Lar España Real Estate SOCIMI, S.A.

Financial Statements for the year then ended on 31 December 2021 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2.a and 20). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Lar España Real Estate SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2021, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2021, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.a to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the non-current investments in Group companies

Description

The Company has ownership interests in the share capital of Group companies, which engage in the ownership and lease of their investment property, as detailed in Note 5 and in the Appendix I to the accompanying financial statements. Those ownership interests are the main items in the Company's financial statements as at 31 December 2021.

As indicated in Note 5 of the financial statements, management determines the recoverable amount of these ownership interests as the net equity of each investee plus amount of the unrealised gains existing at each measurement date. In addition, the unrealised gains are determined based on the valuation of the investment property entrust to experts, who use methodologies and standards widely used in the industry.

The valuation of those ownership interests was identified as a key matter in our audit due to the significant amount that those ownership interests represent in the context of the financial statements taken as a whole and the requirement to use of significant judgements and estimates by management in order to determine the recoverable amount of those ownership interests, which has been increased in the current economic environment caused by the pandemic, as indicated in Note 5 to the financial statements. Specifically, the valuation method generally used for determining the unrealised gains associated with the rental property assets is the discounted cash flow method, which requires estimates of:

- the future net revenue from each property based on available historical information and market surveys;
- the residual value of the assets at the end of the projection period;
- the exit yield; and
- the internal rate of return or opportunity cost used when discounting.

Small percentage changes in the measurements of those property assets can give rise to significant changes in the recoverable amount of the related ownership interests held by the Company.

Procedures applied in the audit

Our audit procedures included, among others, the assessment of the conclusion reached by Company management regarding the recoverability of the investments in the Group companies.

In this connection, in view of the real estate nature of the investees, which means that their recoverable amount is closely linked to the valuation of the property assets owned by them, in addition to the financial statements of Group companies, we obtained the valuation reports of the experts hired by the Company to value the entire real estate portfolio of the investees and assessed the competence, ability and objectivity of the experts and the suitability of their work for use as audit evidence. In this connection, with the cooperation of our internal valuation experts, we have:

- analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts hired by Company management;
- performed a review of the practical totality of valuations, assessing in conjunction with our internal experts, the most significant risks, including the occupancy rates and expected returns on the real estate assets. While carrying out this review we have taken into consideration available industry information and transactions with property assets similar to those in the Company's Group real estate portfolio.

In addition, we have evaluated whether the disclosures provided in Notes 4.b.iv), 5 and in the Appendix I to the accompanying financial statements, in connection with this matter, are in conformity with those required by the applicable accounting regulations.

Compliance with the special REIT tax regime

Description

The Company has availed itself of the special tax regime for Real Estate Investment Trusts (REITs). One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%.

The tax regime for REITs is subject to certain mandatory requirements, such as those relating to their company name and object, the minimum amount of their share capital, the obligation to distribute the profit obtained each year in the form of dividends, and the listing of their shares on a regulated market, as well as other requirements, such as, basically, investment requirements and those relating to the nature of the Income obtained each year, which require significant judgements and estimates to be made by management, since failure to comply with any of these requirement will result in the loss of entitlement to the special tax regimen unless the cause of non-compliance is rectified within the immediately following year.

Therefore, compliance with the REIT tax regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the consolidated financial statements and shareholder returns, since the business model of the Parent and its Group is based on continuing to qualify for taxation under the REIT tax regime.

Procedures applied in the audit

Our audit procedures included, among other, obtaining and reviewing the documentation prepared by Group management relating to compliance with the obligations associated with this special tax regime and we involved our internal experts from the tax area, who assisted us in analyzing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date.

Lastly, we verified that Notes 1, 13 and 14 to the financial statements contain the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the Company's taxation.

Other Information: Directors' Report

The other information comprises only the directors' report for 2021, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) Checking only certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Audit Law refers, has been provided as stipulated by applicable regulations and, if not, reporting this fact.

b) Evaluating and reporting on the consistency of the remaining information included in the director's report with the financial statements, based on the knowledge of the Company obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this part of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2021 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Lar España Real Estate SOCIMI, S.A. for 2021, which comprise the XHTML file including the financial statements for 2021, which will form part of the annual financial report.

The directors of Lar España Real Estate SOCIMI, S.A. are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). For these purposes, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the directors' report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the financial statements included in the aforementioned file corresponds in full to that of the financial statements that we have audited, and whether those financial statements were formatted, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined corresponds in full to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 25 February 2022.

Engagement Period

The Annual General Meeting held on 22 April 2021 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2020.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 2014.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Carmen Barrasa Ruiz
Registered in R.O.A.C. under no. 17962

25 February 2022

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Financial Statements and Management Report
31 December 2021

Prepared in compliance with Royal Decree 1514/2007, of 16 November, which approved the Spanish General Chart of Accounts, taking into consideration the industry adaptations and amendments approved subsequently thereto.

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LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Balance sheet at 31 December 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

Assets	Note	31/12/2021	31/12/2020
Investment property		95	96
Land	4a	40	40
Buildings	4a	55	56
Long-term investments in Group companies and associates		732,407	718,401
Equity instruments	5a	732,407	718,401
Total non-current assets		**732,502**	**718,497**
Non-current assets held for sale	8	—	49,523
Trade and other receivables		24,994	18,759
Client receivables for sales and rendering of services		307	52
Clients, Group companies and associates	16	24,687	18,693
Sundry debtors		—	—
Public entities, other		—	14
Current tax assets	13a	—	—
Investments in Group companies and associates	14	519,742	74,551
Loans to companies		515,550	54,933
Other financial assets		4,192	19,618
Short-term financial investments	6a	—	350
Other financial assets		—	350
Short-term accruals		164	288
Cash and cash equivalents		249,538	33,559
Treasury	7, 14	249,538	33,559
Total current assets		**794,438**	**177,030**
Total assets		**1,526,940**	**895,527**

The accompanying Notes 1 to 20 and Appendix I form an integral part of the balance sheet at 31 December 2021.

Balance sheet at 31 December 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

Net Equity and Liabilities	Note	31/12/2021	31/12/2020
Treasury funds			
Capital		167,386	175,267
Issued capital	9a	167,386	175,267
Issue premium	9b	466,176	475,130
Reserves	9c	(52,136)	(41,912)
Legal and statutory		19,011	16,990
Other reserves		(71,147)	(58,902)
(Treasury shares and equity holdings)	9d	(860)	(16,474)
Other shareholder contributions		240	240
Profit for the period	3	18,594	20,211
Total net equity		**599,400**	**612,462**
Long-term borrowings		763,569	209,624
Debentures and other marketable debt securities	10	693,647	139,685
Bank borrowings	10	69,922	69,900
Other financial liabilities	10	—	39
Total non-current liabilities		**763,569**	**209,624**
Short-term borrowings		129,887	33,607
Debentures and other marketable debt securities	10	129,702	3,482
Bank borrowings	10	185	30,125
Short-term borrowings from Group companies and associates	10. 16	30.232	36.538
Trade and other payables		3,852	3,296
Short-term suppliers, related companies	16	862	1,811
Sundry creditors	11	741	654
Personnel	11	147	107
Other public entity payables	11.13	2.102	724
Total current liabilities		**163.971**	**73.441**
Total net equity and liabilities		**1,526,940**	**895,527**

The accompanying Notes 1 to 20 and Appendix I form an integral part of the balance sheet at 31 December 2021.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Income Statement for 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	Note	2021	2020
On-going transactions			
Net turnover		20,096	28,838
Revenue from stakes in equity instruments	4h, 14a, 16	10,166	24,474
Revenue from rebilling financial expenses within the Group	15a, 16	9,930	4,364
Other operating revenue		—	11
Non-core and other current operating revenue		—	11
Personnel expenses		(592)	(474)
Salaries and wages	15b	(541)	(412)
Benefits	15b	(51)	(62)
Other operating expenses		(2,148)	(1,933)
External services	15c	(2,143)	(1,928)
Taxes	15c	(5)	(5)
Depreciation of fixed assets		(1)	(1)
Impairment and profit/(loss) in disposals of financial instruments		11,224	(827)
Impairment and losses	5a	(2,130)	(827)
Profit/(loss) from disposals, etc.	8	13,354	—
Operating profit/(loss)		**28,579**	**25,614**
Financial income		374	82
From negotiable securities and other financial instruments		374	82
From Group companies		374	52
From third parties		—	30
Financial expenses	10c	(10,359)	(5,485)
Borrowings from Group companies and associates		(105)	(121)
Borrowings from third parties		(10,254)	(5,364)
Financial profit/(loss)		**(9,985)**	**(5,403)**
Profit/(loss) before tax		**18,594**	**20,211**
Income tax	13b	—	—
Profit/(loss) for the period from on-going transactions		18,594	20,211
Profit for the period		**18,594**	**20,211**

The accompanying Notes 1 to 20 and Appendix I form an integral part of the income statement for 2021.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Statement of Changes in Net Equity for 2021

A) Statement of recognised income and expenses for 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	2021	2020
Income statement result	18,594	20,211
Total revenue and expense recognised directly in net equity	—	—
Total transfers to the income statement	—	—
Total recognised revenues and expenses	18,594	20,211

The accompanying Notes 1 to 20 and Appendix I form an integral part of the statement of changes in net equity for 2021.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Statement of Changes in Net Equity for 2021

B) Statement of Total Changes in Net Equity at
31 December 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	Issued Capital	Issue premium	Reserves	Treasury shares and equity holdings	Other shareholder contributions	Valuation adjustments	Profit for the period	Total
Balance at 31 December 2019	175,267	475,130	(48,942)	(762)	240	—	61,111	662,044
Recognised revenues and expenses	—	—	—	—	—	—	20,211	20,211
Transactions with shareholders or owners								
Capital increases	—	—	—	—	—	—	—	—
Capital decreases (Note 9a)	—	—	—	—	—	—	—	—
Distribution of profit								
To reserves	—	—	7,017	—	—	—	(7,017)	—
To dividends	—	—	—	—	—	—	(54,094)	(54,094)
Return of the issue premium	—	—	—	—	—	—	—	—
Treasury shares	—	—	(6)	(15,712)	—	—	—	(15,718)
Other operations	—	—	19	—	—	—	—	19
Balance at 31 December 2020	175,267	475,130	(41,912)	(16,474)	240	—	20,211	612,462
Recognised revenues and expenses	—	—	—	—	—	—	18,594	18,594
Transactions with shareholders or								
Capital increases								
Capital decreases (Note 9a)	(7,881)	—	(12,882)	20,763	—	—	—	—
Distribution of profit								
To reserves	—	—	2,707	—	—	—	(2,707)	—
To dividends (Note 9e)	—	—	—	—	—	—	(17,504)	(17,504)
Return of the issue premium		(8,954)						(8,954)
Treasury shares (Note 9d)	—	—	(46)	(5,149)	—	—	—	(5,195)
Other changes	—	—	(3)	—	—	—	—	(3)
Balance at 31 December 2021	167,386	466,176	(52,136)	(860)	240	—	18,594	599,400

The accompanying Notes 1 to 20 and Appendix I form an integral part of the statement of total changes in net equity for 2021.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Statement of Cash Flows for 2021

(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	Note	2021	2020
Cash flows from operating activities			
Profit/(loss) for the period before tax		18,594	20,211
Adjustments to profit/(loss)		(11,404)	(18,243)
Amortisation of fixed assets (+)	5	1	1
Valuation adjustments due to impairment (+/-)	6a	2,130	827
Revenue from stakes in equity instruments (-)	16	(10,166)	(24,474)
Revenue from investments in Group companies and associates (-)	16	—	—
Financial revenue (-)		(374)	(82)
Revenue from disposals of shareholdings (-)	6a	—	—
Financial expenses (+)	10	10,359	5,485
Profit/(loss) from disposing of equity instruments (-)	6	(13,354)	—
Changes in working capital		(5,674)	3,318
Debtors and other receivables (+/-)		(6,235)	2,579
Creditors and other payables (+/-)		508	902
Other current assets (+/-)		92	(163)
Other current and non-current liabilities (+/-)		(39)	—
Other cash flows from operating activities		19,529	34,269
Interest payments (-)		(6,063)	(4,732)
Proceeds from dividends (+)	16	25,592	39,001
Cash flows from operating activities		**21,045**	**39,555**
Cash flows from investing activities			
Payments for investments (-)		(533,067)	(75,916)
Group companies and associates	6a	(517,333)	(21,035)
Loans to Group companies and associates		(15,734)	(54,881)
Proceeds from sales on investments (+)		62,877	—
Group companies and associates	6a	3,300	—
Disposal of equity instruments	6a	59,577	—
Cash flows from investing activities		**(470,190)**	**(75,916)**
Cash flows from financing activities			
Proceeds and payments relating to equity instruments		(5,149)	(15,713)
Issue of equity instruments (+)	9	—	—
Disposal of equity instruments (+/-)	9	(5,149)	(15,713)
Proceeds and payments relating to financial liability instruments		696,730	113,024
a) Issue of:			
Debentures and other marketable debt securities (+)	10	693,186	
Bank borrowings (+)	10	57,090	99,940
Borrowings with Group companies and associates (+)	16	—	13,084
b) Returns of:			
Bonds and other marketable securities (-)	10	(17,300)	—
Bank borrowings (-)	10	—	—
Borrowings with Group companies and associates (-)	16	(36,246)	—
Payments relating to dividends and remuneration from other equity		(26,457)	(54,094)
Dividends (-)	9	(26,457)	(54,094)
Cash flows from financing activities		**665,124**	**43,217**
Net increase / decrease in cash or cash equivalents		**215,979**	**6,856**
Cash or cash equivalents at the beginning of the period		33,559	26,703
Cash or cash equivalents at the end of the period		249,538	33,559

The accompanying Notes 1 to 20 and Appendix I form an integral part of the statement of cash flows for 2021.

(1) NATURE AND ACTIVITIES OF THE COMPANY

Lar España Real Estate SOCIMI, S.A. (hereinafter the Company or Lar España) was incorporated with limited liability under Spanish law on 17 January 2014 for an indefinite duration as Lar España Real Estate, S.A. Its name was changed to the current name on 6 February 2014.

Its registered office is located at Calle María de Molina 39, 28006, Madrid.

On 16 June 2021, the Company's registered office was changed to the current location.

According to its articles of association, the Company's statutory activity comprises the following:

1. The acquisition and development of urban properties for lease.

2. The holding of investments in the capital of other SOCIMIs (listed corporations for investment in the real estate market - Spanish "REITs") or in other entities not resident in Spain that have an identical statutory activity and are subject to a regime similar to that applicable to SOCIMIs, insofar as they have a legal or statutory obligation to distribute profits.

3. The holding of investments in the capital of other entities, be they residents in Spain or abroad, whose main activity is the acquisition of urban properties for lease. These entities must be subject to the same regime established for SOCIMIs insofar as they have a legal or statutory obligation to distribute profits and must also comply with the investment requirements stipulated in Article 3 of Law 11/2009 of 26 October, amended by Law 16/2012 of 27 December which governs SOCIMIs.

4. The holding of shares or investments in property collective investment undertakings governed by Law 35/2003 of 4 November on collective investment undertakings, amended by Royal Decree 83/2015 of 13 February on property collective investment undertakings.

5. In addition to the economic activity derived from the principal statutory activity, SOCIMIs may carry out complementary activities. These are understood to be activities that do not amount to more than 20% of the total earnings of the Company in each tax period or those which can be considered complementary pursuant to current prevailing legislation.

The principal activity of Lar España Real Estate SOCIMI, S.A. comprises the holding of investments in the capital of other resident or non-resident entities in Spain whose main activity is the acquisition of urban properties for lease. The functional currency of the Company is the Euro.

Lar España Real Estate SOCIMI, S.A. has been listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and the Spanish automated quotation system since 05 March 2014.

Lar España Real Estate SOCIMI, S.A., as a company included under the SOCIMI tax regime, is regulated by Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December, which governs SOCIMIs, namely:

1. SOCIMIs must invest at least 80% of their assets in urban properties for lease, in land for the development of urban properties for lease, provided that development commences within three years after the acquisition, or in the capital or equity of other entities referenced in Article 2.1 of Law 11/2009.

   Asset value shall be based on the average of the asset values reflected in the consolidated quarterly balance sheets for the period. To calculate this value, the Company chose to replace the carrying amount of the items comprising those balance sheets with their market value, which would apply to the four balance sheets for the period. For these purposes, cash or receivables derived from transfers of these properties or investments, if any, carried out in the current period or previous periods shall not be included provided, in the latter case, that the period for reinvestment stipulated in Article 6 of the aforementioned Law has not expired.

2. Furthermore, at least 80% of revenue for the tax period corresponding to each year, excluding that derived from the transfer of those investments and properties held for the purpose of carrying out the principal statutory activity, once the holding period mentioned in the following section has elapsed, must originate from property leases and dividends or shares in profits arising from said investments.

   This will be calculated as a percentage of consolidated profit if the company is the parent of a group in accordance with the criteria established in Article 42 of the Spanish Code of Commerce, irrespective of domicile and of the obligation to draw up consolidated financial statements. This Group shall comprise solely the SOCIMIs and other entities to which Article 2.1 of the above Law refers.

3. The properties that constitute the SOCIMI's assets must be leased for at least three years. The period of time during which the properties have been available for lease, up to a

maximum of one year, shall be included for the purposes of this calculation. The period shall be calculated as follows:

a) For properties included in the SOCIMI's holdings prior to availing of the regime, from the starting date of the first tax period in which the special tax regime established in the Law is applied, provided that on that date the asset was leased or available for lease. Otherwise, the provisions of the following point shall apply.

b) For properties developed or acquired subsequently by the Company, from the date on which they were leased or available for lease for the first time.

Shares or investments in the entities referenced in Article 2.1 of the aforementioned Law should be maintained as assets on the SOCIMI's balance sheet for at least three years from their acquisition or, where applicable, from the start of the first tax period in which the special tax regime established in the above Law is applied.

4. SOCIMIs and Spanish resident investees that have chosen to avail themselves of the special SOCIMI tax regime, after having satisfied any relevant trade obligations, shall be obligated to distribute the profit received in the period as dividends to their shareholders, where the distribution must be adopted within six months after each year-end, as follows:

   a) 100% of profits deriving from dividends or shares of profits distributed by the entities referenced in Article 2.1 of Law 11/2009.

   b) At least 50% of the profits derived from the transfer of the properties and shares or stakes referenced in Article 2.1 of Law 11/2009, held for the purpose of complying with the principal statutory activity, realised once the periods mentioned in Article 3.2 of Law 11/2009 have elapsed. The remainder of these profits must be reinvested in other properties or stakes to be held for the purpose of complying with the statutory activity, within three years after the transfer date. Otherwise, these profits must be distributed in full together with any profits obtained during the period in which the reinvestment period expires. If the items in which the reinvestment is made are transferred in the period during which they must be held, the associated profits must be distributed in full together with any profits obtained during the period in which the items were transferred. The mandatory distribution of profits does not apply to any portion of profits attributable to periods in which the Company will not be taxed under the special regime provided for by that law.

   c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month following the date of the distribution agreement.

Likewise, as detailed in Article 3 of Law 11/2009 on SOCIMIs, the entity shall no longer be included in the special tax regime established in said Law, and shall begin paying taxes under the general Corporate Income Tax regime, in the same tax period in which any of the following circumstances arise:

- The exclusion from trading on regulated markets or in a multi-lateral trading system.

- The substantial breach of the information obligations referenced in Article 11 of said Law, unless the following year's report corrects such breach.

- The failure to agree to the total or partial distribution or payment of the dividends under the terms and within the periods referenced in Article 6 of said Law. In this case, taxation under the general regime shall take place in the tax period referencing the reporting period in which the profits giving rise to said dividends were made.

- The renouncement of the application of this special tax regime.

- The failure to fulfil any other requirements stipulated in said Law in order for the entity to apply the special tax regime, except where the failure to fulfil said requirement is corrected within the following period. Nevertheless, the breach of the period referenced in Article 3.3 of this law on the 3-year leasing period for assets shall not lead to exclusion from the special tax regime.

The exclusion from the special tax regime will prevent the entity from choosing to apply the special tax regime established in said Law again, until at least three years since the end of the last tax period in which the entity was included under the special tax regime.

As mentioned in Note 5, the Company owns shares in subsidies and associates. Consequently, under current legislation the Company is the parent of a Group of companies. Presenting the consolidated financial statements is necessary, in accordance with generally accepted accounting principles and regulations, to fairly present the Group's financial condition, results from operating activities, changes in net equity and cash flows. The information on stakes in Group companies and associates is provided in Appendix I.

On 24 February 2022 the Directors of the Company drew up the 2021 consolidated financial statements for Lar España Real Estate SOCIMI, S.A. and the subsidiaries thereof, which reflect EUR 25,782 thousand in consolidated profits, EUR 855,387 thousand in consolidated net equity and EUR 1,797,682 thousand in consolidated total assets. The consolidated figures were obtained from the consolidated financial statements prepared by the Company based on International Financial Reporting Standards, adopted by the European Union, and other provisions of the framework regulations on financial information to which the Group is subject in Spain.

(2) BASIS OF PRESENTATION

(a) Regulatory framework on financial information

These financial statements were prepared by the Directors in accordance with the framework regulations on financial information to which the Company is subject, which is that established in:

1. The Spanish Code of Commerce and related mercantile legislation
2. The Spanish General Chart of Accounts approved by Royal Decree 1514/2007, the subsequent amendments thereto and sector adaptations
3. Mandatory standards approved by the Spanish Accounting and Auditing Institute (ICAC) in drafting the Spanish General Chart of Accounts and the supplementary standards thereof
4. Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December, which governs SOCIMIs
5. All other applicable Spanish accounting principles.

(b) True and fair view

The adjoined financial statements were obtained from the Company’s accounting records and are presented in accordance with the applicable regulatory framework for financial information in such a way that they give a true and fair view of the equity, the financial position and the results of the Company, and cash flows during the financial year under review. These financial statements, which were prepared by the Directors on 24 February 2022, shall be submitted for approval at the General Shareholders’ Meeting and they are expected to be approved without any changes. The 2020 financial statements were approved by the General Shareholders’ Meeting held on 22 April 2021.

These financial statements do not include any information or itemisations that do not need further details given their qualitative unimportance and were not considered material or to have relative importance according to the concept of materiality or relative importance as defined in the conceptual framework of the Spanish General Chart of Accounts (PGC 2007).

(c) Non-mandatory account principles applied

No non-mandatory accounting principles have been applied. Furthermore, the Directors have prepared these financial statements taking into account all the compulsory accounting principles and standards with a significant effect thereon. All mandatory accounting principles have been applied.

(d) Critical issues regarding the measurement and estimation of uncertainties

In preparing the adjoined financial statements, estimates have been made that are based on historical data and on other factors which are considered reasonable in accordance with current circumstances, and that constitute the basis for establishing the carrying amount of those assets, liabilities, revenues, expenses and commitments whose values are not easily determined using other sources. The Company reviews these estimates on an on-going basis.

These estimates were made on the basis of the best available information at the end of the 2021 period; nevertheless, it is possible that future events may make it necessary to modify them (either up or down) in coming years. If necessary, any changes would be made prospectively.

The following are the main assumptions made regarding the future and other sources regarding the uncertainty of the year-end estimates that could significantly affect the financial statements in the upcoming year:

1. The recoverable value of certain financial instruments (Notes 4b and 6).
2. Assessment of provisions and contingencies (Note 4h).
3. Financial risk management (see Note 14).
4. Compliance with the requirements that regulate SOCIMIs (Notes 1 and 13).
5. Estimate of the effects of the COVID-19 crisis on the financial statements (Note 2j).

(e) Comparison of information

The same accounting criteria were applied in the 2021 and 2020 periods, such that there were no operations or transactions that were recorded using different accounting principles that could lead to discrepancies in the interpretation of the comparative figures for the two periods.

(f) Grouping together of items

In order to facilitate the comprehension of the balance sheet, certain items of the balance sheet, the income statement, the statement of changes in net equity and the statement of cash flows are presented as a group, though the disaggregated information is included in the corresponding Notes of the report, insofar as it is significant.

