

ANNEX I
ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

IDENTIFICATION DATA OF THE ISSUER

REFERENCE EXERCISE END DATE

CIF: A-86918307

Social denomination:

LAR ESPAÑA REAL ESTATE SOCIMI, SA

Registered address:

Rosario Pino 14-16, Madrid.

MODEL OF ANNUAL REPORT ON CORPORATE GOVERNANCE OF THE LISTED COMPANIES

PROPERTY STRUCTURE

A.1 Complete the following table on the capital stock of the company:

Last date modification	Social capital (€)	Number of Actions	Number of voting rights
3/5/2014	80,060,000	40,030,000	40,030,000

Indicate if there are different classes of shares with different associated rights:

Yes No X

Class	Number of Actions	Nominal unitary	Unit number rights of vote	Rights different

A.2 List the direct and indirect holders of significant holdings in your entity as of the year-end date, excluding Directors:

Name or company name of the shareholder	Number of rights of direct vote	Number of voting rights indirect (*)	% about him total of rights of vote
AMERIPRISE FINANCIAL, INC	0	1,500,000	3.747%
BESTINVER GESTION, SA, SGIIC	0	1,674,681	4.184%
COHEN & STEERS, INC.	0	2,618,092	6.540%
FRANKLIN TEMPLETON INSTITUTIONAL, LLC	0	6,773,300	16.921%
PIMCO BRAVO II FUND, LP	0	5,000,000	12.491%

(*) Through:

Name or company name of the direct owner of the participation	Number of voting rights direct	% of the total rights of vote
AMERIPRISE FINANCIAL- Various funds managed by different management companies under the control of the declarant.	Not broken down into CNMV notice	3.747%
BESTINVER GESTION, SA, SGIIC - Through Institution of Collective Investment and Others	Not broken down into CNMV notice	4.184%
COHEN & STEERS CAPITAL MANAGEMENT INC	Not broken down into CNMV notice	4.880%
COHEN & STEERS UK LIMITED	Not broken down into CNMV notice	1,660%

FTIF - FRK EUR SMALL MID CP	Not broken down into CNMV notice	9.728%
FGT- FRANKLIN INTERNATIONAL SMALL CAP GROWTH FUND	2,504,000	6.255%
JNL- FRANKLIN TEMPLETON INTERNATIONAL SMALL CAP GROWTH FUND	Not broken down into CNMV notice	0.937%
PIMCO BRAVO II FUND, LP- Through LVS II LUX XII, SARL	Not broken down into CNMV notice	12.491%

Indicate the most significant movements in the shareholding structure that occurred during the year:

Name or company name of the shareholder	Operation date	Description of the operation
AMERIPRISE FINANCIAL, INC	03/05/2014	EXCEEDS THRESHOLD 3%
BESTINVER GESTION, SA, SGIIC	03/05/2014	EXCEEDS THRESHOLD 3%
COHEN & STEERS, INC.	03/05/2014	EXCEEDS THRESHOLD 5%
FRANKLIN TEMPLETON INSTITUTIONAL, LLC.	03/05/2014	EXCEEDS THRESHOLD 5%
FTIF- FRK EUR SMALL MID CAP	03/05/2014	EXCEEDS THRESHOLD 5%
PIMCO BRAVO FUND II, LP	03/05/2014	EXCEEDS THRESHOLD 10%
MARSHALL WACE HOLDINGS LTD.	03/05/2014	EXCEEDS THRESHOLD 3%
UBS AG	03/05/2014	EXCEEDS THRESHOLD 3%
UBS AG	04/07/2014	LOWER THRESHOLD 3%
FRANKLIN TEMPLETON INSTITUTIONAL, LLC.	05/30/2014	EXCEEDS THRESHOLD 10%
DEUTSCHE BANK AG	06/18/2014	EXCEEDS THRESHOLD 3%
MARSHALL WACE HOLDINGS LTD.	06/20/2014	LOWER THRESHOLD 3%
COHEN & STEERS, INC.	07/15/2014	LOWER THRESHOLD 5%
DEUTSCHE BANK AG	08/04/2014	LOWER THRESHOLD 3%
FRANKLIN INTERNATIONAL SMALL CAP GROWTH FUND	08/14/2014	EXCEEDS THRESHOLD 3%
FRANKLIN INTERNATIONAL SMALL CAP GROWTH FUND	09/17/2014	EXCEEDS THRESHOLD 5%
FRANKLIN TEMPLETON INSTITUTIONAL, LLC.	09/17/2014	EXCEEDS THRESHOLD 15%

A.3 Complete the following tables on the members of the Company's Board of Directors who have voting rights for the company's shares:

Name or company name of the Counselor	Number of rights of direct vote	Number of voting rights indirect (*)	% of the total rights of vote
From the Doblado Valley, José Luis	0		0.000%
Emmott, Alec	500		0.001%
Cooke, Roger M.	0		0.000%
Pereda Espeso, Miguel	0		0.000%
Uriarte Santamarina, Pedro Luis	24,500		0.061%

(*) Through:

Name or social denomination of the shareholder	Number of rights of direct vote	% of the total voting rights

Total% of voting rights held by the Board of Directors	0.062
-------------------------------------------------------------------	-------

Complete the following tables about the members of the Company's Board of Directors who have rights to the company's shares:

Name or denomination social of Adviser	Number of Rights option direct	Number of rights of option indirect	Number of Actions equivalents	% about him total of rights of vote

A.4 Indicate, where appropriate, the family, commercial, contractual or corporate relationships that exist between the holders of significant holdings, insofar as they are known by the company, unless they are scarcely relevant or derive from ordinary business or commercial traffic. :

Name or denomination social related	Kind of relationship	Short description

TO 5 Indicate, where appropriate, the commercial, contractual or corporate relationships that exist between the holders of significant holdings, and the company and / or its group, unless they are scarcely relevant or derive from ordinary business or commercial traffic:

Name or denomination social related	Kind of relationship	Short description
LVS II LUX XII, SARL	Contractual "Subscription Agreement "	1st offer rights in relation to certain co-investment opportunities in tertiary and residential real estate

A.6 Indicate if the company has been notified of shareholders' agreements that affect it as established in art. 112 of the LMV. If applicable, briefly describe them and list the shareholders bound by the agreement:

Sí No

Participants of the pact parasocial	% of capital socially affected	Brief description of the pact

Indicate whether the company is aware of the existence of concerted actions among its shareholders. If applicable, please describe them briefly:

Sí No

Intervening action concerted	% of capital socially affected	Brief description of the concert

In the event that during the year there has been any modification or rupture of said pacts or agreements or concerted actions, expressly indicate so:

A.7 Indicate whether there is any natural or legal person that exercises or may exercise control over the company in accordance with article 4 of the Securities Market Law. If applicable, identify it:

Yes No

Name or company name

Observations

A.8 Complete the following tables on the company's treasury stock:

At the close of the fiscal year:

Number of direct actions	Number of actions indirect (*)	Total% of share capital
531,367	0	1.33%

(*) Through:

Name or company name of the headline direct participation	Number of direct actions
Does not apply	Does not apply
TOTAL:	

List the significant variations, in accordance with the provisions of Royal Decree 1362/2007, made during the year:

Date communication	Total shares direct acquired	Total shares indirect acquired	% total over capital Social
10/31/2014	402,082		1%

Gain / (Loss) of treasury shares disposed of during the period	4 thousand euros
-----------------------------------------------------------------------	------------------

A.9 List the conditions and term of the current mandate of the Meeting to the Board of Directors to carry out acquisitions or transfers of treasury shares.

As established in article 5.k of the Regulations of the General Shareholders' Meeting, it is the responsibility of the Meeting to authorize the derivative acquisition of own shares.

In this sense, on 02/05/2014 the company Grupo Lar Inversiones Inmobiliarias, SL, as the sole shareholder of Lar España Real Estate, SA (sole proprietorship) authorizes the Board of Directors to do the following:

- In accordance with the provisions of article 297.1b) of the Capital Companies Act, so that, within a maximum period of five years, and if deemed appropriate, the share capital can be increased to half of the current share capital, by one or several times, and in the opportunity and amount that it considers appropriate, with attribution to the power to exclude the pre-emptive subscription right.
- Power to issue bonds, debentures, and other fixed income obligations, simple, exchangeable and / or convertible into shares, warrants, promissory notes and preferred shares, with attribution of the power to exclude the pre-emptive subscription right, and authorization for the company can guarantee issues of fixed income securities carried out by subsidiaries.
- Derivative acquisition of treasury shares directly or through Group companies and for their sale, after the date of admission to trading.

A.10 Indicate if there are any restrictions on the transferability of securities and / or any restrictions on voting rights. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market will be communicated.

Indicate if there are legal restrictions on the exercise of voting rights:

Sí No

Description of restrictions

A.11 Indicate whether the general meeting has agreed to adopt neutralization measures against a takeover bid by virtue of the provisions of Law 6/2007.

Sí No

If applicable, explain the approved measures and the terms in which the inefficiency of the restrictions will occur:

A.12 Indicate whether the company has issued securities that are not traded on a regulated market community.

Sí No

If applicable, indicate the different classes of shares and, for each class of shares, the rights and obligations it confers.

B

GENERAL MEETING

B.1 Indicate and, where applicable, detail, if there are differences with the minimum regime established in the Capital Companies Act (LSC) with respect to the quorum for the constitution of the general meeting.

Yes No

B.2 Indicate and, where appropriate, detail if there are differences with the regime provided for in the Capital Companies Act (LSC) for the adoption of corporate resolutions:

Yes No

Describe how it differs from the regime provided for in the LSC.

Article 17 of the General Shareholders' Meeting establishes in its sections 2, 4 and 5 the regime provided for the adoption of corporate resolutions:

2. So that the General Shareholders' Meeting, ordinary or extraordinary, can validly agree on the issuance of obligations, the suppression or the limitation of the pre-emptive subscription right of new shares, as well as the transformation, merger, spin-off or global assignment of assets and liabilities, the liquidation of the Company, the transfer of domicile abroad and, in general, any modification of the Company Bylaws, it will be necessary, on first call, the concurrence of shareholders, present or represented, who have, at least, 50% of the subscribed capital with voting rights. On second call, the attendance of 25% of said capital will suffice, although, when shareholders represent less than 50% of the subscribed capital with voting rights, the resolutions referred to in this paragraph,

4. If in order to validly adopt a resolution regarding one or more of the items on the agenda of the General Shareholders' Meeting it is necessary, in accordance with the applicable regulations or the Company Bylaws, the attendance of a certain percentage of the share capital and This percentage will not be reached in the first call, the General Shareholders' Meeting will be held in the second and if the quorum necessary for the adoption of said resolutions is not reached, the General Shareholders' Meeting will be limited, in this second call, to deliberate on those items on the agenda that do not require the attendance of said percentage of capital to validly adopt resolutions.

5. The provisions of this article shall be understood without prejudice to the reinforced majorities of constitution or voting that may be established in current regulations or in the Company Bylaws.

B.3 Indicate the rules applicable to the modification of the bylaws of the company. In particular, the majorities foreseen for the modification of the bylaws will be communicated, as well as, where appropriate, the norms provided for the protection of the rights of the partners in the modification of the bylaws.

There is no rule that contemplates the modification of the bylaws of the company.

B.4 Indicate the attendance data at the general meetings held in the year to which this report refers and those of the previous year:

Attendance data					
Date Council general	% presence physical	% on representation	% remote voting		Total
			Electronic voting	Others	

B.5 Indicate if there is any statutory restriction that establishes a minimum number of shares necessary to attend the general meeting:

Yes No

B.6 Indicate whether it has been agreed that certain decisions that involve a structural modification of the company ("affiliation", purchase and sale of essential operating assets, operations equivalent to the liquidation of the company ...) must be submitted to the approval of the general meeting of shareholders, even if not expressly required by Commercial Laws.

Yes No

One of the powers of the General Shareholders' Meeting, as established in Article 5.j of its Regulations, is to approve operations that involve a structural modification of the Company and, in particular, the following: (i) the transformation of listed companies in holding companies, through "affiliation" or incorporation into dependent entities of essential activities carried out up to that moment by the Company itself, even though the latter maintains full control of the former; and (ii) the acquisition or disposal of essential operating assets, when it entails an effective modification of the corporate purpose.

B.7 Indicate the address and mode of access to the company's website for information on corporate governance and other information on general meetings that must be made available to shareholders through the Company's website.

<http://larespana.com>> Corporate governance> General Shareholders' Meeting

C STRUCTURE OF THE COMPANY'S MANAGEMENT

C.1 Board of Directors

C.1.1. Maximum and minimum number of directors provided for in the bylaws

Maximum number of directors	fifteen
Minimum number of directors	5

C.1.2. Complete the following table with the council members:

Name or denomination Social Counselor	Representative	Position in the tip	First date appointment	Last date appointment	Procedure choice
Mr. José Luis Del Valle Doblado		President Independent	02/05/2014		Does not apply
D. Alec Emmott		Adviser Independent	02/05/2014		Does not apply
D. Roger M. Cooke		Adviser Independent	02/05/2014		Does not apply
Mr. Miguel Pereda Thick		Adviser Sunday	02/05/2014		Does not apply
D. Pedro Luis Uriarte Santamarina		Adviser Independent	02/05/2014		Does not apply

Total number of Directors	5
----------------------------------	---

Indicate the dismissals that have occurred during the Board of Directors during the period subject to information:

Name or denomination Social Counselor	Status of the director in the moment of cessation	Discharge date

C.1.3. Complete the following tables about the members of the Council and their different status:

EXECUTIVE DIRECTORS

Name or denomination Director's social	Commission that has informed your appointment	Position in the organization chart Society

Total number of Executive Directors	
% of the total Council	

DOMINICAL EXTERNAL DIRECTORS

Name or denomination Director's social	Commission that has informed its appointment	Name or denomination of significant shareholder whom they represent or who has proposed their appointment
Mr. Miguel Pereda Espeso	Does not apply	Grupo Lar Inversiones Inmobiliarias, SA

Total number of proprietary Directors	1
% of the total Council	twenty

EXTERNAL INDEPENDENT DIRECTORS

Name or denomination of the director:

D. JOSE LUIS DEL VALLE

Profile

Mr. José Luis del Valle has extensive experience in the banking and energy sector. From 1988 to 2002 he held various positions at Banco Santander, one of the largest financial institutions in Spain. In 1999 he was appointed Managing Director and Chief Financial Officer of the bank (1999-2002). Subsequently, he was Director of Strategy and Development of Iberdrola, one of the main Spanish energy companies (2002-2008), CEO of Scottish Power (2007-2008), Director of Strategy and Studies of Iberdrola (2008-2010) and Advisor to the President of the wind turbine manufacturer Gamesa (2011-2012). He is currently Chairman of the Board of GES - Global Energy Services, a leading independent provider of construction, operations and maintenance services for the global renewable energy industry, and a member of the Accenture Global Energy Board. He is a Mining Engineer from the Polytechnic University (Madrid, Spain), number one in his class, and a Master of Science and Nuclear Engineer from the Massachusetts Institute of Technology (Boston, USA). He also holds an MBA with High Distinction from Harvard Business School (Boston, USA).

