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## **REPORT PREPARED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. ON ITS FUNCTIONING IN 2016**

### **I. INTRODUCTION**

In accordance with recommendation 6 of the Code of Good Governance for Listed Companies approved on 18 February 2015 by the National Securities Market Commission ("**Code of Good Governance**") relating to the documents that must be given to shareholders from the call of the ordinary General Shareholders' Meeting, and in order for the Board of Directors of Lar España Real Estate SOCIMI, S.A. ("**Lar España**" or the "**Company**") to undertake the annual evaluation of this Committee as provided in article 529 *nonies* of the consolidated text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July 2010 (the "**Spanish Companies Act**"), the aforesaid Committee will prepare an annual report on its functioning, highlighting the principal issues arising, if any, in respect of its inherent functions. In compliance with the aforesaid rules, the Appointments and Remuneration Committee prepares this report.

This report will be available to shareholders and investors on the Company's website ([www.larespana.com](http://www.larespana.com)) from the call of the ordinary General Shareholders' Meeting.

### **II. COMPOSITION**

Articles 43 of the Articles of Association and 15 of the Board of Directors' Regulations, at the date of this report, provide that the Appointments and Remuneration Committee will be composed of at least three and at most five directors, appointed by the Board of Directors from among the external or non-executive directors, following the proposal of the Board's Chairperson. The majority of the members of the Appointments and Remuneration Committee will be independent and will be appointed on the basis of their knowledge, ability and experience appropriate to the functions they are called upon to perform. The Board of Directors will also appoint one of the members of that Committee as its Chairperson. In accordance with article 15.3 of the Board of Directors' Regulations, the members of the Appointments and Remuneration Committee will remain in their office for so long as their appointments as directors of the Company are effective, unless the Board of Directors resolves otherwise.

During 2016 there were no changes to the composition of the Appointments and Remuneration Committee, which was as follows:

- **Mr. Roger Maxwell Cooke MBE** (Chairman) is an independent non-executive director of Lar España. He was appointed as a director of Lar España by the then sole shareholder of the Company on 5 February 2014. The Board of Directors of the Company appointed him as a member of the Appointments and Remuneration Committee on 6 February 2014. Mr. Cooke is an experienced professional with more than 30 years of experience in the real estate sector. Mr. Cooke joined Cushman & Wakefield in 1980 in London where he had a role in drafting valuation standards (Red Book). Since 1995 until the end of 2013, he served as Chief Executive Officer of Cushman & Wakefield Spain, leading the company to attain a leading position in the sector.

In the 2017 New Year's honours' list, Mr. Cooke was awarded an MBE for his services to British businesses in Spain and to Anglo-Spanish trade and investment



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Mr. Cooke holds an Urban Estate Surveying degree from Trent Polytechnic University (Nottingham, UK) and is currently a Fellow of the Royal Institution of Chartered Surveyors (FRICS). Until May 2016, he was the President of the British Chamber of Commerce in Spain. Since May 2014, Mr. Cooke has been a Senior Advisor at Ernst & Young.

- **Mr. Alec Emmott** (Member) is an independent non-executive director of Lar España. He was appointed as a director of Lar España by the then sole shareholder of the Company on 5 February 2014. The Board of Directors of the Company appointed him as a member of the Appointments and Remuneration Committee on 6 February 2014. Mr. Emmott has a wide career in the listed and unlisted real estate sector in Europe, and is based in Paris. He served as CEO of Société Foncière Lyonnaise (SFL) from 1997 to 2007 and subsequently as senior advisor to SFL until 2012.

He is currently the Principal of Europroperty Consulting, and since 2011, is a Director of CeGeREAL S.A. (representing Europroperty Consulting). He is also member of the advisory committee of Weinberg Real Estate Partners (WREP I and II), Cityhold AP and MITSUI FUDOSAN. He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. Mr. Emmott holds an MA from Trinity College (Cambridge UK).

