

Appendix I

ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLICLY- LISTED COMPANIES

DATA IDENTIFYING THE ISSUER

Financial year end:
31/12/2019

Tax ID no. (CIF):
A-86918307

Registered business name:
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Registered office:
Rosario Pino 14-16, Madrid.

English loose translation for information purposes. In case of discrepancy Spanish version shall prevail.

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLICLY LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
20/12/2019	175,267,460	87,633,730	87,633,730

State whether there are different classes of shares with different rights attaching to them:

Yes No

Class	Number of shares	Unit par value	Unit no. of voting rights	Different rights

A.2 List the company's significant direct and indirect shareholders at year-end, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Name or company name of the direct shareholder	Number of voting rights	
BLACKROCK INC.	0		2,778,497	3.679%
BRANDES INVESTMENT PARTNERS, L.P.	0		4,555,489	5.031%
FRANKLIN INTERNATIONAL SMALL CAP GROWTH FUND	4,570,501		0	4.934%
FRANKLIN TEMPLETON INSTITUTIONAL, LLC	0	FTIF-Franklin European Small Mid Cap Growth Fund FGT-Franklin International Small Cap Growth Fund	7,322,773	7.905 %
GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.	9,476,400		0	10.000%
PIMCO BRAVO II FUND, L.P.	0	LVS II LUX XII S.À.R.L.	18,157,459	20.044%
SANTA LUCIA S.A. CIA DE SEGUROS	3,624,593		1,237,890	5.216%
BLACKROCK INC.	0		2,778,497	3.679%

Indicate the most significant movements in the shareholder structure during the financial year:

In 2019, Lar España has carried out an increase and two capital reductions, in addition to continuing with its share buyback program.

The capital increase was approved at the General Shareholders' Meeting on April 25, 2019 and was presented to the public on June 10, 2019. The operation has been fully subscribed and paid up by its management company, Grupo Lar Inversiones Inmobiliarias, S.A. ("Grupo Lar"), through the disbursement of the amount received as a performance fee. The share capital was increased by an amount of 1,242,674.00 euros through the issuance of 621,337 registered shares of two euros of nominal value each, at a unit issuance rate of 10.34 euros.

The first capital reduction was made through amortization of own shares that was approved by the Board of Directors of the Company, dated June 7, 2019. The share capital of Lar España has been reduced by 6,505,640.00 euros as a consequence of the amortization of 3,252,820 own shares of two euros of nominal value each.

The second capital reduction was made on December 20 and approved on December 19 by the Board of Directors, under the delegation made by the ordinary General Meeting of shareholders of the Company held on May 29, 2017. This operation has reduced the capital stock by 5,907,662 euros as a result of the amortization of 2,953,831 own shares of two euros of nominal value each.

Following the execution of the capital reduction, the Company's share capital has been set at 175,267,460 euros, represented by 87,633,730 registered shares of two euros of nominal value each.

The share buyback program is explained in sections A.8 and A.9 of this report.

In addition, during 2019 there has been a variation in shareholders with significant holdings, which according to article 8 of the bylaw are those with a percentage equal to or greater than 5%. Santa Lucia S.A. reached a significant participation quota of 5.216% dated March 12, 2019. Threadneedle Asset sold its holdings that reached a participation quota of 5.024%. The sale has been carried out in a phased manner in several sessions of sale of shares.

On July 8, 2019 PIMCO BRAVO II Fund. L.P. stated that he had crossed the 20% threshold as a result of the change in voting rights of the issuer. This fact was notified to the CNMV, notifying that the date on which said threshold was crossed was June 7, 2019, reached 20.044%.

Name or company name of shareholder	Transaction date	Transaction background
SANTA LUCÍA S.A.	12/03/2019	Purchase of shares above the threshold of "Significant Participation" in the company.
GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.	10/06/2019	Increase in participation due to capital increase.
LAR ESPAÑA S.A.	10/06/2019	Reduction of shares due to amortization of own shares.
PIMCO BRAVO II FUND L.P.	10/06/2019	Increase in share percentage due to the amortization of shares owned by LAR España S.A.
THREADNEEDLE ASSET	several	Sale of shares. Previously it had a quota higher than the threshold of "Significant

		Participations”.
LAR ESPAÑA S.A.	20/12/2019	Reduction of shares due to amortization of own shares.

A.3 Complete the following tables detailing the directors who have voting shares in the company:

Name or company name of director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Number of direct voting rights	Number of direct voting rights	
José Luis del Valle	0	Eugemor, SICAV, S.A.	22,425	0.025%
Isabel Aguilera	2,620		2,620	0.003%
Alec Emmott	1,155		1,155	0.001%
Roger Maxwell Cooke	2,500		2,500	0.003%
Miguel Pereda	29,905		29,905	0.032%
Leticia Iglesias	350		350	0.000%

% of total voting rights held by the board of directors	0.064%
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Complete the following table detailing the directors who have stock options in the company:

Name or company name of director	Number of direct voting rights	Indirect voting rights		Number of equivalent shares	% of total voting rights
		Name of the direct shareh older	Number of voting rights		

A.4 Where applicable, list family, commercial, contractual or corporate relationships between significant shareholders, to the extent that the company is aware of them, unless they are scanty material or derive from the company’s ordinary course of business:

Name or company name of related party	Type of relationship	Brief description
Miguel Pereda y Grupo Lar Inversiones Inmobiliarias, S.A.		Miguel Pereda is part of the Pereda family, owner of Grupo Lar Inversiones Inmobiliarias, S.A.

A.5 Where applicable, list commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, unless they are scantily material or derive from the company's ordinary course of business:

Name or company name of related party	Type of relationship	Brief description
LVS II LUX XII, S.A.R.L (PIMCO)	Contractual "Subscription Agreement"	Right of first refusal in relation to certain opportunities to jointly invest in service and residential properties.
Grupo Lar Inversiones Inmobiliarias, S.A	Contractual "Investment Management Agreement"	Company management agreement

A.6 Indicate whether the company has been notified of any agreements between shareholders within the meaning of articles 530 and 531 of the Spanish Corporate Enterprises Act Provide a brief description and list the shareholders bound by them, as applicable:

Yes No

Shareholders bound by agreement	% of share capital affected	Brief description of agreement

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, describe briefly.

Yes No

Parties to the concerted actions	% of share capital affected	Brief description of the concerted action

Expressly indicate any change in, or break-up of, said concerted actions or agreements during the year.

- A.7** Indicate whether any natural or legal persons currently exercise or may exercise control over the company pursuant to article 5 of the Spanish Securities Market Act. If so, identify them.

Yes No

Name or company name
Observations

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

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
103,820	0	0.12%

(*) Held through:

Name or company name of the direct shareholder	Number of shares held directly
N/A	N/A
TOTAL	

Explain any significant variations arising during the financial year, pursuant to Spanish Royal Decree 1362/2007:

- A.9** Detail the terms and conditions of the authorisation conferred at the general meeting to the board of directors to issue, buy back or sell treasury stock.

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

At the General Meeting of Ordinary Shareholders held in May 2017, it was agreed to delegate to the Board of Directors, for a term of five years, the authorization for the derivative acquisition of own shares in accordance with the limits and requirements established in the Law on Capital Companies, expressly empowering you to reduce, where appropriate, the share capital once or several times in order to proceed with the amortization of the own shares acquired. Delegation of powers to the Board for the execution of the indicated agreement.

During 2019, the Board of Directors has carried out the acquisition and amortization of own shares according to the power delegated by the General Meeting of Ordinary Shareholders.

- A.9 bis** Estimated free float:

Estimated free float	67.7 %
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- A.10** Itemise any restrictions on the ability to transfer securities and/or exercise voting rights. Specifically indicate the existence of any restrictions intended to impede the company's takeover by means of share purchases on the open market.

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

Yes No

Description of the restrictions

Pursuant to section 7.2.2 of the management agreement signed between Lar España Real Estate and Grupo Lar, the shares acquired by the Management Company in relation to the performance fee are subject to a three-year lock-up.
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- A.11** Indicate whether any measures have been adopted at the general meeting with the aim of neutralising a hypothetical takeover bid within the meaning of Spanish Law 6/2007.

Yes No

If so, explain the measures approved and the terms under which they could be rendered unenforceable:

- A.12** Indicate whether the company has issued any securities that are not traded on a regulated European Union exchange.

Yes No

If so, indicate the various classes of shares, listing the rights and obligations conferred in respect of each class.

B GENERAL MEETING

B.1 Indicate the quorum for validly calling the shareholders' meeting to order and detail any differences with respect to the minimum quorums stipulated in the Spanish Corporate Enterprises Act.

Yes No **X**

	% quorum different to art. 193 of the Spanish Corporate Enterprises Act for voting on general resolutions	% quorum different to art. 194 of the Spanish Corporate Enterprises Act for voting on special matters included in art. 194
Quorum required at first call		
Quorum required at second call		

B.2 Indicate and detail any differences between the rules governing the adoption of corporate resolutions and the regime set forth in the Spanish Corporate Enterprises Act:

Yes No **X**

Describe any differences from the provisions set forth in the Spanish Corporate Enterprises Act:

	Qualified majority other than that stipulated in article 201.2 of the Spanish Corporate Enterprises Act for the matters provided for in article 194.1 thereof	Other situations requiring qualified majority
% stipulated for resolution ratification		
Describe the differences		

B.3 Indicate the rules governing the amendment of the company's bylaws. Specifically, indicate the majorities required to amend the bylaws and any rules in place for protecting shareholders' rights in these instances.

The general legal regime is applicable. There is no specific rule that contemplates the modification of the Articles of Association.

B.4 Indicate the attendance figures for the shareholder meetings held during the year to which this report relates and during the prior year:

General meeting date	Attendance data				Total
	% attending in person	% attending by proxy	% correspondence voting		
			Votes cast electronically	Other	
19/04/2018	5.893	68.51	0.005	0	74.415
25/04/2019	12.829	64.00	0.005	0.278	77.111

B.5 Indicate whether the bylaws impose any minimum requirement on the number of shares required to attend the general meeting.

Yes No

B.6 Section repealed

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other general meeting related disclosures which must be provided to shareholders on the corporate website.