Name or denomination of the director:

D. PEDRO LUIS URIARTE

Profile

Mr. Pedro Luis Uriarte has a long professional career. From 1975 to 2001 he held different positions at BBVA, one of the main Spanish banks, as Vice Chairman of BBV and BBVA. He was appointed CEO of BBV in 1994. He held the position of Vice Chairman of the Board of Telefónica, a leading telecommunications company in the Spanish market. He was appointed Minister of Economy and Finance of the Basque Government in 1980. In 2007 he founded and directed Innobasque, the Basque Agency for Innovation. He is currently Executive President of the strategic consulting firm Economía, Empresa, Estrategia, and belongs to various boards of directors and advisory bodies of boards of directors. He is also Vice President of the Bilbao Civil Council and was a member of the board of directors of UNICEF Spain.

Name or denomination of the director:

D. ALEC EMMOTT

Profile

Mr. Alec Emmott has a long professional career in listed and unlisted real estate in Europe, residing in Paris. He worked as Managing Director (CEO) of Société Foncière Lyonnaise (SFL) between 1997 and 2007, and later as executive advisor of SFL until 2012. He is currently Director of Europroperty Consulting, and since 2011 he is Director of CeGeREAL SA (representing Europroperty Consulting). He is also a member of the advisory committee of Weinberg Real Estate Partners (WREP I / II), Cityhold AP and MITSUI FUDOSAN. He has been a Fellow of the Royal Institution of Chartered Surveyors (MRICS) since 1971. He holds an MA from Trinity College (Cambridge, UK).

Name or denomination of the director:

D. ROGER M. COOKE

Profile

D. Roger M. Cooke is a professional with more than 30 years of experience in the real estate sector. In 1980 he joined the London office of Cushman & Wakefield, where he participated in the drafting of the valuation standards (Red Book). From 1995 to the end of 2013 he held the position of Managing Director of Cushman & Wakefield Spain, placing the company in a leadership position in the sector. He has a degree in Urban Estate Surveying from Trent Polytechnic University (Nottingham, UK) and is currently the President of the British Chamber of Commerce in Spain and a member of the Royal Institution of Chartered Surveyors (SCIIF). Since May 2014 he has been working as Senior Advisor at Ernst & Young.

Total number of independent Directors	4
% of the total Council	80

Indicate whether any director classified as independent receives from the company, or from its same group, any amount or benefit for a concept other than director remuneration, or maintains or has maintained, during the last financial year, a business relationship with the company or with any company in its group, either on its own behalf or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such relationship.

If applicable, a reasoned statement from the board will be included on the reasons why it considers that said director can perform their duties as an independent director.

Name or company name of the director

Description of the relationship

Reasoned statement**Name or company name of the director**

Description of the relationship

Reasoned statement

OTHER EXTERNAL DIRECTORS

Name or denomination of Adviser	Commission that has informed or proposed his appointment

Total number of other external Directors	
Total% of the Council	

Detail the reasons why they cannot be considered proprietary or independent and their links, either with the company or its directors, or with its shareholders:

Name or company name of the director

Company, manager or shareholder with whom he maintains the relationship

Reasons

Indicate the variations that, if any, have occurred during the period in the type of each director:

C.1.4 Complete the following table with the information regarding the number of female directors during the last 4 financial years, as well as the nature of such female directors:

	Number of female directors				% of the total number of directors of each typology			
	Exercise 2013	Exercise 2012	Exercise 2011	Exercise 2010	Exercise 2013	Exercise 2012	Exercise 2011	Exercise 2010
Executive								
Sunday								
Independent								
Other External								
Total:								

C.1.5 Explain the measures that, if any, have been adopted to ensure include a number of women on the board of directors that enables a balanced presence of women and men to be achieved.

Article 34 of the Company Bylaws states that the General Shareholders' Meeting and the Board of Directors shall endeavor to comply with the principle of a balanced presence of men and women in the composition of the Board of Directors.

C.1.6 Explain the measures that, if applicable, the appointments committee would have agreed so that the selection procedures do not suffer from implicit biases that hinder the selection of female directors, and the company deliberately seeks and includes among the potential candidates, women who meet the professional profile sought:

Explanation of the measures
Lar España was incorporated on 01/17/2014 and during 2014 it has not developed specific director selection procedures. However, the Appointments and Remuneration Committee plans to develop a director selection policy in 2015, in order to establish a director selection process free from bias of any kind, especially with regard to the suitability of the profile (knowledge and previous experience), as well as diversity aspects.

When, despite the measures that have been adopted, if any, there is little or no number of female directors, explain the reasons that justify it:

Explanation of the measures
Article 34 of the Company Bylaws states that the General Shareholders' Meeting and the Board of Directors shall endeavor to comply with the principle of a balanced presence of men and women in the composition of the Board of Directors.

C.1.7 Explain the form of representation on the board of shareholders with significant holdings:

Article 8.3 of the Board Regulations establishes that the Board shall ensure that, among external directors, the relationship between the number of proprietary directors and that of independent directors reflects the existing proportion between the capital of the Company represented by proprietary directors and the rest of the capital.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose shareholding is less than 5% of the capital:

Name or denomination shareholder's social	Justification
Mr. Miguel Pereda Espeso	<p>In accordance with current legislation and regulations, as well as subject to the Company's bylaws and subject to the condition that any proposed candidate is duly qualified to act as a member of the Board of Directors, and once their identity has been approved by the Appointments and Remuneration Committee of the Company (such approval will not be withheld, conditioned or delayed without justified reasons), the Management Company has the right to require the Board of Directors to propose to the general meeting of shareholders of the Company ("General Meeting of shareholders ") the appointment of:</p> <p>(i) a non-executive director of the Company appointed by the Management Company, provided that the Board of Directors is composed of five people or less; or (ii) up to two non-executive directors appointed by the</p>

	<p>Management Company, provided that the Board of Directors is made up of more than five people.</p> <p>Subject to compliance with the requirements set forth above, the Management Company has the right to demand that the Board of Directors propose to the General Shareholders' Meeting the revocation or replacement of any person it has appointed as a member of the Board of Directors, it being understood that, in In the event of revocation, the Management Company will indemnify and hold harmless the Company (and any member of its group) for any costs, losses, liabilities and / or expenses incurred by said company in relation to the revocation.</p> <p>No director of the Company appointed by the Management Company in accordance with this Clause will receive fees or remuneration from the Company for their services as such.</p> <p>The Chairman of the Board of Directors shall have the right to request the attendance of the Chairman of Grupo Lar at meetings of the Board of Directors, and the Management Company will ensure that the Chairman of Grupo Lar attends such meetings when so required, unless there is a cause. material that prevents it. The bylaws of the Company and the Regulations of the Board of Directors will authorize and regulate this commitment to attend.</p>
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Indicate whether there have been no formal requests for presence on the Board from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary directors have been appointed. If applicable, explain the reasons why they have not been attended to:

Sí No

Name or company name of the shareholder	Explanation

C.1.9 Indicate whether any director has resigned from their position before the end of their mandate, if they have explained their reasons and through what means, to the Board, and, if they have done so in writing to the entire Board , Explain below, at least the reasons that it has given:

Sí No

Name or company name of the shareholder	Reason for termination

C.1.10 Indicate, if any, the powers delegated to the CEO (s):

Sí No **X**

Name or company name of the shareholder	Short description

C.1.11 Identify, where appropriate, the members of the Board who assume positions of directors or managers in other companies that are part of the group of the listed company:

Name or denomination Social Counselor	Company name of the group entity	Post
Mr. Miguel Pereda Espeso	Lar Spain Investment Logistics SA	Solidarity administrator
Mr. Miguel Pereda Espeso	Lar España Offices SA	Solidarity administrator
Mr. Miguel Pereda Espeso	Lar Spain Shopping Centers SA	Solidarity administrator
Mr. Miguel Pereda Espeso	Lar España Parque de Medianas SA	Solidarity administrator
Mr. Miguel Pereda Espeso	Riverton Gestión SL	Solidarity administrator
Mr. Miguel Pereda Espeso	Global Noctua SL	Solidarity administrator
D. Roger Cooke	Lavernia Investments SL	Adviser

C.1.12 List, where appropriate, the directors of your company who are members of the Board of Directors of other entities listed on official securities markets in Spain other than your group, who have been notified to the company:

Name or denomination Social Counselor	Company name of the group entity	Post
Mr. Pedro Luis Uriarte	Técnicas Reunidas, SA	Adviser

C.1.13 Indicate and, if applicable, explain whether the company has established rules regarding the number of boards that its directors may form part of:

Sí No **X**

Explanation of the rules

C.1.14 Indicate the general policies and strategies of the company that the Board in plenary session has reserved to approve:

	Yes	No
Investment and financing policy	X	
The definition of the structure of the group of companies	X	
The corporate governance policy	X	
The corporate social responsibility policy	X	
The strategic or business plan, as well as the annual management and budget objectives	X	
The remuneration policy and evaluation of the performance of senior managers	X	
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems	X	
The dividend policy, as well as the treasury stock policy and, especially, its limits.	X	

C.1.15 Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	210
Amount of the global remuneration corresponding to the rights accumulated by the directors regarding pensions (thousands of euros)	0
Global remuneration of the Board of Directors (thousands of euros)	210

C.1.16 Identify the members of senior management who are not executive directors, and indicate the total remuneration accrued in their favor during the year:

Name or company name	Charge / s
Mr. Jon Armentia	Corporate director
Mr. Sergio Criado	CFO
Ms. Susana Guerrero	Legal Director
Total remuneration to senior management (in thousands of euros)	93

C.1.17 Indicate, if applicable, the identity of the members of the board who are, in turn, members of the board of directors of companies with significant shareholders and / or entities of their group:

Name or company name of the director	Company name of significant shareholder	Post

Detail, where appropriate, the relevant relationships other than those contemplated in the previous section, of the members of the board of directors that link them with the significant shareholders and / or entities of their group:

Name or company name of the related director:

Name or company name of the related significant shareholder:

Relationship description:

C.1.18 Indicate whether there has been any modification in the board regulation:

Sí No

C.1.19 Indicate the procedures for selection, appointment, re-election, evaluation and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be used in each of the procedures.

The Board of Directors, which has the broadest powers and faculties to manage, direct, administer and represent the Company, as a general rule, will delegate the ordinary management of the Company to the delegated administrative bodies and to the management team and It will concentrate its activity on the general supervisory function and on the consideration of those matters of particular importance for the Company.

Appointment of directors (Article 19 of the Board Regulations)

1. The directors will be appointed by the General Meeting or by the Board of Directors in accordance with the provisions contained in the applicable regulations, the Company Bylaws and these Regulations.

2. At the time of appointing a new director, he / she must follow an orientation program for new directors established by the Company, in order to be able to acquire a quick and sufficient knowledge of the Company, as well as of its rules of procedure. corporate governance.

Appointment of external directors (Article 20 of the Board Regulations)

The Board of Directors will ensure that the election of candidates falls on people of recognized solvency, competence and experience, and must exercise extreme rigor in relation to those people called to fill the positions of independent director.

Re-election of directors (Article 21 of the Board Regulations)

The Board of Directors, before proposing the re-election of directors to the General Shareholders' Meeting, will evaluate, with abstention from the affected parties, the quality of the work and the dedication to the position of the directors proposed during the preceding term.

Term of office (Article 22 of the Board Regulations)

1. Directors will hold office for a period of three years, at the end of which they may be re-elected one or more times for periods of the same maximum duration.

2. The appointment of directors will expire when, after the deadline, the next General Shareholders' Meeting has been held or the legal term for holding the General Shareholders' Meeting that must resolve on the approval of the annual accounts for the previous year has elapsed. .

3. Directors appointed by co-option shall hold office until the first meeting of the General Shareholders' Meeting held after their appointment, having to resign in the event that the aforementioned General Shareholders' Meeting does not ratify their appointment.

4. Independent directors will not remain as such for a continuous period of more than 12 years.

C.1.20 Indicate whether the board of directors has proceeded during the year to carry out an evaluation of your activity:

Yes No

If applicable, explain to what extent the self-assessment has led to significant changes in your internal organization and procedures

Applicable to your activities:

Description of modifications

C.1.21 Indicate the cases in which directors are obliged to resign.

As established in Article 23 of the Regulations of the Board of Directors:

1. The directors will cease to hold their position when the period for which they were appointed has elapsed and when the General Shareholders' Meeting decides to do so in use of the powers that it has legally or statutory conferred.

2. The directors must place their position at the disposal of the Board of Directors and formalize, if the latter considers it appropriate, the corresponding resignation in the following cases:

to. When they cease to hold the executive positions to which their appointment as director was associated.

