

Remuneration Policy of the Board of Directors of **Lar España Real Estate SOCIMI, S.A.**



Prepared by	Date	Approved by	Date
Appointments and Remuneration Committee	19 February 2015 25 March 2015	Board of Directors	25 March 2015
		Annual General Meeting	

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1. Introduction

This policy on the remuneration of the members of the Board of Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter, Lar España) determines the remuneration due to the directors in their capacity as such, under the scope of the remuneration regime provided for in the company's Articles of Association. The maximum amount of such remuneration payable annually to serving directors totals 365,000 euros.

This policy adapts to the last changes in Corporate Governance, as well as the society's development and the experience gained by Lar España during its first year of functioning.

It is up to the Board of Directors to determine the remuneration of each director, to which end it will factor in the duties and responsibilities assigned to each, their membership of Board committees and other circumstances it deems material.

2. General principles

The remuneration policy of the Board of Directors of Lar España is based on the principles of transparency, moderation, compensation for dedication and correlation with performance, which is why director remuneration shall be kept at all times reasonably proportionate to the company's importance, the evolving economic situation and market standards for comparable companies.

The remuneration regime established in this policy is designed to promote the long-term profitability and sustainability of the company and inject the safeguards needed to prevent the assumption of too much risk or the reward of adverse results.

3. Fixed remuneration

Attendance fees and other fixed items of director remuneration shall be set at the level needed to compensate them for their performance, i.e., the dedication, skills and responsibilities required by the post, but no so high as to compromise the independence of the non-executive directors. At any rate, their remuneration is also set using market criteria, i.e., it is benchmarked against the remuneration paid to directors of listed companies of an equivalent size to Lar España.

With the exception of the proprietary directors, who are not entitled to any fixed remuneration whatsoever, Lar España's directors will perceive a 60,000 euros fee for participating, at least, in 8 meetings of the Board during the year. Additionally, the Chairman of the Board will perceive an extra fee of 50% of the rest of directors' remuneration (which is a 90,000 euros fee per year).

Those directors who will participate in any of the Lar España's committees will perceive an additional 15,000 euros fee per year.

Those directors, who, appointed by Lar España, will participate in any government bodies of the subsidiaries that Lar España participates with other partners, may perceive an additional fixed remuneration of (i) 15.000 euros fee per year if Lar España does not have a controlling stake; and (ii) 5.000 euros fee per year if Lar España holds a controlling stake. According to this, in order to fix the maximum amount payable to all directors set forth in section 1, it has been estimated that the

maximum additional remuneration will amount annually 35,000 euros. In the event that said estimate becomes insufficient, the referred annual maximum amount in aggregate will be considered correlatively increased.

At last, Lar España will reimburse any travel expense that the directors will have in order to attend to the meetings of the Board and its commissions.

4. Terms of executive director contracts

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.

5. Drafting of the remuneration policy

This remuneration policy was drafted by the Appointments and Remuneration Committee of Lar España, which was advised to this end by external expert Ernst & Young, S.L.

6. Approval of the remuneration policy

Director remuneration policy must comply with the remuneration policy contemplated in the Articles of Association and must be approved at an annual general meeting of shareholders at least every three years as a separate agenda item.

The Board of Directors must duly substantiate its remuneration policy proposals, which must be underpinned by a report issued specifically to this end by the Appointments and Remuneration Committee. Both documents must be made available to the company's shareholders on its website from the time the general meeting for approving the policy is called; the shareholders may ask to have copies delivered to them free of charge. The general meeting call notice must refer to this shareholder entitlement.

The director remuneration policy so approved shall apply for the three years following from the year on which it was approved at a general meeting. Any amendment of the policy during this time shall require prior approval from the shareholders in general meeting, following the same procedure as is in place for its initial approval.

Should an annual report on director remuneration be rejected in an advisory vote at an annual general meeting, the remuneration policy applicable for the year ahead must be submitted to the shareholders in general meeting for approval before it is applied, even if the above-mentioned three year term of application has not yet

elapsed. This requirement does not apply when the remuneration policy has been approved at that same annual general meeting.

Any remuneration received by directors for discharging or termination of their posts and for performance of their executive duties must be in line with the then-prevailing director remuneration policy, other than remuneration arrangements expressly ratified at general meetings.

7. Review of the remuneration policy

The principles of transparency, moderation, compensation for dedication and correlation with performance which inspire the remuneration policy of Lar España must continue to hold unless the competent government bodies decide the policy needs updating in light of evolving circumstances, whether regulatory, strategic, financial or other.

To this end, the Board of Directors and the Appointments and Remuneration Committee, in the course of their duties, shall periodically review the remuneration policy principles and oversee they are being upheld.

8. Annual report on director remuneration

The Board of Directors of Lar España shall prepare and publish an annual report on its members' remuneration, including the remuneration they receive or are due in their capacity as members and that, if any, received or due for their performance of executive duties.

The annual report on director remuneration must include comprehensive, clear and comprehensible information on the remuneration policy applicable in the reporting period in progress. It must also include an overall summary of how that policy was applied during the last complete financial year, including a breakdown of the individual remuneration accrued in respect of all remuneration items by each of the directors that year.

The annual report on director remuneration must be disclosed by the company in the form of a price-sensitive notice at the same time as its annual corporate governance report.

The annual report on director remuneration must be subject of the advisory vote of the company's shareholders at the annual general meeting as a separate agenda item.