- **Mr. Miguel Pereda Espeso** (Member) is a proprietary non-executive director of Lar España. He was appointed as a director of Lar España by the then sole shareholder of the Company on 5 February 2014. The Board of Directors of the Company appointed him as a member of the Appointments and Remuneration Committee on 6 February 2014. Mr. Pereda has more than 25 years of experience in the real estate sector, and is a director and shareholder of Grupo Lar Inversiones Inmobiliarias, S.A., since 2007, and previously, for a period of 6 years, was Chief Executive Officer of Lar Grosvenor. In 2015, he was appointed Eminent Member of the Royal Institution of Chartered Surveyors (RICS) in London.

Mr. Miguel has a degree in business administration from Universidad Complutense (Madrid, Spain), an MBA from the Instituto de Empresa (IE), participated in the Breakthrough program for Senior Executives of the IMD, has a Masters in tax from ICADE and participated in the Real Estate Management Program of Harvard University.

In accordance with the provisions of article 15.1 of the Board of Directors' Regulations, the secretary of the Appointments and Remuneration Committee is Mr. Juan Gómez-Acebo Sáenz de Heredia, as he is also the secretary of the Board of Directors.

As a result, the composition of the Committee during 2016 has been consistent with the provisions of the Board of Directors Regulations and article 529 *quincedies*.1 of the Spanish Companies Act, in accordance with its current version, as this Committee is comprised exclusively of non-executive directors and two of them are independent directors.

### **III. MEETINGS**

The Appointments and Remuneration Committee normally meets on a yearly basis. It may also meet at the request of any of its members and when called by its Chairperson. The Chairperson must call the meeting whenever the Board or its Chairperson requests the issue of a report or the preparation and adoption of proposals and, in any event, whenever appropriate for the proper exercise of its authority.

The Appointments and Remuneration Committee met six times in 2016.



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Therefore, the Appointments and Remuneration Committee met with the required frequency to properly perform its duties. All its members attended the meetings held.

The six meetings of the Appointments and Remuneration Committee were held at the Company's registered office. When a member was not in Madrid and thus could not physically attend the meeting, he or she attended the meeting by conference call.

In addition, the Appointments and Remuneration Committee has decided to establish an annual schedule of meetings to, among other things, analyse the progress and conclusions of the Sustainability Committee's meetings.

#### **IV. ACTIVITIES DURING 2016**

This Committee, in fulfilling the duties assumed under article 15 of the Board Regulations, focused its meetings in 2016 on the following main activities:

- In connection with the Company's internal rules of governance, the Appointments and Remuneration Committee finalised the review and approval of the directors' selection policy, the procedure and questionnaires to evaluate the Board of Directors, its members and committees, and the procedure to evaluate managers.
- In respect of the evaluation of the Company's managers, the Appointments and Remuneration Committee reviewed the conclusions of the evaluation process as well as the degree of achievement of 2015 targets. The Committee also resolved to pay 100% of each manager's variable remuneration.

Furthermore, the Committee reviewed and approved the proposal for 2016 targets for the Company's employees and approved a structure consisting of 75% of targets common to all employees and 25% of individual goals of each employee.

In 2016, the Committee began to assess the structure of 2017 goals and established various criteria to be met when setting such targets.

- In terms of corporate social responsibility (CSR), the Appointments and Remuneration Committee periodically reviewed issues relating to the design and implementation of the Company's CSR policy for the coming years. In this regard, the Committee was assisted by EY, who was appointed for this purposes through a competitive process. EY underlined as main aspects to consider the accessibility of persons with reduced mobility to buildings and the environment's protection in conducting the Company's activities. EY also highlighted tenants' necessary collaboration to achieve such goals.

The Committee resolved to carry out a competitive process to continue EY's work in order to prepare a CSR director plan for the next three years. Subsequently, the Committee pre-selected ARUP and the Corporate Citizenship Company as main candidates.

- The Appointments and Remuneration Committee reviewed and approved the Annual Directors' Remunerations Report for fiscal year 2015 in accordance with article 541 of the Spanish Companies Act as well as a report of the Committee's operations during 2015 in accordance with the provisions of article 529 *nonies* of the Spanish Companies Act.

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