- b. When they are involved in any of the cases of incompatibility or legal or statutory prohibition foreseen.
- c. When they are seriously reprimanded by the Board of Directors for having breached their obligations as directors.
- d. When their tenure on the Board could jeopardize or harm the interests, credit or reputation of the Company or when the reasons for which they were appointed disappear (for example, when a proprietary director disposes of their participation in the Company or reduce it in a relevant way as indicated in section e. below).

and. In the case of proprietary directors (i) when the shareholder whom they represent sells its shareholding in full or reduces it in a relevant manner and, (ii) by the corresponding number, when said shareholder reduces its shareholding to a level that requires reducing the number of proprietary directors.

3. In the event that, due to resignation or for any other reason, a director leaves office before the end of his mandate, he must explain the reasons in a letter that he will send to all members of the Board.

4. The Board of Directors may only propose the removal of an independent director before the expiry of the statutory period when there is just cause, appreciated by the Board of Directors. In particular, it will be understood that there is just cause when the director has breached the duties inherent to his position or has unexpectedly incurred in any of the impeding circumstances described in the definition of independent director established in current regulations or, in its defect in the good corporate governance recommendations applicable to the Company at all times.

C.1.22 Indicate whether the function of the company's chief executive falls on the chairman of the board. If applicable, explain the measures that have been taken to limit the risks of accumulation of powers in a single person:

Yes No

Measures to limit risk

Indicate and, if applicable, explain whether rules have been established that empower one of the independent directors to request the meeting of the board or the inclusion of new items on the agenda, to coordinate and echo the concerns of the directors external entities and to direct the evaluation by the board of directors.

Yes No

Explanation of the rules
The Board Regulations (Art 13, 4) state that in the event that the Chairman of the Board of Directors exercises executive functions, the Board of Directors will empower an independent director to:

- to. Request the Chairman of the Board of Directors to call this body when he deems it appropriate.
- b. Request the inclusion of matters on the agenda of the meetings of the Board of Directors.
- c. Coordinate and echo the opinions of external directors.
- d. Direct the evaluation of the Chairman of the Board of Directors.

C.1.23 Are reinforced majorities, other than the legal ones, required in any type of decision?

Yes No

If applicable, describe the differences.

Description of the differences
<p>According to article 13.1 Regulations of the Board of Directors, it establishes that without prejudice to the powers that may be conferred on any person, the Board of Directors may permanently constitute an Executive Committee, composed of a minimum of three and a maximum of seven members, and may also appoint a Chief Executive Officer at the proposal of the Chairman of the Board, being able to delegate to them, totally or partially, on a temporary or permanent basis, all the powers that are not non-delegable in accordance with the Law. Members of the Board of Directors who are to hold such positions will require for their validity the favorable vote of two thirds of the members of the Board of Directors and will not produce any effect until their registration in the Mercantile Registry.</p>

C.1.24 Explain whether there are specific requirements, other than those relating to directors, to be appointed chairman of the board of directors.

Yes No

Description of the requirements

C.1.25 Indicate whether the chairman has a casting vote:

Yes No

Matters in which you have a casting vote

C.1.26 Indicate whether the bylaws or the regulations of the board establish any limit to the age of the directors:

Sí No

C.1.27 Indicate whether the bylaws or the board regulations establish a mandate limited for independent directors, other than that established in the regulations:

Sí No

C.1.28 Indicate whether the bylaws or the regulations of the board of directors establish specific rules for the delegation of vote in the board of administration, the way to do it and, in particular, the maximum number of delegations that a director can have, as well as whether it has been established that it is mandatory to delegate to a director of the same type. If applicable, briefly detail these rules.

The directors will do everything possible to attend the Board meetings and, when they cannot do it personally, they will grant their representation in writing and specifically for each session to another member of the Board, including the appropriate instructions and communicating it to the Chairman of the Board. of administration. (Article 17.2 of the Regulations of the Board of Directors).

C.1.29 Indicate the number of meetings that the Board of Directors has held during the year. Also indicate, where appropriate, the times the board has met without the attendance of its chairman. In the computation, representations made with specific instructions will be considered assistances.

Number of council meetings	fifteen
Number of board meetings without the president's attendance	0

Indicate the number of meetings that the different board committees have held during the year:

Number of meetings of the executive or delegate committee	Does not apply
Number of meetings of the audit committee	5
Number of meetings of the appointments and remuneration committee	5
Number of appointments committee meetings	Does not apply
Number of meetings of the remuneration committee	Does not apply
Number of meetings of the Sustainability committee	Does not apply

C.1.30 Indicate the number of meetings that the Board of Directors has held during the year with the attendance of all its members. In the computation, the representations made with specific instructions will be considered assistances:

Directors' attendance	13
% of attendance over total votes during the year	86.7

C.1.31 Indicate whether the individual annual accounts and consolidated statements that are presented to the board for approval:

Yes No

Identify, where appropriate, the person / s who have / have certified the individual and consolidated annual accounts of the company, for their formulation by the board:

C.1.32 Explain, if any, the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts prepared by it from being presented at the general meeting with exceptions in the audit report.

The Board of Directors will endeavor to definitively formulate the annual accounts, in such a way that there is no room for reservations or qualifications on the part of the auditor. In exceptional cases where they exist, both the Chairman of the Audit and Control Committee and the external auditors will clearly explain to the shareholders the content of said reservations or qualifications. However, when the Board considers that it must maintain its criteria, it will publicly explain the content and scope of the discrepancy. (Article 41.3 Regulations of the Board of Directors).

C.1.33 Is the secretary of the board a director?

Sí No

C.1.34 Explain the procedures for the appointment and removal of the secretary of the board, indicating whether their appointment and removal have been reported by the appointments committee and approved by the full board.

Appointment and removal procedure
<p>Article 11.1 of the Regulations of the Board of Directors establishes that the Board of Directors will elect, at the proposal of its Chairman, a Secretary, whose appointment may fall to any of its members or to a person outside the Board of Directors with the ability to perform the functions. own of said position. In the event that the Secretary of the Board of Directors does not meet the quality of director, he / she will have a voice but no vote.</p> <p>In any case, to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal will be approved by the plenary session of the Board of Directors, following a report from the Appointments and Remuneration Committee.</p>

	Yes	No
Does the Appointments Committee report on the appointment?	X	
Does the Appointments Committee report the removal?	X	
Does the full Board approve the appointment?	X	
Does the full Board approve the dismissal?	X	

Is the Secretary of the Board entrusted with the function of overseeing, in a special way, the recommendations of good governance?

Yes X No

Observations
<p>Article 11.3 of the Regulations of the Board of Directors establishes that the Secretary shall ensure that the actions of the Board of Directors (i) comply with the letter and spirit of the Laws and their Regulations, including those approved by regulatory bodies ; (ii) are in accordance with the Bylaws and the Regulations of the General Shareholders' Meeting, the Board of Directors and Internal Conduct in the Securities Markets; and (iii) bear in mind the recommendations on good governance of the Company. (Art 11, 3 of the Regulations of the Board of Directors).</p>

C.1.35 Indicate, if any, the mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

The Audit and Control Committee has the competence, among other things, to ensure the independence of the external auditor and, for this purpose: (i) that the Company notify the change of auditor as a relevant fact to the National Securities Market Commission and accompany it a statement on the eventual existence of disagreements with the outgoing auditor and, if there were any, their content; (ii) to ensure that the Company and the auditor respect the current regulations on the provision of services other than those of

auditing and, in general, the other standards established to ensure the independence of the auditors; and (iii) that in the event of the resignation of the external auditor, examine the circumstances that led to it. (Article 14.5.b.iii of the Regulations of the Board of Directors).

C.1.36 Indicate whether the Company has changed its external auditor during the year. If applicable, identify the incoming and outgoing auditor:

Yes No

Outgoing auditor	Incoming auditor

In the event that there have been disagreements with the outgoing auditor, explain their content:

Yes No

Explanation of disagreements

C.1.37 Indicate whether the audit firm carries out other work for the company and / or your group other than those of auditing and in that case, declare the amount of the fees received for said work and the percentage that it supposes on the fees invoiced to the company and / or its group:

Yes No

	Society	Group	Total
Amount of work other than audit (thousands of euros)	412	58	470
Amount of work other than audit / Total amount invoiced by the audit firm (in%)	81	100	83

C.1.38 Indicate whether the audit report on the Annual Accounts for the previous year contains reservations or qualifications. If applicable, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of said reservations or qualifications.

Yes No

Explanation of the reasons

C.1.39 Indicate the number of consecutive years that the current audit firm has been auditing the annual accounts of the company and / or its group. Also, indicate the percentage that represents the number of years audited by the current auditing firm over the total number of years in which the annual accounts have been audited:

	Society	Group
Number of uninterrupted years	1	

	Society	Group
No. of fiscal years audited by the current audit firm / No. of fiscal years that the company has been audited (in%)	100%	

C.1.40 Indicate and, where applicable, detail whether there is a procedure for directors to receive external advice:

Yes No

Detail the procedure
<p>Article 26 of the Regulations of the Board of Directors establishes that:</p> <p>1. In order to be assisted in the exercise of their duties, all the directors may obtain from the Company the necessary advice for the performance of their duties. For this, the Company will arbitrate the appropriate channels which, in special circumstances, may include external advice at the expense of the Company. The assignment must necessarily deal with specific problems of a certain importance and complexity that arise in the performance of the position.</p> <p>2. The decision to hire external advisers at the expense of the Company must be communicated to the President of the Company and may be vetoed by the Board of Directors if it accredits:</p> <ul style="list-style-type: none"> to. That it is not necessary for the full performance of the functions entrusted to external directors; b. That its cost is not reasonable in view of the importance of the problem and the assets and income of the Company; or c. That the technical assistance obtained can be adequately provided by the Company's experts and technicians.

C.1.41 Indicate and, if applicable, detail if there is a procedure so that the directors can have the necessary information to prepare the meetings of the administrative bodies with sufficient time:

Yes No

Detail the procedure
<p>Article 16 of the Regulations of the Board of Directors establishes in its sections 3 and 4:</p> <p>3. The meeting of the Board of Directors will be called by the Secretary of the Board of Directors or whoever takes his place, with the authorization of its Chairman, by any means that allows them to be received. The call will be made at least three days in advance. The call will always include the agenda of the session and will be accompanied by the relevant information duly prepared and summarized.</p> <p>4. The Chairman of the Board of Directors may call extraordinary sessions of the Board when, in his opinion, the circumstances so justify, without being of</p>

application in such cases the notice period and the other requirements indicated in the previous section. Notwithstanding the foregoing, it will be ensured that the documentation that, where appropriate, must be provided to the directors is delivered sufficiently in advance.

Likewise, Article 25 of the Regulations of the Board of Directors establishes that: 1. The director may request information on any matter within the competence of the Board of Directors and, in this regard, examine its books, records, documents and other documentation. The right to information extends to the subsidiary companies in any case, and to the investees, whenever possible.

2. The request for information should be addressed to the Secretary of the Board of Directors, who will forward it to the Chairman of the Board of Directors and to the appropriate interlocutor that proceeds in the Company.

3. The Secretary will warn the director of the confidential nature of the information that he requests and receives and of his duty of confidentiality in accordance with the provisions of these Regulations.

4. The Chairman may deny the information if he considers: (i) that it is not accurate for the full performance of the functions entrusted to the director or (ii) that its cost is not reasonable in view of the importance of the problem and the assets and income of the Company.

C.1.42 Indicate and, where appropriate, detail whether the company has established rules that oblige the directors to report and, where appropriate, resign in those cases that may harm the credit and reputation of the company:

Yes X No

Explain the rules

Article 36 of the Regulations of the Board of Directors establishes that:

1. The director must inform the Company of the shares of the same that they own directly or indirectly through the persons indicated in article 31 of these Regulations, all in accordance with the provisions of the Internal Code of Conduct in the Stock Markets of the Company.

2. The director must also inform the Company of the positions they hold on the Board of Directors of other listed companies and, in general, of the facts, circumstances or situations that may be relevant to their performance as administrator of the Company in accordance with the provisions of these Regulations.

3. Likewise, all directors must inform the Company in those cases that may damage the credit and reputation of the Company and, in particular, must inform the Board of the criminal cases in which they appear as accused, as well as their subsequent vicissitudes. procedural.

In the event that a director is prosecuted or an oral judgment is issued against him for any of the crimes indicated in article 213 of the Capital Companies Act, the Board of Directors will examine the case as soon as possible and, in view of their specific circumstances, they will decide whether or not it is appropriate for the director to continue in their position.

C.1.43 Indicate whether any member of the Board of Directors has informed the company that he has been prosecuted or has been issued an order to open an oral trial, for any of the crimes indicated in article 213 of the Capital Companies Act :

Yes No X

Director's Name	Criminal case	Observations

Indicate whether the Board of Directors has analyzed the case. If the answer is affirmative, explain in a reasoned manner the decision taken on whether or not the director should continue in his position or, where appropriate, state the actions carried out by the board of directors up to the date of this report or that he intends to carry out. .

C.1.44 List the significant agreements entered into by the company that come into force, are modified or terminate in the event of a change in control of the company as a result of a takeover bid, and their effects.

C.1.45 Identify in an aggregate way and indicate, in detail, the agreements between the company and its management and management positions or employees that provide compensation, guarantee or protection clauses, when they resign or are dismissed improperly or if the contractual relationship comes to an end due to a takeover bid or other types of operations.

Number of beneficiaries

Type of beneficiary

Description of the agreement

Indicate whether these contracts have to be communicated and / or approved by the bodies of the company or its group:

	Board of directors	General meeting
Authorizing body The clauses		

	YES	NO
Is the general meeting informed about the clauses?		

