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REPORT ISSUED BY THE APPOINTMENTS AND REMUNERATIONS COMMITTEE OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE PROPOSED AMENDMENT OF THE REMUNERATIONS POLICY OF THE COMPANY, SET OUT IN ITEM SIX OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED TO BE HELD ON 18 AND 19 APRIL, 2018, ON FIRST AND SECOND CALL, RESPECTIVELY

1. INTRODUCTION

Article 529 novodecies of the consolidated text Spanish Companies Act, enacted by Royal Legislative Decree 1/2010, of 2 July ("**Spanish Companies Act**") the Board of Directors of Lar España Real Estate SOCIMI, S.A. ("**Lar España**" or "**Company**"), includes the obligation for listed companies to draft and submit for the approval of the General Shareholders' Meeting a policy on the remuneration of the members of the board of directors. The drafting of the proposal to be submitted for the approval of the General Shareholders' Meeting corresponds to the Board of Directors of the Company. Furthermore, the proposal must be submitted together with a specific report issued by the Appointments and Remunerations Committee. In order to comply with the aforementioned provision, the Appointments and Remunerations Committee of Lar España has drafted this report on the proposed Remunerations Policy of the Company for the financial year 2018 to 2020, both included (the "**Remunerations Policy**"), which will entirely replace the policy applicable from 2015 to 2017, for its submission to the Board of Directors of the Company.

2. APPLICABLE RULES TO THE DIRECTORS' REMUNERATION

The main rules that govern the remuneration of the directors of Lar España are the following:

a. Spanish Companies Act

The Spanish Companies Act states that the directors' office in listed companies must be remunerated, unless otherwise provided for in the by-laws of the corresponding company. Lar España's by-laws confirm that the directors' office is remunerated and include the remuneration structure for the directors on their condition as such. Furthermore, the by-laws regulate the additional remuneration that payable to executive directors and that shall be determined by the Board of Directors, where appropriate. Directors' remuneration, whether for their condition as such or for the performance of executive duties, must comply with the provision included in the Remunerations Policy.

With regard to the directors on their condition as such (non-executive directors), the Remunerations Policy must determine their remuneration within the system provided for in the by-laws of the Company and necessarily include the annual amount payable to all the directors on their conditions as such.

With regard to the directors that carry out executive duties (executive directors), the Remunerations Policy must include their annual fixe remuneration and its variation throughout the period during which the policy is applicable, the parameters used to determine the variable remuneration and the main terms and conditions of the service agreements entered into with the Company (specifically including their duration, any severance pay triggered by early termination of the contractual relationship, exclusivity agreements, post-contractual non-compete clauses and any retainers).ç



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Any compensation paid to the directors for the performance or termination of their duties or the performance of executive duties must be in accordance with the applicable Remunerations Policy, except for those compensations specifically approved by the General Shareholders' Meeting.

Furthermore, the Spanish Companies Act states that, in general, directors' remunerations must be in accordance with the relevance of the company, the economic situation that it may have from time to time and the market standards of comparable companies. Likewise, the remuneration system must promote the long term profitability and sustainability of the company and incorporates the necessary safeguards to avoid excessive risk-taking or the reward of unfavorable results.

b. Lar España's by-laws and other internal rules

The Company's regulation regarding directors' remuneration is included in article 40 of the Company's by-laws and it is further developed in article 27 of the Board of Directors' Rules and Regulations. These rules also govern the composition, functioning and powers of the Appointments and Remunerations Committee.

3. PRINCIPAL CHANGES TO THE REMUNERATIONS POLICY

The changes included in the proposed Remunerations Policy, in comparison with the policy applicable from 2015 to 2017, aim to (i) update the content of the Policy with regard to the established practice among listed companies in this matter during the last years, (ii) develop the goals and objectives pursued by the Policy, (iii) provide a more precise definition of the governing principles and criteria of the Remunerations Policy, (iv) adjust the fixe remuneration assigned to the directors to their dedication and involvement with the Company and, specifically, In connection with the performance of their duties within the Board of Directors and the Committees to which they might belong, and (v) stablish the applicable procedure for the drafting, approval, review, supervision and application of the Remunerations Policy.

