

**ANNEX I FORM**

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED PUBLIC LIMITED COMPANIES**

**ISSUER IDENTIFICATION DETAILS**

YEAR END-DATE

31/12/2021

Tax ID (CIF)  
A-86918307

Company name:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Registered Office:

Calle de María de Molina 39, 10th Floor, 28006 Madrid, Spain



**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED PUBLIC LIMITED COMPANIES**

**A OWNERSHIP STRUCTURE**

A.1 Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the provision of double loyalty voting:

Yes

No X Board approval date dd/mm/yyyy

Minimum period of uninterrupted ownership required by the statutes: N/A

Indicate whether the company has awarded votes for loyalty:

Yes

No X

Date of the last modification of the share capital	Share capital (€)	Number of shares	Number of voting rights (not including additional loyalty-attributed votes)	Number of additional attributed voting rights corresponding to shares with a loyalty vote	Total number of voting rights, including additional loyalty-attributed votes
15/12/2021	167,385,938	83,692,969	83,692,969		

Number of shares registered in the special register pending the expiry of the loyalty period

N/A

Observations

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

Yes

No X

Class	Number of shares	Par value	Number of voting rights	Rights and obligations conferred

Observations

A.2 List the company's significant direct and indirect shareholders at year end, including directors with a significant shareholding:

Name or company name of shareholder	% of voting rights attached to the shares (including votes for loyalty)		% of voting rights through financial instruments		% of total voting rights	From the total number of voting rights attributed to the shares, indicate, where applicable, the additional votes attributed corresponding to the shares with a loyalty vote.	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
ADAMSVILLE, S.L.	5.204	0.000	0.000	0.000	5.204		
BLACKROCK INC.	0.000	3.069	0.610	0.000	3.679		
BRANDES INVESTMENT PARTNERS, L.P.	0.000	5.005	0.000	0.000	5.005		
GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.	10.000	0.000	0.000	0,000	10.000		
PIMCO BRAVO FUND II, L.P.	0.000	20.044	0.000	0.000	20.044		
SANTA LUCIA S.A. CIA DE SEGUROS	3.888	1.328	0.000	0.000	5.216		

Observations

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares (including votes for loyalty)	% of voting rights through financial instruments	% of total voting rights	From the total number of voting rights attributed to the shares, indicate, where applicable, the additional votes attributed corresponding to the shares with a loyalty vote
PIMCO BRAVO FUND II, L.P.	LVS II LUX XII, S.À.R.L.	20.044	0	20.044	
SANTA LUCIA S.A. CIA DE SEGUROS	SANTA LUCIA ASSET MANAGEMENT, SGIC, SA	0.996	0	0.996	
	SANTA LUCIA VIDA Y PENSIONES, S.A. CIA. DE SEGUROS Y	0.128	0	0.128	

	REASEGUROS, S.A.				
	UNICORP VIDA INSURANCE AND REINSURANCE COMPANY, S.A.	0.115	0	0.115	
	CAJA ESPAÑA VIDA Y COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	0.089	0	0.089	

<b>Observations</b>

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements
<p>In 2021, Lar España carried out a reduction transaction of share capital. Specifically, on December 15, 2021, the public deed relating to the capital reduction of the Company for a nominal amount of 7,881,522 euros, through the redemption of 3,940,761 treasury shares with a par value of two euros each, was registered at the Commercial Registry of Madrid. As a result, the share capital of Lar España has been set at 167,385,938 euros, represented by 83,692,969 registered shares with a par value of two euros each, thereby amending article 5 of the Company's bylaws, relating to the capital and shares of Lar España.</p> <p>Likewise, during 2021 there has been a change in the number of shareholders with significant shareholdings reported.</p> <ul style="list-style-type: none"> <li>• Adamsville, S.L. changed its voting rights from 3.002% to 5.204% on November 24, 2021.</li> <li>• Brandes Investment Partners, L.P. transferred voting rights from 5.005% to 4.990% on February 23, 2021 and acquired again voting rights from 4.990% to 5.005% on March 5, 2021.</li> </ul> <p>In addition, after the close of 2021 financial year, on January 26, 2022, LVS II Lux XII S.à r.l. -an entity controlled by PIMCO Bravo II Fund L.P. - informed the Company of the sale of its entire holding in Lar España, comprising 18,157,459 shares representing 21.7% of its share capital, which was liquidated on February 28, to Castellana Properties SOCIMI, S.A. (a company controlled by VUKILE PROPERTY FUND LIMITED).</p>

A.3 Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A2 above:

Name or company name of director	% of voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote	
	Direct	Indirect	Direct	Indirect		Direct	Indirect

Mr. José Luis del Valle	0.114	0.054			0.168		
Mrs. Isabel Aguilera	0.003				0.003		
Mr. Alec Emmott	0.001				0.001		
Mr. Roger M. Cooke	0.003				0.003		
Mr. Miguel Pereda	0.034				0.034		
Mrs. Leticia Iglesias	0.000				0.000		

<b>total percentage of voting rights held by the board of directors</b>	0.209
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<b>Observations</b>

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% voting rights attributed to shares (including loyalty votes)	% of voting rights through financial instruments	% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where applicable, the % of additional votes attributed corresponding to the shares with a loyalty vote
Mr. José Luis del Valle	Eugemor, SICAV, S.A.	0.054		0.054	

<b>Observations</b>

List the total percentage of voting rights represented on the board:

<b>total percentage of voting rights held by the board of directors</b>	<b>28.780</b>
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<b>Observations</b>
The proprietary director Mr. Miguel Pereda represents Grupo Lar Inversiones Inmobiliarias, S.A. This shareholder has communicated a participation of 10.000 % of the total voting rights of Lar España.
The proprietary director Mr. Laurent Luccioni represents PIMCO BRAVO FUND II, L.P. This shareholder held 20.044% of the voting rights of Lar España as of December 31, 2021. As a consequence of the sale by PIMCO BRAVO FUND II, L.P. with effect from January 28, 2022 of its entire holding in Lar España, Mr. Laurent Luccioni has resigned as a member of the Board of Directors of the Company on January 28, 2022, following the closing of such sale.

A.4 If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the

company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description

A.5 If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
LVS II LUX XII, S.A.R.L. (PIMCO)	Contractual "Subscription Agreement	1st offer rights in connection with certain co-investment opportunities in tertiary and residential real estate. Agreement effective as of December 31, 2021 and terminated on January 28, 2022, date on which PIMCO liquidated its interest in the company.
GRUPO LAR INVERSIONES, S.A.	Contractual "Investment Management Agreement	Asset management contract

A.6 Unless insignificant for both parties, describe the relationships that exist between significant shareholders, shareholders represented on the Board and directors or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
Miguel Pereda Espeso	Grupo Lar Inversiones Inmobiliarias, S.A.		Appointed Proprietary director on behalf of Grupo Lar Inversiones Inmobiliarias, S.A.
Laurent Luccioni	PIMCO BRAVO FUND II, L.P.		Appointed Proprietary director on behalf of PIMCO BRAVO FUND II, L.P.

<u>Observations</u>

A. 7 Indicate whether the Company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes       No

Parties to the shareholders' agreement	% of share capital concerned	Brief description of the agreement	Expiry date of the agreement, if any

<u>Observations</u>

Indicate whether the company is aware of the existence of concerted actions among its shareholders. If so, provide a brief description:

Yes       No

Parties to the concerted action	% of share capital concerned	Brief description of the concerted action	Expiry date of the concert, if any

<u>Observations</u>

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

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A. 8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes       No

<u>Name or company name</u>

<u>Observations</u>

A. 9 Complete the following table with details of the company's treasury shares:

**At the close of the year:**

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
130,970		0.156



<b>Observations</b>

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
<b>Total:</b>	

<b>Observations</b>

Explain any significant changes during the year:

Explain significant changes
<p>From January 5, 2021 to October 14, 2021, the Company acquired treasury shares following its Share Buyback Program (<i>Programa de Recomprou de acciones</i>) approved on December 12, 2019, under the authorization granted by the General Shareholders' Meeting of May 29, 2017 for the derivative acquisition of treasury shares and which was extended on April 14, 2021 for an additional period of six months, i.e., from April 14, 2021 to October 14, 2021. On October 14, 2021, the term of the aforementioned Buyback Program ended and it was deemed to have been concluded, having acquired in execution thereof a total of 3,940,761 treasury shares equivalent to a 4.50% of the Company's capital, investing a total amount of € 20,763,341.91.</p> <p>Following the completion of the Program, on November 18, 2021, the resolution to reduce share capital through the redemption of treasury shares approved on November 11, 2021 by the Board of Directors of the Company was made public, pursuant to the delegation made by the Ordinary General Meeting of Shareholders of the Company held on May 29, 2017, which approved, under item eleven of the agenda, to authorize the Board of Directors for the derivative acquisition of treasury shares, under the terms and conditions indicated in the aforementioned resolution of the General Meeting, expressly empowering it to reduce the share capital by one or more times in order to proceed with the redemption of the treasury shares acquired. Pursuant to the foregoing, the share capital of Lar España has been reduced by 7,881,522 euros as a result of the cancellation of 3,940,761 treasury shares with a par value of two euros each. On December 15, 2021, the public deed relating to the share capital reduction of the Company was registered at the Commercial Registry of Madrid.</p>

A. 10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares

<p>Pursuant to article 5.p) of the Regulations of the General Shareholders' Meeting, the Shareholders' Meeting is competent to authorize the derivative acquisition of treasury stock.</p> <p>At the Ordinary General Shareholders Meeting held in May 2017, it was agreed to delegate to the Board of Directors, for a period of five years, the authorization for the derivative acquisition of treasury stock in accordance with the limits and requirements established in Royal Legislative Decree 1/2010, of July 2, approving the revised text of the Spanish Companies Act (hereinafter LSC), expressly authorizing it to reduce, where appropriate, the share capital on one or several times in order to amortize the treasury stock acquired.</p>
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On April 14, 2021, Lar España notified the CNMV of the amendment to the Repurchase Program approved on December 12, 2019, under the authorization granted by the General Shareholders' Meeting of May 29, 2017, in particular regarding the duration period thereof. In this regard, the Program was extended for a period of 6 months, this is, from April 14, 2021 to October 14, 2021.

A. 11 Estimated float:

	%
<b>Estimated float</b>	66.7

<b>Observations</b>

A.12 Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes                       No

Description of restrictions
In Section 7.2.2 of the management agreement signed between Lar España Real Estate and Grupo Lar, in force until December 31, 2021, the shares acquired by the manager due to the <i>performance fee</i> had a <i>lock up period</i> of 3 years. The management agreement in force since January 1, 2022 no longer contains such provision.
In addition, provision 7 bis. of the Law 19/2003, of July 4, 2003, on the legal regime of capital movements and foreign economic transactions and on certain measures for the prevention of money laundering, regarding the suspension of the liberalization regime of certain foreign direct investments in Spain, as amended by Royal Decree-Law 8/2020, of March 17; Royal Decree-Law 11/2020, of March 31 and Royal Decree-Law 34/2020, of November 17, shall apply.

A.13 Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

Yes                       No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market.

Yes                       No

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

<b>Indicate the various share classes</b>

**B GENERAL SHAREHOLDERS' MEETING**

B.1 Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details

Yes  No

	% quorum different from that established in Article 193 of the Spanish Corporate Enterprises Act for general matters	% quorum different from that established in Article 194 of the Spanish Corporate Enterprises Act for special resolutions
Quorum required at 1 <sup>st</sup> call		
Quorum required at 2 <sup>nd</sup> call		

Description of differences

B.2 Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes  No

Describe how it is different from the regime provided in the Spanish Corporate Enterprises Act

	Qualified majority other than that set forth in Article 201.2 of the Corporate Enterprises Act for matters referred to in Article 194.1 of this Act	Other matters requiring a qualified majority
% established by the company for the adoption of resolutions		

Describe the differences

B.3 Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation

The general legal regime applies. Article 17.2 of the Rules of the General Shareholders' Meeting states the following: "Shareholders holding at least 50% of the subscribed capital with voting rights must be present or represented on first call for the General Shareholders' Meeting to validly adopt decisions regarding: the issue of bonds or debentures; the cancellation or restriction of any pre-emptive rights to subscribe for new shares; the conversion, merger, spin-off or global assignment of assets and liabilities; the transfer of the registered seat abroad, the increase or reduction of the share capital and generally any amendment to the Articles of Association. On second call, 25% of the share capital present or represented shall be a quorum"

B.4 Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

Date of general meeting	Attendance data				Total
	% physical presence	% present by proxy	% distance voting		
			Electronic voting	Others	
25/04/2019	12.829	64.000	0.005	0.278	77.111
<b>Of which Floating Capital:</b>	0.108	44.522	0.005	0.278	44.912
17/03/2020	13.141	53.564	0.006	0.293	67.003
<b>Of which Floating Capital:</b>	0.047	32.844	0.006	0.293	33.190
22/04/2021	15.347	53.386	0.007	1.113	69.853
<b>Of which Floating Capital:</b>	0.015	32.666	0.007	0.999	33.687

Observations

B.5 Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.

Yes  No

Items on the agenda not approved	% vote against (*)

(\*) If the non-approval of the point was for a reason other than the vote against, this will be explained in the text part and "N/A" will be placed in the "% vote against" column.

B.6 Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes  No

Number of shares required to attend General Meetings	
Number of shares required for voting remotely	

Observations

B.7 Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

Yes  No

Explain the decisions that must be submitted to the General Shareholders' Meeting, other than those established by law
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- B. 8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website

<https://www.larespana.com/gobierno-corporativo/junta-general-ordinaria-2021/>

## C] STRUCTURE OF THE COMPANY'S ADMINISTRATION

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of association and the number set by the general meeting:

<b>Maximum number of directors</b>	fifteen
<b>Minimum number of directors</b>	five
<b>Number of directors set by the general meeting</b>	seven

<b>Observations</b>

C.1.2 Complete the following table on Board Members

<b>Name or company name of director</b>	<b>Representative</b>	<b>Category of director</b>	<b>Position on the board</b>	<b>Date first appointed</b>	<b>Date of last appointment</b>	<b>Election procedure</b>	<b>Date of birth</b>
Mr. Jose Luis del Valle Doblado		Independent	Chair	05/02/2014	17/03/2020	Re-election by the GSM	29/04/1954
Mr. Alec Emmott		Independent	Director	05/02/2014	17/03/2020	Re-election by the GSM	16/12/1947
Mr. Roger Maxwell Cooke		Independent	Director	05/02/2014	17/03/2020	Re-election by the GSM	12/04/1958
Mrs. Isabel Aguilera Navarro		Independent	Director	29/05/2017	22/04/2021	Re-election by the GSM	24/08/1960
Mrs. Leticia Iglesias Herraiz		Independent	Director	16/10/2018	25/04/2019	Co-opting ratified by the GSM	12/06/1964
Mr. Miguel Pereda Espeso		Proprietary	Vice Chair	05/02/2014	17/03/2020	Re-election by the GSM	30/09/1963
Mr. Laurent Luccioni		Proprietary	Director	29/05/2017	17/03/2020	Proportional representation	31/07/1971

<b>Total number of directors</b>	7
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

<b>Name or company name of director</b>	<b>Category of director at the time of cessation</b>	<b>Date of last appointment</b>	<b>Date of cessation</b>	<b>Specialised committees of which he/she was a member</b>	<b>Indicate whether the termination occurred before the end of his or her the term of office.</b>


**Reason for cessation when this occurs before the end of the term of office and other observations, information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of non-executive directors, explanation or opinion of the director dismissed by the general meeting**

C.1.3 Complete the following tables on the members of the Board and their categories:

**EXECUTIVE DIRECTORS**

<b>Name or company name of director</b>	<b>Post in organization chart of the company</b>	<b>Profile</b>

<b>Total number of executive directors</b>	
<b>Percentage of Board</b>	

<b>Observations</b>

**EXTERNAL PROPRIETARY DIRECTORS**

<b>Name or company name of director</b>	<b>Name or company name of the significant shareholder represented by the director or that nominated the director</b>	<b>Profile</b>
Mr. Miguel Pereda	Grupo Lar Inversiones Inmobiliarias, S.A.	Mr. Pereda has over 25-years' of experience in the real estate sector. He is chair and shareholder of Grupo Lar Inversiones Inmobiliarias, S.A., and was previously Director General of Grupo Lar Grosvenor for 6 years. In 2015 he was appointed Eminent Fellow of the Royal Institution of Chartered Surveyors (RICS) in London. Currently, he is also Chair of Villamagna, S.A., a company of the Grosvenor Group, and Chair of the Altamira Lar Foundation. Mr. Pereda holds a degree in Economics and Business Sciences from Complutense University, has an MBA from the Institute of Enterprise (IE), Breakthrough program for Senior Executives by IMD, Master's degree in tax advising from ICADE

		and Real estate management program by Harvard University.
Mr. Laurent Luccioni	LVS II LUX XII, S.A.R.L. (PIMCO)	Mr. Luccioni has over 18-years' experience in the area of financial and investment services. Currently, he is a Senior Advisor to PIMCO in Europe. Until the end of 2019, he served as Managing Director and Portfolio Manager at PIMCO's London office, with responsibility for overseeing the European commercial real estate team. Prior to PIMCO in 2013, Mr. Luccioni was Managing Director for Europe at MGPA, a private equity firm supported by Macquarie, and worked for Cherokee Investment Partners in London. Currently, Mr. Luccioni is a director of Carmila SAS. Mr. Luccioni holds an MBA from Northwestern University Business School (Kellogg School of Management) and a PhD in civil and environmental engineering from the University of California, Berkeley.

<b>Total number of proprietary directors</b>	2
<b>Percentage of Board</b>	28.57%

<b>Observations</b>

**EXTERNAL INDEPENDENT DIRECTORS**

Name or company name of director	Profile
Mr. José Luis del Valle	<p>Mr. José Luis del Valle has a broad track record in the banking and energy sector. From 1988 to 2002, he held various positions in Banco Santander, one of Spain's largest financial institutions. In 1999 he was appointed Director General 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), Director General of Scottish Power (2007-2008), Director of Iberdrola Strategy and Studies (2008-2010) and Adviser to the Chair of the wind turbine manufacturer Gamesa (2011-2012). At present he is Chair of the Board of Directors of WiZink Bank, Director of the insurance group Ocaso, Director of the Institute of Directors, member of the Governing Board of the Spanish Environmental Club and member of the MIT Alumni Association in Spain.</p> <p>Mr. José Luis del Valle is a Mining Engineer at the Polytechnic University (Madrid, Spain), number one of its promotion, and a Master of Nuclear Science and Nuclear Engineering at the Massachusetts Institute of Technology (Cambridge, USA.) He also</p>



	holds an MBA with High Distinction at Harvard Business School (Boston, USA).
Mrs. Leticia Iglesias	<p>Mrs. Leticia Iglesias has extensive experience in regulating and supervising securities markets and financial services. She started her career in 1987 in Arthur Andersen's Auditing Division. Between 1989 and 2007, she developed her professional career at the National Securities Market Commission (CNMV). From 2007 to 2013 she was Director General at the Spanish Institute of Chartered Accounts (ICJCE). Likewise, between 2013 and 2017, she was an independent Director of the Board of Banco Mare Nostrum (BMN), as well as a member of the Executive Committee, Chair of the Global Risk Committee and a member of the Auditing Committee. In 2017 and 2018 she served as independent director in Abanca Servicios Financieros, EFC, as well as Chair of the Joint Audit and Risk Committee. Since May 2018 she has been a member of the Board of Directors of Abanca Corporación Bancaria, Chair of the Audit and Compliance Committee and member of the Integral Risk of the Integral Risk Committee. Since April 2019, she has been an Independent Director and Chair of the Audit Committee of AENA SME, S.A. and, since April 2021, a member of its Sustainability and Climate Change Committee. Likewise, since October 22, 2020, she is an Independent Director and member of the Audit Committee of ACERINOX S.A.</p> <p>Mrs. Iglesias holds a master's degree in Economics and Business Administration from the Madrid Complutense University. She is a member of the Spanish Official Registry of Accounts (ROAC), Trustee de Fundación PRODIS Special Employment Centre, as well as a Board member of the ICADE Business Club.</p> <p>She is also a member of the International Advisory Board of the Faculty of Economics and Business Administration of the Universidad Pontificia de Comillas (ICADE International Advisory Board).</p>
Mr. Alec Emmott	<p>Mr. Alec Emmott has an extensive professional career in the listed and unlisted real estate sector in Europe and resides in Paris. He worked as Director General of Soci��t�� Fonci��re Lyonnaise (SFL) between 1997 and 2007, and subsequently as executive adviser to SFL until 2012.</p> <p>He is currently a Director of Europroperty Consulting, and since 2011 he has been a Director of VITURA S.A. (formerly CeGeREAL S.A.) (representing Europroperty Consulting). He is also a member of the advisory committee of Weinberg Real Estate Partners #2 (WREP #2). He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. He holds an MA by Trinity College (Cambridge, UK).</p>
Mr. Roger Maxwell Cooke	<p>Mr. Roger M. Cooke is a professional with more than 40-years' experience in the real estate sector. In 1980, he joined the London office of Cushman &amp; 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 Director General of Cushman &amp; Wakefield Espa��a, placing the company in a leading position in the sector.</p> <p>In 2017, Mr. Cooke was decorated by Queen Isabel II with a MBE for his services to British companies in Spain and to Anglo-Spanish trade and investment.</p> <p>Mr Cooke holds a degree from Urban Estate Surveying by Trent Polytechnic University (Nottingham, United Kingdom) and is</p>

	currently a member of the Royal Institution of Chartered Surveyors (FRICS). Until May 2016, he chaired the British Chamber of Commerce in Spain. Since January 2020 he is Chair of the Advisory Board of RICS in Spain and he is part of the European Advisory Board. In addition, he is a member of the Executive Board of the British-Spanish Foundation and is an editorial advisor at Observatorio Inmobiliario.
Mrs. Isabel Aguilera Navarro	<p>Mrs. Isabel Aguilera has developed her professional career in various companies in diverse sectors and has been President of General Electric in Spain and Portugal, Director General of Google in Spain and Portugal, Chief Operating Officer of the NH Hoteles Group, and Director General of Dell Computer Corporation in Spain, Italy and Portugal. Likewise, she has been a part of the Board of various companies such as Indra Sistemas, Banco Mare Nostrum, Aegon España, Laureate Inc, Grupo Egasa and HPS (Hightech Payment Systems). Ms. Isabel Aguilera is currently a director of Grupo Cemex, Oryzon Genomics, Clínica Baviera, Canal de Isabel II and Making Science.</p> <p>Mrs. Aguilera has a degree in Architecture and Urbanism from the Higher Technical School of Architecture in Seville, has completed the master's degree in Commercial and Marketing Directorate of the IE, the General Management Program of IESE and the Program for Upper Management of Leading Companies and Institutions of the San Telmo Institute. She is currently Associate Professor of ESADE and Consultant for Strategy and Innovation.</p>

<b>Total number of independent directors</b>	5
<b>Percentage of board</b>	71.43%

<b>Observations</b>

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

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director

<b>Name or company name of director</b>	<b>Description of the relationship</b>	<b>Reasoned statement</b>

**OTHER EXTERNAL DIRECTORS**

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile

<b>Total number of other external directors</b>	
<b>Percentage of Board</b>	

<b>Observations</b>

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category

<b>Observations</b>

C.1.4 Complete the following table with information regarding the number of female directors at the end of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	Year 2021	Year 2020	Year 2019	Year 2018	Year 2021	Year 2020	Year 2019	Year 2018
<b>Executive</b>	0	0	0	0	0	0	0	0
<b>Proprietary</b>	0	0	0	0	0	0	0	0
<b>Independent</b>	2	2	2	2	40%	40%	40%	40%
<b>Other External</b>	0	0	0	0	0	0	0	0
<b>Total:</b>	2	2	2	2	29%	29%	29%	29%

<b>Observations</b>
Although this event occurred after December 31, 2021, as of January 28, 2022, following the resignation of Mr. Laurent Luccioni, the current percentage of female directors is 33.3%, all of whom are independent.

