



NATIONAL SECURITIES MARKET COMMISSION

In compliance with the reporting requirements under article 17 of Regulation (EU) 596/2014 on market abuse and article 228 of the consolidated text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, Lar España Real Estate SOCIMI, S.A. ("Lar España" or the "Company") hereby informs the National Securities Market Commission of the following

MATERIAL FACT

Lar España informs that the Board of Directors of the Company resolved to call the ordinary general shareholders' meeting, which will be held in Madrid, at Príncipe de Vergara 187, Plaza de Rodrigo Uría, on 18 April 2018, at 12:00 on first call, or, if the required quorum is not met, on second call, on 19 April 2018, at the same place and time. It is expected that the ordinary general shareholders' meeting will be held on second call, on 19 April 2018.

For the purposes of the above paragraph, the following documents are attached to this material fact: complete text of the shareholders' meeting call and agenda published today in "El Economista" newspaper, resolution proposals, policies and Board of Directors' reports on the items of the agenda that require it.

Madrid, 16 March 2018

Lar España Real Estate SOCIMI, S.A.
Mr. José Luis del Valle Doblado,
Chairman of the Board of Directors



This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. 2018 ORDINARY GENERAL SHAREHOLDERS' MEETING

PLACE, DATE AND TIME OF THE MEETING

The board of directors of Lar España Real Estate SOCIMI, S.A. has resolved to call the ordinary general shareholders' meeting, which will be held in Madrid, at Príncipe de Vergara 187, Plaza de Rodrigo Uría, on 18 April 2018, at 12:00 on first call, or, if the required quorum is not met, on second call, on 19 April 2018, at the same place and time. Shareholder registration desks will be open as from 10:00.

It is expected that the ordinary general shareholders' meeting will be held on second call, on 19 April 2018, at the indicated place and time, unless shareholders are otherwise informed through announcements published in the same newspaper in which this announcement is published, on the company's website (www.larespana.com), as well as through the corresponding material fact sent to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

AGENDA

I. Annual accounts and management of the Company:

- One.-** Approval, if appropriate, of the individual annual accounts of the Company and of the consolidated annual accounts of the Company and its subsidiaries for financial year 2017.
- Two.-** Approval, if appropriate, of the individual management report of the Company and of the consolidated management report of the Company and its subsidiaries for financial year 2017.
- Three.-** Approval, if appropriate, of the board of directors' management and activities during financial year 2017.

II. Dividend distribution:

- Four.-** Approval, if appropriate, of the proposed allocation of profits and the dividend distribution for financial year 2017.

III. Board of directors:

- Five.-** Appointment, if appropriate, of Ms. Isabel Aguilera Navarro as external independent director of the Company.

IV. Remuneration:

- Six.-** Approval, if appropriate, of the amendments to the Company's director remuneration policy.
- Seven.-** Approval, if appropriate, of the annual global maximum quantity of the directors' remuneration in their capacity as such.



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V. General matters:

Eight.- Delegation of powers to formalize and implement all resolutions adopted by the ordinary general shareholders' meeting, to convert them into public instruments, and to interpret, correct, supplement, elaborate upon and register such resolutions.

VI. Consultative votes:

Nine.- Consultative vote regarding the Annual Directors' Remuneration Report for financial year 2017.

VII. Informative matters:

Ten.- Acknowledgment of the amendments to the Board of Directors' Rules and Regulations.

Eleven.- Acknowledgment of the approval of the Audit and Control Committee's Rules and Regulations.

PARTICIPATION: ATTENDANCE, PROXY REPRESENTATION AND ABSENTEE VOTING

All holders of voting shares who have caused such shares to be registered in their name in the corresponding book-entry register not later than 13 or 14 April 2018, depending on whether it is held on first or second call, respectively, may attend and participate in the ordinary general shareholders' meeting, with the rights to be heard and to vote.

All shareholders having the right to attend may be represented at the ordinary general shareholders' meeting by another person, even though not a shareholder.

Shareholders having the right to attend may grant a proxy or cast an absentee vote on the proposals relating to items included in the agenda of the call to meeting, which they may do in writing by presenting a duly completed attendance, proxy, and absentee voting card at the offices of the Company, by sending the card to the Company via postal correspondence (to the address C/ Rosario Pino 14-16, 8th floor, CP 28020 Madrid, Spain), or by electronic means through the Company's corporate website (www.larespana.com).

Proxies and absentee votes cast by postal or electronic correspondence must, as a general rule, be received by the Company before 24:00 on 17 April 2018.

AVAILABLE INFORMATION AND DOCUMENTATION

Until the fifth day prior to the Shareholders' Meeting, inclusive, shareholders may request in writing the information or clarifications that they deem are required, or ask the written questions they deem relevant, regarding the matters included in the agenda of the call to meeting, the information accessible to the public that has been provided by the Company to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and the audit reports on the individual annual accounts and management report of the Company and on the annual accounts and management report of the Company consolidated with those of its subsidiaries for financial year 2017.

As from the date of publication of this announcement of the call to meeting, the following documents and information are made continuously available to the shareholders on the Company's corporate website



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(www.larespana.com): (1) this announcement of the call to meeting; (2) the form of attendance, proxy, and absentee voting card; (3) the full text of the proposed resolutions corresponding to the items included in the agenda of the call to meeting, together with the respective reports of the board of directors and their committees that, where appropriate, are required by Law and the proposal of the remuneration policy of the members of the board of directors of the Company; (4) in relation to the director whose appointment is proposed to the General Meeting, her background and professional experience; directorships held in other relevant companies, either listed or not; the director's class to which she belongs and shares and share options held in the Company; (5) the individual annual accounts of the Company and the annual accounts of the Company consolidated with those of its subsidiaries for financial year 2017 and the respective audit reports; (6) the Company's individual management report and the management report of the Company consolidated with that of its subsidiaries for financial year 2017; (7) the directors' statement of responsibility provided for in article 118 of the Royal Legislative Decree 4/2015, approving the consolidated text of the Securities Market Act (*Ley del Mercado de Valores*), which, together with the documents set forth in the two preceding items, constitute the annual financial report for financial year 2017; (8) the annual corporate governance report for financial year 2017; (9) the annual director remuneration report for financial year 2017; (10) the report prepared by the Audit and Control Committee of the Company on its functions during the financial year 2017; (11) the annual report prepared by the Remuneration and Nomination Committee regarding financial year 2017; (12) the report prepared by the Audit and Control Committee regarding the independence of the external auditor; (13) the report prepared by the Audit and Control Committee regarding related transactions; (14) the procedures and requirements for accrediting ownership of the Company's shares and the Shareholders' Meeting attendance right, as well as the applicable rules regarding proxy representation; (15) the shareholder's information right; (16) the rules of the Electronic Shareholders' Forum; and (17) information regarding the total number of shares and voting rights on the date of publication of this announcement of call to meeting.

Furthermore, the shareholders have the right to examine at the Company's registered office and to request the immediate delivery or shipping without charge (which may be carried out by e-mail, with confirmation of receipt, if the shareholder accepts this form of delivery) of a copy of the individual annual accounts and management reports of the Company and those consolidated with its subsidiaries, together with the respective audit reports, for financial year 2017, of the proposed resolutions, of the mandatory director reports, and of the other documents that must be made available to the shareholders in connection with the holding of this ordinary general shareholders' meeting.

SUPPLEMENT TO THE CALL TO MEETING AND WELL-FOUNDED PROPOSED RESOLUTIONS

Until 21 March 2018, inclusive, shareholders representing at least 3% of the share capital may request the publication of a supplement to the call to the ordinary general shareholders' meeting including one or more items in the agenda, provided such new items are accompanied by the rationale therefor or, if appropriate, by a duly substantiated proposal for a resolution, and submit well-founded proposed resolutions on matters already included or that must be included in the agenda of the call to meeting. Such rights must be exercised by duly authenticated notice that must be received at the registered office of the Company.



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COMMON PROVISIONS APPLICABLE TO THE RIGHTS OF THE SHAREHOLDERS

The rights to receive information, to attend, to proxy representation, to absentee voting, to request the publication of a supplement to the call to meeting, and to submit well-founded proposals for resolutions shall be exercised as provided by Law and the documents making up the Company's corporate governance system, available on the Company's corporate website (www.larespana.com).

OTHER SIGNIFICANT ASPECTS

The board of directors has resolved to request the presence of a Notary Public to record the minutes of the ordinary general shareholders' meeting pursuant to section 203 of the Companies Act (*Ley de Sociedades de Capital*), read together with article 101 of the Regulations of the Commercial Registry (*Reglamento del Registro Mercantil*).

To facilitate the viewing and appropriate dissemination thereof, all or part of the proceedings of the General Shareholders' Meeting may be subject to audiovisual recording and broadcast and will be available to the public through the Company's corporate website (www.larespana.com).

PERSONAL DATA PROTECTION

The personal data that shareholders provide to the Company (upon the exercise or delegation of their rights to receive information, to attend, to proxy representation, and to vote) or that are provided by the financial institutions and by the investment services companies that are depositaries or custodians of the shares held by such shareholders, as well as by the entities in charge of the book-entry registers pursuant to Law, will be processed by the Company in order to manage the shareholding relationship. To such end, the data will be kept in computer files for which the Company is responsible. Such data will be provided to the Notary Public solely in connection with the drawing-up of the notarial minutes of the General Shareholders' Meeting, whose development may be subject to audiovisual recording and broadcast in Company's corporate website (www.larespana.com). By attending to the General Meeting the shareholder gives consent to this audiovisual recording and broadcast.

The owner of the data will be entitled to exercise the rights of access, rectification, objection, or erasure of the data collected by the Company. Such rights may be exercised in accordance with the provisions of Law by means of a letter addressed to Lar España Real Estate SOCIMI, S.A. (to the address C/ Rosario Pino 14-16, 8th floor, CP 28020 Madrid, Spain).

If the shareholder includes personal data of other individuals on the attendance, proxy, and absentee voting card, such shareholder must advise them of the details set forth in the preceding paragraphs and comply with any other requirements that may apply for the provision of the personal data to the Company, without the Company having to take any additional action.

In Madrid, on 16 March 2018

The Secretary of the Board of Directors



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ORDINARY GENERAL SHAREHOLDERS MEETING PROPOSED RESOLUTIONS FOR LAR ESPAÑA REAL ESTATE SOCIMI, S.A. 2018

ITEM ONE ON THE AGENDA

Approval of the individual annual accounts of the Company and of the annual accounts of the Company consolidated with those of its subsidiaries for financial year 2017

RESOLUTION

To approve the individual annual accounts of Lar España Real Estate SOCIMI, S.A. (balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows, and notes) and the annual accounts of the Company consolidated with those of its subsidiaries (balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows, and notes) for the financial year ended on 31 December 2017, which were finalised by the Board of Directors at its meeting held on 23 February 2018.



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ITEM TWO ON THE AGENDA

Approval of the individual management report of the Company and of the management report of the Company consolidated with that of its subsidiaries for financial year 2017

RESOLUTION

To approve the individual management report of Lar España Real Estate SOCIMI, S.A. and the management report of Lar España Real Estate SOCIMI, S.A. consolidated with that of its subsidiaries for the financial year ended on 31 December 2017, which were finalised by the Board of Directors at its meeting held on 23 February 2018.



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ITEM THREE ON THE AGENDA

Approval of the management and activities of the Board of Directors during financial year 2017

RESOLUTION

To approve the management of the Company and the activities of the Board of Directors of Lar España Real Estate SOCIMI, S.A. during the financial year ended on 31 December 2017.



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ITEM FOUR ON THE AGENDA

Approval of the proposed allocation of profits/losses and distribution of dividends for financial year 2017

RESOLUTION

To approve the proposed allocation of profits/losses and distribution of dividends prepared by the Board of Directors at its meeting held on 23 February 2018, which is described below:

To distribute, with a charge to the results for the financial year ended on 31 December 2017, a gross dividend of 0.187 for each share of Lar España Real Estate SOCIMI, S.A.

Any parties listed as legitimate holders in the accounting records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal (IBERCLEAR)* at 11:59 pm on the date on which the General Shareholders' Meeting has decided upon the distribution shall be entitled to receive the dividend.

The dividend shall be enforceable and payable 30 days after the date of the decision adopted by the General Meeting.

This dividend shall be distributed through the entities members of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (IBERCLEAR)*, the Board of Directors being hereby authorised for such purpose, with express power of substitution, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the distribution.

The basis for distribution and the resulting distribution (stated in thousand euros) are as follows:

BASIS FOR DISTRIBUTION:

Profits for financial year 2017: EUR 19,211 thousand

DISTRIBUTION:

To legal reserve (minimum amount): EUR 1,921 thousand

To voluntary reserve EUR 4 thousand

To dividends (maximum amount to distribute corresponding to a fixed dividend of 0.187 euro (gross) per share): EUR 17,286 thousand

TOTAL: EUR 19,211 thousand

Additionally, the General Shareholders' Meeting approves the distribution of share premium for a total amount of 27,714 thousand euros (0.299 euro (gross) per share). The distribution shall be enforceable and payable 30 days after the date of the decision adopted by the General Meeting and will be distributed through the entities members of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (IBERCLEAR)*, the Board of Directors being hereby authorised for such purpose, with express power of substitution, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the distribution.



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ITEM FIVE ON THE AGENDA

Appointment, if appropriate, of Ms. Isabel Aguilera Navarro as external independent director of the Company

RESOLUTION

The General Shareholders' Meeting acknowledges the selection process carried out by the Board of Directors, together with the Remuneration and Nomination Committee, at the beginning of 2017, as well as Ms. Isabel Aguilera Navarro's appointment resolution adopted by the Board of Directors of the Company. In addition, the General Shareholders' Meeting takes this opportunity to recognise and express its gratitude for the work and collaboration provided to the Company by Ms. Isabel Aguilera Navarro during the financial year 2017.

Taking into consideration the above, and based on the proposal prepared by the Remuneration and Nomination Committee, the General Shareholders' Meeting agrees to appoint Ms. Isabel Aguilera Navarro, divorced, of legal age, of Spanish nationality, with professional address for these purposes at Rosario Pino 14-16, 8º Planta, Madrid, and Spanish identification number (DNI) [...], in force, as director of the Company with the category of "independent director", for the statutory term of three years starting from the date of this General Shareholders' Meeting.

