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REPORT BY THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE AMENDMENT OF THE BOARD OF DIRECTORS' RULES AND REGULATIONS INCLUDED IN ITEM TEN OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED FOR THE 18 AND 19 APRIL 2018, IN 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 amendments carried out in connection with the Board of Directors' Rules and Regulations of Lar España (the "**Regulations**") approved by the Board of Directors of the Company on 27 December 2017.

To simplify the comprehension of the amendments, a description of the purpose and justification of the amendments is hereby provided to the shareholders of the Company.

Finally, and with the purpose of simplifying the comparison between the new text of the amended articles, a document highlighting the changes with respect to the previous version is attached to this report.

2. GENERAL JUSTIFICATION OF THE PROPOSAL

The amendments to the Board of Directors' Rules and Regulations are carried out within the continuous review and updating process carried out by the Company in connection with its internal corporate governance rules. In general terms, the objectives of these amendments are:

- introduce the basic provisions set forth in the Spanish Securities Market Commission's Technical Guide 3/2017, on audit committees, with regards the composition and functioning of the Audit and Control Committee, and in connection with the Recommendations included in the Good Governance Code for Listed Companies (2015) that are also applicable to the referred Committee; and
- Include in articles 8.6 and 15.5.a) (xi) of the Regulations an express reference to diversity promotion criteria with regard to the composition of the Board of Directors, in accordance with the new text of article 540.4.c).6º of the Spanish Companies Act, as amended by Royal Decree-Law 18/2017, of 24 November, approving the amendment of the Commercial Code, the consolidated text of the Spanish Companies Act and Law 22/2015 on Accounts Auditing, with regard to non-financial information and diversity.

3. STRUCTURE OF THE AMENDMENT

A document highlighting the changes to articles 8, 14 and 15 of the Board of Directors' Rules and Regulations with respect to the previous version of the Regulations is attached to this report as **Annex**.

Madrid, 15 March 2018

ANNEX
CHANGES TO ARTICLES 8, 14 AND 15 OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. BOARD OF DIRECTORS' RULES AND REGULATIONS, APPROVED IN THEIR MEETING OF 27 DECEMBER 2018 WITH HIGHLIGHTED CHANGES WITH RESPECT TO THE PREVIOUS VERSION

The rest of the articles from the Board of Director's Rules and Regulations remain unaltered with respect to the previous version in force.

Article 8. Qualitative composition

1. The Board of Directors, in the exercise of its power of proposal to the General Shareholders' Meeting and of covering vacancies by means of co-option, will ensure that, to the greatest possible extent, in the composition of the body, external or non-executive directors represent a majority with respect to executive directors, trying to ensure that the number of independent directors represents at least one third of the total members of the Board of Directors. Likewise, the number of executive directors will be the minimum required, taking into account the complexity of the corporate group and the executive directors' shares in the Company's capital.
2. The definitions of the different types of directors will be those established in the regulations in force, or in their absence, in the corporate governance recommendations applicable to the Company at any time. Without prejudice to the above, only those directors who have held the position for more than twelve years without interruption may be classified as independent.
3. The Board will ensure that, amongst external directors, the ratio between the number of proprietary directors and the number of independent directors reflects the existing ratio of the Company capital represented by the proprietary directors to the rest of the capital.
4. The Board will avoid any discrimination amongst shareholders in their access to the Board of Directors through proprietary directors.
5. The nature of each director will be explained by the Board to the General Shareholders' Meeting in which they are appointed or ratified, and will be confirmed or, if applicable, reviewed on a yearly basis in the annual corporate governance report, after being verified by the Appointments and Remuneration Committee. Should there be any external director who cannot be regarded as proprietary or independent, the Company will explain this circumstance and the directors' links either to the Company or its management or to its shareholders.
6. The Board of Directors will ensure that the procedures for the selection of its members promote diversity in experience, knowledge, director's training, age, disability, and gender, and that they have no implicit biases that might lead to discrimination and, in particular, that they encourage the selection of women directors, establishing a diversity policy or guidelines for such purpose.

[...]

Article 14. Audit and Control Committee. Composition, competences, and functioning

1. The Board of Directors will create, on a permanent basis, an Audit and Control Committee, comprised a minimum of three and a maximum of five directors, appointed by the Board of Directors itself from amongst the external or non-executive directors, the majority of which must be independent directors. The members of the Audit and Control Committee, and in particular its Chairman, will be appointed taking into account their knowledge and experience in accounting, auditing, and risk management, ~~and the majority of said members will be independent directors. The Board of Directors will also appoint, their.~~ Likewise, the Board will endeavour that they have knowledge of and experience in other fields that might be appropriate for the Audit and Control Committee to fulfil its functions as a whole, such as finance, internal control, and information technologies.