C.1.5 Indicate whether the company has diversity policies in relation its Board of Directors on such questions as age, gender, disability, or professional training and experience. Small and medium-sized enterprises, in accordance with the definition contained in the Spanish Auditing Act, will have to report at least the policy they have established in relation to gender diversity.

Yes  No  Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

<b>Description of policies, objectives, measures and how they have been applied, and results achieved.</b>
<p>The Board of Lar España Real Estate SOCIMI is tasked, among other functions, to ensure that the selection procedures of its members favour the diversity of gender, age, experience and knowledge and do not suffer from implicit biases that may entail any discrimination and, in particular, that they facilitate the selection of Directors in a number that allows a balanced presence of women and men to be achieved.</p> <p>Within the context of this function, as well as the provisions of article 5 of the Board Regulations, on January 20, 2016, the Board, at the proposal of the Appointments, Remuneration and Sustainability Committee, approved the Policy for the selection, appointment, re-election and evaluation of the directors and diversity of the Board of Directors of Lar España. With the aim of always guaranteeing diversity in all its aspects, this Policy is subject to periodic review and was last amended on February,23 2021.</p> <p>The objective of this Policy is to monitor and encourage diversity of experience and knowledge, training, age, disability and gender of the members of the Board of Directors of the Company.</p> <p>To this end, in the process of selecting candidates, consideration shall be given to the inclusion on the Board of Directors of directors with sufficient diversity of training, experience and knowledge, gender, age or disability, in order to meet the legal requirements and recommendations of good governance in relation to the composition and particular suitability of the members of the Board of Directors and of the different internal supervisory committees of the Board of Directors (Audit and Compliance Committee and Appointments, Remuneration and Sustainability Committee), so that their composition reflects a diverse set of views and experiences.</p> <p>In particular, the Board of Directors of Lar España will promote the objective that the number of female Directors will represent at least 40% of the total Board members in 2022, while also ensuring cultural diversity and the presence of members with international knowledge and experience.</p> <p>Efforts will be made to ensure that the Company has a significant number of female upper management positions.</p> <p>To this end, during the year 2021:</p> <p>The General Shareholders' Meeting, at its meeting held on April 21, 2021, approved, at the proposal of the Appointments, Remuneration and Sustainability Committee, and with the</p>

favorable report of the Board of Directors, to re-elect Mrs. Isabel Aguilera Navarro as an independent external director of the Company.

The Committee analysed on several occasions the possibility of increasing the number of females on the Board of Directors to achieve, in accordance with Recommendation 15 of the CGG, the objective that by the end of 2022 at least 40% of the members of the Board should be female directors. In this regard, and after various meetings of the Committee and having assessed the matter with the main proxy advisors and other stakeholders, the Committee concluded that, taking into account the size and composition of the current Board, with a majority of independent directors, as well as the internal policies implemented and the positive evolution of recent years, the current percentage of women on the Board is in line with the Company's singularities and social and good governance expectations,; notwithstanding the Company's commitment to continue seeking to achieve, in the light of concurrent circumstances and the necessities of the Company at any moment, of the corporate governance recommendations in this area.

Finally, the Appointments, Remuneration and Sustainability Committee and the Board, periodically review their composition, profiles, categories and matrix of competencies, in order to ensure at all times that the composition of the Board is diverse in all its terms, balanced and in line with the needs of the Company. Thus, in December 2020, the Committee drew up a skills matrix of the Board, summarizing the skills that the Board considers most relevant for the management of the Company and highlighting the most important aspects of the profile of each Directors. This skills matrix is reviewed on a regular basis to always ensure that the composition of the Board is appropriate and diverse. The latest review of the skills matrix was carried out in March 2021.

Mapa de Capacidades del Consejo de Administración de Lar España 2021

	Cargo C9 / comisiones	Nacionalidad	Sectorial: Inmobiliario /Retail /Valoraciones	Sectorial técnico: Arquitectura/urbanismo/ingeniería	IT	Finanzas	Auditoría / Riesgos	Mercado internacional	Otros Consejos	Conocimiento inversor / stakeholders	Gestión de equipos y talento	ESG	Funciones de Primer Ejecutivo /CEO
Jose Luis del Valle (Presidente)	Presidente no ejecutivo-independiente Miembro de la CAyC	Española		x		x	x	x	x	x		x	x
Leticia Iglesias	Consejero independiente Presidente CAyC	Española				x	x	x	x	x	x		x
Isabel Aguilera	Consejero independiente Miembro CAyC	Española		x	x	x		x	x		x		x
Roger Cooke	Consejero independiente Presidente CNR	Británica	x					x			x	x	x
Miguel Pereda	Consejero dominical Miembro CNR	Española	x			x		x		x	x	x	x
Laurent Luccioni	Consejero dominical Miembro CNR	Francesa	x			x		x	x	x			x
Alec Emmott	Consejero independiente Miembro CNR	Británica	x					x	x	x		x	x

\*Este documento resume de manera muy sintética las capacidades que el Consejo considera más relevantes para la gestión de la Sociedad, señalando los aspectos más destacados del perfil de cada uno de los Consejeros. Esta matriz en modo alguno refleja la totalidad de las capacidades de los miembros del Consejo, sino únicamente aquellas en cada uno de los Consejeros puede considerarse experto, de entre las previamente definidas como esenciales

C.1.6 Describe the measures, if any, that the nomination Committee has agreed to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

**Explanation of measures**

The Policy for the selection, appointment, re-election and evaluation of the directors and diversity of the Board of Director of Lar España, approved by the Board, at the proposal of

the Appointments, Remuneration and Sustainability Committee, establishes the requirements to be taken into account in the procedure for the selection of Directors. Likewise, the Policy establishes an objective procedure for the selection, appointment, re-election and evaluation of directors. Section C.1.16 of this report describes these requirements, as well as the selection procedure.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

The Appointments, Remuneration and Sustainability Committee has verified compliance with the Policy for the selection, appointment, re-election and evaluation of the directors and diversity of the Board of Directors of Lar España concluding the following:

- the Committee reviewed the skills matrix of the Board which defines the skills and knowledge of candidates for directors, concluding that it was up to date and that no adjustments were therefore necessary.
- the Committee reviewed the director categories of each members of the Board of Directors, concluding that the current categories remain fully in line with their circumstances.
- In the context of the proposed re-election of Mrs. Isabel Aguilera Navarro as an external independent director of the Company, the Committee assessed Mrs. Isabel's professional and biographical profile and her performance, together with the profiles and capabilities of the Board as a whole. The Committee also analysed the rest of her occupations and her independence, concluding that Mrs. Isabel has the appropriate competence, experience and merits to perform her role as director of the Company under the terms established by Law.
- In relation to the Company's commitment to reach a 40% quota of females on the Board, the Committee analysed on several occasions the possibility of increasing the number of females on the Board to achieve, in accordance with Recommendation 15 of the CGG, the objective that by the end of 2022 at least 40% of the members of the Board should be female directors. In this regard, and after various meetings of the Committee and having assessed the matter with the main proxy advisors and other stakeholders, the Committee concluded that, taking into account the size and composition of the current Board, with a majority of independent directors, as well as the internal policies implemented and the positive evolution of recent years, the current percentage of women on the Board is in line with the Company's singularities and social and good governance expectations; notwithstanding the Company's commitment to continue seeking to achieve, in the light of concurrent circumstances and the necessities of the Company at any moment, of the corporate governance recommendations in this area.

C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason

Indicate whether the Board has declined any formal request for presence of the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

Yes  No

Name or company name of shareholder	Explanation

C.1.9 Indicate the powers, if any, delegated by the Board of Directors, including those relating to the option issuing or re-purchasing shares, to directors or board committees:

Name or company name of director or committee	Brief description
Miguel Pereda Espeso	It confers such a broad and sufficient power of attorney to Miguel Pereda Espeso and three others (not Directors) such that two of them together can sign a liquidity agreement.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
Mr. Miguel Pereda	LE LOGISTIC ALOVERA I AND II, S.A.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL ALISAL, S.A.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL HIPER ALBACENTER, S.A.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE OFFICES ELOY GONZALO 27, S.A.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL AS TERMAS, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE LOGISTIC ALOVERA III Y IV, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE LOGISTIC ALMUSSAFES, S.L.U.	Chair of the Board of Directors	No

Mr. Miguel Pereda	LE RETAIL HIPER ONDARA, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE OFFICES JOAN MIRO 21, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL VIDANOVA PARC, S.L.U. (formerly LE RETAIL SAGUNTO, S.L.U.)	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL EL ROSAL, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL GALARIA, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LAR ESPAÑA INVERSIÓN LOGÍSTICA IV, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL VISTAHERMOSA, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL LAGOH, S.L.U. (formerly LAR ESPAÑA SHOPPING CENTRES VIII, S.L.U.)	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL SAGUNTO II, S.L.U. (formerly LAR ESPAÑA OFFICES VI, S.L.U.)	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL VILLAVERDE, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL ALBACENTER, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE OFFICES MARCELO SPINOLA 42, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL LAS HUERTAS, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL TXINGUDI, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL ANEC BLAU, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL GRAN VIA DE VIGO, S.A.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL ABADÍA, S.L.U.	Chair of the Board of Directors	No
Mr. Miguel Pereda	LE RETAIL RIVAS, S.L.U.	Chair of the Board of Directors	No



Mr. Miguel Pereda	LE RETAIL CORDOBA SUR, S.L.U. (formerly GLOBAL PERGAMO, S.L.U.)	Chair of the Board of Directors	No
Mr. Miguel Pereda	INMOBILIARIA JUAN BRAVO 3, S.L.	Member of the Board of Directors	No
Mr. Roger M. Cooke	INMOBILIARIA JUAN BRAVO 3, S.L.	Chair of the Board of Directors	No

<b>Observations</b>

C.1.11 List the positions of director, administrator or representative thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

<b>Identity of the director or representative</b>	<b>Company name of the listed or non-listed entity</b>	<b>Position</b>
Mrs. Isabel Aguilera	Oryzon Genomics, S.A.	Independent Director
	Cemex, S.A.B.	Independent Director
	Clínica Baviera, S.A.	Independent Director
	Making Science	Independent Director
	Canal de Isabel II	Independent Director
Mr. Alec Emmott	VITURA, S.A. (formerly known as CeGeREAL, S.A.) (on behalf of Europroperty Consulting)	Proprietary director
Mr. Laurent Luccioni	Carmila	Independent director
Mrs. Leticia Iglesias	ABANCA Corporación Bancaria, S.A.	Independent Director
	AENA SME, S.A.	Independent Director
	ACERINOX, S.A.	Independent outside Director
	Fundación Centro Especial de Empleo PRODIS	Trustee
Mr. José Luis del Valle	Wizink Bank, S.A.U.	Chair of the Board of Directors
	Ocaso, S.A. Insurance and reinsurance company	Director
	Instituto de Consejeros-Administradores, IC-A	Director
Mr. Miguel Pereda	Fomento del Entorno Natural	Sole Director

	Villamagna S.A. (as representative of Fomento del Entono Natural S.L.)	Chair of the Board of Directors
	Grupo Lar Inversiones Inmobiliarias, S.A.	Chair of the Board, CEO and executive
	Grupo Lar Europa del Este, S.L.U., Grupo Lar Holding Iberia, S.A.U., Acacia Inmuebles, S.L., Inmuebles Logísticos Iberia, S.L. (subsidiary of Grupo Lar Inversiones Inmobiliarias)	Chair of the Board of Directors
	Global Caronte, S.L.U., Desarrollos Ibéricos Lar, S.L.U., Grupo Lar Desarrollo Suelo, S.L.U. (subsidiaries of Grupo Lar Inversiones Inmobiliarias)	Joint and Several Director
	Grupo Lar Management Services Iberia, S.L.U., Global Byzas, S.L.U., Oficinas Calle Albarracín, S.L.U., Grupo Lar Oficinas Europeas, S.A.U., HRE Inversiones II, S.L.U., GRUPO LAR TECH, S.L.U. (subsidiaries of Grupo Lar Inversiones Inmobiliarias)	Sole Director
	Parque Castilleja, S.L. (subsidiary of Grupo Lar Inversiones Inmobiliarias)	Director
	Fundación Altamira Lar	Chair of the Board of Trustees

<b>Observations</b>
For clarification purposes, it is hereby stated for the record that the position held by Mrs. Leticia Iglesias in the Foundation is not remunerated. Likewise, it is hereby stated that the positions held by the Director Mr. Miguel Pereda, in the Foundation and as a member of the administrative bodies of the unlisted subsidiaries of Grupo Lar Inversiones Inmobiliarias S.A. indicated in the above table, are not remunerated.

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table

<b>Identification of the director or representative</b>	<b>Other paid activities</b>

<b>Observations</b>

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes  No

<b>Explanation of the rules and identification of the document where it is regulated.</b>
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Pursuant to Article 19.4 of the Board Regulations, Directors of the Company may hold positions on up to a maximum of four Boards of Directors of other companies listed on official secondary markets (other than the Company) in Spain or abroad.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

<b>Remuneration accrued during the year to the Board of Directors (thousands of euros)</b>	505
<b>Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)</b>	0
<b>Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)</b>	0
<b>Pension rights accumulated by former directors (thousands of euros)</b>	0

<b>Observations</b>

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

<b>Name or company name</b>	<b>Position(s)</b>
MR. JON ARMENTIA MENDEZA	CORPORATE DIRECTOR AND CFO
MRS. SUSANA GUERRERO TREVIJANO	LEGAL DIRECTOR AND VICE-SECRETARIAT OF THE BOARD
MR. HERNAN SAN PEDRO LOPEZ DE URIBE	INVESTOR RELATIONS DIRECTOR
MR. JOSE IGNACIO DOMINGUEZ	INTERNAL AUDIT DIRECTOR

<b>Number of women in senior management</b>	1
<b>Percentage of total senior management</b>	25

<b>Total remuneration of senior management (in thousands of euros)</b>	541
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<b>Observations</b>

C.1.15 Indicate whether the Board regulations were amended during the year

Yes  No

<b>Description of amendment (s)</b>
On November 11, 2021, the Board of Directors of LAR España approved a series of amendments to the Board Regulations, to incorporate the changes introduced by the reform of the Spanish Companies Act operated by Law 5/2021, of April 12, amending the revised text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of July 2, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies (Law 5/2021).
In this regard, it is amended as follows:

- Article 5.4 s) relating to the powers of the Board of Directors, which shall be drawn up as follows: *“The approval, following a report by the Audit and Control Committee, of the Related-party Transactions, unless its approval corresponds to the General Shareholders’ Meeting and without prejudice to of the possibility of delegation by the Board of Directors, in the cases and under the terms established by Law and these Regulations.”* thus being adapted to Article 529 ter.1.h) LSC, in its wording given by Law 5/2021.
- Articles 8.2 and 8.5. The term 'category' provided for in Article 529 duodecies LSC is incorporated.
- The Article 14.1 to be adjusted to the current wording of Article 42 of the Bylaws.
- Add 'control' to Article 14.3.d.iii to read as follows *"In relation to the risk control and management policy, [...]"*
- Article 14.3.e.ii is completed in order to comply with the provisions of article 529 quaterdecies. 4. g) LSC, as amended by Law 5/2021, to read as follows: *"Inform and issue the reports that are mandatory about Related-party Transactions to be approved by the General Shareholders’ Meeting or the Board of Directors and oversee the internal procedure established by the Company for those whose approval has been delegated by the Board of Directors in accordance with applicable regulations."*
- Article 15.4.f.iii and iv regarding the competencies of the Appointments, Remuneration and Sustainability Committee, with respect to the remuneration of directors and senior management. Specifically, the provisions relating to the remuneration of directors in their capacity as such are adapted to the provisions of article 529 septdecies.3 LSC, as amended by Law 5/2021, expressly incorporating that relating to executive directors in accordance with article 529 octodecies.3 LSC, as amended by Law 5/2021.
- Article 16.6 regarding the meetings of the Board of Directors is adapted to the criteria set forth in Article 38.5 of the current Bylaws. In accordance with the new wording, in the event that the meeting of the Board of Directors is held *"at various places connected to each other "*, the meeting shall be deemed to be held where the largest number of directors is located and, in the event of a tie, at the registered office and not where the Chair of the Board of Directors is located or whoever, in his absence, chairs the meeting, as provided for in the previous wording of the provision.
- Article 19.3 relating to the appointment of directors in line with Article 529 bis.1 LSC, as amended by Law 5/2021, which establishes the obligation for the Board of Directors of listed companies to be composed exclusively of natural persons. Likewise, the reference to specific rules is eliminated so that the regulations may be outdated in the event of future regulatory amendments.
- “Maximum” is eliminated from Article 22.1 regarding the term of office, in coordination with the provisions of Article 35.1 of the Bylaws.
- Article 23.2 e. regarding the removal of directors. The words *"in official secondary markets"* and *"in Spain or abroad"* are added, to read as follows *"When sitting on more than four boards of directors of other listed companies on official secondary markets (apart from the Company) in Spain or abroad."*
- Article 28 relating to the duty of diligence of directors. The duty to subordinate, in any case, their private interest to the interest of the company is expressly added in line with the provisions of Article 225.1 of the LSC as amended by Law 5/2021.
- Article 31.2 regarding conflicts of interest. The term "natural person" is eliminated, given that, in accordance with the new wording of Article 19.3 of the Board Regulations, Directors may only be natural persons, and section 31.2.b relating to the definition of persons related to a director who is a legal person is eliminated. Likewise, section iv of Article 31.2 relating to the definition of persons related to the directors is amended in accordance with the provisions of Article 231.1.d) LSC, as amended by Law 5/2021.
- Article 31.3 relating to the cases in which the director must abstain from transactions with the Company.
- Title X relating to Related Transactions is amended in line with the provisions of Articles 529 vicies to 529 tervicies of the LSC, as amended by Law 5/2021. The

word 'justify' is replaced by 'indicate' in Article 39 relating to relations with shareholders, in accordance with the provisions of Article 186.1 of the LSC, avoiding imposing additional obligations on the Board in addition to the legal ones.

- Article 40.3 relating to relations with the markets. 'Quarterly' is eliminated since Law 5/2021 deletes Article 120 of the Consolidated Text of the Securities Market Law regarding the obligation of listed companies to prepare quarterly reports, without prejudice to the fact that they may continue to prepare them on a voluntary basis.

In addition, the denomination of the Appointments and Remuneration Committee has been changed to the Appointments, Remuneration and Sustainability Committee. Likewise, certain specific technical and drafting modifications have been incorporated.

**C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.**

The Board of Lar España Real Estate SOCIMI, S.A. should ensure that the selection procedures of its members favour the diversity of gender, age, experience and knowledge and do not suffer from implicit biases that may entail any discrimination and, in particular, that they facilitate the selection of Directors in a number that allows a balanced presence of women and men to be achieved.

Within the context of this duty, and in light of Recommendation 14 of the CGG, the Board of Directors of Lar España approved, at its meeting held on January 26, 2016, a Policy for the selection, appointment, re-election and evaluation of the directors and diversity of the Board of Directors of Lar España. As stated in section C.1.5, said Policy is subject to periodic review and its last amendment is dated February 23, 2022. The Policy pursues the following objectives:

- a) Be concrete and verifiable.
- b) Ensure that proposals for appointment or re-election are based on a prior analysis of the competencies required by the Board of Directors.
- c) Promote the diversity of experience and knowledge, training, age, disability, as well as gender of the Board members of the Company.
- d) Promote that the number of female directors represents at least 40% of the total number of members of the Board by 2022.

In the selection procedures for Directors, the Board of Directors, the Appointments, Remuneration and Sustainability Committee and the other bodies responsible for the selection of candidates will take into account at least the following requirements under the terms established in the Policy:

- **Adequacy of the Directors;**
- **Commercial and professional honesty;**
- **Adequate knowledge and experience;**
- **Disposed to exercise good governance;**
- **Commitment to the performance of the Directors' duties and obligations; and**
- **Diversity Promotion.**

The procedure for the selection and appointment of directors will be carried out through the following four points:

**1.The proposal:**

The Appointments, Remuneration and Sustainability Committee will carry out a prior analysis of the skills required by the Board, which will be included in the Committee's report or proposal to be published when the General Shareholders Meeting is held to which the ratification, appointment or re-election of each Director is submitted. Therefore the Committee will:

- i. Assess the competences, knowledge, and experience required for the Board of Directors. To this end, it will define the necessary functions and skills in the candidates to be filled by each vacancy and assess the time and dedication required to enable them to perform their duties effectively, ensuring that non-executive Directors have sufficient time available for the proper performance of their duties. To this end, the Committee will develop and regularly update a matrix with the necessary powers of the Board defining the skills and knowledge of candidates for Directors, especially those of executives and independent Directors.
- ii. Establish a target for representation of the gender least represented on the Board and prepare guidelines to achieve that target.

**2.Presentation of the nomination:**

The Appointments, Remuneration and Sustainability Committee will seek, for its assessment, the following information, among others it may consider appropriate, about the candidates:

- i. Applicant identification details:

Photocopy of their national identification document or passport and information on their effective place of residence; email address and contact phones.