The appointment proposed by the Remuneration and Nomination Committee is accompanied by an explanatory report of the Board of Directors in which the competence, experience and merits of Ms. Isabel Aguilera Navarro are evaluated. This report and the said proposal have been made available to the shareholders from the publication of this call to the General Shareholders' Meeting.

Ms. Isabel Aguilera Navarro will accept her appointment by any means valid under the Law.



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ITEM SIX ON THE AGENDA

Approval, if appropriate, of the amendments to the Company's director remuneration policy

RESOLUTION

Approve, in accordance with article 529 novodecies of the Spanish Companies Act, and following the reasoned proposal approved by the Board of Directors and the mandatory report of the Remuneration and Nomination Committee, the amendments to the remuneration policy of the members of the Company's Board of Directors, entailing the amendment of the annual maximum amount to be payed to the group of directors in their capacity as such.

As a consequence of this amendment, the refunded text of the Company's Director Remuneration Policy whose text has been made available to shareholders on the occasion of the call to the General Shareholders' Meeting and that will be applicable to financial years 2018, 2019 and 2020, is approved.



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ITEM SEVEN ON THE AGENDA

Approval, if appropriate, of the annual global maximum quantity of the directors' remuneration in their capacity as such

RESOLUTION

The General Shareholders' Meeting agrees to set, in accordance to what is established under the Company's Bylaws and in an indefinite manner, as long as the General Meeting does not agree something else, in 530,000 euros the annual maximum amount of the directors' remuneration in their capacity as such. It is noted that this figure is a maximum amount and is set in accordance to what is established under the Company's Remuneration Policy.

The distribution of the said amount among the different directors will be established by resolution of the Board of Directors, taking into consideration what is provided under the Remuneration Policy, the functions and responsibilities attributed to each director, if they are part of the Board's committees and other objective circumstances which are deemed relevant.



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ITEM EIGHT ON THE AGENDA

Delegation of powers to formalise and implement all resolutions adopted by the shareholders at the General Shareholders' Meeting, for conversion thereof into a public instrument, and for the interpretation, correction, supplementation thereof, further elaboration thereon, and registration thereof.

RESOLUTION

Without prejudice to the powers delegated in the preceding resolutions, to jointly and severally authorise the Board of Directors, the Chairman, the Secretary and the Deputy Secretary to the Board of Directors, such that any of them, to the fullest extent permitted by law, may implement the resolutions adopted by the shareholders acting at this General Shareholders' Meeting, for which purpose they may:

- (a) Elaborate on, clarify, make more specific, interpret, complete, and correct them.
- (b) Carry out such acts or legal transactions as may be necessary or appropriate for the implementation of the resolutions, execute such public or private documents as they deem necessary or appropriate for the full effectiveness thereof, and correct all omissions, defects, or errors, whether substantive or otherwise, that might prevent the recording thereof with the Commercial Registry.
- (c) Prepare restated texts of the By-Laws including the amendments approved at this General Shareholders' Meeting.
- (d) Delegate to one or more of its members all or part of the powers of the Board of Directors that they deem appropriate, including those corresponding to the Board of Directors and all that have been expressly allocated to them by the shareholders acting at this General Shareholders' Meeting, whether jointly or severally.
- (e) Determine all other circumstances that may be required, adopt and implement the necessary resolutions, publish the notices, and provide the guarantees that may be required for the purposes established by law, formalise the required documents, and carry out all necessary proceedings and comply with all requirements under the law for the full effectiveness of the resolutions adopted by the shareholders at this General Shareholders' Meeting.



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ITEM NINE ON THE AGENDA

Consultative vote regarding the Annual Director Remuneration Report for financial year 2017

RESOLUTION

To approve, on a consultative basis, the Annual Director Remuneration Report for financial year 2017, the full text of which was made available to the shareholders together with the other documentation relating to the General Shareholders' Meeting from the date of publication of the announcement of the call to meeting.



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ITEM TEN ON THE AGENDA

Acknowledgment of the amendments to the Board of Directors' Rules and Regulations

RESOLUTION

The General Shareholders' Meeting acknowledges the amendments to the Rules and Regulations of the Company's Board of Directors proposed by the Board of Directors in its meeting of 27 December 2017.

These amendments are intended to incorporate the basic provisions of Technical Guide 3/2017 of the National Securities Market Commission on Audit Commissions in relation to the composition and operation of the Audit and Control Committee, and in coordination with the Recommendations of the Code of Good Governance for listed companies (2015), which are equally applicable to this Committee; and to include in Articles 8.6 and 15.5.a) (xi) of the Regulations an express reference to the criteria for the promotion of diversity in the composition of the Board of Directors, in accordance with the new wording of article 540.4.c). Royal Legislative Decree 1/2010, of July 2, approving the revised text of the Capital Companies Act, given by Royal Decree-law 18/2017, of November 24, which modifies the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, of Audit of Accounts, in matters of information non-financial and diversity.

The amendment of each article of the Board of Directors' Rules and Regulations is explained in detail in the explanatory report prepared by the Board of Directors in accordance to articles 518 d) and 528 of the Spanish Companies Act.



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ITEM ELEVEN ON THE AGENDA

Acknowledgment of the approval of the Audit and Control Committee's Rules and Regulations

RESOLUTION

The General Shareholders' Meeting acknowledges the approval of the Rules and Regulations of the Company's Audit and Control Committee proposed by the Board of Directors in its meeting of 27 December 2017.

The purpose of this approval is to incorporate the basic provisions of Technical Guide 3/2017 of the National Securities Market Commission on Audit Commissions regarding the composition and operation of the Audit and Control Committee, and in coordination with the Recommendations of the Code of Good Governance for listed companies (2015), which are equally applicable to this Commission. The approval of the Audit and Control Committee's Rules and Regulations is explained in detail in the explanatory report prepared by the Board of Directors in accordance to articles 518 d) of the Spanish Companies Act.



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EXPLANATORY REPORT OF THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN RELATION TO THE PROPOSED APPOINTMENT OF MS. ISABEL AGUILERA NAVARRO AS INDEPENDENT DIRECTOR INCLUDED UNDER ITEM FIVE OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED FOR THE 18 AND 19 APRIL 2018, ON FIRST AND SECOND CALL, RESPECTIVELY

INTRODUCTION

This report is issued by the Board of Directors of Lar España Real Estate SOCIMI, S.A. (the “**Company**”), pursuant to paragraph 4 of article 529 *decies* of the consolidated text of the Spanish Companies Act (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010 of 2 July (the “**Spanish Companies Act**”), and has the purpose of justifying the appointment proposal of Ms. Isabel Aguilera Navarro as independent.

In accordance with the referred article, the Board of Directors must prepare a report justifying the appointment and assessing the competence, experience and merits of the proposed candidate, which in addition should be preceded, pursuant to paragraph 6 of the referred article 529 *decies* of the Spanish Companies Act, by a report issued by the Appointments and Remunerations Committee.

This report has the aim of (i) justifying the appointment of Ms. Isabel Aguilera Navarro as independent director of the Company; and (ii) assessing the competence, experience and merits of the proposed candidate, all under the proposal by the Company's Appointments and Remunerations Committee.

The report issued by the Appointments and Remunerations Committee is attached as **Annex I**.

Consequently, the Company's Board of Directors issues this report justifying the appointment of Ms. Isabel Aguilera Navarro as independent director of the Company, which has been approved by the members of the Board on 15 March 2018.

1. JUSTIFICATION OF THE APPOINTMENT

The assessment by the Board of the competence, experience and merits of Ms. Isabel Aguilera Navarro, and the convenience of her appointment for the fulfilment of the functions carried out by an independent director of the Company will be outlined herein, in light of the proposal issued by the Company's Appointments and Remunerations Committee, on 15 March 2018, in accordance with paragraph 6 of article 529 *decies* of the Spanish Companies Act.

Pursuant to article 518.e) of the Spanish Companies Act, this report has complete information concerning the identity, experience and category to which the proposed candidate belongs.

a. Professional and biographical profile and membership of other boards of directors

During the selection process carried out in May 2017, the Board of Directors thoroughly analyzed the professional profile of the candidate based on a report regarding the candidacy of Ms. Isabel Aguilera Navarro for the position of independent director of the Company prepared by Spencer Stuart. The referred report, dated May 2017, thoroughly described the academic and professional profile of Ms. Isabel Aguilera Navarro and included a list of the boards of directors to which she has belonged.

To prepare this report, the Board of Directors and the Appointments and Remunerations



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Committee acknowledged the changes to the professional profile of the candidate that took place since the preparation of the referred report by Spencer Stuart. In this context, it is hereby stated that those changes have been fully included in the appointment proposal issued by the Appointments and Remuneration Committee, to which the updated professional profile has been attached, and that, in turn, is included in this report as part of Annex I.

b. Report of the Appointments and Remunerations Committee and assessment of the candidate

During the financial year ended on 31 December 2017, and as a consequence of the proposal to increase the number of members of the Board of Directors that was submitted for the approval of the General Shareholders' Meeting on 29 May 2017, the Board of Directors of the Company carried out a process to assess the appointment of a new female director, analyzing the structure and composition of the Board at that time, as well as the knowledge, skills and experience of its members. The process was carried out in accordance with the principles and provisions included in the Director Selection Policy approved by the Company in 2016.

In the context of that process, the Appointments and Remunerations Committee carried out an analysis of the needs of the Board and, taking into account the above, concluded that in view of the structure of the Company's equity and the number of Board members (which after the General Shareholders' Meeting was set at seven), it was necessary to appoint an independent director. In this sense, and regarding the appointment of the referred independent director, it is hereby stated that the Appointments and Remunerations Committee:

- (i) carried out a selection process with the help of Spencer Stuart, a leading specialized Head Hunter, considering 24 candidates. This process was carried out in accordance with the provisions included in the Director Selection Policy of the Company;
- (ii) received positive feedback from the rest of the directors and, particularly, from the independent directors, concerning the appointment of the final candidate as an independent director of the Company;
- (iii) reviewed her professional profile, concluding that she is highly qualified and ideal for carrying out the functions of an independent director; and that she demonstrates solvency, competence and experience, as well as the necessary combination of attributes and abilities to lead the supervision currently exercised by the Board of Directors;
- (iv) assessed her potential contributions as independent director, contributing with her perspective and knowledge of the market and, particularly; and
- (v) analyzed the needs of the Board of Directors regarding its members.

After the completion of the referred process, the Appointments and Remunerations Committee concluded that the profile of Ms. Isabel Aguilera Navarro was appropriate for the needs of the Company and, therefore, proposed and favorably informed on her appointment as a director.

Taking into account that Ms. Isabel Aguilera Navarro's appointment could not be formalized during the 2017 General Shareholders' Meeting (as its call to meeting was prior to the completion of that process), and notwithstanding that during the course of the Meeting the Company's shareholders were informed of the selection process and the intention of the Board to appoint Ms. Isabel Aguilera Navarro as independent director, the Appointments and Remunerations Committee has once again analyzed the professional profile of the candidate to assess its original appointment proposal with regard to the 2018 General Shareholder's Meeting. After analyzing the updated profile of the candidate, as well as her



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contributions and services to the Company during the financial year 2017, the Appointments and Remunerations Committee confirmed the proposal to appoint Ms. Isabel Aguilera Navarro as an independent director of the Company.

Finally, it is hereby stated that the Appointments and Remunerations Committee verified, to the extent possible, that there are no incompatibilities, prohibitions or conflicts of interest involved in accordance with the law or as provided in the corporate governance system, and that the procedures for selecting Board members have no implicit bias that could entail any form of discrimination and, in particular, that could hinder the selection of female directors.

Based on the above, the Board of Directors reached the conclusion that her appointment as external independent director of the Company will bring important advantages to this Board of Directors.

The Board accepts the report of the Appointments and Remunerations Committee and considers that Ms. Isabel Aguilera Navarro's professional profile, her career and her international recognition demonstrate that she has the appropriate competences, experience and merits to serve as director of the Company.

2. JUSTIFICATIONS

In light of the above, and in accordance with the Director Selection Policy, the Board considers that Ms. Isabel Aguilera Navarro's career, CV and contributions and services provided to the Company during the financial year 2017 demonstrate her competence and merits to serve as director. Her extensive experience and her deep knowledge guarantee a correct continuation in the management of the interests of the Company. In addition, this appointment is aligned with the Company's policy and compromise of having a diverse composition in its Board. The above, as well as the reasons of the Appointments and Remunerations Committee for the referred appointment (which this body accepts as its own), implies that the Board of Director understands that the appointment of Ms. Isabel Aguilera Navarro as director of the Company is justified and convenient, and that the Board is convinced that she will continue the management of the Company and the group in the manner carried out until this moment.

3. CATEGORY

Ms. Isabel Aguilera Navarro will not represent any shareholder at the Board of Directors; neither will she have executive functions. Therefore, according to the applicable law, the candidate will be an external independent director.

4. CONCLUSIONS

The Board of Directors, in view of the above, considers that the appointment of Ms. Isabel Aguilera Navarro as external independent director is justified.

Madrid, 15 March 2018



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ANNEX I

PROPOSAL OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE TO THE BOARD OF DIRECTORS FOR THE APPOINTMENT OF MS. ISABEL AGUILERA NAVARRO AS EXTERNAL INDEPENDENT DIRECTOR OF THE COMPANY



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PROPOSAL OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. REGARDING THE APPOINTMENT OF MS. ISABEL AGUILERA NAVARRO AS INDEPENDENT DIRECTOR INCLUDED AS ITEM FIVE OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED FOR THE 18 AND 19 APRIL 2018, ON FIRST AND SECOND CALL, RESPECTIVELY

1. INTRODUCTION

The Appointments and Remunerations Committee of Lar España Real Estate SOCIMI, S.A. (the "**Company**"), pursuant to section 4 of article 529 *decies* of the consolidated text of the Spanish Companies Act (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010 of 2 July (the "**Spanish Companies Act**"), proposes the appointment of Ms. Isabel Aguilera Navarro as independent director by for its approval by the General Shareholders' Meeting called for the 18 and 19 April 2018, on first and second call, respectively.

In accordance with paragraph 4 of article 529 *decies* of the Spanish Companies Act, the power to issue the proposal for the appointment of independent directors of the Board of Directors corresponds to the Appointments and Remunerations Committee.

Likewise, Article 15.4.c) of the Board of Directors' Regulation of the Company provides that this Committee must submit the proposals for the appointment of independent directors to the Company's Board of Directors which, in turn, must submit the proposal to the approval of the General Shareholders' Meeting of the Company.

