



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.