Likewise, and without prejudice to the promotion of diversity of gender and geographic origin, the Committee members, who will be appointed taking into account the necessary dedication to carry out the functions entrusted thereto, will have, as a whole, the relevant technical knowledge necessary with regard to the Company's business sector.

2. ~~The Board of Directors will appoint the~~ Chairman of the Committee from amongst the independent directors that form part ~~of said Committee. The position of Secretary thereof. The position of Secretary and Deputy Secretary~~ of the Audit and Control Committee ~~will be held by the Secretary of the~~ will be held by the Secretary of the Board of Directors, and, if applicable, by the Deputy Secretary of the Board.

The members of the Audit and Control Committee will hold their positions for a maximum term of three years, and may be re-elected one or several times by periods of equal maximum duration.

The position of Chairman will also be held for a maximum term of three years, at the end of which the Chairman may not be re-elected as such until one year has elapsed after his or her removal, notwithstanding his or her continuity or re-election as a Committee member.

3. ~~2.~~ Without prejudice to any other tasks that may be assigned at any time by the Board of Directors, the Audit and Control Committee will exercise the following basic functions:
 - a. ~~Oversee the calculation of the commissions obtained by the Managing Company for the performance of their functions. With regard to the supervision of financial information:~~
 - i. Report to the General Shareholders' Meeting on any ~~matter~~ matters raised by the shareholders regarding its competence and, in particular, on the results of the audit, explaining how it contributed to the integrity of the financial information and the function discharged by the ~~committee~~ Committee in this process.
 - ii. ~~Oversee the efficiency of the internal control of the Company and its Group, as well as of its risk management systems.~~

- ~~iii. Analyze, together with the auditors, significant weaknesses of the internal control system detected during the audit, all without breaching their independence.~~
- iv. ~~e.~~ Oversee the process of preparing and submitting the required financial information and submit recommendations or proposals to the managing body aimed at safeguarding its integrity.
- v. Oversee that the Board of Directors endeavours to present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the auditors' report. Should such reservations or qualifications exist, both the Chairman of the Audit and Control Committee and the auditors should clearly explain to the shareholders of the content and scope of such reservations or qualifications.
- vi. Give the Board of Directors prior notice of any financial information that the Company, as a listed company, is obliged to publish periodically. The Audit and Control Committee must ensure that the half-yearly financial reports and the interim management reports are drawn up in accordance with the same accounting policies as the annual financial statements and, to this end, it may ask the external auditor to conduct a limited review of the half-yearly financial reports.
- b. With regard to the supervision of internal control and reporting systems:
 - i. Oversee the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking the fulfilment of legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
 - ii. Oversee on a regular basis the effectiveness of the internal control of the Company and its Group as well as the activities of the Company's internal audit function, discussing together with the auditors and any significant weaknesses in the internal control system detected in the audit, all without diminishing its independence. To that effect, and where applicable, the Committee will submit recommendations or proposals to the Board of Directors and the corresponding period for the follow-up thereof.
 - iii. Oversee the unit that assumes the internal audit function, which will oversee the proper functioning of the reporting and internal control systems and will report functionally to the Chairman of the Audit and Control Committee and, in particular: (a) monitor the independence and effectiveness of the internal audit function; (b) propose the selection, appointment, re-election and removal of the head of the internal audit department; (c) propose the department's budget; (d) approve its priorities and work plans, ensuring that its activity focuses primarily on the main risks to which the Company is exposed; (e) receive regular reports on its activities; (f) and verify that senior management take into account the findings and recommendations of its reports.

The head of the internal audit department should present an annual work plan to the Committee, report on any incidents arising during its implementation and submit an activities report at the end of each year.