2. PURPOSE OF THE REPORT

The proposal and the report are prepared with the purpose of complying with the provisions included in paragraphs 4 and 6 of article 529 *decies* of the Spanish Companies Act.

3. ASPECTS CONSIDERED BY THE APPOINTMENTS AND REMUNERATIONS COMMITTEE

During the financial year ended on 31 December 2017, and as a consequence of the proposal to increase the number of members of the Board of Directors that was submitted for the approval of the General Shareholders' Meeting on 29 May 2017, the Board of Directors of the Company carried out a process to assess the appointment of a new female director, analyzing the structure and composition of the Board at that time, as well as the knowledge, skills and experience of its members. The process was carried out in accordance with the principles and provisions included in the Director Selection Policy approved by the Company in 2016.

In the context of that process, this Committee carried out an analysis of the needs of the Board and, taking into account the above, concluded that in view of the structure of the Company's equity and the number of Board members (which after the General Shareholders' Meeting was set at seven), it was necessary to appoint an independent director. In this sense, and regarding the appointment of the referred independent director, it is hereby stated that the Appointments and Remunerations Committee:

- (i) carried out a selection process with the help of Spencer Stuart, a leading specialized Head Hunter, considering 24 candidates. This process was carried out in accordance with the provisions included in the Director Selection Policy of



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the Company;

- (ii) received positive feedback from the rest of the directors and, particularly, from the independent directors, concerning the appointment of the final candidate as an independent director of the Company;
- (iii) reviewed her professional profile, concluding that she is highly qualified and ideal for carrying out the functions of an independent director; and that she demonstrates solvency, competence and experience, as well as the necessary combination of attributes and abilities to lead the supervision currently exercised by the Board of Directors;
- (iv) assessed her potential contributions as independent director, contributing with her perspective and knowledge of the market and, particularly; and
- (v) analyzed the needs of the Board of Directors regarding its members.

After the completion of the referred process, the Appointments and Remunerations Committee concluded that the profile of Ms. Isabel Aguilera Navarro was appropriate for the needs of the Company and, therefore, proposed and favorably informed on her appointment as a director.

Taking into account that Ms. Isabel Aguilera Navarro's appointment could not be formalized during the 2017 General Shareholders' Meeting (as its call to meeting was prior to the completion of that process), and notwithstanding that during the course of the Meeting the Company's shareholders were informed of the selection process and the intention of the Board to appoint Ms. Isabel Aguilera Navarro as independent director, the Appointments and Remunerations Committee has once again analyzed the professional profile of the candidate to assess its original appointment proposal with regard to the 2018 General Shareholder's Meeting. In this context, it is hereby stated that this Committee has acknowledged the changes to the candidate's professional profile that took place since the completion of the selection process in 2017. The updated professional profile of the candidate is **attached** to this proposal.

After analyzing the updated profile, as well as her contributions and services to the Company during the financial year 2017, the Appointments and Remunerations Committee confirmed the proposal to appoint Ms. Isabel Aguilera Navarro as an independent director of the Company because the Committee considers that the candidate has the profile need to cover the current needs of the Board of Directors and the Company.

Finally, it is hereby stated that the Appointments and Remunerations Committee confirmed that, as of the date of this report, the candidate has no share of the Company or options over the shares over the Company. Also, this Committee has verified, to the extent possible, that there are no incompatibilities, prohibitions or conflicts of interest involved in accordance with the law or as provided in the corporate governance system, and that the procedures for selecting Board members have no implicit bias that could entail any form of discrimination and, in particular, that could hinder the selection of female directors.

4. CONCLUSIONS OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE

The Appointments and Remunerations Committee, in view of the above, considers that the appointment proposal is justified and favorably informs on the appointment of Ms. Isabel



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Aguilera Navarro, supporting the appointment by the General Shareholders' Meeting of the Company.

5. CATEGORY OF DIRECTOR TO WHICH SHE BELONGS OR MUST BE ASSIGNED

Ms. Isabel Aguilera Navarro will not represent any shareholder at the Board of Directors; neither will she have executive functions. Therefore, according to the applicable law, the candidate will be an external independent director.

In Madrid, on 15 March 2018



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PROFESSIONAL PROFILE OF MS. ISABEL AGUILERA NAVARRO

Ms. Isabel Aguilera Navarro is currently one of the main business advisors for strategic development aimed at achieving competitive advantage and she has appeared in Fortunes' list of the 50 Most Influential Female Executive in the World and in the Wall Street Journal's list of the 30 Most Influential Women in Business in Europe.

Ms. Isabel Aguilera Navarro has developed her professional career in different companies from a variety of sectors and, among others, she has been:

- President at General Electric in Spain and Portugal;
- General Director at Google in Spain and Portugal;
- General Operations Director at Grupo NH Hoteles; and
- Chief Executive Officer at Dell Computer Corporation in Spain, Italy and Portugal.

Currently, Ms. Isabel Aguilera serves as a director at Grupo Egasa and Oryzon Genomics. Previously, Ms. Isabel Aguilera has also served as a director at Indra Sistemas, Banco Mare Nostrum (BMN), Aegon Seguros de Vida, Ahorro e Inversiones, S.A., among others.

Ms. Isabel Aguilera Navarro holds an Architecture and Urbanism degree from the *Escuela Técnica Superior de Arquitectura de Sevilla*, she has a Masters Degree in Commercial Management and Marketing from IE and has taken the *Programa de Dirección General* at IESE Business School and the *Programa para Alta Dirección de Empresas e Instituciones Líderes* at *Instituto San Telmo*. She is also a current professor at ESADE.



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MOTIVATED PROPOSAL BY THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE AMENDMENT OF THE REMUNERATIONS POLICY OF THE COMPANY, SET OUT IN ITEM SIX OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED TO BE HELD ON 18 AND 19 APRIL, 2018, ON FIRST AND SECOND CALL, RESPECTIVELY

1. INTRODUCTION

Under article 529 novodecies of the consolidated text Spanish Companies Act, enacted by Royal Legislative Decree 1/2010, of 2 July ("**Spanish Companies Act**") the Board of Directors of Lar España Real Estate SOCIMI, S.A. ("**Lar España**" or "**Company**"), based on a report from the Appointments and Remuneration Committee, prepared and approved this reasoned proposal for amending the Remunerations Policy of the Company for the financial year 2018 to 2020, both included (the "**Remunerations Policy**"), which will be submitted for approval at the General Shareholders' Meeting that will possibly take place on 19 April 2018.

If the General Shareholders' Meeting approves the amendments to the Remunerations Policy, this amended text of the Remunerations Policy will substitute and replace the text that up to this moment has been in effect, as set out in the latest Annual Remuneration Report and submitted to consultative vote by the Board of Directors, which is the report corresponding to the accounting period closing on December 31 2017.

2. APPLICABLE RULES TO THE DIRECTORS' REMUNERATION

The main rules that govern the remuneration of the directors of Lar España are the following:

a. Spanish Companies Act

The Spanish Companies Act states that the directors' office in listed companies must be remunerated, unless otherwise provided for in the by-laws of the corresponding company. Lar España's by-laws confirm that the directors' office is remunerated and include the remuneration structure for the directors on their condition as such. Furthermore, the by-laws regulate the additional remuneration that payable to executive directors and that shall be determined by the Board of Directors, where appropriate. Directors' remuneration, whether for their condition as such or for the performance of executive duties, must comply with the provision included in the Remunerations Policy.

With regard to the directors on their condition as such (non-executive directors), the Remunerations Policy must determine their remuneration within the system provided for in the by-laws of the Company and necessarily include the annual amount payable to all the directors on their conditions as such.

With regard to the directors that carry out executive duties (executive directors), the Remunerations Policy must include their annual fixe remuneration and its variation throughout the period during which the policy is applicable, the parameters used to determine the variable remuneration and the main terms and conditions of the service agreements entered into with the Company (specifically including their duration, any severance pay triggered by early termination of the contractual relationship, exclusivity agreements, post-contractual non-compete clauses and any retainers).

Any compensation paid to the directors for the performance or termination of their duties or the performance of executive duties must be in accordance with the applicable Remunerations Policy, except for those compensations specifically approved by the General Shareholders' Meeting.



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Furthermore, the Spanish Companies Act states that, in general, directors' remunerations must be in accordance with the relevance of the company, the economic situation that it may have from time to time and the market standards of comparable companies. Likewise, the remuneration system must promote the long term profitability and sustainability of the company and incorporates the necessary safeguards to avoid excessive risk-taking or the reward of unfavorable results.

b. Lar España's by-laws and other internal rules

The Company's regulation regarding directors' remuneration is included in article 40 of the Company's by-laws and it is further developed in article 27 of the Board of Directors' Rules and Regulations. These rules also govern the composition, functioning and powers of the Appointments and Remunerations Committee.

3. PRINCIPAL CHANGES TO THE REMUNERATIONS POLICY

The changes included in the proposed Remunerations Policy, in comparison with the policy applicable from 2015 to 2017, aim to (i) update the content of the Policy with regard to the established practice among listed companies in this matter during the last years, (ii) develop the goals and objectives pursued by the Policy, (iii) provide a more precise definition of the governing principles and criteria of the Remunerations Policy, (iv) adjust the fixe remuneration assigned to the directors to their dedication and involvement with the Company and, specifically, In connection with the performance of their duties within the Board of Directors and the Committees to which they might belong, and (v) stablish the applicable procedure for the drafting, approval, review, supervision and application of the Remunerations Policy.

4. CONTENT OF THE REMUNERATIONS POLICY

The complete text of the proposed Remunerations Policy is attached to this report.

5. IN-FORCE PERIOD

Under article 529 novodecies of the Spanish Companies Act, the Remunerations Policy will be applicable during the financial years 2018, 2019, and 2020, except if the Company's General Shareholders' Meeting agrees to its amendment or substitution during this period.

6. CONCLUSIONS

The Board of Directors of the Company acknowledges and approves the conclusions included in the report issued by the Appointments and Remunerations Committee and considers that the proposed Remunerations Policy for the financial year 2018 to 2020, which substitutes the policy valid from 2015 to 2017, contains all the items required by the applicable law, specifically regarding the regulation of the remuneration of listed companies, complies with good governance and transparency criteria and is aligned with shareholders' interests.

Specifically, the Board of Directors considers that the proposed remuneration structure has an adequate proportion and promotes the profitability and sustainability in the in the long term of the Company, and includes the necessary precautions for avoiding the excessive assumption of risks and the remuneration for unfavorable results, ensuring the alignment of the directors' interests with the interests of the Company and its shareholders, without compromising the independence of the directors.

Madrid, 15 March 2018

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Remunerations Policy for the members of the Board of Directors

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1. BACKGROUND AND SCOPE OF THE REMUNERATIONS POLICY

This document reflects the Remunerations Policy for the members of the Board of Directors of Lar España Real Estate SOCIMI, S.A. (“**Lar España**” or the “**Company**”) in compliance with the statutory requirements included in the consolidated text of the Spanish Companies Act (the “**Remunerations Policy**”).

The Remunerations Policy has been prepared by the Company taking into account the significance of the Company, its economic situation, its condition as a Listed Real Estate Investment Company (SOCIMI), the market standards for other Spanish SOCIMIS and Real Estate Investment Trusts (REITs) from the rest of Europe and the particular dedication of the directors of the Company. During this process, and after analyzing different proposals from several external advisors, the Company counted with the advice of Mercer Consulting, which analyzed the remuneration system of several SOCIMIS in Spain and REITs in the rest of Europe.

The remuneration defined below maintains an adequate proportion and promotes the Company’s long-term profitability and sustainability. The Remunerations Policy also incorporates the necessary safeguards to avoid excessive risk-taking or rewarding unfavorable results, and to align the interest of the directors with those of the Company and its shareholders without compromising the independence of the directors.

2. OBJECTIVES OF THE REMUNERATIONS POLICY

The Remunerations Policy is intended to define and control the remuneration practices of the Company’s directors to contribute to the creation of value for the shareholders of the Company in a sustainable manner in the long term.

Consequently, the Remunerations Policy seeks to establish an adequate remuneration scheme linked to the dedication and responsibilities assumed by the directors, and shall be applied to attract, retain and motivate the directors of

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Lar España with the objective of ensuring that the Company has the adequate professional that contribute to the achievement of the Company's strategic objectives.

3. GOVERNING PRINCIPLES AND CRITERIA OF THE REMUNERATIONS POLICY

In order to develop a good corporate governance framework, Lar España has considered appropriate to establish clear corporate governance principles to ensure that the remuneration strategy approved by the Board of Directors is implemented in accordance with the Company's strategy, based on the principles of competitiveness and fairness.

In this respect, this Remunerations Policy shall be governed by the following principles:

3.1. Independent judgment

Remuneration shall be structured so that the independent judgment of the directors is not compromised, with a special focus on the remuneration granted to independent directors.

3.2. Attraction and retention of the best professionals

The remunerations granted by the Company will be competitive in order to attract and retain talent that contributes to the creation of value for the shareholders of the Company and the achievement of the Company's strategic objectives.

3.3. Long-term sustainability

Remuneration shall be compatible with the Company's long-term business interests and strategy, as well as its values and goals, and shall take into account, if necessary, any adequate precautions to avoid conflicts of interest.

3.4. Transparency

The Remunerations Policy and the specific rules for the determination of the remuneration amounts shall be explicit and disclosed in advance. In particular,

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the Company will make the Annual Report on Remuneration of Directors available to its shareholders at the moment of the announcement of its ordinary General Shareholders Meeting, which will be submitted for a consultative vote on a separate item of the agenda.

3.5. Simplicity and individualization

The rules governing the management and determination of compensation shall be drafted clearly and concisely.

3.6. Fairness and proportionality of compensation

Remuneration shall be set taking into account the dedication, qualification, experience and responsibilities of each director and the functions and tasks performed by such director. Also, the remuneration paid by the Company shall maintain a balance between market competitiveness and internal fairness.

3.7. Involvement of the Appointments and Remunerations Committee

The Remunerations Policy has been proposed by the Board of Directors for its submission to the General Shareholders' Meeting of the Company for its approval.

The Appointments and Remunerations Committee will overview the compliance with this Remunerations Policy, carry out periodic reviews and propose its amendments to the Board of Directors for it to, in turn, submit the proposal to the General Shareholders' Meeting for its approval, in accordance with the provisions included in the Company's by-lases and the Board of Directors' Rules and Regulations.