- ii. Their knowledge of the Company's Bylaws and internal regulations, as well as their acceptance of its terms.
- iii. Their appropriate knowledge and experience for the performance of the office, evaluating the curriculum vitae or other documentation that the candidate may provide.
- iv. Their willingness to exercise good governance of the Company, and the Committee may request a declaration from the candidate.
- v. Concurrence of commercial and professional honesty in the candidate in the terms described in the Policy for the selection, appointment, re-election and evaluation of the directors and diversity of the Board of Directors of Lar España.

**3.Evaluation of candidacy:**

Once the information received has been verified and, if applicable, a period of seven (7) business days has elapsed for correction or clarification, the Appointments, Remuneration and Sustainability Committee shall issue its reasoned proposal, in the case of independent directors, or a supporting report in the case of directors of other categories, proceeding as follows:

- i. If, in the opinion of the Appointments, Remuneration and Sustainability Committee, the candidate proposed meets sufficient conditions of suitability, it will submit a proposal for a favorable resolution accompanied by a copy of the information received to the Board of Directors.
- ii. If the Appointments, Remuneration and Sustainability Committee finds: (a) reasonable doubts as to whether the proposed candidate fulfils all the suitability requirements envisaged; (b) the appointment of the proposed candidate may entail

a material impairment of the knowledge and experience of the Board members as a whole; or (c) that the proposed candidate does not meet one or more of the requirements established in the applicable Policy or legislation for consideration as appropriate, it will submit to the Board of Directors a report setting out, on a reasoned basis, the circumstances that it deems to be uncertain as to the suitability of the candidate or determine an unfavourable assessment, accompanied by a copy of the information received.

**4.Appointment:**

Once analysed within 30 working days, proposals for the appointment of independent Directors, or favourable reports in the case of Directors of other categories, of the Appointments, Remuneration and Sustainability Committee have been analyzed within a period of 30 business days, the Board of Directors will raise the corresponding proposals for submission to the decision of the General Shareholders Meeting.

In the event of re-election of Directors, the Board of Directors will evaluate, before proposing re-election of Directors to the General Shareholders Meeting and with the abstention of the Directors concerned, the quality of the work and the dedication to the position of the Directors proposed during the previous term.

In the case of appointment of co-opting Directors, the procedure described in the preceding paragraphs will be followed, and the appointment approved by the Board must be ratified by the first General Shareholders Meeting to be held after the appointment.

At the time of appointment of a new Director, the Director will follow a guidance program for new Directors established by the Company, so that the Director can acquire a quick and sufficient knowledge of the Company and its corporate governance rules.

**5.The ongoing evaluation:**

- i. The regular annual assessment of the suitability of the Directors:

Within the context of the regular evaluation of the Board and its Committees, the Appointments, Remuneration and Sustainability Committee will review annually the continuity in meeting the suitability requirements of the Directors, for which purpose it may submit to all Directors once a year an evaluation questionnaire aimed at reviewing the aforementioned continuity in meeting the suitability requirements of the Directors.

The Appointments, Remuneration and Sustainability Committee will analyse the information received and, in the event of any incident, will proceed as indicated in the following section.

- ii. Timely assessment of special situations:

Each Director is individually responsible for immediately communicating to the Appointments, Remuneration and Sustainability Committee, in detail, the occurrence of any event or circumstance that may have a material effect on the assessment of his suitability as Director, in the terms upon which the suitability is defined in this Policy and in the regulations in force. Likewise, the Directors will be liable for any loss caused to the Company by the absence or delay in communicating any circumstances affecting its suitability.

When a communication is received in which a Director reports on circumstances that adversely affect the consideration of its suitability or its existence is assessed in a periodic review, the Appointments, Remuneration and Sustainability Committee will decide on the need to pass measures for the temporary suspension or definitive termination of the person concerned.

C.1.17 Explain to what extent the annual evaluation of the board has given rise to significant changes in its internal organization and in the procedures applicable to its activities:

**Description of amendment (s)**

As a result of the self-assessment process of the Board of Directors carried out in 2021 in respect of 2020, and in accordance with the best practices of Corporate Governance, the CNMV recommendations contained in point 3 of Section Three of the Technical Guide 1/2019, to the general requests of the stakeholders and the provisions of article 5. d of the new Regulations of the Appointments, Remuneration and Sustainability Committee, the Board approved at its meeting held on November 11, 2021 the Evaluation Report of the Board and its Committees and is working on the implementation of the 2021 and 2022 action plan. This action plan includes the following measures, which are being followed up and implemented by the Board:

1. Analysis and elaboration of the succession plan.
2. Analysis of the size of the Board of Directors in general terms, as well as of present and future needs.
3. Improvement of the directors' knowledge of ESG (*Environmental, Social and Governance*) issues.
4. Adaptation to new recommendations and trends in good governance, especially in matters of gender diversity.
5. Adaptation and continuous improvement in ESG matters.

With respect to the analysis and preparation of the succession plan, as explained in section C.2 relating to the Committees of the Board of Directors, the Appointments, Remuneration and Sustainability Committee, during 2021, reviewed the succession plan for the Chair, Independent Directors and Senior Management of the Company. In this regard, the Committee has made significant progress and continues working to propose to the Board of Directors of Lar España an orderly succession plan for the Chair as well as for the Independent Directors and Senior Management of the Company.

As regards gender diversity, the Appointments, Remuneration and Sustainability Committee analysed on several occasions the possibility of increasing the number of females on the Board of Directors in order to achieve, in accordance with Recommendation 15 of the GGG, the objective that by the end of 2022 at least 40% of the members of the Board should be female directors.

In this regard, and after various meetings of the Committee and having assessed the matter with the main proxy advisors and other stakeholders, the Committee concluded that, taking into account the size and composition of the current Board, with a majority of independent directors, as well as the internal policies implemented and the positive evolution of recent years, the current percentage of women on the Board is in line with the Company's singularities and social and good governance expectations; notwithstanding the Company's commitment to continue seeking to achieve, in the light of concurrent circumstances and the necessities of the Company at any moment, of the corporate governance recommendations in this area.

Finally, in relation to the adaptation and continuous improvement on ESG matters, during 2021, the Board has reviewed the evolution of the Company in terms of ESG. On the other hand, as stated and proven in section C.2. regarding the Committees of the Board of Directors, the Appointments, Remuneration and Sustainability Committee has supervised all the actions carried out by the Company in ESG matters, as well as the achievements made and the projects in progress. In particular, it is worth highlighting the following progress made in this area:

- Regarding the "carbon footprint", the Company's current objective is to reduce carbon emissions as much as possible, with the aim of being carbon neutral. The Company is currently in the process of analyzing possible alternatives to reduce the Company's carbon footprint. During 2021, Lar España has implemented a platform for the analysis and dynamic visualization of data related to the use of resources in its assets (water and energy) and the mitigation of its environmental impact (waste and GHG emissions), which has allowed an increase in the periodicity of data collection, among others.
- The Company issued two green bonds for a total amount of 700 million euros.



In the context of the green bond issuance, ISS-ESG conducted an independent review of Lar España's sustainability strategy based on the 2021 Green Bond Principles issued by the ICMA (International Capital Markets Association).

- The Company has adhered to the SDG Global Compact promoted by the United Nations.
- The Appointments, Remuneration and Sustainability Committee analyzed the purchasing policy with suppliers, agreeing on the need to strike a balance between supporting local businesses and obtaining the best prices and contracting conditions.

The efforts made in these areas have been positively reflected in the rating obtained by the Company in 2021 from GRESB, with an improvement of 25% over the previous year, and in obtaining a BBB rating by the international company MSCI. It should also be noted that Lar España is a member of the European Public Real Estate Association (EPRA), and in September 2021, it was awarded the EPRA Gold Award for the quality of financial information and information published on ESG. Finally, it should be noted that the Company holds and periodically renews BREEAM and ISO 14001 environmental certifications. It also carries out multiple initiatives in its centers and commercial centers as a commitment with the communities where it operates and its stakeholders, and has identified the priority SDGs for Lar España with specific action plans for each of them.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

**Description of the evaluation process and areas evaluated**

Article 18 of the Board Regulations establishes that the Board will evaluate its performance once a year and, where appropriate, on a proposal from the Appointments, Remuneration and Sustainability Committee, pass an action plan that corrects the deficiencies identified with respect to:

1. The quality and efficiency of the Board
2. The operation and composition of its Committees
3. Diversity in the composition and powers of the Board
4. The performance of the Chair of the Board and of the chief executive officer of the company, if any
5. The performance and contribution of each Board Member, with particular attention to the various chairmen of the Board committees.

In addition, Article 18.3 of the Board Regulations states that every three years the Board shall be assisted in carrying out this evaluation by an external consultant whose independence shall be verified by the Appointments, Remuneration and Sustainability Committee. Since during 2019 the Board was assisted by Georgeson, S.L. in its evaluation process relating to the 2018 financial year, for the evaluation process carried out during 2021 on the 2020 financial year, the participation of an external consultant has not been considered necessary.

The self-assessment conducted in 2021 on FY2020 focused on nine areas: (i) the structure of the corporate governance model, (ii) the functioning of the Board, (iii) corporate governance practices, (iv) the performance of the Chair of the Board, (v) the performance of the Secretary of the Board, (vi) the efficiency of the Board (vii) overall score (i.e., score regarding the performance of different bodies), (viii) challenges and areas for improvement in the administrative areas and (ix) future (e.g., areas in which Board members consider it would be appropriate to receive training in the short term).

Regarding the methodology used, the Chair of the Board led the evaluation process of the Board, its members and Committees with the collaboration of the Secretary and the Deputy Secretary in part of the process in order to guarantee objectivity and confidentiality.

First, each Board member responded to a questionnaire reviewed by the Secretary of the Board on the basis of the questionnaire prepared by Georgeson, in the context of the evaluation relating to the 2018 financial year with questions on the various areas mentioned above. Once the responses were received, consolidated and analyzed, they were provided to the Secretary of the Board for the drafting of the draft report which was subsequently reviewed and approved by the Audit and Control Committee, the Appointments, Remuneration and Sustainability Committee and the Board of Directors in plenary session.

The main conclusions of the evaluation process of the year 2020 were (i) that there is a good functioning and effectiveness of all governance bodies and roles in LAR Spain, (ii) that priority has been given to manage the impact of the crisis caused by the pandemic in the Company, (iii) that, although there has been progress in the implementation of the action plan contained in the evaluation report of fiscal year 2019, some of the areas for improvement identified in the evaluation for fiscal year 2019 have been postponed due to the crisis caused by Covid-19 (see previous question of this IAGC), (iv) that the Company was prepared to face a crisis such as the one caused by the pandemic and that its activity in 2020 was not affected by the limitations imposed and, (v) that there is a shared feeling that the Board and its Committees have worked efficiently during 2020.

In relation to the management of the crisis caused by the pandemic, it should be noted that the Board of Directors of the Company responded quickly and efficiently to the new needs, adapting to the mobility restrictions and the new telematic reality, carrying out a continuous monitoring of the challenges that arose. The fluidity of communications both within the Board of Directors itself and with the rest of the Company's employees and Lar España's manager, allowed, at all times, knowledge of the state of the crisis and the adoption of all the necessary measures to face it. In view of such results, it was not necessary to implement any significant change in the internal organization of the Board or in the procedures applicable to its activities. Notwithstanding, the Board continued to take steps to comply with its action plan and to adapt all internal regulations to the latest legal changes and good governance recommendations.

The Board approved an action plan for 2021 and 2022 which, as mentioned in the previous section, is being implemented correctly.

- C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group

- C.1.19 Indicate the cases in which directors are obliged to resign.

Pursuant to Article 23.2 of the Board Regulations, directors must make their position available to the Board of Directors and formalise, if deemed appropriate, the corresponding resignation in the following cases:

- a. When they are terminated from the executive positions associated with their appointment as director.
- b. When they become involved in any case of incompatibility, or prohibition under the law or the Articles of Association.
- c. When they are seriously reprimanded by the Board of Directors for having breached their obligations as directors.
- d. When their remaining on the Board may jeopardise or damage the interests, credit, or reputation of the Company, or upon the ceasing of the reasons for which they were appointed (for example, when a proprietary director disposes of his ownership

interest in the Company or reduces it in a significant manner, as indicated in point f) below.

- e. When sitting on more than four boards of directors of other listed companies on official secondary markets (apart from the Company) in Spain or abroad.
- f. In the case of proprietary directors (i) when the shareholder they represent sells its full shareholding or significantly reduces it, and (ii) when this shareholder reduces its shareholding in the corresponding number to a level that requires the reduction of the number of proprietary directors.

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

Yes  No

If so, describe the differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

Yes  No

Description of requirements

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit to the age of directors:

Yes  No

	Age limit
Chairman	
Managing director	

<b>Director</b>	
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<b>Observations</b>

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

Yes  No

<b>Additional requirements and/or maximum number of years of office</b>	
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C.1.24 Indicate whether the articles of incorporation or the Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of directors to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

Article 17.2 of the Board Regulations establishes that representation shall be conferred in writing, necessarily in favor of another director, and in particular for each session, including the appropriate instructions and notifying the Chair of the Board by any means that may prove its receipt.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

<b>Number of board meetings</b>	15
<b>Number of board meetings without the chairman's presence</b>	0

<b>Observations</b>

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

<b>Number of meetings</b>	
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<b>Observations</b>

Indicate the number of meetings held by each Board committee during the year:

<b>Number of meetings held by the executive committee</b>	
<b>Number of meetings held by the audit committee</b>	12
<b>Number of meetings held by the nomination and remuneration committee</b>	9
<b>Number of meetings held by the nomination committee</b>	
<b>Number of meetings held by the remuneration committee</b>	
<b>Number of meetings held by the _____ committee</b>	

<b>Observations</b>

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance date:

<b>Number of meetings at which at least 80% of the directors were present in person</b>	15
<b>Attendance in person as a % total votes during the year</b>	100%
<b>Number of meetings with attendance in person or proxies given with specific instructions, by all directors</b>	15
<b>Votes cast in person and by proxies with specific instructions, as a % of total votes during the year</b>	100%

<b>Observations</b>
<p>It is noted that all directors have personally attended 100% of the meetings of the board of directors with the exception of:</p> <ul style="list-style-type: none"> <li>• Mr. Laurent Luccioni who, at the meeting dated March 18, 2021, delegated his representation to the Chair, with specific voting instructions.</li> <li>• Mr. Alec Emmott who, at the meeting held on November 21, 2021, delegated his representation to the Chair, with specific voting instructions.</li> </ul> <p>Thus, the percentage of personal attendance of the Directors at the Board is 100% in all cases except:</p> <ul style="list-style-type: none"> <li>• Mr. Laurent Luccioni whose attendance is 93.3%.</li> <li>• Mr. Alec Emmott whose attendance is 93.3%.</li> </ul>

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes       No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position

<b>Observations</b>

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Audit and Control Committee Regulations, in its article 5 relating to the *Functions of the Audit and Control Committee*, establishes that, without prejudice to any other duties that may be assigned to it from time to time by the Board of Directors, establishes that the Audit and Control Committee shall perform a number of core functions, including:

1. In relation to the supervision of financial and non-financial information:

- Ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting legislation. However, in cases where the auditor of the financial statements has included in his audit report any caveats, the Chair of the Audit and Control Committee will clearly explain in the General Shareholders Meeting the opinion of the Committee on its content and scope. Likewise, a summary of this opinion will be made available to shareholders at the time of publication of the call of the General Shareholders Meeting.
- Inform the Board of Directors, in advance, of the financial information and the management report, which will include, where appropriate, the mandatory non-financial information that the Company is required to publish periodically. The Audit and Control Committee should ensure that the half-yearly financial reports and interim management statements are prepared under the same accounting criteria as the annual accounts and, to this end, consider the appropriateness of a limited review of the half-yearly financial reports by the external auditor.

2. With regard to internal control and reporting systems:

- Supervise and evaluate the process of preparation and the integrity of the financial and non-financial information relating to the Company and, where applicable, the Group, reviewing compliance with the regulatory requirements, the appropriate delineation of the scope of consolidation and the correct application of the accounting criteria.

C.1.29 Is the secretary of the board a director?

Yes  No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
Juan Gómez-Acebo Saénz de Heredia	

<b>Observations</b>

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

Article 5 of the Audit and Control Committee Regulations, as last amended on November 11, 2021 provides that, notwithstanding any other tasks that may be assigned to it at any time by the Board, the Audit and Control Committee will perform, among others, the following core functions in relation to the external auditor:

- iv. Prior to the audit report, issue an annual report expressing an opinion as to whether the independence of auditors of accounts or audit firms is compromised, which will be made available to shareholders and investors through the Company's website sufficiently in advance of the convening of the General Shareholders Meeting. In any case, this report must contain the reasoned assessment of each and every one of the additional services mentioned in the preceding letter, taken individually and as a whole, other than legal audit services, and in connection with the rules on independence or with the regulations governing the activity of accounts auditing.
- v. Preserve the independence of the external auditor in the performance of his duties and, to this end: (i) supervise the Company's disclosure through the National Securities Market Commission of the change of auditor and attach a statement to it regarding the possible existence of disagreements with the outgoing auditor and, if any, their content; (ii) ensure that the Company and the auditor comply with the current rules on the provision of non-audit services and, in general, with the other rules established to ensure the independence of the auditors; and (iii) that, in the event of the resignation of the external auditor, they examine the circumstances that gave rise to it.
- vii. Ensure that the external auditor's remuneration for its work does not compromise its quality or independence.

Specifically, the Company has adopted the following measures to ensure the independence of the external auditor:

The Audit and Control Committee has regularly monitored the compliance of both the Company and the external auditor with the current regulations on the provision of audit services and the other rules on the independence of the auditors.

In particular, the Audit Law and section 4, function f), of article 529 quaterdecies of the LSC require the Audit Committee to issue annually, prior to the audit report, a report expressing an opinion on the independence of the auditors.

In accordance with the above, the Committee received the letter of independence from the external auditor (Deloitte) dated February 22, 2021, considering that the external auditor considered that everything reviewed in the audit process was in accordance, no errors were detected and there had been a good collaboration with the Company, and the Committee concluded that there were no objective reasons to question the independence of the auditor in 2020

Likewise, based on the aforementioned legal requirement and the confirmation of independence received from the auditors through their letter dated February 22, 2022, the Audit and Control Committee has concluded that there are no objective reasons to question the independence of the auditors in year 2021.

Likewise, the Audit and Control Committee has analyzed and approved the proposal for the external auditor's fees for year 2021.

Accordingly, the Commission has reasonably concluded that:

- i. In its own work in 2021, the auditor acted in accordance with the applicable independence standards under current audit regulations.
- ii. No aspects have been identified that call into question compliance with the regulations for the activity of the external auditor with regard to the Company and its independence.
- iii. The auditor's turnover does not represent a significant percentage of the financial income of the aforementioned auditor for the purposes of the Auditing Act [*Ley de Auditoría*].
- iv. The fees have been reasonably justified, and they are not considered to exceed the reasonable market prices they apply to them, nor have any risks been assessed from the perspective of the Auditor's independence and the maximum percentages envisaged in the regulations.

There are no aspects that can reasonably be considered to be in breach of the audit regulations regarding the auditor's independence or the provision of additional audit services.

Regarding financial analysts, investment banks and rating agencies, any procurement is subject to controls to avoid any problems of independence or conflicts of interest. Especially relevant is the procedure followed for hiring the services of the external auditors in relation to the valuation of the Company's assets, which requires the approval of these hires from the Audit and Control Committee and the Board (section 5.g. of the Audit and Control Committee Regulations and section 42.2.k. of the Company's Bylaws).

C.1.31 Indicate whether the Company has changed its external auditor during the fiscal year. If so, identify the incoming and outgoing auditors:

Yes  No

Outgoing auditor	Incoming auditor

Observations

In the event of disagreements with the outgoing auditor, explain their content:

Yes  No

Explanation of disagreements

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes  No

	Company	Group companies	Total
<b>Amount invoiced for non-audit services (thousand of euros)</b>	101.5	49.5	151.0



<b>Amount of non-audit work / Amount of audit work (in %)</b>	40%	45%	41%
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<b>Observations</b>

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

Yes                       No

<b>Explanation of the reasons and direct link to the document made available to shareholders at the time that the general meeting was called in relation to this matter</b>

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	<b>Individual</b>	<b>Consolidated</b>
<b>Number of consecutive years</b>	8	8

	<b>Individual</b>	<b>Consolidated</b>
<b>Number of years audited by the current audit firm/number of years in which the company has been audited (in %)</b>	100	100

<b>Observations</b>

C.1. 35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meeting of the governing bodies with sufficient time; provide details if applicable:

Yes                       No

<b>Detail of the procedure</b>
Article 16 of the Board Regulations establishes in paragraphs 3 and 4:
3. Meetings of the Board of Directors will be called by the Secretary of the Board of Directors, or whoever acts in such capacity, with the authorisation of the Board Chair, by any means that allow to proof the receipt of the call. The call will be issued at least three

days in advance thereof. The call will always include the meeting agenda and will be accompanied by relevant information that is duly prepared and summarised.

4. The Chair of the Board of Directors may call extraordinary meetings of the Board whenever the circumstances so justify in his judgement, to which the advance notice and other requirements specified in the previous section will not apply. Notwithstanding the foregoing, it will be ensured that any documentation that must be provided to the directors will be delivered sufficiently in advance thereof.

In addition, Article 11, regarding the Secretary and Assistant Counsel of the Board, specifies that the Registrar should be responsible, in particular, for providing the Directors with the advice and information necessary for the performance of their duties sufficiently in advance and in the appropriate format.

Finally, Article 25, regarding the powers of information and inspection of the directors, establishes that:

1. Directors may request information on any matter within the authority of the Board of Directors, and in this regard may examine its books, records, documents, and other documentation. The right to information extends in all cases to the subsidiary Companies and when possible to the investees.
2. Requests for information will be addressed to the Secretary of the Board of Directors, who will forward them to the Chair of the Board of Directors and the appropriate contact person within the Company.
3. The Secretary will advise the director of the confidential nature of the information requested and received, and of his/her duty of confidentiality in accordance with the provisions of these Regulations.
4. The Chair may deny the information request if he/she deems: (i) that it is not necessary to the proper performance of the functions entrusted to the director, or (ii) that its cost is unreasonable in view of the importance of the problem and the assets and revenues of the Company.

C.1. 36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details.