- iv. Establish and monitor a mechanism whereby employees and any third party can report in a confidential or, if appropriate, anonymous manner any potentially significant irregularities within the Company, particularly of a financial and accounting nature.
- c. With regard to the external auditor:
 - i. ~~f. Propose to the Board of Directors, for its decision by the General Shareholder's Meeting, the~~ Submit to the Board the proposals for the selection, appointment, re-election or and replacement of the auditors of the external auditor, taking responsibility for the selection process, in accordance with that set forth in applicable legislation, as well as the contracting terms.
 - ii. ~~g. Supervise the internal audit activities of the Company.~~ Receive regular information from the external auditor in relation to the auditing plan and the results of its implementation, and verify that senior management has borne in mind its recommendations.
 - iii. ~~h. Establish the proper relationships with auditors to receive information on any matters that may threatened their independence, for examination by the Audit and Control Committee, and any other matters related to the audit process and, where applicable, the authorisation of the services other than those prohibited, under the terms envisaged in applicable legislation, as well as other notices envisaged in audit legislation and other audit regulations. In any event, the external auditor must send written confirmation on its independence with respect to the Company or entities directly or indirectly connected thereto on an annual basis, as well as detailed and individual information on any type of additional services provided and the related fees received from these entities by the external auditor or by persons or entities related to the auditor, pursuant to the applicable accounting legislation.~~

In any event, the external auditor must send written confirmation on its independence with respect to the Company or entities directly or indirectly connected thereto on an annual basis, as well as detailed and individual information on any type of additional services provided and the related fees received from these entities by the external auditor or by persons or entities related to the auditor, pursuant to the applicable accounting legislation.

- iv. ~~i. Issue an annual report, prior to the issue of the auditors' report, containing an opinion on whether the independence of the auditors or audit companies has been compromised, which will be available to shareholders and investors through the Company's website well in advance of the Ordinary General~~

Shareholders' Meeting. Such report will, in all cases, ~~pronounce itself~~ contain about the reasoned evaluation the provision of each and every one of the additional services mentioned in ~~the paragraph above~~ the letter above, considered individually and as a whole, other than legal audit services, and in relation to the rules on independence or in accordance with the regulations governing audit activities.

~~j. Appoint and supervise the external appraisal accountant's services in relation to the valuation of the Company's assets.~~

~~k. Inform the Board of Directors, in advance, about all the matters provided for in the Law, the By-laws and in the Board of Directors' Rules and Regulations, and in particular, about: (i) financial information that the Company has to periodically disclose publicly; (ii) the creation or acquisition of stocks in special purpose entities or domiciled in countries or territories that have the consideration of tax havens; (iii) operations with related entities; and (iv) economic conditions and accounting impact and, if applicable, about the share exchange equation of the structural modifications and corporate operations that the Company plans to carry out.~~

~~3. Moreover, the Audit and Control Committee will:~~

~~a. In relation to information and internal control systems:~~

~~i. Supervise the elaboration process and the integrity of the financial information relative to the Company and, if applicable, of the Group, reviewing the fulfillment of the legal requisites, the adequate delimitation of the consolidation perimeter and the correct application of accounting principles.~~

~~ii. Review periodically the internal control and risk management systems, so that the main risks are identified, managed and made public adequately.~~

~~iii. Ensure the independence and enforcement of the internal audit function, propose the selection, appointment, reelection and dismissal of the head of the internal audit department, propose the budget for the department, approve the orientation and their work plans, ensuring the activity is focused mainly towards the Company's relevant risks; receive periodical information of their activities; and verify that the senior management takes into account the conclusions and recommendations in their reports.~~

~~iv. Establish and supervise a mechanism that enables the workers to communicate confidentially and, if it is deemed appropriate, anonymously the irregularities of potential importance, specially financial and accounting, that they have witnessed inside the Company,~~

~~b. In relation to the external auditor:~~

- ~~i. Propose to the Board of the Directors the selection proposals, appointment, reelection and substitution of the external auditor, as well as the contracting terms.~~
 - ~~ii. Regularly receive from the external auditor information about the audit plan and the results of its implementation, and verify that the senior management takes into account their recommendations.~~
 - v. **Ensure** Preserve the independence of the external auditor in the performance of its duties and, for such purpose: (i) ensure that the Company notifies the Spanish National Stock Market Commission of any change of auditor as a Significant Event, accompanied by a statement of any possible disagreements arising with the outgoing auditor and, if any, of their content; (ii) ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services and, in general, other requirements designated to safeguard auditors' independence; and (iii), in the event of auditor's resignation, examine the reasons thereto.
 - vi. In the case of groups, the Committee should encourage the Group auditor to take on the auditing of all companies of the Group.
 - vii. Ensure that the remuneration of the external auditor does not compromise its quality or independence.
 - viii. Ensure that the external auditor has an annual meeting with the Board of Directors in plenary session to inform it of the work carried out and developments in the Company's risk and accounting positions.
- ~~The Committee will oversee that the Board of Directors tries to present the annual accounts to the General Shareholders' Meeting without limitations or exceptions in the audit report and that, in the exceptional circumstances in which exceptions are present, both the president of the Audit and Control Committee and the auditors will explain clearly to the shareholders the content and extent of these limitations or exceptions.~~
- ~~c. In relation to the policy and risk management:~~
 - d. With regard to oversight of risk management and control:
 - i. Oversee the effectiveness of the risk management systems and, in particular, review these systems in order for the main risks to be properly identified, managed and disclosed.
 - ii. Oversee the internal risk management and control function.
 - iii. **i. Identify** In relation to the risk policy and risk management, identify at least (i) the different types of risk (operating, technological, financial, legal, reputational) to which the Company is exposed, including financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) the risk levels the