(g) Changes in accounting criteria

After the publication and entry into force of Royal Decree 2/2021, of 12 January, which amended the Spanish General Chart of Accounts (PGC) and the Standards for Preparing Consolidated Financial Statements (NOFCAC) in order to adapt same to IFRS 9 and 15, accounting changes were made that did not affect the Company.

During the annual period ended on 31 December 2021 there were no changes in accounting criteria with respect to those applied when preparing the financial statements of 2020.

(h) Correction of errors

In preparing the adjoined financial statements, no significant errors have been detected that require that the amounts included in the financial statements for 2020 be re-stated.

(i) Functional and presentation currency

The figures disclosed in the financial statements are expressed in thousands of Euros rounded to the nearest thousand. The Euro is the Company’s functional and presentation currency.

(j) Impact of COVID 19 on the financial statements

The emergence of the Coronavirus COVID-19 in China in January 2020 and its global spread to many countries led the World Health Organisation to define the viral outbreak as a pandemic since 11 March 2020.

On 14 March 2020, the Spanish government declared a State of Alert under Royal Decree 463/2020, which defined certain business and hospitality activities as essential and others as non-essential. Essential activities were permitted to remain open and the rest were subjected to forced administrative closure.

Then, on 3 November 2020, a new State of Alert was declared that lasted until 9 May 2021. This new state of alert included certain restrictions at the regional level that were less severe than those of the first state of alert.

In addition, on December 2020 the European Union approved the commercialisation of the first vaccines against the virus and the vaccination process began.

Taking into account the foregoing factors and the complexity of the markets due to the globalisation thereof, the consequences for the Group's operations are unclear and will largely depend on the evolution and the extent of the pandemic in coming months, as well as on the capacity to react and adapt of all the various affected economic actors and on the evolution of the vaccination process, which is being carried out with great success in Spain.

Accordingly, the directors of the Company have continued to evaluate the effects that the health and economic crisis of the COVID-19 pandemic has had and might still have on the Group, notably including the following:

- **Operating risk and credit risk**: In the 2021 period, the management of the Group in which the Company is the Parent Company continued the business policies established in the 2020 period in response to the COVID-19 pandemic. These complementary measures were effective from 1 January to 31 December 2021 and are aimed at the majority of the tenants in the investees' asset portfolio with a business activity in order to support them in reopening and recovering their businesses.

  Said measures fundamentally comprised partially waiving the minimum guaranteed rent. However, in the case of forced closure 100% of rent was waived during the period in which the tenants could not legally open. The waivers granted since the beginning of the pandemic decreased subsidiaries' net income from leases in the amount of EUR 14,782 thousand in the 2021 period.

  In turn, the Directors have continued to evaluate tenants' credit risk as a result of the pandemic, while simultaneously continuing to support them with the aforesaid rent waiver policies. This evaluation bears in mind the different factors at play in the tenant portfolio, the characteristics of the lease agreements and the collections received so far. The conclusion reached was that the increase in the main customers' credit risk was not significant.

  In terms of the other financial assets exposed to credit risk, they mainly comprise deposits and balances with public entities. The Directors concluded that this risk had not increased significantly based on their past experience with these bodies. They can therefore expect that the credit risk of these financial assets will remain stable during their expected life.

Consequently, the Directors of the Group concluded that this risk had not increased significantly based on their past experience with these bodies. They can therefore expect that the credit risk of these financial assets will remain stable during their expected life.

- **Liquidity risk**: During the period, the Company's Management restructured the Group's debt by issuing unsecured green bonds in the amount of EUR 400 million in July 2021 and EUR 300 million in October 2021. These issuances reduced the liquidity risk and the financial cost of the debt and scheduled the maturity of the two financings at 5 and 7 years, respectively (Note 10).

  Furthermore, in July 2021, the Company offered bondholders holding bonds in the amount of EUR 140 million to mature in March 2022 the option of an early buyback. This offer was accepted by bondholders holding bonds in the amount of EUR 17.3 million, where the amount pending amortisation was recorded in the short-term in 2022 and the complete amortisation was recorded in February 2022 (Note and 10).

  On another note, after issuing the bonds, the Company granted loans to those investees who held financial mortgage debt. As a result, these investees paid of this debt, associated with the shopping centres, ahead of schedule. The amount of this debt was EUR 517 million (Notes 10 and 16). Consequently, the Company does not believe these circumstances will generate liquidity risk in the short-term.

- **Balance sheet asset and liability valuation risk**:

  Pursuant to IAS 40, the Group regularly calculates the fair value of investment property. Said fair value is calculated using the valuations performed every six months by third-party independent experts. Therefore, at the end of each six-month period the fair value reflects the market conditions of the elements of the investment properties as at said date.

(Expressed in thousands of Euros)

The details of the main assumptions used in the valuations in December 2021, according to the nature of the assets and the sensitivity thereof in the event of an increase or decrease of said variables, are included in Note 5. There was no year-on-year change in the valuations of the investment property in 2021. In this sense, the independent experts have determined that the uncertain context in which the valuations were made the previous year due to the effects of COVID-19 had dissipated. Therefore, they have not issued their valuation reports under the basis of "material valuation uncertainty" (pursuant to VPS 3 and VPGA 10 of the Valuation Standards published by The Royal Institution of Chartered Surveyors), which they included in their reports due to the extraordinary uncertainty of last year's situation (Note 5).

- **Risk of change in certain financial figures**: In this respect, the Group has drawn up a comparison of the effect that the lockdown and the changes to agreements with tenants will have on its key financials throughout 2021. The conclusion reached was that this financial year none of the financial ratios related to the financing agreements of the year was expected to be breached. In addition, measures can be coordinated to correct or obtain waivers, if necessary.

  The foregoing notwithstanding, given the changing environment and extensive uncertainty, Management and the Directors are constantly monitoring the evolution of all these aspects.

(3) DISTRIBUTION OF PROFIT

The proposed distribution of profit for the period, which was prepared by the Company's Directors and will be submitted for approval at the General Shareholders' Meeting, is as follows:

	Euros
Basis of allocation	
Profit for the period	18,593,562.09
Issue premium	13,265,794.12
Distribution of profit	
Legal reserve	1,859,356.21
Dividends	30,000,000.00

The proposed profit distribution is EUR 0.3584 per share.

(4) RECORD AND VALUATION STANDARDS

Pursuant to Note 2, the Company has applied the accounting policies in accordance with the accounting principles and standards stipulated in the Commercial Code, which are implemented in the current Spanish General Chart of Accounts (PGC 2007), industry adaptations and subsequent amendments thereto, as well as in other mercantile legislation in force at the year-end of these financial statements. Accordingly, only those policies that are specific to the Company's activity and those considered significant due to the nature of the Company's activities are indicated below.

(a) Investment property

"Investment property" on the adjoined balance sheet includes the values of the lands and buildings and other constructions that are maintained either to lease or to earn capital gains through the sale thereof as a result of any increases produced in the future in the respective market prices.

These assets are initially valued at their purchase price or cost of production. Said figure is subsequently reduced by the corresponding accumulated depreciation and impairment losses, where applicable.

The investment properties owned by the Company comprise an office building and a permanent security post, which provides management services to the entire Abadía business park located in Toledo. Said business park is owned by LE Retail Abadía, S.L.U., which is in turn completely owned by Lar España Real Estate SOCIMI, S.A.

(b) Financial instruments

(i) *Classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into the various categories according to the Company's intentions and characteristics at the time of initial recognition.

(ii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Company currently has the enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) *Loans and receivables*

This item comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They basically comprise receivables from Group companies. These assets are classified as current unless they mature more than 12 months after the date of the balance sheet, in which case they are classified as non-current. Loans and receivables generated in exchange for cash deliveries or commercial transactions are included under "Trade and other receivables" on the accompanying balance sheet.

These financial assets are initially measured at fair value, including directly attributable transaction costs, and subsequently carried at amortised cost, recognising accrued interest at the effective interest rate, which is the discount rate that matches the instrument's carrying amount with all estimated cash flows to maturity. Nevertheless, trade receivables falling due in less than one period are carried at their nominal amount on both initial recognition and subsequent measurement, provided that the effect of not discounting the cash flows is immaterial.

At least at the end of the period, necessary impairment losses are recognised when there is objective evidence that not all the amounts receivable will be collected.

(iv) *Equity instruments in Group and multi-group companies and associates*

Those companies related to the Company through a relationship of control are considered to be Group companies, and companies over which the Company holds significant influence are considered to be associates. Furthermore, the jointly-controlled category includes those companies over which control is held, by virtue of an agreement, together with one or more partners.

Investments in Group companies are generally recorded initially at the fair value of the consideration plus directly attributable transaction costs.

Any fees paid to legal advisors or other related professionals who may be involved in the acquisition of investments in equity in Group companies granting control over a subsidiary are recorded directly in the income statement for the period in which they are incurred.

After initial measurement, investments in Group and multi-group companies and associates are measured at cost, unless their recoverable value is less than their carrying amount, in which case they are measured at cost less any accumulated impairment. Said adjustments are equal to the difference between the recoverable value and the carrying amount of the shareholdings at the date of measurement. Give that the Company is a holding company, it presents value adjustments made to investments in Group companies under “Operating profit/(loss)”.

In this sense, given the real estate nature of the investees, their recoverable value is closely tied to the measurement of their property assets. In order to calculate the recoverable amount of such investments the Company calculates their fair value, the best estimate of which is the net equity of the investee adjusted for any unrealised gains present at the measurement date, as they are supported by independent expert appraisals.

Accordingly, in order to calculate the fair value of the property investment owned by Group companies and associates, the Company’s Management entrusts independent appraisers that have no relation to the Group at year-end with the appraisal of all their property assets on 31 December. The measurement of this investment is conducted in accordance with the statements of the RICS Valuation - Professional Standards published by The Royal Institution of Chartered Surveyors (“Red Book”), based in the United Kingdom.

Specifically, buildings are appraised individually, taking into consideration each of the lease contracts in force at the appraisal date. The methodology used to calculate the market value of properties being rented consists of preparing 10 years’ worth of revenue and expense projections for each type of asset, which will subsequently be updated on the date of the statement of financial condition for each review period using a market discount rate. The residual amount at the end of year 11 is calculated applying a rate of return (“exit yield”) to the net revenue projections for year 11.

The market values thus obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. Both the rate of return and the discount rate are defined in accordance with local property companies and considering the conditions prevailing in the institutional market, and the reasonableness of the market value thus obtained, which is tested in terms of initial gain.

Buildings with areas that have not been rented out are appraised on the basis of estimated future rents, minus a marketing period.

(v) *Impairment of financial assets*

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

– Impairment of financial assets carried at amortised cost

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For floating-rate financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. When calculating assets under guarantee, any sales costs pertaining to the allocation thereof shall be discounted at the effective interest rate.

The Company recognises the impairment loss and uncollectibility of loans and receivables and debt instruments by recognising an allowance account for financial assets, which is charged against profit and loss and is reversible in subsequent periods up to the amortised cost the assets would have had if the impairment loss had not been recognised.

(vi) *Financial liabilities*

Financial liabilities, including trade and other payables, are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently carried at amortised cost using the effective interest method. Said effective interest rate is the discount rate that matches the instrument's carrying amount with the expected future flow of payments to the maturity date of the liability.

Nevertheless, trade payables falling due in less than one year that have no contractual interest rate are carried at their nominal amount on both initial recognition and subsequent measurement, since the effect of discounting the cash flows is immaterial.

(vii) *Derecognition of financial assets*

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has substantially transferred all the risks and rewards of ownership.

The derecognition of a financial asset in its entirety implies the recognition of results as the difference between the carrying amount and the total consideration received, less transaction expenses, including assets obtained or liabilities assumed and any deferred profit or loss in revenues and expenses recognised in net equity.

(viii) *Derecognitions of financial liabilities*

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Company and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Company considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised in the income statement as part of the result of the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are depreciated over the remaining term of the modified liability. In the latter case, a new effective interest rate is determined on the modification date, calculated as the rate that equates the present value of the flows payable under the new terms to the carrying amount of the financial liability at that date.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to a third party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised by the Company in the income statement.

If the Company delivers non-monetary assets as payment of debt, it recognises the difference between the fair value thereof and their carrying amount as operating profit and the difference between the value of the debt that is extinguished and the fair value of the assets as a financial result. If the Company delivers inventories, the relevant sales transaction for same is recognised at the fair value and the change in inventories at the carrying amount.

(c) Own equity instruments held by the Company

The Company's acquisition of equity instruments is presented separately at the cost of acquisition in the balance sheet as a reduction in its own capital. For transactions carried out with own equity instruments no result is recognised in the income statement, rather it is directly recorded as reserve.

The subsequent redemption of the equity instruments entails a capital decrease equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a deduction from reserves, net of any tax effect.

Dividends relating to equity instruments are recognised as a reduction in net equity when approved by the shareholders.

(d) Distributions to shareholders

Dividends are effective and recognised as decreased net equity when approved by the General Shareholders' Meeting.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

(f) Short-term employee benefits

Short-term employee benefits comprise employee remuneration other than termination benefits that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services.

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or implicit obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(g) Payments based on shares

The Company recognises, on one hand, goods and services received as an asset or an expense, according to the nature thereof, when same is received, and on the other, the corresponding liability if the transaction is settled with an amount that is based on the value of the equity instruments.

(h) Provisions and contingencies

In preparing the financial statements, the Company's Directors differentiate between the following:

a. Provisions: balances payable covering present obligations arising from past events that will likely give rise to an outflow of resources for the Company, where the amount and/or timing thereof are uncertain.

b. Contingent liabilities: possible obligations that arise as a result of past events and the future occurrence of which is conditional upon the occurrence or non-occurrence of one or more future events that are beyond the Company's control.

The financial statements include all the relevant provisions that more likely than not shall entail an obligation. Unless they are considered remote, contingent liabilities are not recognised in the financial statements, but information on same is provided in the notes to the report.

Provisions are measured at the present value of the best possible estimate of the amount that will be required to settle or transfer the liability, taking into account the information available on the event and the consequences thereof; the adjustments that arise due to updating said provisions are recognised as financial expenses as they accrue.

The compensation to be received from a third party on settlement of the obligation, provided there is no doubt that said reimbursement will be received, is recognised as an asset, except when there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount in which the corresponding provision, where appropriate, will be stated.

(i) Recognition of income

Pursuant to the publication in September 2009 on the consultation included in Gazette No. 79 of the Institute of Accounting and Account Auditing (ICAC), due to the Company's being a holding company, it presents revenue from dividends received from subsidiaries, financial revenue from financing granted thereto and revenue from disposing of equity instruments as net turnover.

Revenue from stakes in equity instruments

Discretionary dividends accrued after the acquisition of the shares or stakes shall be recognised as revenue on the income statement when the shareholder's right to receive same is declared by virtue of the approval by the subsidiary's shareholders.

Accordingly, when the distributed dividends unequivocally originate from profit generated prior to the date of acquisition because the distributed amounts are greater than the profits generated by the investee company since acquisition, they shall not be recognised as revenue and shall decrease the carrying amount of the investment until the distribution thereof is approved.

In turn, any distribution of available reserves, which includes issue premiums and other shareholder contributions, shall be classified as a "profit distribution" transaction. Consequently, same will be reflected as revenue upon approval, provided that since its acquisition the investee has generated profits greater than the treasury funds being distributed.

Revenue from investments in Group companies and associates

Revenue from receivables with Group companies and associates is recognised using the effective interest method and dividends are recognised when the shareholder's right to receive same has been declared, as explained in the previous section. In any case, interest and dividends from financial assets accrued after the acquisition are recognised as revenue in the income statement.

Revenue from the sale of shareholdings

Revenue from the sale of equity instruments is recognised when the risks and benefits inherent to the ownership of the sold asset are transferred to the purchaser and the day-to-day management and effective control over said asset are not retained.

Rebilling of costs to Group companies

(i) *Interests related to liabilities*

The Company classifies financial costs rebilled to Group companies as revenue when their shareholdings are the collateral for the bond or instead they own assets with a mortgage guarantee on said bond. The Company's distribution approach is based on the relative weight of the underlying market value of each pledged property asset of the investees over the total market value (calculated based on the latest available appraisal from the period immediately prior to 31 December of each period) of such property assets at the beginning of the relevant period.

(ii) *Rebilling of costs from service organisations and independent professionals*

The Company does not classify costs passed on to its subsidiaries for services received from external service organisations and independent professionals as revenue from the provision of services. The invoicing for these items is included under "External services" on the accompanying income statement, net of expenses paid by the Company for said items. Said rebilled costs total EUR 10,409 thousand in 2021 (EUR 14,245 thousand in 2020).

(j) Income tax

(i) *General regime*

The income tax expense or income includes the part related to the current income tax expense or tax income and the portion corresponding to the deferred tax expense or income.

Current tax is the amount the Company pays as a result of the corporate income tax settlements for the year. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carry-forwards applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax income or expenses corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences, which are defined as the amounts which are expected to be paid or recovered in the future for differences between the carrying amount of assets and liabilities and their tax value, as well as tax loss carry-forwards and tax deductions pending fiscal application. These amounts are recognised by applying the temporary difference or deduction corresponding to the tax rate at which they are expected to be recovered or settled.

(ii) *Tax regime for SOCIMIs*

This special SOCIMI tax regime, following the amendment introduced by Law 16/2012 of 27 December, is based on paying a corporate income tax rate of 0%, provided certain requirements are met.

Pursuant to the Article 9 of Law 11/2009 of 26 October, amended by Law 16/2012 of 27 December, governing SOCIMIs, the entity shall be subject to a special tax rate of 19% on the total amount of dividends or shares in profits distributed among shareholders with an interest in the entity exceeding 5% when such dividends are tax-exempt or are taxed at a rate of less than 10% at the shareholders' seat of economic activity. The Company has established a procedure whereby shareholders confirm their tax status and, where applicable, 19% of the amount of the dividend distributed among the shareholders that do not meet the tax requirements mentioned in Note 1 is withheld.

In addition, Law 11/2021, of 9 July, on measures for preventing tax fraud, which transposed Directive (EU) 2016/1164, modified Article 9 of Law 11/2009, of 26 October, which regulates SOCIMIs. Likewise, the entity's rental revenue that is not taxed at the general corporate income tax rate and that is not covered by a reinvestment period will be subject to a special tax of 15% on any profits obtained in the year that are not subject to distribution. Where applicable, this special tax must be paid by the SOCIMI within two months of the accrual date.

(k) Classification of assets and liabilities as current and non-current

"Current" assets are defined as those assets related to the normal operating cycle generally expected in a year, and also those assets expected to mature or to be disposed or to be settled in the short term at year-end, financial assets held for trading, with the exception of financial derivatives with a settlement period greater than one year, and cash and cash equivalents. Assets not meeting these requirements are classified as non-current.

Similarly, "current" liabilities are defined as liabilities related to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives with a settlement period greater than one year, and in general all obligations that will mature or terminate in the short term. Otherwise, they are classified as non-current.

(l) Environmental assets and liabilities

Environmental assets are defined as those used on a lasting basis in the Company's operations, the main purpose of which is to minimise the environmental impact and protect and improve the environment, including reducing or eliminating future pollution.

The Company's activity does not have a significant environmental impact due to the nature thereof.

(m) Transactions between Group companies

Transactions between Group companies are carried out at market value and are recognised at the fair value of the consideration paid or collected, except those transactions pertaining to mergers, divisions and non-monetary contributions of business. The difference between said value and the agreed amount is recorded according to the underlying economic substance.

(n) Statement of cash flows

The statement of cash flows has been prepared using the indirect method and the following expressions and definitions:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments not subject to significant risk of changes in value.

- Operating activities: the usual activity of the Company and other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of net equity and of liabilities that do not form part of operating activities.

(o) Non-current assets held for sale

The Company classifies a non-current asset or a disposal group as being held for sale when a decision has been made to sell same and such sale is expected to happen within the next twelve months.

These assets or disposal groups are measured at their carrying amount or fair value after deducting the necessary sales costs, whichever is less.

Assets classified as non-current and held for sale are not depreciated, but at the date of each balance sheet the appropriate value adjustments are made so the carrying value does not exceed the fair value minus sales costs.

Revenues and expenses generated by non-current assets and disposal groups comprising elements held for sale that do not meet the requirements to be classified as discontinued operations are recognised in the income statement under the line item that corresponds to the nature of said asset or disposal group.

(Expressed in thousands of Euros)

(5) INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

(a) Investments in equity instruments

The breakdown of investments in Group company and associate equity instruments at 31 December 2021 and 2020 is as follows (see additional information in Appendix I):

Stocks in Group Companies (all at 100%)

	Thousands of Euros						
	2021						
Company	Opening balance	Acquisitions	Transfers	Voluntary contributions	Dereco-gnitions	Impairment	Closing balance
LE Logistic Alovera I y II, S.A.U.	3,469	—	—	—	—	—	3,469
LE Retail Hiper Albacenter, S.L.U.	14,551	—	—	497	—	—	15,048
LE Retail Alisal, S.A.U.	2,327	—	—	—	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	425	—	—			(24)	401
LE Retail As Termas, S.L.U.	33,326	—	—	808	—	—	34,134
LE Offices Joan Miró, S.L.U.	803	—	—	—	—	(34)	769
LE Logistic Alovera III y IV, S.L.U.	651	—	—	—	—	(16)	635
LE Logistic Almussafes, S.L.U.	2,974	—	—	—	—	(162)	2,812
LE Retail Hiper Ondara, S.L.U.	132,546	—	—	2,659	—	—	135,205
LE Retail VidaNova Parc, S.L.U.	30,545	—	—	399	—	168	31,112
LE Retail Galaria, S.L.U.	414	—	—		—	(4)	410
LE Retail El Rosal, S.L.U.	34,530	—	—	858	—	—	35,388
LE Retail Lagoh, S.L.U.	124,095	—	—	2,423	—	—	126,518
LE Retail Vistahermosa, S.L.U.	22,354	—	—	385	—	—	22,739
LE Retail Sagunto II, S.L.U.	1,264	—	—	3	—	44	1,311
Lar España Inversión Logística IV, S.L.U.	701	—	—	—	—	—	701
LE Retail Villaverde, S.L.U.	1,760	—	—	—	—	(12)	1,748
LE Offices Marcelo Spínola, S.L.U.	5,516	—	—	—	—	—	5,516
LE Retail Albacenter, S.L.U.	35,036	—	—	1,195	—	—	36,231
LE Retail Anec Blau, S.L.U.	88,308	—	—	2,834	—	—	91,142
LE Retail Gran Vía de Vigo, S.L.U.	60,714	—	—	1,257	—	—	61,971
LE Retail Las Huertas, S.L.U.	12,787	—	—	280	—	(438)	12,629
LE Retail Txingudi, S.L.U.	33,721	—	—	939	—	—	34,660
LE Retail Abadía, S.L.U.	37,602	—	—	682	—	—	38,284
LE Retail Rivas, S.L.U.	35,916	—	—	515	—	—	36,431
LE Retail Córdoba Sur, S.L.U.	984	—	—	—	—	(1,645)	(661)
	717,319	—	—	15,734	—	(2,123)	730,930

Stocks in Associates

	Thousands of Euros					
	2021					
Company	Opening balance	Additions	Impairment recorded	Impairment reversal	Returns	Closing balance
Inmobiliaria Juan Bravo 3, S.L.	1,082	-	—	395	—	1,477
	1,082	-	—	395	—	1,477

(Expressed in thousands of Euros)

Stocks in Group Companies (all at 100%)

	Thousands of Euros						
	2020						
Company	Opening balance	Acquisitions	Transfers (Note 8)	Voluntary contributions	Dereco-gnitions	Impairment	Closing balance
LE Logistic Alovera I y II, S.A.U.	3,469	—	—	—	—	—	3,469
LE Retail Hiper Albacenter, S.L.U.	14,053	—	—	498	—	—	14,551
LE Retail Alisal, S.A.U.	2,327	—	—	—	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	6,028	—	—	—	(5,445)	(158)	425
LE Retail As Termas, S.L.U.	32,559	—	—	767	—	—	33,326
LE Offices Joan Miró, S.L.U.	803	—	—	—	—	—	803
LE Logistic Alovera III y IV, S.L.U.	651	—	—	—	—	—	651
LE Logistic Almussafes, S.L.U.	2,974	—	—	—	—	—	2,974
LE Retail Hiper Ondara, S.L.U.	129,398	—	—	3,148	—	—	132,546
LE Retail VidaNova Parc, S.L.U.	30,194	—	—	519	—	(168)	30,545
LE Retail Galaria, S.L.U.	509	—	—	—	—	(95)	414
LE Retail El Rosal, S.L.U.	33,543	—	—	987	—	—	34,530
LE Retail Lagoh, S.L.U.	121,360	—	—	2,735	—	—	124,095
LE Retail Vistahermosa, S.L.U.	21,907	—	—	447	—	—	22,354
LE Retail Sagunto II, S.L.U.	1,536	—	—	6	—	(278)	1,264
Lar España Inversión Logística IV, S.L.U.	701	—	—	—	—	—	701
LE Retail Villaverde, S.L.U.	1,760	—	—	—	—	—	1,760
LE Offices Marcelo Spínola, S.L.U.	5,516	—	—	—	—	—	5,516
LE Retail Albacenter, S.L.U.	33,776	—	—	1,260	—	—	35,036
LE Retail Anec Blau, S.L.U.	83,570	—	—	4,738	—	—	88,308
LE Retail Gran Vía de Vigo, S.L.U.	59,170	—	—	1,544	—	—	60,714
LE Retail Las Huertas, S.L.U.	12,823	—	—	349	—	(385)	12,787
LE Retail Txingudi, S.L.U.	32,627	—	—	1,094	—	—	33,721
LE Retail Abadía, S.L.U.	36,849	—	—	753	—	—	37,602
LE Retail Hipermercados I, S.L.U.	15,615	—	(16,149)	534	—	—	—
LE Retail Hipermercados II, S.L.U.	16,827	—	(17,358)	531	—	—	—
LE Retail Hipermercados III, S.L.U.	15,524	—	(16,016)	492	—	—	—
LE Retail Rivas, S.L.U.	35,313	—	—	603	—	—	35,916
LE Retail Córdoba Sur, S.L.U.	954	—	—	30	—	—	984
	752,336	—	(49,523)	21,035	(5,445)	(1,084)	717,319

Stocks in Associates

	Thousands of Euros					
	2020					
Company	Opening balance	Additions	Impairment recorded	Impairment reversal	Returns	Closing balance
Inmobiliaria Juan Bravo 3, S.L.	5,100	—	—	257	(4,275)	1,082
	5,100	—	—	257	(4,275)	1,082

Equity instrument investment movements in 2021

- On 31 December 2021, the Company partially impaired its shareholding in the Group companies LE Offices Eloy Gonzalo 27, S.A.U., LE Retail Galaria, S.L.U., LE Retail Las Huertas, S.L.U., LE Offices Joan Miró 21, S.L.U., LE Logistic Alovera III y IV, S.L.U., LE Logistic Almussafes, S.L.U., LE Retail Villaverde, S.L.U. and LE Retail Córdoba Sur, S.L.U. in the amount of EUR 24 thousand, EUR 4 thousand, EUR 438 thousand, EUR 34 thousand, EUR 16 thousand, EUR 162 thousand, EUR 12 thousand, and EUR 1,645 thousand, respectively.