Yes

No

**Explain the rules**

Article 36 of the Boar Regulations establishes that:

1. Directors will disclose to the Board of Directors any shares thereof directly or indirectly held by persons linked to him specified in article 31 of these Regulations, all in accordance with the provisions of the Company's Internal Code of Conduct in the Stock Markets.
2. Directors will also disclose to the Board of Directors any positions he/she holds on the Boards of Directors of other listed or not companies, as well as on other paid activities of whatever nature and generally the facts, circumstances, or situations that may be relevant to his/her service as manager of the Company in accordance with the provisions of these Regulations.
3. Likewise, directors will also disclose to the Board of Directors when situations arise that affect them, related or not to their actions within the Company, that may damage the credit and reputation of the Company, and they will particularly inform the Board of any criminal case in which they appear as investigated as well as of the procedural developments thereof.

The Board of Directors, having been informed of or otherwise become aware of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, attending to the particular circumstances, will decide, based on a report from the Appointments, Remunerations and Sustainability Committee, whether or not to adopt any measures such as opening an internal investigation, requesting the resignation of the director or proposing his removal to the General Shareholders' Meeting. This will be reported on in the annual corporate governance report, unless special circumstances justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the Company should disseminate, if appropriate, when the corresponding measures are adopted.

Likewise, Article 23.2.d. of the aforementioned Regulations establishes that the directors must place their position at the disposal of the Board of Directors and formalize, if the Board deems it appropriate, the corresponding resignation when their continuance on the Board may jeopardize or damage the interests, credit or reputation of the Company or when the reasons for which they were appointed cease to exist.

C.1. 37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, The Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

Yes  No

Director's name	Nature of the situation	Observations

Indicate whether the Board of Directors has examined the case. If so, explain with reasons whether, given the specific circumstances, it has adopted any measure, such as opening an internal enquiry, requesting the director's resignation or proposing his or her dismissal.

Indicate also whether the Board decision was backed up by a report from the nomination committee.

Yes  No

Decision/action taken	Reasoned explanation

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

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C.1. 39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause

or termination of employment as a result of a takeover bid or any other type of transaction.

<b>Number of beneficiaries</b>	
<b>Type of beneficiary</b>	<b>Description of the agreement</b>

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	<b>Board of Directors</b>	<b>General shareholders' meeting</b>
<b>Body authorizing the clauses</b>		

	<b>YES</b>	<b>NO</b>
<b>Are these clauses notified to the General Shareholders' Meeting?</b>		

<b>Observations</b>

## C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

### EXECUTIVE COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Current</b>

<b>% of executive directors</b>	
<b>% of proprietary directors</b>	
<b>% of independent directors</b>	
<b>% of other external</b>	

<b>Observations</b>

Explain the functions delegated or attributed to this committee other than those already described in section C.19, and describe the procedures and rules of organization and operation thereof. For each of these functions, indicate its most important actions during the fiscal year and how it has exercised in practice each of the functions attributed to it, whether by law, in the Company's bylaws or in other corporate resolutions.

To date, Lar España has not formed any Executive Committee.
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#### AUDIT COMMITTEE

Name	Position	Current
Mrs. Leticia Iglesias Herraiz	Chair	Independent
Mr. José Luis del Valle Doblado	Vocal	Independent
Mrs. Isabel Aguilera Navarro	Vocal	Independent
Mr. Juan Gómez-Acebo Saénz de Heredia	Secretary	Non-director

<b>% of proprietary directors</b>	0
<b>% of independent directors</b>	100
<b>% of other external</b>	0

Observations

Explain the functions, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organization and operation thereof. For each of these functions, indicate its most important actions during the fiscal year and how it has exercised in practice each of the functions attributed to it, either by law or in the bylaws or in other corporate resolutions.

#### Functions

In accordance with Article 42.2 of the Company's Bylaws, Article 14.3 of the Regulations of the Board of Directors and Article 5.1 of the Regulations of the Audit and Control Committee, and without prejudice to any other duties that may be assigned to it from time to time by the Board of Directors, the Audit and Control Committee shall perform the following basic functions:

#### In relation to the supervision of financial and non-financial information:

1. Report to the General Shareholders' Meeting on issues raised by shareholders on matters within its competence and, in particular, on the result of the audit, explaining how the audit has contributed to the integrity of the financial information and the role that the Committee has played in this process.
2. Supervise the process of preparation and presentation of the mandatory financial information and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity.

3. Ensure that the annual accounts that the Board of Directors submits to the General Shareholders' Meeting are prepared in accordance with accounting regulations.
4. Report to the Board of Directors, in advance, on the financial information and the management report, which shall include, where appropriate, the mandatory non-financial information that the Company must periodically make public.

**In relation to the supervision of information systems and internal control:**

1. To supervise and evaluate the preparation process and the integrity of the financial and non-financial information relating to the Company and, where appropriate, to the Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria and, in particular, to know, understand and supervise the effectiveness of the internal control over financial reporting system (ICFR).
2. Periodically supervise the effectiveness of the internal control of the Company and its Group, as well as the activity of the Company's internal audit, discussing, together with the statutory auditors, the significant weaknesses of the internal control system detected in the course of the audit, concluding on the level of confidence and reliability of the system, all without infringing its independence.
3. To ensure in general that the policies and systems established in the area of internal control are effectively applied in practice.
4. To supervise the unit that assumes the internal audit function, which shall ensure the proper functioning of the information and internal control systems and shall report functionally to the Chair of the Audit and Control Committee.
5. Establish and supervise a mechanism that allows employees and other persons related to the Company, such as boards, shareholders, suppliers, contractors or subcontractors to report any irregularities of potential importance, including financial and accounting irregularities, or of any other nature, related to the Company that they notice within the Company or its Group, receiving periodic information on its operation and being able to propose the appropriate actions for its improvement and the reduction of the risk of irregularities in the future.

**In relation to the external auditor:**

1. Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, being responsible for the selection process, in accordance with the provisions of the applicable regulations, as well as the terms and conditions of its engagement.
2. 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.
3. Establish the appropriate relationships with the auditors to receive information on those matters that may pose a threat to their independence, in particular any discrepancies that may arise between the auditor and the Company's management, for examination by the Audit and Control Committee, and any others related to the process of auditing the accounts and, where appropriate, the authorization of services other than those prohibited, under the terms provided in the applicable regulations, as well as those other communications

provided in the legislation on auditing the accounts and in the remaining auditing standards.

4. To issue annually, prior to the audit report, a report expressing an opinion on whether the independence of the auditors or audit firms is compromised, which shall be made available to shareholders and investors through the Company's website sufficiently in advance of the Ordinary General Shareholders' Meeting.
5. To preserve the independence of the external auditor in the performance of its duties.
6. In the case of groups, to encourage the group auditor to assume responsibility for the audits of the companies that make up the group.
7. Ensure that the external auditor's remuneration for its work does not compromise its quality or independence.
8. Ensure that the external auditor holds an annual meeting with the full Board of Directors to report to it on the work performed and on the evolution of the Company's accounting and risk situation.
9. Make a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the integrity of the financial information.

**In relation to the supervision of risk management and control:**

1. Supervise and evaluate the effectiveness of the financial and non-financial risk control and management systems relating to the Company and, if applicable, to the Group.
2. Oversee the internal risk management and control function.
3. In relation to the risk control and management policy, identify or determine, at least: (i) the different types of risk faced by the Company; (ii) a risk control and management model based on different levels; (iii) the level of risk that the Company considers acceptable; (iv) the measures planned to mitigate the impact of the identified risks, should they materialize; and (v) the information and internal control systems to be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.
4. Re-evaluate, at least annually, the list of the most significant financial and non-financial risks and assess their tolerance level, proposing their adjustment to the Board of Directors, if necessary.
5. Hold, at least annually, a meeting with the senior managers of the business units in which they explain the business trends and associated risks.

**In relation to the obligations of listed companies:**

1. To report to the Board of Directors, prior to the Board adopting the corresponding decisions, on: (a) The creation or acquisition of shareholdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the Group. (b) The economic conditions and the accounting impact and, if applicable, on the exchange ratio, of the structural and corporate

modification operations that the Company plans to carry out. (c) The modification of the internal rules of conduct.

2. To report and issue the mandatory reports on the Related-Party Transactions to be approved by the General Shareholders' Meeting or the Board of Directors and to supervise the internal procedure established by the Company for those whose approval has been delegated by the Board of Directors in accordance with the applicable regulations.

In addition, issue the report, if any, prepared by the Audit and Control Committee on Related-Party Transactions on an annual basis, which shall be made available to shareholders and investors through the Company's website sufficiently in advance of the Ordinary General Shareholders' Meeting.

**In relation to the supervision of compliance with the Company's policies and rules on corporate governance, as well as internal codes of conduct:**

1. Supervise compliance with legal requirements, as well as with the Company's internal corporate governance regulations and internal codes of conduct, ensuring that the corporate culture is aligned with its purpose and values.
2. Periodically review the Company's internal corporate governance regulations and propose to the Board of Directors, for its approval or submission to the General Shareholders' Meeting, as appropriate, the amendments and updates that contribute to its development and continuous improvement.
3. Promote the Company's corporate governance strategy, as well as evaluate and periodically review the Company's corporate governance system, so that it fulfills its mission of promoting the corporate interest and takes into account, as appropriate, the legitimate interests of the remaining stakeholders.
4. Supervise the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders.
5. To be aware of, promote, guide and supervise the Company's actions in matters of corporate reputation and report thereon to the Board of Directors or, as the case may be, to the Executive Committee.
6. Report, prior to its approval, on the Company's annual corporate governance report, requesting reports from the Appointments, Remuneration and Sustainability Committee in relation to the sections of said report that fall within its competencies.

**Other functions of the Commission:**

1. Supervise the calculation of the commissions received by the Management Company in the performance of its duties.
2. Appoint and supervise the services of external appraisers in connection with the valuation of the Company's assets.

**Operation:**

In accordance with Article 42 of the Company's Bylaws in relation to Article 14 of the Regulations of the Board of Directors, developed by the Regulations of the Audit and Control Committee:



The Audit and Control Committee shall ordinarily meet on a quarterly basis, in order to review the periodic financial information to be submitted to the supervisory authorities, as well as the information that the Board of Directors must approve and include in its annual public documentation. It shall also meet at the request of any of its members and whenever convened by its Chair, who must do so whenever the Board or its Chair requests the issuance of a report or the adoption of proposals and, in any case, whenever it is convenient for the proper performance of its duties.

The Audit and Control Committee shall be validly constituted when the majority of its members are present or represented and its resolutions shall be adopted by an absolute majority of votes of the members present or represented at the meeting. In the event of a tie, the Chair of the Audit and Control Committee shall have the casting vote.

The Committee shall prepare minutes of its meetings, a copy of which shall be sent to all members of the Board of Directors.

The Audit and Control Committee shall prepare an annual plan of action that will cover its main activities during the fiscal year.

The Audit and Control Committee shall prepare an annual report on its operation, which shall serve as the basis for the evaluation to be carried out by the Board of Directors, highlighting the main incidents arising, if any, in relation to its functions.

In addition, when the Audit and Control Committee deems it appropriate, it shall include in said report proposals to improve the Company's governance rules. The report of the Audit and Control Committee shall be made available to shareholders and investors through the website sufficiently in advance of the Ordinary General Shareholders' Meeting.

The Audit and Control Committee may summon any of the members of the Company's management team or personnel and may even order them to appear without the presence of any other executive. Those summoned shall be obliged to attend the meetings of the Audit and Control Committee and to cooperate with it and provide it with access to the information available to them.

The Committee may also request the attendance at its meetings of the auditors or other persons at the invitation of the Chair of the Committee.

For the best performance of its duties, the Audit and Control Committee shall have sufficient resources and may seek the advice of external experts when it deems necessary for the proper performance of its duties.

**Activities:**

**1. In relation to the supervision of financial and non-financial information:**

**•Supervision of the process of preparation and presentation of periodic financial information:**

As in the last financial period, during the year 2021 the Committee supervised the preparation process and the integrity of the quarterly (voluntarily prepared by the Company) and half-yearly financial information, including, if necessary, the adjustments it deemed appropriate in the half-yearly documentation, both individual and consolidated, which the Board of Directors must provide to the market and submit to the CNMV by virtue of its periodic reporting obligations as a listed company.

In this sense, the Committee has reviewed compliance with the regulatory requirements, the appropriate definition of the scope of consolidation and the proper application of the accounting criteria in the periodic financial reporting, all within the terms legally

established for this purpose, approving the financial information prior to its submission to the Board of Directors for its approval before making it public.

Within the framework of this review, the Committee has analysed and discussed the outlook for future results and has received regular information from the external auditor and the internal auditor on the conclusions of its review of the financial information, in addition to continuously monitoring the financial information published on the Company's corporate website.

**•Supervision of the process of preparation and presentation of the annual accounts and the management report:**

The Audit and Control Committee, in order to prevent the individual and consolidated financial statements prepared by the Board of Directors from being submitted to the General Shareholders' Meeting with qualifications in the auditors' report, has carried out the following tasks, among others, prior to the preparation of the financial statements:

- ✓ Review the individual and consolidated financial statements.
- ✓ Oversee compliance with legal requirements and the proper application of generally accepted accounting principles and, in general, of the regulatory framework for financial information applicable to the company.
- ✓ Review the periodic financial information to be provided by the Board to the markets and their supervising bodies.

Following the appropriate discussion and analysis of the financial information and the audit report with the external auditor, the Audit and Control Committee has reported favorably to the Board of Directors prior to the preparation of the Company's individual and consolidated financial statements for the year ended December 31, 2020, and the management report, which includes the Annual Corporate Governance Report. Likewise, it has agreed to propose to the Board the proposal for the application of the profit for the year ended December 31, 2020.

In this regard, it is noted that the audit reports on the individual and consolidated financial statements of Lar España for the year ended December 31, 2020 had no reservations or qualifications.

Likewise, in the review carried out, the Committee ensured that the annual accounts approved included all the matters expressly requested by the CNMV in its request for information addressed to the Company regarding the review of the financial information of Lar España for the year ended December 31, 2019.

Furthermore, the auditors' reports on the individual and consolidated financial statements of Lar España for the year ended December 31, 2021 are not expected to have any reservations or qualifications; with regard to the latter the following aspects being highlighted as relevant: (i) the impact of Covid from the perspectives of income and bonuses; (ii) asset valuation; (iv) liquidity risk; and (iv) the new European electronic format (ESEF) from the perspective of its formal implementation and the verification procedure for both reporting and labelling.

On the other hand, both the Company's internal auditor and the external auditors expressly stated that their work had been carried out with complete freedom, with the maximum collaboration of Lar España and without any limitations.

**2. In relation to the supervision of information systems and internal control:**

**•Monitoring the effectiveness of the Internal Control over Financial Reporting System (ICFR):**

During 2021, and in relation to the Company's ICFR, the Audit and Control Committee has analyzed and supervised the effectiveness of the internal control systems, being informed by the internal auditor in different meetings about the progress of the review process, as well as about the review carried out by the internal audit to ensure that the policies and systems established in matters of internal control are effectively applied within the organization.

The ICFR Manual provides for the annual evaluation and supervision of the different components of the ICFR. Within the framework of the processes of continuous review and updating of the Company's internal regulations, a review of the ICFR was carried out during 2021. As a result of this review, it was concluded that there had not been any significant change in the scope and that the processes were duly documented in accordance with the provisions of the ICFR Manual. As a result of the review, only the narrative in the divestment process was changed to adjust it more accurately to the sub-processes and tasks being executed in said process and, additionally, the matrix of risks and controls associated with that process was updated; also, the Accounting Policies Manual was updated.

During 2021, the ICFR Manual was revised, mainly for the purpose of modifying the details of the General Computer Controls implemented by the Company, consisting of a Third-Party Cybersecurity Risk Management Model - developed with the objective of managing and reducing to a reasonable level the risks derived from information security, which come from third parties outside the Company - and a Supplier Cybersecurity Risk Management Procedure.

In addition, as part of the external audit, the external auditor submitted an additional report on the information relating to the ICFR. As a result of this review, the external auditor informed the Committee that no significant weaknesses had been detected.

**•Internal audit supervision:**

The Audit and Control Committee of Lar España has performed during 2021 the following functions relating to the Company's internal audit, which are attributed to it in the Board Regulations and in the Regulations of the Committee itself: (i) overseeing the independence and effectiveness of the internal audit function; (ii) receive periodical information regarding its activities; and (iii) verify that senior management takes into consideration the conclusions and recommendations of its reports.

In July 2021, Mr. Rafael Salazar left the Company as head of Internal Audit to join a new business project. As a consequence, the Audit and Control Committee initiated a process for the selection of a new head of Internal Audit. As a result of said process, the Board of Directors approved the appointment of Mr. Jose Ignacio Domínguez as the new Internal Audit Manager on September 1, 2021, based on the proposal of the Committee and the favorable report of the Appointments, Remuneration and Sustainability Committee.

Additionally, the Committee approved the orientation and its work plans, ensuring that its activity is focused mainly on the relevant risks of the Company, the Internal Auditor has therefore been instructed to follow up on those issues. In particular, reviewed the work carried out in 2021, contained in the annual report on internal audit activities presented to that Committee, confirming that all its mandated functions had been fulfilled, and approved the audit plan for 2022.

During the year 2021, both the former Head of Internal Audit and its new Director, as of his appointment in September 2021, periodically reported to the Committee on the actions carried out within the framework of the annual plan approved for the year 2021. Particularly, the Committee was periodically informed, among other issues, about the evolution in the execution of the internal audit plan, review of periodic financial reporting, review of compliance with the requirements of the SOCIMI regime, review of asset valuation processes, supervision of the risk management system and ICFR

activities, the calculation of the Manager's fees, the compliance of each shopping centre with the Covid protocol certification requirements, the financial covenants, the process of generating non-financial information in relation to ESG issues, the treasury sub-processes focused on the management of collections and payments, the monitoring of the renegotiation of certain contracts and their accounting effects, the review of the risk map, the functioning of the whistleblower channel, the monitoring of crime prevention and the review of the update of this model; the review, with the assistance of third party experts, of the data protection model and the money laundering prevention model; the development, with the assistance of a third party expert, of a cybersecurity risk management model for the definition of an action plan in relation to the assessment of cybersecurity controls made by Group Lar, the annual review of the accounting policy manual, the review of a new protocol of related party transactions and the review of documentation in the context of the green bond issuance transaction made by the Company.

The Audit and Control Committee, on the basis of the self-assessment proposal prepared by the internal auditor, has assessed the functioning of the internal audit and the performance of its managers, declaring its agreement with the internal auditor's assessment and agreeing to report to the Board.

Finally, the internal audit function submitted a proposed policy for the selection of the external auditor, in compliance with current legislation and best practices, to the Audit and Control Committee in order to formalize the auditor selection process. This policy was approved by the Committee and reported to the Board of Directors in May 2021.

**•Supervision of the whistleblowing channel:**

At all meetings of the Audit and Control Committee, periodic information reports were received from the Director of Internal Audit on the functioning of the channel, including the number of complaints received. The Committee noted that no complaints had been received during fiscal year 2021, despite having carried out activities to promote the complaints channel and having periodically reviewed its operation. Likewise, no relevant issues have been detected with regard to the prevention of money laundering.

**3. In relation to the external auditor:**

**•Proposal for reelection of the external auditor:**

The Audit and Control Committee analyzed the advisability of proposing to the Board of Directors, for subsequent submission to the General Shareholders' Meeting, the reelection of the Company's external auditor for year 2021, agreeing to propose to the Board of Directors the renewal of the external auditor (Deloitte) for a period of one year. The Ordinary General Shareholders' Meeting held on April 22, 2021 approved the reelection of Deloitte as external auditor for the year 2021.

In addition, the Audit and Control Committee proposed to the Board of Directors the approval of a policy for the selection of the external auditor in order to formalize the process for the selection of the Company's auditor.

**•Oversight of external audit relationships and activities:**

The Audit and Control Committee supervised the relations with the external auditors and their fees for year 2021, as well as compliance with the audit contract in force, receiving periodic information, among other matters, on the audit plan for 2021, ensuring that the opinion on the annual accounts and the main contents of the audit report were drafted in a clear and precise manner. In this regard, the Chair of the Committee has met on several occasions with the external auditors (as well as with the management team and the internal auditor) to review the focus of their work, issues related to their independence and the fees paid to the external auditor.

The Committee also reviewed the external audit work after its completion, making a final assessment of the external auditor's performance and its contribution to the quality of the audit and the integrity of the financial information.

In relation to the foregoing, the Audit and Control Committee considered that the Committee's communication with the external auditor had been fluid, continuous and in accordance with the regulations governing the auditing of accounts and had not undermined the efficiency with which the audit was carried out.

**•Oversight of the independence of the external audit:**

The Audit and Control Committee periodically supervised compliance by both the Company and the external auditor with current regulations on the provision of auditing services and other auditor independence standards.

In particular, the Audit Law and section 4, function f), of article 529 quaterdecies of the LSC require the Audit Committee to issue annually, prior to the audit report, a report expressing an opinion on the independence of the auditors. In accordance with the foregoing, the Committee received the letter of independence from the external auditor (Deloitte) dated 22 February 2021 considering that the external auditor considered that everything reviewed in the audit process was in accordance, no errors were detected and there had been a good collaboration with the Company, and the Committee concluded that there were no objective reasons to question the independence of the auditor in year 2020.

Likewise, based on the aforementioned legal requirement and the confirmation of independence received from the auditors through a letter dated 23 February 2022, the Audit and Control Committee has concluded that there are no objective reasons to question the independence of the auditors in the year 2021.

The Audit and Control Committee verified the fees paid by the different Group companies to the external auditor in year 2021 and analyzed and approved the proposal for the external auditor's fees for year 2022. In this respect, the Committee expressly analysed whether the engagement of certain non-audit services could pose a risk to the independence of the external auditor, concluding that as the maximum limit of 70% of fees for non-audit services was not exceeded, it was not necessary to adopt measures to safeguard the independence of the external auditor.

**4. In relation to the supervision of risk management and control:**

**•Monitoring and evaluation of the effectiveness of financial and non-financial risk management and control systems:**

The Audit and Control Committee generally included in the agenda of its meetings the supervision of significant risks, both financial and non-financial, affecting the Company and submitted such information to the Board of Directors.

In this matter, the Audit and Control Committee received periodic reports on the internal auditor's findings regarding the functioning of the control and risk management within the organization. The Committee conducted direct supervision of the internal risk control and management function to follow up on the activity carried out in relation to the review of the effective functioning of the Risk Management and Control System, active participation in the development of the risk strategy, supervision of appropriate risk mitigation mechanisms and policies, etc.