<https://www.larespana.com/gobierno-corporativo/junta-general-ordinaria-2019>

C CORPORATE GOVERNANCE STRUCTURE

C.1 Board of Directors

C.1.1. State the maximum and minimum number of directors stipulated in the company's bylaws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2. Fill in the following table with the board members' details:

Name or company name of director	Representative	Director class	Position on the board	Date of first appointment	Date of last appointment	Election procedure
José Luis del Valle		Independent	Chairman	05/02/2014	29/05/2017	Not applicable
Alec Emmott		Independent	Director	05/02/2014	29/05/2017	Not applicable
Roger Cooke		Independent	Director	05/02/2014	29/05/2017	Not applicable
Miguel Pereda		Proprietary	Director	05/02/2014	29/05/2017	Not applicable
Laurent Luccioni		Proprietary	Director	29/05/2017	29/05/2017	Not applicable
Isabel Aguilera		Independent	Director	29/05/2017	19/04/2018	Cooptation ratified by the Board
Leticia Iglesias		Independent	Director	16/10/2018	25/04/2019	Cooptation ratified by the Board

Total number of directors	7
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Indicate any members who stepped down during the reporting period:

There have been no cessations in the period.

C.1.3. Fill in the following tables on the various classes of directorships:

EXECUTIVE DIRECTORS

Name or company name of director	Position at the company

Total number of executive directors	
% of total board members	

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented or proposing the appointment
Miguel Pereda Espeso	Grupo Lar Inversiones Inmobiliarias, S.A.
D. Laurent Luccioni	LVS II LUX XII, S.A.R.L.(PIMCO)

Total number of proprietary directors	2
% of total board members	28.57%

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Background
Mr. José Luis del Valle	<p>Mr. José Luis del Valle Doblado is an independent external director of Lar España and Chairman of the Board. He was appointed director of Lar España by Grupo Lar Inversiones Inmobiliarias, S.A., the then sole shareholder of the Company, the February 5, 2014, and re-elected as an independent external director, at the proposal of the Appointments and Remuneration Committee and following a favorable report from the Board of Directors, by the Ordinary General Shareholders Meeting of May 29, 2017. On February 6, 2014 the Board of Directors of the Company appointed him as Chairman and member and Chairman of the Audit and Control Committee, a position he held until May 29, 2017, date on which he submitted to the Board his resignation as Chairman of the Committee, since then Vocal of it.</p> <p>Mr. del Valle has extensive experience in the banking and energy sectors. From 1988 to 2002 he held various positions at Banco Santander, one of the largest financial institutions in Spain. In 1999 he was appointed Senior Executive Vice President and CFO of the bank (1999-2002). Subsequently he was Chief Strategy and Development Officer of Iberdrola, one of the main Spanish energy companies (2002-2008), Chief Executive Officer of Scottish Power (2007-2008), Chief Strategy and Research Officer of Iberdrola (2008-2010) and Advisor to the President from the wind turbine manufacturer Gamesa (2011-2012). Currently, Mr. del Valle is Wizink Bank Administrator Board Chairman; Director of Abengoa, S.A., which provides innovative technological solutions for sustainable development; Director of the insurance group Ocaso and Counselor of the Instituto de Consejeros-Administradores.</p> <p>Mr. José Luis is a Mining Engineer from the Polytechnic University (Madrid, Spain), number one of his promotion, and Master in Science and Nuclear Engineer from the Massachusetts Institute of Technology (Cambridge, USA). Furthermore, Mr. del Valle holds a MBA with High Distinction from Harvard Business School (Boston, USA).</p>
Mrs. Leticia Iglesias	<p>Leticia Iglesias Herraiz is an independent external director of Lar España. She was appointed director of Lar España by the Board of Directors of the Company, by the co-optation system, at its meeting of October 16, 2018, date on which the Board of Directors also appointed her as a member of the Audit and Control Committee and</p>

	<p>President of the same, being ratified his appointment by the General Meeting of Shareholders held on April 25, 2019.</p> <p>Mrs. Leticia Iglesias has extensive experience in regulation and supervision of securities markets and financial services. He began his career in 1987 in the Audit Division of Arthur Andersen. Between 1989 and 2007, he developed his professional career in the National Securities Market Commission (CNMV). From 2007 to 2013 he was CEO at the Sworn Account Census Institute of Spain (ICJCE). Also, between 2013 and 2017 she was an independent director of the Board of Directors of Banco Mare Nostrum (BMN), as well as a member of the Executive Committee, President of the Global Risk Commission and a member of the Audit Committee. During 2017 and 2018 he served as an independent director at Abanca Servicios Financieros, EFC, as well as Chairman of the Joint Audit and Risk Committee. Since May 2108 he has been a member of the Board of Directors of Abanca Corporación Bancaria, Chairman of the Audit and Compliance Committee and a member of the Comprehensive Risk Committee. Since April 2019, she is Independent Director and Chairman of the Audit Committee of AENA SME, S.A.</p> <p>Mrs. Leticia has a degree in Economics and Business Administration from the Universidad Pontificia de Comillas (ICADE). He is a member of the Official Registry of Auditors of Spain (ROAC), Patron of Fundación PRODIS Special Employment Center as well as a member of the Board of Directors of the ICADE Business Club.</p>
Mr. Alec Emmott	<p>Mr. Alec Emmott is an independent external director of Lar España. He was appointed director of Lar España by Grupo Lar Inversiones Inmobiliarias SA, the then sole shareholder of the Company, on February 5, 2014 and re-elected independent external director, at the proposal of the Appointments and Remuneration Committee and after a favorable report from the Board of Directors, by the ordinary General Meeting of shareholders of May 29, 2017. The Board of Directors of the Company appointed him as a member of the Appointments and Remuneration Committee on February 6, 2014.</p> <p>Mr. Alec Emmott has a broad professional career in real estate listed and unlisted in Europe and resides in Paris. He worked as CEO (CEO) of Société Foncière Lyonnaise (SFL) between 1997 and 2007, and subsequently as an executive advisor to SFL until 2012.</p> <p>He is currently Director of Europroperty Consulting, and since 2011 he is Director of CeGeREAL S.A. (on behalf of Europroperty Consulting). He is also a member of the advisory committee of Weinberg Real Estate Partners (WREP I / II). He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. He has an MA from Trinity College (Cambridge, United Kingdom).</p>

<p>Mr. Roger M. Cooke</p>	<p>Mr. Roger Maxwell Cooke MBE is an independent external director of Lar España. He was appointed director of Lar España by Grupo Lar Inversiones Inmobiliarias SA, the then sole shareholder of the Company, on February 5, 2014 and re-elected independent external director, at the proposal of the Appointments and Remuneration Committee and after a favorable report from the Board of Directors, by the ordinary General Meeting of shareholders on May 29, 2017. The Board of Directors of the Company appointed him as member and Chairman of the Appointments and Remuneration Committee on February 6, 2014.</p> <p>Mr. Roger M. Cooke is a professional with more than 30 years of experience in real estate. In 1980 he joined the London office of Cushman & Wakefield, where he participated in the drafting of the valuation standards (Red Book). From 1995 until the end of 2013 he held the position of CEO of Cushman & Wakefield Spain, placing the company in a leading position in the sector.</p> <p>In 2017, Mr. Roger was awarded by Queen Elizabeth II with an MBE for his services to British companies in Spain and to Anglo-Spanish trade and investment.</p> <p>D. Roger holds a degree in Urban Estate Surveying from 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. Also, since September 2017, Mr. Roger Maxwell is Chairman of the Editorial Board of Iberian Property and since January 2020 is Chairman of RICS in Spain.</p>
<p>Mrs. Isabel Aguilera</p>	<p>Mrs. Isabel Aguilera Navarro is an independent external director of Lar España. She was appointed director of Lar España by the Board of Directors of the Company, by the co-optation system, at its meeting on May 29, 2017, date on which the Board of Directors also appointed her as a member of the Audit and Control Committee, his appointment being ratified by the General Meeting of Shareholders held on April 19, 2018.</p> <p>Mrs. Isabel Aguilera has developed her professional career in different companies in various sectors and has been President of Spain and Portugal of General Electric, General Director in Spain and Portugal of Google, Chief Operating Officer of the NH Hoteles Group, Chief Executive Officer for Spain, Italy and Portugal from Dell Computer Corporation. He has also been part of the Board of Directors of various companies such as Indra Sistemas, Mare Nostrum Bank, Aegon Spain, Laureate Inc or Egasa Group. Doña Isabel Aguilera is currently a director of Grupo Cemex, Banca Farmafactoring, Oryzon Genomics, HPS (Hightech Payment Systems) and Making Science.</p> <p>Mrs. Isabel has a degree in Architecture, Building and Urban Planning from the Higher Technical School of Architecture in Seville, has completed the Master's Degree in Commercial Management and Marketing at IE, the IESE General Management Program and the Program for Senior Business Management and Leading Institutions of the San Telmo Institute. She is currently an Associate Professor at ESADE and a Strategy and Innovation Consultant.</p>

Total number of independent directors	5
% of total board members	71.43%

List any independent directors who receive from the company or any of its group companies any amount or benefit other than their remuneration as directors, along with those that currently have or have had during the reporting period a business relationship with the company or any company within its group, either directly or in their capacity as significant shareholder, director or senior executive of an entity party to such an arrangement.

If so, include a substantiated statement from the board arguing the reasons for which it believes the director in question can carry on its duties as an independent director.

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

OTHER EXTERNAL DIRECTORS

Identify the other external directors and list the reasons why they cannot be considered proprietary or independent and the links they maintain with either the company, its senior officers or its shareholders:

Name or company name of director	Reasons	Related company, officer or shareholder

Total number of other external directors	
% of total members	

List any changes in director classification during the reporting period:

Name or company name of director	Date of change	Previous class of directorship	Current class of directorship

C.1.4 Fill in the following table detailing the number of female directors serving on the board during the last four years and their classification:

	Number of female directors				% of each directorship category			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Independent	2	2	1	0	40%	40%	20%	0
Other external	0	0	0	0	0	0	0	0
Total:	2	2	1	0	29%	29%	14%	0

C.1.5 Outline the measures taken, if any, to endeavour to include enough women on the board to achieve balanced gender representation.

Article 34.4 of the Articles of Association state that the shareholders in general meeting and the Board of Directors should attempt to foster balanced gender representation on the Board.

On December 27, 2017, article 8.6 of the Regulations of the Board of Directors were amended to specify that the Board will ensure that the selection of its members favors boardroom diversity in terms of experience, knowledge, training, age, disability and gender and that no implicit bias leads to any form of discrimination. In particular, the Board is to facilitate the selection of female board members by establishing the relevant diversity policy and guidelines.

In addition, Lar España drew up a director selection and appointment Policy, approved by the Board of Directors on January 20, 2016, which fosters boardroom diversity in terms of knowledge, skills, experience, and gender. The policy, reviewed and approved again by the Board of Directors on December 20, 2018, emphasises the provisions that would foster diversity in the Board and pursues the target of having at least 30% of all Board members be female by 2020.

