

## **2006/2007 REMUNERATION REPORT 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 which will be proposed to the Annual General Meeting of Shareholders to be held on 6 November 2007 (section A) as well as the remuneration specifics for the financial year 2006/2007 (section B). This report will also address the way in which the policy will be pursued for the financial year 2007/2008 and beyond (section C). This report is an update of the 2005/2006 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 for 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 level of remuneration for Property Directors is primarily linked to the United Kingdom market, but is also 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 and in the summer of 2007. In the other years only indexation has been applied. The latest report dated June 2007 has been prepared by Michael Lamb Associates of London and the peer group for benchmarking purposes consisted of 19 listed and non-listed property companies and property organisations.

### **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. These bonuses are calculated on the basis of the published annual results of the Company for the financial year to which the bonuses relate. 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. 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. There is no minimum bonus guaranteed for members of the Board of Management. During the last four years variable cash bonuses ranged between 25% and 110% of base salaries. Variable cash 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 and 2004. 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 and 2006 and so far have not been granted in 2007 to members of the Board of Management. The Stock Option Plan is still in force and includes performance targets for option holders. The options outstanding are conditional upon employment with the Company during the three year blocking period and a total growth comprising the sum of the growth of the dividend per share and the growth of the net asset value per share of at least 10% 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. The exercise price is in principle equal to the market price of depositary receipts in the capital of the Company listed on Euronext Amsterdam at the date of grant.

### ***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 2006/2007**

### **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 fees of the Board of Management members amounted to € 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 2006/2007, 2005/2006, 2004/2005, 2003/2004, 2002/2003 and 2001/2002**

(Amounts in € '000)	J.P. Lewis	E.J. van Garderen	Total
Base salary			
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
Variable cash bonuses			
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
Pension premiums			
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
Total remuneration			
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
Social security charges			
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
Total directors fees			
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 the financial year 2006/2007 compared to the financial year 2005/2006 for J.P. Lewis and E.J. van Garderen remained the same (excluding a currency effect for J.P. Lewis).

**Variable cash bonuses**

Variable cash bonuses are awarded over the financial year to which they relate and reflect the growth realised, as describe above. For the financial year 2006/2007 using the above described formula J.P. Lewis and E.J. van Garderen are awarded a gross cash bonus equal to approximately 110% of base salary after having taken this year only the net asset value growth into account for calculating the bonuses.

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

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

Movements in options

	J.P. Lewis	E.J. van Garderen	Total
Number of options			
at 30/06/06	120,000	100,000	220,000
2006/2007 movements in options			
Granted	0	0	0
Number of options			
at 30/06/07	120,000	100,000	220,000

All options were granted in November 2004 at an exercise price of € 24.82 (the market price at the date of grant was also € 24.82) and were blocked for a period of three years. The outstanding 220,000 options held by the Board of Management represent 0.62% of the current issued share capital of the Company. No options were granted in 2002, 2003, 2005, 2006 and so far have been granted in 2007.

As at 30 June 2007 other executives and employees of the Group hold 456,000 options representing 1.30% of the current issued share capital of the Company.

**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 2 November 2004) 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 771,321 depository receipts, in total representing 2.19% of the issued share capital of the Company. E.J. van Garderen holds 15,000 depository receipts, in total representing 0.043% of the issued share capital of the Company.

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

In the reporting year, the total fees of the Supervisory Board amount to € 124,600 (2005/2006: € 101,300, 2004/2005: € 97,500, 2003/2004: € 85,000; 2002/2003: € 85,000; 2001/2002: € 68,000; 2000/2001: € 56,600) and is specified below.

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

(Amounts in € '000)	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
H.Th.M. Bevers	-	11.3	22.5	20	20	16
H.W. Bolland	25.0	22.5	22.5	20	20	16
J.H. Goris	25.0	22.5	22.5	20	20	16
W.G. van Hassel	35.0	30.0	30.0	25	25	20
J.C. Pollock	25.0	15.0	-	-	-	-
A.E. Teeuw	14.6	-	-	-	-	-
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Total	124.6	101.3	97.5	85	85	68

Members of the Supervisory Board do not receive options on (or compensation in) depository receipts in the Company, nor will personal loans or guarantees be

granted to them by the Company. As at 30 June 2007 only Mr W.G. van Hassel indirectly held depositary receipts in the Company (1,789 depositary receipts representing 0.005% of the issued share capital of the Company) and Mr A.E. Teeuw held depositary receipts in the Company (4,000 depositary receipts representing 0.011% of the issued share capital of the Company).

### **Other employees**

In total, employees excluding the Board of Management, hold 6,451 depositary receipts and 415,062 ordinary registered shares in the Company. Three senior executives have notice periods of 24 months.

## **C. Remuneration policy in 2007/2008 and beyond**

### **General**

In 2006/2007, 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 next financial year 2007/2008 base salaries of the members of the Board of Management will not be increased having regard to the granted bonuses linked to the significant growth of the net asset value per share for the financial year ended 30 June 2007. For the senior executives the result of the benchmark study held in the summer of 2007 will be used as guidance.

Furthermore, it is proposed to grant a new series of in total 716,000 options under the existing Stock Option Plan for staff members and members of the Board of Management. This number of options is the same as granted in November 2004 and includes 170,000 options for the Board of Management (J.P. Lewis: 100,000 options and E.J. van Garderen: 70,000 options) and is representing in total 2.0% of the current issued share capital of the Company. The options to be granted are conditional upon employment with the Company during the three year blocking period after the date of grant and 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.