



REPORT PREPARED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. ON ITS FUNCTIONING IN 2017

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 the Appointments and Remuneration 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, investors and other stakeholders on the Company's website (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 2017 there have been changes in the composition of the Appointments and Remuneration Committee, having increased the number of members. Until 29 May 2017, the Appointments and Remuneration Committee was composed of the following members:

- **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 and re-elected as external independent director, at the prior proposal of the Appointments and Remuneration Committee and following the favourable report from the Board of Directors, by the Ordinary General Shareholders' Meeting held on 29 May 2017. 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

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. Likewise, since September 2017, Mr. Roger Maxwell is Chairman of the Editorial Board of Iberian Property.

- **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 and re-elected as external independent director, at the prior proposal of the Appointments and Remuneration Committee and following the favourable report from the Board of Directors, by the Ordinary General Shareholders' Meeting held on 29 May 2017. 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). 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 and re-elected as external proprietary director, at the prior proposal of the Appointments and Remuneration Committee and following the favourable report from the Board of Directors, by the Ordinary General Shareholders' Meeting held on 29 May 2017. 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. for more than 10 years, 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. He is currently the chairman of Villamagna, S.A., a company belonging to the Grosvenor Group, and he is also chairman of the Altamira Lar foundation.

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.



At the meeting of the Board of Directors held on 29 May 2017, following a favorable report from the Appointments and Remuneration Committee, the Board of Directors of the Company agreed to appoint Mr. Laurent Luccioni as member of the Committee;

- **Mr. Laurent Luccioni** (Member), is a proprietary non-executive director of Lar España. He was appointed as a director of Lar España by the Ordinary General Shareholders' Meeting held on 29 May 2017, at the prior proposal of the Appointments and Remuneration Committee and following the favourable report from the Board of Directors.

Laurent Luccioni has more than 18 years of experience in the investment and financial services sector. He is currently managing director and portfolio manager at PIMCO's London Office, where he oversees the European commercial real estate team. Mr. Laurent Luccioni holds an MBA from Kellogg School of Management at Northwestern University, and a doctorate in civil and environmental engineering from the University of California, Berkeley.

In accordance with the provisions of article 15.1 of the Board of Directors' Regulations, the secretary non member 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. Likewise, during fiscal year 2017, Mrs. Susana Guerrero Trevijano has been appointed deputy secretary of the Committee, as she is also Deputy Secretary of the Board of Directors.

III. MEETINGS

In accordance with the provisions of article 15 of the Regulations of the Board of Directors, 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 eight times in 2017.

Therefore, the Appointments and Remuneration Committee met with the required frequency to properly perform its duties. All its members attended the meetings held. In one meeting, Mr. Alec Emmott attended represented by Mr. Roger M. Cooke acting by virtue of a special power of representation granted for that purpose.

Five of the eight meetings of the Appointments and Remuneration Committee were held at the Company's registered office. When one of the members has been unable to physically attend the meeting, he or she attended the meeting by conference call.



IV. ACTIVITIES DURING 2017

This Committee, in fulfilling the duties assumed under article 15 of the Board Regulations, focused its meetings in 2017 on the following main activities:

- With regard to the selection and **appointment of the members of the Board of Directors and of the Board Committees**, the Appointments and Remuneration Committee submitted the corresponding proposals and reports for the re-election by the General Shareholders' Meeting of the members of the Board of Directors whose term of appointment had expired, as well as the report for the appointment by the Board of a new director. Likewise, the Appointments and Remuneration Committee approved the proposal for the appointment of an independent director by the Board of Directors through the co-option system.

On the other hand, the Appointments and Remuneration Committee submitted the corresponding favorable reports for the appointment of the new members of the Audit and Control Committee and the Appointments and Remuneration Committee, and for the appointment of the Chairman of the Audit and Control Committee.

Furthermore, with regard to the appointment of Board positions, the Appointments and Remuneration Committee favourably reported on the appointment of the deputy secretary of the Board of Directors.

- In the selection process for the appointment of new members of the Board, the Appointments and Remuneration Committee has particularly ensured that the selection of female directors had not been obstructed and that the **diversity criteria in the composition of the Board of Directors** had been duly fulfilled. For such purpose, the Appointments and Remuneration Committee has performed such duties in collaboration with Spencer Stuart's consultancy firm.
- 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 2016 targets. The Committee also resolved the payment of each manager's variable remuneration.

Furthermore, the Committee reviewed and approved the proposal for 2017 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 addition, the Committee approved the proposals regarding the salary increase of directors for fiscal year 2017.

- In terms of **Directors' remuneration**, the Appointments and Remuneration Committee, among other aspects, approved the remuneration proposal to be received by the new director, as well as the proposal for the travel and expenses policy of the members of the Board of Directors.

Likewise, regarding the Remuneration Policy of the Board of Directors, the Appointments and Remuneration Committee has carried out some preparatory work for the purpose of updating and approving a new Remuneration Policy proposal. For such purpose, the Appointments and Remuneration Committee has been advised by Mercer.

- 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. Likewise, the preparation of the CSR Master Plan for the next years in which the Company is working has been monitored. The periodic

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



information on CSR issues that has been included in the results reports published by the Company has also been reviewed

- The Appointments and Remuneration Committee reviewed and approved the Annual Directors' Remunerations Report for fiscal year 2016 in accordance with article 541 of the Spanish Companies Act as well as a report of the Committee's operations during 2016 in accordance with the provisions of article 529 *nonies* of the Spanish Companies Act. Likewise, the Committee reviewed the proposal for the Evaluation Report on the Functioning of the Board and its Committees for the fiscal year 2016, approving the content thereof with regard to the Committee as well as the full report regarding the evaluation of the Board of Directors.

This report has been approved by the Nominations and Retributions Committee at its meeting held on 23 February 2018, and by the Board of Directors at its meeting held on 15 March 2018.

* * *