C.1.6 Indicate whether the nomination committee has taken any measures to ensure the process of filling board vacancies is not implicitly biased against female candidates, and whether the company makes a conscious effort to seek out female candidates that match the required profile:

Lar España has a director selection and appointment Policy (which was approved by the Appointments and Remuneration Committee and the Board of Directors on 20 January 2016). That policy is designed to foster boardroom diversity in terms of knowledge and skills, experience and gender. This policy, reviewed and approved again by the Board of Directors on December 20, 2018, emphasises the provisions that would foster diversity in the Board and pursues the target of having at least 30% of all board members be female by 2020.

Following the appointment of a new female director in 2018, the Company is very close to delivering that target. Indeed, female directors currently account for 29% of all board membership.

The Appointments and Remuneration Committee verifies compliance with this policy annually and reports on its findings in the Annual Corporate Governance Report. Moreover, that Committee strives to make sure the candidates put forward are sufficiently honourable, suitable, solvent, competent, experienced, qualified, trained, available and committed to their duties, that the candidate selection process results in adequate balance in the boardroom as a whole, enriches the decision-making process and helps prevent conflicts of interest such that the common interest always prevails over individual interests.

Likewise, both the Committee and the Board reviewed this issue at the end of 2019; and finally, a modification of the Regulations of the Board of Directors and a new regulation for the Appointments and Remuneration Committee were approved, with the objective of compiling in the internal regulations of the Company both the recommendations of the CNMV contained in both the Technical Guide 1 / 2019 on Appointments and Remuneration Committees as in Law 11/2018, of December 28, among others, regarding diversity.

C.1.6.bis Explain the results of the nomination committee's annual check on compliance with the director selection policy. In particular, describe how the policy pursues the goal of having at least 30% of total board places occupied by women directors before the year 2020:

The director selection Policy was drawn up in 2015 and approved by the Appointments and Remuneration Committee and the Board of Directors on January 20, 2016. It specifically states the target of having 30% of its membership occupied by women by 2020. The selection policy was also reviewed in 2018 with the aim of emphasising the provisions that would foster the diversity in the Board, among others.

In 2018, a female independent director was appointed to the board with a view to delivering the target set by the Appointments and Remuneration Committee. Female boardroom representation is currently at 29%, practically the targeted 30%.

Likewise, as mentioned in the upper section C.1.6, at the end of the year 2019, the Regulations of the Board of Directors were revised and a new own Regulation for the Appointments and Remuneration Committee was approved, with the objective of collecting in the internal regulations of the Company, both the recommendations of the CNMV contained both in Technical Guide 1/2019 on Appointments and Remuneration Committees and in Law 11/2018, of December 28, among others, regarding diversity.

C.1.7 Explain how shareholders with significant holdings are represented on the board:

Article 8.3 of the Board Regulations stipulates that the Board must endeavour that among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the Company's capital.

Further, article 8.4 of the Regulations stipulates that the Board must prevent discrimination among shareholders in terms of boardroom access via proprietary directorships.

C.1.8 Explain any reasons why proprietary directors have been appointed at the urging of shareholders controlling less than 3% of capital:

Name or company name of shareholder	Reasons

Indicate whether any formal requests for a board seat from shareholders whose equity interest is equal to or greater than that of others applying successfully for a proprietary directorship have been rejected. If so, explain why these requests have not been entertained.

Yes No

Name or company name of shareholder	Explanation

C.1.9 Indicate whether a director has resigned from office before their term of office expired, whether any such director has stated their reasons to the board and how, and, if in writing to the entire board, explain the reasons given:

Yes No

C.1.10 Indicate, if appropriate, any powers delegated to the chief executive officer(s):

Yes No

Name or company name of shareholder	Brief description

C.1.11 Name any directors who are also executives or directors of other companies that form part of the listed company group:

Name or company name of director	Registered name of the group company	Position	Do they have executive duties?
Miguel Pereda Espeso	LE LOGISTIC ALOVERA I Y II, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL ALISAL, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPER ALBACENTER, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE OFFICES ELOY GONZALO 27, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL AS TERMAS, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE LOGISTIC ALOVERA III Y IV, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE LOGISTIC ALMUSSAFES, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPER ONDARA, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE OFFICES JOAN MIRÓ 21, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL VIDANOVA PARC, S.L.U. (previously LE RETAIL SAGUNTO, S.L.U.)	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL EL ROSAL, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL GALARIA, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LAR ESPAÑA INVERSIÓN LOGÍSTICA IV, S.L.U.	Director (acting joint and severally)	No
Miguel Pereda Espeso	LE RETAIL VISTAHERMOSA, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL LAGO, S.L.U. (previously LAR ESPAÑA SHOPPING CENTRES VIII, S.L.U.)	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL SAGUNTO II, S.L.U. (previously LAR ESPAÑA OFFICES VI, S.L.U.)	Chairman of the Board of Directors	No

Miguel Pereda Espeso	LE RETAIL VILLAVERDE, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL ALBACENTER, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE OFFICES MARCELO SPINOLA 42, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL LAS HUERTAS, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL TXINGUDI, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL ANEC BLAU, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL GRAN VÍA DE VIGO, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL ABADÍA, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPERMERCADOS I, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPERMERCADOS II, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPERMERCADOS III, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL RIVAS, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL CORDOBA SUR, S.L.U. (previously GLOBAL PERGAMO, S.L.U.)	Chairman of the Board of Directors	No
Miguel Pereda Espeso	INMOBILIARIA JUAN BRAVO 3 S.L.	Director of the Board of Directors	No
Roger Maxwell Cooke	INMOBILIARIA JUAN BRAVO 3 S.L.	Chairman of the Board of Directors	No

C.1.12 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets, other than your own group, insofar as these have been reported to the company:

Name or company name of director	Registered name of the group company	Position
Jose Luis del Valle	Abengoa, S.A.	Independent Director
Isabel Aguilera	Oryzon Genomics	Independent Director
Leticia Iglesias	Abanca Corporación Bancaria AENA SME, S.A.	Independent Director Chairman of the Audit and Control Committee and Member of the Integral Risk Committee Independent Director Chairman of the Audit Committee

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C.1.13 Indicate whether the company has any rules about the number of directorships its board members can hold and if so explain them:

Yes No

Explanation of the rules
The Company's directors may sit on the boards of up to four other listed companies (in addition to that of the Company). Article 19.4 of the Board Regulations.

C.1.14 Section repealed

C.1.15 Itemise total remuneration paid to the members of the board of directors as a whole:

Board remuneration (thousands of euros)	504
Amount accrued by serving directors in respect of pension entitlements (thousands of euros)	
Amount accrued by former directors in respect of pension entitlements (thousands of euros)	

C.1.16 Identify the members of senior management who are not executive directors and indicate total remuneration accruing to them during the reporting period:

Name or company name	Position(s)
Jon Armentia Mendaza	Corporate Director and CFO
Susana Guerrero Trevijano	Legal Director and deputy secretary of the board
Hernán San Pedro López de Uribe	Director of Investor Relations
Total senior management remuneration (in thousands of euros)	368

C.1.17 Indicate the identity of any board members who likewise sit on the boards of directors of companies having significant shareholdings and/or their group companies:

Name or company name of director	Company name of significant shareholder	Position
Miguel Pereda	Grupo Lar Inversiones Inmobiliarias, S.A	CEO

Describe any relevant relationships other than those indicated under the previous heading that link members of the board with significant shareholders and/or their group companies:

Name or company name of related director	Name or company name of related significant shareholder	Description of relationship
Miguel Pereda	Grupo Lar Inversiones Inmobiliarias, S.A	Miguel Pereda is part of the Pereda family, owner of Grupo Lar Inversiones Inmobiliarias, S.A.

C.1.18 Indicate whether the board regulations were amended during the year:

Yes No

Description of the amendments:

Articles 5 (“Competences of the Board”), 8 (“Qualitative composition”), 15 (“Appointments and Remuneration Committee. Composition, competencies and operation”), 19 (“Appointment of directors”) and 28 (“General Obligations of the Director”) of the Regulations of the Board of Directors of Lar España Real Estate SOCIMI, SA have been modified.

The modification of the Regulations of the Board of Directors of the Company is intended to incorporate, first, the basic principles and criteria of the Technical Guide of the CNMV 1/2019 on Appointments and Remuneration Committees and, in connection therewith, incorporate expressly certain Recommendations of the Code of Good Governance that the Company complies with and, secondly, collect the novelties introduced in the Capital Companies Law by Law 11/2018 in relation to diversity in the composition of the Board and with the competences non-delegable of this body.

Likewise, it is proposed to introduce certain modifications of a technical nature, replacing the reference to a norm repealed by the current Law 3/2015, of March 30, regulating the exercise of the high position of the General State Administration, and eliminating article 28 ("General obligations of the director") the reference to the directors who must provide their strategic vision are "to a greater extent the independent", since all directors must provide such strategic vision from their unique capacity, whatever their category.

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing directors. List the competent bodies and the processes and criteria used for each of these procedures.

Lar España has a director selection Policy, which was approved by the Appointments and Remuneration Committee on 20 January 2016, and updated by Board agreement of December 20, 2018. It was designed with the following objectives in mind:

- a. Being concrete and verifiable.
- b. Assuring that resolutions to appoint or re-elect directors are underpinned by prior analysis of the Board's needs.
- c. Duly fostering diversity in terms of skills, backgrounds and gender.

- d. Making a concerted effort to ensure that by 2020 at least 30% of all members of the Board of Directors are female.

The criteria set down in that policy are the following:

1. Director aptitudes

Directors must *(i) Be persons of good repute and professional standing.*

They combine professional and commercial honourability, having shown a personal, commercial and professional conduct that casts no doubt on their ability to perform a sound and prudent management of the company.

On the other hand, a candidate shall be understood to lack these attributes when:

- i. They have been declared bankrupt or are party to an insolvency agreement, whether in Spain or abroad, without have been discharged or the terms of the agreement fully complied with;
- ii. They are being prosecuted or, in the case of the proceedings referred to in titles II and III of book IV of Spain's Criminal Prosecution Act, have been indicted;
- iii. They have a criminal record for any of the following crimes: fraud, tax evasion, criminal bankruptcy, disloyal custody of documents, theft of trade secrets, money laundering, embezzlement of public funds, the discovery and disclosure of trade secrets, property-related crime; or
- iv. They have been banned or suspended, under criminal or administrative law, from holding public office or from administering or managing financial institutions.