C.2 Committees of the Board of Directors

C.2.1 List all the committees of the Board of Directors, their members and the proportion of proprietary and independent directors that comprise them:

Executive or Delegate Commission

Name	Post	Typology

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other experts	

Audit and control committee

Name	Post	Typology
Mr. José Luis del Valle Doblado	President	Independent
Mr. Pedro Luis Uriarte Santamarina	Vocal	Independent
Mr. Miguel Pereda Espeso	Vocal	Sunday
Mr. Juan Gómez-Acebo Sáenz de Heredia	Secretary	

% of executive directors	0
% of proprietary directors	33.3
% of independent directors	66.6
% of other experts	0

Appointments and Remuneration Committee

Name	Post	Typology
D. Roger Maxwell Cooke	President	Independent
D. Alec Emmott	Vocal	Independent
Mr. Miguel Pereda Espeso	Vocal	Sunday
Mr. Juan Gómez-Acebo Sáenz de Heredia	Secretary	

% of executive directors	0
% of proprietary directors	33.3
% of independent directors	66.6
% of other experts	0

Sustainability Committee

Name	Post	Typology

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other experts	

C.2.2 Complete the following table with the information regarding the number of female directors that make up the committees of the board of directors during the last four years:

	Number of female directors			
	Fiscal year 2013 Number %	Fiscal year 2012 Number %	Fiscal year 2011 Number %	Fiscal year 2010 Number %
Executive commission				
Audit committee				
Commission of appointments and remuneration				
Commission of appointments				
Commission of remuneration				
Commission of Sustainability				

C.2.3 Indicate whether the following functions correspond to the Audit Committee:

	Yes	No
Supervise the process of preparation and the integrity of the financial information related to the company and, where appropriate, the group, reviewing compliance with the regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of the accounting criteria	X	
Periodically review the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed	X	
Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and removal of the person in charge of the internal audit service; propose the budget for this service; receive periodic information about your activities; and verify that senior management takes into account the conclusions and recommendations of its reports	X	
Establish and supervise a mechanism that allows employees to communicate, confidentially and, if deemed appropriate, anonymously,	X	

the irregularities of potential importance, especially financial and accounting, that they notice within the company		
Submit to the board the proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the conditions of their hiring	X	
Receive regular information from the external auditor on the audit plan and the results of its execution, and verify that senior management takes its recommendations into account	X	
Insure the independence of the external auditor. In the case of groups, encourage the group auditor to assume responsibility for the audits of the companies that comprise it.	X	

C.2.4 Make a description of the organization and operation rules, as well as the responsibilities attributed to each of the Board committees.

Appointments and Remuneration Committee

The rules of organization and operation of the Appointments and Remuneration Committee are those detailed below, which are defined in Article 43 of the Company Bylaws and in Article 15 of the Board Regulations.

A) Organization and operation

The Board of Directors will establish a permanent Appointments and Remuneration Committee, an internal body of an informative and consultative nature, without executive functions, with powers of information, advice and proposals within its scope of action described in this article.

B) Composition

The Appointments and Remuneration Committee will be made up of a minimum of three and a maximum of five directors, appointed by the Board of Directors itself, from among the external directors, at the proposal of the Chairman of the Board. The majority of the members of the Appointments and Remuneration Committee will be independent directors. The Board of Directors will also appoint its Chairman from among the independent directors who form part of said committee. The position of Secretary of the Appointments and Remuneration Committee will be carried out by the Secretary of the Board of Directors.

At least one of the members of the Appointments and Remuneration Committee will have knowledge and experience in matters of remuneration policies.

The directors who form part of the Appointments and Remuneration Committee will exercise their position while their appointment as directors of the Company remains in force, unless the Board of Directors agrees otherwise. The renewal, re-election and removal of the directors that make up the committee will be governed by what was agreed by the Board of Directors.

C) Responsibilities

It will be the competence of the Appointments and Remuneration Committee to participate in the selection process of senior executives of the Company (the latter at the proposal of the CEO, if any), as well as to assist the Board of Directors in determining and supervising the remuneration policy for such persons.

Without prejudice to other functions that the Board of Directors may assign to it, the Appointments and Remuneration Committee will have the following basic responsibilities:

- Formulate and review the criteria to be followed for the composition of the management team of the Company and its subsidiaries and for the
- selection of candidates. Inform the Board of Directors about the appointment and removal of the senior executives of the Company, as well as any compensation or indemnities that may be set in the event of their dismissal, all at the proposal of the CEO, if any.
- Inform the Board of Directors on issues of gender diversity and director qualifications.
- Submit to the Board of Directors, with the corresponding report, the proposals presented by the Chief Executive Officer, if any, regarding the remuneration policy for senior managers and the basic conditions of their contracts.
- Periodically review the compensation programs, assessing their suitability and performance.
- Ensure compliance with the remuneration policy established by the Company and the transparency of remuneration.

Executive or Delegate Commission

The rules of organization and operation of the Executive or Delegate Committee are those detailed below, which are defined in Article 41 of the Bylaws and in Article 13 of the Board Regulations.

In 2014 Lar España did not have any Executive Commission.

A) Organization and operation

Without prejudice to the powers that may be conferred on any person, the Board of Directors may permanently establish an Executive Committee.

B) Composition

The Executive Committee will be composed of a minimum of three and a maximum of seven members, and may also appoint a Chief Executive Officer at the proposal of the Chairman of the Board, being able to delegate to them, totally or partially, on a temporary or permanent basis, all the Powers that cannot be delegated in accordance with the Law. The delegation and appointment of the members of the Board of Directors who are to hold such positions will require the favorable vote of two thirds of the members of the Board of Directors for their validity and will not produce any effect. until its registration in the Mercantile Registry.

The Company will ensure that, as far as possible, the participation structure of the different categories of directors in the composition of the Executive Committee is similar to that of the Board of Directors. The position of Secretary of the Executive Committee will be carried out by the Secretary of the Board of Directors.

C) Responsibilities

The Chairman of the Executive Committee will inform the Board of Directors of the matters discussed and the resolutions adopted in its sessions, of which minutes must be drawn up, a copy being sent to all the members of the Board of Directors.

Audit Committee

The rules of organization and operation of the Audit and Control Committee are those detailed below, which are defined in Article 42 of the Company Bylaws and in Article 14 of the Board Regulations.

A) Organization and operation

The Audit and Control Committee will meet, ordinarily, quarterly, in order to review the periodic financial information that must be sent to the stock market authorities, as well as the information that the Board of Directors must approve and include in its public documentation. annual. Likewise, it will meet at the request of any of its members and each time it is called by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is convenient for the proper development of its functions.

The Audit and Control Committee will be validly constituted when the majority of its members attend, present or represented, and its resolutions will be adopted by majority vote. In the event of a tie, the Chairman of the Audit and Control Committee will have a casting vote. It will prepare an annual report on its operation, highlighting the main incidents that have arisen, if any, in relation to its functions. In addition, when the Audit and Control Committee deems it appropriate, it will include in said report proposals to improve the Company's governance rules. The report of the Audit and Control Committee will be attached to the annual report on the corporate governance of the Company and will be available to shareholders and investors through the website.

The Audit and Control Committee may summon any of the members of the management team or the Company's staff. Those summoned will be obliged to attend the sessions of the Audit and Control Committee and to provide their collaboration and access to the information at their disposal. The Committee may also require the attendance of the auditors at its meetings.

For the best performance of its functions, the Audit and Control Committee may seek the advice of external experts when it deems it necessary for the proper performance of its functions.

The Company will have an internal audit department that, under the supervision of the Audit and Control Committee, ensures the proper functioning of the internal information and control systems. The person in charge of the internal audit department must present his annual work plan to the Audit and Control Committee. Likewise, it must inform the Committee of incidents that arise during the performance of the internal audit function and must submit to the committee, at the end of each financial year, an activity report.

B) Composition

The Board of Directors will permanently establish an Audit and Control Committee, which will be made up of a minimum of three and a maximum of five directors, appointed by the Board of Directors from among external or non-executive directors. At least one of the members of the Audit and Control Committee will be independent and will be appointed taking into account their knowledge and experience in accounting, auditing or both.

The members of the Audit and Control Committee shall hold office for a maximum term of three years, and may be re-elected, one or more times, for periods of the same maximum duration.

The office of President shall also be held for a maximum period of three years, at the end of which he may not be re-elected as such until one year after his resignation, without prejudice to his continuity or re-election as a member of the Commission.

C) Responsibilities

- Supervise the calculation of the commissions received by the entity that manages the Company's investments at all times (the "Management Company") in the performance of its duties.
- Report at the General Shareholders' Meeting on the questions raised by the shareholders in matters of its competence.
- Supervise the effectiveness of the internal control of the Company and its group, as well as its risk management systems.
- Analyze, together with the account auditors, the significant weaknesses of the internal control system detected during the audit. Supervise the process of preparation and presentation of regulated financial information.

- Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment, re-election or replacement of the account auditors, in accordance with the applicable regulations.
- Supervise the activity of the internal audit of the Company. Establish the appropriate relationships with the account auditors to receive information on those matters that may put their independence at risk, for their examination by the Audit and Control Committee, and any others related to the process of carrying out the audit of accounts, as well as well as those other communications provided for in the account auditing legislation and in the other auditing standards.
- Issue annually, prior to the account audit report, a report expressing an opinion on the independence of the account auditors. This report must, in any case, pronounce on the provision of the additional services referred to in the previous section.

- Appoint and supervise the services of external appraisers in relation to the valuation of the Company's assets.

Sustainability Committee

A) Composition

B) Functions and competence

C) Operation

C.2.5 Indicate, where appropriate, the existence of regulations for the Board committees, the place where they are available for consultation, and the modifications that have been made during the year. In turn, it will be indicated whether an annual report on the activities of each committee has been prepared on a voluntary basis.

The Regulations of the Board of Directors regulate the operation of the Appointments and Remuneration Committee (article 15) and the Audit and Control Committee (article 14). The Board Regulations are available at the following link on the corporate website:

<http://larespana.com/gobierno-corporativo/normas-internas-de-gobierno/>

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation in the Board of the different Directors based on their condition: (See art 13, 2 to verify that it is yes).

Yes No

If not, explain the composition of your executive committee

D**RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS****D.1. Identify the competent body and explain, where appropriate, the procedure for the approval of transactions with related parties and intragroup.**

Competent body to approve related-party transactions
Board of directors

Procedure for the approval of related-party transactions

The Board of Directors has among its powers the approval, after a report from the Audit and Control Committee, of related-party transactions as they are defined by the legislation that is applicable in this regard at all times. (Article 5.4.I of the Regulations of the Board of Directors).

Likewise, one of its functions of the Audit and Control Committee is to inform the Board of Directors, prior to the latter adopting the corresponding decisions on related-party transactions as they are defined by the legislation that is applicable in this regard at all times. (Article 14.5.d.iii of the Regulations of the Board of Directors)

In any case, the authorization of the Board will not be understood, however, to be precise in those related-party transactions that simultaneously meet the following three conditions: (i) that they are carried out by virtue of contracts whose conditions are standardized and are applied en masse to a large number of clients; (ii) that they are carried out at prices or rates generally established by whoever acts as the supplier of the good or service in question; and (iii) that its amount does not exceed 1% of the Company's annual income. (Article 37.3 of the Regulations of the Board of Directors).

The Investment Management Agreement between Grupo Lar Inversiones Inmobiliarias, SA as the Management Company and Lar España Real Estate SOCIMI, SA as the Managed Company, signed on February 12, 2014, specifies the following in its fifth clause:

The Management Company shall have the right to provide the Services and carry out and take part in operations with the prior written consent of the Company when said Services and operations refer to any of the following matters (each one of them, a "Question subject to approval") :

- (i) any acquisition / disposal of a real estate investment or the conclusion of a binding contract to acquire / dispose of a real estate investment, when the acquisition cost / total gross income attributed to the Company in relation to said real estate investment is / are higher to 30 million euros;
- (ii) any new financing or refinancing, including associated hedging agreements, that is subscribed in relation to a real estate investment when the amount of the instrument subscribed by virtue of said agreements exceeds 30 million euros, or any substantial modification thereof ;
- (iii) any expenditure on capital goods for a real estate investment greater than or equal to 10 million euros;

- (iv) any proposed lease or termination of contracts when the annual rent exceeds 10% of the Company's total lease income;
- (v) any joint investment or joint venture in real estate for commercial use; If approved, Grupo Lar will have the right to manage the joint investment or joint venture in its entirety in its own name and on behalf of the Company. The Management Company undertakes to present in good faith to the Company any offer for joint investment or joint venture in real estate for commercial use received from third parties corresponding to the total participation that said third party has actually offered to the Management Company, as agreed in clause 6.1 below;
- (vi) any joint investment or joint venture in real estate for residential use that includes an investment by the Company in excess of 10 million euros. The Management Company undertakes to present in good faith to the Company any joint investment offer or joint venture in real estate for residential use received from third parties for at least a 20% participation in the total investment, in accordance with the terms agreed in clause 6.2 below;
- (vii) any hedging or use of derivatives, including those relating to debt instruments, interest or real estate investments (which can only be used to the extent [if so] permitted by the regulatory requirements applicable to the Company and / or the Company Manager), unless such operations are included within the relevant financing, as indicated in point (ii) above;
- (viii) the participation of the Company in any operation for the purchase of assets of any company, company or person - or the provision of services of a material nature by any company, company or person - that occasionally is (1) a subsidiary or a subsidiary company (directly or indirectly) of the Management Company; (2) a direct or indirect shareholder (through entities controlled by virtue of article 42 of the Spanish Commercial Code) of the Management Company (except the shareholders of Grupo Lar that are not part of the Pereda family (the "Minority Shareholders")); or (3) another subsidiary or subsidiary company controlled directly or indirectly in accordance with article 42 of the Spanish Commercial Code by the entities mentioned in point (2) above (other than Minority Shareholders) (each of the entities described in the points (1), (2) and (3) above, a "Subsidiary of the Sociedad Gestora"), or for the sale of goods or provision of services of a material nature to any Subsidiary of the Sociedad Gestora, except when such activities are covered by a framework agreement approved by the Board of Directors. The participation of the Company in any transaction for the purchase of assets of a person associated with a Subsidiary of the Management Company, or the provision of material services by said person will also be considered a Matter subject to approval.
- (ix) the sale of any right, title or interest in any of the Company's properties for an amount less than its acquisition cost;
- (x) transactions and situations with related parties that may generate a conflict of interest in relation to the Management Company and the Management Team, including any transaction with third parties pursuant to which the Management Company is entitled to receive any type of compensation, fee or commission;
- (xi) the appointment by the Management Company of one or more property administrators (as established in clause 8 below), or the execution of any third party service contract for an annual amount greater than 1 million euros; and
- (xii) any transaction executed with Gentalia, unless it is regulated under a framework agreement entered into under market conditions between the Company and Gentalia approved by the Board of Directors, and provided that the relevant assets comply with the parameters of said framework agreement .