Company deems acceptable; (iii) the measures in place to mitigate the impact of the identified risks, should they occur; and (iv) the internal reporting and control systems to be applied to control and manage the aforementioned risks, including contingent liabilities and off-balance risks.

- ~~ii. Identify the setting of risk levels that the Company considers acceptable.~~
- ~~iii. Identify the measures planned to mitigate the impact of the identified risks, in case these are materialized.~~
- ~~iv. Identify the information and internal control systems that will be used to control and manage said risks, including contingent liabilities or out-of-balance risks.~~

e. ~~e.~~ With regard to the obligations of listed companies:

Report to the Board of Directors, prior to the Board passing the related resolutions on the following:

~~i. The financial information that, based on its status as listed company, the Company must periodically make public. The Audit and Control Committee must ensure that the semi-annual financial reports and the intermediate management declarations are formulated using the same accounting principles that the annual accounts and, to that end, consider the adequacy of a limited revision of the semi-annual financial reports by the external auditor.~~

- i. ~~ii.~~ The incorporation or acquisition of ownership interests in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- ii. ~~iii.~~ Related transactions, as they are defined by the legislation applicable at any given time.

With regard to related transactions, the annual report issued, where applicable, by the Audit and Control Committee on related transactions will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.

- iii. The economic terms, the accounting impact and, where applicable, the impact on the exchange ratio, of the structural changes and corporate transactions that the Company plans to carry out.
- iv. Any amendment to the internal code of conduct.

f. ~~e.~~ With regard to the Company's corporate governance obligations:

- i. Monitor compliance with legal requirements and the Company's internal governance regulations, including internal codes of conduct.

- ii. ~~i.~~ Regularly review the Company's internal governance regulations and propose to the Board of Directors, for approval or submission at the General Shareholders' Meeting, as the case may be, any amendments and updates that contribute to its development and ongoing improvement.
 - iii. ~~ii.~~ Promote the Company's corporate governance strategy, as well as regularly evaluate the effectiveness of the Company's corporate governance system, in order to confirm that it is fulfilling its mission to promote the corporate interest and consider, as appropriate, the legitimate interests of remaining stakeholders.
 - iv. ~~iii.~~ Oversee the communication strategy and shareholders and investors' relations, including small- and medium-sized shareholders.
~~iv. Oversee the compliance with legal requirements and corporate governance internal regulations of the Company.~~
 - v. ~~Know, promote, guide and supervise the Company's performance in matters of corporate social responsibility and sustainability and inform on it to the Board of Directors or, if applicable, to the Executive Committee, ensuring that it is oriented to value creation. Assess all aspects related to non-financial risks of the Company (including operating, technological, legal, social, environmental, political and reputational risks).~~
 - vi. ~~Monitoring and evaluating the corporate social responsibility of the Company and the evaluating its level of compliance thereto. Coordinate non-financial information and diversity reporting processes in accordance with applicable legislation and international benchmarks.~~
 - vii. Be apprised of, promote, guide and oversee the Company's performance regarding corporate reputation and report thereon to the Board of Directors or, where applicable, to the Executive Committee.
 - viii. Report on the matters of Title IX of the Board of Directors Regulations, under the terms envisaged therein.
 - ix. Report on, prior to its approval, the Company's annual governance report, obtaining for such purposes the reports from the Appointments and Remuneration Committee in relation to these sections of such report that are within their competence.
- g. Other functions of the Committee:
- i. Oversee the calculation of fees received by the Management Company in the performance of its functions.
 - ii. Appoint and supervise the services of external appraisers in relation to the appraisal of the Company's assets.