In the case of legal-person directors, the above requirements must be met by both the natural person representing the latter and the legal-person director itself.

(ii) Have adequate expertise and experience to carry out their duties

The Board of Directors must comprise professionals with adequate expertise and experience. However, it is not necessary for all directors to possess the same level of expertise and experience so long as the board as a whole has the right combination of both.

(iii) Be in a position to govern the company well

The directors must be in a position to discharge their duties and comply with their legally-imposed and bylaw-stipulated duties with due diligence, bearing in mind the nature of the position and the duties associated with each. To this end they must:

- i. Devote sufficient time to the Company and adopt appropriate measures for ensuring its correct management and control.
- ii. Get from the Company the level of information they need to correctly fulfil their obligations.
- iii. Devote sufficient time to becoming informed, to familiarising themselves with the Company's paradigm and business performance and to participating in the meetings of the board and any of the committees on which they sit.
- iv. Inform the other members of the Board of Directors of any direct or indirect conflicts they or their related parties may have vis-à-vis the Company's interests.

2. Fostering the diversity in the Board of Directors

The composition of the Board and its Committees must also be taken into account during the selection process, being necessary to consider Directors with sufficient diversity in education, experience and knowledge, gender, age or disability in order to comply with the legal requirements as well as the good governance recommendations in relation to the composition.

In this regard, the Board of Directors will ensure that procedures are in line with the above and will promote the 2020 goal of being at least 30% of the Board female, ensuring at the same time the cultural diversity and international experience.

3. Director selection and appointment procedure

The process of selecting and appointing directors is articulated around four key steps:

3.1. Proposal

The Appointments and Remuneration Committee must first analyse the Board of Director's needs, setting out its findings in an explanatory report which it will publish on the occasion of the call to the Annual General Meeting at which the shareholders will be asked to ratify the appointment or re-election of each director, to which end:

- i. It will evaluate the universe of skills, knowledge and experience needed on the Board of Directors. Against this backdrop, it will define the duties and aptitudes required of the candidates to fill each vacancy and assess the time and dedication needed so that they can duly perform their remit.
- ii. It will establish a targeted level of representation for the gender in minority on the Board of Directors and will establish guidelines for how to achieve this target.

3.2. Candidacy presentation

Candidates must present the information itemised below at Lar España's head office. The documents must be either original or certified copies and the information package should be addressed to the Appointments and Remuneration Committee.

- i. Natural persons: a photocopy of their national identity card or passport and information about their effective place of residence, e-mail address and contact telephone number(s).
- ii. Legal persons: a photocopy of the corresponding deeds of incorporation, the consolidated text of the prevailing bylaws, e-mail address and contact telephone number(s).
- iii. Certification of familiarity with the company's Articles of Association and other internal rules and regulations and acceptance of their terms and conditions.
- iv. Certification of possession of adequate expertise and experience.
- v. Certification of readiness and ability to govern the company well.
- vi. Certification of the reputation and professional standing required in this policy.

3.3. Evaluation of the candidacy

Having verified the documentation received and once the seven working day period for correcting or clarifying the information furnished has elapsed, if required, the Appointments and Remuneration Committee has seven working days at most to issue its explanatory report and follow the procedure described next:

- i. In the event that the Appointments and Remuneration Committee believes that the candidate presents the required aptitudes, it will submit a proposal for his/her appointment/re-election accompanied by a copy of the information received to the Board

of Directors.

ii. If the Appointments and Remuneration Committee: (a) has reasonable doubts about whether the proposed candidate meets all of the requirements envisaged in this policy or in applicable legislation; (b) feels that the appointment of the proposed candidate could imply substantial impairment of the expertise and experience of the members of the Board of Directors appraised as a whole; or (c) believes that the proposed candidate does not meet one or more of the requirements established in this policy or applicable legislation for qualification as apt for the post, it shall send the Board of Directors a report substantiating the circumstances which in its opinion cast doubt over the candidate's suitability or give rise to its negative assessment, accompanied by a copy of the information received.

3.4. Appointment

The Board of Directors then has 30 working days to analyse the director appointment proposals made by the Appointments and Remuneration Committee after which it must submit the corresponding resolutions to the shareholders for approval in general meeting.

In the event of re-election of directors, the Board of Directors will evaluate, before proposing the re-election of directors to the General Meeting of Shareholders and with the abstention of the affected directors, the quality of the work and the dedication of the directors proposed during the preceding mandate.

In the event of director appointments by means of co-option, the procedure described above must be followed and the appointment must be ratified at the first Annual General Meeting celebrated after the appointment. The corresponding motion must be accompanied by an explanatory report issued by the Appointments and Remuneration Committee, which must be put in the public domain in conjunction with the General Meeting call notice.

At the time of appointment of a new director, he must follow a training program for new directors established by the Company, so that he can acquire a quick and sufficient knowledge of the Company, as well as its corporate governance rules.

4. Director evaluation and removal

Director evaluation shall take two forms:

- i. Annual assessment of director qualifications: Every year, in the month of January, the Appointments and Remuneration Committee will send all the directors a questionnaire, the purpose of which is to verify that they continue to meet the aptitudes required of the post. The directors have 15 calendar days to fill out, sign and return the form. The Appointments and Remuneration Committee will then analyse the answers received and proceed as follows in the event it detects an incident in this respect.
- ii. Ad-hoc assessment in the event of special circumstances: Each director is individually responsible for notifying the Appointments and Remuneration Committee immediately, in writing and in detail of any event or circumstances that could have a significant impact on the assessment of his or her suitability for the post in terms of the aptitude requirements defined in this policy and in prevailing legislation. The directors are liable for any damages to the company caused by any failure to report or delay in reporting any circumstances affecting his or her suitability.

Whenever the Appointments and Remuneration Committee is notified of circumstances which adversely affect a director's suitability assessment or it learns of their existence as

part of an annual review, it will decide whether or not it is necessary to temporarily or permanently suspend the affected party.

C.1.20 Explain the extent to which the annual review of the board's performance has led to important changes in terms of its internal organization and the procedures applicable to its activities:

As a consequence of the evaluation process carried out, and in accordance with the best Corporate Governance practices, the recommendations of the CNMV in section 3 of the Third Section of Technical Guide 1/2019, the general requests of stakeholders and , as provided in article 5 of the new Regulations of the Appointments and Remuneration Committee, the Appointments Committee has been working during 2019, in coordination with all the members of the Board, in the analysis of the composition of the Board, as well as in the preparation of a matrix that defines the necessary competences of the Board for the proper functioning of the Company and the main skills and knowledge of the Directors. In this context, at the end of the year, the following competency matrix was approved that summarizes in a very synthetic way the capacities that the Board considers most relevant for the management of the Company, pointing out the most outstanding aspects of the profile of each of the Directors. This matrix in no way reflects the entire capacity of the members of the Board, but only those in each of the Directors can be considered expert, among those previously defined as essential.

Capability Matrix on the Board of Directors of Lar España

	Position/ Committees	Nationality	Sectorial: Real Estate / Retail / Ratings	Sectorial: Architecture/ Town planning/ Engineering	IT	Finance	Audit / Risks
Jose Luis Del Valle (Chairman)	Non-Executive Chairman - Independent / A&CC Member	Spanish		X		X	X
Leticia Iglesias	Independent Director / Chairman A&CC	Spanish				X	X
Isabel Aguilera	Independent Director / A&CC member	Spanish		X	X	X	
Roger Cooke	Independent Director / Chairman A&RC	British	X				
Miguel Pereda	Proprietary Director / A&RC member	Spanish	X			X	
Laurent Luccioni	Proprietary Director / A&RC member	French	X			X	
Alec Emmot	Independent Director / A&RC member	British	X				

Capability Matrix on the Board of Directors of Lar España (continuation)

	International market	Other Directors	Investor / stakeholder knowledge	Team and talent management	ESG	Functions of first executive / CEO
Jose Luis Del Valle (Chairman)	X	X	X		X	X

Leticia Iglesias	X	X	X	X		X
Isabel Aguilera	X	X		X		X
Roger Cooke	X			X	X	X
Miguel Pereda	X		X	X	X	X
Laurent Luccioni	X	X	X			X
Alec Emmot	X	X	X		X	X

C.1.20. bis Describe the evaluation process and the areas evaluated by the board, with the assistance of an external facilitator as the case may be, with respect to the diversity of its membership and competences, the performance and membership of its committees, the performance of the chairman of the board of directors and the company's chief executive and the performance and contribution of each individual director.

Article 18 of the Regulations of the Board of Directors establishes that the Board will evaluate its performance once a year and adopt, if necessary, an action plan that corrects deficiencies in:

- The quality and efficiency of the functioning of the Board
- Diversity in the composition and competences of the Board.
- The performance of the Chairman of the Board.
- The performance and contribution of each director, paying special attention to those responsible for the different committees of the Board.
- The operation and composition of the Board committees.

In addition, article 18 of the Regulations of the Board of Directors, pt.3 states that every three years the Board will be assisted to carry out such evaluation by an external consultant.

In this context, in 2019 the Board, after requesting three different proposals from independent experts, approved the hiring of an external consultant to carry out the evaluation of the functioning of the Board in 2018, all under the coordination and supervision of the Chairman of the Board and in coordination with the Appointments and Remuneration Committee.

- First, the Appointments Committee analyzed that there were no conflicts of interest with the selected consultant (Georgeson) that could undermine its independence. After verifying that Georgeson provides advisory services to the Department of Investor and Shareholder Relations of Lar España in matters of identification of shareholders, proxy solicitation on the Board and organization of road shows in the matter of ESG, it was verified that in no case has Georgeson has been involved in processes of selection or appointment of a director or in matters related to remuneration. After informing to the Board of such and confirming that there is no reason to undermine its independence, the contracting of Georgeson was approved to carry out the evaluation of the Board.
- Regarding the methodology used, Georgeson, as an external advisor, has led the evaluation process of the Board, its members and its Committees, with the collaboration of the Secretary of the Board and the Deputy Secretary in part of the process in order to ensure objectivity and confidentiality thereof; always in

collaboration with the Appointments Committee and under the supervision and organization of the Chairman of the Board.

First, each member of the Board was personally interviewed by Geogeson, gathering the conclusions of this analysis in the document "Interviews Analysis". Likewise, the most relevant investors and proxy advisors, completed some questionnaires elaborated by Geogeson, which systematized the information extracted from the questionnaires, collecting all this in the document "Perception Analysis". Additionally, the internal structure and functioning of the Board and Committees were analyzed and a comparative exercise was carried out with other comparable companies (national and international) of the main corporate governance parameters.