Notwithstanding the foregoing, the Management Company will have the right to provide Services and carry out and take part in operations related to Issues subject to approval without requesting the prior written consent of the Company, provided that said Services or operations must be carried out by the Management Company:

(i) for legal reasons (including, but not limited to, laws related to health and safety, and of a fiscal, accounting and labor nature, and compliance with any parliamentary law, public administration, local authority or other public or competent jurisdiction, or any expert duly appointed pursuant to good faith dispute resolution procedures, or any duly appointed arbitrator pursuant to good faith arbitration procedures (or similar process)); or

(ii) in order to respond to an emergency in good faith in which the time factor is essential (in which case, the Management Company will have the right to execute the Matter subject to approval without the prior written consent of the Company, but In this case, it will notify the Company in writing as soon as reasonably possible (and in any case within a period of five Business Days, as defined below, within the powers of the Management Company) when the Management Company has proof of said requirement or emergency).

When the approval by the Company of an operation in accordance with this Agreement is required, the Management Company will present, either by means of an update of the Business Plan or a separate proposal, a proposal to the Board of Directors regarding to the operation in question and will provide the Company with the information that the Board of Directors reasonably requests to assess and, if it so decides, approve said operation.

Explain whether the approval of operations with related parties has been delegated, indicating, where appropriate, the body or persons to whom it has been delegated.

D.2. List those transactions that are significant due to their amount or relevant due to their subject matter carried out between the company or entities of its group, and the significant shareholders of the company:

D.3. List the operations that are significant due to their amount or relevant due to their subject matter carried out between the company or entities of its group, and the administrators or directors of the company:

D.4. Report on the significant operations carried out by the company with other entities belonging to the same group, as long as they are not eliminated in the process of preparing consolidated financial statements and they are not part of the normal business of the company in terms of their purpose and conditions.

D.5. Indicate the amount of the transactions carried out with other related parties.

- Grupo Lar Inversiones Inmobiliarias, SA - 2,083 thousand euros
- Gentalia 2006, SL - 288 thousand euros

D.6. Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and / or its group, and its directors, managers or significant shareholders.

The Board Regulations and the Internal Code of Conduct regulate the mechanisms established to detect and regulate possible conflicts of interest.

Article 31 Board Regulations.

It will be considered that there is a conflict of interest in those situations in which the interests of the Company or the companies that are part of its group collide, directly or indirectly, and the personal interest of the director. There will be a personal interest of the director when the matter affects him or a person related to him or, in the case of a proprietary director, the shareholder or shareholders who proposed or made his appointment or persons directly or indirectly related to them.

It will be understood by:

to. Persons related to the individual director:

- i. The spouse or people with a similar affective relationship.
- ii. The ascendants, descendants and siblings of the director or the spouse (or person with a similar emotional relationship) of the director.
- iii. The spouses of the director's ascendants, descendants and siblings.
- iv. Companies or entities in which the director or any of the persons related to him, by himself or by an intermediary, is in any of the situations contemplated in article 42 of the Commercial Code.
- v. Companies or entities in which the director or any of the persons related to him, by himself or through an intermediary, holds an administration or management position or from which he receives emoluments for any reason.

saw. In the case of proprietary directors, additionally, shareholders at the proposal of whom they have been appointed.

b. Persons linked to the legal entity director:

- i. The partners who are, with respect to the legal entity director, in any of the situations contemplated in article 42 of the Commercial Code.
- ii. The Companies that are part of the same group, as this term is defined in article 42 of the Commercial Code, and their partners.
- iii. The natural person representative, the administrators, in law or in fact, the liquidators and the proxies with general powers of the legal person director.
- iv. Persons who, with respect to the representative of the legal entity director, are considered related persons in accordance with what is established in this article for natural persons directors.

3. The director must notify the existence of conflicts of interest to the Board of Directors and refrain from intervening as representative of the Company in the operation to which the conflict refers.

Internal Code of Conduct of Lar España.

It will be considered that there is a conflict of interest when the Subject Person has any of the following conditions with respect to the entities referred to in this article:

1. Be an administrator or Senior Manager.
2. Is the holder of a significant participation (understood as such, in the case of companies listed in any official Spanish or foreign secondary market, those referred to in article 53 of the LMV and in its development legislation, and in the case of national companies or unlisted foreign companies, any direct or indirect participation greater than twenty percent of its issued share capital).
3. Is family related up to the second degree by affinity or third by consanguinity with its administrators, holders of significant shares in its capital or Senior Executives.
4. Maintain relevant direct or indirect contractual relationships.

Persons Subject to conflicts of interest must observe the following general principles of action:

Independence: The Subject Persons must act at all times with freedom of judgment, with loyalty to the Company and its shareholders and regardless of their own or other people's interests. Consequently, they will refrain from prioritizing their own interests at the expense of those of the Company or those of some investors at the expense of others.

Abstention: They must refrain from intervening or influencing decision-making that may affect the people or entities with whom there is a conflict and from accessing Relevant Information that affects said conflict.

Communication: The Subject Persons must inform the Compliance Officer about possible conflicts of interest in which they are incurred due to their activities outside the Company, their family relationships, their personal assets, or for any other reason, with:

- a. The Company or any of the companies that make up Grupo Lar España.
- b. Suppliers or significant customers of the Company or of the companies that are part of the Grupo Lar España.
- c. Entities that are engaged in the same type of business or are competitors of the Company or of any of the Company's dependent companies.

Any doubt about the possibility of a conflict of interest should be consulted with the Compliance Officer, the final decision corresponding to the Audit Committee.

D.7. Is more than one company of the Group listed in Spain?

Yes No

Identify the subsidiary companies that are listed in Spain:

Listed subsidiaries

AND RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Management System.

The Lar España Risk Management System is implemented at the corporate level and designed to mitigate the risks to which the Company is exposed due to its activity. Said system establishes a policy to identify, evaluate, prioritize and manage risks effectively, taking into account the circumstances of the Company and the economic and regulatory environment where it operates. Likewise, its ultimate aim is to guarantee obtaining a reasonable degree of security regarding the achievement of the strategic and operational objectives of the company, reliability of the information and compliance with the legislation. The System is aligned with the main guidelines contained in the "COSO Report (Committee of Sponsoring Organizations of the Treadway Commission):

As established in the "Integrated Risk Management System", the Company considers Risk Management a continuous and dynamic process that includes the following stages:

- Identification and evaluation of the risks that may affect the company, evaluating the probability of occurrence and its potential impact.
- Identification of the existing controls in the Company to mitigate said risks.
- Identification of the processes in which risks and controls occur, determining the relationship between the key risks and the Company's processes.
- Evaluation of the effectiveness of the controls implemented to mitigate these risks.
- Design of action plans to be carried out in response to risks.
- Monitoring and periodic control of risks.
- Continuous evaluation of the suitability and efficiency of the application of the system and of the best practices and recommendations regarding risks.

Ultimately, after identifying the risks and analyzing the suitability and effectiveness of the decisions taken to mitigate them, the Management, together with the supervision of Internal Audit, establishes its priorities for action in matters of risks and determines the measures to be implemented. progress, ensuring compliance and proper functioning of the Company's processes.

E.2. Identify the corporate bodies responsible for the preparation and execution of the Risk Management System

Although the Integrated Risk Management System (SIGR) affects and involves all the Company's personnel, the main participants in the model are the following:

Responsible for the process

He is responsible for the direct management of risk in daily operations, which includes the tasks of identification, analysis, evaluation and treatment of risks, essential for achieving the objectives set in each area within the framework of current strategic planning. in every moment.

Responsible for Risks

The Risk Manager must analyze and consolidate the risk information prepared by the Process Managers, which will be materialized in "Risk Files". It also assumes the function of identifying new events, collecting and evaluating information on key indicators of the risks inherent in the processes and, where appropriate, proposing action plans and monitoring them.

Audit and Control Committee

In accordance with the provisions of article 14 of the Regulations of the Board of Directors, the Audit and Control Committee is entrusted with the following functions:

- *"Identify the different types of risk (operational, technological, financial, legal, reputational) that the Company faces".*
- *"Identify the setting of risk levels that the Company considers acceptable".*
- *"Identify the measures planned to mitigate the impact of the identified risks".*
- *"Identify the information and internal control systems that will be used to control and manage the aforementioned risks".*

In this sense, the Audit and Control Committee is in charge of monitoring the application of the Risk Control and Management Policy defined by the Board of Directors. Ultimately, it is responsible for reporting to the Board on its activities throughout the year.

Board of directors

The Board of Directors is in charge of approving the Risk Control and Management Policy.

Likewise, and among other powers, it assumes responsibility for the identification of the main risks of the Company and the supervision of the internal control systems, being informed through the Audit and Control Committee.

E.3. Indicate the main risks that may affect the achievement of business objectives.

During 2014, the Company has carried out a process to identify those risks that may affect its ability to achieve its objectives and execute its strategies successfully. To identify the risks, the experiences of the Management in the real estate sector have been taken into account as well as the particularities of the Company, also considering strategic initiatives planned by the Organization in the medium term.

Lar España has prepared a Risk Map, which includes the risks that could potentially affect the Company. Listed below are those risks considered a priority by Lar España once the corresponding assessment has been made in the Risk Map and on which, during 2014, management and monitoring activities have begun, a process that will be continued during the following years:

- Management of taxation and regulation SOCIMI
- Investment planning
- Accounting, reporting and presentation of financial information
- Investment project monitoring
- Confidentiality
- Sale of Real Estate Assets
- Dependency of the Asset / Investment Manager
- Valuation and pricing criteria and Due Diligence
- Interest rates
- Supplier selection (award process)
- Monitoring of other outsourced activities
- Financing
- Investor and media relations
- Natural disasters, terrorism and vandalism

The risk monitoring process consists of the constant monitoring of those variables, both internal and external, that can help to anticipate or foresee the materialization of these or other relevant risks for the Group.

E.4. Identify if the entity has a risk tolerance level.

The Risk Map is Lar España's risk identification and assessment tool. All the contemplated risks are evaluated considering different impact and probability indicators.

The Lar España Risk Management System defines tolerance as *"the acceptable level of variation in the results or actions of the Company related to the achievement or achievement of its objectives"*. The proposed risk tolerance criteria are used to prioritize and detail the management and monitoring that must be carried out for each type of risk. Thus, the more critical the objective to which an identified risk is associated, the lower the degree of tolerance accepted by Lar España.

In this regard, three tolerance levels have been classified: high, medium or low, depending on the criticality of the objective to which the risk is associated. The tolerance determination system is reviewed, at least annually, by the Audit and Control Committee.

E.5. Indicate what risks have materialized during the year.

During 2014, the first year of activity of the company, there was no knowledge of the materialisation of any significant risk.

E.6. Explain the response and supervision plans for the main risks of the entity.

The recent creation of Lar España, as well as the characteristics of the real estate sector in which the Company operates, give greater importance to the correct monitoring and updating of the different risks that may affect the Company.

The level and frequency of monitoring the identified risks vary depending on their criticality and the level of effectiveness of the controls currently in place. Thus, Lar España has defined different alternatives to carry out risk management: a) exhaustive analysis of those risks that have a high criticality to pursue an adequate level of control; b) evaluation and monitoring of risks with medium levels of criticality to maintain correct control based on the real level of risk; and, c) rationalization and optimization of the applicable controls for risks with less criticality. Based on the previous levels, Lar España has established four types of strategies to consider in relation to the level of risk assumed in each case:

- Reduce: involves carrying out response activities to reduce the probability or impact of the risk or both simultaneously: implement new controls or improve existing ones.
- Sharing: the probability or the impact of the risk can be adjusted by transferring or sharing a part of the risk, for example with taking out insurance.
- Avoid: it involves leaving the activities that generate risks. In this case, the response to risk is to dispense with a business unit or activity and / or decide not to undertake new activities that could give rise to unwanted risks.
- Accept: in this case no action is taken that affects the probability or impact of the risk. Risk is assumed at its inherent level.

Lar España prioritizes the action plans to be carried out, according to the criticality of the risks, the cost / benefit ratio of the type of action to be undertaken and the resources available. To this end, the most representative risks of the Organization have been identified, on which individual risk files have begun to be documented in order to better monitor them. These sheets incorporate the existing controls and those key indicators that allow anticipating and / or monitoring the associated risks. In this regard, over the next few years, the company plans to continue with this continuous risk management and monitoring process.

It should be noted that, at least annually, the Lar España Audit and Control Committee will analyze the validity of the Organization's Risk Map and will proceed to incorporate, modify or discard the risks that, where appropriate, are necessary due to changes in the strategic objectives, organizational structure, current regulations, etc.



INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL INFORMATION ISSUE PROCESS (ICFR)

Describe the mechanisms that make up the risk control and management systems in relation to the financial information issuance process (SCIIF) of your entity.

F.1. Entity's control environment

Report, indicating its main characteristics of, at least:

F.1.1. What bodies and / or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) your supervision.

The Internal Control System of Financial Information, (hereinafter, SCIIF) is configured as a system designed to provide reasonable assurance on the reliability of financial information published in the markets.

The following bodies are responsible for the existence and / or supervision of the SCIIF model of Lar España:

Board of directors

The Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective ICFR.

For these purposes, as indicated in article 5 of the Regulations of the Board of Directors, the full Board reserves the power to:

- *"The approval of the financial information that, due to its listed status, the company must periodically make public".*
- *"Approve the risk control and management policy, as well as the periodic monitoring of internal information and control systems."*

To meet these objectives, the Board has the support of the Audit and Control Committee in charge of supervising the SCIIF (with the support of Internal Audit). Likewise, it has the work of those in charge of the processes in charge of the implementation of the SCIIF and of the Corporate Management as the final person responsible for ensuring that it is adequate and effective.