4. The Audit and Control Committee will meet, ordinarily, on a quarterly basis, for the purpose of reviewing the regular financial information to be sent to the [stock supervisory authorities](#), as well as the information that the Board of Directors has to approve and include in its annual public documentation. Likewise, the Committee will meet at the request of any of its members and whenever called by its Chairman, who must do so whenever the Board or its Chairman request a report or the adoption of proposals and, in any event, whenever appropriate for the proper performance of its functions.
5. The Audit and Control Committee will be validly held when a majority of its members are present or represented, and its resolutions will be approved by [absolute majority of the votes of the members present or represented in the meeting](#). In the event of a tie, the Chairman of the Audit and Control Committee will have the deciding vote. will
6. The Committee will produce minutes of its meetings, a copy of which will be sent to all members of the Board of Directors.
7. [The Audit and Control Committee will establish annually an action plan that includes the Committee's main activities during the year in relation to the fulfilment of its functions.](#)
8. ~~7.~~ The Audit and Control Committee will produce an annual report on its operations, [which will be the basis for the evaluation by the Board of Directors](#), highlighting the main events that have occurred, if any, related to its functions. In addition, when the Audit and Control Committee considers it appropriate, it will include in this report proposals to improve the Company's rules of corporate governance. The Audit and Control Committee report will be available to shareholders and investors through the corporate web page [with sufficient notice prior to the Ordinary General Shareholders' Meeting](#).
9. ~~8.~~ The Audit and Control Committee may call on any of the members of the Company's management or staff, [and may order them to appear without the presence of any other manager](#). Those invited will be required to attend sessions of the Audit and Control Committee, to collaborate with it, and provide it with the respective information. The Committee may equally request assistance in its sessions from accounts auditors [or other persons by invitation of the Chairman of the Committee](#).
10. ~~9.~~ For the best performance of its functions, the Audit and Control Committee [will have sufficient resources and](#) may call on the advice of external experts when it deems it necessary for proper compliance with its functions.
- ~~10. The Company will have an internal audit department that, under the supervision of the Audit and Control Committee, will oversee the good functioning of the internal information and control systems. The head of the internal audit department must present to the Audit and Control Committee their annual work plan. Moreover, they will inform the Committee of the incidents that occur during the performance of the internal audit and must submit the committee, at the end of each financial year, a report on their activities.~~

Article 15. Appointments and Remuneration Committee. Composition, competences and operation

1. The Board of Directors will create, on a permanent basis, an Appointments and Remuneration Committee, an internal informative and consultative body, with no executive functions, with faculties of information, advice and proposal within the scope of action provided in Section 2 of this article. The Appointments and Remuneration Committee will be comprised a minimum of three and a maximum of five members, appointed by the own Board of Directors, amongst the non-executive directors, at the proposal of the Chairman of the Board. A majority of the members of the Appointments and Remuneration Committee will be independent directors. Likewise, the Board of Directors will appoint the Committee's Chairman from amongst the members that form part of such Committee. ~~The role~~ The roles of Secretary and the Deputy Secretary of the Appointments and Remuneration Committee will be performed by the Secretary of the Board of Directors and, where applicable, by the Deputy Secretary of the Board.
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.
3. The members of the Appointments and Remuneration Committee will hold their positions while their appointment as directors of the Company remains valid, unless the Board of Directors decides otherwise. The renewal, re-election and removal of the members who form the Commission will be governed as agreed by the Board of Directors.
4. Notwithstanding the other functions that it may be assigned by the Board of Directors, the Appointments and Remuneration Committee will have the following basic responsibilities:
 - a. 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.
 - b. Establish a representation goal for the less represented sex on the Board of Directors and provide guidelines on how to achieve such goal.
 - c. Submit to the Board of Directors the nomination proposals of independent directors for appointment by means of co-option or for submission to General Shareholders' Meeting decision, as well as proposals for the re-election or removal of such directors by the General Shareholders' Meeting.
 - d. Inform of the nomination proposals of non-independent directors for appointment by means of co-option or for submission to General Shareholders' Meeting decision, as well as proposals for the re-election or removal of such directors by the General Shareholders' Meeting.
 - e. Inform of the proposals for appointment and removal of senior managers and the basic terms of their contracts.
 - f. Examine and organize the succession of the Chairman of the Board of Directors and of the Company's first executive director and, if applicable, submit proposals

to the Board of Directors so that such succession occurs in an orderly and planned manner.