4. CONTENT OF THE REMUNERATIONS POLICY

The complete text of the proposed Remunerations Policy is attached to this report.

5. IN-FORCE PERIOD

Under article 529 novodecies of the Spanish Companies Act, the Remunerations Policy will be applicable during the financial years 2018, 2019, and 2020, except if the Company's General Shareholders' Meeting agrees to its amendment or substitution during this period.

6. CONCLUSIONS

Based on the information included in this report, the Appointments and Remunerations Committee of the Company considers that the proposed Remunerations Policy for the financial year 2018 to 2020, which substitutes the policy valid from 2015 to 2017, contains all the items required by the applicable law, specifically regarding the regulation of the remuneration of listed companies, complies with good governance and transparency criteria and is aligned with shareholders' interests.

Madrid, 15 March 2018

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Remunerations Policy for the members of the Board of Directors

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1. BACKGROUND AND SCOPE OF THE REMUNERATIONS POLICY

This document reflects the Remunerations Policy for the members of the Board of Directors of Lar España Real Estate SOCIMI, S.A. (“**Lar España**” or the “**Company**”) in compliance with the statutory requirements included in the consolidated text of the Spanish Companies Act (the “**Remunerations Policy**”).

The Remunerations Policy has been prepared by the Company taking into account the significance of the Company, its economic situation, its condition as a Listed Real Estate Investment Company (SOCIMI), the market standards for other Spanish SOCIMIS and Real Estate Investment Trusts (REITs) from the rest of Europe and the particular dedication of the directors of the Company. During this process, and after analyzing different proposals from several external advisors, the Company counted with the advice of Mercer Consulting, which analyzed the remuneration system of several SOCIMIS in Spain and REITs in the rest of Europe.

The remuneration defined below maintains an adequate proportion and promotes the Company’s long-term profitability and sustainability. The Remunerations Policy also incorporates the necessary safeguards to avoid excessive risk-taking or rewarding unfavorable results, and to align the interest of the directors with those of the Company and its shareholders without compromising the independence of the directors.

2. OBJECTIVES OF THE REMUNERATIONS POLICY

The Remunerations Policy is intended to define and control the remuneration practices of the Company’s directors to contribute to the creation of value for the shareholders of the Company in a sustainable manner in the long term.

Consequently, the Remunerations Policy seeks to establish an adequate remuneration scheme linked to the dedication and responsibilities assumed by the directors, and shall be applied to attract, retain and motivate the directors of

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Lar España with the objective of ensuring that the Company has the adequate professional that contribute to the achievement of the Company's strategic objectives.

3. GOVERNING PRINCIPLES AND CRITERIA OF THE REMUNERATIONS POLICY

In order to develop a good corporate governance framework, Lar España has considered appropriate to establish clear corporate governance principles to ensure that the remuneration strategy approved by the Board of Directors is implemented in accordance with the Company's strategy, based on the principles of competitiveness and fairness.

In this respect, this Remunerations Policy shall be governed by the following principles:

3.1. Independent judgment

Remuneration shall be structured so that the independent judgment of the directors is not compromised, with a special focus on the remuneration granted to independent directors.

3.2. Attraction and retention of the best professionals

The remunerations granted by the Company will be competitive in order to attract and retain talent that contributes to the creation of value for the shareholders of the Company and the achievement of the Company's strategic objectives.

3.3. Long-term sustainability

Remuneration shall be compatible with the Company's long-term business interests and strategy, as well as its values and goals, and shall take into account, if necessary, any adequate precautions to avoid conflicts of interest.

3.4. Transparency

The Remunerations Policy and the specific rules for the determination of the remuneration amounts shall be explicit and disclosed in advance. In particular,

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the Company will make the Annual Report on Remuneration of Directors available to its shareholders at the moment of the announcement of its ordinary General Shareholders Meeting, which will be submitted for a consultative vote on a separate item of the agenda.

3.5. Simplicity and individualization

The rules governing the management and determination of compensation shall be drafted clearly and concisely.

3.6. Fairness and proportionality of compensation

Remuneration shall be set taking into account the dedication, qualification, experience and responsibilities of each director and the functions and tasks performed by such director. Also, the remuneration paid by the Company shall maintain a balance between market competitiveness and internal fairness.