- On 31 December 2021, the Company reversed the impairment to the shareholdings in Group companies LE Retail Sagunto II, S.L.U. and LE Retail VidaNova Parc, S.L.U. in the amount of EUR 44 thousand and EUR 168 thousand, respectively.

- On 31 December 2021, the Company reversed the impairment to shareholding it held in the associate Inmobiliaria Juan Bravo 3, S.L. by EUR 395 thousand based on the Directors' best estimate of the recoverable value thereof.

Equity instrument investment movements in 2020

- On 27 March 2020, Inmobiliaria Juan Bravo 3, S.L. distributed the shareholder contributions by offsetting the total amount drawn down by the Company from the liquidity facility granted by said investee, which was EUR 4,275 thousand. This offset was recorded as a decrease in the amount posted in "Investments in Group companies" (Note 9c ii).

- On 31 December 2020, the Company partially impaired its shareholding in the Group companies LE Offices Eloy Gonzalo 27, S.A.U., Retail VidaNova Parc, S.L.U., LE Retail Galaria, S.L.U., LE Retail Sagunto II, S.L.U. and LE Retail Las Huertas, S.L.U. in the amount of EUR 158 thousand, EUR 168 thousand, EUR 95 thousand, EUR 278 thousand and EUR 385 thousand, respectively.

- On 27 July 2020 and 31 December 2020, the dividend distributed by the company LE Offices Eloy Gonzalo, S.L.U. was recorded against the shareholding the Company holds in said company, the value thereof therefore being decreased by EUR 5,348 thousand and EUR 96 thousand, respectively.

(Expressed in thousands of Euros)

- On 31 December 2020, the Company classified 100% of the company shares held in LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. as non-current assets held for sale in the amount of EUR 16,149 thousand, EUR 17,358 thousand and EUR 16,016 thousand, respectively, based on the decision to sell same and the short-term execution of such sales (Note 8).

- On 31 December 2020, the Company partially reversed the impairment on its shareholding in the associate Inmobiliaria Juan Bravo 3, S.L. by EUR 257 thousand based on the Directors' best estimate of the recoverable value thereof, after having carried out, as of the date of these financial statements, the sale of all of the development units (including parking spaces) and the re-estimate of certain tax obligations.

(6) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

The classification of financial liabilities held by the Company at 31 December 2021 and 2020 by category is as follows:

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Long-term financial investments in Group companies	732,407	—	718,401	—
Non-current assets held for sale	—		—	49,523
Other financial assets	—	—	—	350
Investments in Group companies and associates (Note 16b)	—	519,742	—	74,551
Trade and other receivables				
Client receivables for sales and rendering of services	—	307	—	52
Customers, Group companies and associates (Note 16b)	—	24,687	—	18,693
Sundry debtors	—	—	—	—
Other public entity receivables (Note 13)	—	—	—	14
Current tax assets (Note 13)	—	—	—	—
Total financial assets	732,407	544,736	718,401	143,183

(Expressed in thousands of Euros)

The carrying amount of financial assets recognised at cost or amortised cost does not differ significantly from their fair value.

The line item "Investments in Group companies and associates" mainly includes the interim dividend of Group companies distributed using the result of the profit for 2021, collected in January 2022, (Note 16b) and the current accounts with shareholders (Note 16).

(7) CASH AND CASH EQUIVALENTS

Details of "cash and cash equivalents" at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Banks	249,538	33,559
Total	249,538	33,559

This balance includes the amounts invested in the investment funds the Parent Company has contracted that are managed by Banco Santander and BBVA for a total amount of EUR 209,598 thousand. The availability of these funds is immediate and the investment therein comprises the remaining cash the Group has to cover its short-term payment commitments.

(8) NON-CURRENT ASSETS HELD FOR SALE

On 23 February 2021 100% of the shares in the companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. to the company Igcel Investments, S.L. for the amount of EUR 59,577 thousand. After said sale these companies ceased to form part of the Group.

The impact on the Company's financial statements after the sale of said shareholdings was a decrease in net assets in the amount of EUR 46,223 thousand which resulted in a profit from the disposal of investments in equity instruments of EUR 13,354 thousand.

(9) NET EQUITY

The composition and movements in net equity are presented in the statement of changes in net equity.

(a) Capital

At 31 December 2021 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 167,386 thousand (EUR 175,267 thousand at 31 December 2020) represented by 83,692,969 registered shares (87,633,730 registered shares at 31 December 2020), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

On 18 November 2021, pursuant to the Board of Directors' resolution of 11 November 2021, the Parent Company reduced capital by EUR 7,881 thousand, corresponding to 3,940,761 shares of EUR 2 par value each and representing 4.5% of share capital. The capital decrease was charged against unrestricted reserves by appropriating to a restricted capital redemption reserve EUR 7,881 thousand, an amount equal to the par value of the redeemed shares. The shares were paid through the use of treasury shares, the value of which at the time of the capital decrease totalled EUR 20,763 thousand.

All of the shares of the company, Lar España Real Estate SOCIMI, S.A., are quoted on the official Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The quoted price at 31 December 2021 was EUR 5.12 per share, and the average price per share in the 2021 period was EUR 5.17 (in the 2020 period, the average price per share was EUR 4.67 and the quoted price was EUR 4.76 per share).

(Expressed in thousands of Euros)

The breakdown of the Company's main shareholders at 31 December 2021 is as follows:

	%
LVS II Lux XII S.a.r.l.	21.7%
Grupo Lar Inversiones Inmobiliarias, S.A.	11.4%
Santa Lucía S.A. Cía. de Seguros	5.2%
Adamsville, S.L.	5.2%
Brandes Investment Partners, L.P.	5.0%
Blackrock Inc.	3.7%
Other shareholders with an interest of less than 3%	47.8%
Total	100.0%

On 28 January 2022, the shareholder LVS II Lux XII S.a.r.l. sold its entire shareholding to Castellana Properties SOCIMI, S.A.

(b) Issue premium

The Revised Spanish Companies Act expressly provides for the use of share premium to increase share capital and does not stipulate any specific restrictions as to its use.

This reserve is unrestricted provided that the Company's equity is not reduced to less than its share capital as a result of any distribution.

On 22 April 2021, the distribution of dividends from the 2020 financial year against the share premium was approved for the amount of EUR 8,954 thousand, taking into account the shares issued (Note 9.f).

At 31 December 2021, the Group's share premium amounted to EUR 466,176 miles thousand (EUR 475,130 thousand at 31 December 2020).

(Expressed in thousands of Euros)

(c) Reserves

The breakdown of this category as at 31 December 2021 and 2020 is the following:

	Thousands of Euros	
	31/12/2021	31/12/2020
Legal reserve	19,011	16,990
Capital redemption reserve	23,384	15,502
Other reserves	(94,531)	(74,404)
Total	(52,136)	(41,912)

Reserve movements that took place during the 2021 and 2020 periods were as follows:

	Thousands of	Thousands of
	2021	2020
Opening balance	(41,912)	(48,942)
Profit for the period	2,707	7,017
Capital decreases	(12,882)	—
Result from treasury shares	(46)	(6)
Other changes	(3)	19
Closing balance	(52,136)	(41,912)

(i) *Legal reserve*

The legal reserve is to be provided for in compliance with Article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the period to a legal reserve until this reserve reaches an amount equal to 20% of the share capital.

The legal reserve is not distributable to shareholders and if it is used to offset loss, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2021 the Company's legal reserve totals EUR 19,011 thousand (EUR 16,990 at 31 December 2020). Therefore, the legal reserve at 31 December 2021 is not fully provided for.

Pursuant to Law 11/2009 which governs SOCIMIs, the legal reserve of companies that have opted to avail themselves of the special tax regime provided by this law may not exceed 20% of their share capital. The articles of association of these companies may not stipulate any restricted reserve other than the legal reserve.

(ii) *Capital redemption reserve*

This reserve includes the nominal value of the treasury shares redeemed in the capital decreases carried out on 18 November 2021, 20 December 2019, 10 June 2019 and 28 December 2018, totalling EUR 23,384 thousand. The provision and availability of this reserve shall be held to the same requirements demanded for the capital decrease, in line with the provisions of Article 335 c) of the Spanish Companies Act, the revised text of which was approved by Royal Legislative Decree 1/2010 of 2 July (the "Spanish Companies Act").

(iii) *Other reserves*

These reserves mainly comprise expenses related to the incorporation and capital increases through share issues, capital decreases against unrestricted reserves and other non-distributed profits.

(iv) *Valuation adjustments*

This line item, according to Record and Valuation Standard (NRV) 8 of the Spanish General Chart of Accounts, includes the amount of fair value change of the investment funds the Company has contracted with financial institutions in order to reduce the financial costs of bank account maintenance.

(Expressed in thousands of Euros)

(d) Treasury shares

At 31 December 2021, the Company has treasury shares with an acquisition cost of EUR 860 (EUR 16,474 thousand at 31 December 2020).

Movement during the 2021 and 2020 periods was as follows:

	Number of shares	Thousands of Euros
31 December 2020	3,074,672	16,474
Additions	1,064,394	5,543
Derecognitions	(4,008,096)	(21,157)
31 December 2021	130,970	860

	Number of shares	Thousands of Euros
31 December 2019	103,820	762
Additions	2,994,520	15,885
Derecognitions	(23,668)	(173)
31 December 2020	3,074,672	16,474

The average selling price of treasury shares in 2021 was EUR 5.13 per share (EUR 7.02 in 2020). Furthermore, losses for the period ended 31 December 2021 amounted to Euros 46 thousand (EUR 6 thousand in losses at 31 December 2020) and were recognised under “Other Reserves” on the balance sheet.

On 14 January 2020, a new share buy-back programme was formalised between Lar España and its liquidity provider, aimed at a maximum of 4,500,000 shares, representing 5% of share capital, which may be acquired at a price no greater than (a) the price of the last arm’s length transaction or (b) the highest arm’s length offer at that time in the business centre where the purchase is made. The maximum duration of this programme was initially until 14 October 2020 and was subsequently extended to 14 October 2021.

(Expressed in thousands of Euros)

Said programme temporarily suspended the liquidity agreement formalised with a financial intermediary pursuant to the terms of Circular 3/2007, of 19 December by the Spanish Securities Market Commission on liquidity agreements for the purposes of accepting same as a market practice and other applicable regulations.

(e) Dividends paid and issue premiums returned

On 22 April 2021, the General Shareholders' Meeting of the Company approved the distribution of a dividend of EUR 27,500 thousand, at EUR 0.31 per share (taking into account all the shares issued), with EUR 18,546 thousand being charged against profit and loss for the 2020 period and EUR 8,954 thousand against the share premium (Note 9a). The amount distributed totalled EUR 26,457 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Company's net equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the General Shareholders' Meeting.

(10) FINANCIAL LIABILITIES BY CATEGORY

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 31 December 2021 and 2020 is as follows:

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Debt and payables				
Financial liabilities from issue of bonds	693,647	129,702	139,685	3,482
Other financial liabilities with third parties	—	—	39	—
Bank borrowings	69,922	185	69,900	30,125
Short-term borrowings from Group companies and associates (Note 16)	—	30,232	—	36,538
Trade and other payables (Note 11)	—	3,852	—	3,296
Total financial liabilities	763,569	163,971	209,624	73,441

At 31 December 2021 and 2020 the carrying amounts of the financial liabilities recorded at amortised cost do not differ from the fair value.

(Expressed in thousands of Euros)

(b) Classification of financial liabilities by maturity

The details by maturity of the Company's financial liabilities at 31 December 2021 and 2020 are as follows:

	2021						
	Thousands of Euros						
	2022	2023	2024	2025	2026 and remaining years	Indefinite	Total
Debt from issue of bonds (a)	129,738		—	—	700,000	—	829,738
Other financial liabilities - security deposits and other	—	—	—	—	—	—	—
Bank borrowings (a)	185	—	—	24,500	45,500	—	70,185
Short-term borrowings from Group companies and associates	30,232	—	—	—	—	—	30,232
Trade and other payables	3,852	—	—	—	—	—	3,852
Total	164,007	—	—	24,500	745,500	—	934,007

(Expressed in thousands of Euros)

	2020						
	Thousands of Euros						
	2021	2022	2023	2024	2025 and remaining years	Indefinite	Total
Debt from issue of bonds (a)	3,482	140,000	—	—	—	—	143,482
Other financial liabilities - security deposits and other	—	—	—	—	—	39	39
Bank borrowings (a)	30,125	—	—	—	70,000	—	100,125
Short-term borrowings from Group companies and associates	36,538	—	—	—	—	—	36,538
Trade and other payables	3,297	—	—	—	—	—	3,297
		—					
Total	73,442	140,000	—	—	70,000	39	283,481

(a) *The effect of measuring the financial liabilities from bank bonds at amortised cost amounts decreases the nominal value of these liabilities by EUR 6,389 thousand (EUR 315 thousand due to bonds in 2020). In turn, the effect of valuing bank borrowings at amortised cost decreases the nominal value of these liabilities by EUR 78 thousand, where there being no decrease as at 31 December 2020.*

(b) *This amount corresponds to the current accounts pledged with subsidiaries. Although these accounts mature on 31 December 2021, they are tacitly extended on an annual basis.*

(c) Financial liabilities from borrowings

i) Main characteristics of debt from bonds

Issue in the 2015 period for EUR 140 million

On 21 January 2015 the Company's Board of Directors approved the issue of simple bonds up to a maximum amount of EUR 200 million, following approval by the then-sole shareholder of the Company on 5 February 2014.

Lastly, on 19 February 2015 the Company carried out a final bond issue in the amount of EUR 140 million, each with a nominal value of EUR 100 thousand.

The main characteristics of the issue are as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.
- Amount of the issue: EUR 140,000 thousand.
- Nominal value of each bond: EUR 100 thousand.
- Maturity: 21/02/2022. In certain circumstances the early amortisation of this instrument is possible.
- Interest rate: 2.9%.
- Nature of the issue: Simple bonds.
- Guarantees: Guarantees were established up to a maximum amount of 20% of the placement. Mortgaged assets at 31 December 2021 are as follows: the Txingudi, Albacenter, Albacenter Hipermercado, Anec Blau and As Termas shopping centres. An ordinary pledge has also been established on the shares in LE Retail Txingudi, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Hiper Albacenter, S.L.U., LE Retail Anec Blau, S.L.U., and LE Retail As Termas, S.L.U.

The issue expenses associated with this issue are recorded after deducting the debt to which they are associated, totalling EUR 1,995 thousand, EUR 281 thousand of which was allocated in 2021 (EUR 309 thousand in 2020). Interest accrued in 2021 for this debt totalled EUR 3,828 thousand (EUR 4,060 thousand at 31 December 2020), with EUR 3,619 thousand outstanding as at 31 December 2021.

With regard to this funding, please note that on 12 July 2021 the Company offered its bondholders the option of an early buyback for a purchase price of the principal + 1%. Said offer was accepted and paid on 23 July 2021 by bondholders holding bonds in the amount of EUR 17.3 million, where EUR 122.7 million of the nominal value was therefore pending payment at 31 December 2021. The latter amount was paid on 17 February 2022. Guarantees on the mortgaged property assets were cancelled on 22 February 2022 (Note 19).

Issue in the 2021 period for EUR 400 million

On 22 July 2021, the Company carried out a placement of bonds amounting to a total of EUR 400 million, with no established guarantees, each with a nominal value of EUR 100 thousand.

The main characteristics of the issue are as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.
- Amount of the issue: EUR 400,000 thousand.
- Nominal value of each bond: EUR 100 thousand.
- Maturity: 22/07/2026. In certain circumstances the early amortisation of this instrument is possible.
- Interest rate: 1.75%
- Nature of the issue: Simple bonds.

The issuance expenses associated with this issue amounted to EUR 4,923 thousand, which were recorded by reducing the debt. In 2021, EUR 417 thousand of these expenses have been charged to the entry "Financial costs" on the Consolidated Comprehensive Income Statement for the period. The interest accrued at 31 December 2021 and payable at that date totalled EUR 3,106 thousand.

Issue in the 2021 period for EUR 300 million

On 3 November 2021, the Company carried out a placement of bonds amounting to a total of EUR 300,000 million, each with a nominal value of EUR 100 thousand.

The main characteristics of the issue are as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.
- Amount of the issue: EUR 300,000 thousand.
- Nominal value of each bond: EUR 100 thousand.
- Maturity: 03/11/2028. In certain circumstances the early amortisation of this instrument is possible.
- Interest rate: 1.84%.
- Nature of the issue: Simple bonds.

The issuance expenses associated with this issue initially amounted to EUR 1,889 thousand, which were recorded by reducing the debt. In 2021, EUR 43 thousand of these expenses have been charged to the entry "Financial costs" on the Consolidated Comprehensive Income Statement for the period. The interest accrued at 31 December 2021 and payable at that date totalled EUR 879 thousand.

Covenants associated with corporate bonds

As in the bond issuance cancelled in February 2022 (Note 19) the two bond issuances issued by the Group have clauses on the fulfilment of certain financial ratios, calculated using the consolidated financial statements each year of the Group in which the Company is the Parent Company.

With respect to the bonds, the issue entails the Group's obligation to fulfil certain ratios calculated using the consolidated financial statements.

- A financial debt ratio equal to or lesser than 60%, calculated as consolidated financial debt divided by the total consolidated value of the asset.

- A guaranteed financial debt ratio equal to or less than 40%, calculated as guaranteed consolidated financial debt divided by the consolidated value of the asset.

- An interest coverage ratio higher than 2.1, calculated as EBITDA divided by the financial expenses for the period.

- A total untaxed ratio asset less than 1.25.

The result of failing to meet said ratios is early maturity, where such failure can be corrected within 30 days after notice thereof is given by the fiscal agent or by any of the bondholders. In this sense, the Directors believe said ratios are met as at the date of these consolidated financial statements. They also expect them to be met in the next twelve months.

ii) Short-term borrowings from Group companies and associates

At 31 December 2021 current accounts were formalised with subsidiaries. The amounts of these accounts totalled EUR 30,232 thousand (EUR 36,538 thousand at 31 December 2020). Said current accounts accrue fixed interest at a rate of 0.21% and any interest is payable yearly. The formalised contracts are tacitly renewed for one-year periods, unless express notification to the contrary is received (Note 16).

Financial interest accrued in 2021 amounted to an expense of EUR 105 thousand (EUR 76 thousand in 2020), such interest being recorded under "Financial expenses - Borrowings with Group companies and associates" (Note 16).

iii) Bank borrowings

As of 31 December 2021, the Company has a credit line amounting to 30,000 thousand euros available (0 euros as of 31 December 2021). Interest accrued in the 2021 period totalled EUR 216 thousand (EUR 137 thousand in 2020).

In addition, on 26 October 2018 the Company formalised a funding line in the amount of EUR 70,000 thousand with the European Investment Bank ("EIB"). Said loan matures 7 years from the first withdrawal. On 4 May 2020 the entire amount of the loan was drawn down. Interest accrues biannually and the interest rate is 1.67%. Accrued interest in 2021 totalled EUR 1,193 thousand (EUR 933 thousand in 2020), where EUR 185 thousand was outstanding as at 31 December 2021.

In terms of the funding from the EIB, the Company undertakes to maintain, at all time, on the basis of the consolidated financial statements of the Group of the which it is the Parent Company, a Loan to Value Ratio of less than 50% (taking into account the net financial debt), a debt service coverage ratio greater than or equal to 2.5x and a net financial debt / net equity ratio of less than 1.0x.

The Directors believe the aforesaid ratios are met at 31 December 2021 and believe they will be met throughout the contract.

(Expressed in thousands of Euros)

(11) TRADE AND OTHER PAYABLES

Details of trade and other payables at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Sundry creditors	741	654
Suppliers, related companies (Note 16)	862	1,811
Personnel	147	107
Public entities, other (Note 13)	2,102	724
Total	3,852	3,296

(12) INFORMATION ON THE AVERAGE NUMBER OF DAYS PAYABLE OUTSTANDING TO SUPPLIERS

Information appears below, as required by Additional Provision Three of Law 15/2010 of 5 July (amended through the Final Second Provision of Law 31/2014, of 3 December), drawn up in accordance with the Decision of 29 January 2016 by the Spanish Accounting and Audit Institute (ICAC), on information to be included in the report on the financial statements regarding the average payment period to suppliers in commercial transactions.

	2021	2020
	Days	Days
Average number of days payable outstanding to suppliers	28	30
Ratio of paid operations	28	32
Ratio of outstanding operations	30	6
	Thousands of	Thousands of
Total effected payments	22,571	14,949
Total outstanding payments	215	1,232

Pursuant to the Resolution by Spain's Accounting and Audit Institute on the calculation of the average number of days payable outstanding to suppliers, commercial transactions corresponding to the delivery of goods or rendering of services accrued since the date Law 31/2014 of 3 December entered into force were taken into consideration.

(Expressed in thousands of Euros)

"Suppliers", for the exclusive purpose of providing the information envisaged in this Decision, are those trade payables to suppliers of goods and services included under "Short-term suppliers, related parties" and "Sundry creditors" under the current liabilities on the balance sheet.