3.8. Approval of the annual global maximum quantity of the directors' remuneration by the General Shareholders' Meeting and delegations in favor of the Board of Directors

Based on the annual maximum amount of the directors' remuneration for their condition as such, approved by the General Shareholders' Meeting, the Board of Directors has the power to distribute such amount among its members in accordance with the duties and responsibilities of each director, its assistance

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and participation in any of the Committees of the Board and other objective circumstances that the Board considers relevant.

4. REMUNERATION OF THE DIRECTORS AS MEMBERS OF THE BOARD

In connection with the remuneration payable to the members of the Board of Directors in their capacity as such, i.e., for the performance of their supervisory and decision-making functions within the Board of Directors and the Committees to which they belong, the objective of the Remunerations Policy is to compensate them adequately and sufficiently for their dedication, qualification and responsibility, without compromising their independent judgment.

In accordance with Article 40 of the by-laws of the Company, directors are entitled to receive an annual fixed remuneration in considerations for their duties as directors. Additionally, directors will receive the corresponding compensation for any travel expenses in which they may incur to attend the meeting of the Board and the Committees to which they belong. Finally, directors that carry out executive duties, where appropriate, are entitled to receive the compensation provided for in the services contract entered into with the Company.

The total amount payable by the Company as compensation to all of its directors for these items may not exceed the relevant amount determined for these purpose by the General Shareholders' Meeting. The amount thus determined by the General Shareholders' Meeting shall apply unless and until the General Shareholders' Meeting approves other amount in accordance with applicable laws.

However, the determination of the specific amount to be paid to each director for these items within the maximum amount approved by the General Shareholders' Meeting shall be agreed by the Board of Directors in accordance with this Remunerations Policy. For such purpose, the Board shall take into

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account the office held by each director within the Board itself, as well as the membership and attendance of each director to any Committee.

Finally, the Company shall pay for any premium due for any civil liability insurance policy taken out by the Company in respect of its directors upon customary market terms and commensurate with the circumstances of the Company.

4.1. Maximum amount of annual remuneration for directors

The maximum annual remuneration payable to the members of the Board of Directors in their capacity as such shall amount to EUR 530,000.

This maximum amount does not include: (a) any salary, compensation of any kind or payment that may be carried out under other concepts to the directors in accordance with the Policy for their executive duties or for any other concept; (b) the premiums paid for any civil liability insurance by the Company for its directors; and (c) an reimbursement for the expenses incurred by the directors to attend the meeting of the Board or any of its Committees.

4.2. Annual fixed remuneration

The Board of Directors shall establish the criteria in order to determine the remuneration payable to each director, taking into account:

- The category of the Director.
- The office held by the director in the Board of Directors and in any of its Committees.
- The specific tasks and responsibilities assumed during the year.
- The experience and knowledge required to carry out those tasks.
- The amount of time and dedication required to carry out effectively such tasks.
- Any other objective circumstances that may be considered relevant.

Considering the above, it is hereby stated that, for the exception of proprietary directors, which will not receive any compensation, the directors of Lar España

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will receive an annual fixed remuneration of EUR 70,000. The Chairman of the Board will receive, in addition to the remuneration received as a director, an additional annual remuneration of EUR 55,000 (amounting to a total of EUR 125,000 annually).

Additionally, and except for proprietary directors, members of the Board of Directors that are members of:

- the Audit and Control Committee will receive an additional annual remuneration of EUR 15,000 for participating in the meetings of the Committee. The Chairman of the Audit and Control Committee will receive, in addition to the remuneration received as a member of the Committee, an additional remuneration of EUR 7,500 (amounting to a total of EUR 22,500 annually).
- the Appointments and Remunerations Committee will receive an additional annual remuneration of EUR 15,000 for participating in the meetings of the Committee. The Chairman of the Appointments and Remunerations Committee will receive, in addition to the remuneration received as a member of the Committee, an additional remuneration of EUR 2,000 (amounting to a total of EUR 17,000 annually).

Those directors, who, appointed by Lar España, participate in any corporate bodies of the subsidiaries that Lar España participates with other partners may perceive an additional fixed remuneration of EUR 15,000 per year and subsidiary.

These amounts are payable on the basis of a full tax year. Where a director sits in the Board for less than a full tax year, the amount payable to such a director shall be prorated accordingly. If the number of members of the Board of Directors were increased within the limits foreseen in the Company's by-laws, the fixed remuneration payable to any additional director shall be determined in accordance with the provisions above.

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5. TERMS INCLUDED IN THE EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

In the event that Lar España decides to appoint executive directors, it shall be up to the Board of Directors to set the remuneration payable to them for performance of their executive duties, according to legal requirements.

The remuneration policy would therefore have to be adapted in order to specify the amount of fixed annual remuneration and the change therein during the reporting period; the various parameters used to determine their variable remuneration; and the main terms and conditions of their contracts, specifically including their duration, any severance pay triggered by early termination of the contractual relationship, exclusivity agreements, post-contractual non-compete clauses and any retainers.

6. OTHER REMUNERATION PAID TO THE DIRECTORS FOR SERVICES NOT INCLUDED IN THEIR DUTIES AS DIRECTORS

Directors may receive an additional remuneration in cash, shares or options over shares of the Company if the Board of Directors, following a report issued by the Appointments and Remunerations Committee, considers that it is in the best interest of the Company to incentivize and reward a director's involvement and worthy performance in certain transactions and, specifically, when the director is involved in the planning, preparation, negotiation or execution of transactions deemed to be relevant or fundamental for the future of the Company. The objectives to be achieved by the beneficiaries of these plans may be complemented with the achievement of other parameters that measure the positive evolution of the Company's business in the long term.

To promote the correct performance of their duties and aligned the long term interests of the directors and those of the shareholders, remunerations for the services rendered to the Company that are different from those corresponding to their condition as directors may be carried out through the granting of shares of the Company. In that case, in accordance with the provisions included in the

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Spanish Companies Act, the remuneration will required the approval of the Company's General Shareholders' Meeting.

7. GOVERNANCE MATTERS

7.1. Preparation, approval and review of this Remunerations Policy

The Board of Directors, acting upon a favorable report by the Appointments and Remuneration Committee, shall submit to the General Shareholders' Meeting a Remunerations Policy proposal at least every three years. This proposal shall be submitted as a separate item of the agenda.

The report of the Appointments and Remuneration Committee shall be attached to the proposal of the Board of Directors.

The proposed Remunerations Policy submitted by the Board of Directors and the report prepared by the Appointments and Remuneration Committee shall be made available to the shareholders on the Company's website as of the date of the announcement of the General Shareholders' Meeting. Shareholders may also request that a copy be sent to them, free of charge. The announcement shall make a reference to this right.

The Board of Directors will continuously review the validity of this Policy and, specifically, its appropriateness to achieve the objectives included in section 2 of this Policy. Likewise, at the proposal of the Appointments and Remunerations Committee, the Board of Directors may approve to hire an external expert for it to participate in the review process of the Remunerations Policy.

7.2. Supervision and application of the Remunerations Policy

The Board of Directors is responsible for establishing a control and supervision regime in respect of the specific requirements set out in the Remunerations Policy, while the Appointments and Remuneration Committee is responsible for ensuring that such policy is effectively complied with.

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7.3. Term of the Remunerations Policy

This Remunerations Policy shall be in effect for three financial years after its approval by the General Shareholders' Meeting of the Company (financial years 2018, 2019 and 2020). Notwithstanding the above, the General Shareholders' Meeting of Lar España may amend, modify or replace this Remunerations Policy at any time in accordance with the procedures described above.

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REPORT ISSUED BY THE APPOINTMENTS AND REMUNERATIONS COMMITTEE OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE PROPOSED AMENDMENT OF THE REMUNERATIONS POLICY OF THE COMPANY, SET OUT IN ITEM SIX OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED TO BE HELD ON 18 AND 19 APRIL, 2018, ON FIRST AND SECOND CALL, RESPECTIVELY

1. INTRODUCTION

Article 529 novodecies of the consolidated text Spanish Companies Act, enacted by Royal Legislative Decree 1/2010, of 2 July ("**Spanish Companies Act**") the Board of Directors of Lar España Real Estate SOCIMI, S.A. ("**Lar España**" or "**Company**"), includes the obligation for listed companies to draft and submit for the approval of the General Shareholders' Meeting a policy on the remuneration of the members of the board of directors. The drafting of the proposal to be submitted for the approval of the General Shareholders' Meeting corresponds to the Board of Directors of the Company. Furthermore, the proposal must be submitted together with a specific report issued by the Appointments and Remunerations Committee. In order to comply with the aforementioned provision, the Appointments and Remunerations Committee of Lar España has drafted this report on the proposed Remunerations Policy of the Company for the financial year 2018 to 2020, both included (the "**Remunerations Policy**"), which will entirely replace the policy applicable from 2015 to 2017, for its submission to the Board of Directors of the Company.

2. APPLICABLE RULES TO THE DIRECTORS' REMUNERATION

The main rules that govern the remuneration of the directors of Lar España are the following:

a. Spanish Companies Act

The Spanish Companies Act states that the directors' office in listed companies must be remunerated, unless otherwise provided for in the by-laws of the corresponding company. Lar España's by-laws confirm that the directors' office is remunerated and include the remuneration structure for the directors on their condition as such. Furthermore, the by-laws regulate the additional remuneration that payable to executive directors and that shall be determined by the Board of Directors, where appropriate. Directors' remuneration, whether for their condition as such or for the performance of executive duties, must comply with the provision included in the Remunerations Policy.

With regard to the directors on their condition as such (non-executive directors), the Remunerations Policy must determine their remuneration within the system provided for in the by-laws of the Company and necessarily include the annual amount payable to all the directors on their conditions as such.

With regard to the directors that carry out executive duties (executive directors), the Remunerations Policy must include their annual fixe remuneration and its variation throughout the period during which the policy is applicable, the parameters used to determine the variable remuneration and the main terms and conditions of the service agreements entered into with the Company (specifically including their duration, any severance pay triggered by early termination of the contractual relationship, exclusivity agreements, post-contractual non-compete clauses and any retainers).ç



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Any compensation paid to the directors for the performance or termination of their duties or the performance of executive duties must be in accordance with the applicable Remunerations Policy, except for those compensations specifically approved by the General Shareholders' Meeting.

Furthermore, the Spanish Companies Act states that, in general, directors' remunerations must be in accordance with the relevance of the company, the economic situation that it may have from time to time and the market standards of comparable companies. Likewise, the remuneration system must promote the long term profitability and sustainability of the company and incorporates the necessary safeguards to avoid excessive risk-taking or the reward of unfavorable results.

b. Lar España's by-laws and other internal rules

The Company's regulation regarding directors' remuneration is included in article 40 of the Company's by-laws and it is further developed in article 27 of the Board of Directors' Rules and Regulations. These rules also govern the composition, functioning and powers of the Appointments and Remunerations Committee.

3. PRINCIPAL CHANGES TO THE REMUNERATIONS POLICY

The changes included in the proposed Remunerations Policy, in comparison with the policy applicable from 2015 to 2017, aim to (i) update the content of the Policy with regard to the established practice among listed companies in this matter during the last years, (ii) develop the goals and objectives pursued by the Policy, (iii) provide a more precise definition of the governing principles and criteria of the Remunerations Policy, (iv) adjust the fixe remuneration assigned to the directors to their dedication and involvement with the Company and, specifically, In connection with the performance of their duties within the Board of Directors and the Committees to which they might belong, and (v) stablish the applicable procedure for the drafting, approval, review, supervision and application of the Remunerations Policy.

4. CONTENT OF THE REMUNERATIONS POLICY

The complete text of the proposed Remunerations Policy is attached to this report.

5. IN-FORCE PERIOD

Under article 529 novodecies of the Spanish Companies Act, the Remunerations Policy will be applicable during the financial years 2018, 2019, and 2020, except if the Company's General Shareholders' Meeting agrees to its amendment or substitution during this period.

6. CONCLUSIONS

Based on the information included in this report, the Appointments and Remunerations Committee of the Company considers that the proposed Remunerations Policy for the financial year 2018 to 2020, which substitutes the policy valid from 2015 to 2017, contains all the items required by the applicable law, specifically regarding the regulation of the remuneration of listed companies, complies with good governance and transparency criteria and is aligned with shareholders' interests.

Madrid, 15 March 2018

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Remunerations Policy for the members of the Board of Directors

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1. BACKGROUND AND SCOPE OF THE REMUNERATIONS POLICY

This document reflects the Remunerations Policy for the members of the Board of Directors of Lar España Real Estate SOCIMI, S.A. (“**Lar España**” or the “**Company**”) in compliance with the statutory requirements included in the consolidated text of the Spanish Companies Act (the “**Remunerations Policy**”).

The Remunerations Policy has been prepared by the Company taking into account the significance of the Company, its economic situation, its condition as a Listed Real Estate Investment Company (SOCIMI), the market standards for other Spanish SOCIMIS and Real Estate Investment Trusts (REITs) from the rest of Europe and the particular dedication of the directors of the Company. During this process, and after analyzing different proposals from several external advisors, the Company counted with the advice of Mercer Consulting, which analyzed the remuneration system of several SOCIMIS in Spain and REITs in the rest of Europe.

The remuneration defined below maintains an adequate proportion and promotes the Company’s long-term profitability and sustainability. The Remunerations Policy also incorporates the necessary safeguards to avoid excessive risk-taking or rewarding unfavorable results, and to align the interest of the directors with those of the Company and its shareholders without compromising the independence of the directors.

2. OBJECTIVES OF THE REMUNERATIONS POLICY

The Remunerations Policy is intended to define and control the remuneration practices of the Company’s directors to contribute to the creation of value for the shareholders of the Company in a sustainable manner in the long term.

Consequently, the Remunerations Policy seeks to establish an adequate remuneration scheme linked to the dedication and responsibilities assumed by the directors, and shall be applied to attract, retain and motivate the directors of

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Lar España with the objective of ensuring that the Company has the adequate professional that contribute to the achievement of the Company's strategic objectives.

3. GOVERNING PRINCIPLES AND CRITERIA OF THE REMUNERATIONS POLICY

In order to develop a good corporate governance framework, Lar España has considered appropriate to establish clear corporate governance principles to ensure that the remuneration strategy approved by the Board of Directors is implemented in accordance with the Company's strategy, based on the principles of competitiveness and fairness.

