

Corporate Governance Policy
at
Lar España Real Estate SOCIMI, S.A.



Prepared by	Date	Approved by	Date
Corporate Management	28 December, 2015	Board of Directors	20 January, 2016

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1. Background

The Board of Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter, “Lar España” or the “Company”) is empowered to draw up this corporate governance policy, which is part of the Company's body of internal rules and regulations, which additionally comprises its Bylaws, the Board Regulations, the General Meeting Regulations and the Internal Securities Markets Code of Conduct, as well as other internal corporate-governance-related standards.

This policy is articulated around two key sets of standards:

- a. On the one hand, the legally-binding standards enshrined in the Spanish Corporate Enterprises Act and other applicable company law.
- b. On the other hand the recommendations contained in the current Corporate Governance Code of the Spanish Securities Market Commission dated 18 February 2015 (hereinafter, the “CNMV” for its acronym in Spanish), which are voluntary but which require the Board to give a reasoned explanation for any deviation.

Given the nature of the Company's shareholders the Board will endeavor to ensure that its practices are in harmony with current international best practice of corporate governance among listed property companies.

2. Purpose

The aim of the corporate governance policy is to help Lar España maximize its competitiveness, foster transparency and thereby build the confidence of Spanish and international shareholders and investors, improve internal control and corporate responsibility and ensure due segregation of functions, duties and responsibilities, all from the standpoint of maximum professionalism and rigor.

3. General principles

1. To maximize, on a sustained basis, the Company's economic value, in keeping with the legitimate public and/or private interests that come into play in the pursuit of any economic activity.
2. To establish the mechanisms and instruments need to ensure that the Company identifies, analyzes and adopts, as required, the best practices, standards and recommendations in the corporate governance field.
3. To guarantee equal treatment of all shareholders, duly protecting and facilitating the exercise of their rights.
4. To promote adequate transparency and disclosure vis-a-vis the market, so that the Company reports in a clear, comprehensive, simple, orderly and comprehensible manner to its various stakeholders.
5. To oversee the safeguards in place to ensure the honorability, suitability, solvency, skills, experience, qualification, training, availability and commitment to their duties of the directors and senior officers.
6. To ensure the existence of appropriate director selection procedures so as to guarantee reasonable boardroom balance and diversity.
7. To establish the appropriate mechanisms for circumscribing the duties and responsibilities of the directors and enabling the discovery and resolution of potential conflicts of interest between the directors and the Company.
8. To ensure a director remuneration policy based on the principles of transparency, moderation, compensation for dedication and correlation with the Company's performance.
9. To ensure the quality and effectiveness of the work performed by the Board of Directors, its members and its committees by means of an annual evaluation, attempting to this end to rely on the support and assistance of independent external advisors.
10. To facilitate the directors' ongoing learning so as to ensure familiarity with the Company's business and its corporate governance rules by means of an annual knowledge and information program.

4. Good governance commitments

4.1. Shareholder protection

- Lar España shall avoid all bylaw clauses whose underlying purpose is to hinder possible takeover bids.
- If more than one group company is listed, adequate measures shall be established to protect the legitimate interests of all affected parties and address any potential conflicts of interest.
- Lar España shall pursue a strategy of communicating and engaging with shareholders, institutional investors and proxy advisors that fully respects anti-market abuse law, treating all shareholders of the same status equally.
- The directors of Lar España shall make limited use of their delegated power to issue shares or convertible securities when waiving pre-emptive subscription rights in any amount exceeding 20% of capital at the time of the related shareholder resolution. And if it were to exercise such power, the Board shall inform shareholders appropriately about such use.

