



## **REPORT BY THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE APPROVAL OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE'S REGULATIONS WHICH IS INCLUDED IN ITEM ELEVEN OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING TO BE HELD ON MARCH 16 AND 17, 2020, 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 Appointments and Remunerations Committee's Regulations (the "**Regulations**") approved by the Board of Directors of the Company on 12 December 2019.

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 15 of the Board of Directors' Rules and Regulations, developing this amendment through a specific Regulation for the Appointments and Remunerations Committee.

The approval of these Regulations are carried out within the continuous review and updating process carried out by the Company in connection with its internal corporate governance rules. This approval is aimed to introduce the provisions of Technical Guide 1/2019 of the Spanish National Securities Market Commission on Appointments and Remunerations Committees with respect to the composition and functioning of the Appointments and Remunerations Committee, as well as to incorporate the basic provisions set forth in the Good Governance Code for Listed Companies (2015) approved by the Spanish National Securities Market Commission ("**CNMV**") that are also applicable to the referred Committee.

### **3. COMPLETE TEXT OF THE REGULATIONS**

The complete text of the Appointments and Remunerations Committees Regulations is attached to this report.

Madrid, 13 February 2020



*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 APPOINTMENTS AND REMUNERATIONS COMMITTEE'S**  
**REGULATIONS APPROVED BY THE COMPANIES' BOARD OF DIRECTORS AT ITS MEETING**  
**HELD ON 12 DECEMBER 2019**

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**Appointments and Remuneration Committee Regulations**  
**of**  
**Lar España Real Estate SOCIMI, S.A.**

Madrid, 12 December 2019



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### **Article 1. Purpose**

1. The Appointments and Remuneration 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 Corporate Enterprises Act and in Article 43 of the Bylaws and Article 15 of the Company’s Board of Directors Regulations.
2. The purpose of these Appointments and Remuneration Committee Regulations, approved by the Company’s Board of Directors, is to establish the rules regarding the organisation and functioning of its Appointments and Remuneration 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; all taking into account the characteristics of the Company and its Group and the necessary contextualization of these recommendations within the framework of the proportionality principle.
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 Appointments and Remuneration 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, always in accordance with the proportionality principle therein established.
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 Appointments and Remuneration 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 Appointments and Remuneration Committee**

1. The Board of Directors shall form an Appointments and Remuneration Committee, on a permanent basis, that will be composed by a minimum of three and a maximum of five directors. They will be proposed by the Chairman of the Board and appointed by the Board of Directors amongst the external directors, trying that the majority of them are independent directors.
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 and, when possible attending to the proportionality principle, the Board will (i) endeavour that

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the members, as a whole, are appointed taking into account their knowledge of and experience in fields such as human resources, selection of directors and senior managers and design of remuneration policies and plans; and (ii) favour diversity in relation to gender, professional experience, skills, personal abilities, sectoral knowledge or international experience; all of this taking into account the limitations arising from the smaller size of the Commission when compared to the Board. The Directors who form part of the Appointments and Remuneration Committee shall hold office for as long as their appointment as Directors of the Company remains in force, unless the Board of Directors decides otherwise.

#### **Article 4. Committe positions**

1. The Board of Directors shall appoint the Chairman of the Committee from among the independent Directors that form part thereof.
2. The position of Secretary and Deputy Secretary of the Appointments and Remuneration Committee shall be held by the Secretary and 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 Appointments and Remuneration Committee**

1. Without prejudice to any other tasks that may be assigned at any given time by the Board of Directors, the Appointments and Remuneration Committee shall exercise the following basic functions:
  - a. Competences with regard to the composition of the Board of Directors and its Committees
    - i. Advise and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, in particular, 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, ensuring that non-executive directors have sufficient time available for the proper performance of their duties.

To this end, the Committee shall draw up and regularly update a matrix of the competencies necessary for the board that will define the skills and knowledge of the candidates to become director, particularly those of executive directors and those of independent directors.

- ii. Establish a representation goal for the less represented sex on the Board of Directors and provide guidelines on how to achieve such goal, proposing to the

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- Board the directors' diversity policy based, among others, on criteria related to age, disability, knowledge, professional experience and gender.
- iii. To ensure, annually, compliance with the criteria for promoting diversity in the composition of the Board of Directors established by the Company, which will be reported in the Annual Corporate Governance Report.
  - iv. 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.
  - v. Verify periodically the Directors' category.
  - vi. Inform of or draw up proposals with regard to nomination or removal of the members who should form part of each of the committees.
- b. Competences related to the selection of candidates to become board members and senior managers
- 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 nonexecutive members and the re-election proposals for such directors by the General Shareholders Meeting.
  - iii. 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 and the re-election proposals for such directors by the General Shareholders Meeting.
  - iv. Draw up the report referred to in article 5.6 of the Regulations of the Board of Directors and verify, annually, compliance with the member selection policy, reporting on this in the Annual Corporate Governance Report. In particular, the Committee shall ensure 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 women.
  - v. Inform of the proposals of the Chairman of the Board of Directors or from the CEO for the appointment and removal of senior managers.