3.7. Involvement of the Appointments and Remunerations Committee

The Remunerations Policy has been proposed by the Board of Directors for its submission to the General Shareholders' Meeting of the Company for its approval.

The Appointments and Remunerations Committee will overview the compliance with this Remunerations Policy, carry out periodic reviews and propose its amendments to the Board of Directors for it to, in turn, submit the proposal to the General Shareholders' Meeting for its approval, in accordance with the provisions included in the Company's by-lases and the Board of Directors' Rules and Regulations.

3.8. Approval of the annual global maximum quantity of the directors' remuneration by the General Shareholders' Meeting and delegations in favor of the Board of Directors

Based on the annual maximum amount of the directors' remuneration for their condition as such, approved by the General Shareholders' Meeting, the Board of Directors has the power to distribute such amount among its members in accordance with the duties and responsibilities of each director, its assistance

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and participation in any of the Committees of the Board and other objective circumstances that the Board considers relevant.

4. REMUNERATION OF THE DIRECTORS AS MEMBERS OF THE BOARD

In connection with the remuneration payable to the members of the Board of Directors in their capacity as such, i.e., for the performance of their supervisory and decision-making functions within the Board of Directors and the Committees to which they belong, the objective of the Remunerations Policy is to compensate them adequately and sufficiently for their dedication, qualification and responsibility, without compromising their independent judgment.

In accordance with Article 40 of the by-laws of the Company, directors are entitled to receive an annual fixed remuneration in considerations for their duties as directors. Additionally, directors will receive the corresponding compensation for any travel expenses in which they may incur to attend the meeting of the Board and the Committees to which they belong. Finally, directors that carry out executive duties, where appropriate, are entitled to receive the compensation provided for in the services contract entered into with the Company.

The total amount payable by the Company as compensation to all of its directors for these items may not exceed the relevant amount determined for these purpose by the General Shareholders' Meeting. The amount thus determined by the General Shareholders' Meeting shall apply unless and until the General Shareholders' Meeting approves other amount in accordance with applicable laws.

However, the determination of the specific amount to be paid to each director for these items within the maximum amount approved by the General Shareholders' Meeting shall be agreed by the Board of Directors in accordance with this Remunerations Policy. For such purpose, the Board shall take into

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account the office held by each director within the Board itself, as well as the membership and attendance of each director to any Committee.

Finally, the Company shall pay for any premium due for any civil liability insurance policy taken out by the Company in respect of its directors upon customary market terms and commensurate with the circumstances of the Company.

4.1. Maximum amount of annual remuneration for directors

The maximum annual remuneration payable to the members of the Board of Directors in their capacity as such shall amount to EUR 530,000.

This maximum amount does not include: (a) any salary, compensation of any kind or payment that may be carried out under other concepts to the directors in accordance with the Policy for their executive duties or for any other concept; (b) the premiums paid for any civil liability insurance by the Company for its directors; and (c) an reimbursement for the expenses incurred by the directors to attend the meeting of the Board or any of its Committees.

4.2. Annual fixed remuneration

The Board of Directors shall establish the criteria in order to determine the remuneration payable to each director, taking into account:

- The category of the Director.
- The office held by the director in the Board of Directors and in any of its Committees.
- The specific tasks and responsibilities assumed during the year.
- The experience and knowledge required to carry out those tasks.
- The amount of time and dedication required to carry out effectively such tasks.
- Any other objective circumstances that may be considered relevant.

Considering the above, it is hereby stated that, for the exception of proprietary directors, which will not receive any compensation, the directors of Lar España

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will receive an annual fixed remuneration of EUR 70,000. The Chairman of the Board will receive, in addition to the remuneration received as a director, an additional annual remuneration of EUR 55,000 (amounting to a total of EUR 125,000 annually).