- The evaluation carried out in 2019 has analyzed the following issues: (i) structure and operation of the Board of Directors of Lar España; (ii) the perceptions and valuations of each of the directors, the chairmen of the Board and Committees and the secretariat of the Company; (iii) the perception of the most relevant investors and proxy advisors; and (iv) the main parameters of corporate governance with respect to comparable companies.
- The main conclusion of the evaluation process was that the Board and Committees had worked efficiently during 2018, the Board is in very good shape, is balanced and in accordance with the best corporate governance practices. It is a well cohesive Board, the positive perception that all the directors have regarding the Chairman of the Board and the performance of their duties being unanimous. In particular, both the composition (diversity, knowledge and experience of the members of the Board and their Committees and, in particular, of their Chairmans, dedication and critical attitude thereof) and the functioning of the Board and the Committees (frequency, duration and effectiveness of their meetings, attendance at meetings of their members, agenda of the meetings, exercise of their competences, and advice, including external advice if necessary) were assessed very positively. It was also found that the Company is a benchmark for compliance and implementation of the main corporate governance parameters.
- Areas of improvement were detected, such as the need to develop a matrix of capabilities of the Board, review the remuneration of the Management team and the Directors, delve into the succession plans, the implementation of the new technical guide of the CNMV on Appointments Committees, assess the advisability of appointing a vice Chairman or the objective that more than 50% of the members of the Appointment and Remunerations Committee were independent.
- The Board approved an action plan to comply with these and other recommendations that have already been implemented. Thus, among other issues, the following was addressed in 2019: (i) the adequacy of the remuneration of both independent Directors and Senior Executives has been reviewed, (ii) an amendment to the Board Regulations and the Audit and Control Committee Regulations has been approved, (iii) a new Regulation of the Appointments and Remuneration Committee has been approved; (iv) it has deepened issues such as succession plans or the convenience of appointing a vice Chairman; and (v) a competency matrix of the Board has been developed and approved.

C.1.20.ter Give a breakdown, as the case may be, of the business dealings that the facilitator or any company in its corporate group maintains with the company or any company in its corporate group.

Geogeson provides advisory services to the Department of Investor Relations of Lar

España in matters of identification of shareholders, proxy solicitation at the Meeting and organization of road shows in the matter of ESG. In no case they have been involved in the selection or appointment of a director or in matters related to remuneration or in any other matters related to the Board or Directors that could compromise your independence.

C.1.21 Indicate the circumstances under which directors are obliged to resign.

According to Article 23 of the Regulations of the Board of Directors:

The directors must make their position available to the Board of Directors and formalize, if deemed appropriate, the corresponding resignation in the following cases:

- a. When they leave the executive positions to which their appointment as director was associated.
- b. When they are involved in any of the cases of incompatibility or statutory or statutory prohibition.
- c. When they are seriously admonished by the Board of Directors for having breached their obligations as directors.
- d. When their permanence on the Board may jeopardize or damage the interests, credit or reputation of the Company or when the reasons for which they were appointed disappear (for example, when a proprietary director discards their participation in the Company or reduce it in a relevant manner as indicated in section e. below).
- e. When they are part of more than four boards of directors of other listed companies (other than the Company).
- f. In the case of proprietary directors (i) when the shareholder they represent sells its shareholding in its entirety or reduces it in a relevant manner and, (ii) in the corresponding number, when said shareholder reduces its shareholding to a level that requires the reduction of the number of proprietary directors.

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

The Board of Directors may only propose the dismissal of an independent director before the statutory term has elapsed when a just cause exists, as assessed by the Board of Directors. In particular, it will be understood that there is just cause when the director had breached the duties inherent to his position or had incurred in any way in the impediment described in the definition of independent director established in current regulations or, in his defect, in the recommendations of good corporate governance applicable to the Company at all times.

C.1.22 Section repealed

C.1.23 Are qualified majorities other than those prescribed by law required for any decisions?

Yes No

Describe the differences, if any:

C.1.24 Explain if there are other specific requirements, other than those established for directors, for being appointed chairman of the board.

Yes No

Description of the requirements

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

Yes No

Matters for which the chairman has the casting vote
<p>The agreements shall be adopted by an absolute majority of the concurrent directors, present or represented, at the meeting, except when the Law, these Bylaws or the Regulations of the Board of Directors provide for other majorities. In case of a tie, the Chairman will have a vote of quality. Art 39.2 Corporate Bylaws.</p>
<p>The Audit and Control Committee will be validly constituted when half, plus one of the directors who are part of the Committee, present their resolutions by majority vote. In case of a tie, the Chairman will have a vote of quality. Art 42.3 Bylaws, Art. 14.5 of the Board Regulations and Art. 8.2 Regulations of the Audit and Control Committee.</p>
<p>The Appointments and Remuneration Committee will be validly constituted when the majority of its members and their agreements will be adopted by majority vote. In case of a tie, the Chairman of the Appointments and Remuneration Committee will have a quality vote. Article 15.7 of the Board Regulations (new article 15.6) and Art. 8.1 of the new Regulations of the Appointments and Remuneration Committee.</p>

C.1.26 Indicate whether the bylaws or the board regulations set any age limit for directors:

Yes No

Age limit for chairman

Age limit for CEO

Age limit for directors

C.1.27 Indicate whether the bylaws or board regulations set any limit on the term of office of independent directors different from that stipulated by law:

Yes No

Maximum term of office (years)	
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C.1.28 Indicate whether the bylaws or board regulations stipulate specific rules governing the appointment of proxies for board voting purposes, the manner for so doing and, specifically, the maximum number of proxy appointments a director may hold; state whether any limit has been imposed on the matters which can be delegated beyond the limits laid down in legislation. If so, describe such rules briefly.

In accordance with article 17.2 of the Board Regulations, directors are required to do everything in their power to attend Board meetings. When they absolutely cannot avoid doing so in person, they may grant proxy to another Board member, in writing and on the occasion of each meeting, indicating the opportune voting instructions and notifying the

Chairman of the Board of the proxy.

C.1.29 Indicate the number of board meetings held during the year, indicating the number of times, if any, the board met without its chairman in attendance. This calculation should include proxies appointed with specific voting instructions as attendances:

Number of board meetings	17
Number of board meetings held without the chairman in attendance	0

If the chairman is an executive director, indicate the number of meetings held without the attendance of any executive director in person or by proxy and chaired by the lead independent director.

Number of meetings	
---------------------------	--

Indicate the number of meetings the various board committees held during the year:

Number of executive committee meetings	N/A
Number of audit & control committee meetings	10
Number of appointments and remuneration committee meetings	6
Number of nomination committee meetings	N/A
Number of remuneration committee meetings	N/A
Number of sustainability committee meetings	N/A

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. This calculation should include proxies appointed with specific voting instructions as attendances:

In 2019, there have been 17 Board meetings and on three occasions more agreements have been adopted following the voting procedure in writing and without a session.

The directors attended all meetings personally except in a single session in which Ms. Isabel Aguilera was represented by the Chairman having granted proxy in her favor with specific voting instructions.

Number of meetings held with all members in attendance	17
% attendance over total votes cast in the year	100%

C.1.31 Indicate whether the separate and consolidated annual financial statements are certified prior to their presentation to the board of directors for approval:

Yes No

Identify, if appropriate, the person(s) certifying the separate and consolidated

financial statements before submission to the board for approval:

Name	Position

C.1.32 Explain the mechanisms, if any, established by the board of directors to prevent the separate and consolidated financial statements from being presented at the general shareholders' meeting with a qualified audit report.

In keeping with article 41.3 of the Board Regulations, the Board of Directors must endeavour to authorise the annual financial statements such that they do not give rise to reservations or qualifications in the auditor's report. In the unlikely instance that they were to arise, both the Chairman of the Audit and Control Committee and the external auditor must provide shareholders with a clear account of the content of such reservations or qualifications. Nonetheless, when the Board considers that its criteria should prevail, it shall publicly disclose the content and scope of the discrepancy.

The Audit and Control Committee's Regulation indicates in article 5.1.iii that the Audit and Control Committee will ensure that the Board of Directors submits the financial statements to the General Shareholders' Meeting without any limitations or reservations in the auditing report and that, in the exceptional cases in which there are reservations, both the Chairman of the Audit and Control Committee and the auditors will clearly explain to the shareholders the content and scope of these limitations or reservations.

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

Yes No

If the secretary is not a director, please fill out the following table:

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

C.1.34 Section repealed

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

Article 5 of the Regulations of the Audit and Control Committee, according to its last modification of December 12, 2019, establishes that, without prejudice to any other tasks that may be assigned at any time by the Board of Directors, the Audit and Control Committee will exercise, among others, the following specific basic functions to maintain the independence of the external auditor:

c. In relation to the external auditor:

1. To submit to the Board the proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process, in accordance with the provisions of the applicable regulations, as well as the conditions of their hiring, and for this purpose shall:

1st. define the auditor's selection procedure; and

2nd. Issue a motivated proposal that will contain at least two alternatives for the auditor's selection, except in the case of re-election of the auditor.

Receive regular information from the external auditor on the audit plan and the results of its execution and verify that senior management takes into account its recommendations.

2. Establish the appropriate relationships with the account auditors to receive information on those issues that may pose a threat to their independence, for consideration by the Audit and Control Committee, and any others related to the development process of the audit of accounts and, where appropriate, the authorization of services other than those prohibited, in the terms provided in the applicable regulations, as well as those other communications provided for in the accounts audit legislation and in the remaining auditing standards.

In any case, it must receive annually from the account auditors written confirmation of their independence from the Company or entities linked to it directly or indirectly, as well as detailed and individualized information of the additional services of any kind provided and the corresponding fees received from these entities by the external auditor or by the persons or entities linked to it, in accordance with the provisions of the legislation on the auditing of the accounts.

3. Issue annually, prior to the account audit report, a report that will express an opinion on whether the independence of the auditors or audit firms is compromised, which will be available to shareholders and investors through of the Company's website in advance of that of the Ordinary General. This report must contain, in any case, the motivated valuation of the provision of each and every one of the additional services referred to in the previous letter individually considered and as a whole, other than the legal audit and in relation to the regime of independence or with the regulations governing the activity of auditing accounts.

