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REPORT OF THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN RELATION TO THE PROPOSAL OF RATIFICATION, IF APPROPRIATE, OF THE APPOINTMENT AND RE-ELECTION OF MS. LETICIA IGLESIAS HERRAIZ AS INDEPENDENT DIRECTOR UNDER ITEM SIX ON THE AGENDA OF THE GENERAL SHAREHOLDERS MEETING CALLED FOR THE 24 AND 25 APRIL 2019, 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 5 of article 529 *decies* of the consolidated text of the Spanish Companies Law (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010 of 2 July (the “**Spanish Companies Law**”), and has the purpose of justifying the proposal of ratification, if appropriate, of the appointment and re-election of Ms. Leticia Iglesias Herraiz as external independent director of the Company.

In accordance with the referred article, the Appointments and Remunerations Committee shall propose the appointment or re-election of the independent directors of the Board of Directors of the Company. Such proposal must be accompanied by a Board of Director's report justifying the appointment and assessing the competence, experience and merits of the person who's appointment or re-election is proposed to the General Shareholders meeting.

This report has the aim of (i) justifying the appointment of Ms. Leticia Iglesias Herraiz as external independent director of the Company; and (ii) assessing her competence, experience and merits, all under the proposal of the Company's Appointments and Remunerations Committee.

The said proposal of the Appointments and Remunerations Committee is attached to this report as **Annex I**.

Consequently, the Company's Board of Directors issues this report justifying the appointment of Ms. Leticia Iglesias Herraiz as external independent director of the Company, which has been approved by the members of the Board on 14 March 2019.

1. JUSTIFICATION OF THE APPOINTMENT

The assessment by the Board of the reputation, competence, experience and merits of Ms. Leticia Iglesias Herraiz and the convenience of her appointment for the fulfilment of the functions carried out by an independent director of the Company will be outlined below, in light of the proposal issued by the Company's Appointments and Remunerations Committee, on 14 March 2019.

For the purpose of article 518.e) of the Spanish Companies Law, 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

Ms. Leticia Iglesias Herraiz has a wide experience in both the regulation and supervision of securities markets, in financial services and in audit. She started her professional career in 1987, in the audit division of Arthur Andersen. Then from 1989 to 2007 she further developed her career in the Securities Exchange Commission of Spain (the "CNMV"). From 2007 to 2013 she was Chief Executive Officer of the Spanish Institute of Chartered Accountants (ICJCE). Additionally from 2013 to 2017 she was an independent member of the Board of Directors at BMN, member of the Executive Committee, Chair of the Global Risk Committee and member of the Audit Committee. From 2017 to 2018, she was an independent member of Board of Directors at Abanca Services and Chair of the Audit and Risk Committee. Since May 2018, she has been an independent member of the Board of Directors of Abanca Bank, Chair of the Audit and Compliance Committee, member of the Global Risk Committee and member of the Comprehensive Risk Committee.

Ms. Leticia Iglesias Herraiz holds a degree in Economics and Business Studies from Universidad Pontificia Comillas (ICADE) and is member of the Official Registry of Auditors of Spain (ROAC).

b. Report of the Appointments and Remunerations Committee and assessment of Ms. Leticia Iglesias Herraiz

The Company's Board of Directors, in light of Mr. Pedro Luis Uriarte Santamarina's announcement of his intention to resign from his position as member of the Company's Board of Directors, as well as from his position as member and Chair of the Audit and Control Committee, initiated the corresponding process to assess the appointment of a new director, analyzing the current structure and composition of the Board, 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 on January 2016.

Once the process started, 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 current shareholding structure and the number of Board members resulting from the resignation of Mr. Uriarte from his position as director, it was necessary to appoint an independent director. In addition, the Appointments and Remunerations Committee concluded that the referred independent director would be appointed by means of the co-option system (*cooptación*) to fill the vacancy generated following Mr. Pedro Luis Uriarte Santamaria's resignation from his position as Company's director.

In this respect, and regarding the appointment of the referred independent director by means of the co-option system (*cooptación*), the Appointments and Remunerations Committee:

- (i) carried out a selection process with the assistance of Korn Ferry, a leading Head Hunter firm, selected among 3 specialized firms, whereby 19 candidates were assessed. 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;



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- (iii) assessed her potential contributions as independent director, contributing with her perspective and knowledge of the market and, particularly;
- (iv) analyzed the needs of the Board of Directors regarding its members; and
- (v) 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 proven reputation, 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.