Each time the Board prepares the annual accounts, together with the approval of the Annual Corporate Governance Report, it approves and validates the existence of the ICFR and its description.

Audit and Control Committee

Lar España establishes in article 14 of its Regulations of the Board of Directors that the Audit and Control Committee has among its powers:

- *"Supervise the effectiveness of the internal control of the Company and its group, as well as its risk management systems."*
- *"Analyze, together with the account auditors, the significant weaknesses of the internal control system detected in the course of the audit."*
- *"Supervise the process of preparation and presentation of regulated financial information."*

In this way, the action of the Audit and Control Committee focuses on four main areas:

- Risk identification and internal control system.
- Review and approval of financial information.
- External audit of the annual accounts.
- Compliance with the legal system and internal regulations.

The Audit and Control Committee supervises the operation of the SCIIF, verifying that all the aspects established in the CNMV's recommendations are included and reporting its conclusions to the Board of Directors.

Corporate Management

The Corporate Management is responsible for the design, implementation and operation of the ICFR, which includes:

- *"Define, propose and implement a model for generating financial information."*
- *"Define, implement and document the ICFR".*
- *"Give support to the Audit and Control Committee regarding the preparation of the financial statements and other financial information, as well as the criteria applied in said process."*

Internal Audit Service (SAI)

The Audit and Control Committee has entrusted the SAI with the function of supporting the supervision of the ICFR, which includes:

- *"Supervise the operation of the SCIIF and its general and process controls".*
- *"Collaborate in the definition and categorization of incidents and in the design of the necessary action plans, and monitor them".*
- *"Inform the Audit and Control Committee of the incidents detected during the evaluation and supervision process."*
- *"Give support to the Corporate Management in the preparation of reports on the status and description of the SCIIF".*

Process managers involved in the generation of financial information

Those responsible for the different processes related to the generation of financial information include, among their functions, the performance of the activities required to, following the guidelines of the Corporate Management:

- *"Define, document and update the internal processes and procedures applicable to their area of responsibility."*
- *"Carry out the control activities as they have been designed and keep evidence of said execution that allows its traceability".*
- *"Inform Corporate Management of any modification in its operations or transactions that may make it necessary to update the documentation of its processes and the controls defined therein, as well as any control weaknesses that they may detect."*
- *"Define and implement the action plans on the incidents observed in the scope of their responsibility."*

F.1.2. If they exist, especially in relation to the process of preparing the financial information, the following elements:

- **Departments and / or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) to clearly define the lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) that there are sufficient procedures for its correct dissemination in the entity.**

The Corporate Management, following the lines and guidelines established by the Board of Directors, is in charge of the existence of an adequate organizational structure, of the distribution of the different functions and that, progressively, sufficient procedures are available and distributed among the different parties involved in the processes.

- **Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating if there are specific references to the registry of operations and preparation of financial information), body in charge of analyzing non-compliance and proposing corrective actions and sanctions.**

On February 24, 2015, the Board of Directors of Lar España approved the Company's Code of Conduct, which aims to establish the conduct guidelines that will regulate the behavior of all those who act on behalf of Lar España and its subsidiaries. .

The body responsible for ensuring compliance, updating and dissemination of the Code is the Audit and Control Committee.

Principle 4, on the recording of operations and the preparation of financial information, specifies that *"Lar España will ensure that the economic-financial information, especially the annual accounts, faithfully reflects the economic, financial and patrimonial reality of the Company, in accordance with the generally accepted accounting principles and the applicable international financial information standards. For these purposes, no professional will hide or distort the information in the Company's accounting records and reports, which will be complete, accurate and truthful.*

Lack of honesty in the communication of information, both within the Company -to employees, controlled companies, departments, internal bodies, administrative bodies, etc.- and abroad -to auditors, shareholders and investors, regulatory bodies, media, etc.-, contravenes this Code. There is also a lack of honesty when giving incorrect information, organizing it in an equivocal way or trying to confuse those who receive it.
"

- **Complaints channel, which allows the communication to the audit committee of irregularities of a financial and accounting nature, in addition to possible breaches of the code of conduct and irregular activities in the organization, informing where appropriate if it is of a confidential nature.**

According to article 14.5.a.iv of the Board Regulations, the Audit and Control Committee will be responsible for establishing and supervising a mechanism that allows employees to communicate, confidentially and, if deemed appropriate, anonymously, irregularities of potential importance. , especially financial and accounting, that they notice within the Company.

On February 24, 2015, the Board of Directors of Lar España approved the Regulations for the Complaints Channel, by which any person subject to the Lar España Code of Conduct, any current regulations or other established internal regulations, who consider that they are being producing non-compliance, you can make a complaint / report in order for the problem to be known and solved.

The Whistleblower Channel applies to Lar España and is subject to the Code of Conduct, and may be used by any internal or external interest group of the Company.

To guarantee a more effective management of the Whistleblower Channel, Lar España has created an Ethics Committee that assumes the functions derived from the introduction of the Channel.

- **Training programs and periodic updating for the personnel involved in the preparation and review of financial information, as well as in the evaluation of the SCIIF, which cover at least accounting standards, auditing, internal control and risk management.**

The Corporate Management, as responsible among other functions for the design, implementation and operation of the ICFR, must provide that all personnel involved in the preparation of the Group's financial statements have adequate and up-to-date training in International Financial Reporting Standards and principles of internal control of financial information.

Lar España has a small staff that, however, is complemented with the collaboration of external advisers in some activities and, specifically, in some related to the services of preparing the financial statements and the implementation and operation of the ICFR.

Lar España carries out a rigorous selection process for outsourced consultants to have specialized firms of recognized prestige, which are selected under criteria of quality and specialization. The Corporate Management ensures that these advisers have sufficient technical knowledge and that they have continuous training policies in these aspects.

Additionally, the Internal Audit Plan, prepared by the SAI and submitted for approval by the Audit and Control Committee of Lar España, contemplates as one of its aspects the training that the resources involved in these matters must have.

F.2. Risk assessment of financial information

Report at least:

F.2.1. What are the main characteristics of the risk identification process, including those of error or fraud, in terms of:

- **Whether the process exists and is documented.**

The process of identifying risks, including the risks of error or fraud, in financial information is one of the most important points within the methodology for developing the internal control of financial information at Lar España. This process is documented in an internal methodological guide explaining the SCIIF Management and Evaluation process: "Manual of the Internal Control System on Financial Information (SCIIF) of the Consolidated Group Lar España Real Estate SOCIMI".

During 2014, Lar España has carried out an assessment of the risk associated with its accounting accounts based on quantitative and qualitative criteria. Once the level of risk associated with each account has been obtained, the most significant ones have been related to the Company's processes in which the which significant financial information is generated and controlled. The objective of this association is to be able to identify those processes, or business units of the Group, with greater relevance in the generation of financial information.

The Company is in the documentation phase of these significant processes. This documentation identifies and analyzes, among others, transaction flows, possible risks of error or fraud in financial information, as well as those controls established in the Company that mitigate the risks associated with the process. Once the documentation of some of the most significant processes was completed in 2014, it is planned to complete and optimize this information in 2015 for these and other processes related to the generation of financial information.

- **If the process covers all the financial information objectives (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), if it is updated and with what frequency.**

In accordance with the ICFR Manual, the documentation prepared for the significant processes included in the scope considers the existing risks and defines controls related to the different objectives of financial information: existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations. The documentation is updated when there are relevant changes, being planned, in any case, the annual review of the same.

- **The existence of a process for identifying the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental or special purpose entities.**

Article 5 of the Regulations of the Board of Directors indicates that the Board of Directors "reserves the power to approve the definition of the structure of the group of Companies".

In this sense, during 2014, the Corporate Management has been responsible for continuously analyzing the companies that are incorporated into the consolidation perimeter and reporting it, where appropriate, to the Audit and Control Committee, which allows knowing the companies that are part of it at all times.

The Audit and Control Committee has among its main functions the supervision of the process of preparation and presentation of regulated financial information. In this sense, the Audit and Control Committee reviews the Group's consolidation perimeter at each of the quarterly closings.

- **If the process takes into account the effects of other types of risks (operational, technological, financial, legal, environmental reputation, etc.) to the extent that they affect the financial statements.**

The process of identifying risks of error in financial information takes into account the effects of any type of risk, operational, technological, financial, legal, reputational, environmental, etc., including tax risks, insofar as they may affect the quality and reliability of financial information.

- **Which governing body of the entity supervises the process.**

The Audit and Control Committee is in charge of supervising the effectiveness of the Company's internal control and risk management systems, specifically including the Financial Information Internal Control System.

In accordance with article 42 of the Bylaws of Lar España and art. 14 of the Regulations of the Board of Directors, the Audit and Control Committee is entrusted with the function of "*identify the different types of risks (operational, technological, financial, legal, reputational) faced by the Company, including, among financial or economic, contingent liabilities and other off-balance sheet risks*".

F.3. Control activities

Report, indicating its main characteristics, if you have at least:

- F.3.1. Procedures for the review and authorization of financial information and the description of the SCIIF, to be published in the securities markets, indicating those responsible, as well as descriptive documentation of the flows of activities and controls (including those related to fraud risk) of the different types of transactions that may materially affect the financial statements, including the accounting closing procedure and the**

specific review of relevant judgments, estimates, valuations and projections.

In accordance with the Regulations of the Board of Directors, *"The precise measures to ensure that the financial, quarterly, semi-annual and any other information that prudence requires to be made available to the markets, is prepared in accordance with the same principles, criteria and professional practices with which the annual accounts are prepared and that it enjoys of the same reliability as the latter"*.

The Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective ICFR, and has jurisdiction over financial information. Likewise, it approves the Risk Control and Management Policy, as well as the periodic monitoring of the internal information and control systems established by Lar España. To carry out these functions, it has the support of the Audit and Control Committee, which, together with the SAI, supervises the Company's ICFR. The Board of Directors also has the support of those in charge of the processes and of the Corporate Management as responsible for ensuring that it is adequate and effective.

Lar España publishes financial information on a quarterly basis. This information is prepared by a specialized external company and reviewed by the Corporate Management. Subsequently, the information prepared is sent to the Audit and Control Committee for its supervision.

In this regard, Lar España's internal control system for financial information is based mainly on the COSO model that helps companies provide reasonable certainty regarding the reliability of the financial information prepared.

The principles and criteria for defining and managing the ICFR are documented in the ICFR Manual.

The Group has documented some of the most significant processes in 2014 (among them the Accounting Closing, considering the specific review of relevant judgments, estimates, valuations and projections). This documentation includes the description, the risk and control matrices and a summary of the main flows in each process that may significantly affect the generation of relevant financial information. According to the ICFR Manual, the Corporate Management is responsible for identifying and documenting these significant processes.

Throughout 2015, it is planned to continue with the detailed documentation of other processes related to the generation of financial information.

F.3.2. Internal control policies and procedures on information systems (among others, on access security, change control, operation thereof, operational continuity and segregation of functions) that support the relevant processes of the entity in relation to the preparation and publication of financial information.

Lar España's accounting services are outsourced to a specialized entity. For this reason, the Company does not have its own information systems that are relevant for the preparation and publication of the financial information that must be considered. However, the Corporate Management constantly monitors and supervises the financial information reported by the third party to prevent it from containing errors.

F.3.3. Internal control policies and procedures aimed at supervising the management of activities subcontracted to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, that may materially affect the financial statements.

Due to the outsourcing of some activities related to the generation of financial information, Lar España has identified all those organizations that provide services in the different business processes, determining the impact of their activities on the financial information preparation system.

Specifically, the Company has identified some services provided by third parties that are considered as part of the Company's financial information system. These services are

included in the analysis carried out for the documentation and evaluation of the ICFR, mainly highlighting the accounting outsourcing process and the semi-annual valuation of assets by accredited and independent entities.

In relation to the policies and procedures that are considered for the evaluation and supervision of the management of outsourced activities, the Company carries out an exhaustive procedure for hiring external parties to ensure their competence, independence and technical and legal training regarding the services provided.

F.4. Information and communication

Report, indicating its main characteristics, if you have at least:

F.4.1. A specific function in charge of defining, keeping the policies updated accounting policies (accounting policies area or department) and resolve doubts or conflicts arising from their interpretation, maintaining fluid communication with those responsible for operations in the organization, as well as an updated accounting policy manual communicated to the units through the that the entity operates.

The Corporate Management is in charge of the internal and external information and communication process of the main applicable accounting policies.

Currently, Lar España is in the process of drawing up an Accounting Policy Manual that includes, in a structured way, the accounting standards, policies and criteria that are being applied, in general, in all the Group's entities.

The accounting registration process is currently outsourced to a specialized firm, of recognized prestige, who collaborates with Lar España in the definition and application of practical accounting criteria in accordance with current regulations. This process is supervised at all times by the Company's Corporate Management and periodically reported to the Audit and Control Committee. Additionally, and when necessary, the criteria adopted with the external auditors to resolve any doubt or possible conflict arising from the interpretation of any standard are confirmed.

Lastly, the Board of Directors approves the financial information that, due to its listed status, the Company must periodically make public.

F.4.2. Mechanisms for capturing and preparing financial information with homogeneous formats, applicable and used by all units of the entity or group, which support the main financial statements and notes, as well as the information that is detailed on the ICFR.

As mentioned in section F.4.1., Both the accounting record of transactions and the preparation of the individual and consolidated financial statements of the Company have been outsourced to a specialized firm of recognized prestige.

In any case, Lar España and the external firm providing the accounting services have mechanisms for capturing and preparing financial information, with appropriate formats and applications, which are used in a homogeneous way for all the units and companies of the group. Likewise, the Company has the necessary controls over the preparation of the financial information to be published. Likewise, a process of supervision and review of the financial information is carried out by the Corporate Management prior to its presentation to the Audit and Control Committee.

F.5. System operation monitoring

Report, indicating its main characteristics, at least of:

F.5.1. The SCIIF supervision activities carried out by the audit committee as well as whether the entity has an internal audit function that has

among its powers is to support the committee in its work of supervision of the internal control system, including the ICFR. Likewise, the scope of the SCIIF evaluation carried out in the exercise and the procedure by which the person in charge of executing the evaluation communicates its results will be reported, if the entity has an action plan that details the possible corrective measures, and if it has been considered its impact on financial information.