"Average number of days payable outstanding to suppliers" is understood to mean the time passed between the delivery of goods or the rendering of services by the supplier and the material payment of the transaction.

The maximum legal payment period applicable to the Company in the 2014/15 period according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July, is 60 days until the publication of Law 11/2013 of 26 July and 30 days as of the publication of said Law and as of today's date (unless the conditions established in same are met, which would allow said maximum payment period to be extended to 60 days).

(13) PUBLIC ENTITIES AND TAXATION

(a) Balances with public entities

Details on balances with public entities at 31 December 2021 and 2020 are as follows:

Receivables

	2021	2020
	Thousands of Euros	Thousands of Euros
Public entities, other	—	14
	—	14

Payables

	2021	2020
	Thousands of Euros	Thousands of Euros
Taxation authorities, VAT payable	2,026	653
Taxation authorities, personal income tax	70	66
Social Security payable	6	5
	2,102	724

(Expressed in thousands of Euros)

The amounts included in "Taxation authorities, VAT recoverable" mainly correspond to the amount paid in January 2022 for VAT accrued in December 2021.

(b) Reconciliation of accounting profit and income

At 31 December 2021 and 2020, the taxable fiscal base comprises the following items:

	Thousands of Euros	
	31/12/2021	31/12/2020
Profit before taxes	18,594	20,211
Permanent differences	(7)	189
Temporary differences	1,728	827
Taxable income (tax loss)	20,315	21,227
Tax payable (0%)	—	—
Corporation tax expense/income	—	—

As of the 2014 period the Company is included under the SOCIMI tax regime. Pursuant to what is established therein, the tax rate applicable to the tax base is 0%, such that no expense has been recorded for Corporate Income Tax.

Deferred tax assets and liabilities

The Company has not recorded deferred tax assets for the temporary differences because the applicable rate is calculated at 0%.

(Expressed in thousands of Euros)

(c) Periods pending verification and inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 2021 year-end, the Company has the last four financial years open for inspection.

On 11 December 2019, inspections were started regarding the company Lar España Real Estate Socimi, S.A. to partially verify and inspect the following items and periods:

Item	Periods
Corporate Income Tax	2015 to 2018
Value Added Tax	2015 to 2018
Withholdings/direct deposit from work and	09/2015 to 12/2018
Withholdings/direct deposit from movable capital	09/2015 to 12/2018
Withholdings from non-resident tax	09/2015 to 12/2018

According to the initial notification, the inspecting body reported that the scope of the procedure would be confined to the proper verification of the regional taxation authority tax rates for the aforesaid items. Nevertheless, by means of a notification dated 16 July 2021, the inspections were expanded to include the verification of the VAT for the 2015 and 2016 periods on property transfers of any nature that were carried out.

The Company's Directors consider that the aforementioned taxes have been adequately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of operations, the Company's adjoined financial statements would not be significantly affected by any resulting liabilities.

On 7 February 2022, after the verification and inspection concluded, five certificates were signed in witness whereof, the result of which was a payment of zero Euros for all taxes and periods. Nevertheless, a sixth certificate was signed but contested, regarding the verification of VAT for the 2015 and 2016 periods. According to the contents of this last certificate, the proposed settlement comprised a total of EUR 41,683 thousand, EUR 34,313 thousand for the tax and EUR 7,370 thousand in interest on arrears. If the regularisation proposal is ultimately confirmed by the tax administration and the courts, neither the VAT payable nor the late interest to be paid would be recoverable.

According to the inspecting body, said regularisation proposal was the result of not having adhered to the terms of Article 110 of Law 37/1992, of 28 December, on Value Added Tax, by regularising the amounts of the tax paid in the 2014 period for the acquisition of various investment assets that the Company transferred in 2015 and 2016 to the following subsidiaries:

- Office building located at C/ Arturo Soria nº 366, Madrid, contributed to the company LE Offices Arturo Soria, S.L., due to the incorporation thereof on 21 September 2015.
- Commercial building Parque de Medianas de Villaverde, contributed to the company, LE Retail Villaverde, S.L.U., due to the incorporation thereof on 21 September 2015.
- Undivided interest and estate located in the Albacenter shopping centre, located in Albacete, contributed to the company, LE Retail Albacenter, S.L., due to the incorporation thereof on 29 April 2016.
- Office building and parking located at Calle Cardenal Marcelo Spínola 42, Madrid, contributed to the company, LE Offices Marcelo Spínola 42, S.L.U., due to the incorporation thereof on 29 April 2016.
- Commercial building called L´Anec Blau Centro Comercial y Ocio located at Castelldefels, Barcelona, contributed to the company, LE Retail Anec Blau, S.L., due to the incorporation thereof on 29 April 2016.
- Business premises located in the Huertas shopping centre located at Avenida Madrid, Palencia, contributed to the company LE Retail las Huertas, S.L., due to the incorporation thereof on 29 April 2016.

The directors of the Company, with the support of the Group's tax advisors, believe that said regularisation proposal is not lawful. To this end, arguments shall be submitted against the certificate signed but contested and, where appropriate, the definitive settlement will be challenged if the settlement is not in the Company's best interests. The Directors, with the support of the Group's tax advisors, believe that their claims will be approved, either through the administrative or judicial channel, and that ultimately no amount will need to be paid. For this reason they have not registered any provision in these consolidated financial statements.

The Company's Directors consider that the aforementioned taxes have been adequately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of operations, the Company's adjoined financial statements would not be significantly affected by any resulting liabilities.

(Expressed in thousands of Euros)

(d) Reporting requirements for SOCIMIs pursuant to Law 11/2009 amended by Law 16/2012

	2021 Period
a) Reserves from periods prior to the application of the tax regime provided in Law 11/2009, amended by Law 16/2012 of 27 December.	-
b) Reserves for each period in which the special tax regime provided by that Law is applicable	2021 profits proposed to be distributed to reserves: EUR 1,859 thousand to the legal reserve. 2020 profits to be distributed to reserves: EUR 2,021 thousand to the legal reserve. 2019 profits to be distributed to reserves: EUR 6,111 thousand to the legal reserve. 2018 profits to be distributed to reserves: EUR 7,608 thousand to the legal reserve and EUR 121 thousand to the voluntary reserve. 2017 profits to be distributed to reserves: EUR 1,921 thousand to the legal reserve and EUR 4 thousand to the voluntary reserve. 2016 profits to be distributed to reserves: EUR 380 thousand to the legal reserve and EUR 4 thousand to the voluntary reserve. 2015 profits to be distributed to reserves: EUR 501 thousand to the legal reserve and EUR 6 thousand to voluntary reserves. 2014 profits to be distributed to reserves: EUR 166 thousand to the legal reserve and EUR 167 thousand to voluntary reserves.
a. Profits from income subject to the general income tax rate	2019 profits: EUR 2,176 thousand. 2018 profits: EUR 5,165 thousand.
b. Profits from income subject to a tax rate of 19%	-
c. Profits from income subject to a tax rate of 0%	2021 profits: EUR 18,594 thousand. 2020 profits: EUR 20,211 thousand. 2019 profits: EUR 58,935 thousand. 2018 profits: EUR 70,917 thousand. 2017 profits: EUR 19,211 thousand. 2016 profits: EUR 3,800 thousand. 2015 profits: EUR 5,006 thousand. 2014 profits: EUR 1,664 thousand.
c) Dividends distributed against profits for each period in which the tax regime provided by this Law is applicable	Proposed dividend distribution for 2021: EUR 30,000 thousand. Dividend distribution for 2020: EUR 18,190 thousand. Dividend distribution for 2019: EUR 55,000 thousand. Dividend distribution for 2018: EUR 68,353 thousand. Dividend distribution for 2017: EUR 17,286 thousand. Dividend distribution for 2016: EUR 3,416 thousand. Dividend distribution for 2015: EUR 4,499 thousand. Dividend distribution for 2014: EUR 1,331 thousand.

(Expressed in thousands of Euros)

Dividends from income subject to the general income tax rate	Proposed dividend distribution for 2018: EUR 5,165 thousand.
b. Dividends from income subject to a tax rate of 18% (2009) and 19% (2010 to 2012)	-
c. Dividends from income subject to a tax rate of 0%	Proposed dividend distribution for 2021: EUR 16,735 thousand. Dividend distribution for 2020: EUR 18,190 thousand. Dividend distribution for 2019: EUR 55,000 thousand. Dividend distribution for 2018: EUR 68,353 thousand. Dividend distribution for 2017: EUR 17,286 thousand. Dividend distribution for 2016: EUR 3,416 thousand. Dividend distribution for 2015: EUR 4,499 thousand.
d) Distributed dividends charged against	-
Distribution charged against reserves subject to the general income tax rate	-
b. Distribution charged against reserves subject to a tax rate of 19%	-
c. Distribution charged against reserves subject to a tax rate of 0%	Proposed dividend distribution for 2021 against the issue premium: EUR 13,266 thousand. Distribution of dividends for 2020 against the 2020 issue premium: EUR 9,310 thousand. Distribution of dividends for 2018 against the issue premium: EUR 6,647 thousand. Distribution of dividends for 2017 against the issue premium: EUR 27,714 thousand. Distribution of dividends for 2016 against the issue premium: EUR 26,565 thousand. Distribution of dividends for 2015 against the issue premium: EUR 7,521 thousand.
e) Date of the agreement of the distribution of the dividends referenced in c) and d) above	2021 dividends: Pending approval. 2020 dividends: 22/04/2021 2019 dividends: 17/03/2020 2018 dividends: 25/04/2019 2017 dividends: 19/04/2018 2016 dividends: 29/05/2017 2015 dividends: 21/04/2016 2014 dividends: 27/04/2015

(Expressed in thousands of Euros)

f) Date of acquisition of properties for lease that generate income subject to this special regime	2016: Txingudi shopping centre: 24 March 2014 Las Huertas shopping centre: 24 March 2014 Albacenter shopping centre: 30 July 2014 Anec Blau shopping centre: 31 July 2014 Marcelo Spínola office building: 31 July 2014 2015: Txingudi shopping centre: 24 March 2014 Las Huertas shopping centre: 24 March 2014 Albacenter shopping centre: 30 July 2014 Anec Blau shopping centre: 31 July 2014 Marcelo Spínola office building: 31 July 2014 2014: Txingudi shopping centre: 24 March 2014 Las Huertas shopping centre: 24 March 2014 Albacenter shopping centre: 30 July 2014 Anec Blau shopping centre: 31 July 2014 Marcelo Spínola office building: 31 July 2014 LE Logistic Alovera I y II, S.A.U.: 23 July 2014
g) Date of acquisition of shares in the capital of the entities referenced in Article 2.1 of this Law.	LE Retail As Termas, S.L.U.: 18 December 2014 LE Logistic Almussafes, S.L.U.: 04 March 2015 LE Logistic Alovera III y IV, S.L.U.: 04 March 2015 LE Retail Hiper Ondara, S.L.U.: 09 June 2015 LE Offices Joan Miró 21, S.L.U.: 04 March 2015 LE Retail El Rosal, S.L.U.: 07 July 2015 LE Retail VidaNova Parc, S.L.U.: 26 March 2015 LE Retail Megapark, S.L.U.: 29 May 2015 LE Retail Galaria, S.L.U.: 20 July 2015 LE Retail Lagoh, S.L.U.: 04 August 2015 LE Retail Vistahermosa, S.L.U.: 04 August 2015 LE Retail Sagunto II, S.L.U.: 04 August 2015 LE Retail Villaverde, S.L.U.: 21 September 2015 LE Retail Anec Blau, S.L.U.: 29 April 2016 LE Retail Albacenter, S.L.U.: 29 April 2016 LE Retail Txingudi, S.L.U.: 29 April 2016 LE Retail Las Huertas, S.L.U.: 29 April 2016 LE Retail Portal de la Marina, S.L.U.: 41.22% on 30 March 2016 and 58.78% on 10 October 2014. LE Retail Gran Vía de Vigo, S.A.U.: 15 September 2016 LE Retail Abadía, S.L.U.: 27 March 2017 LE Retail Rivas, S.L.U.: 06 February 2018 LE Retail Córdoba Sur, S.L.U.: 15 January 2019

(Expressed in thousands of Euros)

h) Identification of the asset included in the 80% mentioned in Article 3.1 of this Law	- Investment property: Txingudi shopping centre Las Huertas shopping centre Albacenter shopping centre Anec Blau shopping centre Albacenter hypermarket As Termas shopping centre Portal de la Marina hypermarket El Rosal shopping centre Portal de la Marina shopping centre As Termas petrol station VidaNova Parc Business Park Megapark shopping centre Vistahermosa business park Gran Vía de Vigo shopping centre Abadía business park and shopping centre Megapark recreation area Rivas business park Lagoh shopping centre - Capital investments: LE Logistic Alovera I y II, S.A.U.: 23 July 2014 LE Retail Hiper Albacenter, S.A.U.: 04 November 2014 LE Retail Alisal, S.A.U.: 04 November 2014 LE Offices Eloy Gonzalo 27, S.A.U.: 18 December 2014 LE Retail As Termas, S.L.U.: 18 December 2014 LE Logistic Almussafes, S.L.U.: 04 March 2015 LE Logistic Alovera III y IV, S.L.U.: 04 March 2015 LE Retail Hiper Ondara, S.L.U.: 09 June 2015 LE Offices Joan Miró 21, S.L.U.: 04 March 2015 LE Retail El Rosal, S.L.U.: 07 July 2015 LE Retail VidaNova Parc, S.L.U.: 26 March 2015 LE Retail Galaria, S.L.U.: 20 July 2015 LE Retail Lagoh, S.L.U.: 04 August 2015 LE Retail Vistahermosa, S.L.U.: 04 August 2015 LE Retail Sagunto II, S.L.: 04 August 2015 LE Retail Villaverde, S.L.U.: 21 September 2015 LE Retail Anec Blau, S.L.U.: 29 April 2016 LE Retail Albacenter, S.L.U.: 29 April 2016 LE Retail Txingudi, S.L.U.: 29 April 2016 LE Retail Las Huertas, S.L.U.: 29 April 2016 LE Retail Gran Vía de Vigo, S.A.U.: 15 September 2016 LE Retail Abadía, S.L.U.: 27 March 2017 LE Retail Rivas, S.L.U: 06 February 2018 LE Retail Cordoba Sur, S.L.U.: 15 January 2019

i) Reserves from periods in which the special tax regime provided in this Law was applicable that have been applied in the tax period other than for the distribution thereof or to offset losses. The period from which these reserves have been taken must be specified.	-

(14) RISK MANAGEMENT POLICY

(a) Financial risk factors

The Company's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and interest rate risk in cash flows and the risk associated with the special SOCIMI tax regime. The Company's global risk management plan focuses on the uncertainty of the financial markets and tries to minimise the possible adverse effects on the Company's financial profitability.

The Senior Management of the Company manages risks in accordance with policies approved by the board of directors. Senior management identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units. The Board of Directors issues global risk management policies in writing, as well as policies for specific issues such as market risk, interest rate risk, liquidity risk and investments of cash surpluses.

(i) *Market risk*

The emergence of the Coronavirus COVID-19 in China in January 2020 and its recent global spread to many countries led the World Health Organisation to define the viral outbreak as a pandemic since March 11. Specifically, this has caused the Group's real estate assets to be completely or partially closed, pursuant to the terms of Note 2j, resulting in uncertainty regarding the cash flows thereof, as well as an absence in the real estate operations market. In light of current conditions in the property sector, the Group has established a series of specific measures for minimising said impact on its financial position.

In light of current conditions in the property sector, the Group has established specific measures that it plans to adopt to minimise their impact on its financial position.

The application of these measures is dependent on the outcome of the sensitivity analyses that the Group performs periodically. These analyses take the following factors into consideration:

- The economic environment in which the Group performs its activity: the design of various economic scenarios with different key variables that can affect the Group (interest rates, share price, occupancy rates of investment property, NPL increase, increase in waivers granted, market shrinkage, etc.).

- The identification of variables that are interconnected and their degree of connection.

- Time frame for the assessment: the time frame shall take into account the analysis and potential deviations therefrom.

Cash and cash equivalents

At 31 December 2021 the Company has cash and cash equivalents totalling EUR 249,538 thousand, which represents its maximum exposure to risk associated with these assets (EUR 33,559 thousand at 31 December 2020).

This balance includes the amounts invested in the investment funds the Parent Company has contracted that are managed by Banco Santander and BBVA for a total amount of EUR 209,598 thousand. The availability of these funds is immediate and the investment therein comprises the remaining cash the Group has to cover its short-term payment commitments.

Cash and cash equivalents are held at banks and financial institutions with a high credit rating. The entire balance is unrestricted.

(ii) *Liquidity risk*

Defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company applies a prudent policy to cover its liquidity risks based on having sufficient liquidity to meet its obligations when they fall due in both normal and stressed conditions, without incurring unacceptable losses or placing the Company's reputation at risk.

The Company's Directors and Management made the decision to carry out two unsecured green bond issuances in the amount of EUR 400 million and EUR 300 million to strengthen the liquidity position and adjust the maturities of its debt to the cash flows envisaged in the Group's business plan. Said green bond issuances were successfully completed in July 2021 and November 2021, respectively, and allowed the Group to handle the maturity of its short-term debt, with the exception of an amount of secured simple bonds in force totalling EUR 122.7 million, which were paid on 17 February 2022 (Note 19).

(Expressed in thousands of Euros)

The Company's exposure to liquidity risk at 31 December 2021 and 2020 is detailed below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

2021

	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1	More than 1 year	Indefinite	Total
Financial liabilities from issue of bonds (*)	—	129,702	—	693,647	—	823,349
Bank borrowings (*)	—	—	185	69,922	—	70,107
Borrowings with Group companies and associates (a)	—	—	30,232	—	—	30,232
Trade and other payables	3,141	711	—	—	—	3,852
Total	3,141	130,413	30,417	763,569	—	927,540

2020

	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1	More than 1 year	Indefinite	Total
Financial liabilities from issue of bonds (*)	—	3,482	—	139,685	—	143,167
Other non-current liabilities - security deposits and guarantees	—	—	—	—	39	39
Bank borrowings (*)	—	—	30,125	69,900	—	100,025
Borrowings with Group companies and associates (a)	—	—	36,538	—	—	36,538
Trade and other payables	1,542	1,754	—	—	—	3,296
Total	1,542	5,236	66,663	209,585	39	283,065

(a) This amount corresponds to the current accounts pledged with subsidiaries. Although these accounts mature on 31 December 2018, they are tacitly extended on an annual basis.

** The effect of measuring the financial liabilities from bonds at amortised cost amounts, which mature in 2022, decreases the nominal value of these liabilities by EUR 6,389 thousand (EUR 315 thousand in 2020).*

In turn, the effect of valuing bank borrowings at amortised cost decreases the nominal value of these liabilities by EUR 79 thousand (EUR 100 thousand at 31 December 2020).

(iii) <u>*Cash flow and fair value interest rate risks*</u>

At 31 December 2021, the Company had various investment funds contracted with financial institutions in the total amount of EUR 210,000 thousand in order to reduce the impact of the financial costs of bank account maintenance.

At the reporting date, revenue and cash flows from the Company's operating activities are not significantly affected by fluctuations in market interest rates. At 31 December 2021, the Company held a financial liability for simple, fixed-rate bonds issued for a nominal amount of EUR 122,700 thousand, in addition to the green bonds issued in the amount of EUR 400 million and EUR 300 million with an interest rate of 1.75% and 1.84%, respectively. The Company also has a loan granted by the EIB for a total of EUR 70 million (Note 10).

(iv) <u>*Tax risk*</u>

As mentioned in Note 1, the Company and part of the subsidiaries thereof have availed themselves of the special tax regime for SOCIMIs.

Among the obligations that the Company must comply with are some that are more formalistic in nature, such as the inclusion of the term SOCIMI in the corporate name, the inclusion of certain information in the notes to the individual financial statements, being listed on a stock exchange, etc., and others that additionally require the preparation of estimates and the application of rulings by the Management (determination of tax income, income tests, asset tests, etc.) that may be complex, especially considering that the SOCIMI Regime is relatively recent and its development has been carried out, fundamentally, through the General Directorate of Taxation's response to queries raised by different companies. In this sense, Group Management, with the support of its tax advisers, evaluated its completion of the requirements of the SOCIMI regime, concluding that at 31 December 2021 all requirements were satisfied. Therefore, the Company shall continue to avail itself of the SOCIMI tax regime, and this has been taken into account when drawing up these financial statements.

Should the Group not satisfy the requirement established in the Regime or the Company's Shareholders' Meeting not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements set forth in the aforementioned law, the companies would be in breach of said law and, consequently, would have to file their tax returns under the general tax regime rather than that applicable to SOCIMIs (Note 1).

(v) *Capital management*

The Company is essentially financed with its own capital and financial debt. The Company resorted to market financing through mortgage-backed loans or other means of funding to fund the acquisition of new investments. In addition, in 2015 the Company issued simple bonds and in 2021 it carried out two green bond issuances (Note 10).

The Company manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Company can adjust the amount of dividends payable to shareholders (within the limits established by the SOCIMI regime), reimburse capital, issue shares or dispose of assets to reduce debt.

(vi) *Environmental information*

Lar España is aware that integrating sustainability into the business model is essential in order to create value for both stakeholders and shareholders. Consequently, in recent years appropriate measures based on various international standards have been implemented.
As part of the risk assessment performed annually, the Company carries out a study of the main climate risks that could affect the continuity of its business, as well as of the different controls that are implemented for mitigating these risks.
Since January 2016, following the approval of its Sustainability Policy, Lar España has drafted an ESG Master Plan, which is aligned with the SDGs of the United Nations and the Paris Agreement (COP21), for the main purpose of obtaining a clear and defined road map at Company level. After drafting this Plan, the Company started work on other more specific plans focusing on more precise aspects, such as:

- At climate change level, the Company has prepared a comprehensive Carbon Footprint Reduction Plan with the aim of establishing a clear emission neutrality goal. As part of this plan, measures have been designed that are adapted to each of the assets and will be implemented in forthcoming years in line with the investment plans and the progress of the different technologies in this field.
- At environmental level the Company has developed, in conjunction with a specialised company, an Energy Efficiency Plan which is being implemented on an asset-by-asset basis following Energy Audits and is supported by an automated data platform to obtain data on asset consumption and emissions, enabling live monitoring, and has

been designed and implemented specifically for Lar España. In addition, the Company is carrying out a study on the implementation of photovoltaic panels at most of the portfolio assets, after obtaining energy contracts with guarantees of origin in all its portfolio assets.

- Regarding contribution to the Circular Economy principles, and as a step forward in the fight against climate change, Lar España developed a Waste Management Plan to increase its knowledge of the type of waste generated by the assets, and to centralise waste management at Company level. During 2021 various measures have been taken at the centres, such as installing specific recycling points, identifying and cataloguing a higher proportion of waste and studying different waste treatment alternatives. The Company's aim is to continue working on this matter to obtain a higher level of control over the waste generated by its activity and over the routes used for disposing of this waste, which will have a positive impact on the organisation's Carbon Footprint.

Additionally, Lar España was proud to register its carbon footprint for 2018 and 2019 with Spain's Ministry for the Ecological Transition and the Demographic Challenge (MITECO). This scheme is part of Spain's national strategy, aligned with that of the European Union. We have now also presented our report on our activities in 2020.

Once the data for 2021 has been registered over the coming months, we will have register our carbon footprint with MITERD for four consecutive years, being eligible to receive the "Reduzco" (I reduce) seal.

As part of this process, the Company submitted its Emissions Reduction Plan to the Ministry as another step towards carbon neutrality, and a further affirmation of the Company's commitment to responsible and sustainable business operations.

In addition, over the course of 2021, we put together a long-term action plan in order to define the strategy we will follow to successfully reduce our emissions. Our proposed measures include:

1. Continuing our policy of using guaranteed renewable electricity sources at all strategic properties.

2. Expanding the use of renewable energy systems across our portfolio.

3. 3. Applying the findings of technical-economic studies into the potential for investing in solar photovoltaic energy at strategic properties and promoting on-site renewable energy generation.

