the basis of their actual attendance at the meetings of the committees to which they have been appointed.

The share of directors' fees received by each member of the Supervisory Board is detailed in the section "Corporate officers' compensation and benefits" of this 2011 registration document.

Internal rules governing the Supervisory Board and its committees

The internal rules of the Supervisory Board and each of its committees are framed to ensure transparency consistent with the principles of corporate governance applied to listed companies.

These internal rules describe the missions and operation of the Supervisory Board and its special-purpose committees.

IV Methods governing shareholders' participation in general meetings of shareholders

The rules applying to the general meetings of shareholders, and more particularly those relating to the participation of shareholders, are set out in Chapter V of the Company's bylaws and in the General Information section of this 2011 registration document.

V Information concerning issues potentially relevant to any public offering

Information concerning issues potentially relevant to any public offering is referred to in the Information on the Company and the share capital section of the 2011 registration document (capital structure/delegations and authorizations granted to the Executive Board by the general meeting of shareholders held on April 9, 2009; April 8, 2010 and April 7, 2011), and in the Notes to the consolidated financial statements - Note 8.2. Liquidity risk (agreements entered into by the Company, which could be terminated in the event of a change of control: bond issues, if a change of control triggers a deterioration of the Company's grading to "non-investment grade").

Michel Clair,

Chairman of the Supervisory Board

(1) AFEP/Medef code of corporate governance (point 18).

Statutory auditors' report prepared in accordance with article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Company's Supervisory Board

9.3. STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE COMPANY'S SUPERVISORY BOARD

Year ended December 31, 2011

To the Shareholders,

In our capacity as statutory auditors of Klépierre and in accordance with article L. 225-235 of the French Commercial Code (Code de Commerce), we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your company in accordance with article L. 225-68 of the French Commercial Code, for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by article L. 225-68 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- to attest that the report contains the other disclosures required by article L. 225-68 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of those disclosures.

We conducted our work in accordance with the professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

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

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, as well as of the existing documentation;
- obtaining an understanding of the work involved in the preparation of that information, and of the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information noted in the course of our engagement have been properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L. 225-68 of the French Commercial Code.

OTHER DISCLOSURES

We hereby attest that the Chairman's report includes the other disclosures required by article L. 225-68 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, March 15, 2012

The statutory auditors

French original signed by

Mazars

Deloitte & Associés

Guillaume Potel

Julien Marin-Pache

Pascal Colin

Laure Silvestre-Siaz