The Audit and Control Committee is the advisory body through which the Board of Directors supervises the SCIIF. In this framework, and in accordance with the provisions of art. 14 of the Board Regulations, various functions are attributed to the Audit and Control Committee, among others:

- *"Supervise the effectiveness of the internal control of the Company and its group, as well as its risk management systems."*
- *"Analyze, together with the account auditors, the significant weaknesses of the internal control system detected in the course of the audit."*
- *"Supervise the process of preparation and presentation of regulated financial information."*

The Audit and Control Committee has entrusted the supervision of the ICFR to the SAI, therefore the activity of this Service includes the following tasks:

- Supervise the operation of the SCIIF and its general and process controls.
- Include in the Strategic Plan and the Annual Internal Audit Plan the supervision of key processes within the scope of the ICFR.
- Collaborate in the definition and categorization of incidents and in the design of action plans, and monitor them.
- Inform the Audit and Control Committee of the incidents detected during the evaluation and supervision process
- Provide support to the Corporate Management in the preparation of reports on the status and description of the ICFR.

Given that 2014 was Lar España's first year of activity, throughout it the SCIIF has been implemented progressively, identifying the most significant accounts and processes and working on their documentation. The Management and the Audit and Control Committee have received the information corresponding to the development and implementation indicated.

Additionally, Management has carried out a detailed review process of the periodic financial information sent to the CNMV (in accordance with the established timetables).

The ICFR Manual provides for the annual evaluation and supervision of its different components.

F.5.2. If it has a discussion procedure through which the account auditor (in accordance with the provisions of the NTAs), the internal audit function and other experts can communicate to the senior management and the audit committee or administrators of the entity the significant internal control weaknesses identified during the review processes of the annual accounts or those others that have been entrusted to them. Likewise, it will inform if it has an action plan that tries to correct or mitigate the weaknesses observed.

As mentioned above, this year the Company started the implementation of the ICFR and the documentation of some significant processes. In this regard, it should be noted that the Corporate Director has held meetings, periodically, to comment with the external auditor on the criteria for preparing the financial information as well as the degree of progress in the development of the ICFR.

Additionally, the necessary actions have been carried out in relation to the provisions of the Regulations of the Board of Directors, which establish that the Audit and Control Committee must:

- Analyze, together with the account auditors, the significant weaknesses of the internal control system detected during the audit.
- Establish the appropriate relationships with the account auditors to receive information on those matters that may put their independence at risk, for their examination by the Audit and Control Committee, and any others related to the process of carrying out the audit of accounts, as well as those other communications provided for in the account auditing legislation and in the other auditing standards.

F.6. Other relevant information

In addition to the SCIIF supervision process (entrusted by the Audit and Control Committee to the SAI), the SCIIF Manual of Lar España provides for an internal annual evaluation process that aims to verify that the SCIIF controls are in force, well designed and effective for the objectives pursued.

F.7. External auditor's report

Report:

F.7.1. If the ICFR information sent to the markets has been reviewed by the external auditor, in which case the entity should include the corresponding report as an annex. If not, you should report your reasons.

The descriptive information of the ICFR sent to the markets has not been subjected to a review by the external auditor because it is not considered accurate, at the current moment of its implementation, and because the review of the internal control that the external auditor performs, according to the standards, is considered sufficient. audit techniques, in the context of auditing accounts.

G**DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE
RECOMMENDATIONS**

Indicate the degree to which the company follows the recommendations of the Unified Good Governance Code. In the event that any recommendation is not followed or is partially followed, a detailed explanation of its reasons must be included so that shareholders, investors and the market in general have sufficient information to assess the conduct of the company. General explanations will not be acceptable.

1. That the Bylaws of listed companies do not limit the maximum number of votes that a single shareholder can cast, or contain other restrictions that make it difficult to take control of the company by acquiring its shares in the market.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

Complies X Partially complies Explain

2. That when the parent company and a subsidiary are listed, both publicly define with precision:

- a) **The respective areas of activity and eventual business relationships between them, as well as those of the listed dependent company with the other group companies;**
- b) **The mechanisms provided to resolve any conflicts of interest that may arise.**

See sections: D.4 and D.7

Complies Partially complies Explain Not applicable X

Lar España does not have any listed dependent company.

3. That, although not expressly required by commercial Laws, operations that involve a structural modification of the company and, in particular, the following are submitted for approval by the General Shareholders' Meeting:

- a) **The transformation of listed companies into holding companies, through "affiliation" or incorporation into dependent entities of essential activities carried out up to that moment by the company itself, even though it maintains full ownership of the former;**
- b) **The acquisition or disposal of essential operating assets, when it entails an effective modification of the corporate purpose;**
- c) **Operations whose effect is equivalent to the liquidation of the company.**

See section: B.6

Complies X Partially complies Explain

4. That the detailed proposals for the resolutions to be adopted at the General Meeting, including the information referred to in recommendation 28, be made public at the time of publication of the announcement of the call to the Meeting.

Complies X Explain

5. That matters that are substantially independent be voted on separately at the General Meeting, so that shareholders can exercise their voting preferences separately. And that this rule applies, in particular:

- a) The appointment or ratification of Directors, who must be voted on individually;**
- b) In the case of amendments to the Bylaws, to each article or group of articles that are substantially independent.**

Complies X Partially complies Explain

6. That the companies allow the vote to be split so that financial intermediaries that appear legitimated as shareholders, but act on behalf of different clients, can cast their votes in accordance with their instructions.

Complies X Explain

7. That the Board carry out its functions with unity of purpose and independence of criteria, provide the same treatment to all shareholders and be guided by the interest of the company, understood as maximizing, in a sustained manner, the economic value of the company .

And that it also ensures that the company respects the laws and regulations in its relations with stakeholders; fulfill your obligations and contracts in good faith; respect the uses and good practices of the sectors and territories where it carries out its activity; and observe those additional principles of social responsibility that you have voluntarily accepted.

Complies X Partially complies Explain

8. That the Board assumes, as the core of its mission, to approve the company's strategy and the precise organization for its implementation, as well as to supervise and control that the Management meets the objectives set and respects the purpose and corporate interest of the company. And that, to this end, the full Board reserves the power to approve:

- a) The general policies and strategies of the company, and in particular:
 - i. The strategic or business plan, as well as the annual management and budget objectives;**
 - ii. The investment and financing policy;**
 - iii. The definition of the structure of the group of**
 - iv. companies; The corporate governance policy;**
 - v. The corporate social responsibility policy;**
 - saw. The remuneration policy and evaluation of the performance of senior managers;**
 - vii. The risk control and management policy, as well as the periodic monitoring of the internal information and control systems.****

viii. The dividend policy, as well as the treasury stock policy and, especially, its limits.

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

- i. At the proposal of the company's chief executive, the appointment and eventual removal of senior managers, as well as their compensation clauses.**
- ii. Directors' remuneration, as well as, in the case of executives, additional remuneration for their executive functions and other conditions that their contracts must respect.**
- iii. The financial information that, due to its listed status, the company must periodically make public.**
- iv. Investments or operations of all kinds that, due to their high amount or special characteristics, are of a strategic nature, unless their approval corresponds to the General Meeting;**
- v. The creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the group.**

c) The operations that the company carries out with Directors, with significant shareholders or those represented on the Board, or with persons related to them ("related operations").

However, this authorization from the Board will not be understood to be precise in those related-party transactions that simultaneously meet the following three conditions:

- 1st. That they are carried out by virtue of contracts whose conditions are standardized and applied en masse to many clients;**
- 2nd. That they are carried out at prices or rates generally established by who acts as a supplier of the good or service in question;**
- 3rd. That its amount does not exceed 1% of the annual income of the company.**

It is recommended that the Board approve related-party transactions after a favorable report from the Audit Committee or, where appropriate, from that other committee to whom this function has been entrusted; and that the Directors they affect, in addition to not exercising or delegating their right to vote, are absent from the meeting room while the Board deliberates and votes on it.

It is recommended that the powers attributed to the Board here are non-delegable, except for those mentioned in letters b) and c), which may be adopted for urgent reasons by the Executive Committee, with subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies Partially complies X Explain

The Board of Directors of Lar España has all the powers specified above, which are set out in Articles 5 sections 4 and 5, 13 and 37 of the Board Regulations, with the exception of the approval of:

- The evaluation of the performance of senior managers.
- Directors' remuneration, as well as, in the case of executives, additional remuneration for their executive functions and other conditions that their contracts must respect.

9. That the Council have the precise size to achieve an effective and participatory operation, which makes it advisable that its size be not less than five and not more than fifteen members.

See section: C.1.2

Complies X Explain

10. That the external proprietary and independent Directors constitute a large majority of the Board and that the number of executive Directors is the minimum necessary, taking into account the complexity of the corporate group and the percentage of participation of the executive Directors in the capital of the company .

See sections: A.3 and C.1.3.

Complies X Partially complies Explain

11. That within the external Directors, the relationship between the number of proprietary Directors and that of independent directors reflects the existing proportion between the capital of the company represented by the proprietary Directors and the rest of the capital.

This strict proportionality criterion may be relaxed, so that the weight of the proprietary shares is greater than that which would correspond to the total percentage of capital that they represent:

1st. In highly capitalized companies in which there are few or no shareholdings that are legally considered significant, but there are shareholders, with share packages of high absolute value.

2nd. In the case of companies in which there is a plurality of shareholders represented on the Board, and have no ties to each other.

See sections: A.2, A.3 and C.1.3

Complies X Explain

12. That the number of independent Directors represents at least one third of the total number of Directors.

See section: C.1.3

Complies X Explain

13. That the nature of each Director is explained by the Board before the General Shareholders' Meeting that must make or ratify their appointment, and confirmed or, where appropriate, reviewed annually in the Annual Corporate Governance Report, after verification by the Appointments Committee. And that this Report also explains the reasons

for which proprietary Directors have been appointed at the request of shareholders whose shareholding is less than 5% of the capital; and the reasons why formal requests to be present on the Board from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary Directors have been appointed are set out.

See sections: C.1.3 and C.1.8

Complies Partially complies X Explain

Currently, the Board Regulations do not provide that the report also explains the reasons why proprietary Directors have been appointed at the request of shareholders whose shareholding is less than 5% of the capital; and the reasons why formal requests to be present on the Board from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary Directors have been appointed are set out.

14. That when the number of female directors is scarce or nil, the Appointments Committee ensures that when new vacancies are filled:

- a) The selection procedures do not suffer from implicit biases that hinder the selection of female directors;**
- b) The company deliberately seeks out, and includes among potential candidates, women who meet the professional profile sought.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies Partially complies Explain X Not applicable

Lar España was incorporated on 01/17/2014 and during 2014 it has not developed specific director selection procedures. However, the Appointments and Remuneration Committee plans to develop a director selection policy in 2015, in order to establish a director selection process free from bias of any kind, especially with regard to the suitability of the profile (knowledge and previous experience), as well as diversity aspects.

15. That the Chairman, as the person responsible for the effective functioning of the Board, ensures that the Directors receive sufficient information in advance; stimulate the debate and the active participation of the Directors during the Board sessions, safeguarding their free taking of position and expression of opinion; and organize and coordinate with the Chairmen of the relevant Committees the periodic evaluation of the Board, as well as, where appropriate, that of the CEO or chief executive.

See sections: C.1.19 and C.1 41

Complies X Partially compliant Explain

16. That, when the Chairman of the Board is also the company's chief executive, one of the independent Directors is empowered to request the convening of the Board or the inclusion of new items on the agenda; to coordinate and echo the concerns of external Directors; and to direct the evaluation by the Council of its President.

See section: C.1.22

Complies **X** Partially compliant Explain Not applicable

17. That the Secretary of the Board, especially ensure that the actions of the Board:

- a) They conform to the letter and spirit of the Laws and their regulations, including those approved by regulatory bodies;
- b) Are in accordance with the Company Bylaws and with the Regulations of the Meeting, of the Board and others that the company has;
- c) Take into account the recommendations on good governance contained in this Unified Code that the company has accepted.

And that, to safeguard the independence, impartiality and professionalism of the Secretary, their appointment and removal are reported by the Appointments Committee and approved by the full Board; and that said appointment and removal procedure is set out in the Board Regulations.

See section: C.1.34

Complies **X** Partially compliant Explain

18. That the Board meet as often as necessary to effectively carry out its functions, following the schedule of dates and matters that it establishes at the beginning of the year, with each Director being able to propose other items on the agenda that were not initially foreseen.

See section: C.1.29

Complies **X** Partially compliant Explain

19. That the absences of the Directors be reduced to essential cases and quantified in the Annual Corporate Governance Report. And that if the representation is essential, it is conferred with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies **X** Partially compliant Explain

20. That when the Directors or the Secretary express concerns about any proposal or, in the case of the Directors, about the performance of the company and such concerns are not resolved by the Board, at the request of the person who expressed them, a record is made of them in the minutes.

Complies **X** Partially compliant Explain Not applicable

21. That the full Board evaluate once a year:

- a) The quality and efficiency of the Board's operation;
- b) Based on the report submitted by the Appointments Committee, the performance of their duties by the Chairman of the Board and by the company's chief executive;
- c) The operation of its Committees, based on the report submitted by them.

See sections: C.1.19 and C.1.20

Complies **X** Partially compliant Explain

22. That all the Directors can exercise the right to obtain the additional information they deem necessary on matters within the competence of the Board. And that, unless the Bylaws or the Board Regulations establish otherwise, they direct their request to the Chairman or the Secretary of the Board.

See section: C.1.41

Complies **X** Explain

23. That all Directors have the right to obtain from the company the necessary advice for the fulfillment of their functions. And that the company arbitrates the appropriate channels for the exercise of this right, which in special circumstances may include external advice at the expense of the company.