Additionally, and except for proprietary directors, members of the Board of Directors that are members of:

- the Audit and Control Committee will receive an additional annual remuneration of EUR 15,000 for participating in the meetings of the Committee. The Chairman of the Audit and Control Committee will receive, in addition to the remuneration received as a member of the Committee, an additional remuneration of EUR 7,500 (amounting to a total of EUR 22,500 annually).
- the Appointments and Remunerations Committee will receive an additional annual remuneration of EUR 15,000 for participating in the meetings of the Committee. The Chairman of the Appointments and Remunerations Committee will receive, in addition to the remuneration received as a member of the Committee, an additional remuneration of EUR 2,000 (amounting to a total of EUR 17,000 annually).

Those directors, who, appointed by Lar España, participate in any corporate bodies of the subsidiaries that Lar España participates with other partners may perceive an additional fixed remuneration of EUR 15,000 per year and subsidiary.

These amounts are payable on the basis of a full tax year. Where a director sits in the Board for less than a full tax year, the amount payable to such a director shall be prorated accordingly. If the number of members of the Board of Directors were increased within the limits foreseen in the Company's by-laws, the fixed remuneration payable to any additional director shall be determined in accordance with the provisions above.

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5. TERMS INCLUDED IN THE EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

In the event that Lar España decides to appoint executive directors, it shall be up to the Board of Directors to set the remuneration payable to them for performance of their executive duties, according to legal requirements.

The remuneration policy would therefore have to be adapted in order to specify the amount of fixed annual remuneration and the change therein during the reporting period; the various parameters used to determine their variable remuneration; and the main terms and conditions of their contracts, specifically including their duration, any severance pay triggered by early termination of the contractual relationship, exclusivity agreements, post-contractual non-compete clauses and any retainers.

6. OTHER REMUNERATION PAID TO THE DIRECTORS FOR SERVICES NOT INCLUDED IN THEIR DUTIES AS DIRECTORS

Directors may receive an additional remuneration in cash, shares or options over shares of the Company if the Board of Directors, following a report issued by the Appointments and Remunerations Committee, considers that it is in the best interest of the Company to incentivize and reward a director's involvement and worthy performance in certain transactions and, specifically, when the director is involved in the planning, preparation, negotiation or execution of transactions deemed to be relevant or fundamental for the future of the Company. The objectives to be achieved by the beneficiaries of these plans may be complemented with the achievement of other parameters that measure the positive evolution of the Company's business in the long term.

To promote the correct performance of their duties and aligned the long term interests of the directors and those of the shareholders, remunerations for the services rendered to the Company that are different from those corresponding to their condition as directors may be carried out through the granting of shares of the Company. In that case, in accordance with the provisions included in the

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Spanish Companies Act, the remuneration will required the approval of the Company's General Shareholders' Meeting.

7. GOVERNANCE MATTERS

7.1. Preparation, approval and review of this Remunerations Policy

The Board of Directors, acting upon a favorable report by the Appointments and Remuneration Committee, shall submit to the General Shareholders' Meeting a Remunerations Policy proposal at least every three years. This proposal shall be submitted as a separate item of the agenda.

The report of the Appointments and Remuneration Committee shall be attached to the proposal of the Board of Directors.

The proposed Remunerations Policy submitted by the Board of Directors and the report prepared by the Appointments and Remuneration Committee shall be made available to the shareholders on the Company's website as of the date of the announcement of the General Shareholders' Meeting. Shareholders may also request that a copy be sent to them, free of charge. The announcement shall make a reference to this right.

The Board of Directors will continuously review the validity of this Policy and, specifically, its appropriateness to achieve the objectives included in section 2 of this Policy. Likewise, at the proposal of the Appointments and Remunerations Committee, the Board of Directors may approve to hire an external expert for it to participate in the review process of the Remunerations Policy.

7.2. Supervision and application of the Remunerations Policy

The Board of Directors is responsible for establishing a control and supervision regime in respect of the specific requirements set out in the Remunerations Policy, while the Appointments and Remuneration Committee is responsible for ensuring that such policy is effectively complied with.

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7.3. Term of the Remunerations Policy

This Remunerations Policy shall be in effect for three financial years after its approval by the General Shareholders' Meeting of the Company (financial years 2018, 2019 and 2020). Notwithstanding the above, the General Shareholders' Meeting of Lar España may amend, modify or replace this Remunerations Policy at any time in accordance with the procedures described above.

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