In this respect, this Remunerations Policy shall be governed by the following principles:

3.1. Independent judgment

Remuneration shall be structured so that the independent judgment of the directors is not compromised, with a special focus on the remuneration granted to independent directors.

3.2. Attraction and retention of the best professionals

The remunerations granted by the Company will be competitive in order to attract and retain talent that contributes to the creation of value for the shareholders of the Company and the achievement of the Company's strategic objectives.

3.3. Long-term sustainability

Remuneration shall be compatible with the Company's long-term business interests and strategy, as well as its values and goals, and shall take into account, if necessary, any adequate precautions to avoid conflicts of interest.

3.4. Transparency

The Remunerations Policy and the specific rules for the determination of the remuneration amounts shall be explicit and disclosed in advance. In particular,

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the Company will make the Annual Report on Remuneration of Directors available to its shareholders at the moment of the announcement of its ordinary General Shareholders Meeting, which will be submitted for a consultative vote on a separate item of the agenda.

3.5. Simplicity and individualization

The rules governing the management and determination of compensation shall be drafted clearly and concisely.

3.6. Fairness and proportionality of compensation

Remuneration shall be set taking into account the dedication, qualification, experience and responsibilities of each director and the functions and tasks performed by such director. Also, the remuneration paid by the Company shall maintain a balance between market competitiveness and internal fairness.

3.7. Involvement of the Appointments and Remunerations Committee

The Remunerations Policy has been proposed by the Board of Directors for its submission to the General Shareholders' Meeting of the Company for its approval.

The Appointments and Remunerations Committee will overview the compliance with this Remunerations Policy, carry out periodic reviews and propose its amendments to the Board of Directors for it to, in turn, submit the proposal to the General Shareholders' Meeting for its approval, in accordance with the provisions included in the Company's by-lases and the Board of Directors' Rules and Regulations.

3.8. Approval of the annual global maximum quantity of the directors' remuneration by the General Shareholders' Meeting and delegations in favor of the Board of Directors

Based on the annual maximum amount of the directors' remuneration for their condition as such, approved by the General Shareholders' Meeting, the Board of Directors has the power to distribute such amount among its members in accordance with the duties and responsibilities of each director, its assistance

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and participation in any of the Committees of the Board and other objective circumstances that the Board considers relevant.

4. REMUNERATION OF THE DIRECTORS AS MEMBERS OF THE BOARD

In connection with the remuneration payable to the members of the Board of Directors in their capacity as such, i.e., for the performance of their supervisory and decision-making functions within the Board of Directors and the Committees to which they belong, the objective of the Remunerations Policy is to compensate them adequately and sufficiently for their dedication, qualification and responsibility, without compromising their independent judgment.

In accordance with Article 40 of the by-laws of the Company, directors are entitled to receive an annual fixed remuneration in considerations for their duties as directors. Additionally, directors will receive the corresponding compensation for any travel expenses in which they may incur to attend the meeting of the Board and the Committees to which they belong. Finally, directors that carry out executive duties, where appropriate, are entitled to receive the compensation provided for in the services contract entered into with the Company.

The total amount payable by the Company as compensation to all of its directors for these items may not exceed the relevant amount determined for these purpose by the General Shareholders' Meeting. The amount thus determined by the General Shareholders' Meeting shall apply unless and until the General Shareholders' Meeting approves other amount in accordance with applicable laws.

However, the determination of the specific amount to be paid to each director for these items within the maximum amount approved by the General Shareholders' Meeting shall be agreed by the Board of Directors in accordance with this Remunerations Policy. For such purpose, the Board shall take into

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account the office held by each director within the Board itself, as well as the membership and attendance of each director to any Committee.

Finally, the Company shall pay for any premium due for any civil liability insurance policy taken out by the Company in respect of its directors upon customary market terms and commensurate with the circumstances of the Company.

4.1. Maximum amount of annual remuneration for directors

The maximum annual remuneration payable to the members of the Board of Directors in their capacity as such shall amount to EUR 530,000.

This maximum amount does not include: (a) any salary, compensation of any kind or payment that may be carried out under other concepts to the directors in accordance with the Policy for their executive duties or for any other concept; (b) the premiums paid for any civil liability insurance by the Company for its directors; and (c) an reimbursement for the expenses incurred by the directors to attend the meeting of the Board or any of its Committees.

4.2. Annual fixed remuneration

The Board of Directors shall establish the criteria in order to determine the remuneration payable to each director, taking into account:

- The category of the Director.
- The office held by the director in the Board of Directors and in any of its Committees.
- The specific tasks and responsibilities assumed during the year.
- The experience and knowledge required to carry out those tasks.
- The amount of time and dedication required to carry out effectively such tasks.
- Any other objective circumstances that may be considered relevant.

Considering the above, it is hereby stated that, for the exception of proprietary directors, which will not receive any compensation, the directors of Lar España

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will receive an annual fixed remuneration of EUR 70,000. The Chairman of the Board will receive, in addition to the remuneration received as a director, an additional annual remuneration of EUR 55,000 (amounting to a total of EUR 125,000 annually).

Additionally, and except for proprietary directors, members of the Board of Directors that are members of:

- the Audit and Control Committee will receive an additional annual remuneration of EUR 15,000 for participating in the meetings of the Committee. The Chairman of the Audit and Control Committee will receive, in addition to the remuneration received as a member of the Committee, an additional remuneration of EUR 7,500 (amounting to a total of EUR 22,500 annually).
- the Appointments and Remunerations Committee will receive an additional annual remuneration of EUR 15,000 for participating in the meetings of the Committee. The Chairman of the Appointments and Remunerations Committee will receive, in addition to the remuneration received as a member of the Committee, an additional remuneration of EUR 2,000 (amounting to a total of EUR 17,000 annually).

Those directors, who, appointed by Lar España, participate in any corporate bodies of the subsidiaries that Lar España participates with other partners may perceive an additional fixed remuneration of EUR 15,000 per year and subsidiary.

These amounts are payable on the basis of a full tax year. Where a director sits in the Board for less than a full tax year, the amount payable to such a director shall be prorated accordingly. If the number of members of the Board of Directors were increased within the limits foreseen in the Company's by-laws, the fixed remuneration payable to any additional director shall be determined in accordance with the provisions above.

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5. TERMS INCLUDED IN THE EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

In the event that Lar España decides to appoint executive directors, it shall be up to the Board of Directors to set the remuneration payable to them for performance of their executive duties, according to legal requirements.

The remuneration policy would therefore have to be adapted in order to specify the amount of fixed annual remuneration and the change therein during the reporting period; the various parameters used to determine their variable remuneration; and the main terms and conditions of their contracts, specifically including their duration, any severance pay triggered by early termination of the contractual relationship, exclusivity agreements, post-contractual non-compete clauses and any retainers.

6. OTHER REMUNERATION PAID TO THE DIRECTORS FOR SERVICES NOT INCLUDED IN THEIR DUTIES AS DIRECTORS

Directors may receive an additional remuneration in cash, shares or options over shares of the Company if the Board of Directors, following a report issued by the Appointments and Remunerations Committee, considers that it is in the best interest of the Company to incentivize and reward a director's involvement and worthy performance in certain transactions and, specifically, when the director is involved in the planning, preparation, negotiation or execution of transactions deemed to be relevant or fundamental for the future of the Company. The objectives to be achieved by the beneficiaries of these plans may be complemented with the achievement of other parameters that measure the positive evolution of the Company's business in the long term.

To promote the correct performance of their duties and aligned the long term interests of the directors and those of the shareholders, remunerations for the services rendered to the Company that are different from those corresponding to their condition as directors may be carried out through the granting of shares of the Company. In that case, in accordance with the provisions included in the

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Spanish Companies Act, the remuneration will required the approval of the Company's General Shareholders' Meeting.

7. GOVERNANCE MATTERS

7.1. Preparation, approval and review of this Remunerations Policy

The Board of Directors, acting upon a favorable report by the Appointments and Remuneration Committee, shall submit to the General Shareholders' Meeting a Remunerations Policy proposal at least every three years. This proposal shall be submitted as a separate item of the agenda.

The report of the Appointments and Remuneration Committee shall be attached to the proposal of the Board of Directors.

The proposed Remunerations Policy submitted by the Board of Directors and the report prepared by the Appointments and Remuneration Committee shall be made available to the shareholders on the Company's website as of the date of the announcement of the General Shareholders' Meeting. Shareholders may also request that a copy be sent to them, free of charge. The announcement shall make a reference to this right.

The Board of Directors will continuously review the validity of this Policy and, specifically, its appropriateness to achieve the objectives included in section 2 of this Policy. Likewise, at the proposal of the Appointments and Remunerations Committee, the Board of Directors may approve to hire an external expert for it to participate in the review process of the Remunerations Policy.

7.2. Supervision and application of the Remunerations Policy

The Board of Directors is responsible for establishing a control and supervision regime in respect of the specific requirements set out in the Remunerations Policy, while the Appointments and Remuneration Committee is responsible for ensuring that such policy is effectively complied with.

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7.3. Term of the Remunerations Policy

This Remunerations Policy shall be in effect for three financial years after its approval by the General Shareholders' Meeting of the Company (financial years 2018, 2019 and 2020). Notwithstanding the above, the General Shareholders' Meeting of Lar España may amend, modify or replace this Remunerations Policy at any time in accordance with the procedures described above.

* * *



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REPORT BY THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE AMENDMENT OF THE BOARD OF DIRECTORS' RULES AND REGULATIONS INCLUDED IN ITEM TEN OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED FOR THE 18 AND 19 APRIL 2018, IN FIRST AND SECOND CALL RESPECTIVELY

1. INTRODUCTION

The Board of Directors of Lar España Real Estate SOCIMI, S.A. (the "**Company**" or "**Lar España**") issues this report with the purpose of informing the General Shareholders' Meeting about the amendments carried out in connection with the Board of Directors' Rules and Regulations of Lar España (the "**Regulations**") approved by the Board of Directors of the Company on 27 December 2017.

To simplify the comprehension of the amendments, a description of the purpose and justification of the amendments is hereby provided to the shareholders of the Company.

Finally, and with the purpose of simplifying the comparison between the new text of the amended articles, a document highlighting the changes with respect to the previous version is attached to this report.

2. GENERAL JUSTIFICATION OF THE PROPOSAL

The amendments to the Board of Directors' Rules and Regulations are carried out within the continuous review and updating process carried out by the Company in connection with its internal corporate governance rules. In general terms, the objectives of these amendments are:

- introduce the basic provisions set forth in the Spanish Securities Market Commission's Technical Guide 3/2017, on audit committees, with regards the composition and functioning of the Audit and Control Committee, and in connection with the Recommendations included in the Good Governance Code for Listed Companies (2015) that are also applicable to the referred Committee; and
- Include in articles 8.6 and 15.5.a) (xi) of the Regulations an express reference to diversity promotion criteria with regard to the composition of the Board of Directors, in accordance with the new text of article 540.4.c).6º of the Spanish Companies Act, as amended by Royal Decree-Law 18/2017, of 24 November, approving the amendment of the Commercial Code, the consolidated text of the Spanish Companies Act and Law 22/2015 on Accounts Auditing, with regard to non-financial information and diversity.

3. STRUCTURE OF THE AMENDMENT

A document highlighting the changes to articles 8, 14 and 15 of the Board of Directors' Rules and Regulations with respect to the previous version of the Regulations is attached to this report as **Annex**.

Madrid, 15 March 2018

ANNEX
CHANGES TO ARTICLES 8, 14 AND 15 OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. BOARD OF DIRECTORS' RULES AND REGULATIONS, APPROVED IN THEIR MEETING OF 27 DECEMBER 2018 WITH HIGHLIGHTED CHANGES WITH RESPECT TO THE PREVIOUS VERSION

The rest of the articles from the Board of Director's Rules and Regulations remain unaltered with respect to the previous version in force.

Article 8. Qualitative composition

1. The Board of Directors, in the exercise of its power of proposal to the General Shareholders' Meeting and of covering vacancies by means of co-option, will ensure that, to the greatest possible extent, in the composition of the body, external or non-executive directors represent a majority with respect to executive directors, trying to ensure that the number of independent directors represents at least one third of the total members of the Board of Directors. Likewise, the number of executive directors will be the minimum required, taking into account the complexity of the corporate group and the executive directors' shares in the Company's capital.
2. The definitions of the different types of directors will be those established in the regulations in force, or in their absence, in the corporate governance recommendations applicable to the Company at any time. Without prejudice to the above, only those directors who have held the position for more than twelve years without interruption may be classified as independent.
3. The Board will ensure that, amongst external directors, the ratio between the number of proprietary directors and the number of independent directors reflects the existing ratio of the Company capital represented by the proprietary directors to the rest of the capital.
4. The Board will avoid any discrimination amongst shareholders in their access to the Board of Directors through proprietary directors.
5. The nature of each director will be explained by the Board to the General Shareholders' Meeting in which they are appointed or ratified, and will be confirmed or, if applicable, reviewed on a yearly basis in the annual corporate governance report, after being verified by the Appointments and Remuneration Committee. Should there be any external director who cannot be regarded as proprietary or independent, the Company will explain this circumstance and the directors' links either to the Company or its management or to its shareholders.
6. The Board of Directors will ensure that the procedures for the selection of its members promote diversity in experience, knowledge, director's training, age, disability, and gender, and that they have no implicit biases that might lead to discrimination and, in particular, that they encourage the selection of women directors, establishing a diversity policy or guidelines for such purpose.

[...]

Article 14. Audit and Control Committee. Composition, competences, and functioning

1. The Board of Directors will create, on a permanent basis, an Audit and Control Committee, comprised a minimum of three and a maximum of five directors, appointed by the Board of Directors itself from amongst the external or non-executive directors, the majority of which must be independent directors. The members of the Audit and Control Committee, and in particular its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing, and risk management, ~~and the majority of said members will be independent directors. The Board of Directors will also appoint, their~~ Likewise, the Board will endeavour that they have knowledge of and experience in other fields that might be appropriate for the Audit and Control Committee to fulfil its functions as a whole, such as finance, internal control, and information technologies.

Likewise, and without prejudice to the promotion of diversity of gender and geographic origin, the Committee members, who will be appointed taking into account the necessary dedication to carry out the functions entrusted thereto, will have, as a whole, the relevant technical knowledge necessary with regard to the Company's business sector.