- g. Propose to the Board of Directors the remuneration policy applicable to directors, general managers or those who perform senior management functions reporting directly to the Board, executive committees or CEOs, as well as the individual remuneration and other contractual terms of executive directors, ensuring its compliance.
5. Likewise, the Appointments and Remuneration Committee will be responsible for:
- a. Competences with regard to the composition of the Board of Directors and its committees and to the process for appointing Board of Directors and senior manager internal positions.
 - i. 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.
 - ii. Advise and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, ensuring 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 members, similarly establishing a goal of their representation on the Board and providing guidelines on how to achieve such goal.
 - iii. Inform of or draw up proposals with regard to nomination or removal of the members who should form part of each of the committees.
 - iv. Inform of the proposals with regard to the appointment or removal of the Chairman of the Board of Directors.
 - v. Advise of proposals of the Chairman of the Board of Directors regarding the appointment or removal of the CEO.
 - vi. Examine or organise the succession of the Chairman of the Board of Directors and of the senior executive of the Company and, as applicable, making proposals to the Board of Directors such that this succession occurs in an orderly and planned way.
 - vii. 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.
 - viii. Bring to the Board of Directors the proposal of nomination of a 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.
- ix. 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.
 - x. Advise of the proposals of the Chairman of the Board of Directors or of the Chief Executive Officer related to nomination or removal of senior managers.
 - xi. [Annually verify compliance with the criteria for promoting diversity in the composition of the Board of Directors established by the Company, which will be taken account of in the Annual Corporate Governance Report.](#)
- b. Competences related to the selection of candidates to become board members.
- 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 non-executive members.
 - iii. Prove compliance with the requirements specifically applicable to non-executive members in law and in the Company's internal standards and collating suitable information about their personal qualities, experience and knowledge and about their availability.
 - iv. 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.
 - v. Draw up the report referred to in article 5.6 of these Regulations and verify, annually, compliance with the member selection policy, reporting on this in the Annual Corporate Governance Report.
- c. Competences related to the evaluation and re-election 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.
 - ii. Participate in the annual process of evaluating the performance of the Chairman of the Board of Directors and of the Chief Executive Officer.

- iii. Bringing to the Board of Directors its proposal (in the case of the non-executive members) or report (in the case of the other members), about re-election of members.
- d. Competences related to the withdrawal and termination of board members.
 - i. Inform the Board of Directors about proposals for removal due to breach of the duties inherent in the role of member or where the circumstances of mandatory dismissal or termination have been incurred.
 - ii. Propose the removal of members in the event of incompatibility, prohibitions or any other grounds for dismissal or termination, in compliance with the law or the Company's internal standards.
 - e. Competences related to remuneration.
 - i. Regularly review the senior managers' reward policy and propose modifications and updates to the Board of Directors.
 - ii. Regularly review the members reward policy and proposing modifications and updates to the Board of Directors for referral to the General Shareholders Meeting, as well as the amount of their annual remuneration.
 - iii. 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.
 - iv. 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.
 - 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. Oversee observance of the Company's remuneration programmes and advising on the documents to be approved by the Board of Directors for general disclosure about remuneration information, including the annual report on members' remuneration and the corresponding part of the Company's corporate governance annual report.
 - vii. Ensure that any conflicts of interest do not prejudice the independence of the external consultancy supplied to the Committee.

f. Competences related to corporate social responsibility and sustainability.

- i. Be aware of, promote, guide and supervise the Company's action, practices and strategy in matters of corporate social responsibility and sustainability, evaluating the level of compliance thereto, 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.

6. The Appointments and Remuneration Committee will meet, ordinarily, at least once a year. Similarly, it will meet on request by any of its members and whenever called by its Chairman, who must do so whenever the Board or its Chairman request a report or the adoption of proposals and, in any event, whenever appropriate for the correct progress of its functions.
7. The Appointments and Remuneration Committee will be validly formed when a majority of its members are present or represented and its agreements are approved by majority vote. In the event of a tie, the Chairman of the Appointments and Remuneration Committee will have the deciding vote.
8. The Committee will produce minutes of its meetings, a copy of which will be sent to all members of the Board of Directors.
9. The Committee must consult the Chairman and the Chief Executive of the Company, especially on matters related to the executive officers and senior managers.
10. The Appointments and Remuneration Committee will produce an annual report on its operations, highlighting the main events that have occurred, if any, related to its functions. The report of the Appointments and Remuneration Committee will be available to shareholders and investors via the web page with sufficient notice prior to the ordinary general meeting.
11. For best compliance with its functions, the Appointments and Remuneration Committee may call on the advice of external experts when it deems this necessary for suitable compliance with its functions.