Finally, the Appointments and Remunerations Committee verified, to the extent possible, that there were 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 had 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 conclusion that her appointment as external independent director of the Company would bring important advantages to this Board of Directors was reached and, consequently, the Company's Appointments and Remunerations Committee proposed her appointment by means of the co-optation (*cooptación*) system. Ms. Leticia Iglesias Herraiz was designated as director on the Board of Directors' meeting held on 16 October 2018.

Moreover, the Appointments and Remunerations Committee deems that, considering her profile and professional career, Ms. Leticia Iglesias Herraiz is going to exercise her duties as director with the loyalty of a faithful representative, acting in good faith, in the best interest of the Company and responsible and with freedom and independence of judgement, as shown by her professional track record. Furthermore, the Appointments and Remunerations Committee has considered that Ms. Leticia Iglesias Herraiz is going to devote the necessary time to carry out her tasks effectively and is sufficient available for the proper development of her functions.

2. JUSTIFICATIONS

In light of the above, and in accordance with the Director Selection Policy, as well as in view of the services rendered to this date in her position, the Board considers that Ms. Leticia Iglesias Herraiz's career and CV demonstrate her reputation, competence and merits to continue serving as director. Her extensive experience and her deep knowledge guarantee a correct continuity in the management of the interests of the Company. In addition, having her as member of the Board of Directors of the Company 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 ratification and re-election (which this body accepts as its own), implies that the Board of Director understands that the ratification and re-election of Ms. Leticia Iglesias Herraiz 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 to date.



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3. CATEGORY

Ms. Leticia Iglesias Herraiz 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 OF THE BOARD OF DIRECTORS

The Board of Directors, in view of the above, considers that the proposal of the Appointments and Remunerations Committee on the ratification and re-election of Ms. Leticia Iglesias Herraiz as external independent director is justified, on the understanding that she will support the continuity in the management of the Company and its group.

Madrid, 14 March 2019



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ANNEX I

PROPOSAL OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE TO THE BOARD OF DIRECTORS ON THE RATIFICATION AND RE-ELECTION OF MS. LETICIA IGLESIAS HERRAIZ AS EXTERNAL INDEPENDENT DIRECTOR TO BE SUBMITTED TO THE GENERAL SHAREHOLDERS MEETING



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PROPOSAL OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE TO THE BOARD OF DIRECTORS ON THE RATIFICATION AND RE-ELECTION OF MS. LETICIA IGLESIAS HERRAIZ AS EXTERNAL INDEPENDENT DIRECTOR TO BE SUBMITTED TO THE GENERAL SHAREHOLDERS MEETING

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 Law (Ley de Sociedades de Capital), approved by Royal Legislative Decree 1/2010 of 2 July (the “**Spanish Companies Law**”), issues this proposal which is submitted for the approval of the General Shareholders Meeting of the Company called for the 24 and 25 April 2019, on first and second call, respectively, under item six on the agenda, for the ratification, if appropriate, of the appointment by means of the co-option (*cooptación*) system and the re-election for the statutory period of three years of Ms. Leticia Iglesias Herraiz, as an external independent director of the Company.

In accordance with paragraph 4 of article 529 *decies* of the Spanish Companies Law, the power to issue the proposal for the appointment or re-election 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 or re-election 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. Furthermore, according to Article 15.5.c.iii of the Board of Directors' Regulation of the Company, this Committee shall submit to the Board of Directors the proposals of re-election of independent directors.

2. PURPOSE OF THE PROPOSAL

The proposal is prepared with the purpose of complying with the provisions included in paragraph 4 of article 529 *decies* of the Spanish Companies Law.

3. ASPECTS CONSIDERED BY THE APPOINTMENTS AND REMUNERATIONS COMMITTEE

The Company's Board of Directors, in light of Mr. Pedro Luis Uriarte Santamarina's announcement of his intention to resign from his position as member of the Company's Board of Directors, as well as from his position as member and Chair of the Audit and Control Committee, initiated the corresponding process to assess the appointment of a new director, analyzing the structure and composition of the current Board, 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 on January 2016.

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 current shareholding structure of the Company and the resulting number of Board members following Mr. Uriarte's



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resignation from his position as director, it is necessary to appoint an independent director. Such director would be appointed by means of the co-option system (*cooptación*) to fill the vacancy generated following Mr. Pedro Luis Uriarte Santamaria's resignation from his position as Company's director.