4.2. General Meetings

- Lar España shall make it easy for shareholders to exercise their rights to attend and participate in General Meetings in conditions of equality.
- Lar España does not intend to pay shareholders a bonus for General Meeting attendance. In the event that this policy is modified it shall first establish and publish a general policy governing such payments.
- Lar España shall provide its shareholders with clear information concerning its degree of compliance with the CNMV's Governance Code recommendations at the Ordinary General Meeting.
- The shareholders' general meeting shall be conducted according to principles of transparency and with appropriate information provided.
- Whether legally obliged to do so or on a voluntary basis, Lar España shall prepare the following reports, which will be uploaded onto the Company's website sufficiently in advance of the Annual General Meeting:
 - Report on auditor independence.
 - Reviews of the operation of the audit committee and the appointments and remuneration committee.
 - Audit committee report on third-party transactions.
 - Report on corporate social responsibility policy.
- In the event of a qualified auditor report, both the Chairman of the Audit and Control Committee and the auditor will provide shareholders with a clear account of the content of such limitations or qualifications.

4.3. Board of Directors

Composition

- The Board of Directors shall be directly responsible individually and collectively for steering the company and supervising its management, with the shared goal of promoting the corporate interest.
- The Board of Directors shall perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It shall be guided at all times by the Company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

- In pursuing the corporate interest, it shall abide by Spanish laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, and also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.
- The Board of Directors shall delegate the Company's everyday management between its committees and the management team so as to concentrate on its general supervisory remit and analysis of matters of particular importance to the Company.*
- The Board of Directors shall be sized to facilitate its efficient functioning, the participation of all members and agile decision-making.
- The Board of Directors shall have a balanced membership, with a large majority of non-executive directors and an appropriate mix of proprietary and independent directors, with the latter occupying at least half of board places.
- Director selection policy shall seek a balance of knowledge, experience and gender in the board's membership.

Board positions

- The chairman shall be responsible for the leadership and efficient running of the Board of Directors; in the event that he or she is also a Company executive, the Board of Directors shall appoint (which vote shall be cast in the absence of the executive directors) a lead independent director from among the independent directors, who shall be vested with special powers to call a Board meeting or add new items to a meeting agenda after its call, to coordinate and gather the non-executive directors and to run the periodic evaluation of the Board chairman as warranted.*
- The work of the secretary of the Board of Directors shall be to facilitate the efficient running of the board.
- CEOs and directors attributed executive duties under another title shall be party to a written contract with the Company that regulates the relationship (and covers remuneration, duties and termination benefits, among other things). This contract must be approved by the Board and carried with the favorable vote of two-thirds of its directors (with the party in question abstaining from the related debate and vote). This contract shall be necessary even if the CEO or equivalent position is not remunerated.*

Modus operandi

- The grounds for director removal or resignation must not impinge upon their freedom of judgment. They shall protect the Company's name and reputation, allow for changing circumstances and ensure independent directors a stable mandate as long as they retain their independent status and are not in breach of their duties.
- Directors shall allocate sufficient time to the Company to discharge their responsibilities effectively and to gain a solid grasp of Lar España's business and the governance rules to which it is subject, taking part to this effect in the induction and refresher courses organized by the Company.
- The Board of Directors shall meet with the necessary frequency to properly perform its management and oversight functions with the attendance of all members or an ample majority.
- Directors shall be equipped with sufficient information to operate effectively, and shall be entitled to call on the Company for any guidance they require.
- The Board shall periodically evaluate its overall performance and that of its members and committees. This evaluation shall be externally facilitated at least every three years. On the basis of the outcome of this evaluation exercise, it shall draw up an action plan to address any shortcomings identified.

Director remuneration

- The remuneration of Board members shall suffice to attract and retain the right people and to sufficiently compensate them for the dedication, abilities and responsibilities that the post demands, but shall not be so high as to compromise the independent judgment of non-executive

directors. Remuneration policy shall seek to further the corporate interest, while incorporating the necessary mechanisms to avoid excessive risk-taking or rewarding poor performance.

- Variable remuneration tied to the Company's performance and/or personal performance, including remuneration comprising the delivery of shares, share options or other share-based instruments, and the award of long-term savings schemes, such as pension plans, retirement schemes and other savings plans, shall be confined to executive directors.*
- The Appointments and Remuneration Committee shall approve director remuneration policy, which must be endorsed by the Board and submitted to a shareholder vote.