See section: C.1.40

Complies **X** Explain

24. That the companies establish an orientation program that provides new Directors with a quick and sufficient knowledge of the company, as well as of its corporate governance rules. And that they also offer to the Directors knowledge update programs when the circumstances make it advisable.

Complies **X** Partially compliant Explain

25. That companies require that Directors dedicate the time and effort necessary to perform their duties effectively and, consequently:

- a) That the Directors inform the Appointments Committee of their other professional obligations, in case they could interfere with the dedication required;**
- b) That the companies establish rules regarding the number of boards of which their Directors may form part.**

See sections: C.1.12, C.1.13 and C.1.17

Compliant Partially compliant **X** Explain

At present, Lar España does not contemplate in its social regulations specific rules on the number of boards of which its Directors may form part. In any case, and as indicated in Article 28.2 of the Regulations of the Board of Directors, the directors must dedicate the time and effort necessary to carry it out effectively and, consequently, the directors must report to the Appointments and Remuneration Committee of their other professional obligations, in case they could interfere with the dedication required.

26. That the proposal for the appointment or re-election of Directors that are raised by the Board to the General Shareholders' Meeting, as well as their provisional appointment by co-option, be approved by the Board:

- a) At the proposal of the Appointments Committee, in the case of independent Directors.**
- b) After a report from the Appointments Committee, in the case of the remaining Directors.**

See section: C.1.3

Compliant Partially compliant **X** Explain

At present, Lar España does not contemplate in its social regulations that the proposal for the appointment or re-election of directors is at the proposal of the Appointments Committee, in the case of independent directors, following a report from the Appointments Committee, in the case of the remaining directors .

27. That the companies publish through their website, and keep updated, the following information about their Directors:

- a) Professional and biographical profile;
- b) Other Boards of Directors to which they belong, whether or not they are listed companies;
- c) Indication of the category of Director to which they belong, as appropriate, indicating, in the case of proprietary Directors, the shareholder they represent or with whom they have ties.
- d) Date of their first appointment as Director in the company, as well as subsequent ones, and;
- e) Company shares, and options thereon, of which it is the holder.

Compliant Partially compliant **X** Explain

Article 38 of the Board Regulations establishes that the relevant information required by the legislation on the securities market will be posted on the website, but the details of what is specified in this recommendation will not be entered into, which will be taken into account as in order to update the Regulations during 2015.

28. That the proprietary directors present their resignation when the shareholder whom they represent sells its shareholding in full. And that they also do so, in the corresponding number, when said shareholder reduces its shareholding to a level that requires a reduction in the number of its proprietary directors.

See sections: A.2, A.3 and C.1.2

Complies **X** Partially compliant Explain

29. That the Board of Directors does not propose the removal of any independent Director before the expiration of the statutory period for which they were appointed, except when there is just cause, appreciated by the Board after a report from the Appointments Committee. In particular, it will be understood that there is just cause when the Director has breached the duties inherent to his position or incurred in some of the circumstances that make him lose his status as independent, in accordance with the provisions of Order ECC / 461/2013.

The removal of independent Directors may also be proposed as a result of Public Acquisition Offers, mergers or other similar corporate operations that involve a change in the capital structure of the company when such changes in the structure of the Board are promoted by the criterion of proportionality indicated. in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies Partially compliant Explain

30. That the companies establish rules that oblige the Directors to inform and, where appropriate, resign in those cases that may harm the credit and reputation of the company and, in particular, oblige them to inform the Board of criminal cases in those that appear as accused, as well as their subsequent procedural vicissitudes.

That if a Director is prosecuted or an order to open an oral trial is issued against him for any of the crimes indicated in article 213 of the Capital Companies Act, the Board examine the case as soon as possible and, in full view of their specific circumstances, decide whether or not it is appropriate for the Director to continue in his / her position. And that all of this is accounted for by the Board, in a reasoned manner, in the Annual Corporate Governance Report.

See sections: C.1.42, C.1.43

Complies Partially compliant Explain

31. That all Directors clearly express their opposition when they consider that any proposed decision submitted to the Board may be contrary to the corporate interest. And that the same should be done, especially by independent directors and other Directors who are not affected by the potential conflict of interest, when dealing with decisions that may harm shareholders not represented on the Board.

And that when the Board adopts significant or repeated decisions about which the Director has made serious reservations, he draws the appropriate conclusions and, if he chooses to resign, explain the reasons in the letter referred to in the following recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a Director.

Complies Partially compliant Explain Not applicable

32. That when, either by resignation or for any other reason, a Director ceases in his position before the end of his mandate, he should explain the reasons in a letter that he will send to all the members of the Board. And that, without prejudice to the fact that said termination is reported as a relevant event, the reason for the termination is disclosed in the Annual Corporate Governance Report.

See section: C.1.9

Complies Partially compliant Explain Not applicable

33. That remuneration is limited to executive Directors through the delivery of shares of the company or group companies, options on shares or instruments linked to the value of the share, variable remuneration linked to the performance of the company or pension systems.

This recommendation will not apply to the delivery of shares, when it is conditioned on the Directors holding them until their termination as Director.

Complies Explain

34. That the remuneration of the external Directors is necessary to reward the dedication, qualification and responsibility that the position demands; but not so high as to compromise your independence.

Complies Explain

35. That the remuneration related to the results of the company take into account the eventual exceptions that appear in the report of the external auditor and reduce said results.

Complies Explain Not applicable

36. That in the case of variable remuneration, the remuneration policies incorporate the necessary technical precautions to ensure that such remuneration is related to the professional performance of its beneficiaries and not simply derived from the general evolution of the markets or the company's activity sector. or other similar circumstances.

Complies Explain Not applicable

37. That when there is a Delegate or Executive Committee (hereinafter, "Delegate Committee"), the participation structure of the different categories of Directors is similar to that of the Board itself and its secretary is that of the Board.

See sections: C.2.1 and C.2.6

Complies Partially compliant Explain Not applicable

38. That the Board is always aware of the matters discussed and the decisions adopted by the Executive Committee and that all the members of the Board receive a copy of the minutes of the Executive Committee meetings.

Complies Explain Not applicable

39. That the Board of Directors constitute, in addition to the Audit Committee required by the Securities Market Law, a Commission, or two separate Commissions, for Appointments and Remuneration.

That the rules of composition and operation of the Audit Committee and of the Appointments and Remuneration Committee or committees are included in the Board Regulations, and include the following:

- to. That the Board appoint the members of these Committees, bearing in mind the knowledge, skills and experience of the Directors and the tasks of each Committee; deliberate on your proposals and reports; and they must give an account to him, in the first plenary session of the Board after its meetings, of their activity and answer for the work carried out;**
- b. That said Committees be made up exclusively of external Directors, with a minimum of three. The foregoing is understood without prejudice to the attendance of executive directors or senior managers, when so expressly agreed by the members of the Committee.**
- c. That its Presidents are independent Directors.**

- d. That they can obtain external advice, when they consider it necessary for the performance of their functions.**
and. That minutes be drawn up of their meetings, of which a copy will be sent to all members of the Board.

See sections: C.2.1 and C.2.4

Complies **X** Partially compliant Explain

- 40. That supervision of compliance with internal codes of conduct and corporate governance rules be attributed to the Audit Committee, the Appointments Committee, or, if they exist separately, to the Compliance or Corporate Governance Committee.**

Complies **X** Partially compliant Explain

- 41. That the members of the Audit Committee, and especially its Chairman, be appointed taking into account their knowledge and experience in accounting, auditing or risk management.**

Complies **X** Partially compliant Explain

- 42. That listed companies have an internal audit function that, under the supervision of the Audit Committee, ensures the proper functioning of the information and internal control systems.**

See section: C.2.3

Complies **X** Explain

- 43. That the person in charge of the internal audit function present to the Audit Committee his annual work plan; inform you directly of the incidents that occur in its development; and submit an activity report at the end of each exercise.**

Complies **X** Partially compliant Explain

- 44. That the risk control and management policy identifies at least:**

- to. The different types of risk (operational, technological, financial, legal, reputational...) that the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks;**
- b. The setting of the level of risk that the company considers acceptable;**
- c. The measures envisaged to mitigate the impact of the identified risks, should they materialize;**
- d. The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.**

See section: E

Complies **X** Partially compliant Explain

- 45. That corresponds to the Audit Committee:**

- 1° In relation to the information and internal control systems:**

- to. Supervise the process of preparation and the integrity of the financial information relating to the company and, where appropriate, to the group, reviewing compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.
- b. Periodically review the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.
- c. Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and removal of the person in charge of the internal audit service; propose the budget for this service; receive periodic information about your activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- d. Establish and supervise a mechanism that allows employees to communicate, confidentially and, if deemed appropriate, anonymously, irregularities of potential importance, especially financial and accounting, that they notice within the company.

2nd In relation to the external auditor:

- a) Receive regular information from the external auditor on the audit plan and the results of its execution, *and* verify that senior management takes your recommendations into account.
- b) Ensure the independence of the external auditor and, for this purpose:
 - i. That the company notify the CNMV of the change of auditor as a relevant fact and accompany it with a statement on the eventual existence of disagreements with the outgoing auditor and, if there were any, their content.
 - iii. That in the event of the resignation of the external auditor, examine the circumstances that led to it.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies **X** Partially compliant Explain

46. That the Audit Committee may summon any employee or manager of the company, and even order their appearance without the presence of any other manager.

Complies **X** Explain

47. That the Audit Committee report to the Board, prior to its adoption of the corresponding decisions, on the following matters indicated in Recommendation 8:

- to. The financial information that, due to its listed status, the company must periodically make public. The Committee should ensure that the interim accounts are prepared with the same accounting criteria as the annual accounts and, to this end, consider the appropriateness of a limited review by the external auditor.

b. The creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the group.

c. Related-party transactions, unless this prior reporting function has been attributed to another supervision and control Committee.

See sections: C.2.3 and C.2.4

Complies **X** Partially compliant Explain

48. That the Board of Directors endeavors to present the accounts to the General Meeting without reservations or qualifications in the audit report and that, in exceptional cases where they exist, both the Chairman of the Audit Committee and the auditors clearly explain to the auditors. shareholders the content and scope of said reservations or qualifications.

See section: C.1.38

Complies **X** Partially compliant Explain

49. That the majority of the members of the Appointments Committee - or the Appointments and Remuneration Committee, if there were only one - be independent Directors.

See section: C.2.1

Complies **X** Explain Not applicable

50. That the Appointments Committee, in addition to the functions indicated in the preceding Recommendations, the following:

- to. Evaluate the competencies, knowledge and experience necessary in the Board, define, consequently, the functions and aptitudes necessary in the candidates who must fill each vacancy, and evaluate the time and dedication required so that they can carry out their duties well.**
- b. Examine or organize, in the manner deemed appropriate, the succession of the Chairman and the chief executive and, where appropriate, make proposals to the Board, so that said succession takes place in an orderly and well-planned manner.**
- c. Report the appointments and removals of senior managers that the chief executive proposes to the Board.**
- d. Report to the Board on the gender diversity issues indicated in Recommendation 14 of this Code.**

See section: C.2.4

Compliant Partially compliant **X** Explain Not applicable

Article 15 of the Board Regulations establishes that the Appointments and Remuneration Committee corresponds to, among others:

- Evaluate the skills, knowledge and experience necessary in the Board, define, consequently, the functions and skills necessary in the candidates who

They must fill each vacancy, and evaluate the time and dedication required so that they can perform their duties well.

- Report the appointments and removals of senior managers that the chief executive proposes to the Board.
- Inform the Board of the gender diversity issues indicated in Recommendation 13 of this Code.

51. That the Appointments Committee consult the Chairman and the chief executive of the company, especially when it comes to matters relating to executive Directors.

And that any Director may request the Appointments Committee to take into consideration, in case it considers them suitable, potential candidates to fill Director vacancies.

Compliant Partially compliant **X** Explain Not applicable

Article 15.10 of the Board Regulations establishes that the Committee must consult the Chairman and the chief executive of the Company, especially when dealing with matters relating to executive directors and senior managers. The foregoing unless any Director may request the Appointments Committee to take into consideration, in case it considers them suitable, potential candidates to fill Director vacancies. However, at present it is not contemplated that any Director may request from the Appointments Committee to take into consideration, in case it considers them suitable, potential candidates to fill vacancies as Director.

52. That the Remuneration Committee, in addition to the functions indicated in the preceding Recommendations, the following:

a) Propose to the Board of Directors:

- i. **The remuneration policy for Directors and senior managers;**
- ii. **The individual remuneration of Executive Directors and the other conditions of their contracts.**
- iii. **The basic conditions of contracts for senior managers.**

b) Ensure compliance with the remuneration policy established by the company.

See sections: C.2.4

Compliant Partially compliant **X** Explain Not applicable

Lar España plans to prepare and approve by its Shareholders' Meeting in 2015 a remuneration policy for the Board of Directors, at the proposal of the Appointments and Remuneration Committee, which will contemplate as general principles that the remuneration of external Directors is as necessary to remunerate the dedication, qualification and responsibility that the position demands; but not so high as to compromise your independence. In this sense, Lar España plans to modify its social norms so that this is reflected.

53. That the Remuneration Committee consult the President and the chief executive of the company, especially when dealing with matters relating to executive directors and senior managers.

Complies **X** Explain Not applicable

OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect of corporate governance in the company or in the group's entities that has not been included in the rest of the sections of this report, but that is necessary to include in order to collect more complete and reasoned information on the structure and governance practices in the entity or its group, briefly detail them.
2. Within this section, any other information, clarification or nuance related to the previous sections of the report may also be included insofar as they are relevant and not repetitive.

Specifically, it will be indicated if the company is subject to legislation other than Spanish in matters of corporate governance and, where appropriate, include the information that it is obliged to supply and is different from that required in this report.

3. The company may also indicate whether it has voluntarily adhered to other codes of ethical principles or good practices, international, sectoral or of another scope. Where appropriate, the code in question and the date of accession will be identified.

This annual corporate governance report has been approved by the company's Board of Directors, at its meeting on February 24, 2015.

Indicate whether there have been directors who have voted against or abstained in relation to the approval of this Report.

Yes No