In this respect, and regarding the appointment of the referred independent director by means of the co-option system (*cooptación*), the Appointments and Remunerations Committee:

- (i) carried out a selection process with the assistance of Korn Ferry, a leading Head Hunter firm, selected among 3 specialized firms, whereby 19 candidates were assessed. This process has been 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) assessed her potential contributions as independent director, contributing with her perspective and knowledge of the market;
- (iv) analyzed the needs of the Board of Directors regarding its members; and
- (v) 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 proven reputation, 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.

Likewise, the Appointments and Remunerations Committee has verified, to the extent possible, that there were 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 had no implicit bias that could entail any form of discrimination and, in particular, that could hinder the selection of female directors.

Under the powers of appointment by means of the cooption (*cooptación*) system legally delegated thereto, and following the proposal submitted by the Appointments and Remunerations Committee, the Board of Directors appointed Ms. Leticia Iglesias Herraiz as director of the Company on 16 October 2018.

In addition to the above, the Appointments and Remunerations Committee has re-evaluated the suitability of the appointment of Ms. Leticia Iglesias Herraiz considering (i) the current shareholding structure of the Company (ii) the prospective quantitative composition of the Board of Directors after the General Meeting of Shareholder and (iii) the performance of Ms. Leticia Iglesias Herraiz. In this regard, the Committee considers that the current circumstances justify the ratification of Ms. Leticia Iglesias Herraiz. Moreover, the Appointments and Remunerations Committee deems that, considering her profile and professional career, Ms. Leticia Iglesias Herraiz is going to exercise her duties as director with the loyalty of a faithful representative, acting in good faith, in the best interest of the Company and responsible and with freedom and independence of judgement, as shown by her professional track record.



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Furthermore, the Appointments and Remuneration Committee has considered that Ms. Leticia Iglesias Herraiz is going to devote the necessary time to carry out her tasks effectively and is sufficient available for the proper development of her functions. Given the above, the Appointments and Remuneration Committee considers to be appropriate the re-election of Ms. Leticia Iglesias Herraiz as director of the Company.

Therefore, the Committee deems that Ms. Leticia Iglesias Herraiz counts with the required skills, expertise, merits to carry out her tasks as director of the Company.

4. CATEGORY OF DIRECTOR TO WHICH SHE BELONGS OR MUST BE ASSIGNED

D.^a Leticia Iglesias Herraiz will not represent any shareholder at the Board of Directors; neither will she have executive functions. Therefore, according to the applicable law, she will be an external independent director.

5. CONCLUSIONS OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE

The Appointments and Remunerations Committee, in view of the above, as well as in view of the services rendered to this date in her position, considers that Ms. Leticia Iglesias Herraiz meets the appropriate competence, experience and merits requirements to serve the position of director of the Company under conditions established by Law and regulation, and consequently, submits to the Board of Directors for the approval of the General Meeting of Shareholders the proposal of ratification and re-election of Ms. Leticia Iglesias Herraiz as external independent director of the Company.

6. RESOLUTION PROPOSAL

The proposed resolution submitted for the approval of the General Shareholders Meeting reads as follows:

"ITEM SIX ON THE AGENDA

Ratification of the appointment and re-election, if appropriate, of Ms. Leticia Iglesias Herraiz as independent director of the Company, for the statutory period of three years.

RESOLUTION

Ratify the resolution adopted by the Board of Directors at its meeting held on 16 October 2018, appointing Ms. Leticia Iglesias Herraiz, of legal age, of Spanish nationality and Spanish identification number (DNI) 05266631E, in force, with professional address for these purposes at Rosario Pino 14-16, 8^o Planta, Madrid, as a member of the Board, under the category of "independent directors", by the co-option system to replace the vacancy arising from the resignation of Mr. Pedro Luis Uriarte Santamarina; and reappoint her as an independent director of the Company for the statutory period of three years starting from the date of this General Shareholders Meeting.

The proposed re-election is accompanied by a supporting report from the Board, evaluating the competence, experience and merits of Ms. Leticia Iglesias Herraiz, as well as the corresponding report from the Appointments and Remunerations Committee. These reports have been made available to the shareholders as from the publication of the notice of the General Shareholders Meeting.

Ms. Leticia Iglesias Herraiz will accept her appointment by any means valid under the Law."

En Madrid, a 14 de marzo de 2019.