4. 4. Completing and launching our own automated system for monitoring energy use, based on telematic technology.

5. 5. Implementing predictive maintenance programmes and more proactive inspection protocols for airconditioning systems to prevent coolant leaks.

6. Ongoing schedule to replace older machinery and equipment with more efficient, sustainable and low-emissions alternatives.

Sustainable mobility

Sustainable mobility is a concept that came about to counteract the environmental and social problems associated with urban transport. At Lar España, we see it as a way of adding value to the properties in our portfolio, and as such it is one of our priority areas of focus. Which explains why we are studying the different ways of implementing sustainable mobility solutions at each of our assets.

The main projects underway are:

• Electric car charging points.
• Car sharing.
• Walkways, improved pedestrian access to shopping centres and their surrounding areas.
• Campaign to promote the use of public transport, bus stops and taxis.
• Parking areas and access routes for bicycles, scooters and motorcycles, along with designated parking spaces for families and emergency vehicles near the main entrances, with a guided parking system.

Out of the 14 properties in Lar España's portfolio, 13 currently feature electrical vehicle charging points. In other words, more than 90% of Lar España's portfolio offered the option to charge electric vehicles as of 31 December 2021. There are currently 155 electrical vehicle charging points installed at Lar España's properties, with a further 75 due to be installed, amounting to a total of 230 charging points.

Certificates

The Company remains committed to participating in assessment and certification schemes to guarantee that the operation of all its properties is as sustainable as possible. Throughout 2021, we forged ahead with our Renewal Plan for certifications renewing 8 certificates, 7 of which have a higher score than the previous one.

(Expressed in thousands of Euros)

We also continued to move forward with our plan to achieve certification for our retail parks, setting ourselves the ambitious target of 100% of our portfolio becoming BREEAM-certified within the first few months of 2022. 2021 saw us get off to a strong start here, with Parque Abadía being awarded a new certificate, achieving a "Very Good" rating in both categories.

For the fourth year running, Lar España has taken part in the GRESB (Global Sustainability Real Estate Benchmark) assessment process, which has become the benchmark for assessing commitment to environmental, social and good governance (ESG) issues in the real estate sector.

This equates to a 25% increase in its rating compared to the previous year, and an increase of over 50% compared to its rating in 2019 and almost +90% compared to the first year Lar España took part in this index in 2018. This demonstrates Lar España's commitment to sustainability, society and good governance best practices as well as the progress it has made in these areas.

(15) REVENUE AND EXPENSES

(a) Net turnover

Distribution of the net turnover for the 2021 and 2020 financial years, by business category and by geographical market is as follows:

	2021	2020
	Thousands of Euros	Thousands of
Revenue from stakes in equity instruments:		
Revenue from dividends (Note 16a)	10,166	24,474
Revenue from invoicing financial expenses within the Group (Note 16a)	9,930	4,364
	20,096	28,838

(Expressed in thousands of Euros)

	2021	2020
	Thousands of Euros	Thousands of Euros
Spain	20,096	28,838
	20,096	28,838

(b) Personnel expenses

Details of employee benefits expense for 2020 and 2019 are as follows:

	Thousands of Euros	
	2021	2020
Salaries and wages	541	412
Other benefits and taxes	51	62
	592	474

(c) Other operating expenses

The details of "Other operating expenses" in years 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Services by independent professionals	1,272	1,143
Insurance premiums	191	139
Bank fees and commissions	7	4
Advertising and publicity	56	49
Utilities	2	2
Other expenses	615	591
Taxes	5	5
	2,148	1,933

On 31 December 2021 Lar España Real Estate SOCIMI, S.A. invoiced the subsidiaries it completely controls a total of EUR 10,409 thousand for management support services provided to these companies during the year (EUR 9,881 thousand at 31 December 2020). This amount appears net of the expenses included under "Independent professional services" (Note 16a).

(16) RELATED PARTY BALANCES AND TRANSACTIONS

(a) The Company's balances and transactions with related parties

Management agreement with Grupo Lar

On 12 February 2014, the Company signed an Investment Management Agreement with Grupo Lar Inversiones Inmobiliarias, S.A. (hereinafter "the Manager") for the rendering of management services by Grupo Lar Inversiones Inmobiliarias, S.A., including, among others, the acquisition and management of property assets on behalf of the Company and the financial management thereof.

On 19 February 2018 the Company entered into a new agreement with the manager, in order to novate the terms of the Investment Manager Agreement. According to the aforementioned novation, the IMA will be effective for 4 years from 1 January 2018. In addition, the structure of the fees payable to the Management Company (base fee and performance fee) was modified. As of 2018, the base fee to be paid to the Management Company is calculated based on the annual equivalent of the greater between (i) EUR 2 million and (ii) the sum of (a) 1.00% of EPRA NAV (excluding net cash) at 31 December for the previous period up to EUR 1,000 million and (b) 0.75% of the EPRA NAV (excluding net cash) at 31 December for the previous year for any amount that exceeds EUR 1,000 million.

The fixed amount accrued by the manager totalled EUR 8,609 thousand (EUR 8,496 thousand at 31 December 2020) (net of any expenses discounted based on the management agreement formalised between the parties, which totalled EUR 205 thousand) and is recorded under "Other operating expenses" on the adjoined Income Statement and was subsequently rebilled to subsidiaries (Note 16c). At 31 December 2021, the amount of EUR 715 thousand was pending payment (EUR 1,811 thousand at 31 December 2020).

Likewise, the performance fee to be paid to the Management Company is calculated based on the 16% increase in the Group's EPRA NAV over 10% and the 4% increase in the Parent Company's market capitalisation over 10%, adjusted in both cases for certain circumstances covered in the IMA, and shall be subject to a total limit equal to 3% of the EPRA NAV of the Group at 31 December of the previous year. Pursuant to Clause 7.2.2 of the management contract, Grupo Lar Inversiones Inmobiliarias, S.A. must use the amount earned as the Performance Fee (after deducting the applicable corporate income tax amount) to subscribe any shares that the Company may issue, or at the Company election, to acquire same's treasury shares.

In terms of the floating amount, EUR 134 thousand was recorded at 31 December 2021, which is pending payment. No figures were recorded at 31 December 2020 under this concept and therefore the Directors of the Company believe that developments of the EPRA NAV and market capitalisation at year-end did not reach either minimum established in the IMA for the accrual thereof.

On 29 December 2021, the Company entered into an agreement with its management company, for the purpose of renewing the terms of the Investment Management Agreement. According to the aforementioned novation, the IMA will be effective for 5 years from 1 January 2022. In addition, the structure of the fees payable to the Management Company (base fee and performance fee) was modified.

Rebilling between Group companies

In 2021, as in previous years, the Company has formalized service provision and management agreements with companies in its group for the period ended 31 December 2021, where the expenses of this nature incurred by the Company on the behalf of the Group companies are passed on.

In this sense, in 2021, the Company has invoiced EUR 10,409 thousand, net of VAT, for management support services (EUR 9,881 thousand in 2020). The Company's distribution approach is based on the relative weight of the underlying market value of each property asset of the investees over the total market value (calculated based on the latest available appraisal from the period immediately prior to 31 December of each period) of such property assets at the beginning of the relevant period.

Likewise, the Company has entered into agreements with the Group companies owning assets used to guarantee the issued bonds (Note 10) in order to pass on the financial cost thereof. The amount passed on as at 31 December 2021 for this item totalled EUR 4,293 thousand (EUR 4,364 thousand in 2020) and is recorded under "Net turnover".

The Company's distribution approach is based on the relative weight of the underlying market value of each pledged property asset of the investees over the total market value (calculated based on the latest available appraisal from the period immediately prior to 31 December of each period) of such property assets at the beginning of the relevant period.

In addition, the financial cost for the green bonds issued in the 2021 period (Note 10) were rebilled in the amount of EUR 4,445 thousand.

Revenues from receivables and shareholdings in Group and multi-group companies and associates

The amount of revenue the Company collects in terms of the dividends received from subsidiaries totalled EUR 10,166 thousand in 2021 (EUR 24,474 thousand in 2020). Of this amount, EUR 4,192 thousand corresponds to interim dividends distributed against the profit for 2021 of investees, where the remainder corresponds to the final dividends distributed against the profit for 2020 after the distribution of the profit of investees was approved.

Short-term borrowings from Group companies and associates

The Company has current accounts formalised with some subsidiaries. The sums of these accounts at 31 December 2021 totalled EUR 30,232 thousand (EUR 36,538 thousand at 31 December 2020). Said current accounts accrue fixed interest at a rate of 0.21% and any interest is payable yearly. The accounts mature yearly and are tacitly renewed for one-year periods, unless express notification to the contrary is received.

Financial interest accrued in 2021 amounted to an expense of EUR 105 thousand (EUR 66 thousand in 2020), such interest being recorded under “Financial expenses - Borrowings with Group companies and associates”.

Short-term credits with Group companies and associates

In 2021 and 2020, the Company formalised current accounts with certain subsidiaries completely owned by same, some of which have a debtor balance at 31 December 2021 of EUR 515,550 thousand (EUR 54,933 at 31 December 2020), due to the early payment of the mortgage loans associated with the shopping centres that the Company’s investees held with financial institutions (Note 10).

Financial interest accrued in 2021 comprised a revenue of EUR 374 thousand (EUR 52 thousand in 2020).

(Expressed in thousands of Euros)

(b) Details of related party balances and transactions

Transactions and balances with related parties in the 2021 and 2020 periods are as follows:

	2021						
	Thousands of Euros						
	Balances					Transactions	
	Loans and receivables		Payables	Current account		Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Receivable	Payable		
LE Retail Txingudi, S.L.U.	—	1,067	—	—	4,710	642	8
LE Retail Las Huertas, S.L.U.	—	144	—	—	1,802	42	2
LE Retail Anec Blau, S.L.U.	—	3,199	—	6,175		1,929	
LE Retail Albacenter, S.L.U.	—	1,443	(6)	—	5,408	853	8
LE Offices Marcelo Spínola, S.L.U.	—	—	—	—	6,452	—	14
LE Logistic Alovera I y II, S.A.U.	—	—	—	—	1,320	—	3
LE Offices Eloy Gonzalo 27, S.A.U.	—	—	—	—	399	—	1
LE Retail As Termas, S.L.U.	—	2,715	—	32,888		1,694	
LE Logistic Alovera III y IV, S.L.U.	—	—	—	—	623	—	1
LE Logistic Almussafes, S.L.U.	—	—	—	—	2,781	—	6
LE Retail Hiper Ondara, S.L.U.	—	4,620	—	147,342	—	1,460	16
LE Offices Joan Miró 21, S.L.U.	—	—	—	—	643	—	1
LE Retail VidaNova Parc, S.L.U.	—	656	—	18,746	—	192	15
LE Retail Galaria, S.L.U.	—	—	—	—	—	—	—
LE Retail Lagoh, S.L.U.	—	3,999	—	100,228	—	1,197	—
LE Retail Vistahermosa, S.L.U.	—	667	—	25,026	—	219	—
LE Retail Gran Vía de Vigo, S.A.U.	—	2,016	—	73,969	—	671	—
LE Retail Hiper Albacenter, S.A.U.	—	574	—	815	—	346	
LE Retail Alisal, S.A.U.	—	—	—	—	2,322	—	5
LE Retail El Rosal, S.L.U.	—	1,473	—	41,950	—	430	4
LE Retail Villaverde, S.L.U.	—	—	—	—	1,750	—	4
LE Retail Abadía, S.L.U.	—	1,191	—	41,399	—	357	—
Lar España Inversión Logística IV, S.L.U.	—	—	—	—	1,945	—	3
LE Retail Rivas, S.L.U.	—	917	—	26,173	—	270	14

(Expressed in thousands of Euros)

	2021						
	Thousands of Euros						
	Balances					Transactions	
	Loans and receivables		Payables	Current account		Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Receivable	Payable		
LE Retail Sagunto II, S.L.U.	—	6	—	—	77	2	—
LE Retail Córdoba Sur, S.L.U.	—	840	—	—	—	—	—
Inmobiliaria Juan Bravo 3, S.L.	—	—	—	—	—	—	—
Revenue from dividends (i)	—	4,192	—	—	—	10,166	—
Grupo Lar Inversiones Inmobiliarias, S.A.	—	—	(856)	—	—	—	—
	—	29,719	(862)	514,711	30,232	20,470	105

(*) Revenue from rebilling that is presented net of any external service expense, in accordance with Note 4i, totalled EUR 10,409 thousand at 31 December 2021.

(Expressed in thousands of Euros)

(i) The details of the dividends recorded in 2021 are as follows:

Company	Interim dividends over profit and loss at 31/12/2021	Complementary dividends over profit and loss at 31/12/2020	Total
LE Retail Alisal, S.A.U.	—	1	1
LE Logistic Almussafes, S.L.U.	—	—	—
LE Logistic Alovera I y II, S.A.U.	—	—	—
LE Logistic Alovera III y IV, S.L.U.	—	—	—
LE Retail As Termas, S.L.U.	383	64	447
LE Retail Galaria, S.L.U.	—	—	—
LE Retail Hiper Albacenter, S.A.U.	—	5	5
LE Retail Hiper Ondara, S.L.U.	934	200	1,134
LE Offices Eloy Gonzalo 27, S.A.U.	—	22	22
LE Offices Joan Miró 21, S.L.U.	—	1	1
LE Retail Villaverde, S.L.U.	—	—	—
LE Retail Vistahermosa, S.L.U.	657	275	932
LE Retail Gran Vía de Vigo, S.A.U.	—	373	373
LE Retai Abadía, S.L.U.	905	(117)	788
LE Retail Anec Blau, S.L.U.	—	180	180
LE Retail Txingudi, S.L.U.	—	227	227
LE Retail Albacenter, S.L.U.	536	13	549
LE Retail Las Huertas, S.L.U.	—	51	51
Lar España Inversión Logística IV, S.L.U.	—	5	5
LE Retail Rivas, S.L.U.	—	140	140
LE Retail VidaNova Parc, S.L.U.	—	758	758
Le Retail Sagunto II, S.L.U.	—	—	—
LE Retail El Rosal, S.L.U.	330	582	912
LE Retail Lagoh, S.L.U.	447	3,194	3,641
Total	**4,192**	**5,974**	**10,166**

The interim dividends over profit and loss at 31 December 2021 were approved on 31 December 2021 and were paid on 27 January 2022. Likewise, complementary dividends from the 2020 profit were liquidated in less than a month from the approval thereof.

(Expressed in thousands of Euros)

	2020						
	Thousands of Euros						
	Balances					Transactions	
	Loans and receivables		Payables	Current account		Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Receivable	Payable		
LE Retail Txingudi, S.L.U.	—	944	—	—	—	776	—
LE Retail Las Huertas, S.L.U.	—	282	—	—	—	231	—
LE Retail Anec Blau, S.L.U.	—	2,888	—	9,158	—	2,350	—
LE Retail Albacenter, S.L.U.	—	1,449	—	—	—	987	—
LE Offices Marcelo Spínola, S.L.U.	—	—	—	—	6,476	—	(10)
LE Logistic Alovera I y II, S.A.U.	—	—	—	—	1,269	—	(2)
LE Offices Eloy Gonzalo 27, S.A.U.	—	—	—	—	420	—	(3)
LE Retail As Termas, S.L.U.	—	843	—	37,541	—	709	—
LE Logistic Alovera III y IV, S.L.U.	—	—	—	—	622	—	(1)
LE Logistic Almussafes, S.L.U.	—	—	—	—	2,794	—	(6)
LE Retail Hiper Ondara, S.L.U.	—	2,737	—	—	15,767	2,198	(33)
LE Offices Joan Miró 21, S.L.U.	—	—	—	—	642	—	(1)
LE Retail VidaNova Parc, S.L.U.	—	409	—	—	—	330	—
LE Retail Galaria, S.L.U.	—	—	—	—	—	—	—
LE Retail Lagoh, S.L.U.	—	2,475	—	5,166	—	2,005	—
LE Retail Vistahermosa, S.L.U.	—	393	—	—	—	317	—
LE Retail Gran Vía de Vigo, S.A.U.	—	1,305	—	899	—	1,039	—
LE Retail Hiper Albacenter, S.A.U.	—	497	—	813	—	411	—
LE Retail Alisal, S.A.U.	—	—	—	—	2,228	—	(5)
LE Retail El Rosal, S.L.U.	—	896	—	945	—	709	—
LE Retail Villaverde, S.L.U.	—	—	—	—	1,661	—	(4)
LE Retail Abadía, S.L.U.	—	696	—	387	—	563	—
LE Retail Hipermercados I, S.L.U.	—	514	—	—	1,300	425	—
LE Retail Hipermercados II, S.L.U.	—	522	—	—	1,400	431	—
LE Retail Hipermercados III, S.L.U.	—	473	—	—	1,350	391	—
Lar España Inversión Logística IV, S.L.U.	—	—	—	—	609	—	(1)
LE Retail Rivas, S.L.U.	—	526	—	—	—	426	—
LE Retail Sagunto II, S.L.U.	—	4	—	24	—	4	—
LE Retail Córdoba Sur, S.L.U.	—	840	—	—	—	—	—

(Expressed in thousands of Euros)

Inmobiliaria Juan Bravo 3, S.L.	—	—	—	—	—	—	(55)
Revenue from dividends (i)	—	19,618	—	—	—	24,474	—
Grupo Lar Inversiones Inmobiliarias, S.A.	—	—	(1,811)	—	—	—	—
	—	38,311	(1,811)	54,933	36,538	38,776	(121)

(Expressed in thousands of Euros)

(i) The details of the dividends recorded in 2020 are as follows:

Company	Interim dividends over profit and loss at 31/12/2020	Complementary dividends over profit and loss at 31/12/2019	Total
LE Retail Alisal, S.A.U.	4	1	5
LE Logistic Almussafes, S.L.U.	—	18	18
LE Logistic Alovera I y II, S.A.U.	—	—	—
LE Logistic Alovera III y IV, S.L.U.	—	1	1
LE Retail As Termas, S.L.U.	2,352	203	2,555
LE Retail Galaria, S.L.U.	—	—	—
LE Retail Hiper Albacenter, S.A.U.	463	4	467
LE Retail Hiper Ondara, S.L.U.	3,655	267	3,922
LE Offices Eloy Gonzalo 27, S.A.U. (*)	96	5,348	5,444
LE Offices Joan Miró 21, S.L.U.	57	—	57
LE Retail Villaverde, S.L.U.	—	1	1
LE Retail Vistahermosa, S.L.U.	575	—	575
LE Retail Gran Vía de Vigo, S.A.U.	3,321	3,537	6,858
LE Retai Abadía, S.L.U.	2,294	207	2,501
LE Retail Hipermercados I, S.L.U.	820	67	887
LE Retail Hipermercados II, S.L.U.	770	68	838
LE Retail Hipermercados III, S.L.U.	699	62	761
LE Retail Anec Blau, S.L.U.	—	4	4
LE Retail Txingudi, S.L.U.	1,148	—	1,148
LE Retail Albacenter, S.L.U.	1,051	51	1,102
LE Retail Las Huertas, S.L.U.	—	220	220
Lar España Inversión Logística IV, S.L.U.	—	—	—
LE Retail Rivas, S.L.U.	1,580	77	1,657
LE Retail VidaNova Parc, S.L.U.	389	122	511
Le Retail Sagunto II, S.L.U.	—	—	—
LE Retail El Rosal, S.L.U.	344	42	386
Total	**19,618**	**10,300**	**29,918**

The interim dividends over profit and loss at 31 December 2019 were approved on 31 December 2019 and were paid on 21 January 2020. Likewise, complementary dividends from the 2018 profit were liquidated in less than a month from the approval thereof.

(c) Information relating to Directors and Senior Management of the Company

The remuneration received by the members of the Board of Directors and Senior Management personnel of the Group during 2021 and 2020, classified by item, is as follows:

In 2021, the Board of Directors received EUR 590 thousand in allowances (EUR 560 thousand in 2020). Allowances for the Board of Directors in 2021 include EUR 85 thousand for the non-executive Secretary of the Board of Directors (EUR 81 thousand in 2020).

Senior management received EUR 541 thousand in salaries and wages (EUR 412 thousand in 2020).

The amount of civil liability insurance premiums for directors and Senior Management covering damages resulting from acts or omissions totalled EUR 148 thousand (EUR 96 thousand in 2020).

At 31 December 2021 and 2020 the Company has no pension, life insurance, stock options or compensation obligations with former or current members of the Board of Directors or Senior Management personnel of the Company.

At 31 December 2021 and 2020 no advances or loans have been extended to members of the Board or Senior Management.

At 31 December 2021 and 2020 the Company has 7 Directors: 5 men and 2 women.

(d) Transactions other than ordinary business or under terms differing from market conditions carried out by the Directors

Apart from the transactions with related parties listed above, in 2021 the Directors of the Company and members of its Board of Directors have not carried out any transactions other than ordinary business or under terms that differ from market conditions with said Company or any other Group company.

(e) Investments and positions held by the Directors and their related parties in other companies

The Directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with Article 229 of the Revised Spanish Companies Act.

Notwithstanding the above, it is hereby stated that the board member Mr Miguel Pereda Espeso holds the following positions in other companies:

i. Board Member of Grupo Lar Inversiones Inmobiliarias S.A. (managing company of the Company). Grupo Lar Inversiones Inmobiliarias, S.A. (the then sole shareholder of the Company) and the General Shareholders' Meeting saved this situation of potential conflict of interest by appointing Miguel Pereda as board member of Lar España Real Estate SOCIMI, S.A. on 5 February 2014 and 29 May 2017, respectively.

ii. Chairperson of the Board of Villamagna, S.A.

iii. In addition, Miguel Pereda Espeso holds positions in subsidiaries of Grupo Lar Inversiones Inmobiliarias S.A. as indicated below:

Company	**Position/Role**	**Number of Shares**	**Shareholding %**
Grupo Lar Europa del Este, S.L.U.	Chairperson of the Board of Directors	N/A	N/A
Grupo Lar Holding Iberia, S.A.U.	Chairperson of the Board of Directors	N/A	N/A
Grupo Lar Management Services Iberia, S.L. (formerly Inmobérica de Gestión, S.L.U.)	Sole Administrator	N/A	N/A
Global Caronte, S.L.U.	Joint and Several Administrator	N/A	N/A
Global Byzas, S.L.U.	Sole Administrator	N/A	N/A
Oficinas Calle Albarracín, S.L.U.	Sole Administrator	N/A	N/A
Desarrollos Ibéricos Lar, S.L.U.	Sole Administrator	N/A	N/A
HRE Inversiones II, S.L.U.	Joint and Several Administrator	N/A	N/A
Grupo Lar Desarrollo Suelo, S.L.U.	Joint and Several Administrator	N/A	N/A
Parque Castilleja, S.L.	Director	N/A	N/A
Grupo Lar Oficinas Europeas, S.A.U.	Sole Administrator	N/A	N/A
Acacia Inmuebles, S.L.	Chairperson of the Board of Directors	N/A	N/A
Inmuebles Logísticos Iberia, S.L.	Chairperson of the Board of Directors	N/A	N/A
Grupo Lar Tech, S.L.U.	Sole Administrator	N/A	N/A

Notwithstanding the above, the director Mr Miguel Pereda abstained from participating in those decisions that might have created a conflict of interest.

(Expressed in thousands of Euros)

(17) EMPLOYEE INFORMATION

The average headcount of the Company at 31 December 2021 and 2020, distributed by category, is as follows:

	2021	2020
Professional category		
Senior Management	3	3
Total	3	3

The gender distribution in the Company at 2021 and 2020 year ends is as follows:

	2021		2020	
	Women	Men	Women	Men
Professional category				
Senior Management	1	3	1	2
Total	1	3	1	2

Salaries, wages and similar expenses corresponding to these employees at 31 December 2021 totalled EUR 541 thousand (EUR 412 thousand at 31 December 2020).

In 2021 and 2020 the Company did not employ anyone with a disability greater than or equal to 33%.