4.4. Committees

- The Executive Committee, where one exists, shall have a composition mirroring that of the Board of Directors, and keep the Board regularly informed of its decisions.*
- As well as its legally-defined functions, the Audit and Control Committee shall be formed by a majority of independent directors. Its members, particularly its chairman, shall be appointed with regard to their knowledge and experience in accounting, auditing or risk management matters, while its terms of reference shall reinforce its remit, independence and scope.
- The Company shall maintain a risk control and management function in the charge of an internal unit or department, supervised directly by the Audit and Control Committee.
- As well as its legally-defined functions, the Appointments and Remuneration Committee shall have a majority of independent members, who shall be appointed with regard to their knowledge, skills and experience, while its terms of reference shall reinforce its remit, independence and scope.
- The task of supervising compliance with corporate governance rules, the code of conduct and corporate social responsibility policy will be split between the Audit and Control Committee the Appointments and Remuneration Committee, as appropriate in each case.

4.5. Corporate Social Responsibility

- The Company shall deploy an appropriate Corporate Social Responsibility policy, this being a non-delegable Board power, and report to the Ordinary General Meeting transparently and in sufficient detail on its development, application and results.
- The Appointments and Remuneration Committee shall be responsible for supervising compliance with the Corporate Social Responsibility policy; monitoring social responsibility strategy and practices; and assessing the level of compliance therewith, before reporting to the Board of Directors.

4.6. Director obligations and fiduciary duties

Duty of care

- The directors must be in a position to discharge their duties and comply with their legally-imposed and bylaw-stipulated obligations with due diligence, bearing in mind the nature of the position and the duties associated with each.
- Directors must devote sufficient time to the Company and adopt appropriate measures for ensuring its correct management and control.
- In carrying out their duties, the directors are duty-bound to demand and are entitled to obtain from the Company the level of information they need to correctly fulfil their obligations.

The business judgment rule

- In terms of strategic and business decision-making subject to the business judgment rule, the duty of care standard is deemed to have been satisfied whenever a director has acted in good faith, without a personal interest in the matter being decided, having been duly informed and having taken the related decision pursuant to an appropriate decision-making procedure.

Duty of loyalty

A free translation from the original in Spanish. In the event of discrepancy, the Spanish version prevails.

- The directors must carry out their duties as loyal Company representatives, acting in good faith and in the Company's best interests.
- Specifically, directors are duty-bound to maintain the confidentiality of the information, data, reports or other records to which they gain access in the course of discharging their duties, even after they no longer serve on the board, except as permitted or required under law.
- Directors must also abstain from participating in debates and votes on resolutions or decisions with respect to which they or one of their related parties has a direct or indirect conflict of interest.

Duty to avoid conflicts of interest

- Directors may not serve as directors or executives of companies that compete with the Company other than permitted positions, as appropriate, at group entities, without the express authorization of the Board of Directors on the basis of a favorable report by the Appointments and Remuneration Committee.

Mandatory application and release

- The Board of Directors, as a general rule, or the shareholders in general meeting (in the case of release from a ban on a conflict pertaining to the obtention of a benefit or remuneration from third parties or a transaction whose size is equivalent to over 10% of the company's assets) may grant release from the duty to avoid conflicts of interest by authorizing performance of the transaction by a director or one of his/her related parties.

Director liability

- Directors shall be liable to the Company, its shareholders and its creditors for damages caused by acts or omissions that violate the law or the Bylaws and the directors' fiduciary duties, insofar as there has been willful misconduct or negligence.
- The burden of proof shall shift to the directors in the event that their actions violate the law or the Company's Bylaws.
- The Company will subscribe to, and maintain a Directors' and Officers' insurance to cover the cost of compensation claims made against the Company, its directors and key managers in the legitimate course of the Company's activity, as well as the cost of defending such actions.

*Certain dispositions of this text are not applicable due to the organization's current structure. It is however included with the aim of ensuring permanence to the Corporate Governance policy.