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- c. Competences related to and to the process for appointing internal positions of the Board of Directors
  - i. Inform of the proposals with regard to the appointment or removal of the Chairman of the Board of Directors.
  - ii. Advise of proposals of the Chairman of the Board of Directors regarding the appointment or removal of the CEO.
  - iii. Examine or organize the succession of the Chairman of the Board of Directors and of the CEO of the Company and, as applicable, making proposals to the Board of Directors such that this succession occurs in an orderly and planned way, drawing up a succession plan for that purpose..
  - iv. 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.
  - v. Bring to the Board of Directors the proposal of nomination of a lead 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.
  - vi. 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.
- d. Competences related to the evaluation 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.  
  
In particular, will periodically design and organize knowledge update programs for directors.
  - ii. Conduct in collaboration with the Chairman of the Board and with the support of the coordinating director, where appropriate, the annual evaluation of its own functioning and that of its committees including the evaluation of the performance of the Chairman of the Board of Directors and of the Chief Executive Officer, and submit to the board the results of its evaluation together with a draft action plan and recommendations to correct any deficiencies identified or to improve the functioning.



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- e. Competences related to the withdrawal and termination of board members
  - i. Inform the Board of Directors about proposals for removal of non independent directors due to breach of the duties inherent in the role of member or where the circumstances of mandatory dismissal or termination according to applicable law and to the Company's regulations have been incurred.
  - ii. Propose to the Board of Directors the removal of independent directors due to breach of the duties inherent in the role of member or where the circumstances of mandatory dismissal or termination according to applicable law and to the Company's regulations have been incurred.
- f. Competences related to remuneration of directors and senior managers
  - i. Propose to the Board of Directors the remuneration policy applicable to directors and senior managers.
  - ii. Regularly review the members reward policy and senior managers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior managers in the company, ensuring its compliance and proposing modifications and updates to the Board of Directors.
  - iii. Propose to the Board of Directors the individual remuneration of non-executive directors, taking into consideration the functions and responsibilities attributed to each director.
  - iv. 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.
  - 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. Review the terms and conditions of the contracts of executive directors and senior management and verify that they are consistent with current remuneration policies
  - vii. Oversee observance of the Company's remuneration programmes and advising on the documents to be approved by the Board of Directors for general disclosure

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about remuneration information, including the annual report on members' remuneration and the corresponding part of the Company's corporate governance annual report.

viii. 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.

g. Competences related to corporate social responsibility and sustainability

i. Be aware of, promote, guide and supervise the Company's action in matters of corporate social responsibility and sustainability 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.

h. Ensure that any conflicts of interest do not prejudice the independence of the external consultancy supplied to the Committee in relation with the performance of its duties.

In the performance and exercise of its functions, the Appointments and Remuneration Committee shall take into account the principles and criteria established in *Technical Guide 1/2019 on Nomination and Remuneration Committees* of the National Securities Market Commission, of 20 February 2019, without prejudice to their adaptation to the particular circumstances and characteristics of the Company and its Group always attending to the proportionality principle.

2. The Appointments and Remuneration Committee shall establish annually an action plan that shall contemplate the main activities of the Committee during the year in relation to the fulfilment of its functions, for which it shall report to the Board, to which it shall be accountable for the work carried out.

#### **Article 6. Call of the meetings**

1. The Appointments and Remuneration Committee shall meet regularly, three times per year. 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

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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. Whenever possible, meetings of the Committee shall be held sufficiently in advance of Board meetings.

2. The Appointments and Remuneration Committee meetings shall be called by the Secretary of the Committee or, where applicable, the Deputy Secretary, by order of the Chairman, at least three 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.
3. 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. Appointments and Remuneration 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 Appointments and Remuneration 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. Attendance at meetings of the Committee must be preceded by sufficient dedication on the part of its members to analyse and evaluate the information received.

Additionally, 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.

3. The Appointments and Remuneration 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. The report shall be available to shareholders and

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investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.

4. The Appointments and Remuneration 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 Appointments and Remuneration 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, 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 so far as it is justified by reason of the case in question, so that such presence does not become customary practice. In this regard, care shall be taken to ensure that guests do not attend the deliberation and voting phases of the Committee.

#### **Article 8. Constitution and adoption of resolutions**

1. The Appointments and Remuneration Committee shall be validly convened when the majority of its members are present, in person or represented, adopting resolutions by majority of votes. The Chairman of the Appointments and Remuneration shall have the casting vote in the event of a tie.
2. Appointments and Remuneration 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 the Appointments and Remuneration 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 Appointments and Remuneration 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.

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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.

In particular, the Committee must transparently record any relationship or situation of conflict of interest that affects external advisors, requesting that their proposals for services include a breakdown of all possible conflicts with the Company or its directors.

#### **Article 11. Means and resources**

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

#### **Article 12. Relations of the Appointments and Remuneration Committee with other instances of the Company and its shareholders**

1. The Appointments and Remuneration 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) The Chairman of the Board of Directors;
  - b) The Coordinating Independent Director, in the event that he is not a member of the Committee; and
  - c) the Company's managers.
2. The Chairman of the Appointments and Remuneration Committee shall act as the spokesperson at the Board of Directors meetings and, when applicable, at the Company's General Shareholders' Meeting.
3. The Committee must consult the Chairman and the Chief Executive of the Company, especially on matters related to the appointment of executive directors and to the remuneration of senior managers and executive directors. Any director may approach the committee to propose candidates that it might consider suitable to cover vacancies on the Board.

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