(18) AUDIT FEES

During 2021 and 2020, fees for audit and other related services charged to the Group by the auditor of the company Deloitte, S.L. and by a company related to the auditor through control, shared property or management were as follows (in thousands of Euros):

	Thousands of Euros	
	2021	2020
Audit and related services		
Audit services	189.5	183.6
Other verification services	101.5	11.5
Professional services		
Other services	—	—
Total	291.0	195.1

(19) EVENTS AFTER THE REPORTING PERIOD

On 28 January 2022, the shareholder LVS II Lux XII S.a.r.l. sold its entire shareholding in the Company to Castellana Properties SOCIMI, S.A.

On 28 January 2021, Mr Laurent Luccioni, proprietary director of Lar España Real Estate SOCIMI, S.A, appointed to represent LVS II Lux XII S.a.r.l., submitted his letter of resignation as a result of said shareholding having been sold. On 09 February 2021, the Board recorded his resignation.

On 14 February 2022, EUR 29,500 thousand was drawn down from the credit facility the Company has formalised with Bankinter.

In relation to Lar España's issue of secured plain vanilla (senior) bonds for a total amount of Euros 140 million, which mature on 21 February 2022 and are listed on the regulated Euronext Dublin stock exchange, Lar España has informed that on 17 February 2022 it fully redeemed and cancelled the amounts that were not subject to the repurchase previously issued in July 2021. A nominal amount of Euros 122.7 million was reimbursed from the remaining amount. Consequently, Lar España cancelled and extinguished all the guarantees granted in the framework of the issue on 22 February 2022, which include various real estate mortgages set up by the Company's subsidiaries LE Retail As Termas, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Txingudi, S.L.U., LE Retail Hiper Albacenter, S.A.U., and LE Retail Anec Blau, S.L.U., on buildings the Company owns. Likewise, various pledges on shares of the aforementioned subsidiaries, that were granted in the context of the issue, were cancelled.

(20) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2021

a) Subsidiaries

			Shareholding %		Thousands of Euros										
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(20)	(18)	—	3,545	3,587	—	—	—	3,469
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	(248)	(250)	—	15,000	14,810	17,380	14,004	3,376	15,048
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	(5)	(1)	—	2,279	2,338	—	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	(3)	(3)	—	343	400	—	—	—	401
LE Retail As Termas, S.L.U.	Leasing of property	Subsidiary	100	100	4	571	499	(383)	34,131	34,251	82,070	66,067	16,003	34,134
LE Logistic Alovera III y IV, S.L.U.	Acquisition and leasing of property	Subsidiary	100	100	4	(3)	(2)	—	634	636	—	—	—	635
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(160)	(154)	—	2,962	2,812	—	—	—	2,812
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	4,630	1,217	(934)	141,550	141,837	337,178	265,872	71,306	135,205
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Subsidiary	100	100	4	(34)	(33)	—	798	769	—	—	—	769

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2021

			Shareholding %		Thousands of Euros									
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Retail VidaNova Parc, S.L.U.	Leasing of property	Subsidiary	100	100	4	1,184	(1)	—	29,605	29,608	48,000	45,119	2,881	31,112
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,044	544	(330)	25,046	25,263	105,200	66,305	38,895	35,388
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(3)	(3)	—	410	411	—	—	—	410
LE Retail Lagoh, S.L.U.*	Leasing of property	Subsidiary	100	100	3	5,127	1,244	(448)	118,153	118,952	295,000	209,200	85,800	126,518
LE Retail Sagunto II, S.L.U.	Leasing of property	Subsidiary	100	100	3	7	7	—	1,085	1,095	1,000	796	204	1,311
LE Retail Vistahermosa, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,274	783	(657)	22,734	22,863	50,000	41,088	8,912	22,739
Lar España Inversión Logística IV,	The acquisition and development of properties for	Subsidiary	100	100	3	(2)	2	—	1,943	1,948	—	—	—	701
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(6)	(3)	—	1,748	1,748	—	—	—	1,748
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	(1,217)	(1,233)	—	90,551	89,321	98,750	91,412	7,338	91,142

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2021

			Shareholding %		Thousands of Euros										
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	628	636	(536)	36,229	36,332	43,000	31,507	11,493	36,231
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	(465)	(456)	—	34,658	34,205	31,910	28,829	3,081	34,660
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	(308)	(331)	—	13,217	12,889	10,320	10,580	(260)	12,629
LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(49)	(36)	—	6,541	6,508	—	—	—	5,516
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	2,012	(222)	—	31,003	31,283	148,040	102,122	45,918	61,971
LE Retail Abadía, S.L.U.	Leasing of property	Subsidiary	100	100	7,204	2,102	1,042	(905)	18,832	26,173	89,000	62,815	26,185	38,284
LE Retail Rivas, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,673	238	—	28,571	28,812	67,000	53,734	13,266	36,431
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for	Subsidiary	100	100	4	(1,623)	(1,623)	—	958	(661)	—	—	—	(661)
					8,014	17,106	1,843	(4,193)	662,526	668,190	1,423,848	1,089,450	334,398	730,930

* Company audited by Deloitte, S.L.
All the companies are domiciled at Calle María de Molina 39, Madrid.

b) Joint venture

					Shareholding %		Thousands of Euros						
Company	**Registered office**	**Activity**	**Auditor**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit/(los**	**Dividends**	**Other equity**	**Total net equity**	**Net book value of investment**
Inmobiliaria Juan Bravo 3, S.L.	María de Molina, 39, Madrid	Property development	Deloitte	Associate	50	50	1,483	232	230	—	1,241	2,954	1,477

Information on Group Companies
31 December 2020

a) Subsidiaries

			Shareholding %		Thousands of Euros									
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(13)	(11)	—	3,556	3,605	—	—	—	3,469
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	469	469	(463)	14,503	14,569	17,830	13,880	3,950	14,551
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	—	5	(4)	2,279	2,340	—	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	115	118	(96)	343	425	—	—	—	426
LE Retail As Termas, S.L.U.*	Leasing of property	Subsidiary	100	100	4	2,952	2,416	(2,352)	33,323	33,391	82,380	67,036	15,344	33,326
LE Logistic Alovera III y IV, S.L.U.	Acquisition and leasing of property	Subsidiary	100	100	4	(14)	(13)	—	646	637	—	—	—	651
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(13)	(7)	—	2,969	2,966	—	—	—	2,974
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	8,503	3,855	(3,655)	138,891	139,095	334,920	271,290	63,630	132,545

LE Offices Joan Miró 21, S.L.U.*	Leasing of property	Subsidiary	100	100	4	56	58	(57)	798	803	—	—	—	802
LE Retail VidaNova Parc, S.L.U.*	Leasing of property	Subsidiary	100	100	4	1,907	1,147	(389)	28,620	29,382	47,550	45,818	1,732	30,545
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,944	926	(344)	24,188	24,773	106,400	67,754	38,646	34,530
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(9)	(9)	—	420	415	—	—	—	414
LE Retail Lagoh, S.L.U.*	Leasing of property	Subsidiary	100	100	3	6,949	735	—	118,190	118,928	292,400	213,061	79,339	124,095
LE Retail Sagunto II, S.L.U.	The acquisition and development of properties for	Subsidiary	100	100	3	(10)	(441)	—	1,522	1,084	960	796	164	1,264
LE Retail Vistahermosa, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,472	929	(575)	22,089	22,446	48,350	41,942	6,408	22,352
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	4	5	—	1,943	1,951	—	—	—	701
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(13)	(10)	—	1,758	1,751	—	—	—	1,760
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	189	180	—	87,717	87,900	96,400	92,410	3,990	88,308

Information on Group Companies
31 December 2020

LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,064	1,064	(1,051)	35,034	35,050	42,550	32,013	10,537	35,036
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,429	1,429	(1,148)	33,666	33,950	32,610	30,049	2,561	33,722
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	480	51	—	12,937	12,991	10,530	11,240	(710)	12,787
LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(28)	(18)	—	6,559	6,544	—	—	—	5,517
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	5,912	3,695	(3,321)	28,902	29,778	151,660	103,524	48,136	60,714
LE Retail Abadia, S.L.U.*	Leasing of property	Subsidiary	100	100	7,204	3,378	2,418	(2,294)	17,909	25,237	86,080	62,947	23,133	37,602
LE Retail Hipermercados I, S.L.U.	Leasing of property	Subsidiary	100	100	3	852	852	(820)	15,343	15,378	20,050	14,241	5,809	16,149
LE Retail Hipermercados II, S.L.U.	Leasing of property	Subsidiary	100	100	3	873	873	(770)	15,467	15,573	20,360	14,458	5,902	17,358
LE Retail Hipermercados III, S.L.U.	Leasing of property	Subsidiary	100	100	3	802	803	(699)	14,175	14,282	18,460	13,113	5,347	16,016
LE Retail Rivas, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,418	1,720	(1,580)	28,056	28,199	66,000	52,993	13,007	35,917

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2020

LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(6)	(6)	—	963	961	—	—	—	984
					8,023	41,662	23,233	(19,618)	692,766	704,404	1,475,490	1,148,565	326,925	766,842

* Company audited by Deloitte, S.L.
All the companies are domiciled at Calle María de Molina 39, Madrid.

Information on Group Companies
31 December 2020

b) Joint venture

					Shareholding %		Thousands of Euros						
Company	**Registered office**	**Activity**	**Auditor**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit/(los**	**Dividends**	**Other equity**	**Total net equity**	**Net book value of investment**
Inmobiliaria Juan Bravo 3, S.L.	María de Molina, 39, Madrid	Property development	Deloitte	Associate	50	50	1,483	2,004	558	—	123	2,164	1,082

1 Position of the Company

1.1 Organisational structure and functional operation

The company is created in 20144 with an externalised management structure. It has designated Grupo Lar Inversiones Inmobiliarias, S.A. as exclusive manager, a company that has more than forty years of experience in the property market and a long history of generating value through various property cycles in the last decades, and that has alliances with some of the most internationally renowned investors.

Strategic management, allocation of resources, risk management and corporate control, as well as accounting and financial reports are among the main responsibilities of the Company's Board of Directors.

Group companies, most of which are 100% owned by the Company, with the exception of IJB (50%), carry out their activity with the following types of assets:

- Shopping centres: the rental of shopping centre and single-tenant commercial premises.

  The Group focuses its strategy on searching for shopping centres with great potential for growth and with opportunities of improvement in asset management, mainly those where there is the possibility to replace or expand.

- Residential.

  The Group made an exception investment in the luxury residential market in Madrid, through the joint development (50%) of the Lagasca99 project with PIMCO. The development, most of which has already been delivered, is not in response to a strategic line in envisaged in the future business plans.

The Company's investment policy focuses mainly on the following:

- On assets the company considers to be strategic assets, mainly commercial parks and shopping centres.
- Investment opportunities in mid-sized assets that offer great management possibilities, avoiding those segments where competition may be greater.
- Risk diversification, expanding throughout Spain mainly in shopping centre investments.

2 Development and business results

2.1 Introduction

At the 2021 reporting date, the Company's revenue amounted to EUR 20,096 thousand, which corresponded to returns from dividends received from investee companies, financial income from financing granted to same and returns from the disposal of equity instruments in accordance with their standing as holding companies.

The operating result before amortisations, provisions and interest (EBITDA, is calculated as the result of the operation profit, plus amortization expenses less profit or loss from disposals) presents a positive result of EUR 17,356 thousand.

The negative financial result was EUR 9,985 thousand.

The Company's profit for the period amounts to EUR 18,594 thousand.

2.2 Other financial indicators

At 31 December 2021, the Company presents the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 630,467 thousand (EUR 103,589 thousand at 31 December 2020).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) → 4.84 (2.41 at 31 December 2020).
- Solvency ratio (calculated as non-current liabilities and equity divided by non-current assets → 1.86 (1.14 at 31 December 2020).

These ratios represent particularly high values, indicating that the Company enjoys a sufficient level of liquidity and a high degree of safety margin in order to meet its payments.

The ROE ("Return on Equity"), which measures the Company's rate of return divided by its equity, is 3.10% (it was 3.30% as of 31 December 2020). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity at 31 December 2021.

The ROA ("Return on Assets"), which measures the efficiency of the Company's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 1.22% (2.35% as of 31 December 2020). This is calculated as the quotient of the profit for the last 12 months and the Company's total assets at 31 December 2021.

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) regarding the calculation and determination of Alternative Performance Measures used by the Company's Management in taking financial and operational decisions, sections 4 and 6 of the "Full year report 2021", which was published on the same date as these Financial Statements and explanatory notes, state how the EPRA (European Public Real Estate Association) indicators are calculated and defined.

2.3 Matters regarding the environment and personnel

Environment

The Company takes measures to prevent, reduce and repair the damage caused to the environment by its activities. However, due to its nature, the Company's activity does not have a significant impact on the environment.

Personnel

At 31 December 2021 the Company has 4 employees (3 men and 1 woman). Said employees are classified as Senior Management. In the 2021 period the Company has had no employees with a 33% or greater disability.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

In this eighth year of activity, the Company obtained liquidity mainly through:

- Loan and credit facilities;

- On 19 May 2021, the Company renewed the credit facility that it formalised with Bankinter during the last two financial years for EUR 30,000 thousand and extended its maturity until 16 May 2022. Interest accrues quarterly and the interest rate is 12-month EURIBOR plus a 1.60% spread. Financial expenses accrued at 31 December 2021 in relation to said credit facility amounted to EUR 216 thousand.

- On 15 July 2021, Lar España successfully completed the placing of an issue of unsecured senior green bonds with maturity in July 2026. The maximum pre-fixed amount was 400 million, which was oversubscribed by more than four times. Fitch rating agency allocated an investment grade rating or BBB rating to both Lar España and to its issue of green bonds. The annual coupon was fixed at 1.75% at fixed rate, compared to 2.9% interest rate on the 2015 bond. Fitch rating agency has allocated an investment grade rating or BBB rating to both Lar España and to its issue of green bonds.

- On 20 July 2021, after announcing the public offer to repurchase in cash the simple senior secured bonds issued by the company in February 2015, for a total amount of €140 million maturing in February 2022, Lar España accepted the purchase in cash of bonds for an aggregate nominal amount of EUR 17,300 thousand. Following the settlement of said amount on 23 July 2021, bonds remained outstanding, for an aggregate amount of EUR 122,700 thousand, which as at the date of formulation of the present management report, have been fully repaid.

- After the issue of said bonds, on 28 July 2021, the Group cancelled in advance the mortgage loans of Group companies Le Retail Gran Vía de Vigo, S.A.U. in the amount of EUR 82.4 million and Le Retail Vistahermosa, S.L.U. in the amount of EUR 21.5 million and on 04 August 2021 the mortgage loans associated with Group company Le Retail Hiper Ondara, S.L.U. in the amount of EUR 163.1 million.

- In November 2021, Lar España successfully placed a new issue of unsecured senior green bonds with 7-year maturity. The maximum pre-fixed amount was 300 million, and it received subscription requests for more than 4 times the amount offered. The nominal aggregate amount was in line with the outstanding balance of the Lar España secured debt, which was re-financed in its entirety, marking the end of the transition of the Company from a secured financing strategy to an unsecured one, thus culminating the refinancing process of the Company's debt. The transaction was closed with a fixed annual coupon of 1.84% since its issue, calculated by reference to its nominal amount. This issue, along with that carried out in July of this year, has managed to reduce the average cost of debt from 2.2% to 1.8%. Fitch rating agency ratified the BBB rating for this new issue.

- Following the second issue of green bonds, on 18 November 2021, the loan that LE Retail Lagoh, S.L.U. held with Santander for a total amount of EUR 96,481 thousand, and the loan that the company LE Retail Vidanova Parc, S.L.U. held with BBVA for a total amount of EUR 28,000 thousand were both fully repaid. Furthermore, on 18 November 2021, the loan that LE Retail El Rosal S.L.U. held with Caixabank for a total amount of EUR 49,280 thousand was also fully repaid; the loan that LE Retail Rivas, S.L.U. held with BBVA for a total amount of EUR 34,500 thousand and the loan that the company LE Retail Abadía, S.L.U. held with Santander for a total amount of EUR 42,060 thousand were both fully repaid.

3.2 Analysis of contractual obligations and off-balance-sheet transactions

The Company does not have any contractual obligations that imply an outflow of liquid resources at 31 December 2021 beyond those mentioned in point 3.1.

At 31 December 2021, the Company does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Company, the expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

The Company is exposed to a variety of risk factors arising from the nature of its business. The Company's Board of Directors is responsible for approving the risk management and control policy, and it assumes responsibility for identifying the Company's main risks and supervising the internal oversight systems; it is informed by the Audit and Oversight Committee. The Group's Risk Management and Control System identifies, groups, manages and control risks that could potentially affects said Group in the areas that make up the Group's corporate risk map, which is adequately reported in the Annual Corporate Governance Report.

In addition to these risks and impacts produced, those detailed in section 7 of this management report are of great importance.

5 Environmental information

In addition to these risks and impacts, those detailed in paragraph 7 of this management report are deemed of great significance.

Lar España is aware that integrating sustainability into the business model is essential in order to create value for both stakeholders and shareholders. Consequently, in recent years appropriate measures based on various international standards have been implemented.
As part of the risk assessment performed annually, the Company carries out a study of the main climate risks that could affect the continuity of its business, as well as of the different controls that are implemented for mitigating these risks.
Since January 2016, following the approval of its Sustainability Policy, Lar España has drafted an ESG Master Plan, which is aligned with the SDGs of the United Nations and the Paris Agreement (COP21), for the main purpose of obtaining a clear and defined road map at Company level. After drafting this Plan, the Company started work on other more specific plans focusing on more precise aspects, such as:

- At climate change level, the Company has prepared a comprehensive Carbon Footprint Reduction Plan with the aim of establishing a clear emission neutrality goal. As part of this plan, measures have been designed that are adapted to each of the assets and will be implemented in forthcoming years in line with the investment plans and the progress of the different technologies in this field.

- At environmental level the Company has developed, in conjunction with a specialised company, an Energy Efficiency Plan which is being implemented on an asset-by-asset basis following Energy Audits and is supported by an automated data platform to obtain data on asset consumption and emissions, enabling live monitoring, and has been designed and implemented specifically for Lar España. In addition, the Company is carrying out a study on the implementation of photovoltaic panels at most of the portfolio assets, after obtaining energy contracts with guarantees of origin in all its portfolio assets.

- Regarding contribution to the Circular Economy principles, and as a step forward in the fight against climate change, Lar España developed a Waste Management Plan to increase its knowledge of the type of waste generated by the assets, and to centralise waste management at Company level. During 2021 various measures have been taken at the centres, such as installing specific recycling points, identifying and cataloguing a higher proportion of waste and studying different waste treatment alternatives. The Company's aim is to continue working on this matter to obtain a higher level of control over the waste generated by its activity and over the routes used for disposing of this waste, which will have a positive impact on the organisation's Carbon Footprint.

Additionally, Lar España was proud to register its carbon footprint for 2018 and 2019 with Spain's Ministry for the Ecological Transition and the Demographic Challenge (MITECO). This scheme is part of Spain's national strategy, aligned with that of the European Union. We have now also presented our report on our activities in 2020.

Once the data for 2021 has been registered over the coming months, we will have register our carbon footprint with MITERD for four consecutive years, being eligible to receive the "Reduzco" (I reduce) seal.

As part of this process, the Company submitted its Emissions Reduction Plan to the Ministry as another step towards carbon neutrality, and a further affirmation of the Company's commitment to responsible and sustainable business operations.

In addition, over the course of 2021, we put together a long-term action plan in order to define the strategy we will follow to successfully reduce our emissions. Our proposed measures include:

1. Continuing our policy of using guaranteed renewable electricity sources at all strategic properties.

2. Expanding the use of renewable energy systems across our portfolio.

3. Applying the findings of technical-economic studies into the potential for investing in solar photovoltaic energy at strategic properties and promoting on-site renewable energy generation.

4. Completing and launching our own automated system for monitoring energy use, based on telematic technology.

5. Implementing predictive maintenance programmes and more proactive inspection protocols for airconditioning systems to prevent coolant leaks.

6. Ongoing schedule to replace older machinery and equipment with more efficient, sustainable and low-emissions alternatives.

Sustainable mobility

Sustainable mobility is a concept that came about to counteract the environmental and social problems associated with urban transport. At Lar España, we see it as a way of adding value to the properties in our portfolio, and as such it is one of our priority areas of focus. Which explains why we are studying the different ways of implementing sustainable mobility solutions at each of our assets.

The main projects underway are:

- Electric car charging points.
- Car sharing.
- Walkways, improved pedestrian access to shopping centres and their surrounding areas.
- Campaign to promote the use of public transport, bus stops and taxis.
- Parking areas and access routes for bicycles, scooters and motorcycles, along with designated parking spaces for families and emergency vehicles near the main entrances, with a guided parking system.

Out of the 14 properties in Lar España's portfolio, 13 currently feature electrical vehicle charging points. In other words, more than 90% of Lar España's portfolio offered the option to charge electric vehicles as of 31 December 2021. There are currently 155 electrical vehicle charging points installed at Lar España's properties, with a further 75 due to be installed, amounting to a total of 230 charging points.

Certificates

The Company remains committed to participating in assessment and certification schemes to guarantee that the operation of all its properties is as sustainable as possible. Throughout 2021, we forged ahead with our Renewal Plan for certifications renewing 8 certificates, 7 of which have a higher score than the previous one.

We also continued to move forward with our plan to achieve certification for our retail parks, setting ourselves the ambitious target of 100% of our portfolio becoming BREEAM-certified within the first few months of 2022. 2021 saw us get off to a strong start here, with Parque Abadía being awarded a new certificate, achieving a "Very Good" rating in both categories.

For the fourth year running, Lar España has taken part in the GRESB (Global Sustainability Real Estate Benchmark) assessment process, which has become the benchmark for assessing commitment to environmental, social and good governance (ESG) issues in the real estate sector.

This equates to a 25% increase in its rating compared to the previous year, and an increase of over 50% compared to its rating in 2019 and almost +90% compared to the first year Lar España took part in this index in 2018. This demonstrates Lar España's commitment to sustainability, society and good governance best practices as well as the progress it has made in these areas.

6 Significant circumstances occurring after the close

No important circumstances arose after the reporting period other than those mentioned under post-closing events.

7 Information on the foreseeable evolution of the Company

After the investment volume carried out since March 2014, active property management capacity will be key in upcoming years.

This active management strategy will lead to an increase in current income and in the profitability with respect to the purchase price. All of this will be reflected in the greater value of the assets in our portfolio.

The Company will, however, continue to analyse any investment opportunities that may be attractive and thus continue to generate value for its shareholders.

Based on available information and the current business plans, we believe that the Company will be in a position to continue making progress in 2022 and in subsequent years.

8 COVID-19

8.1 Current situation

In 2021, Lar España has recovered both at its level of activity and many of its key business indicators have raised to levels close to the levels previous to the health crisis caused by COVID-19. The Company has continued to pursue its objective of creating value for its stakeholders, maintaining an active dialogue with tenants and implementing a totally innovative retail offer.

At the reporting date, all the Company's shopping centres and malls were open and in operation, and at all times complying with the required health measures and restrictions. In addition, the Company continues to have a solid, highly consolidated and good-quality tenant base, which explains to some extent the positive recovery in sales figures and visits during the year. Following continuous contact with each tenant, trade relations have been strengthened and the duration and stability of contracts in all shopping centres and shopping parks have been reinforced.

8.2 Management experience

The Company's subsidiaries' benefits from a business model unlike any other on the Spanish property market, pioneering specialist services in the Spanish retail sector.

With more than 50 years of behind it, the group has successfully dealt with past crisis situations and has a highly expert management team recognized at all decision-making and management levels.

Thanks to a wealth of professional experience in retail asset management, Lar España operates teams that specialise in the Spanish retail sector. Since it was first created, the Company's subsidiaries have made profitable management and continually improving its assets a priority, investing in technology and committed to achieving a robust client portfolio to provide unique added value to its properties.

From the declaration of the state of emergency until 31 December 2021, the SOCIMI (REIT) Lar España Real Estate reached case-by-case rental agreements in respect of 100% of the gross lettable area in its centres. The Company has managed each situation directly, without intermediaries, which has enabled it to reach agreements quickly, which are adapted to the specific needs of each tenant and activity. The agreements have largely been reached in conditions that represent a major compromise by both parties, strengthening relations with retailers and consolidating the term and stability of the agreements, as well as that of all the shopping centres and retail parks.