The senior managers of the business units appeared before the Committee to monitor business trends and the risks associated with them, and on the basis of this information and the explanations of the Internal Audit Director on the changes in the Company's

significant risks and on the assessment of their tolerance level, the Committee re-evaluated and proposed a new risk map, both financial and non-financial. Likewise, the external auditor informed the Committee about the main risk aspects for the Company that were being examined, and the Committee agreed which risks should be identified as priorities for inclusion in the ACGR.

The Committee was also informed about the work to update and adapt the crime prevention model to the Company's current circumstances and, in particular, the Committee unanimously agreed to report favourably on the criminal risk report drawn up with the help of an external advisor and which forms part of the Company's crime prevention model.

On the other hand, the Committee analysed the possibility of creating a Committee in charge of monitoring and surveillance of cybersecurity issues, agreeing in this respect to hire the services of an external advisor for the development of the cybersecurity risk management model. In this regard, the Committee was promptly informed and reviewed the status of the cybersecurity risk management model that is being developed with the help of an external expert.

#### **5. In relation to the obligations of listed companies:**

##### **•Related-party transactions:**

The Audit and Control Committee reviewed, on the basis of the information provided by the Legal Director and the assistance provided by an external expert, the regime of related-party transactions modified in year 2021 as a result of the changes introduced by Law 5/2021 in the LSC. In view of the changes produced, the Committee reviewed and agreed to submit to the Board of Directors the proposal of a Protocol of Related-Party Transactions of the Company.

Additionally, the Committee, within the framework of the regulations in force at any given time, has also analysed and, where appropriate, reported favourably for final approval by the Board of Directors on various related-party transactions, including most notably the one-year renewal of the Property Management and leasing Agreement with Gentalia, the one-year renewal of the management agreement with Gentalia and the renewal of the Investment Manager Agreement or IMA with Grupo Lar Inversiones Inmobiliarias, S.A., for a period of five years.

In relation to the IMA signed between the Company and LAR Group on February 12, 2014, as amended on February 19, 2019, after the analysis and discussion of the proposal, the Committee agreed at its April meeting to report favorably to the Board of Directors the proposal for the renewal of the aforementioned contract. In this regard, the Committee considered that the IMA review process (including the creation of a special committee in the Board of Directors composed solely of directors not related to the management company and dedicated exclusively to the IMA review process), as well as the advice from various external advisors in the process, ensured impartiality and objectivity in the negotiations and made it possible to safeguard the interests of the Company and all shareholders, and that the terms and conditions of the IMA renewal were favorable and reasonable from a market perspective.

#### **6. In relation to the supervising compliance with the policies and rules of the Company's corporate governance obligations, and the internal rules of conduct:**

The Committee approved and reported favorably on the Annual Corporate Governance Report for the year 2020 which, in accordance with Article 538 of the LSC, must be included, in a separate section, in the Management Report accompanying the Annual Accounts.

Likewise, the Audit and Control Committee, after its review and subsequent discussion, approved the Committee's operating report for the year 2020, which includes the Committee's report on the independence of the auditor and information on related-party transactions, and agreed to submit it to the Board for its approval and subsequent publication on the occasion of the Ordinary General Shareholders' Meeting.

In addition, during the Ordinary General Shareholders' Meeting of the Company held on 22 April 2021, the Chair of the Committee informed the shareholders of the main activities carried out by the Committee during 2020.

Likewise, the Committee reviewed its Self-Assessment Report on the Evaluation of the Board and its Committees during year 2020, agreeing to approve said Report as regards the Committee, as well as the follow-up of the action plan proposed for 2021 and 2022. The Evaluation of the Committee offered very positive results with respect to the Company's Audit and Control Committee, which confirmed the good performance of this body, without having identified specific actions for improvement. In this regard, among other matters, the Committee agreed to continue working along the lines of the 2021 financial year in order to remain a benchmark in compliance and good governance.

Likewise, in order to always be at the forefront of best corporate governance practices and adapt the internal rules on governance to the amendment of the Capital Companies Act introduced by Law 5/2021, of April 12, with respect to the promotion of long-term shareholder involvement in listed companies, the Audit and Control Committee of Lar España has analysed, on the basis of the draft circulated prior to the meeting and after a presentation by the Company's Legal Director of the main aspects of the reform, the proposed amendment to the Regulations of the Audit and Control Committee, as well as the justifying report on said proposal, agreeing to report favourably and submit to the Board for its final approval the proposal to amend the Regulations of the Committee.

#### **7. Other functions of the Committee:**

##### **•Valuation of the Company's assets:**

In accordance with the provisions of the Company's Bylaws, the Regulations of the Board of Directors and the Regulations of the Committee itself, the Audit and Control Committee reviewed - on the basis of a presentation previously sent to the members of the Committee - and approved the valuations of the Company's assets as of December 31, 2020 and June 30, 2021 prepared by the external independent valuers appointed by the Company for this purpose (Jones Lang LaSalle and Cushman & Wakefield). In this regard, the Chair of the Committee met on several occasions with the external auditors, the management team and the internal auditor to analyze the valuation of the Company's assets.

Likewise, the Committee was periodically informed of different issues related to the valuation of the Company's assets and the evolution and expectations of the market in general in terms of asset valuation.

##### **•Criminal risk prevention model:**

The Committee reviewed the crime prevention model to update it and adapt it to the Company's circumstances, with the advice of a specialized consultant as external expert, having confirmed that the system covers all the crimes to which the Company is exposed and that with the system implemented a priori the crimes reduce their criticality to a "very low" level. Likewise, the Committee reviewed the work that the internal audit carried out with the assistance of an specialized consultant for the review of the matrix of controls and documentation of the criminal risk prevention model, all this after the approval by the Board of Directors of the new criminal risk map on May 2021.

**•Others:**

The Committee reviewed - with the assistance of the external auditor in the audit process, the internal auditor and the Corporate and Financial Director - and approved at various meetings the Manager's fees, confirming that they were in full compliance with the Investment Manager Agreement, and agreed to report to the Board for its information.

On the other hand, the Audit and Control Committee has analysed certain questions relating to possible ways of financing the Company, which finally materialised in the issuance of two green bonds in July and September 2021, in the total amount of 700 million euros.

In addition, the Committee has been informed of the various alternatives for the subsidiary companies' proposed dividend distribution and agreed on the interim dividend distribution of the subsidiaries.

Likewise, the Committee has periodically analysed the fulfilment of the requirements to be able to apply the SOCIMI regime, based on the reports prepared by an external expert. In this regard, the Chair of the Committee has met on several occasions with the external auditors, as well as with the management team and the internal auditor, to analyse and assess the Company's risk related to compliance with the requirements of the SOCIMI regime in 2021. In addition, the Committee agreed to the renewal of the Company's outsourcing and tax compliance contract with an external advisor for a period of three years.

On the other hand, the members of the Committee have reviewed the actions carried out by the Committee during the financial year 2021, confirming that all those actions that the Law, the Regulations (external and internal) and the recommendations of good corporate governance of the CNMV entrusted to the audit committees have been complied with and carried out.

Finally, the Committee has approved the annual plan of activities of the Committee for the financial year 2022 - which includes the annual calendar of meetings-, including the main activities of the Committee during the financial year in relation to the performance of its duties.

Identify the members of the Audit Committee who have been appointed on the basis of their knowledge and experience in accounting, auditing or both, and report the date of appointment of the Chairman of the Audit Committee.

<b>Names of experienced board members</b>	Mrs. Leticia Iglesias Herráiz Mr. José Luis del Valle
<b>Date of appointment of the president in office</b>	16/10/2018

<b>Observations</b>
Mrs. Leticia Iglesias was appointed for her expertise in auditing, accounting and risks among others. Mr. José Luis del Valle was re-elected for his expertise in finance, audit and risk, among others.

**APPOINTMENTS, REMUNERATION AND SUSTAINABILITY COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Current</b>
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Mr. Roger Maxwell Cooke	Chair	Independent
Mr. Alec Emmott	Vocal	Independent
Mr. Miguel Pereda Espeso	Vocal	Proprietary Director
Mr. Juan Gómez-Acebo Sáenz de Heredia	Secretary	Non Director

<b>% of proprietary directors</b>	33.33
<b>% of independent directors</b>	66.66
<b>% of other external</b>	0
<b>Observations</b>	
<p>Article 43.1 of the Company's Bylaws, as well as Article 15 of the Regulations of the Board of Directors, in line with Recommendation 47 and Article 3 of the Regulations of the Appointments, Remuneration and Sustainability Committee, establish that the majority of the members of this Committee must be independent.</p> <p>In order to enable compliance with the aforementioned articles, on December 13, 2021, Mr. Laurent Luccioni tendered his resignation as member of the Committee so that, as from that date, the Committee is composed of a majority of independent directors as established in the aforementioned Articles and the CGG Recommendation.</p>	

Explain the functions, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organization and operation thereof. For each of these functions, indicate its most important actions during the fiscal year and how it has exercised in practice each of the functions attributed to it, either by law or in the bylaws or in other corporate resolutions.

In line with Section 43.2 of the Bylaws, Section 15.4 of the Board Regulations and Section 5.1 of the Appointments, Remuneration and Sustainability Committee, notwithstanding other functions that may be assigned to it by the Board, the Appointments, Remuneration and Sustainability Committee will have the following basic responsibilities:

- a) **Competences with regard to the composition of the Board of Directors and its Committees:**
- i. Advise and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, in particular, evaluate the necessary competences, knowledge and experience in the Board of Directors.
  - ii. Shall ensure that in the promotion of new vacancies or the nomination of new directors, the selection procedures do not include implicit processes that might imply any discrimination and, in particular, that might impede the selection of women.
  - iii. Propose to the Board of Directors the policy of diversity of the Board of Directors and selection of directors. Likewise, will be drawn up the report referred to in article 5.6 of the Board Regulations and will be verified, annually, compliance with the policy of diversity Board of Directors and selection of directors, reporting on this in the annual corporate governance report.
  - iv. Annually verify compliance with the criteria for promoting diversity in the composition of the Board of Directors established by the Company.
  - v. Advise the Board of Directors about the most appropriate configuration of the Board of Directors and of its committees, both in size and balance between the different classes of members at all times.
  - vi. Verify periodically the Directors' category.
  - vii. Inform of or draw up proposals with regard to nomination or removal of the members who should form part of each of the Committees.

**b) Competences related to the selection of candidates to become board members and senior managers**

- i. Select the possible candidates to be, as applicable, nominated as board members of the Company and presenting its proposals or reports, as applicable, to the Board of Directors via its Chair.
- ii. Bring to the Board of Directors the nomination proposals (for its decision or for submission to the decision of the General Shareholders Meeting) for the non-executive members and the re-election proposals for such directors by the General Shareholders Meeting.
- iii. Inform the Chair of the Board of Directors of the nomination proposals (for approval or for submission for decision of the General Shareholders Meeting) of the remaining members and the re-election proposals for such directors by the General Shareholders Meeting.
- iv. Inform of the proposals of the Chair of the Board of Directors or of the Chief Executive Officer, if any, related to the appointment or removal of senior managers.

**c) Competences related to and to the process for appointing internal positions of the Board of Directors**

- i. Inform of the proposals with regard to the appointment or removal of the Chair of the Board of Directors.
- ii. Advise of proposals of the Chair of the Board of Directors regarding the appointment or removal of the Chief Executive Officer.
- iii. Examine or organize the succession of the Chair of the Board of Directors and of the Chief Executive Officer of the Company, if any, and, as applicable, making proposals to the Board of Directors such that this succession occurs in an orderly and planned way, drawing up a succession plan for that purpose.
- iv. Advise of the proposals of the Chair of the Board of Directors related to nomination or removal of the Deputy Chair or Deputy Chair of the Board of Directors.
- v. Bring to the Board of Directors the proposal of nomination of an Independent Coordinating Director, especially allowed in the event that the Chair of the Board of Directors exercises executive functions, and inform of proposals for his/her removal.
- vi. Advise of the proposals of the Chair of the Board of Directors related to nomination or removal of the Secretary and, if applicable, of the Deputy Secretary or Deputy Secretaries of the Board of Directors, of the Secretary General and of the Legal Counsel.

**d) Competences related to the evaluation of board members**

- i. Establish and oversee an annual programme of continuous evaluation and review of the qualification, education and, as applicable, independence, as well as maintenance of the terms needed to exercise the role of board member and committee member, and proposing to the Board of Directors those measures it considers appropriate in this regard.
- ii. Lead in coordination with the Chair of the Board and with the support, where appropriate, of the Independent Coordinating Director, the annual evaluation of its own functioning and that of its Committees including the evaluation of the performance of the Chair of the Board of Directors and of the Chief Executive Officer, if any, and submit to the Board the results of its evaluation together with a draft action plan and recommendations to correct any deficiencies identified or to improve the functioning.

**e) Competences related to the withdrawal and termination of board members**

- i. Inform the Board of Directors about proposals for removal of non-independent directors due to breach of the duties inherent in the role of member or where the circumstances of mandatory dismissal or termination according to applicable Law and to the Company's regulations have been incurred.
  - ii. Submit to the Board of Directors the proposals of removal of independent members in the event of non-compliance with the duties inherent to the office of director or for having incurred in any of the circumstances of resignation or dismissal, in compliance with the Law or the Company's internal standards.
- f) **Competences related to remuneration of directors and senior managers**
- i. Propose to the Board of Directors the remuneration policy applicable to directors and senior managers.
  - ii. Regularly review the members reward policy and senior managers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior managers in the company.
  - iii. Propose the basic terms of the contracts to be entered into by the Company with the executive directors for approval by the Board of Directors, including their remuneration and any compensation that may be fixed for early termination in their functions and the amounts to be spent by the Company on insurance premiums or savings system contributions, always in compliance with the Company's internal standards and, in particular, in accordance with the remuneration policy approved by the General Shareholders Meeting.
  - iv. Propose to the Board of Directors the individual determination of the remuneration of each director in that capacity, in accordance with the Bylaws and the directors' remuneration policy, as well as the individual determination of the remuneration of each director who hold executive functions within the directors' remuneration policy's framework and in accordance with the provisions of his contract.
  - v. Inform of and submit to Board of Directors the proposals of the Chair of the Board of Directors or the Chief Executive Officer, if any, related to the senior managers' reward structure and the basic terms of their contracts, including any compensation that may be fixed for departure.
  - vi. Review the terms and conditions of the contracts of executive directors and senior management and verify that they are consistent with current remuneration policies.
  - vii. Oversee observance of the Company's remuneration programmes and advising on the documents to be approved by the Board of Directors for general disclosure about remuneration information, including the annual report on members' remuneration and the corresponding part of the Company's corporate governance annual report, and verify the information on directors and senior officers' pay contained in corporate documents.
  - viii. Inform, in advance and prior to approval by the competent company body, the remuneration established for the non-executive members of other companies in the Group.
- g) **Competences related to sustainability in environmental and social aspects**
- i. Oversee the Company's action in environmental and social matters are in accordance with the established strategy and policy, and report on them to the Board of Directors or, as applicable, to the Executive Committee.
  - ii. Evaluate and review periodically the Company's sustainability in environmental and social areas policy, in order to fulfil its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders, and supervising its degree of compliance.
  - iii. Oversee and evaluate processes for different interest groups.
- h) **Report on the matters of Title IX of the Board of Directors Regulations, under the terms envisaged therein.**

- i) **Ensure that any conflicts of interest do not prejudice the independence of the external consultancy supplied to the Committee in relation with the performance of its duties.**

In the performance and exercise of its functions, the Appointments, Remuneration and Sustainability Committee shall take into account the principles and criteria established in Technical Guide 1/2019 on Nomination and Remuneration Committees of the National Securities Market Commission, of 20 February 2019, without prejudice to their adaptation to the particular circumstances and characteristics of the Company and its Group always attending to the proportionality principle.

**Operation:**

The Appointments, Remuneration and Sustainability Committee, which will consist of a minimum of three and a maximum of five Directors, appointed by the Board from among the external Directors, on a proposal from the Chair of the Board, ensuring that the majority of them are independent Directors. The members of the Committee will have knowledge, skills and experience appropriate to the functions they are called to perform and, whenever possible on the basis of the principle of proportionality, it will be ensured (i) that the members of the Committee, as a whole, are appointed taking into account their knowledge and experience in areas such as human resources, selection of Directors and Executives and design of remuneration policies and plans; and (ii) to promote diversity in terms of gender, professional experience, skills, personal skills, sectoral knowledge or international experience; all of this will take into account the limitations deriving from the smaller size of the Committee as compared to the Board. They will hold office while their appointment as Directors of the Company remains in force, unless the Board resolves otherwise.

The Board will appoint the Chair of the Committee from among the independent Directors who are part of it and the post of Secretary and Vice Secretary of the Committee will be held by those who hold such positions in the Board.

The Appointments, Remuneration and Sustainability Committee will normally meet at least three times per year. It will also meet at the request of any of its members and whenever it is convened by its Chair, who will do so whenever the Board or its Chair requests the issuance of a report or the passing of proposals and, in any case, whenever it is appropriate for the proper conduct of its functions. Where possible, efforts will be made to ensure that Committee meetings take place sufficiently in advance of Board meetings. Attendance at the meetings of the Committee will be preceded by the sufficient dedication of its members to analyse and evaluate the information received and will promote constructive dialogue among its members, promoting free expression and supervisory and analytical attitude, and the Chair of the Committee must ensure that everyone participates freely in the deliberations.

The Committee may call any of the members of the Company's management team or staff and may even order them to appear without any other Directors. The summoned persons will be obliged to attend the meetings of the Appointments, Remuneration and Sustainability Committee and to provide them with their collaboration and access to the information at their disposal; they will be validly constituted when the majority of their members are present or represented and their resolutions will be passed by an absolute majority of the votes of the members present or represented at the meeting. The Chair will have the casting vote in case of tie.

**Activities:**

**1. With regard to the composition of the Board of Directors and its Committees:**

During the year 2021, the Appointments, Remuneration and Sustainability Committee analyzed possible incompatibilities of one of its directors in light of his appointment as a member of the Board of Directors of another entity, concluding that neither the number of meetings and workload requirements, nor the company's corporate purpose, nor the number of Boards of which the director is a member, gave rise to any reason for incompatibility, as

there was no conflict of interest and the director did not reach the maximum number of Boards of which he may be a member in order to accept the position.

Likewise, the Committee also analyzed possible incompatibilities of another of its Board Members in view of his appointment as advisor to a professional body, concluding that there was no conflict of interest and that it did not negatively affect his dedication to his position in the Company.

Likewise, the Committee reviewed the categories of director held by each of the members of the Board of Directors, concluding that the current categories continue to be fully in accordance with their circumstances. On the other hand, the Committee reviewed the matrix of necessary competencies of the Board that defines the skills and knowledge of the candidates for Board members, concluding that it was up to date and that it was not necessary to make any adjustments.

Finally, the Committee analyzed on several occasions the possibility of increasing the number of females on the Board of Directors in order to achieve, in accordance with Recommendation 15 of the CGG, the objective that by the end of 2022 at least 40% of the Board members should be female directors. In this regard, and after several meetings held with the main proxy advisors and other stakeholders, the Committee concluded that taking into account the size and composition of the current Board of Directors, with a majority of independent directors, as well as the internal policies implemented and the positive evolution in recent years, the current percentage of women on the Board is in line with the Company's singularities and social and good governance expectations, notwithstanding the Company's commitment on continue seeking to achieve, in the light of concurrent circumstances and the necessities of the Company at any moment, of the corporate governance recommendations in this area.

## **2. In regard to the selection of candidates for Board members and senior managers:**

Due to the expiration of the term of office of Mrs. Isabel Aguilera Navarro as External Independent Director of the Company, the Appointments, Remuneration and Sustainability Committee reviewed and approved the proposal of re-election of Mrs. Isabel Aguilera Navarro for the statutory term of three years, agreeing, likewise, to submit the proposal to the Board for issuing the corresponding report. Said report was made available to the shareholders at the time of the call of the Ordinary General Shareholders' Meeting.

Likewise, as a consequence of the resignation of the Company's Audit Manager, the Committee analyzed the proposal received from the Company's Audit and Control Committee regarding the appointment of Mr. José Ignacio Domínguez as the Company's Internal Audit Manager, and reported favorably to the Board on the appointment of the new manager.

## **3. Competences related to and to the process for appointing internal positions of the Board of Directors:**

The Committee examined the succession of the Chair, the Independent Directors as well as the Executives of the Company.

During 2021, the Appointments, Remuneration and Sustainability Committee analyzed in several meetings, the convenience of having a succession plan for the Chair of the Board. In this regard, the Committee unanimously agreed to propose to the Board of Directors the appointment of Mr. Miguel Pereda Espeso as Vice-Chair of the Board for the purpose of assisting or substituting from time to time for the Chair in the corporate functions of the Company, it being understood that the Vice-Chair will not replace the Chair on a permanent basis in the future.

Regarding the succession of the Independent Directors, the Committee agreed to continue assessing this matter taking into account (i) the need to increase the quota of female directors

and; (ii) to achieve a structured and orderly renewal in order to avoid the simultaneous departure of several directors.

Finally, in relation to the succession of the Company's executives, the Committee agreed to prepare a proposal to be submitted to the Board of Directors.

**4. With regard the evaluation of Directors:**

The Committee, after reviewing and discussing the conclusions of the evaluation of the Board, as well as the proposed action plan for fiscal years 2021 and 2022, agreed to approve the Evaluation Report of the Board and its Committees for the fiscal year and 2020 the Board's action plan for fiscal year 2021 and 2022. In particular, with regard to the Appointments, Remuneration and Sustainability Committee, the Self-Evaluation Report, as well as the Committee's action plan for the 2021 and 2022 fiscal year was approved.

**5. In regard to the withdrawal and termination of Board members:**

During fiscal year 2021, the Appointments, Remuneration and Sustainability Committee was not required to exercise the powers related to the removal and dismissal of directors.

**6. In relation to the remuneration of directors and senior managers:**

During the 2021 financial year, the Appointments, Remuneration and Sustainability Committee reported favourably to the Board of Directors on the proposed Remuneration Policy for 2021 to 2023, which was submitted for approval by the Shareholder Meeting.

On the other hand, the Committee analyzed the Chair's remuneration and agreed to propose to the Board its increase for 2022, taking into consideration his dedication and commitment with the Company, which is externally managed and where there are no executive directors.