4. Preserve the independence of the external auditor in the exercise of its functions and, to this end: (i) supervise that the Company communicates the change of auditor as relevant to the National Securities Market Commission and accompanies it with a statement on the possible existence of disagreements with the outgoing auditor and, if they had existed, of their content; (ii) ensure that the Company and the auditor respect the current regulations on the provision of services other than those of auditing and, in general, the other standards established to ensure the independence of the auditors; and (iii) that in case of resignation of the external auditor examine the circumstances that would have motivated it.

5. In the case of groups, favor that the group auditor be responsible for the audits of the companies that integrate it.

6. Ensure that the external auditor's work does not compromise its quality or independence.

7. Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform him about the work done and the evolution of the accounting and risk situation of the Company.

8. Make a final evaluation about the auditor's performance and how it has contributed to the quality of the audit and the integrity of the financial information.

As for financial analysts, investment banks and rating agencies, any contract is subject to controls to avoid any problem of independence and / or conflicts of interest. Especially relevant is the procedure followed for the hiring of asset valuations, which requires the approval of these contracts from the Audit and Control Committee and the Board.

The Communication and Contact Policy with shareholders and investors, approved in

December 2017, and updated in December 2018, under the supervision of the Committee, has the purpose of delimiting, analyzing and developing the main instruments, channels and information mechanisms of the Company with its shareholders, investors, voting advisors (proxy advisors) and other interest groups, the communication and information strategy being a faithful reflection of its commitment to these interest groups.

The basic principles of it are:

- a) Truthfulness, transparency and equality of the information communicated.
- b) Strict compliance, in a timely manner, with the legally established communication and information obligations.
- c) Protection of the legitimate rights and interests of all shareholders. Provision of adequate communication channels for shareholders to exercise their right to information.
- d) Equal treatment in the recognition and exercise of the rights of all shareholders.
- e) Continuous dialogue, accessibility and speed of information. The Board of Directors of Lar España will at all times ensure that communication and information with its shareholders, investors, voting advisors and other interest groups is continued, facilitating permanent access to the various communication channels.
- f) Commitment and promotion of the informed participation of shareholders in the General Meeting of the exercise of their rights.

In addition, the Communication Policy and contact with shareholders has a specific section on “Conferences for investors, analysts, press and other interested parties” where it is stated that Lar España, with the participation of its top executives, will create such conferences to report on the progress of the Company and its projects, always taking into account the principle of not providing information that has not been previously made public and the parity of treatment of shareholders.

In accordance with the provisions of the Regulations of the Board of Lar España, the Audit and Control Committee shall be responsible for the periodic supervision of both the content and the application and development of this Communication and Contact Policy with shareholders, informing all of this to the Board of Directors of the Company and may propose the improvement proposals it deems appropriate.

C.1.36 Indicate whether the company has changed external auditor during the year. If so, identify the outgoing and incoming auditor:

Yes No

Outgoing auditor	Incoming auditor

In the event of disagreements with the outgoing auditor, explain the substance thereof:

Yes No

Explanation of the disagreements

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage they represent of total fees invoiced to the company and/or its group.

Yes No

	Company	Group	Total
Fees for non-audit work (thousands of euros)	0	0	0
Fees for non-audit work / total amount invoiced by the audit firm (%)	0%	0%	0%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, indicate the account given to shareholders by the chairman of the audit committee of their scope and content.

Yes No

Explanation of the reasons

C.1.39 State the number of consecutive years the current audit firm has been auditing the annual financial statements of the company and/or its group. Likewise, indicate how many years the current audit firm has been auditing the annual financial statements as a percentage of the total number of years for which the financial statements have been audited:

	Company	Group
Number of consecutive years	6	6

	Company	Group
Number of years audited by the current audit firm / number of years the company's financial statements have been audited (%)	100	100

C.1.40 Indicate whether there are procedures in place for directors to receive external advice:

Yes No

Details of the procedure:

Article 26 of the Board Regulations stipulates:

1. In order to help them fulfil their duties, any of the directors may seek the assistance they need from the Company. To this end, the Company will enable the appropriate channels, which, in special circumstances, may include external advisory services whose cost would be borne by the Company. Any such engagement must necessarily relate to specific problems of a certain scale and complexity arising in the performance of their duties.

2. The decision to hire external advisers at a cost to the Company must be notified to the Chairman and may be vetoed by the Board of Directors if it can certify that:

- a. It is not necessary to due performance of the duties incumbent upon the external directors;
- b. Its cost is not reasonable in light of the scale of the issue or in relation to the

Company's assets or revenues; or

- c. The expertise sought can be adequately furnished by the Company's own experts and specialists.

C.1.41 Indicate whether there are procedures for providing directors with the information they need to prepare for the meetings of the governing bodies sufficiently in advance:

Yes No

Details of the procedure:

Article 16 of the Board Regulations establishes the following under headings 3 and 4:

3. Board meetings must be called by the Secretary of the Board of Directors or whoever substitutes him in this task, as duly authorised by its Chairman, using any method that ensures notice delivery. Meetings must be called with at least three days' notice. The call notice must always include the meeting agenda and be accompanied by the relevant information, duly summarized and documented.

4. The Chairman of the Board of Directors has the power to call extraordinary Board meetings whenever he believes the circumstances so warrant, waiving the minimum notice period and other requirements set out above for ordinary meetings. Notwithstanding the foregoing, an effort must be made to provide the directors with any required documentation sufficiently in advance of the extraordinary meeting.

In addition, article 25 of the Board Regulations stipulates:

1. Directors may request information about any matter falling within the purview of the Board of Directors, to which end they may examine the Company's books, accounting records and other documentation. This right to information applies to all subsidiaries and, wherever practicable, investees.

2. Information requests should be addressed to the Secretary of the Board of Directors, who will let the Chairman of the Board and appropriate contact person within the Company know.

3. The Secretary shall warn the director in question of the confidential nature of the information requested and provided and of his/her confidentiality duty under these Board Regulations.

4. The Chairman may deny the information requested if he considers: (i) it is not required for due performance of the duties incumbent upon the director; or (ii) its cost is not reasonable in light of the scale of the issue or in relation to the Company's assets or revenues.

C.1.42 Indicate whether the company has any rules obliging directors to inform the board of any circumstance that might harm the organisation's good name or reputation and tendering their resignation as the case may be:

Yes No

Details of the rules

Article 36 of the Board Regulations stipulates:

1. Directors must inform the Company of the shares they hold in it either directly or via the persons indicated in article 31 of the Board Regulations, all of which in keeping with the provisions of the Company's Internal Code of Conduct in Securities Markets.

2. Directors must also inform the Company of directorships held at other listed

companies and, in general, of facts, circumstances or situations of potential significance with respect to their performance as directors of the Company, as provided for in these Regulations.

3. Directors must similarly inform the Company of any circumstance that could harm the Company's name or reputation, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings. If a director is indicted or tried for any of the crimes itemised in article 213 of the Corporate Enterprises Act, the Board must investigate the matter as quickly as possible and, in view of the specific circumstances, decide whether or not to call on that director to resign.

Article 23 of the Board Regulations establishes as well the circumstances under which directors are obliged to resign. See section 1.21.

C.1.43 Indicate whether any member of the board of directors has notified the company that he or she has been indicted or tried for any of the offences listed in article 213 of the Spanish Corporate Enterprises Act:

Yes No

Name of director	Offence	Observations

Indicate whether the board has analysed the case. If so, give a substantiated explanation of the decision taken as to whether or not the director in question should remain in office and, as warranted, outline the actions taken or planned by the board of directors as of the date of this report.

Yes No

Decision/action taken	Substantiated explanation

C.1.44 List any significant agreements entered into by the company which take effect, alter or terminate upon a change of control of the company following a takeover bid and the effects thereof.

C.1.45 Indicate (individually and on aggregate) the agreements between the company and its directors, officers or employees that provide for termination benefits or guarantee or golden parachute clauses upon their resignation or unfair dismissal or termination of the employment relationship as a result of a takeover bid or other kind of transaction.

Number of beneficiaries	
Type of beneficiary	Description of the agreement

Indicate whether these agreements must be reported to and/or approved by the governing bodies of the company or its group:

	Board of directors	General meeting
Body authorising the clauses		

	Yes	No
Are shareholders informed of these clauses in general meeting?		

C.2. Board committees

C.2.1 List all the board committees, their members and their make-up in terms of proprietary and independent directors:

EXECUTIVE OR STEERING COMMITTEE

Name	Position	Job category

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

Explain the duties vested in this committee, describe its procedures and rules of organisation and operation and summarise the most important activities undertaken by it during the reporting period.

Duties

Without prejudice to the authority that may be granted to any person, the Board of Directors may set up a permanent Executive Committee. The rules for governing and operation of the Executive or Steering Committee are set forth in article 41 of the Articles of Association and article 13 of the Board Regulations.

Organisation and operation

The Executive Committee shall comprise at least three and at most seven members, and it may also appoint a Chief Executive Officer at the proposal of the Chairman of the Board of Directors; the Board of Directors may delegate in them, on a temporary or permanent basis, any and all powers that are not reserved to the Board under law. Valid delegation and the designation of the members of the Board of Directors to such positions shall require the favorable vote of two-thirds of the members of the Board of Directors and shall not take effect until the resolution has been duly registered in the Companies Register.

The Company shall endeavour, to the extent possible, to have the composition of the Executive Committee mirror that of the Board of Directors in terms of the mix of director types. The Secretary of the Board of Directors shall also serve as the Secretary of the Executive Committee.

The Chairman of the Executive Committee shall report to the Board of Directors on the matters debated and resolutions taken at its meetings; it shall record the minutes of all its meetings and submit copies thereof to all of the Board members.

Activities

Note that Lar España did not avail of this power to set up an Executive Committee in 2019.

Indicate whether the composition of the executive or steering committee reflects the representation on the board of the different classes of directors:

Yes No

If not, describe the composition of the executive or steering committee

AUDIT COMMITTEE

Name	Position	Job category
Leticia Iglesias	Chairman	Independent
José Luis del Valle	Member	Independent
Isabel Aguilera	Member	Independent
Juan Gómez-Acebo	Secretary	Non-board member

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

Explain the duties vested in this committee, describe its procedures and rules of organisation and operation and summarise the most important activities undertaken by it during the reporting period.