8.3 Business model and operational structure

In terms of location and standing in their respective catchment areas, the Company's subsidiaries' properties are dominant in their catchment areas. A premium collection of properties with high value-add that secures sustainable returns for shareholders.

The Company's subsidiaries' shopping centres boast an occupancy rate of 96%, operating at close to full capacity.

In the large majority of cases, Lar España also fully owns its properties, affording it complete control over decision-making. This allows it to efficiently promote and implement measures and strategies that meet the requirements of the market and its customers at all times.

Lar España has a solid, diversified and high-quality tenant base, enjoying a healthy and collaborative relationship with them all – now even more so given the present climate.

The weight of the first 10 tenants in terms of income is 35.36% and over 70% of the total contracts with operators mature beyond 2024.

The Company's subsidiaries' properties have a clear competitive edge in their catchment areas, generally offering more than 551,326 sqm of retail space and located in regions with an above average per capita income for Spain.

8.4 Commitment to retailers

The Company's subsidiaries communicate openly and regularly with all of its tenants, across all its properties. All of its strategies share the clear objective of guaranteeing the safety of its customers and employees, to ensure that all the stores in the Company's subsidiaries' portfolio can carry on their activity within the 'new normal'.

8.5 Consolidated financial position

The Company's subsidiaries' strong liquidity levels and financial autonomy afford it considerable economic resilience. The subsidiaries are perfectly able to assume this type of scenarios, with stress plans applicable to the annual business model and confident that they will obtain a satisfactory result.

With an average cost of 1.9%, 100% of which is at a fixed rate, and without significant maturities in the next 5 years, except for the repayment of the outstanding amount corresponding to the first bond issue carried out by the company in February 2015, which amounts to EUR 122,700 thousand, and which was repaid on 17 February 2022 (see post-closing events).

The cash strength of Lar España enables it to perfectly meet all the expenses of the Company.

8.6 Financial and investment caution

The Company's subsidiaries have applied austerity measures to all of its ongoing activities, adapting its expenses to the new situation. Nonetheless, all decisions will be made on the premise of achieving solid returns via effective management and value uplift across all of its assets.

9 R&D+i activities

Due to the inherent characteristics of the companies that make up the Company, and their activities and structure, the Company does not usually conduct any research, development and innovation initiatives. This notwithstanding, Lar España continues to pursue its goal of leading the transformation of the Spanish Retail sector, by creating new ways to interact more efficiently assisted by digital technologies, both with external and internal customers (Customer Journey Experience).

10 Acquisition and disposal of treasury stock

On 14 January 2020, a new share buy-back programme was formalised between Lar España and its liquidity provider, aimed at a maximum of 4,500,000 shares, representing 5% of share capital, which may be acquired at a price no greater than (a) the price of the last arm's length transaction or (b) the highest arm's length offer at that time in the business centre where the purchase is made. The maximum duration of this programme was initially scheduled until 14 October 2020 and was a subsequently extended until 14 October 2021, on which date the share buyback programme effectively ended.

Pursuant to this programme, the Company acquired a total of 3,940,761 treasury shares, representing 4.50% of the share capital. Subsequently, on 15 December 2021, the company registered a public deed of reduction in capital of the Company for a nominal amount of EUR 7,881,522, by redeeming those shares. Consequently, the share capital of the company was established at EUR 167,385,938, represented by EUR 83,692,969 registered shares of EUR 2 nominal value each, and Article 5 of the Company's by-laws, dealing with the capital and the shares of Lar España was amended accordingly.

Following the completion of the said share buyback programme, the company reported the reactivation of the liquidity agreement for treasury stock management, executed on 5 July 2017 and reported to the market on 10 July 2017.

The acquisitions were carried out within the framework of a discretionary treasury share management contract, of which the Spanish Securities Market Commission (CNMV) was notified in compliance with the recommendations published by said body on 18 July 2013.

At of 31 December 2021 the share price was EUR 5.12.

As of 31 December 2021, the Parent Company holds a total of 130,970 shares, representing 0.16% of total issued shares.

11 Other relevant information

11.1 Stock exchange information

The initial share price at the start of the year was EUR 4.69 and the nominal value at year end was EUR 5.12. During 2021, the average price per share was EUR 5.17.

In the framework of the green bond issues carried out by the company in 2021, the Fitch rating agency allocated an investment grade rating or BBB to both Lar España and to its issue of green bonds.

11.2 Dividend policy

On 22 April 2021, the Shareholders' General Meeting approved the distribution of a dividend of 18,546 thousand Euros, at EUR 0.212 per share (taking into account all the shares issued) and recognised in profit and loss for the 2020 period, and of 8,954 thousand Euros, at EUR 0.102 per share (taking into account all the shares issued), charged to the share premium.
The total pay-out was 17,504 thousand Euros charged to the Profit for the period 2020 (after deducting the amount corresponding to treasury shares, which does not leave the Parent Company's equity and totals 1,043 thousand Euros in dividends charged to profit), and 8,954 thousand Euros charged to share premium given the amount per share approved and shares outstanding at the time of approval by the General Shareholders' Meeting on 22 April 2021. The dividend pay-out was settled in full on 21 May 2021.

11.3 Average number of days payable outstanding to suppliers

The average number of days payable outstanding to suppliers is 28, complying with the maximum legal payment period applicable to the Company in the year 2021 according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July.

12 Annual Corporate Governance Report

For the purposes of Article 538 of the Spanish Companies Act, we confirm that the Annual Corporate Governance Report (IAGC) along with the Internal Financial Reporting Control Systems (SCIIF) and the Annual Report of Directors' Remuneration (IARC) for 2021 all form part of the Management Report. Both Reports are available on the website of the National Securities Market Commission (CNMV).

13 Events after the reporting period

On 28 January 2022, the shareholder LVS II Lux XII S.a.r.l. sold its entire shareholding in the Company to Castellana Properties SOCIMI, S.A.

On 28 January 2021, Mr Laurent Luccioni, proprietary director of Lar España Real Estate SOCIMI, S.A, appointed to represent LVS II Lux XII S.a.r.l., submitted his letter of resignation as a result of said shareholding having been sold.

With respect to the issue of simple (senior) bonds secured by Lar España for a total amount of EUR 140 million, with maturity on 21 February 2022 and admitted to trading on the regulated market Euronext Dublin of the Stock Exchange, Lar España reports that, on 17 February, the amounts that had not been previously repurchased in July 2021 were fully re-paid and cancelled, and the remaining amount of EUR 122.7 million in nominal value was returned. As a result, Lar España has cancelled and extinguished all the guarantees granted in the framework of the 22 February 2022 issue, including several real estate mortgages created by the subsidiaries LE Retail As Termas, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Txingudi, S.L.U., LE Retail Hiper Albacenter, S.A.U., and LE Retail Anec Blau, S.L.U., on properties owned by them. In addition, various pledges were lifted and cancelled on the shares of said subsidiaries, which had been created within the framework of the issue.

LAR ESPAÑA REAL ESTATE, SOCIMI, S.A.
DECLARATION OF RESPONSIBILITY FOR THE 2021 FINANCIAL STATEMENTS

The members of the Board of Directors of LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. declare that, to the best of their knowledge, the individual financial statements of LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. and the consolidated financial statements with its subsidiaries, for the year ended December 31, 2021, prepared (*formuladas*) (in English) by the Board of Directors at the meeting held on February 24, 2022, in accordance with the applicable accounting principles and in single electronic format, offer a true and fair view of the net worth, financial situation and results of LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. and of the subsidiaries included in the consolidated group, taken as a whole, and that the directors' reports accompanying the individual and consolidated financial statements (along with their attachments and supplementary documentation) include a true analysis of the business performance, results and position of LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. and of the subsidiaries included in the consolidated group, taken as a whole, and a description of the main risks and uncertainties they face.

Signatories:

Mr José Luis del Valle Doblado (Chairman)	Mr José Luis del Valle Doblado (representing Alec Emmott)
Mr Roger Maxwell Cooke	José Luis del Valle Doblado (representing Ms Leticia Iglesias Herraiz)
Mr Miguel Pereda Espeso	Ms Isabel Aguilera Navarro

*The Director Mr Alec Emmott and Director Ms Leticia Iglesias attended via videoconference and, having clearly stated their approval of the statements and expressly authorising Mr José Luis del Valle Doblado to sign the statements on their behalf, they are drawn up.

Madrid, on 24 February 2022

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, SGIIC, 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	

Observations

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

<table>
<tr><th>Most significant movements</th></tr>
<tr><td>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.

Likewise, during 2021 there has been a change in the number of shareholders with significant shareholdings reported.
• Adamsville, S.L. changed its voting rights from 3.002% to 5.204% on November 24, 2021.
• 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.

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).</td></tr>
</table>

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		

total percentage of voting rights held by the board of directors	0.209

Observations

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 though 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	

Observations

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

total percentage of voting rights held by the board of directors	**28.780**

Observations
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.

Observations

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** X

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

Observations

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

Yes ☐ **No** X

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

Observations

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

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** X

Name or company name

Observations

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

Observations

(*) Through:

Name or company name of direct shareholder	Number of direct shares
Total:	

Observations

Explain any significant changes during the year:

Explain significant changes
From January 5, 2021 to October 14, 2021, the Company acquired treasury shares following its Share Buyback Program (*Programa de Recompra de acciones*) 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. 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.

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

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. 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.

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:

	%
Estimated float	66.7

Observations

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 X **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 *performance fee* had a *lock up period 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** X

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** X

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

Indicate the various share classes

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** X

	% 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 1st call		
Quorum required at 2nd 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** X

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:

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

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** X

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** X

Explain the decisions that must be submitted to the General Shareholders' Meeting, other than those established by law

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:

Maximum number of directors	fifteen
Minimum number of directors	five
Number of directors set by the general meeting	seven

Observations

C.1.2 Complete the following table on Board Members

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure	Date of birth
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		Propietary	Vice Chair	05/02/2014	17/03/2020	Re-election by the GSM	30/09/1963
Mr. Laurent Luccioni		Propietary	Director	29/05/2017	17/03/2020	Proportional representation	31/07/1971

Total number of directors	7

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:

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

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

Name or company name of director	Post in organization chart of the company	Profile

Total number of executive directors	
Percentage of Board	

Observations

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
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.

Total number of proprietary directors	2
Percentage of Board	28.57%

Observations

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	**Profile**
Mr. José Luis del Valle	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. 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

	holds an MBA with High Distinction at Harvard Business School (Boston, USA).
Mrs. Leticia Iglesias	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. 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 Fundacion PRODIS Special Employment Centre, as well as a Board member of the ICADE Business Club. 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).
Mr. Alec Emmott	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 Société Foncière Lyonnaise (SFL) between 1997 and 2007, and subsequently as executive adviser to SFL until 2012. 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).
Mr. Roger Maxwell Cooke	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 & 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 & Wakefield España, placing the company in a leading position in the sector. 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. Mr Cooke holds a degree from Urban Estate Surveying by Trent Polytechnic University (Nottingham, United Kingdom) and is

	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	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. 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.

Total number of independent directors	5
Percentage of board	71.43%

Observations

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

Name or company name of director	Description of the relationship	Reasoned statement

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

Total number of other external directors	
Percentage of Board	

Observations

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

Observations

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
Executive	0	0	0	0	0	0	0	0
Propietary	0	0	0	0	0	0	0	0
Independent	2	2	2	2	40%	40%	40%	40%
Other External	0	0	0	0	0	0	0	0
Total:	2	2	2	2	29%	29%	29%	29%

Observations
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 X **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.

Description of policies, objectives, measures and how they have been applied, and results achieved.
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. 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. 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. 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. 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. Efforts will be made to ensure that the Company has a significant number of female upper management positions. To this end, during the year 2021: 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

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 Cº / 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** X

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

Observations

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:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
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

Observations
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

Identification of the director or representative	Other paid activities

Observations

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 X **No** ☐

Explanation of the rules and identification of the document where it is regulated.

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:

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

Observations

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

Name or company name	Position(s)
MR. JON ARMENTIA MENDAZA	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

Number of women in senior management	1
Percentage of total senior management	25

Total remuneration of senior management (in thousands of euros)	541

Observations

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

Yes X **No** ☐

Description of amendment (s)
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 (E*nvironmental, 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** X

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** X

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** X

	Age limit
Chairman	
Managing director	

Director	

Observations

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** X

Additional requirements and/or maximum number of years of office	

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.

Number of board meetings	15
Number of board meetings without the chairman's presence	0

Observations

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:

Number of meetings	

Observations

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

Number of meetings held by the executive committee	
Number of meetings held by the audit committee	12
Number of meetings held by the nomination and remuneration committee	9
Number of meetings held by the nomination committee	
Number of meetings held by the remuneration committee	
Number of meetings held by the ________ committee	

Observations

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

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

Observations
It is noted that all directors have personally attended 100% of the meetings of the board of directors with the exception of: • Mr. Laurent Luccioni who, at the meeting dated March 18, 2021, delegated his representation to the Chair, with specific voting instructions. • Mr. Alec Emmott who, at the meeting held on November 21, 2021, delegated his representation to the Chair, with specific voting instructions. Thus, the percentage of personal attendance of the Directors at the Board is 100% in all cases except: • Mr. Laurent Luccioni whose attendance is 93.3%. • Mr. Alec Emmott whose attendance is 93.3%.

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

Yes ☐ **No** X

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

Name	Position

Observations

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** X

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	

Observations

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** X

Outgoing auditor	Incoming auditor

Observations

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

Yes ☐ **No** X

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 X **No** ☐

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

Amount of non-audit work / Amount of audit work (in %)	40%	45%	41%

Observations

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** X

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

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:

	Individual	**Consolidated**
Number of consecutive years	8	8

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

Observations

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 X **No** ☐

Detail of the procedure
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 X **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** X

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** X

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.

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.

Number of beneficiaries	
Type of beneficiary	**Description of the agreement**

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:

	Board of Directors	**General shareholders' meeting**
Body authorizing the clauses		

	YES	**NO**
Are these clauses notified to the General Shareholders' Meeting?		

Observations

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

Name	**Position**	**Current**

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other external	

Observations

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.

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

% of proprietary directors	0
% of independent directors	100
% of other external	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.

<u>Operation</u>:

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. **<u>In relation to the supervision of information systems and internal control:</u>**

•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. <u>In relation to the external auditor:</u>

•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 re-election 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 re-election 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. <u>In relation to the obligations of listed companies:</u>

•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. <u>In relation to the supervising compliance with the policies and rules of the Company´s corporate governance obligations, and the internal rules of conduct:</u>

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 22April 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 amendment the Regulations of the Committee.

7. <u>Other functions of the Committee:</u>

•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.

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

Observations
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

Name	Position	Current

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

% of proprietary directors	33.33
% of independent directors	66.66
% of other external	0
Observations	
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. 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.	

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 polity 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 affected 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. **<u>In regard to the selection of candidates for Board members and senior managers:</u>**

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. **<u>Competences related to and to the process for appointing internal positions of the Board of Directors:</u>**

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

Name	Position	Current

% of proprietary directors	
% of independent directors	
% of other external	

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.

REMUNERATION COMMITTEE

Name	Position	Current

% of proprietary directors	
% of independent directors	
% of other external	

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.

______ COMMISSION

Name	Position	Current

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other external	

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.

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 foresee 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	

Observations

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

Observations

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:

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

Observations

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.

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

Observations

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.

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:

i. A spouse or other person related by a like relationship of affection.
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.
iii. The spouses of the ascendants, descendants, and siblings of the director.
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.
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.
vi. In the case of proprietary directors, this includes the shareholders at whose proposal their appointment was made.

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 fuctions, 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** X

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

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

Mechanisms for resolving possible conflicts of interest

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 trasnferring 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://larespana.com
- E-mail: canaldenuncias@larespana.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 foresee 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 deeds 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 changed 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 X 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 X

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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X

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 X

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 X 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 X 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 X 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 X 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 X

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 X

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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X

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 X 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 X 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 X 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 X

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 tocontrol and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.**

Complies X 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 X 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 X Complies partially Explain

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

Complies Explain Not applicable X

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 X 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 X 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 thegeneral 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 strategyand policy.**

    e) **Supervision and evaluation of the way in which relations with the various stakeholders are handled.**

Complies X 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 X 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 X 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 tonon-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 X 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 X

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 X

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 X

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 X

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 X

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 X

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 X

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.

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** X

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
Observations		

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

Deloitte.

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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 4th 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 12th 2013, subsequently modified, being the last one the Circular 3/2021 of September 28th 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 25th, 2022

ANNUAL REPORT ON DIRECTOR REMUNERATION AT LISTED COMPANIES

DATA IDENTIFYING THE ISSUER

FINANCIAL YEAR END: 31/12/2021

TAX ID NUMBER (C.I.F.) A-86918307

Registered Business name:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Registered Business office:

MARÍA DE MOLINA 39, PLANTA 10 MADRID

ANNUAL REPORT ON DIRECTOR REMUNERATION AT LISTED COMPANIES

A REMUNERATION POLICY OF THE COMPANY FOR THE YEAR IN PROGRESS

A.1.1 **Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.**

The specific determinations for the year in progress should be described, both the remuneration of directors in their status as such and as a result of their executive functions carried out for the Board pursuant to the contracts signed with executive directors and to the remuneration policy approved by the General Shareholders' Meeting.

In any event, the following aspects should be reported:

- **Description of the procedures and company bodies involved in determining, approving and applying the remuneration policy and its terms and conditions.**

- **Indicate and, where applicable, explain whether comparable companies have been taken into account to establish the company's remuneration policy.**

- **Information on whether any external advisors took part in this process and, if so, their identity.**

- **Procedures contemplated in the current directors' compensation policy for applying temporary exceptions to the policy, conditions under which such exceptions may be used, and components that may be subject to exception under the policy.**

On April 22, 2021, the Annual General Meeting of Shareholders of LAR ESPAÑA REAL ESTATE SOCIMI (hereinafter, "Lar España" or the "Company"), approved the new remuneration policy of the Board of Directors, replacing the remuneration policy previously approved on April 19, 2018, as a separate item on the agenda, with 93.48% of the votes in favor. This policy determines the remuneration of the directors of Lar España in their capacity as such, within the remuneration system provided for in the Bylaws of the Company.

The policy is aligned with approved corporate governance rules and recommendations. In its elaboration, the significance of the Company, its economic situation, its condition as a Listed Real Estate Investment Company (SOCIMI), the market standards for other Spanish SOCIMIS and Real Estate Investment Trusts (REITs) from the rest of Europe, and the particular dedication of the directors of the Company, were taken in account.

For these purposes, Lar España has also taken into account the current context marked by the crisis generated by the Covid-19 pandemic. Specifically, in view of the situation generated as a result of the pandemic, the Company has considered it appropriate to submit to the approval of the Board a remuneration policy that is contained and continues with the previous policy, without establishing any material changes to it.

The Board of Directors shall determine the remuneration of each director, taking into account the functions and responsibilities attributed, membership of Board committees and any other objective circumstances it deems relevant.

In addition, as a result of the publication of Law 5/2021 of 12 April, which amends the revised text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies (hereinafter, "Law 5/2021"), a new remuneration policy adapted to the amendments introduced by the aforementioned Law is expected to be submitted to the General Shareholders' Meeting in 2022.

Indeed, the first transitory provision of Law 5/2021 stipulates that companies must submit for approval the remuneration policy adapted to these amendments at the first general meeting held after its entry into force.

Notwithstanding the above, it is foreseen that the principles guiding the remuneration policy and the elements of the remuneration policy will remain faithful to the new remuneration policy, which will be configured on article 40 of the Company's Articles of Association and article 27 of the Board of Directors' Regulations of the Company, which regulate the remuneration of the directors of Lar España, and which differentiate, as the policy does, between executive and non-executive directors, as described below.

General principles of the Remuneration Policy

The remuneration policy for the Board of Directors of Lar España is based on the following principles:

- Independent judgment.
- Attraction and retention of the best professionals.
- Long-term sustainability.
- Transparency.
- Simplicity and individualization.
- Fairness and proportionality of compensation.
- Involvement of the Appointments, Remunerations and Sustainability Committee.
- Approval of the annual maximum quantity of the directors' remuneration by the General Shareholders' Meeting and delegations in favor of the Board of Directors.

Criteria used to determine the company's remuneration policy

The remuneration regime established by both the current policy and the new policy that is expected to be submitted to the General Shareholders' Meeting in 2022, is designed to promote the long-term profitability and sustainability of the Company and inject the safeguards needed to prevent the assumption of too much risk or the reward of adverse results, ensuring the alignment of the interests of the directors with those of the Company and its shareholders, without compromising the independence of the directors.

The guiding principles of remuneration policy for the directors of Lar España are approved and updated by the Appointments, Remuneration and Sustainability Committee and the Board of Directors, in order to keep the policy in line with the evolution of the market and the best practices of competitors in remuneration matters.

Procedures and bodies involved in determining and approving the Remuneration Policy

According to article 15.4.f.ii of the Board Regulations, the Appointments, Remuneration and Sustainability Committee must review the Remuneration Policy for the Board of Directors periodically and make proposals for any amendments or updates to the Board of Directors for submission to the company's shareholders in general meeting; this remit includes proposals with respect to the amount directors receive annually.

In this regard, it is expected that the Appointments, Remuneration and Sustainability Committee submit to the Board of Directors a report and proposal for the new remuneration policy, which will be submitted for approval at the 2022 General Shareholders' Meeting, in similar terms to the remuneration policy applicable during 2021-2023.

Composition of the Appointments, Remuneration and Sustainability Committee

As stipulated in article 15 of the Board Regulations, the Appointments, Remuneration and Sustainability Committee must comprise a minimum of three and maximum of five directors, appointed by the Board of Directors itself, from among its external directors, at the proposal of the Board's Chairman. The majority of the members of the Appointments, Remuneration and Sustainability Committee must be independent directors. The Board of Directors must also appoint a committee chair from among the independent directors comprising the committee.

At 31 December 2021, Appointments, Remuneration and Sustainability Committee was configured as follows:

Name	**Position**	**Type**
Roger Maxwell Cooke	Chairman	Independent
Alec Emmott	Member	Independent
Miguel Pereda	Member	Proprietary
Juan Gómez-Acebo	Secretary	Non-director

Although at the beginning of the financial year 2021 the Appointments, Remuneration and Sustainability Committee was made up of fifty percent independent directors, the proprietary director Mr. Laurent Luccioni resigned as a member of the Committee on December 13, 2021, in order to encourage the composition of the Committee to be made up of a majority of independent directors. Therefore, as of December 31, 2021, the majority of the members of the Committee will be independent directors.

In this regard, it should be noted that the independence of the Committee's decisions has been guaranteed at all times, since there are no executive directors and the Chairman of the Appointments, Remuneration and Sustainability Committee, who is independent, has the tie-breaking vote in the event of a tie.

Functions of the Appointments, Remuneration and Sustainability Committee

The Appointments, Remuneration and Sustainability Committee will have the following basic responsibilities, without prejudice to other functions that may be assigned to it by the Board:

- Competencies relating to the composition of the Board of Directors and its committees.
- Competencies relating to the selection of candidates for directors and senior management.
- Competencies relating to the process of appointing internal positions on the Board of Directors.
- Competencies relating to the evaluation of directors.
- Competencies relating to the removal and dismissal of directors.
- Competencies relating to the remuneration of directors and senior management.
- Competencies relating to sustainability in environmental and social matters.
- Ensuring that possible conflicts of interest do not impair the independence of the external advice provided to the Committee in connection with the performance of its duties.
- Competencies related to the duties of loyalty, diligence, confidentiality, non-competition, information of the Board Members, etc. such as submitting to the Board the reports related to the performance of directorships or executive positions in companies that are competitors of the Company for the express authorization of the Board of Directors, as well as those reports for making decisions to be adopted in the event of situations affecting any board member, whether or not related to their performance in the Company itself, which may damage the credit and reputation of the Company and, in particular, any criminal case in which they appear as investigated, as well as the procedural vicissitudes thereof.