Likewise, the Committee also agreed to grant new compensation bonuses to certain executives of the Company derived from the change of the company's registered office and reviewed the objectives and remuneration of these executives, agreeing to prepare their salary review proposal for 2022, as well as a proposal for a Three-Year Incentive Plan.

On the other hand, the Committee reviewed the Annual Report on Directors' Remuneration for the financial year 2020 in accordance with the provisions of Article 541 of the LSC, agreeing to approve it and send it to the Board for its final approval and subsequent submission to the General Shareholders' Meeting.

In relation to the objectives of the management team for 2020, the Committee reviewed and followed up the personal objectives of the management team and reported to the Board on all aspects related to this issue. Likewise, the Committee reviewed the fixed remuneration of the management team for 2021 and the variable remuneration targets for 2021, both corporate and personal targets for each executive.

**7. In relation to sustainability and social aspects:**

The Committee has followed up and monitored all ESG actions carried out by the Company during the year, as well as the achievements obtained and the projects in progress. In this regard, during 2021, the Committee monitored numerous projects that are being implemented, including the study of possible alternatives for reducing the Company's Carbon Footprint or the monitoring of asset performance in relation to consumption and emissions following the implementation of the portfolio's consumption and emissions data collection automation platform, which has enabled an increase in the frequency of data collection, among others.

On the other hand, during the 2021 the Appointments, Remuneration and Sustainability Committee analyzed the suppliers purchasing policy, agreeing on the need to achieve a

balance between supporting local businesses and obtaining the best prices and contracting conditions.

Section C.1.17 of this report describes in detail the progress made in ESG during 2021.

**8. Other competences:**

The Appointments, Remuneration and Sustainability Committee reviewed and approved the Committee's operating report for fiscal year 2020 in accordance with the provisions of Article 529 nonies of the LSC, which served as the basis for the evaluation of the Committee by the Board of Directors, in accordance with the provisions of the aforementioned article of the LSC and the Company's internal regulations.

On the occasion of the approval of Law 5/2021, the Committee reported favorably on the proposed amendment of its Regulations, prepared to adapt the same to said Law, and agreed to send it to the Board of Directors for its approval.

In order to be at the forefront of the best corporate governance practices and to adapt the corporate texts to the reform of the LSC introduced by Law 5/2021, the Committee analyzed, on the basis of the draft circulated prior to the meeting and after a presentation by the Company's Legal Director of the main aspects of the reform, the proposal to amend the Regulations of the Appointments, Remuneration and Sustainability Committee, as well as the report justifying said proposal, agreeing to report favorably and submit to the Board for its definitive approval the proposal to amend the aforementioned Regulations of the Committee.

Likewise, the Appointments, Remuneration and Sustainability Committee unanimously approved the incorporation of a minor adjustment to the Policy for the selection, appointment, re-election and evaluation of the directors and diversity of the Board of Directors.

During 2021, the Appointments, Remuneration and Sustainability Committee has analyzed a communication made by a Director of the Company, in accordance with section 36 of the Board Rules and Regulations, informing about a proceeding issued by de CNMV against all the members of a board of directors of a company to which the director was a member. After reviewing the specific circumstances of the case and analyzing an external advisor report, the Committee unanimously agreed that there was no risk for the Company or its reputation and, therefore, it was not appropriate to initiate any internal procedure or investigation; reporting on all the above to the Board of Directors.

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Current</b>

<b>% of proprietary directors</b>	
<b>% of independent directors</b>	
<b>% of other external</b>	

<b>Observations</b>

Explain the functions, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organization and operation thereof. For each of these functions, indicate its most important actions during the fiscal year and how it has exercised in practice each of the functions attributed to it, either by law or in the bylaws or in other corporate resolutions.

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**REMUNERATION COMMITTEE**

Name	Position	Current

<b>% of proprietary directors</b>	
<b>% of independent directors</b>	
<b>% of other external</b>	

Observations

Explain the functions, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organization and operation thereof. For each of these functions, indicate its most important actions during the fiscal year and how it has exercised in practice each of the functions attributed to it either by law or in the bylaws or in other corporate resolutions.

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\_\_\_\_\_ **COMMISSION**

Name	Position	Current

<b>% of executive directors</b>	
<b>% of proprietary directors</b>	
<b>% of independent directors</b>	
<b>% of other external</b>	

Observations

Explain the functions attributed to this committee, and describe its procedures and rules of organization and operation. For each of these



functions, indicate its most important actions during the fiscal year and how it has exercised in practice each of the functions attributed to it either by law or in the bylaws or in other corporate resolutions.

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C.2.2 Complete the following table with the information related to the number of female Board Members that are members of the Board of Directors' Committees at the end of the last four fiscal years:

	Number of female directors			
	Exercise 2021 Number % Number	Exercise 2020 Number % Number	Fiscal year 2019 Number % Number	Fiscal year 2018 Number % Number
Executive committee	NA	NA	NA	NA
Audit Committee	2-67%	2-67%	2-67%	2-67%
Nomination and Compensation Committee	0	0	0	0
nomination committee	NA	NA	NA	NA
remuneration committee	NA	NA	NA	NA
Executive committee				
Audit Committee				
Nomination and Compensation Committee				
nomination committee				
remuneration committee				

Observations

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared

The sections 42 and 43 of the Bylaws regulate the functioning of the Audit and Control Committee and the Appointments, Remuneration and Sustainability Committee, respectively. In turn, the Board Regulations regulate these committees, in section 14, on the Audit and Control Committee, and section 15, on the Appointments, Remuneration and Sustainability Committee. In addition, these two committees each have their own operating regulations, approved on 27 December 2017 and 12 December 2019, respectively, and amended both, for the last time, on 11 November 2021 in order to adapt to Law 5/2021. These Regulations are available on the following corporate website link:

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

Lar España prepares on an annual basis reports on the functioning, composition and activities of the Company's Board of Directors and makes them available to shareholders at the General Shareholders Meeting. In particular, it is established in section 7.4 of the Audit and Control Committee Regulations and section 7.3 of the Appointments, Remunerations and Sustainability Committee Regulations, that these Committees will prepare an annual report on their operation during the year, which will serve as the basis for the evaluation to be carried out by the Board, highlighting the main events that have arisen, if any, in relation to their functions. The report will include, among other matters, the significant activities carried out during the period, reporting on those that have been carried out with the collaboration of external experts. In addition, with respect to the Audit and Control Committee, when the Audit and Control Committee deems it appropriate, it will include in the report proposals to improve the Company's governing rules. The reports will be available to shareholders and investors through the Company website well in advance of the convening of the Ordinary General Meeting.

## **D** RELATED PARTY AND INTRAGROUP TRANSACTIONS

- D.1 Explain, where appropriate, the procedure and competent bodies relating to the approval of transactions with related and intragroup parties, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected director or shareholders. Detail the internal information and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the board of director

In accordance with section 37 of the Regulations of the Board of Directors, the Board of Directors is competent of the knowledge and approval, following a report from the Audit and Control Committee, of the transactions that the Company or companies of its Group carry out with directors, or with shareholders holding ten percent (10%) or more of the voting rights or represented on the Board of Directors of the Company, or with any other persons who must be considered related parties under the terms set forth in the LSC, unless their approval corresponds to the General Shareholders' Meeting. Pursuant to said article, the transactions carried out between the Company and its wholly-owned companies, directly or indirectly, the approval by the Board of Directors of the terms and conditions of the contracts to be signed with any directors with executive functions, including, if applicable, the Chief Executive Officer, or Senior Officers, including the determination by the Board of the specific amounts or remuneration to be paid under such contracts, shall not be considered related-party transactions. Transactions between the Company and its subsidiaries or investees, provided that no other related party has interest in those subsidiaries or investees, shall also not be considered related-party transactions.

The General Meeting is responsible for approving related-party transactions with a value or amount equal to or greater than ten percent (10%) of the total balance sheet assets, according to the latest annual balance sheet approved by the Company. The approval of the remaining related-party transactions shall correspond to the Board of Directors, which may not delegate this competence except for Related-party Transactions between companies forming part of the Group that are conducted within the scope of ordinary management activities and under market conditions, as well as related-party transactions approved under contracts whose standardized terms are applied globally to a large number of customers, concluded at prices or rates generally established by whoever acts as supplier of the good or service in question, and for an amount not exceeding 0.5% of the Company's net turnover.

The Audit and Control Committee shall issue a report prior to the approval of a related-party transaction by the General Meeting or the Board of Directors. In this report, the Committee shall assess the fairness and reasonability of the transaction from the Company's point of view and, if applicable, from the point of view of the shareholders other than the related party and explain the assumptions on which its assessment is based on and the methods used. The members of the Audit and Control Committee affected by the related-party transaction may not participate in the preparation of the report. This report shall not be mandatory in relation to the execution of related-party transactions whose approval has been delegated by the Board of Directors in the cases legally permitted and provided for in the Regulations of the Board of Directors of the Company.

In those cases, in which, in accordance with the provisions of the Regulations of the Board of Directors of the Company, the Board of Directors delegates the approval of related-party transactions, the Board of Directors itself shall establish an internal reporting and periodic control procedure to verify the fairness and transparency of these transactions and, if applicable, compliance with the applicable legal criteria.

The Board of Directors shall ensure the public disclosure of the execution of related-party transactions entered by the Company or companies of its Group and whose amount reaches or exceeds five percent (5%) of the total amount of the asset heading or 2.5% of the annual amount of the Company's turnover. For such purposes, a communication with the legally stipulated content must be published in an easily accessible part of the Company's website, which shall be likewise notified to the National Securities Market Commission. The announcement shall be published and notified, at the latest, at the time the Related-party Transaction is executed and must be accompanied by the report issued by the Audit and Control Committee, when applicable.

In order to determine the amount of a related-party transaction, the transactions entered into with the same counterparty in the previous twelve months shall be recorded on an aggregate basis.

For this purpose, the Board of Directors, at the proposal of the Audit and Control Committee, approved at its meeting held in November 2021, a Protocol for Related-Party Transactions in order to develop, based on the provisions established in the Spanish Companies Act and in the Bylaws, in the Regulations of the General Shareholders' Meeting and in the Regulations of the Board of Directors of Lar España, the criteria for the application of the approval regime of related-party transactions affecting the Company, as well as for the publication of information regarding such transactions, also establishing the internal procedure for the identification, analysis, approval, monitoring, reporting and control of related-party transactions.

Said Protocol foresees the creation of an operating group -comprised of the Chief Financial and Corporate Officer and the General Counsel, who will act as Secretary of the operating group- in charge of reviewing transactions in the second line of defense, which shall issue a report on each potential transaction linked to the analysis and conclusions of the transaction from a legal, financial and market perspective, which will in turn be reviewed by the internal audit, which will also issue a report as the third line of defense, all of which will be submitted to the Audit and Control Committee so that the Committee can adopt an informed decision and issue its mandatory report to the Board of Directors in accordance with the applicable legislation.

In the event that, the approval of the related-party transaction corresponds to the Board of Directors or the General Shareholders' Meeting, the Audit and Control Committee shall submit to the Board of Directors the proposal for the Related-Party Transaction and the report prepared by the Committee for its processing in accordance with the rules set forth in the Bylaws and in the Regulations of the General Shareholders' Meeting and of the Board of Directors. When the approval of a related-party transaction corresponds to the General Shareholders' Meeting, the affected shareholder shall be deprived of the right to vote, except in those cases in which the proposed resolution has been approved by the Board of Directors without the vote against of the majority of the independent directors, without prejudice to the application, where applicable, of the rule of the inversion of the burden of proof provided for in article 190.3 of the LSC. Likewise, when the competence to approve a related-party transaction corresponds to the Board of Directors, the director affected by a related-party transaction -or the director representing or related to the affected shareholder- shall abstain from participating in the deliberation and voting of the corresponding resolution in accordance with the LSC.

The Board of Directors may delegate, under the terms set forth in article 529 duovicies of the LSC and in the Protocol: (i) the approval of related-party transactions between companies which belong to Lar España Group that are carried out within the scope of ordinary management and under market conditions, such delegation may be articulated through a framework agreement entered into between Lar España and companies of the Group; and (ii) the approval of related-party transactions entered into by virtue of contracts whose standardized terms are applied indiscriminately to a large number of clients, are performed at prices or rates generally established by the party acting as supplier of the

good or service in question, and whose amount does not exceed 0.5% of the Company's net turnover. In these cases of delegation, following the communication made by the Secretary of the operating group in accordance with the provisions of the Protocol, the competent body or person, according to the delegation resolution adopted by the Board of Directors, shall decide on the approval of the related-party transaction and shall immediately report its decision to the Secretary of the operating group and to the Secretary of the Board of Directors. In those cases, in which the aforementioned framework agreement exists, the area responsible for its execution shall immediately report each operation carried out in execution of said framework agreement to the Secretary of the operating group and to the Secretary of the Board of Directors.

For its part, the Investment Management Agreement between Grupo Lar Inversiones Inmobiliarias, S.A., as Management Company, and Lar España Real Estate SOCIMI, S.A., as the Managed Company, signed on February 12, 2014, in its wording given on January 19, 2018, which was in force from January 1, 2018 until December 31, 2021, specifies that, without prejudice to the prerogatives and powers that the Manager has to act on behalf of the Company under said agreement, prior express written approval of the Board of Directors of Lar España shall be required, among others, the "transactions and situations with related parties that may give rise to a conflict of interest in relation to the Manager of Management Team, including any transaction with third parties by virtue of which the Manager is entitled to receive any compensation, commission or remuneration" (term 5.(ix)).

The Board of Directors of the Company approved on June 8, 2021 the main terms and conditions for the renewal of the aforementioned management contract, which was signed on December 29, 2021, effective as from January 1, 2022, establishing a new term of five years, i.e., until December 31, 2026. This new version of the agreement expressly establishes the need for any transaction with Grupo Lar or any of its subsidiaries to be carried out in full compliance with the Company's provisions for related-party transactions in the terms described above.

- D.2 Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Name or company name of the shareholder or any of its subsidiaries	% Shareholding	Name or company name of the company or entity within its group	Nature of the relationship	Type of operation and other information required for its evaluation	Amount (thousands of euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against the majority of independents

Grupo Lar Inversiones Inmobiliarias, S.A.		Grupo Lar Inversiones Inmobiliarias, S.A.	Contractual	Asset management contract	8,743	Board of Directors, prior favorable report from the Audit and Control Committee	Mr. Miguel Pereda, on behalf of Grupo Lar	
Grupo Lar Inversiones Inmobiliarias, S.A.		Gentalia 2006, S.L.	Contractual	Management contract as property manager (marketing, management, management)	2,154	Board of Directors, prior favorable report from the Audit and Control Committee	Mr. Miguel Pereda, on behalf of Grupo Lar	

<b>Observations</b>

D.3 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Name or company name of the administrators or managers or their controlled or jointly controlled entities	Name or company name of the company or entity within its group	Relationship	Nature of the operation and other information necessary for its evaluation	Amount (thousands of euros)	Approving body	Identity of the shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against the majority of independents

<b>Observations</b>

D.4 Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

<b>Company name of the entity within the group</b>	<b>Brief description of the operation and other information necessary for its evaluation.</b>	<b>Amount (thousands of euros)</b>

<b>Observations</b>

D.5 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

<b>Company name of the related party</b>	<b>Brief description of the operation and other information necessary for its evaluation.</b>	<b>Amount (thousands of euros)</b>

<b>Observations</b>

D.6 Give details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management, significant shareholders or other associated parties.

<p>Pursuant to the provisions of Article 31 of the Regulations of the Board of Directors of the Company, a conflict of interest will be deemed to exist in those situations wherein the interest of the Company or of the companies forming part to its group and the personal interest of the director directly or indirectly conflict. The director has a personal interest when the matter affects him/her or a person related to him/her. For these purposes, in accordance with the provisions of the Board Regulations, related persons to the director shall be understood to be:</p> <ul style="list-style-type: none"> <li>i. A spouse or other person related by a like relationship of affection.</li> <li>ii. The ascendants, descendants, or siblings of the director or of the spouse (or person related by a like relationship of affection) of the director.</li> <li>iii. The spouses of the ascendants, descendants, and siblings of the director.</li> <li>iv. The companies or entities in which the director holds directly or indirectly, even through an intermediary, a shareholding that gives significant influence or plays a position in the administrative body or senior management in them or in their parent company. For these purposes, it is presumed that significant influence is conferred by any shareholding equal to or greater than 10% of the share capital or of the voting rights or by virtue of which it has been possible to obtain, de jure or de facto, a representation on the administrative body of the company.</li> <li>v. The Companies or entities in which the director or any related person, acting personally or through a nominee, exercises a managerial or leadership position or from which he/she receives remuneration for any reason.</li> <li>vi. In the case of proprietary directors, this includes the shareholders at whose proposal their appointment was made.</li> </ul>
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In particular, the directors should refrain from carrying out transactions with the Company except for those that are subject to waiver in accordance with the provisions of the Law and these Regulations or those that are approved in accordance with the provisions of the Law and article 37 of these Regulations in connection with related party transactions, as appropriate.

In any case, Directors will disclose to the Board of Directors of the Company, any conflict, direct or indirect, that he or persons linked to him may have with the interest of the Company.

Situations of conflict of interest incurred by directors shall be disclosed in the notes to the annual accounts.

Pursuant to Article 2.3 of the Company's Rules of Conduct, a conflict of interest shall be deemed to exist when any person subject to the Code (this is all the members of the Board of Directors of the Company, Senior Executives of the Company, the members of management Team of Lar Group (asset manager of Lar España), senior management and employees of the Company and its investee companies, and any other person who may be related to Lar España even when the person does not have the condition of employee) who should decide, execute or omit an action, according to their functions, has the option to choose between the interest of the Company, its own interest or on the interest of a third party, in such a way that choosing one of these last two, the third one would be benefited, obtaining a benefit otherwise would not receive.

In order to avoid such situations, persons subject to the Code should act with integrity and confidentiality without allowing themselves to be manipulated or influenced by third parties. They shall abstain from voting or expressing an opinion when they are in a conflict that may harm the corporate interest and shall always act independently with freedom of judgment and loyalty to the Company.

Employees, senior management or directors who are in doubt about a suspected conflict of interest should contact the Audit and Control Committee.

D.7 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

Yes  No


Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries have been defined publicly and precisely:

Yes  No

**Report covering the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries, and identify where these aspects have been publicly reported**

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Identify the mechanisms in place to resolve potential conflicts of interest between the parent company of the listed company and the other group companies:

<b>Mechanisms for resolving possible conflicts of interest</b>



## **E** RISK MANAGEMENT AND CONTROL SYSTEMS

### E.1 Explain the scope of the company's financial and non-financial risk management and control system, including tax risk.

The **Risk Management System** of Lar España Real Estate SOCIMI, S.A. and subsidiaries (hereinafter Lar España) is implemented at corporate level and designed to mitigate the risks (including tax risks) to which the Organization is exposed due to its activity.

This System has been described and developed in the **Risk Control and Management Policy** approved by the Board of Directors of Lar España, which is periodically reviewed by the Audit and Control Committee and establishes a methodology to identify, evaluate, prioritize and manage risks in an effective manner, taking into consideration the Company's circumstances and the economic and regulatory environment in which it operates. Likewise, its ultimate purpose is to ensure that a reasonable degree of assurance is obtained regarding the achievement of strategic and operational objectives, the reliability of information and compliance with legislation.

The System is aligned with the main guidelines contained in the document "*Enterprise Risk Management-Integrating with Strategy and Performance (ERM 2017)*" published by COSO (Committee of Sponsoring Organizations of the Treadway Commission).

As established in the "Integrated Risk Management System", Lar España considers Risk Management to be a continuous and dynamic process that encompasses the following stages:

- Identification of the processes in which risks are generated and controls are carried out, determining the relationship between key risks and the Organization's processes.
- Identification and evaluation of risks that may affect the Organization, assessing the probability of occurrence and their potential impact.
- Identification of existing controls to mitigate such risks.
- Evaluation of the effectiveness of the controls implemented to mitigate such risks.
- Design of action plans to be carried out in response to risks.
- Periodic monitoring and control of risks.
- Continuous evaluation of the adequacy and efficiency of the system's implementation and of best practices and risk recommendations.

In order to maintain an effective risk management system, Lar España prepares a corporate Risk Map which identifies the main risks affecting the group. It also has a Risk Management Manual, as part of the Risk Control and Management Policy, which includes the templates and documents to be used for carrying out the different activities and defines other relevant practical aspects of the Risk Management System.

As part of the process of updating the 2021 Risk Map, the Company's Risk Universe has been reviewed, together with all the participants in the process and risk managers of the Lar España group, paying special attention to strategic risks, both those arising from the health crisis as a result of the Covid-19 pandemic, as well as the consequences it is producing at the economic, social and consumer behavior levels, all of which are adequately reflected in the Risk Universe.

Likewise, risks derived from the adaptation to climate change and environmental sustainability in the Company's assets, as well as cybersecurity and information security risks, have also been included in the 2021 risk map update.

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

### E.2 Identify the bodies within the company responsible for preparing and executing the financial and non-financial risk management and control system, including tax risk.

The Integrated Risk Management System (IRMS) affects and involves all the staff of the Organization. In addition, due to the specific characteristics of Lar España, some of the activities are carried out by certain specialised suppliers that collaborate in significant processes such as:

- Investment and asset management, mainly carried out by Grupo Lar

- Preparation of financial, accounting and tax information
- Periodic valuation of the assets

However, Lar España conducts detailed monitoring processes for the third parties responsible for these outsourcing contracts, ensuring that the suppliers perform the activities envisaged in the Risk Management System.

The main participants in the model are as follows:

#### **Responsible person for the Process or Business Units**

This person is responsible for direct risk management in the day-to-day operations, which includes the tasks of identifying, analysing, evaluating and treating risks, essential to achieving the objectives envisaged in each area within the context of the strategic planning in force at any time.

#### **Internal Audit Function**

The Internal Audit Function assists the Audit and Control Committee in the fulfillment of its functions in this area and ensures the proper functioning of the Company's internal control and risk management systems, through the following activities:

- Identification and evaluation of risks, including tax risks, that may affect the achievement of the Organization's objectives, updating the Group's Risk Map on an annual basis;
- Identification of controls;
- Identification of the processes in which these risks and controls arise (critical processes);
- Design of action plans in response to risk; and
- Evaluation of the effectiveness of controls and response activities on the risks affecting the organization.