2. ~~The Board of Directors will appoint the~~ Chairman of the Committee from amongst the independent directors that form part ~~of said Committee. The position of Secretary thereof. The position of Secretary and Deputy Secretary~~ of the Audit and Control Committee ~~will be held by the Secretary of the~~ will be held by the Secretary of the Board of Directors, and, if applicable, by the Deputy Secretary of the Board.

The members of the Audit and Control Committee will hold their positions for a maximum term of three years, and may be re-elected one or several times by periods of equal maximum duration.

The position of Chairman will also be held for a maximum term of three years, at the end of which the Chairman may not be re-elected as such until one year has elapsed after his or her removal, notwithstanding his or her continuity or re-election as a Committee member.

3. ~~2.~~ Without prejudice to any other tasks that may be assigned at any time by the Board of Directors, the Audit and Control Committee will exercise the following basic functions:
 - a. ~~Oversee the calculation of the commissions obtained by the Managing Company for the performance of their functions. With regard to the supervision of financial information:~~
 - i. Report to the General Shareholders' Meeting on any ~~matter~~ matters raised by the shareholders regarding its competence and, in particular, on the results of the audit, explaining how it contributed to the integrity of the financial information and the function discharged by the ~~committee~~ Committee in this process.
 - ii. ~~Oversee the efficiency of the internal control of the Company and its Group, as well as of its risk management systems.~~

- ~~iii. Analyze, together with the auditors, significant weaknesses of the internal control system detected during the audit, all without breaching their independence.~~
- iv. ~~e.~~ Oversee the process of preparing and submitting the required financial information and submit recommendations or proposals to the managing body aimed at safeguarding its integrity.
- v. Oversee that the Board of Directors endeavours to present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the auditors' report. Should such reservations or qualifications exist, both the Chairman of the Audit and Control Committee and the auditors should clearly explain to the shareholders of the content and scope of such reservations or qualifications.
- vi. Give the Board of Directors prior notice of any financial information that the Company, as a listed company, is obliged to publish periodically. The Audit and Control Committee must ensure that the half-yearly financial reports and the interim management reports are drawn up in accordance with the same accounting policies as the annual financial statements and, to this end, it may ask the external auditor to conduct a limited review of the half-yearly financial reports.
- b. With regard to the supervision of internal control and reporting systems:
 - i. Oversee the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking the fulfilment of legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
 - ii. Oversee on a regular basis the effectiveness of the internal control of the Company and its Group as well as the activities of the Company's internal audit function, discussing together with the auditors and any significant weaknesses in the internal control system detected in the audit, all without diminishing its independence. To that effect, and where applicable, the Committee will submit recommendations or proposals to the Board of Directors and the corresponding period for the follow-up thereof.
 - iii. Oversee the unit that assumes the internal audit function, which will oversee the proper functioning of the reporting and internal control systems and will report functionally to the Chairman of the Audit and Control Committee and, in particular: (a) monitor the independence and effectiveness of the internal audit function; (b) propose the selection, appointment, re-election and removal of the head of the internal audit department; (c) propose the department's budget; (d) approve its priorities and work plans, ensuring that its activity focuses primarily on the main risks to which the Company is exposed; (e) receive regular reports on its activities; (f) and verify that senior management take into account the findings and recommendations of its reports.

The head of the internal audit department should present an annual work plan to the Committee, report on any incidents arising during its implementation and submit an activities report at the end of each year.

- iv. Establish and monitor a mechanism whereby employees and any third party can report in a confidential or, if appropriate, anonymous manner any potentially significant irregularities within the Company, particularly of a financial and accounting nature.
- c. With regard to the external auditor:
 - i. ~~f. Propose to the Board of Directors, for its decision by the General Shareholder's Meeting, the~~ Submit to the Board the proposals for the selection, appointment, re-election or and replacement of the auditors of the external auditor, taking responsibility for the selection process, in accordance with that set forth in applicable legislation, as well as the contracting terms.
 - ii. ~~g. Supervise the internal audit activities of the Company.~~ Receive regular information from the external auditor in relation to the auditing plan and the results of its implementation, and verify that senior management has borne in mind its recommendations.
 - iii. ~~h. Establish the proper relationships with auditors to receive information on any matters that may threatened their independence, for examination by the Audit and Control Committee, and any other matters related to the audit process and, where applicable, the authorisation of the services other than those prohibited, under the terms envisaged in applicable legislation, as well as other notices envisaged in audit legislation and other audit regulations. In any event, the external auditor must send written confirmation on its independence with respect to the Company or entities directly or indirectly connected thereto on an annual basis, as well as detailed and individual information on any type of additional services provided and the related fees received from these entities by the external auditor or by persons or entities related to the auditor, pursuant to the applicable accounting legislation.~~

In any event, the external auditor must send written confirmation on its independence with respect to the Company or entities directly or indirectly connected thereto on an annual basis, as well as detailed and individual information on any type of additional services provided and the related fees received from these entities by the external auditor or by persons or entities related to the auditor, pursuant to the applicable accounting legislation.

- iv. ~~i. Issue an annual report, prior to the issue of the auditors' report, containing an opinion on whether the independence of the auditors or audit companies has been compromised, which will be available to shareholders and investors through the Company's website well in advance of the Ordinary General~~

Shareholders' Meeting. Such report will, in all cases, ~~pronounce itself~~ contain about the reasoned evaluation the provision of each and every one of the additional services mentioned in ~~the paragraph above~~ the letter above, considered individually and as a whole, other than legal audit services, and in relation to the rules on independence or in accordance with the regulations governing audit activities.

~~j. Appoint and supervise the external appraisal accountant's services in relation to the valuation of the Company's assets.~~

~~k. Inform the Board of Directors, in advance, about all the matters provided for in the Law, the By-laws and in the Board of Directors' Rules and Regulations, and in particular, about: (i) financial information that the Company has to periodically disclose publicly; (ii) the creation or acquisition of stocks in special purpose entities or domiciled in countries or territories that have the consideration of tax havens; (iii) operations with related entities; and (iv) economic conditions and accounting impact and, if applicable, about the share exchange equation of the structural modifications and corporate operations that the Company plans to carry out.~~

~~3. Moreover, the Audit and Control Committee will:~~

~~a. In relation to information and internal control systems:~~

~~i. Supervise the elaboration process and the integrity of the financial information relative to the Company and, if applicable, of the Group, reviewing the fulfillment of the legal requisites, the adequate delimitation of the consolidation perimeter and the correct application of accounting principles.~~

~~ii. Review periodically the internal control and risk management systems, so that the main risks are identified, managed and made public adequately.~~

~~iii. Ensure the independence and enforcement of the internal audit function, propose the selection, appointment, reelection and dismissal of the head of the internal audit department, propose the budget for the department, approve the orientation and their work plans, ensuring the activity is focused mainly towards the Company's relevant risks; receive periodical information of their activities; and verify that the senior management takes into account the conclusions and recommendations in their reports.~~

~~iv. Establish and supervise a mechanism that enables the workers to communicate confidentially and, if it is deemed appropriate, anonymously the irregularities of potential importance, specially financial and accounting, that they have witnessed inside the Company,~~

~~b. In relation to the external auditor:~~

- ~~i. Propose to the Board of the Directors the selection proposals, appointment, reelection and substitution of the external auditor, as well as the contracting terms.~~
- ~~ii. Regularly receive from the external auditor information about the audit plan and the results of its implementation, and verify that the senior management takes into account their recommendations.~~
- v. **Ensure** Preserve the independence of the external auditor in the performance of its duties and, for such purpose: (i) ensure that the Company notifies the Spanish National Stock Market Commission of any change of auditor as a Significant Event, accompanied by a statement of any possible disagreements arising with the outgoing auditor and, if any, of their content; (ii) ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services and, in general, other requirements designated to safeguard auditors' independence; and (iii), in the event of auditor's resignation, examine the reasons thereto.
- vi. In the case of groups, the Committee should encourage the Group auditor to take on the auditing of all companies of the Group.
- vii. Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- viii. Ensure that the external auditor has an annual meeting with the Board of Directors in plenary session to inform it of the work carried out and developments in the Company's risk and accounting positions.

~~The Committee will oversee that the Board of Directors tries to present the annual accounts to the General Shareholders' Meeting without limitations or exceptions in the audit report and that, in the exceptional circumstances in which exceptions are present, both the president of the Audit and Control Committee and the auditors will explain clearly to the shareholders the content and extent of these limitations or exceptions.~~
- ~~c. In relation to the policy and risk management:~~
- d. With regard to oversight of risk management and control:
 - i. Oversee the effectiveness of the risk management systems and, in particular, review these systems in order for the main risks to be properly identified, managed and disclosed.
 - ii. Oversee the internal risk management and control function.
 - iii. **i. Identify** In relation to the risk policy and risk management, identify at least (i) the different types of risk (operating, technological, financial, legal, reputational) to which the Company is exposed, including financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) the risk levels the

Company deems acceptable; (iii) the measures in place to mitigate the impact of the identified risks, should they occur; and (iv) the internal reporting and control systems to be applied to control and manage the aforementioned risks, including contingent liabilities and off-balance risks.

- ~~ii. Identify the setting of risk levels that the Company considers acceptable.~~
- ~~iii. Identify the measures planned to mitigate the impact of the identified risks, in case these are materialized.~~
- ~~iv. Identify the information and internal control systems that will be used to control and manage said risks, including contingent liabilities or out-of-balance risks.~~

e. ~~e.~~ With regard to the obligations of listed companies:

Report to the Board of Directors, prior to the Board passing the related resolutions on the following:

~~i. The financial information that, based on its status as listed company, the Company must periodically make public. The Audit and Control Committee must ensure that the semi-annual financial reports and the intermediate management declarations are formulated using the same accounting principles that the annual accounts and, to that end, consider the adequacy of a limited revision of the semi-annual financial reports by the external auditor.~~

- i. ~~ii.~~ The incorporation or acquisition of ownership interests in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- ii. ~~iii.~~ Related transactions, as they are defined by the legislation applicable at any given time.

With regard to related transactions, the annual report issued, where applicable, by the Audit and Control Committee on related transactions will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.

- iii. The economic terms, the accounting impact and, where applicable, the impact on the exchange ratio, of the structural changes and corporate transactions that the Company plans to carry out.
- iv. Any amendment to the internal code of conduct.

f. ~~e.~~ With regard to the Company's corporate governance obligations:

- i. Monitor compliance with legal requirements and the Company's internal governance regulations, including internal codes of conduct.

- ii. ~~i.~~ Regularly review the Company's internal governance regulations and propose to the Board of Directors, for approval or submission at the General Shareholders' Meeting, as the case may be, any amendments and updates that contribute to its development and ongoing improvement.
 - iii. ~~ii.~~ Promote the Company's corporate governance strategy, as well as regularly evaluate the effectiveness of the Company's corporate governance system, in order to confirm that it is fulfilling its mission to promote the corporate interest and consider, as appropriate, the legitimate interests of remaining stakeholders.
 - iv. ~~iii.~~ Oversee the communication strategy and shareholders and investors' relations, including small- and medium-sized shareholders.
 - ~~iv. Oversee the compliance with legal requirements and corporate governance internal regulations of the Company.~~
 - v. ~~Know, promote, guide and supervise the Company's performance in matters of corporate social responsibility and sustainability and inform on it to the Board of Directors or, if applicable, to the Executive Committee, ensuring that it is oriented to value creation. Assess all aspects related to non-financial risks of the Company (including operating, technological, legal, social, environmental, political and reputational risks).~~
 - vi. ~~Monitoring and evaluating the corporate social responsibility of the Company and the evaluating its level of compliance thereto. Coordinate non-financial information and diversity reporting processes in accordance with applicable legislation and international benchmarks.~~
 - vii. Be apprised of, promote, guide and oversee the Company's performance regarding corporate reputation and report thereon to the Board of Directors or, where applicable, to the Executive Committee.
 - viii. Report on the matters of Title IX of the Board of Directors Regulations, under the terms envisaged therein.
 - ix. Report on, prior to its approval, the Company's annual governance report, obtaining for such purposes the reports from the Appointments and Remuneration Committee in relation to these sections of such report that are within their competence.
- g. Other functions of the Committee:
- i. Oversee the calculation of fees received by the Management Company in the performance of its functions.
 - ii. Appoint and supervise the services of external appraisers in relation to the appraisal of the Company's assets.