Duties

As described in article 42.2 of the Bylaws of Lar España, in article 14.3 of its Regulations of the Board of Directors, and in Article 5.1 of the Regulations of the Audit and Control Committee, and without prejudice to other tasks that were legally attributable to it or entrusted by the Board of Directors, the Audit and Control Committee shall have, at a minimum, the following main responsibilities:

a) Regarding the supervision of financial information:

- (i) It shall inform the General Meeting of shareholders about issues raised by the shareholders in matters related to their competence.
- (ii) Supervise the process of preparing and presenting regulated financial information;
- (iii) Ensure that the Board of Directors seeks to present the accounts to the General Meeting of shareholders without limitations or qualifications
- (iv) Inform the Board of Directors, in advance, about the financial information that, due to its status as a listed company, the Company must publish periodically

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

- (i) Supervise the preparation process and the integrity of the financial information related to the Company
- (ii) Periodically supervise the effectiveness of the internal control of the Company and its Group as well as the activity of the internal audit of the Company
- (iii) Establish and supervise a mechanism that allows employees and any third party to communicate, in a confidential manner and, if deemed appropriate, anonymous, irregularities of potential significance

c) In relation to the external auditor:

- (i) Submit to the Board the proposals for the selection, appointment, re-election and replacement of the external auditor
- (ii) Establish the appropriate relationships with the account auditors to receive

information on those issues that may pose a threat to their independence
(iii) Issue annually, prior to the account audit report, a report in which an opinion will be expressed as to whether the independence of the account auditors.
(iv) Preserve the independence of the external auditor in the exercise of his functions. Likewise, to favor that the group auditor assumes the responsibility of the audits of the company that integrate it, ensuring that the remuneration of the external auditor does not compromise its quality or its independence.

d) In relation to the supervision of management and risk control:

- (i) supervise the effectiveness of the internal control of the Company and its Group, as well as its risk management systems;
- (ii) Supervise the internal control and risk management function.
- (iii) In relation to risk policy and management, identify the different types of risk, the determination of acceptable risk levels, the planned measures, and the information and internal control systems, as well as their annual reevaluation, at least.

e) In relation to the obligations of listed Companies, inform the Board of Directors, prior to the adoption of decisions with a significant impact on the Company, which could impair the transparency of the group, as well as related transactions that are defined by current legislation, economic conditions and accounting impact in relation to risk policy and management, and any modification of the internal rules of conduct.

f) In relation to the corporate governance obligations of the Company:

- (i) Supervise compliance with legal requirements and internal regulations,
- (ii) Periodically review the internal corporate governance regulations
- (iii) Promote the corporate governance strategy of the Company
- (iv) Supervise the communication and relationship strategy with shareholders and investors, including small and medium shareholders.
- (v) Evaluate everything related to non-financial risks, coordinate the process of reporting non-financial and diversity information, orient the Company regarding corporate reputation

g) (vi) Inform, prior to its approval, the annual corporate governance report of the Company

h) Other functions of the Committee are:

- (i) supervise the calculation of the commissions received by the Management Company in the performance of its functions;
- (ii) Name and supervise the services of external valuations in relation to the valuation of the assets of the Company.
- (iii) Any other report and proposal function entrusted to it by the Board of Directors, with a general or particular nature.
- (iv) Any other competence or function attributed to it by Law, Bylaws or Board Regulations

Organisation and operation

The Audit and Control Committee shall consist of a minimum of three and a maximum of five directors, appointed by the Board of Directors from among the external or non-executive directors. The Board will also determine who will serve as Chairman, especially taking into account their knowledge and experience in accounting, auditing or risk management and most of these members will be independent directors. The Chairman of the Committee must be replaced every three years, and may be re-elected after a period of one year has elapsed since his / her termination. The position of

Secretary and Vice Secretary shall be held by the Secretary and Vice Secretary of the Board.

The Audit and Control Committee shall meet, ordinarily, quarterly and, in any case, whenever it is convenient for the proper performance of its functions.

The Audit and Control Committee will be validly constituted when the majority of its members attend, present or represented. The agreements will be adopted by a majority of concurrent members, present or represented.

It will be obliged to attend the sessions of the Committee and to provide them with their collaboration and access to the information available to them, any member of the management team or the staff of the Company that was required for this purpose. The Committee may also require attendance at its meetings of the company's auditors.

The matters within the competence of the Audit and Control Committee were reordered for compliance with Technical Guide 3/2017 of the CNMV.

Likewise, on December 27, 2017, an Operating Regulation of the Audit and Control Committee was approved, which provides, in addition to the above, that the members of the Audit and Control Committee will hold their position for a maximum period of time, three years, being able to be re-elected one or more times for periods of equal maximum duration and, in any case, the members of the Committee will cease their position when they do so in their capacity as Directors or when so agreed by the Board of Directors.

Activities

The Audit and Control Committee met 10 times during 2019.

The main activities developed by the Audit and Control Committee during fiscal year 2019 have been the following:

- 1) Regarding the supervision of financial information:
 - Review of the periodic financial information: the Committee has supervised the process of preparing and the integrity of the quarterly and semi-annual financial information, both individual and consolidated, that the Board of Directors must supply to the market and send to the CNMV by virtue of its obligations of periodic information as a listed company. Review of the annual accounts
 - Review of the annual accounts: The Audit and Control Committee, in order to prevent the individual and consolidated annual accounts formulated by the Board of Directors from being presented at the General Meeting with qualifications in the audit report. It is noted that the audit reports of the individual and consolidated annual accounts of Lar España for the year ended December 31, 2018 did not present exceptions.

- 2) Regarding the supervision of information systems and internal control:
 - Internal Audit Supervision: the Committee has approved the orientation and its work plans, making sure that its activity was mainly focused on the relevant risks of the Company. In particular, it has approved the work done in the 2018 audit plan as well as the 2019 audit plan.
 - Supervision of the information and internal control systems: During fiscal year 2019, and in relation to the Company's ICFR, the Audit and Control Committee has analyzed the internal control systems, being informed by the internal auditor in different meetings about the progress of the review process. In relation to fiscal year 2019, the external auditor has issued a report of agreed procedures, in line with what was done in previous years.

- 3) In relation to the supervision of relations and the independence of the external auditor:

- Proposal for the appointment, re-election, replacement of the external auditor: The Audit and Control Committee has analyzed the proposal for the Board of Directors for the appointment of the external auditor of the Company for the year 2019, for subsequent submission to the General Meeting of Shareholders, agreeing to propose to the Board of Directors the renewal of the current external auditor for a period of one year.
- Supervision of the relations and independence of the External Audit: The Accounts Audit Law and section 4, function f), of article 529 quaterdecies of the Capital Companies Law require that the Audit Committee issue annually, in character prior to the audit report, a report expressing an opinion on the independence of the auditors. On the basis of this requirement and the confirmation of independence received from the auditors through a letter dated February 13, 2020, the Audit and Control Committee has concluded that there are no objective reasons to question the independence of the auditor in fiscal year 2019.

4) Regarding the supervision of management and risk control:

In this matter, the Audit and Control Committee has carried out different activities such as the review and approval of the new risk map, after explaining the Internal Auditor that the Company's risk control levels are very healthy and explaining the changes in the Priority risks of the Company. In addition, the external auditor informed the Committee about the main risk aspects for the Company that were being examined, confirming that no issue that should be of concern was detected.

5) In relation to the corporate governance obligations of the Company:

- Supervision of compliance with corporate governance regulations: The Committee has reviewed and accepted the Annual Corporate Governance Report for the 2018 financial year, which, in accordance with the wording of article 538 of the Capital Companies Law, must be included in a separate section, in the Management Report that accompanies the Annual Accounts, During the year 2019 the Committee has reviewed the internal corporate governance regulations, in particular, has agreed to issue a favorable report regarding the proposed changes in the Regulations of the Board of Directors to adapt it to the Technical Guide 1/2019 of the CNMV on Appointments and Remuneration Committees and send to the Board for final approval the new proposal for the Regulations of the Board of Directors.

6) In relation to the obligations of listed companies:

The Committee was informed of the main terms of the development of the share repurchase program implemented by the Company, the current situation and the proposal for the future, positively informing said proposal for its elevation to the Board, and also analyzed the situation of Share price of the Company, agreeing to continuously monitor it.

7) Other functions of the Committee

The Audit and Control Committee has additionally attributed the following powers:

- Supervise the calculation of Committees paid to the Management Company for the performance of its functions.

- Name and supervise the services of external valuations in relation to the periodic valuation of the assets of the Company.

Identify the member of the audit committee who has been appointed with regard to his or her knowledge and experience in accounting and/or auditing and state how many years the chair of this committee has held this post.

Name of the director with specialist expertise	Leticia Iglesias
No. of years the committee chair has held the post	1

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Class of director
Roger Maxwell Cooke	Chairman	Independent
Alec Emmott	Member	Independent
Miguel Pereda	Member	Proprietary
Laurent Luccioni	Member	Proprietary
Juan Gómez-Acebo	Secretary	Non-board member

% of proprietary directors	50
% of independent directors	50
% of other external directors	0

The Board Regulations establish, in line with the Recommendation 47, that the majority of the members should be independent. The Company seeks to comply with this requirement as soon as there are vacancies in the Board, and therefore has not amended the Board Regulation in this regard. In that respect, the Company has pursued a different composition of the Appointments and Remuneration Committee and of the Audit and Control Committee (composed of the other three independent directors) in order to achieve the independence of the two bodies and a higher participation of all the external directors in different Committees. Notwithstanding, the independence of the decisions made by the Committee is guaranteed as long as there are no executive directors and the Chairman of the Appointments and Remunerations Committee, who is independent, has a casting vote in the event of a draw.

Explain the duties vested in this committee, describe its procedures and rules of organisation and operation and summarise the most important activities undertaken by it during the reporting period.