The Internal Audit Manager must analyze and consolidate the risk information prepared by the Process Managers, which will be progressively materialized in "Risk Sheets". The Manager also assumes the function of identifying new events, collecting and evaluating information on key indicators of the risks inherent to the processes and, if necessary, proposing action plans and monitoring them. Once the priority risks have been defined, those responsible for their management and the control of the "Risk Cards" will be assigned.

#### **Audit and Control Committee**

Pursuant to Article 5 of the Audit and Control Committee Regulations, the Audit and Control Committee has, among others, the following functions:

- Monitor and evaluate the effectiveness of the financial and non-financial risk control and management systems related to the Company and, where applicable, the Group (including operational, technological, legal, social, environmental, political and reputational or corruption-related risks) and, in particular, to review them so that the main risks are adequately identified, managed and disclosed.
- Monitor the internal risk control and management function.
- In relation to risk control and management policy, identify or determine at least: (i) the various types of risk (operational, technological, financial, legal, reputational, including those related to corruption) that the Company faces, including, among financial or economic, contingent liabilities and other off-balance sheet risks; (ii) a risk control and management model based on different levels; (iii) the level of risk that the Company considers acceptable; (iv) the measures envisaged to mitigate the impact of the risks identified, should they materialise; and (v) 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.
- At least once per year, reassess the most significant financial and non-financial risk list and assess its tolerance level, proposing its adjustment to the Board of Directors, where applicable.
- At least once per year, hold a meeting with senior managers of business units explaining business trends and associated risks.

In this regard, the Audit and Control Committee is responsible for monitoring the implementation of the Risk Control and Management Policy defined by the Board. This policy includes the various risk typologies (Strategic, Operational, Compliance and Financial), including tax risks

(with particular attention to monitoring the requirements associated with the SOCIMI regime). Ultimately, the Audit and Control Committee is responsible for informing the Board of its activities throughout the year.

#### **Board of Directors**

The Board of Directors is responsible for approving the Risk Control and Management Policy in accordance with article 529 *ter* of the LSC.

Likewise, and among other competences, it assumes responsibility for identifying the Company's main risks and supervising internal control systems, being informed through the Audit and Control Committee.

E.3 Indicate the main financial and non-financial risks, including tax risks, as well as those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant and may affect the achievement of business objectives

Lar España has carried out a process to identify those risks that may affect its ability to achieve its objectives and execute its strategies successfully. The experiences of the Company's executives in each of their areas of responsibility, the particularities of the Company, considering also strategic initiatives foreseen by the organization in the medium term in its strategic plan, as well as the risks of the market, social and economic environment where the Company operates have been taken into account in order to identify the risks.

Lar España has an updated Risk Map, which includes the risks that could potentially affect the Organization.

The risks considered as "priority" by Lar España as a result of the corresponding annual update of the 2021 Risk Map are detailed below. During 2022 and subsequent years, the appropriate management and monitoring activities on these risks will be carried out.

The main risks that could affect the achievement of business objectives, according to the classification of risk dimensions, are: strategic, operational, financial and regulatory.

Strategic:

- Epidemic outbreaks, epidemics and pandemics.
- Political and macroeconomic situation and changes in consumption patterns and social behavior.
- Regulatory changes/legal uncertainty.
- Inadequate adaptation to climate change and environmental sustainability.

Operational:

- Value of the properties.
- Health and safety of employees, collaborators, customers and visitors in shopping centers and business parks.
- Cyber security and information security.
- Contract renegotiations as a result of the pandemic.
- Solvency and customer credit risk.

Financial:

- Market risk and deterioration of macroeconomic magnitudes.

Regulations:

- Management of SOCIMI regime requirements.

These risks have been defined by Lar España in accordance with the risk tolerance criteria and based on criticality for the business, i.e. Impact by Probability.

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

E.4 Indicate whether the entity has risk tolerance levels, including for tax risk.

The Risk Map is the risk identification and measurement tool of Lar España. All the risks envisaged, including the tax payables, are assessed by considering various impact and probability indicators.

In this way, the risk assessment is made taking into account the level of inherent risk, i.e. the level to which the Company faces in the absence of mitigation measures and the level of residual risk, understood as the resulting risk once the corresponding prevention and control measures are applied.

Once this year has been completed, priority is given to those risks considered most critical to the business and a list is prepared of priority risks that are subject to regular monitoring and reporting to the Audit and Control Committee.

In addition, Lar España's Risk Management System defines tolerance as "*the acceptable level of variation in the Company's results or actions relating to the achievement or attainment of its objectives*". The proposed risk tolerance criteria are used to prioritize and detail the management and monitoring to 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, there are three levels of tolerance: high, medium or low, based on the criticality of the objective to which the risk is associated. The tolerance determination system is reviewed at least once per year by the Audit and Control Committee.

E.5 Indicate which financial and non-financial risks, including tax risks, have materialised during the year.

The risk factors inherent to Lar España's business model may materialize over each year.

As in the previous year, the result of Lar España's risk assessment for 2021 continues to be highly conditioned by the context of health, social and macroeconomic crisis resulting from the Covid-19 pandemic, which continues to impact our country and the rest of the world, and therefore, these risks remain among the main risks materialized in 2021.

In our country, the health emergency caused by the virus led the Government and the Autonomous Communities to continue to impose a series of measures to prevent the spread of the disease and to manage the health and economic consequences of the pandemic and the successive "waves" throughout the year 2021.

Some of these measures and regulatory changes have remained in force throughout year 2021 and have been related in some cases to total or partial closures of certain activities, restrictions on the free movement of people, and limitations on hours and capacity, thus impacting the normal activity of the company and its tenants.

The individualized renegotiation of contracts with each of the lessees, adapting to the new situation of this year 2021, the necessary implementation of protocols and hygienic-sanitary measures to preserve the health of employees, customers and visitors accessing the company's properties, and the impact on the value of real estate assets as a result of the uncertainty generated in the market, are some examples of the effects caused by the pandemic on the company.

In addition, there are other materialized risks, related to Lar España's own activity, with effect of low significance on the business, since the internal control systems established by the Company have had significant success.

E.6 Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise

The specific characteristics of Lar España, as well as those of the sector of activity in which it operates, attach greater importance to the proper monitoring and updating of the various risks, including tax payables, that may affect the Organisation.

The level and frequency of monitoring of the risks identified is carried out in accordance with the Company's Risk Control and Management Policy and varies according to their criticality and the level of effectiveness of the controls currently implemented. Thus, Lar España has defined different options for carrying out risk management: a) comprehensive analysis of risks that have high criticality, to pursue an appropriate level of control; b) risk assessment and monitoring with average criticality levels to maintain proper control based on the actual level of risk; and c) streamlining and optimisation of the applicable controls for risks with lower criticality.

Based on the above levels and the risk management model implemented, Lar España has established response and monitoring plans for the main risks, as well as four types of strategies to be considered in relation to the level of risk assumed in each case:

- 1- Reduction: carrying out response activities to reduce the likelihood or impact of the risk, or both aspects simultaneously. It may involve implementing new controls or improving existing ones.
- 2- Sharing: the probability or impact of the risk can be adjusted by transferring or sharing a portion of the risk, for example, obtaining insurance.
- 3- Prevention: not engaging in activities that generate risks. In this case, the risk response is to dispense with a business unit or activity and/or decide not to engage in new activities related to those risks.
- 4- Acceptance: in this case no action is taken that affects the likelihood or impact of the risk. The risk is assumed at its inherent level because it is considered appropriate to the established activity and objectives.

Lar España prioritises the action plans to be carried out, in accordance with the criticality of the risks, the cost/benefit ratio of the type of action to be taken and the resources available. To this end, the most representative risks of the Organisation have been identified, for which individual risk sheets have been set up to better document and monitor them. These financial statements incorporate the existing controls and the key indicators that make it possible to anticipate or monitor the associated risks. In this regard, in the coming years, it is planned to continue with this ongoing process of risk management and monitoring.

Additionally, the tolerance level must be reviewed at least annually and validated by the Audit and Control Committee. Once the tolerance level has been approved, it is communicated to the Risk Manager/Officer and, through it, to the Process Managers and the Internal Audit Function. The owners of each of the risks, together with the support of internal audit, are responsible for preparing the corresponding risk sheets, with the objective of reporting the treatment established to mitigate and/or maintain the level of risk under the tolerance threshold accepted by Lar España.

It should be noted that, at least once per year, and in accordance with its internal regulations, Lar España's Audit and Control Committee, which reports to the Board of Directors, analyzes the validity of the Organization's Risk Map and proceeds to incorporate, modify or rule out the risks that, if necessary due to changes in strategic objectives, organizational structure, new risks, current regulations, etc.

Based on the review of the annual risk map, and due to the context of health, social and macroeconomic crisis prevailing in our environment as a result of the Covid-19 pandemic, Lar España continues to include the following specific response plans to the possible materialization of the main risks related to this event:

- 1- Development, adaptation and application of prevention protocols and measures in work centers for employees and collaborators and in shopping centers for customers, operators and service companies.
- 2- Development of an internal and external Communication Plan.
- 3- Development, adaptation and implementation of action plans to adapt the company's activity to the circumstances and regulatory changes that have occurred.
- 4- Certification of the protocols and measures adopted to preserve the safety of employees, customers and visitors in shopping centers and parks by an external certifying company (SGS), which has certified the correct adoption of the preventive measures.

- 5- Contractual changes with each of the lessees based on each special need.
- 6- Ongoing monitoring and adaptation of the activity in shopping centers and retail parks based on the regulations published by the authorities.
- 7- Update of cash forecasts, sensitivity analysis, generation of scenarios, and development of liquidity protection measures for the company.
- 8- Update of the Business Plan to the new context caused by the pandemic.
- 9- Activation of a Disease Monitoring Committee, the main responsibilities of which were to pass the necessary measures and gradually implement the actions agreed to in the light of the evolution of the pandemic, and of the regulatory changes and recommendations made by national and international health authorities, government, autonomous regions or other government agencies.
- 10- Coordination with health authorities and law enforcement agencies.
- 11- Specific analysis of the creditworthiness and credit risk of each new lessee.

In addition, based on the criticality for its business and in reference to the other priority risks identified in previous sections, Lar España has implemented the following response plans for other risks:

- In relation to real estate value risk, the controls and action plans carried out by Lar España are: the existence of a Real Estate Asset Valuation Policy; the hiring of at least two external valuers to value its portfolio; a selection process for valuers supervised and approved by the Audit and Control Committee; the review of valuations by the Investment/Asset Manager, as well as by the Audit and Control Committee.
- In relation to cybersecurity and information security risk, the Company has developed a third party cybersecurity risk management model, which includes the evaluation of information security controls on third parties that provide services, as well as on-site audits of the main suppliers that manage its information and, finally, contracts are reviewed, including cybersecurity clauses that provide coverage and comfort on these risks.
- Likewise, Lar España pays special attention to the adaptation of the Company and its assets to climate change, environmental sustainability and the existence of an effective corporate governance system (ESG). Lar España is committed to the environment and invests in innovative solutions that enable it to manage its assets responsibly and reduce their impact on the environment. Section C.1.17 above describes in detail the progress made in ESG matters during the year 2021.
- Finally, Lar España maintains the highest standards in terms of transparency, ethics and regulatory compliance, guaranteeing good governance of both the company and its governing bodies. The Company has an active ESG Committee with the aim of promoting sustainability from the main governing bodies. Lar España is a member of the *European Public Real Estate Association (EPRA)* and has been awarded in September 2021 with the *EPRA Gold Award for the quality of financial information and information published on ESG*.

The oversight of the response plans detailed above is carried out by Lar España's Internal Audit function.

**F****INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF ISSUANCE FINANCIAL INFORMATION (ICFR)**

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

**F.1 The Entity's control environment**

Report on at least the following, describing their principal features:

- F.1.1. The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The Lar Group's model of responsibilities of ICFR (hereinafter the "Group") is articulated through the following bodies and/or functions that develop, maintain and monitor the process of preparing the Group's financial information.

**Board of Directors**

The Board of Directors, as established in its Regulations, is ultimately responsible for the existence and maintenance of an adequate and effective ICFR.

Specifically, Article 5 of the Board Regulations ("Competences of the Board") establishes, among others, the following functions:

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

To this end, as indicated in section 5 of the Board Regulations, the full Board reserves the competence to:

- "The supervision of the process of preparation and presentation of the financial information and of the management report, including, where appropriate, the required non-financial information, and the approval of any financial information that the Company, as a listed company, must make public on a regular basis."
- "The determination of the risk control and management policy, including tax risks as well as the supervision of the internal reporting and control systems."

To meet these objectives, the Board of Directors, as established in section 14 of its Regulations: "will create, on a permanent basis, an Audit and Control Committee" to which it delegates, the supervision of the ICFR (with the support of Internal Audit).

**Audit and Control Committee**

Lar España establishes in Article 14 of its Board Regulations and in Article 5 of the Audit and Control Committee Regulations, that the Audit and Control Committee has among its powers:

- *Supervise and evaluate the preparation and the integrity of the financial and nonfinancial information prepared on the Company and, where appropriate, the Group, checking the fulfilment of legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles and, in particular, know, understand and monitor the effectiveness of the internal control over financial reporting system (ICFR).*
- *Supervise on a regular basis the effectiveness of the internal control of the Company and its Group as well as the activities of the Company's internal audit function, discussing, together with the auditors, any significant weaknesses in the internal control system detected in the audit, and drawing conclusions on the system's level of accuracy and reliability, all without diminishing its independence. To this effect, and where applicable, the Committee shall submit recommendations or proposals to the Board of Directors and the corresponding period for the follow-up thereof.*

The ICFR Manual, which has been reviewed and updated in December 2021, and whose last amendment will be approved by the Audit and Control Committee, establishes: "Within this

*framework, the oversight activity of the Audit and Control Committee consists on ensuring its effectiveness, obtaining sufficient evidence of its proper design and operation, which requires assessing the process of identifying the risks that may affect the true image of the financial information, verifying that controls exist to mitigate them and verify that they function effectively.*

*Oversight also consists of reviewing, analyzing and discussing on the financial and ICFR information with Management and with internal and external auditors, to ensure that the accounting criteria applied are correct and the information provided is complete and consistent with operations, and that the ICFR is adequate for the achievement of its objectives and has worked efficiently throughout the fiscal year.*

*The monitoring of the system must be a ongoing process in order to be effective over time. However, the assessment can be carried out on an ad hoc basis to form an opinion on the whole or one of the control devices, at a specific date.*

*The Audit and Control Committee has entrusted the development of this function to the Internal Audit Fuction (IAF)."*

The oversight activity of the Audit and Control Committee consists on ensuring the effectiveness of the ICFR, obtaining sufficient evidence of its proper design and functioning, which requires evaluating the process of identifying the risks that may affect the true image of the financial information, verifying that controls exist to mitigate them and verifying that they function effectively.

### **Corporate and Financial Management**

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

- *"Defining, proposing and implementing a model for generating financial information."*
- *"Defining, implementing and documenting the ICFR".*
- *"Support the Audit and Control Committee regarding the preparation of the financial statements and other financial information, as well as the criteria applied in that process"*
- *"Establish, at once per year, the integrity and suitability of the documentation and the functioning of the ICFR".*
- *"Inform the Audit and Control Committee and the Internal Audit Funtion (IAF) of new developments in the area of ICFR documentation, for their knowledge and assessment".*

In relation to the assessment and supervision of the ICFR, the Corporate and Financial Management is responsible for:

- Initiate and manage the annual review process.
- Consolidate the individual review documents for the final report on the Group's ICFR.
- Communicate to the Audit and Control Committee and the IAF the conclusions of the ICFR review and any associated deficiencies.
- Analyze the modifications to the Group's processes or operations in order to determine the need to update the associated documentation.
- Collaborate with the IAF in the ICFR Oversight process.

### **Internal Audit Fuction (IAF)**

As established in the ICFR Manual, the Audit and Control Committee has entrusted the IAF with the supporting role of supervising the ICFR, which includes:

- *"To monitor the sufficiency and effectiveness of the ICFR and of the general and process controls."*
- *"Collaborate in the definition and categorization of events and in the design of the necessary action plans, and monitor them."*
- *" Inform to the Audit and Control Committee regarding the findings detected during the evaluation and monitoring process."*
- *"Support the Corporate and Financial Management in preparing reports on the status and description of the ICFR".*

### **Service Providers involved in the generation of financial information**

Its functions include:



- *"Cooperating with the Corporate and Financial Management in defining, documenting and updating internal processes and procedures."*
- *"Executing the control activities as designed and retain evidence of such execution that allows their traceability."*
- *"Informing the Corporate and Financial Management of any changes 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 weaknesses of control that they may detect."*
- *"Define and implement the action plans on the incidents observed within the scope of their responsibility."*

Some of the activities relevant to the preparation of Lar España's financial information are outsourced to specialized third parties (including investment and asset management, the preparation of financial, accounting and tax information, and regular valuation of assets). In this sense, and in relation to the ICFR, the Corporate and Financial Management ensures that these suppliers perform those controls that, being carried out by them, have been defined as essential within the ICFR. The aforementioned model is supervised by the Internal Audit Function, at the request of the Audit and Control Committee.

F.1.2. Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) clearly defining lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Corporate and Financial Management, along the lines and guidelines established by the Board of Directors, is responsible for the existence of an appropriate organizational structure, the distribution of the various functions and that, progressively, sufficient procedures are available and distributed among the different parties involved in the processes.

The Corporate Director & CFO has the collaboration and advice of the internal or external resources necessary to manage different aspects of the Company's activity. Thus, Lar España has formalised a Management Agreement with Grupo Lar whereby the Manager undertakes to dedicate the personnel and resources necessary for the performance of its functions, including those related to financial reporting.

The Manual of the Internal Financial Reporting Control System provides that, when the services provided by a "Service Provider Organisation" are part of the Company's information system, they must be included in the evaluation process of the ICFR, either through a specific and direct evaluation of the controls applied by that Organisation, or through obtaining an internationally recognised SSAE (Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organisation), or through the performance of alternative procedures. The second option is currently being followed through a confirmation from the third party providing accounting services.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and the preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

The Code of Conduct of Lar España Real Estate SOCIMI, S.A. (hereinafter Lar España) aims to establish the guidelines of conduct that will regulate the behavior of all those acting on behalf of Lar España and its subsidiaries. The scope of application of this Code includes all members of the Board members of the Company, the Senior Executives of the Company, the members of the management team of the Lar Group (Lar España's Management Company), the executives and employees of both the Company and its investee companies, and any other person who may be related to Lar España, even if it does not have the status of an employee.

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

Principle 4, on **trade repository and financial information**, specifies that "Lar España will ensure that the economic-financial information, in particular the annual accounts, accurately reflects the economic, true financial and equity situation of the Company, in accordance with generally accepted accounting principles and applicable international financial reporting standards. For this purpose, no professional will conceal or distort the information from the Company's accounting records and reports, which will be complete, accurate and truthful.

*The 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 delivering incorrect or misleading information, or attempting to mislead those who receive it."*

Likewise, regarding the Internal Control over Financial Reporting System (ICFR), it refers in Principle 5 on Internal Control, prevention of money laundering and prevention of crimes, which establishes: "Lar España will ensure that an appropriate control environment is established to assess and manage the Company's risks, especially those related to the Internal Control over Financial Reporting System (ICFR), in order to ensure that all transactions of Lar España are clearly and accurately reflected in the Company's accounting and other records, as well as in the preparation of financial information."

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported.

According to Article 14.3.b.v of the Board Regulations, the Audit and Control Committee shall be responsible for "establishing and supervising a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors to report any irregularities of potential significance, including financial and accounting, or any other nature related to the Company that they warn within the Company or its Group. This mechanism must ensure confidentiality and provide for cases in which communications may be made anonymously, respecting the rights of the complainant and the respondent".

Lar España has a Regulation on the Functioning of the Whistleblowing Channel, which regulates the operation of this channel, whereby any person subject to the Code of Conduct of Lar España, any existing regulations or other established internal regulations, who considers that breaches are occurring, may file a complaint in order to make the problem known and resolved. Whilst the Channel is based on the good faith principle, so any person filing a complaint should do so with sufficient reasons and objective evidence which demonstrate the existence of a breach, non-anonymous communications are preferred, nevertheless, Principle 2 of said Regulations on **confidentiality and protection** specifies that "Lar España, the administrators of the Whistleblower Channel and its control bodies shall commit to maintain due confidentiality in all actions and in relation to all persons involved. Likewise, they shall take the appropriate measures to avoid and neutralize any type of retaliation that may be intended to be caused by third parties as a result of the whistleblowing action".

The scope of application of the Whistleblower Channel extends to all members of the Board of Directors of the Company, Senior Executives of the Company, members of the management team of the Lar Group (Management Company of Lar España), executives and employees of both the Company and its investee companies, and any other person who may be related to Lar España, even if said person does not have the condition of employee. Likewise, they may be employed by any internal or external stakeholder of the Company.

Lar España establishes the following means to file complaints:

- Website: <http://laespana.com>
- E-mail: [canaldenuncias@laespana.com](mailto:canaldenuncias@laespana.com)
- Explanatory confidential letter

To ensure a more effective management of the Whistleblower Channel, Lar España has established an Ethics Committee that mainly assumes the following functions:

- Receipt and classification of complaints received.
- Coordination of the investigation work for each of the complaints.
- Imposition of the corresponding disciplinary sanctions.
- Preparation of periodic reports on the operation of the channel.

The Ethics Committee of Lar España consists of the head of the internal audit function, the Secretary of the Board and the Chair of the Audit and Control Committee.

The Code of Conduct and the Regulation on the Functioning of the Whistleblower Channel are available on Lar España's website.

Likewise, throughout the year, a specific training course was held for all employees to ensure knowledge of the Code of Conduct.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

The Corporate and Financial Management, as responsible, among other functions, for the design, implementation and operation of the ICFR, must ensure that all personnel involved in preparing the Group's financial statements have the appropriate and up-to-date training in International Financial Reporting Standards and in principles of internal control over financial reporting. The Corporate and Financial Management validates directly with the accounting expert, subcontracted for the preparation of the financial and accounting information, the training and knowledge of the teams assigned to these activities in relation to the required standards in order to ensure the reliability of the financial information.

The Corporate Director & CFO, as head of ICFR, has an extensive background in accounting and financial reporting as a result of his experience in accounting audit and financial management.

During the year, the Corporate and Financial Management is informed of any changes affecting the preparation and monitoring of financial information, both through subscriptions to information releases and newsletters from external sources, and through attendance at seminars and workshops on specific subjects and technical updating organized by expert companies in financial regulation, accounting and auditing, and sustainability/ESG as well as data protection, Anti Money Laundering and crime prevention.