4. The Audit and Control Committee will meet, ordinarily, on a quarterly basis, for the purpose of reviewing the regular financial information to be sent to the [stock supervisory](#) authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Likewise, the Committee will meet at the request of any of its members and whenever called by its Chairman, who must do so whenever the Board or its Chairman request a report or the adoption of proposals and, in any event, whenever appropriate for the proper performance of its functions.
5. The Audit and Control Committee will be validly held when a majority of its members are present or represented, and its resolutions will be approved by [absolute](#) majority of the votes [of the members present or represented in the meeting](#). In the event of a tie, the Chairman of the Audit and Control Committee will have the deciding vote. will
6. The Committee will produce minutes of its meetings, a copy of which will be sent to all members of the Board of Directors.
7. [The Audit and Control Committee will establish annually an action plan that includes the Committee's main activities during the year in relation to the fulfilment of its functions.](#)
8. ~~7.~~ The Audit and Control Committee will produce an annual report on its operations, [which will be the basis for the evaluation by the Board of Directors](#), highlighting the main events that have occurred, if any, related to its functions. In addition, when the Audit and Control Committee considers it appropriate, it will include in this report proposals to improve the Company's rules of corporate governance. The Audit and Control Committee report will be available to shareholders and investors through the corporate web page [with sufficient notice prior to the Ordinary General Shareholders' Meeting](#).
9. ~~8.~~ The Audit and Control Committee may call on any of the members of the Company's management or staff, [and may order them to appear without the presence of any other manager](#). Those invited will be required to attend sessions of the Audit and Control Committee, to collaborate with it, and provide it with the respective information. The Committee may equally request assistance in its sessions from accounts auditors [or other persons by invitation of the Chairman of the Committee](#).
10. ~~9.~~ For the best performance of its functions, the Audit and Control Committee [will have sufficient resources and](#) may call on the advice of external experts when it deems it necessary for proper compliance with its functions.
- ~~10. The Company will have an internal audit department that, under the supervision of the Audit and Control Committee, will oversee the good functioning of the internal information and control systems. The head of the internal audit department must present to the Audit and Control Committee their annual work plan. Moreover, they will inform the Committee of the incidents that occur during the performance of the internal audit and must submit the committee, at the end of each financial year, a report on their activities.~~

Article 15. Appointments and Remuneration Committee. Composition, competences and operation

1. The Board of Directors will create, on a permanent basis, an Appointments and Remuneration Committee, an internal informative and consultative body, with no executive functions, with faculties of information, advice and proposal within the scope of action provided in Section 2 of this article. The Appointments and Remuneration Committee will be comprised a minimum of three and a maximum of five members, appointed by the own Board of Directors, amongst the non-executive directors, at the proposal of the Chairman of the Board. A majority of the members of the Appointments and Remuneration Committee will be independent directors. Likewise, the Board of Directors will appoint the Committee's Chairman from amongst the members that form part of such Committee. ~~The role~~ The roles of Secretary and the Deputy Secretary of the Appointments and Remuneration Committee will be performed by the Secretary of the Board of Directors and, where applicable, by the Deputy Secretary of the Board.
2. The members of the Appointments and Remuneration Committee will have the appropriate knowledge, aptitudes and experience for the functions they are called on to perform.
3. The members of the Appointments and Remuneration Committee will hold their positions while their appointment as directors of the Company remains valid, unless the Board of Directors decides otherwise. The renewal, re-election and removal of the members who form the Commission will be governed as agreed by the Board of Directors.
4. Notwithstanding the other functions that it may be assigned by the Board of Directors, the Appointments and Remuneration Committee will have the following basic responsibilities:
 - a. Evaluate the necessary competences, knowledge and experience in the Board of Directors. To this end, the Board will define the necessary functions and skills of candidates who will cover each vacancy and will evaluate the time and dedication needed for to properly perform their duties.
 - b. Establish a representation goal for the less represented sex on the Board of Directors and provide guidelines on how to achieve such goal.
 - c. Submit to the Board of Directors the nomination proposals of independent directors for appointment by means of co-option or for submission to General Shareholders' Meeting decision, as well as proposals for the re-election or removal of such directors by the General Shareholders' Meeting.
 - d. Inform of the nomination proposals of non-independent directors for appointment by means of co-option or for submission to General Shareholders' Meeting decision, as well as proposals for the re-election or removal of such directors by the General Shareholders' Meeting.
 - e. Inform of the proposals for appointment and removal of senior managers and the basic terms of their contracts.
 - f. Examine and organize the succession of the Chairman of the Board of Directors and of the Company's first executive director and, if applicable, submit proposals

- to the Board of Directors so that such succession occurs in an orderly and planned manner.
- g. Propose to the Board of Directors the remuneration policy applicable to directors, general managers or those who perform senior management functions reporting directly to the Board, executive committees or CEOs, as well as the individual remuneration and other contractual terms of executive directors, ensuring its compliance.
5. Likewise, the Appointments and Remuneration Committee will be responsible for:
- a. Competences with regard to the composition of the Board of Directors and its committees and to the process for appointing Board of Directors and senior manager internal positions.
 - i. Advise the Board of Directors about the most appropriate configuration of the Board of Directors and of its committees, both in size and balance between the different classes of members at all times. To this end, the Committee will regularly review the structure of the Board of Directors and of its committees, particularly when vacancies occur in these bodies.
 - ii. Advise and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, ensuring that in the promotion of new vacancies or the nomination of new directors, the selection procedures do not include implicit processes that might imply any discrimination and, in particular, that might impede the selection of members, similarly establishing a goal of their representation on the Board and providing guidelines on how to achieve such goal.
 - iii. Inform of or draw up proposals with regard to nomination or removal of the members who should form part of each of the committees.
 - iv. Inform of the proposals with regard to the appointment or removal of the Chairman of the Board of Directors.
 - v. Advise of proposals of the Chairman of the Board of Directors regarding the appointment or removal of the CEO.
 - vi. Examine or organise the succession of the Chairman of the Board of Directors and of the senior executive of the Company and, as applicable, making proposals to the Board of Directors such that this succession occurs in an orderly and planned way.
 - vii. Advise of the proposals of the Chairman of the Board of Directors related to nomination or removal of the Deputy Chairman or Deputy Chairmen of the Board of Directors.
 - viii. Bring to the Board of Directors the proposal of nomination of a non-executive director especially allowed in the event that the Chairman of the Board of

- Directors exercises executive functions, and inform of proposals for his/her removal.
- ix. Advise of the proposals of the Chairman of the Board of Directors related to nomination or removal of the Secretary and, as applicable, of the Deputy Secretary or Deputy Secretaries of the Board of Directors, of the Secretary General and of the Legal Counsel.
 - x. Advise of the proposals of the Chairman of the Board of Directors or of the Chief Executive Officer related to nomination or removal of senior managers.
 - xi. [Annually verify compliance with the criteria for promoting diversity in the composition of the Board of Directors established by the Company, which will be taken account of in the Annual Corporate Governance Report.](#)
- b. Competences related to the selection of candidates to become board members.
- i. Select the possible candidates to be, as applicable, nominated as board members of the Company and presenting its proposals or reports, as applicable, to the Board of Directors via its Chairman.
 - ii. Bring to the Board of Directors the nomination proposals (for its decision or for submission to the decision of the General Shareholders Meeting) for the non-executive members.
 - iii. Prove compliance with the requirements specifically applicable to non-executive members in law and in the Company's internal standards and collating suitable information about their personal qualities, experience and knowledge and about their availability.
 - iv. Inform the Chairman of the Board of Directors of the nomination proposals (for approval or for submission for decision of the General Shareholders Meeting) of the remaining members.
 - v. Draw up the report referred to in article 5.6 of these Regulations and verify, annually, compliance with the member selection policy, reporting on this in the Annual Corporate Governance Report.
- c. Competences related to the evaluation and re-election of board members
- i. Establish and oversee an annual programme of continuous evaluation and review of the qualification, education and, as applicable, independence, as well as maintenance of the terms needed to exercise the role of board member and committee member, and proposing to the Board of Directors those measures it considers appropriate in this regard.
 - ii. Participate in the annual process of evaluating the performance of the Chairman of the Board of Directors and of the Chief Executive Officer.

- iii. Bringing to the Board of Directors its proposal (in the case of the non-executive members) or report (in the case of the other members), about re-election of members.
- d. Competences related to the withdrawal and termination of board members.
 - i. Inform the Board of Directors about proposals for removal due to breach of the duties inherent in the role of member or where the circumstances of mandatory dismissal or termination have been incurred.
 - ii. Propose the removal of members in the event of incompatibility, prohibitions or any other grounds for dismissal or termination, in compliance with the law or the Company's internal standards.
- e. Competences related to remuneration.
 - i. Regularly review the senior managers' reward policy and propose modifications and updates to the Board of Directors.
 - ii. Regularly review the members reward policy and proposing modifications and updates to the Board of Directors for referral to the General Shareholders Meeting, as well as the amount of their annual remuneration.
 - iii. Propose the individual remuneration of the executive officers and the other basic terms of their contracts for approval by the Board of Directors, including any compensation that may be fixed for early termination in their functions and the amounts to be spent by the Company on insurance premiums or savings system contributions, always in compliance with the Company's internal standards and, in particular, in accordance with the remuneration policy approved by the General Shareholders Meeting.
 - iv. Inform, in advance and prior to approval by the competent company body, the remuneration established for the non-executive members of other companies in the group.
 - v. Inform of and submit to Board of Directors the proposals of the Chairman of the Board of Directors or the Chief Executive Officer related to the senior managers' reward structure and the basic terms of their contracts, including any compensation that may be fixed for departure.
 - vi. Oversee observance of the Company's remuneration programmes and advising on the documents to be approved by the Board of Directors for general disclosure about remuneration information, including the annual report on members' remuneration and the corresponding part of the Company's corporate governance annual report.
 - vii. Ensure that any conflicts of interest do not prejudice the independence of the external consultancy supplied to the Committee.

f. Competences related to corporate social responsibility and sustainability.

- i. Be aware of, promote, guide and supervise the Company's action, practices and strategy in matters of corporate social responsibility and sustainability, evaluating the level of compliance thereto, and report on them to the Board of Directors or, as applicable, to the Executive Committee.
- ii. Review the Company's corporate social responsibility policy, ensuring it is geared towards creating value, including the monitoring and evaluation of the same and supervising its degree of compliance.

The report issued, as applicable, by the Appointments and Remuneration Committee about the Company's corporate social responsibility policy will be produced using any of the internationally accepted methodologies and will be provided to shareholders and investors via the web page of the Company with sufficient notice prior to the Ordinary General Meeting.

iii. Supervise and evaluate processes for different interest groups.

6. The Appointments and Remuneration Committee will meet, ordinarily, at least once a year. Similarly, it will meet on request by any of its members and whenever called by its Chairman, who must do so whenever the Board or its Chairman request a report or the adoption of proposals and, in any event, whenever appropriate for the correct progress of its functions.
7. The Appointments and Remuneration Committee will be validly formed when a majority of its members are present or represented and its agreements are approved by majority vote. In the event of a tie, the Chairman of the Appointments and Remuneration Committee will have the deciding vote.
8. The Committee will produce minutes of its meetings, a copy of which will be sent to all members of the Board of Directors.
9. The Committee must consult the Chairman and the Chief Executive of the Company, especially on matters related to the executive officers and senior managers.
10. The Appointments and Remuneration Committee will produce an annual report on its operations, highlighting the main events that have occurred, if any, related to its functions. The report of the Appointments and Remuneration Committee will be available to shareholders and investors via the web page with sufficient notice prior to the ordinary general meeting.
11. For best compliance with its functions, the Appointments and Remuneration Committee may call on the advice of external experts when it deems this necessary for suitable compliance with its functions.



REPORT BY THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE APPROVAL OF THE AUDIT AND CONTROL COMMITTEE'S REGULATIONS WHICH IS INCLUDED IN ITEM ELEVEN OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED FOR 18 AND 19 APRIL 2018, ON FIRST AND SECOND CALL RESPECTIVELY

1. INTRODUCTION

The Board of Directors of Lar España Real Estate SOCIMI, S.A. (the "**Company**" or "**Lar España**") issues this report with the purpose of informing the General Shareholders' Meeting about the approval of the Audit and Control Committee's Regulations (the "**Regulations**") approved by the Board of Directors of the Company on 27 December 2017.

The complete text of the referred Regulations is **attached** to this report.

2. GENERAL JUSTIFICATION OF THE PROPOSAL

These regulations are based on the amendment of article 14 of the Board of Directors' Rules and Regulations, developing this amendment through a specific Regulation for the Audit and Control Committee, as recommended by the Spanish Securities Market Commission's Technical Guide 3/2017, on audit committees.

The amendments to the Board of Directors' Rules and Regulations are carried out within the continuous review and updating process carried out by the Company in connection with its internal corporate governance rules. In general terms, the objective of this resolution of the Board of Directors is to incorporate the basic provisions set forth in the Spanish Securities Market Commission's Technical Guide 3/2017, on audit committees, with regards the composition and functioning of the Audit and Control Committee, and in connection with the Recommendations included in the Good Governance Code for Listed Companies (2015) that are also applicable to the referred Committee.

3. COMPLETE TEXT OF THE REGULATIONS

The complete text of the Audit and Control Committee's Regulations is attached to this report.

Madrid, 15 March 2018



This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

ANNEX
COMPLETE TEXT OF THE AUDIT AND CONTROL COMMITTEE'S REGULATIONS APPROVED
BY THE COMPANIES' BOARD OF DIRECTORS IN THEIR MEETING OF 27 DECEMBER 2017



Audit and Control Committee Regulations
of
Lar España Real Estate SOCIMI, S.A.

Madrid, 27 December 2017

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Article 1. Purpose

1. The Audit and Control Committee of the Board of Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter, the “**Company**”) is formed in accordance with that set forth in the Spanish Corporations Act and in Article 42 of the Bylaws and Article 14 of the Company’s Board of Directors Regulations.
2. The purpose of these Audit and Control Committee Regulations, approved by the Company’s Board of Directors, is to establish the rules regarding the organisation and functioning of its Audit and Control Committee, implementing, with regard to that deemed appropriate to better carry out its functions, the provisions of the Bylaws and the Board of Directors Regulations based on good governance recommendations and criteria established by the Spanish National Securities Market Commission and taking into account the characteristics of the Company and its Group.
3. With regard to that not expressly envisaged in these Regulations, the provisions set forth by the Committee itself shall apply, and that established in the Bylaws and the Board Regulations regarding the functioning of the Board of Directors shall also be applicable to the extent possible given its nature and functions.

Article 2. Interpretation, amendment and dissemination

1. The Audit and Control Committee shall take into account the applicable legislation and the good governance recommendations and criteria established by supervisory bodies and, in particular, by the Spanish National Stock Market Commission in applying and interpreting these Regulations.
2. The Regulations shall be reviewed on a regular basis by the Board of Directors, taking into account the proposals put forward in this regard by the Audit and Control Committee, and shall be available to shareholders and the market in general through their publication on the Company’s website.

Article 3. Composition of the Audit and Control Committee

1. The Board of Directors shall form an Audit and Control Committee, on a permanent basis, that will be composed by a minimum of three and a maximum of five directors appointed by the Board of Directors amongst the external or non-executive directors, the majority of which must be independent directors. The members of the Audit and Control Committee and particularly its Chairman shall be appointed on the basis of their knowledge and background in accounting, audit and risk management. Additionally, the Board will endeavour that they have knowledge and experience in other areas that may be appropriate for the Audit and Control Committee to fulfil its functions as a whole, such as finance, internal control and information technologies.

Likewise, and without prejudice to endeavouring the promotion on diversity of gender and geographical origin, the Committee members, who will be appointed taking into account the necessary dedication to carry out the functions entrusted thereto, shall have, as a whole, the technical knowledge necessary in relation to the Company’s business sector.

2. The members of the Audit and Control Committee shall perform their duties for a maximum period of three years and may be re-elected for one or more subsequent terms of equal length.
3. In any case, the Committee members shall be relieved of their duties once their tenure as a director ceases, or when agreed by the Board of Directors.

Article 4. Committee positions

1. The Board of Directors shall appoint the Chairman of the Committee from among the independent directors that form part thereof.

The position of Chairman shall be held for a maximum of three years, after which he may not be eligible for re-election as such until one year has elapsed since completing their term, without prejudice to their continuity or re-election as a Committee member.

2. The position of Secretary and Deputy Secretary of the Audit and Control Committee shall be held by the Secretary and by the Deputy Secretary of the Board of Directors.