Particularly, in relation to the powers relating to the remuneration of directors and senior management, the functions of the Committee are as follows:

i. Propose to the Board of Directors the remuneration policy for directors and senior management.

ii. Periodically review the remuneration policy for directors and senior management, including share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to that paid to the Company's other directors and senior management, as well as ensure compliance therewith, and may propose amendments and updates to the Board of Directors.

iii. Propose the basic conditions 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 in the event of early termination of their duties and the amounts to be paid by the Company as insurance premiums or contributions to savings systems, in accordance in all cases with the provisions of the Company's internal regulations and, in particular, in accordance with the remuneration policy approved by the General.

iv. Propose to the Board of Directors the individual determination of the remuneration of each director in his capacity as such, within the framework of the bylaws and the directors' remuneration policy, as well as the individual determination of the remuneration of each director for the performance of the executive duties attributed to him within the framework of the remuneration policy and in accordance with the provisions of his contract.

v. Report and submit to the Board of Directors the proposals of the Chairman of the Board of Directors or the Chief Executive Officer, if any, regarding the remuneration structure of senior executives and the basic conditions of their contracts, including any compensation or indemnities that may be established in the event of dismissal.

vi. Ensure compliance with the Company's remuneration programs and report on the documents to be approved by the Board of Directors for general disclosure with regard to information on remuneration, including the Annual Report on Directors' Remuneration and the corresponding sections of the Company's Annual Corporate Governance Report, as well as verify the information on remuneration of directors and senior management contained in the various corporate documents.

vii. To report, on a mandatory basis and prior to approval by the competent corporate body, on the remuneration established for independent directors of other companies in the Group.

<u>Meetings of the Appointments, Remuneration and Sustainability Committee</u>

The Appointments, Remuneration and Sustainability Committee shall ordinarily meet at least three times a year. It shall also meet at the request of any of its members and whenever convened by its Chairman, who must do so whenever the Board of Directors or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is appropriate for the proper performance of its functions.

Meetings of the Appointments, Remuneration and Sustainability Committee shall be called by the Secretary of the Committee, by order of the Chairman, at least three days in advance, except for reasons of urgency that justify immediate convening at shorter notice.

The Appointments, Remuneration and Sustainability Committee shall also draw up minutes of its meetings, a copy of which shall be sent to all members of the Board. The Board of Directors shall deliberate on the proposals and reports submitted to it by the Committee.

In the 2021 financial year, the Committee met on 9 occasions, submitting preparatory reports on the proposals submitted for the Committee's consideration for its subsequent submission to the Board of Directors, copies of which are kept with the minutes.

According to the schedule for the financial year 2022, the Appointments, Remuneration and Sustainability Committee is expected to hold at least 7 meetings during the financial year 2021.

External advice

The Appointments, Remuneration and Sustainability Committee may obtain the advice of external experts when it deems necessary for the best performance of its duties. Pursuant to the foregoing, the Company has received external advice from EY Abogados, S.L.P. for the preparation of this Report.

Likewise, when the Company has deemed it appropriate, external advisors or suppliers have participated in specific matters of the Appointments, Remuneration and Sustainability Committee.

Procedure contemplated in the policy for applying temporary exceptions

The current remuneration policy does not contemplate the possibility of applying temporary exceptions to the policy.

A.1.2 Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to guarantee a suitable balance between the fixed and variable components of the 3 remuneration. In particular, state the actions adopted by the company in relation to the remuneration system to reduce exposure to excessive risks and adapt this to the long-term objectives, values and interests of the company, which will include, as the case may be, mention of any measures to guarantee that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of staff whose professional activities have a material impact on the risk profile of the company, and any measures to avoid conflicts of interest.

Furthermore, state whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or the handover of accrued and vested financial instruments, or if any clause has been approved reducing the deferred remuneration not yet consolidated or that obliges the director to return remuneration received, when such remuneration has been based on certain figures that have clearly been shown to be inaccurate.

Remuneration mix

Insofar as the Board of Directors of Lar España only has non-executive directors, the current remuneration policy and the new remuneration policy that is expected to be submitted for approval by the General Shareholders' Meeting in 2022 do not include variable remuneration elements, so that the remuneration of non-executive directors consists entirely of fixed components, in accordance with best practices in corporate governance of remuneration.

Tailored actions to reduce risks

Within the limits set forth in the Bylaws and in the remuneration policy, the Board of Directors of Lar España shall endeavor to ensure that remuneration is set taking into consideration the dedication, qualifications and responsibility required by the position, as well as the experience, functions and duties performed by each director. In addition, remuneration shall maintain a balance between market competitiveness and internal equity. The remuneration system established should be geared to promoting profitability, attracting and retaining the best professionals and the long-term sustainability of the company, and incorporate the necessary safeguards to avoid excessive risk-taking and the rewarding of unfavorable results.

Furthermore, the remuneration policy of Lar España does not contemplate any variable remuneration system, thus removing a large part of the risks derived from the remuneration system.

A.1.3 Amount and nature of fixed components that are due to be accrued during the year by directors in their status as such.

The current remuneration policy established the following:

- In relation to the remuneration of the members of the Board of Directors due to their status as such, the remuneration policy intends to reward them in an adequate and sufficient manner for their dedication, qualifications and responsibilities, without implying compromising their independence of criteria.

- Apart from proprietary directors, who are not compensated in any way, Lar España's Board of Directors earn a fixed payment of 70,000 per annum. The Chairman earns an additional 55,000€ of the remuneration paid to the remaining Board members (a total of 125,000 euros annually).

- Board members serving on any of the Committees will be compensated with an additional 15,000 euros per year for participating in them. The President of the Audit and Control Committee will earn an additional 7,500 euros annually (a total of 22,500 euros annually) and the President of the Appointments, Remuneration and Sustainability Committee an additional 2,000 euros annually (a total of 17,000 euros annually).

- Lastly, the members of the Board who, at the appointment of Lar España, hold positions on the boards of company investees may receive additional fixed remuneration for attending those boards' meetings in an amount of 15,000 euros per year for each company.

- Likewise, Lar España will reimburse the directors for the travel expenses incurred in attending the meetings of the Board of Directors and the Committees of which the Company's directors are members.

- Lar España's remuneration policy stipulates a maximum annual amount payable to the Board of Directors for theis status of 530,000 euros.

For these purposes, the amount and nature of the fixed components of the remuneration policy that is expected to be submitted to the General Shareholders' Meeting in 2022 will be maintained in similar terms.

A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

As Lar España has no executive directors, no amounts will accrue for the performance of senior management functions by executive directors in 2022.

A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favor of the director.

During the financial year 2022, the directors of Lar España do not plan to receive any remuneration in kind.

A.1.6 Amount and nature of variable components, differentiating between those established in the short and long term. Financial and nonfinancial, including social, environmental and climate change parameters selected to determine variable remuneration in the year in progress, explaining the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, deadline necessary and techniques established to determine the effective degree of compliance with the parameters used in the design of the variable remuneration explaining the criteria and factors applicable in terms of the time required and methods for verifying that the performance or other conditions to which each component of variable remuneration was linked have been effectively met the performance or other conditions to which the accrual and vesting of each component of variable remuneration was linked have been effectively fulfilled.

State the range, in monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

The current remuneration policy does not provide for variable remuneration for directors. However, article 27.5 of Lar España's Board Regulations provides that any variable remuneration tied to the Company and/or the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans be confined to executive directors.

In this regard, in the event that Lar España contemplates the appointment of executive directors, the remuneration policy must be adapted in such a way as to specify the amount of the fixed annual remuneration and its variation in the period to which the policy refers; the different parameters for setting the variable components; and the main terms and conditions of their contracts, including, in particular, their duration, indemnities for early termination or termination of the contractual relationship and exclusivity covenants, post-contractual non-competition and permanence or loyalty.

It should be noted that Lar España does not plan to have executive directors at the date of publication of this report.

A.1.7 Main characteristics of the long-term savings systems. Among other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are vested for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, on the terms provided, between the Company and the director.

State if the accrual or vesting of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.

The Company has no pension, retirement or similar obligations or commitments to any director.

A.1.8 Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, on the terms provided between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, continuance in office or loyalty, which entitle the director to any type of remuneration.

There are currently no agreed severance payments related to the termination of the relationship with Lar España as a director.

A.1.9 State the conditions that contracts should respect for those exercising senior management functions as executive directors. Among others, information should be provided on the duration, limits on amounts of severance pay, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to hiring bonuses, compensation and golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, any clauses or agreements on non-competition, exclusivity, continuance in office and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

Lar España does not plan to hire any executive directors in financial year 2022.

A.1.10 The nature and estimated amount of any other supplementary remuneration accrued by directors in the year in progress in consideration for services rendered other than those inherent in the post.

The directors do not receive any additional remuneration for services other than those inherent to their position, which have not been described in this report.

A.1.11 Other items of remuneration like those deriving from the company providing advances, loans, guarantees or any other remuneration to the directors.

At the date of approval of this report, there are no loans, advances granted or guarantees provided by the Company to members of the Board of Directors on the Company's balance sheet. Likewise, the directors have not received any other remuneration in addition to that described in this report.

A.1.12 The nature and estimated amount of any other planned supplementary remuneration accrued by directors in the year in progress that is not included in the previous sections, whether payment is made by the company or another group company.

At the date of approval of this report, there are no other remuneration items other than those described in the previous sections.

A.2 Explain any significant change in the remuneration policy applicable in the current year resulting from:

a) A new policy or a modification of the policy already approved by the General Meeting.

b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.

c) Proposals that the board of directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.

As described above, a new remuneration policy for Lar España's directors is expected to be approved in order to adapt it to the amendments introduced by Law 5/2021, in accordance with its first transitory provision.

A.3 Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the web page of the company.

https://www.larespana.com/wp-content/uploads/2021/09/Politica-de-Remuneraciones-del-Consejo-de-Administracion.pdf

A.4 Explain, taking into account the data provided in Section B.4, the outcome of voting, of a consultative nature, by shareholders at the General Shareholders' Meeting on the annual report on remuneration for the previous year.

The shareholders' vote was considered as ratification of the annual remuneration report of the previous year, as it obtained 93.48% of votes in favor.

B OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED

B.1.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process to apply the remuneration policy in the year ended.

The process followed to apply the remuneration policy of Lar España and determine individual remuneration has been carried out as indicated in section A.1 of this report.

In particular with reference to financial year 2021, the Committee reviewed the annual report on directors' remuneration for financial year 2020 in accordance with the provisions of article 541 of Capital Companies Act, resolving to approve it and send it to the Board for its final approval and subsequent submission to the General Shareholders' Meeting.

The Appointments, Remuneration and Sustainability Committee met 9 times in fiscal year 2021. At the meetings, the preparatory reports of the proposals submitted for consideration by the Committee are presented and a copy is kept together with the minutes. The Appointments, Remuneration and Sustainability Committee in the 2021 financial year and with regard to remuneration has maintained a remuneration policy in line with those developed to date, in accordance with the criteria shown by the majority of the shareholders who have voted in favor of the remuneration policy proposed by the Board of Directors.

B.1.2 Explain any deviations from the procedure established for the application of the remuneration policy that have occurred during the year.

There have been no deviations during financial year 2021.

B.1.3 Indicate whether any temporary exceptions to the remuneration policy have been applied and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the company considers that these exceptions have been necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. Also quantify the impact that the application of these exceptions has had on the remuneration of each director during the year.

No temporary exceptions have been applied to the remuneration policy in financial year 2021.

B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to guarantee that the long-term results of the company have been taken into consideration in the remuneration accrued and that a suitable balance has been attained between the fixed and variable components of the remuneration, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if appropriate.

Lar España's remuneration policy is compatible with adequate and effective risk management.

The different actions taken by the Company in relation to the remuneration system to reduce exposure to excessive risks and adjust it to the Company's objectives, values and long-term interests have been indicated in section A.1 of this report.

These actions are intended to control the Company's remuneration practices in order to align them with the business strategy, promoting the long-term profitability and sustainability of Lar España, and incorporating the necessary safeguards to avoid excessive risk-taking and the rewarding of unfavorable results.

B.3 Explain how the remuneration accrued and consolidated over the year meets the provisions contained in the current remuneration policy and, in particular, how it contributes to the long-term and sustainable performance of company.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of directors and how the latter contribute to the short- and long-term results of the company.

To the extent that the Board of Directors of Lar España only has non-executive directors, the remuneration policy does not contemplate variable elements of remuneration, so that the remuneration of non-executive directors is composed entirely of fixed components, in accordance with best practices in corporate governance of remuneration.

B.4 Report on the result of the consultative vote at the General Shareholders" Meeting on remuneration in the previous year, indicating the number of abstentions and negative, blank and affirmative votes cast that may have been cast:

The annual report on directors' remuneration for the financial year 2020 was submitted to the advisory vote of the General Meeting of Shareholders on 11 April 2021, as the eleventh item on the Agenda, with the following result:

	Number	% of total
Votes cast	57,911,452	66.084

	Number	% of cast
Votes against	3,450	0.006
Votes in favour	57,228,979	93.489
Votos in blank	0	0
Abstentions	679,023	1.109

B.5 Explain how the fixed components accrued and consolidated during the year by the directors in their capacity as such have been determined and how they have changed, the relative proportion for each director and with respect to the previous year.

The fixed remuneration of the directors in their capacity as such in 2021 has been determined as indicated in section A.1. of this report, remaining unchanged in this financial year with respect to that of the previous financial year.

The amount paid to the directors for their membership of the Board and the Committees was EUR 489,500 in 2021, lower than the maximum amount established in the current remuneration policy.

B.6 Explain how the salaries accrued and consolidated by each one of the executive directors over the past financial year for the performance of management

duties were determined, and how they have changed with respect to the previous year.

As Lar España has no executive directors, no amounts have been accrued for the performance of senior management duties by executive directors in 2021.

B.7 Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and consolidated in the year ended.

In particular:

a) Identify each one of the remuneration plans that have determined the different types of variable remuneration accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, conditions in case of consolidation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated explaining conditions and criteria stipulated, with detailed explanations of the criteria and factors you have applied in terms of the time required and methods to verify that the performance or other conditions attached to the accrual and vesting of each component of variable remuneration have been effectively met.

b) In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (vesting) and to exercise these options or financial instruments, including the price and term to exercise them.

c) Each one of the directors, together with their category (executive directors, proprietary external directors, independent external directors and other external directors), that are beneficiaries of remunerations systems or plans that include variable remuneration.

d) If applicable, information on the established accrual, vesting or deferral periods of consolidated amounts that have been applied and/or the periods of withholding/non-disposal of shares or other financial instruments, if any, shall be disclosed.

The remuneration policy in force in financial year 2021 does not provide for variable remuneration for directors. However, Lar España's Board Regulations in its article 27.5 provide that any variable remuneration tied to the company and/or the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans be confined to executive directors.

Likewise, non-executive directors may only participate in share-based remuneration schemes provided they retain such shares until the end of their mandate.

Notwithstanding the above, it should be noted that Lar España did not have any executive directors during the 2021 financial year.

B.8 Indicate whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been vested and deferred or, in the case of the latter, vested and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer.

As described in the previous section, the remuneration policy in force in financial year 2021 does not contemplate variable remuneration for directors.

B.9 Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions for vesting economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

During the 2021 financial year, none of the directors of Lar España has been a beneficiary of long-term savings schemes, including retirement or any other survivor's benefits, financed in whole or in part by the Company.

B.10 Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract upon the terms provided for therein, accrued and/or received by directors during the year ended.

In 2021, no board member has ceased his role as a director. Therefore, during this year, no compensation has been made for said circumstance.

B.11 Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

Lar España did not have any executive directors in 2021.

B.12 Explain any supplementary remuneration accrued by directors as consideration for services rendered outside of their post.

In 2021, the Lar España board members did not provide any services not inherent to their positions.

B.13 Explain any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics and the amounts eventually returned, as well as the obligations taken on by way of guarantee or collateral.

In 2021, Lar España board members did not avail themselves of any advances, loans, or guarantees.

B.14 Itemize the remuneration in kind accrued by the directors over the year, briefly explaining the nature of the different salary components.

In 2021, Lar España board members did not avail themselves of any remuneration in kind.

B.15 Explain the remuneration accrued by directors by virtue of payments made by the listed company to a third company at which the director 15 renders services when these payments seek to remunerate the director’s services to the company.

In 2021, no Lar España directors earned compensation by virtue of payments made by the listed company to a third-party entity in which the board members provide services.

B.16 Explain and detail the amounts accrued in the year in relation to any other remuneration item other than the above, whatever its nature or the group entity that pays it, especially including all benefits in any form, such as when it is considered a related-party transaction or when its issue distorts, in particular, when it significantly affects the true and fair view of the total remuneration accrued by the director, explaining the amount granted or pending payment,

the nature of the consideration received and the reasons why it would have been considered, as the case may be, that it does not constitute remuneration to the director in his capacity as such or in consideration for the performance of his executive duties, and whether or not it has been considered appropriate to include it among the amounts accrued under the "other items" section of section C.

During 2021, no Lar España board members were remunerated through any other items apart from the abovementioned.

C BREAKDOWN OF THE INDIVIDUAL REMUNERATION EARNED BY EACH BOARD DIRECTOR

Name	Type	Accrual period 2021
José Luis del Valle	Independent Director (Chairman)	January – December 2021
Roger M. Cooke	Independent Board Member	January – December 2021
Alec Emmott	Independent Board Member	January – December 2021
Miguel Pereda	Nominee Director	January – December 2021
Isabel Aguilera	Independent Board Member	January – December 2021
Laurent Luccioni	Nominee Director	January – December 2021
Leticia Iglesias	Independent Board Member	January – December 2021

C.1 Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand €)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership on Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other items	Total financial year 2021	Total financial year 2020
José Luis del Valle	125	0	15	0	0	0	0	0	140	132
Roger M. Cooke	70	0	17	0	0	0	0	0	87	83
Alec Emmott	70	0	15	0	0	0	0	0	85	81
Miguel Pereda	0	0	0	0	0	0	0	0	0	0
Isabel Aguilera	70	0	15	0	0	0	0	0	85	81
Laurent Luccioni	0	0	0	0	0	0	0	0	0	0
Leticia Iglesias	70	0	23	0	0	0	0	0	93	88

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name	Name of Plan	Financial instruments at start of financial year 2021		Financial instruments granted during financial year 2021		Financial instruments vested during the fiscal year				Instruments matured but not exercised	Financial instruments at end of financial year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instrument	No. of equivalent/vested shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent share
No data												

iii) Long-term savings systems

Name	Remuneration from vesting of rights to savings system
No data	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Financial Year 2021		Financial Year 2020	
	Financial year 2021	Financial year 2020	Financial year 2021	Financial year 2020	Savings systems with vested economic rights	Savings systems with non-vested economic rights	Savings systems with vested economic rights	Savings systems with non-vested economic rights
No data								

iv) Details of other items

Name	Concept	Amount remunerated
No data		

b) Remuneration of the company directors for seats on the boards of other group companies:

i) Remuneration in cash (thousand €)

Name	Fixed compensation	Per diem allowances	Remuneration for membership on Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other items	Total financial year 2021	Total financial year 2020
José Luis del Valle	0	0	0	0	0	0	0	0	0	0
Roger Cooke	15	0	0	0	0	0	0	0	15	14
Alec Emmott	0	0	0	0	0	0	0	0	0	0
Miguel Pereda	0	0	0	0	0	0	0	0	0	0
Isabel Aguilera	0	0	0	0	0	0	0	0	0	0
Laurent Luccioni	0	0	0	0	0	0	0	0	0	0
Leticia Iglesias	0	0	0	0	0	0	0	0	0	0

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name	Name of Plan	Financial instruments at start of year 2021		Financial instruments vested during year 2020		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares

No data												

iii) Long-term savings systems

	Remuneration from vesting of rights to savings system
No data	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Financial year 2021		Financial year 2020	
	Financial year 2021	Financial year 2020	Financial year 2021	Financial year 2020	Savings systems with vested economic rights	Savings systems with non-vested economic right	Savings systems with vested economic rights	Savings systems with non-vested economic rights
No data								

iv) Details of other items

Name	Item	Amount remunerated
No data		

c) Summary of remuneration (thousand €):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (thousand €).

	Remuneration accrued in the Company					Remuneration accrued at group companies					
Name	Total compensation paid in cash	Gross profit from vested shares or financial instruments	Remuneration from savings systems	Remuneration for other items	Total financial year 2020 - company	Total Cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings systems	Remuneration for other items	Total financial year 2020 - group	Total financial year 2021 in the Company + Group
José Luis del Valle	140	0	0	0	140	0	0	0	0	0	140
Roger Cooke	87	0	0	0	87	15	0	0	0	15	102
Alec Emmott	85	0	0	0	85	0	0	0	0	0	85
Miguel Pereda	0	0	0	0	0	0	0	0	0	0	0
Isabel Aguilera	85	0	0	0	85	0	0	0	0	0	85
Laurent Luccioni	0	0	0	0	0	0	0	0	0	0	0
Leticia Iglesias	93	0	0	0	93	0	0	0	0	0	93
Total:	490	0	0	0	490	15	0	0	0	15	505

c.2) Indicate the evolution over the last 5 years of the amount and percentage variation of the remuneration accrued by each of the listed company's directors who have been directors during the year, of the consolidated results of the company and of the average remuneration on a full-time equivalent basis of the employees of the company and its subsidiaries who are not directors of the listed company.

	Total amounts accrued and % annual variation								
	Financial year 2021	**% change 2021/2020**	**Financial year 2020[1]**	**% change 2020/2019**	**Financial year 2019**	**% change 2019/2018**	**Financial year 2018**	**% change 2018/2017**	**Financial year 2017**
Non-executive Directors	**505**	**5%**	**479**	**-6%**	**510**	**14%**	**446**	**39%**	**320**
D. José Luis del Valle	140	6%	132	-6%	140	0%	140	33%	105
D. Roger M. Cooke	102	5%	97	-6%	103	0%	103	13%	91
D. Alec Emmott	85	5%	81	-7%	87	0%	87	9%	80
D. Miguel Pereda	0		0		0		0		0
Dª. Isabel Aguilera	85	5%	81	-5%	85	0%	85	93%[2]	44
D. Laurent Luccioni	0		0	-100%	2	-83%	12		0
Dª. Leticia Iglesias	93	6%	88	-5%	93	389%[3]	19		0
Consolidated results of the company[4]	**24.160**	**-145%**	**-53.668**	**-167%**	**79.628**	**-41%**	**133.847**	**-1%**	**135.606**
Average employee compensation[5]	**162**	**18%**	**137**	**11%**	**123**	**5%**	**117**	**-2%**	**119**

[1] As a consequence of the crisis caused by the Covid-19 pandemic, the remuneration of the members of the Board of Directors was reviewed and a temporary reduction of the remuneration of the directors of Lar España was agreed.
[2] The director's vesting period in 2017 was from May to December.
[3] The director's vesting period in 2018 was from October to December.
[4] In accordance with the provisions of Circular 3/2021, the profit before tax of the audited consolidated financial statements for each financial year is included.
[5] Pursuant to the provisions of Circular 3/2021, it is established that the average employee remuneration shall be calculated as the quotient between the amount of remuneration earned by staff in each year, determined in accordance with the accounting regulations applicable in the preparation of the consolidated and audited annual accounts for each year (discounting, where applicable, the remuneration of directors) and the weighted average number (excluding directors) of employees calculated on a full-time equivalent basis. In this regard, the heading "Wages, salaries and similar items" of the annual accounts has been included excluding directors' remuneration.

D OTHER INFORMATION OF INTEREST

If there is any relevant aspect regarding the remuneration of directors that has not been included in the other sections of this report, but which is necessary to include in order to provide more complete and reasoned information on the structure and remuneration practices of the company in relation to its directors, briefly describe them.

This remuneration report was approved by the Board of Directors of the Company, at the proposal of the Appointments, Remuneration and Sustainability Committee, at its meeting held on February 24, 2022.

Indicate whether any directors voted against or abstained from voting on the approval of this report.

Yes ☐ No X

Name or company name of the member of the Board of Directors who has not voted for the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons
[•]	[•]	[•]