Lar España has a small workforce, which, however, is complemented by the collaboration of external advisors in some activities and, in particular, as indicated in previous sections, in those related to the preparation of the financial statements and the implementation and operation of the ICFR.

Lar España conducts a rigorous process of selecting subcontracted advisors to have specialized firms of recognized standing that are selected under quality and specialization criteria. The Corporate and Financial Management ensures that these advisors have sufficient expertise and that they have continuous training policies in these areas.

In addition, the Internal Audit Plan, prepared by the IAF and submitted for approval by the Audit and Control Committee of Lar España, includes as one of its aspects the training that the resources involved in these matters must be counted.

## F.2 Assessment of risks in financial information

Report on at least the following:

- F.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

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

Lar España prepares and regularly updates an assessment of the risk associated with its accounts. Once the level of risk associated with each account has been obtained, the most significant risks are identified with the Company's processes in which the corresponding financial information is generated and monitored. The objective of this partnership is to identify the processes, or business units of the Group that have greater relevance in the generation of financial information.

Likewise, Lar España has documented the most significant processes through a narrative, a flow chart and a matrix of risks and controls. This documentation identifies and analyzes, items such as transaction flows, possible risks of error or fraud in financial information, as well as those key controls established in the Company, that adequately mitigate and anticipate the risks associated with the process.

During 2021, a review process of the ICFR Manual of Lar España has been carried out, where it is established that: *"at a minimum, the Corporate Director & CFO must review, if necessary, the documentation of processes and controls of the Group and verify their integrity in accordance with the scope of the Group's ICFR. Likewise, in the event of relevant changes to significant processes or due to changes in scope new processes are included, their documentation must be updated at the time this occurs"*.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often

The process defined in Lar España covers all the objectives of the financial reporting:

- Integrity: there are no unregistered assets, liabilities, transactions or events, or undeclared hidden items.
- Existence and occurrence: a registered transaction or event (corresponding to the Entity) effectively took place during the period (occurrence); or an asset or liability effectively exists at a given date (existence).
- Rights and obligations: an asset or liability belongs to the Entity at a given date.
- Measurement and valuation: a transaction or event is recognised for the correct amount and in the appropriate account (measurement), or an asset or liability is recognised at its fair carrying amount (valuation).
- Presentation: an item is classified, described and presented in accordance with applicable regulatory framework.
- Transactions cut-off: the transactions and events of have been recorded in the correct period.

The documentation prepared for each of the significant processes includes, among other elements, a risk and control matrix. This document links financial risks at the process level with the control(s) mitigating them. These matrices are designed to detail the relationships between risks and controls at the process level and to facilitate the evaluation of the effectiveness of the design of the implemented system, verifying that all risks have been mitigated by the controls associated with them. The information used in the matrices includes specific statements or control objectives related to the identified risk.

- The existence of a process for identifying the scope of consolidation, taking into account, among others factors, the possible existence of complex corporate structures, or special purpose vehicles.

Article 5 of the Board Regulations states that the Board of Directors reserves the competence to "define the structure of the Company Group".

In this regard, each year, the Corporate and Financial Management, together with the collaboration of the Legal Management, is responsible for continuously analysing the companies that enter into the scope of consolidation and notifying, where appropriate, the Audit and Control Committee, which makes it possible to know the companies that are part of it at any time.

The Audit and Control Committee has among its main functions the supervision of the process of preparing and presenting the regulated financial information. In this regard, the Audit and Control Committee reviews consolidated financial information in each of the quarterly/half year financial statements.

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

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

In addition, the Company has a Risk Control and Management Policy where:

- The components and activities of the risk management process itself are described and analyzed.
- The organizational approach and list of roles and responsibilities required in an integrated risk management system are defined.
- The Monitoring Model (information and reporting) of risk management activities is defined.
- The criteria for updating the Risk Management System are defined.

- The governing body within the company that supervises the process.

As established in internal regulations (Section 42 of Lar España's Bylaws, Section 14 of the Board Regulations and Section 5 of the Audit and Control Committee Regulations), the Audit and Control Committee is responsible for supervising the effectiveness of the Company's internal control and risk management systems, including tax risks, and specifically the Financial Information Internal Control System.

### F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

In accordance with Section 40.3 of the Board Regulations, "*the measures necessary to ensure that the annual, half-yearly, as well as any other financial information required by Law to be made available to the markets, is prepared in accordance with the same principles, criteria and professional practices as the annual accounts and that it is as reliable as the latter*" are adopted.

The Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective ICFR, and is the competent body for financial reporting. It also approves the Risk Control and Management Policy and the regular monitoring of the internal information and control systems established by Lar España. To perform these functions, it is supported by the Audit and Control Committee, which, together with the support of the IAF, has the task of supervising and evaluating the Group's ICFR. The Board of Directors also has the support of the Corporate and Financial Management, which is responsible for its suitability and effectiveness.

Lar España publishes financial information every six months. Said information is prepared by a specialized external company and is reviewed by the Corporate and Financial Management. Subsequently, the information prepared is sent to the Audit and Control Committee for its supervision and finally this information is approved by the Board.

The process of generating reliable and quality financial information is documented in an internal methodological guide explaining the management and evaluation process of the ICFR: "Manual of the Internal Control System over Financial Reporting (ICFR) of Lar España Real Estate SOCIMI Consolidated Group" (*Manual del Sistema de Control Interno sobre la Información Financiera (SCIIF) del Grupo Consolidado Lar España Real Estate SOCIMI*).

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

In recent years, Lar España has documented the General Controls of the Organization and the most significant processes indicated below:

- Closing Financial Statements and Consolidation
- Asset valuations
- Revenue from rent
- Investments
- Cash
- Financing
- Management of Accounts payables - promotion projects
- Management of Accounts payable - Management fees
- Disinvestments

In addition to the monitoring process of the ICFR (entrusted to the Audit and Control Committee with the support of the IAF), Lar España's ICFR Manual foresees an internal annual evaluation process to verify that the ICFR controls are in force, well designed and effective for the objectives pursued.

During fiscal year 2021, a review and updating process of the ICFR was conducted, specifically the ICFR Manual, the General Controls Matrix at entity level and the Narrative corresponding to the Disinvestments cycle were updated.

F.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the

company relating to the preparation and publication of financial information.

The accounting services of Lar España are outsourced with a specialised entity. For this reason, the Company does not have its own information systems that are relevant to preparing and publishing the financial information to be considered. However, the Corporate and Financial Management ensures that the contracted entity has a security management system for the information certified in accordance with ISO 27001, in addition to constantly monitoring and supervising both the outsourcing agreement and the financial information reported by the third party to prevent errors.

**F.3.3. Internal control policies and procedures for overseeing the management of the activities subcontracted to third parties, as well as those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect the financial statements.**

Due to the outsourcing of certain activities related to the generation of financial information in a third party other than Lar España, the entity has identified all those organisations that provide services in the various business processes, determining the impact of their activities on the financial reporting system.

Specifically, the Company has identified certain services provided by third parties that are considered as part of the Company's financial information system. These services are included in the analysis performed for the documentation and evaluation of the ICFR, highlighting mainly the management of investments and assets, the accounting outsourcing process and the half-yearly valuation of assets by accredited and independent entities.

In relation to the policies and procedures that are considered for evaluating and supervising the management of the outsourced activities, the Company performs a comprehensive procedure for the hiring of outsourced persons to ensure their competence, independence and technical and legal training with regard to the services provided. In addition, the Company regularly carries out evaluation work on key controls performed by third-party service providers to verify their proper functioning.

In order to manage and reduce to a reasonable level the risks derived from information security, which come from third parties outside the company, and to ensure operational continuity in relation to the preparation and publication of financial information, Lar España has developed a Cybersecurity Risk Management Framework of third parties during 2021.

This model aims to review the processes to which the preparation of financial information is subject to in order to maintain at all times the principles of integrity, confidentiality and availability of this information, in accordance with the standards and best practices in cybersecurity. This model also applies to the procedure for preparing and publishing the financial information mentioned in the previous section.

Furthermore, in this context, Lar España has implemented a Supplier Cybersecurity Risk Management Procedure (hereinafter, the Procedure) that describes the guidelines to establish a common understanding of a consistent governance model considered in the IT security management process of LAR España's Suppliers, as part of its effort to comply with corporate security objectives and current regulations.

Likewise, all information prepared by independent experts that is significant for the financial statements is reviewed and validated by the Corporate and Financial Management of Lar España.

#### F.4 Information and communication

Report on whether the company has at least the following, describing their main characteristics:

- F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Corporate and Financial Management is responsible for the reporting process and the internal and external communication of the main applicable accounting policies, as well as the resolution of doubts regarding their application.

Lar España has a Manual of Accounting Policies, which has been subject to a review and updating process during 2021 and was approved by the Audit and Control Committee in May 2021, which contains, structured accounting standards, policies and criteria that apply, generally, to all entities of the Organisation.

The accounting services are currently outsourced with a specialised firm, of recognised standing, who collaborates with Lar España in defining and applying practical accounting criteria in accordance with current law. This process is monitored at all times by the Company's Corporate and Financial Management and regularly passed to the Audit and Control Committee. In addition, and where necessary, the criteria adopted with accounting experts or other advisers are confirmed to resolve any doubt or potential conflict arising from the interpretation of any rule.

Finally, the Board approves the mandatory financial information that, given that it is listed, the Company must periodically make public.

- F.4.2. Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.

As mentioned in section F.4.1, both the work of accounting records of the transactions and of preparing the Company's individual and consolidated financial statements has been outsourced to a specialised firm of recognised standing.

In any event, Lar España and the external firm providing the accounting services have mechanisms to capture and prepare the financial information, with appropriate formats and applications, which are used homogeneously for all the Group's units and companies. Likewise, the Company has the necessary controls over the preparation of the financial information to be published. Likewise, the Corporate and Financial Management checks and revises the financial information before submitting it to the Audit and Control Committee.

#### F.5 Supervision of the functioning of the system

Report on at least the following, describing their principal features:

- F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope



of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

The Audit and Control Committee is the advisory body through which the Board supervises the ICFR. Within this framework, and in accordance with section 14 of the Board Regulations, the Audit and Control Committee is entrusted with various functions, including:

- To supervise and assess the effectiveness of the financial and non-financial risk control and management systems related to the Company and, where applicable, the Group (including operational, strategic, technological, legal, social, environmental, political and reputational or corruption-related risks) and, in particular, to review them so that the main risks are adequately identified, managed and disclosed.
- Monitor the internal risk control and management function.
- In relation to the risk control and management policy, identify or determine at least: (i) the different types of risk (operational, technological, financial, legal, reputational, including those related to corruption) to which Company is exposed, including, financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) a risk control and management model based on different levels; (iii) the level of risk that the Company deems acceptable; (iv) the measures in place to mitigate the impact of the risks, should they occur; and (v) the internal reporting and control systems to be applied to control and manage the aforementioned risks, including contingent liabilities or off-balance risks.

The Audit and Control Committee is supported by the IAF for the supervision of the ICFR. In particular, the Internal Audit Function Statute, assigns to the IAF, among others, the following functions:

- Monitor the quality and reliability of the financial and management information, in particular the regulated information that the Group is required to provide to the markets.
- Ensure the proper functioning of the internal control over financial reporting system (ICFR) established in the Group, proposing any recommendations for improvement it considers appropriate.
- Check the implementation of the corrective measures approved to remedy the weaknesses of the risk management and internal control system that have been revealed.

During year 2021 and in relation to the Company's ICFR, the Audit and Control Committee has analyzed and supervised the effectiveness of the internal control systems, being informed by the internal auditor in different meetings about the progress of the review process. Likewise, and within the framework of the development of the audit, the external auditor informed the Committee that its procedures are not aimed at expressing an opinion on the effectiveness of the internal control of the Company and of the Group; however, they are required to report on any internal control deficiencies detected during the course of the audit and have not identified any aspect to be reported.

The Internal Audit Plan is approved annually by the Audit and Control Committee at the end of each year, or in the months immediately following the following year. This Plan defines a work program by processes including, as a matter of course, the supervision of the proper implementation of the ICFR, the review of the documentation forming part of it, and the review of the effectiveness of the controls defined. Periodically, at least quarterly, the IAF reports directly to the Audit and Control Committee on the level of compliance with the Plan and the results of its work. The ICFR Manual foresees the annual evaluation and monitoring of the various components of the Manual. In this sense, during fiscal year 2021 the documentation corresponding to some of the significant processes was reviewed and updated, among them the divestment process (divestment process of those assets that are not strategic for the Company, as well as other mature *retail* assets). Likewise, work has been carried out to verify the functioning of the controls, among others, in the processes of asset valuation, management and recording of the Manager's fees, in

relation to compliance with the SOCIMI regime, with the treasury processes of accounts payable and receivable, monitoring of investments and with the cycle of rental Income, without finding any significant incidents. A review of the related party transactions and the related party transactions protocol has been executed after the recent legislative changes approved. Management and the Audit and Control Committee have received the information corresponding to the development of the aforementioned activities.

Additionally, the Corporate and Financial Management and the Audit and Control Committee perform a process of reviewing the half-yearly financial information sent to the CNMV, based on the established calendars.

F.5.2. Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

The Corporate Director & CFO holds regular meetings to discuss the criteria with the AIM and other advisers for preparing the financial information, as well as the review and updating activities related to the ICFR. As part of its duties, the IAF communicates to senior management and the Audit and Control Committee internal control weaknesses identified during its ICFR review processes.

Additionally, all the necessary actions in relation to the Board Regulations were carried out, which establish that the Audit and Control Committee must:

- Analyse, together with the auditors, the significant weaknesses of the internal control system identified in the conduct of the audit and, where appropriate, to take appropriate actions to remedy them.
- Establish appropriate relations with the auditors to receive information on matters that may pose a threat to their independence, for its assessment by the Audit and Control Committee, and any other matters related to the process of developing the audit of the financial statements and, where applicable, the authorisation of services other than those prohibited, in accordance with applicable legislation, as well as any other communications foreseen in the audit legislation and other auditing standards.
- In May 2021, the Audit and Control Committee defined and approved a new policy for the appointment of the company's external auditor, which purpose is to regulate the procedure for the selection, appointment and, if applicable, re-election of the external auditor of Lar España and its group of companies.

## F.6 Other relevant information

## F.7 External auditor's report

Report:

- F.7.1. Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The external auditor's review report on the descriptive information of Lar España's ICFR sent to the markets has been included as an annex to this document.

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

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

- 1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies  Explain

- 2. That, when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:**

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.**
- b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies  Complies partially  Explain  Not applicable

- 3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:**

- a) Changes that have occurred since the last General Shareholders' Meeting.**
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.**

Complies  Complies partially  Explain

- 4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.**

**And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels)**

that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies  Complies partially  Explain

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies  Complies partially  Explain

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the workings of the audit and nomination and remuneration committees.
- c) Report by the audit committee on related party transactions.

Complies  Complies partially  Explain

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies  Complies partially  Explain

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies  Complies partially  Explain

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies  Complies partially  Explain

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies  Complies partially  Explain  Not applicable

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies  Complies partially  Explain  Not applicable

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies  Complies partially  Explain

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies  Explain

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- a) Is concrete and verifiable;
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to

**have a significant number of female senior executives favour gender diversity.**

**That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.**

**The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.**

Complies X   Complies partially    Explain

- 15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

**And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.**

Complies    Complies partially X   Explain

The Board of Directors of Lar España is composed entirely of non-executive directors. During the 2021 financial year, of the seven directors that made up the Board, only two are proprietary directors, being the remaining five independent directors. As explained in section A.3 of this report, as a result of the sale of LVS II Lux XII S.à r.l. -an entity controlled by PIMCO of all of its shares - Mr. Laurent Luccioni, proprietary director of Lar España appointed to represent PIMCO, resigned on January 28, 2022. Therefore, at the date of this report, the Board of Directors is composed of six directors, only just one of whom is a proprietary director.

With respect to the number of female board members, currently represents 33.33 %. Considering the current number of board members (i.e., 6), as explained in section C, during the fiscal year, in order to achieve that the number of female directors account for at least 40% of the members of the board of directors before the end of 2022 as recommended by Recommendation 15 of the CGG, the Appointments, Remuneration and Sustainability Committee, has analysed on several occasions the possibility of increasing the number of female directors. In this sense, and after several meetings held with the key proxy advisors and other stakeholders, the Committee concluded that taking into account the current size and composition of the current Board of Directors, with a majority of independent directors, as well as the internal policies implemented and the positive evolution made in recent years, the current percentage of women on the Board, is in line with the Company's singularities and social and good governance expectations; notwithstanding the Company's commitment to continue seeking to achieve, in the light of concurrent circumstances and the necessities of the Company at any moment, of the corporate governance recommendations in this area.

- 16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.**

**This criterion may be relaxed:**

- a) **In large-cap companies where very few shareholdings are legally considered significant.**
- b) **In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.**

Complies X Explain

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies X Explain

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies X Complies partially  Explain

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies  Complies partially  Explain  Not applicable X

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors. Complies partially

Complies  Complies partially  Explain  Not applicable X

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is



affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies  Explain

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies  Complies partially  Explain

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies  Complies partially  Explain  Not applicable

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish

the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies  Complies partially  Explain  Not applicable

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies  Complies partially  Explain

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies  Complies partially  Explain

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies  Complies partially  Explain

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies  Complies partially  Explain  Not applicable

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies  Complies partially  Explain

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable

Complies  Explain  Not applicable

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies  Explain  Not applicable

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies  Complies partially  Explain

**33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.**

Complies  Complies partially  Explain

**34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.**

Complies  Complies partially  Explain  Not applicable

**35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.**

Complies  Explain

**36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a. The quality and efficiency of the Board of Directors' work.
- b. The workings and composition of its committees.
- c. Diversity in the composition and skills of the Board of Directors.
- d. Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e. Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report. The process and the areas evaluated must be described in the annual corporate governance report.

**The process and the areas evaluated must be described in the annual corporate governance report.**

Complies X Complies partially  Explain

- 37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.**

Complies  Complies partially  Explain  Not applicable X

- 38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.**

Complies  Complies partially  Explain  Not applicable X

- 39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.**

Complies X Complies partially  Explain

- 40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.**

Complies X Complies partially  Explain

- 41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.**

Complies X Complies partially  Explain  Not applicable

- 42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:**

**1. With regard to information systems and internal control:**

- a) **Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group -including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption -reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.**
- b) **Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service ; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior**

management takes into account the conclusions and recommendations of its reports.

- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.
- b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies  Complies partially  Explain

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management

Complies  Complies partially  Explain

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies  Complies partially  Explain  Not applicable

45. That risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.

- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies  Complies partially  Explain

46. That under the direct supervision of the audit committee or, if applicable, of a specialized committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies  Complies partially  Explain

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies  Complies partially  Explain

48. That large-cap companies have separate nomination and remuneration committees.

Complies  Explain  Not applicable

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies  Complies partially  Explain

50. That remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Proposing the basic conditions of employment for senior management to the Board of Directors.
- b) Verifying compliance with the company's remuneration policy.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
- d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies X Complies partially  Explain

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies X Complies partially  Explain

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That their chairpersons be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and their minutes be made available to all directors.

Complies X Complies partially  Explain  Not applicable

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies  Complies partially  Explain

**54. The minimum functions referred to in the foregoing recommendation are the following:**

- a) **Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.**
- b) **Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.**
- c) **The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.**
- d) **Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.**
- e) **Supervision and evaluation of the way in which relations with the various stakeholders are handled.**

Complies  Complies partially  Explain

**55. That environmental and social sustainability policies identify and include at least the following:**

- a) **The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct.**
- b) **Means or systems for monitoring compliance with these policies, their associated risks, and management.**
- c) **Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.**
- d) **Channels of communication, participation and dialogue with stakeholders.**
- e) **Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies  Complies partially  Explain

**56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.**

Complies  Explain

**57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the**



form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies  Complies partially  Explain

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances. And, in particular, that variable remuneration components:

And in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies  Complies partially  Explain  Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies  Complies partially  Explain  Not applicable

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies  Complies partially  Explain  Not applicable

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies  Complies partially  Explain  Not applicable

- 62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.**

**An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.**

**The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.**

Complies  Complies partially  Explain  Not applicable

- 63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.**

Complies  Complies partially  Explain  Not applicable

- 64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.**

**For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements**

Complies  Complies partially  Explain  Not applicable

## **H** FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

The detail of the direct and indirect holders of significant shareholdings in Lar España reported in section A.2. corresponds to those registered in the CNMV Registry at the time of the corresponding declarations.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010.

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This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on February 24, 2022.

Indicate whether any director voted against or abstained from approving this report.

Yes

No

Name or company name of the member of the Board of Directors who did not vote in favor of the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons
<b>Observations</b>		

# **Lar España Real Estate SOCIMI, S.A.**

**Auditors' report on the 2021  
Information Relating to the system of  
internal control over financial  
reporting (ICFR)**

*Translation of a report originally issued in Spanish based on our work performed in accordance with the assurance regulations in force in Spain and prepared in accordance with the regulatory reporting framework applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version prevails*

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## AUDITORS' REPORT ON THE 2021 INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

To the Directors of Lar España Real Estate SOCIMI, S.A.:

As requested by the Board of Directors of Lar España Real Estate SOCIMI, S.A. (“the Entity”) and in accordance with our engagement letter of February 4<sup>th</sup> 2022, we have applied certain procedures to the accompanying “Information relating to the ICFR”, included in section F) of the Annual Corporate Governance Report (ACGR) of Lar España Real Estate Socimi, S.A. for fiscal year 2021, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

In this regard, it should be noted, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2021 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

In addition, since this special engagement does not constitute an audit of financial statements and is not subject to current Spanish Audit Law, we do not express an audit opinion in the terms provided in that Law.

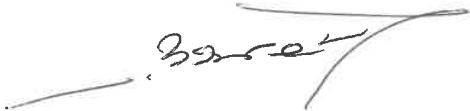
The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in CNMV Circular 5/2013 of June 12<sup>th</sup> 2013, subsequently modified, being the last one the Circular 3/2021 of September 28<sup>th</sup> 2021.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the internal audit department, senior executives or other internal or external experts providing support functions to the Audit and Control Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the meetings minutes of the board of directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by Circulars published by the CNMV (Spanish National Securities Market Commission) for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Carmen Barrasa Ruiz

February 25<sup>th</sup>, 2022