The Secretary or, where applicable, the Deputy Secretary must assist the Chairman of the Committee in planning the meetings and gathering and providing the necessary information sufficiently in advance, drawing up the minutes of the meetings.

Article 5. Functions of the Audit and Control Committee

1. Without prejudice to any other tasks that may be assigned at any given time by the Board of Directors, the Audit and Control Committee shall exercise the following basic functions:

a. With regard to the supervision of financial information:

- i. Report to the General Shareholders' Meeting on any matters raised by the shareholders regarding its competence and, in particular, on the results of the audit, explaining how it contributed to the integrity of the financial information and the function discharged by the Committee in this process.
- ii. Supervise the process of preparing and submitting the required financial information and submit recommendations or proposals to the managing body aimed at safeguarding its integrity.
- iii. Oversee that the Board of Directors endeavours to present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the auditors' report. Should such reservations or qualifications exist, both the Chairman of the Audit and Control Committee and the auditors should clearly explain to the shareholders of the content and scope of such reservations or qualifications.
- iv. Give the Board of Directors prior notice of any financial information that the Company, as a listed company, is obliged to publish periodically. The Audit and Control Committee must ensure that the half-yearly financial reports and the

interim management reports are drawn up in accordance with the same accounting policies as the annual financial statements and, to this end, may ask the external auditor to conduct a limited review of the half-yearly financial reports.

- b. With regard to the supervision of internal control and reporting systems:
- i. Supervise the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking the fulfilment of legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles and, in particular, know, understand and monitor the effectiveness of the internal control over financial reporting system (ICFR).
 - ii. Supervise on a regular basis the effectiveness of the internal control of the Company and its Group as well as the activities of the Company's internal audit function, discussing, together with the auditors, any significant weaknesses in the internal control system detected in the audit, and drawing conclusions on the system's level of accuracy and reliability, all without diminishing its independence. To this effect, and where applicable, the Committee shall submit recommendations or proposals to the Board of Directors and the corresponding period for the follow-up thereof.
 - iii. Supervise the unit that assumes the internal audit function, which shall oversee the proper functioning of the reporting and internal control systems and will report functionally to the Chairman of the Audit and Control Committee and, in particular: (a) monitor the independence and effectiveness of the internal audit function; (b) propose the selection, appointment, re-election and removal of the head of the internal audit unit; (c) propose the unit's budget; (d) approve its priorities and work plans, ensuring that its activity focuses primarily on the main risks to which the Company is exposed; (e) receive regular reports on its activities; (f) verify that senior management take into account the findings and recommendations of its reports; and (g) assess, on an annual basis, the functioning of the internal audit unit as well as the performance of its functions by its head, whereby the opinion of executive management shall be sought out for such purposes.

The head of the internal audit unit should present an annual work plan to the Committee; report on any incidents arising during its implementation; and submit an activities' report at the end of each year.
 - iv. Establish and monitor a mechanism whereby employees and any third party can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature, receiving regular reports on its functioning and proposing any actions deemed appropriate to improve the mechanism and reduce the risk of irregularities in the future.

- c. With regard to the external auditor:
- i. Submit to the Board the proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process, in accordance with that set forth in applicable legislation, as well as the contracting conditions, and for such purpose it must:
 - 1º. determine the process of selection of the auditor; and
 - 2º. issue a reasoned proposal that shall contain a minimum of two alternatives for selecting the auditor, unless the same auditor is being re-elected.
 - ii. Receive regular information from the external auditor on the audit plan and on the results of its implementation, and check that senior management is acting on its recommendations.
 - iii. Establish the proper relationships with auditors to receive information on any matters that may threaten their independence, in particular any discrepancies that may arise between the auditor and the Company's management, for examination by the Audit and Control Committee, and any other matters related to the audit process and, where applicable, the authorisation of the services other than those prohibited, under the terms envisaged in applicable legislation, as well as other notices envisaged in audit legislation and other audit regulations.

In any event, written confirmation on its independence with respect to the Company or entities directly or indirectly connected thereto must be received, on an annual basis, from the external auditor, as well as detailed and individual information on any type of additional services provided and the related fees received from these entities by the external auditor or by persons or entities related to the auditor, pursuant to the applicable accounting legislation.
 - iv. Issue an annual report, prior to the issue of the auditors' report, containing an opinion on whether the independence of the auditors or audit companies has been compromised, which will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting. Such report shall, in all cases, contain the reasoned evaluation of the provision of each of the additional services mentioned in the section above, considered individually and as a whole, other than legal audit services, and in relation to the rules on independence or in accordance with the regulations governing audit activities.
 - v. Preserve the independence of the external auditor in the performance of its duties and, for such purpose: (i) ensure that the Company notifies the Spanish National Stock Market Commission as a Significant Event any change of auditor, accompanied by a statement of any possible disagreements arising with the outgoing auditor and, if any, of its content; (ii) ensure that the Company and

the auditor adhere to current regulations on the provision of non-audit services and, in general, other requirements designated to safeguard auditors' independence; and (iii), in the event of auditor's resignation, examine the reasons thereto.

- vi. In the case of groups, the Committee should favour that the Group auditor takes on the auditing of all companies of the Group.
 - vii. Ensure that the remuneration of the external auditor does not compromise its quality or independence.
 - viii. Ensure that the external auditor has an annual meeting with the Board of Directors in plenary session to inform it on the work undertaken and developments in the Company's risk and accounting positions.
 - ix. Carry out a final assessment regarding the auditor's performance and how it contributed to the quality of the audit and the integrity of the financial information.
- d. With regard to the supervision of risk management and control:
- i. Supervise the effectiveness of the risk management systems and, in particular, review these systems in order for the main risks being properly identified, managed and disclosed.
 - ii. Supervise the internal risk management and control function.
 - iii. In relation to the risk policy and risk management, identify (i) the different types of risk (operating, technological, financial, legal, reputational) to which the Company is exposed, including financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) the determination of the risk levels the Company deems acceptable; (iii) the measures in place to mitigate the impact of the identified risks, should they occur; and (iv) the internal reporting and control systems to be applied to control and manage the aforementioned risks, including contingent liabilities and off-balance risks.
 - iv. Reassess, at least on an annual basis, the list of most significant financial and non-financial risks and assess their level of tolerance, proposing any adjustments to the Board of Directors, where applicable.
 - v. Hold a meeting, at least on an annual basis, with the senior managers of the business units to explain the business trends and associated risks.
- e. With regard to the obligations of listed companies:

Report to the Board of Directors, prior to the Board passing the related resolutions on the following:

- i. The incorporation or acquisition of ownership interests in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- ii. Related transactions, as they are defined by the legislation applicable at any given time.

With regard to related transactions, the annual report issued, where applicable, by the Audit and Control Committee on related transactions will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.

- iii. The economic conditions, the accounting impact and, where applicable, the impact on the exchange ratio of the structural changes and corporate transactions that the Company plans to carry out.
 - iv. Any amendment to the internal code of conduct.
- f. With regard to the Company's corporate governance obligations:
- i. Monitor compliance with legal requirements and the Company's internal governance regulations, including internal codes of conduct.
 - ii. Regularly review the Company's internal governance regulations and propose to the Board of Directors, for approval or submission at the General Shareholders' Meeting, as the case may be, any amendments and updates that contribute to its development and ongoing improvement.
 - iii. Promote the Company's corporate governance strategy and regularly evaluate the effectiveness of the Company's governance system, to confirm that it is fulfilling its mission to promote the corporate interest and takes into account, as appropriate, to the legitimate interests of remaining stakeholders.
 - iv. Supervise the communication strategy and shareholders and investors' relations, including small- and medium-sized shareholders.
 - v. Assess all aspects related to non-financial risks of the Company (including operational, technological, legal, social, environmental, political and reputational risks).
 - vi. Coordinate non-financial information and diversity reporting processes in accordance with applicable legislation and international benchmarks.
 - vii. Be apprised of, promote, guide and supervise the Company's performance regarding corporate reputation and report thereon to the Board of Directors or, where applicable, to the Executive Committee.

- viii. Report on the matters of Title IX of the Board of Directors Regulations, under the terms envisaged therein.
 - ix. Report on, prior to its approval, the Company's annual governance report, obtaining for such purposes the reports from the Appointments and Remuneration Committee in relation to these sections of such report that are within their competence.
- g. Other functions of the Committee:
- i. Supervise the calculation of fees received by the Management Company in the performance of its functions.
 - ii. Appoint and supervise the services of external appraisers in relation to the appraisal of the Company's assets.
 - iii. Any other general or specific reporting function and proposal commissioned by the Board of Directors.
 - iv. Any other competence or function attributed by law, the Bylaws or the Board Regulations.
2. In carrying out and performing its functions, the Audit and Control Committee must take into account the principles and criteria established in the CNMV Technical Guide 3/2017, on audit committees, of 27 June 2017, without prejudice to its adjustment to the particular circumstances and characteristics of the Company and its Group.

Article 6. Call of the meetings

1. The Audit and Control Committee shall meet regularly, on a quarterly basis, to review the periodic financial information that must be submitted to the supervisory authorities, as well as the information that the Board of Directors has to approve and include as part of its annual public documents. In relation to these matters, the internal auditor must attend the Committee's meetings and, if any type of review report is issued, the external auditor must also attend, however, they will not be present in the decision-making part of the meeting when the Audit and Control Committee must adopt the relevant decisions.
2. Additionally, the Committee shall also meet at the request of any of its members and when called by its Chairman, which must call a meeting whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever deemed appropriate for the successful performance of its functions.
3. Audit and Control Committee meetings shall be called by the Secretary of the Committee or, where applicable, the Deputy Secretary, by order of the Chairman, at least ten days prior to the meeting, except in cases of emergency that justify calling a meeting immediately or within less time. The call notice will be sent by letter, fax, e-mail or by any other means that provide evidence of receipt.

The call notice shall always include the agenda of the meeting and will be accompanied by the necessary information, without prejudice to the fact that in certain circumstances all or part of the information may be provided at the meeting itself.

Article 7. Meetings

1. Audit and Control Committee meetings shall be held, in accordance with its annual work plan, at the Company's registered office or at any location previously designated by the Chairman and indicated in the call notice.
2. Committee meetings may be held through multiconference calls, videoconference or any other similar systems such that one or several members may attend the meeting through the indicated system. For such purpose, the call notice of the meeting, in addition to indicating the location where the actual meeting will take place, must mention that members may also attend the meeting through conference calls, videoconference or an equivalent system, whereby the technical means necessary for such purpose must be indicated and available, which in any case must enable direct and simultaneous communication between all attendees. The Secretary of the Audit and Control Committee must place on record in the minutes of the meetings held, in addition to those members attending the meeting in person or, where applicable, represented by another Committee member, those that attend the meeting through the multiconference call, videoconference or similar system.
3. Constructive discussions among its members shall be encouraged at the Committee meetings, promoting free expression and the supervisory and analysis mindset of its members, whereby the Chairman of the Committee must ensure that its members freely participate in discussions.
4. The Audit and Control Committee shall draft an annual report on its performance during the year, which will serve as the basis for the evaluation to be carried out by the Board of Directors, highlighting the main incidents, if any, that have arisen in relation to its functions. The report shall include, among other issues, the significant activities carried out during the period, and report on those that were carried out in collaboration with external experts and, when deemed appropriate by the Committee, this report will include proposals to improve the Company's governance rules. The report shall be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.
5. The Audit and Control Committee may call any of the members of the management team or the Company's personnel, even ordering their appearance without the presence of another senior officer. Those called shall be obliged to attend the meetings of the Audit and Control Committee and provide their collaboration and access to the information they have available. The Committee may also require attendance at its meetings by other persons (executive directors, experts, auditors, etc.), although only by invitation of the Chairman of the Committee and only to discuss those specific items on the agenda for which they are summoned. In particular, senior officers or other executive or non-executive directors shall only occasionally attend Committee meetings.

Article 8. Convening of meetings and adoption of resolutions

1. The Audit and Control Committee shall be validly convened when the majority of its members are present, in person or represented, adopting resolutions by an absolute majority of those present or represented. The Chairman of the Audit and Control Committee shall have the casting vote in the event of a tie.
2. Audit and Control Committee members may grant its representation to another member of the Committee. Representation shall be granted in writing specifically for each meeting.
3. In case of conflicts of interest, the Committee member affected must abstain from participating in the deliberation and voting on resolutions or decisions in which such member or a person related thereto has a direct or indirect conflict of interest.

Article 9. Committee meeting minutes

1. The conclusions and proposals drawn up at Audit and Control Committee meetings, which shall be signed by the Chairman and the Secretary or, where applicable, by whoever replaces them in the performance of their functions, shall be placed on record in the minutes.
2. A copy of the Committee meeting minutes shall be sent to all members of the Board of Directors.

Article 10. Access to information and advice

1. The Audit and Control Committee may access in an appropriate, timely and sufficient manner any information or documentation that the Company has relating to matters of its competence, provided it is deemed necessary to carry out its functions.
2. Additionally, the Committee may engage, at the expense of the Company, the collaboration with or advisory services of external professionals when deemed necessary or appropriate to better perform its functions.

Article 11. Means and resources

1. The Audit and Control Committee shall approve a regular training plan that ensures the knowledge of the members of the Audit and Control Committee is up to date. A welcome programme for new members shall also be provided.
2. In order to fulfil its functions, the Audit and Control Committee shall have the necessary means and resources at its disposal for an independent performance. Resources needs must be channelled through the Secretary of the Company's Board of Directors.

Article 12. Relationships of the Audit and Control Committee with the Board, the external auditor and the internal auditor

1. The Audit and Control Committee must establish an effective and regular communication channel with its usual partners, which will normally correspond to the Chairman of the Committee and, among others, with:
 - a) Company's management, in particular, corporate management and financial management;
 - b) the head of internal audit; and
 - c) the main auditor responsible for the audit.
2. In any event, communication between the Audit and Control Committee and the external auditor must be fluid, continuous and in accordance with the regulations governing audit activities, and must not compromise the auditor's independence or the effectiveness with which the audit is carried out or the audit processes are conducted.
3. The Committee shall report the business transacted and account for the work performed at the first plenary session of the Board of Directors subsequent to its meetings.
4. The Chairman of the Committee shall act as the spokesperson at the Board of Directors meetings and, where applicable, at the Company's General Shareholders' Meeting.

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