Duties

In accordance with article 43.2 of the Bylaws and with article 15.4 of the Board Regulations and article 5.1 of the new Regulations of the Appointments and Remuneration Committee, and without prejudice to other functions that were legally attributable or assigned by the Board of Directors of Administration, the Appointments and Remuneration Committee will have, at a minimum, the following basic responsibilities:

- a. Competences related to the composition of the Board of Directors and its committees

- i. Advise and review the criteria that must be followed for the composition of the Board of Directors and the selection of candidates and, in particular, evaluate the skills, knowledge and experience necessary in the Board of Directors. For these purposes, it will define the necessary functions and skills in the candidates that must fill each vacancy and evaluate the time and dedication necessary for them to effectively perform their duties, ensuring that non-executive directors have sufficient availability of time for the correct development of its functions. For these purposes, the Committee will periodically develop and update a matrix with the necessary competencies of the Board that defines the skills and knowledge of the candidates for directors, especially those of executives and independents.
 - ii. Establish a representation objective for the sex less represented on the Board of Directors and develop guidelines on how to achieve such goal, proposing to the Board of Directors the policy of diversity of directors based on, among others, the criteria of age, disability, training, professional experience and gender.
 - iii. To ensure annually compliance with the criteria for the promotion of diversity in the composition of the Board of Directors established by the Company, which will be reported in the Annual Corporate Governance Report.
 - iv. Advise the Board of Directors on the most convenient configuration of the Board of Directors itself and its Committees regarding size and balance between the different classes of directors existing at any time. To this end, the Committee will periodically review the structure of the Board of Directors and its committees, especially when vacancies occur within those bodies.
 - v. Periodically check the category of directors. saw. Inform or formulate proposals regarding the appointment or separation of the members that must be part of each of the Committees.
- b. Competences related to the selection of candidates for directors and senior executives
- i. Select the possible candidates to be, where appropriate, appointed directors of the Company and submit their proposals or reports, as appropriate, to the Board of Directors through its Chairman.
 - ii. Bring to the Board of Directors the nomination proposals (for their appointment by co-option or for submission to the decision of the General Shareholders' Meeting) of the independent directors, as well as the proposals for the re-election of said directors by the General Meeting.
 - iii Inform, at the request of the Chairman of the Board of Directors, the nomination proposals (for their appointment by co-option or for submission to the decision of the General Shareholders' Meeting) of the remaining directors, as well as the proposals for re-election of said directors by The General Meeting
 - iv. Prepare the report referred to in article 5.6 of the Board Regulations and verify annually compliance with the policy for the selection of directors, reporting it in the annual corporate governance report. In particular, the Committee will ensure that, when new vacancies are provided or when appointing new directors, the selection procedures do not suffer from implicit biases that may imply any discrimination and, in particular, that may hinder the selection of female directors.
 - v. Inform the proposals of the Chairman of the Board of Directors or the CEO regarding the appointment or separation of senior managers.
- c. Competences related to the process of appointment of internal positions of the Board

of Directors

- i. Inform proposals regarding the appointment or separation of the Chairman of the Board of Directors.
 - ii. Inform the proposals of the Chairman of the Board of Directors regarding the appointment or separation of the CEO.
 - iii. Examine or organize the succession of the Chairman of the Board of Directors and the Chief Executive Officer of the Company and, where appropriate, make proposals to the Board of Directors so that such succession occurs in an orderly and planned manner, preparing a succession plan for this purpose. .
 - iv. Advise the proposals of the Chairman of the Board of Directors regarding the appointment or separation of the Vice Chairman or Vice-Chairs of the Board of Directors.
 - v. Bring to the Board of Directors the proposal for the appointment of an Independent Coordinating Director, who will be especially empowered in the event that the Chairman of the Board of Directors exercises executive functions, and to inform the proposal of their separation.
 - vi. Advise of the proposals of the Chairman of the Board of Directors regarding the appointment or removal of the secretary and, where appropriate, 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 assessment of directors
- i. Establish and oversee an annual program of evaluation and continuous review of the qualification, training and, where appropriate, independence, as well as the maintenance of the necessary conditions for the exercise of the position of director and member of a certain Committee, and proposing Board of Directors the measures it deems appropriate in this regard. In particular, it will periodically design and organize knowledge update programs for the directors.
 - ii. Conduct in coordination with the Chairman of the Board and with the collaboration, where appropriate, of the Independent Coordinating Director, the annual evaluation of the functioning of the Board and its committees, including the performance evaluation of the Chairman of the Board of Directors and the Chief Executive Officer, and submit to the Board the results of its evaluation together with a proposal for an action plan or with recommendations to correct the possible deficiencies detected or improve its functioning.
- e. Competences related to the separation and dismissal of directors
- i. Inform the Board of Directors about the proposals for the separation of non-independent directors in the event of non-compliance with the duties inherent to the position of director or for having incurred in an unexpected way in any of the circumstances of resignation or termination, in accordance with the law or Internal regulations of the Company.
 - ii. Propose to the Board of Directors the proposals for the separation of independent directors in case of breach of the duties inherent to the position of director or for having incurred in an unexpected way in any of the circumstances of resignation or termination, in accordance with the law or internal regulations of the society.

f. Competences related to remuneration of directors and senior executives

- i. Propose to the Board of Directors the remuneration policy for directors and senior executives.
- ii. Periodically review the remuneration policy for directors and senior executives, including remuneration systems with shares and their application, as well as ensure that their individual remuneration is proportionate to those paid by the other directors and senior managers of the Company, as well as ensuring by its observance, being able to propose its modification and update to the Board of Directors.
- iii. Propose to the Board of Directors the individual remuneration of non-executive directors, taking into account the functions and responsibility attributed to each director.
- iv. Propose the individual remuneration of executive directors and the other basic conditions of their contracts for approval by the Board of Directors, including any compensation that may be set for the event of early termination of their duties and the amounts to be paid by the Company in concept of insurance premiums or contributions to savings systems, in any case in accordance with the provisions of the internal regulations of the Company and, in particular, in accordance with the remuneration policy approved by the General Meeting of Shareholders.
- v. Inform and submit to the Board of Directors the proposals of the Chairman of the Board of Directors or the Chief Executive Officer regarding the remuneration structure of senior managers and the basic conditions of their contracts, including any compensation or compensation that may be set for the assumption of separation.
- vi. Review the conditions of the contracts of executive directors and senior management and verify that they are consistent with current remuneration policies.
- vii. Ensure compliance with the Company's compensation programs and inform the documents to be approved by the Board of Directors for general disclosure regarding information on remuneration, including the Annual Report on Directors' Remuneration and the corresponding sections of the Annual corporate governance report of the Company, as well as verifying the information on remuneration of directors and senior executives contained in the different corporate documents.
- viii. Inform, on a mandatory basis and prior to its approval by the competent corporate body, the remuneration established for the independent directors of other Group companies.

g. Competences related to corporate social responsibility and sustainability:

- i. Be aware of, promote, guide and supervise the actions, practices and strategy of the Company in matters of corporate social responsibility and sustainability, assessing their degree of compliance, and report on it to the Board of Directors or, where appropriate, to the Executive Committee.
- ii. Review the corporate responsibility policy of the Company, ensuring that it is oriented to the creation of value, including its monitoring and evaluation and supervise its degree of compliance. The report that, if applicable, the Appointments and Remuneration Committee on the corporate social responsibility policy of the Company will be prepared using any of the internationally accepted methodologies and will be available to shareholders and investors through the website of the

Company well in advance of the Ordinary General Meeting.

- iii. Supervise and evaluate the relationship processes with the different interest groups.
- h. Ensure that any conflicts of interest do not prejudice the independence of the external advice provided to the Committee in relation to the exercise of its functions. In the development and exercise of its functions, the Appointments and Remuneration Committee will take into account the principles and criteria established in Technical Guide 1/2019 on appointments and remuneration Committee of the National Securities Market Committee of February 20, 2019, notwithstanding their adaptation to the particular circumstances and characteristics of the Company and its Group, always following the principle of proportionality. The Appointments and Remuneration Committee shall annually establish an action plan that will contemplate the main activities of the Committee during the year in relation to the fulfillment of its functions, of which it will report to the Board, to which it will respond for the work performed.

Organisation and operation

The Appointments and Remuneration Committee shall consist of a minimum of three and a maximum of five directors, appointed by the Board itself, from among the external directors, at the proposal of the Chairman of the Board, ensuring that most of them are independent directors

The Board shall appoint the Chairman of the Committee from among the directors who are part of said Committee. For his part, the position of Secretary and Deputy Secretary of the Appointments and Remuneration Committee will be held by those who occupy such positions on the Board of Directors.

The members of the Appointments and Remuneration Committee will have adequate knowledge, skills and experience to the functions they are called to perform and, whenever this is possible in accordance with the principle of proportionality, it will be endeavored (i) that the members of the Committee, in as a whole, be designated taking into account their knowledge and experience in areas such as human resources, selection of directors and managers and design of policies and compensation plans; and (ii) favor diversity in relation to gender, professional experience, skills, personal abilities, sectoral knowledge or international experience; all of this taking into account the limitations arising from the smaller size of the Committee when compared to the Board.

The directors who are part of the Appointments and Remuneration Committee will hold their positions while their appointment as directors of the Company remains in effect, unless the Board of Directors agrees otherwise.

The Appointments and Remuneration Committee will meet, usually, at least three times a year. Likewise, it will meet at the request of any of its members and each time convened by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it results Convenient for the proper development of its functions. Every effort shall be made to ensure that the meetings of the Committee take place well in advance of the meetings of the Board. The Appointments and Remuneration Committee shall be validly constituted when the majority of its members and their agreements attend, present or represented. They will adopt by majority vote. In case of a tie, the Chairman of the Appointments and Remuneration Committee will have a quality vote.

The Committee should consult the Chairman, especially when dealing with matters related to executive directors and senior managers.

On December 12, 2019, an Operating Regulation of the Appointments and Remuneration Committee was approved in order to develop Article 15 of the Board Regulations, incorporating the basic aspects regarding the composition, functions and functioning of the Committee included in the Technical Guide 1/2019 of the CNMV. The Board

Regulations were also modified for these same purposes.

Activities

During 2019 the Appointments and Remuneration Committee held 6 meetings and carried out the following activities:

1) Regarding the composition of the Board of Directors and its Committees and the process of designating internal positions of the Board of Directors and senior executives:

- Analysis of the possible incompatibilities of two of its directors before their appointment as members of the Board of Directors of other entities, concluding that neither by the number of meetings and workload requirement, nor by the corporate objects of the companies, nor by the number of committee of which the directors are part of there was no reason for incompatibility to accept the charges.
- In response to the best practices of Corporate Governance, to the recommendations of the CNMV in section 3 of the Third Section of Technical Guide 1/2019, the general requests of the stakeholders and, as provided in article 5 of the new Regulations of the Appointments and Remuneration Committee, the Appointments Committee has worked during 2019, in coordination with the full Board, in the analysis of the composition of the Board, as well as in the elaboration of a matrix that defines the necessary competences of the Board for the proper functioning of the Company and the main skills and knowledge of the Directors. In this context, at the end of the year, the competency matrix explained in section C.1.20 was approved, which summarizes in a very synthetic way the capacities that the Board considers most relevant for the management of the Company, pointing out the most important aspects of the profile of each One of the Directors. This matrix in no way reflects the totality of the capacities of the members of the Board, but only those in which each of the Directors can be considered expert, among those previously defined as essential.
- Approval of the proposal for the appointment of a new Internal Auditor, also agreeing to submit the proposal to the decision of the Board of Directors.

2) Regarding the selection of candidates for Directors:

- The Committee reviewed and approved the Report of the Committee on the ratification of the appointment of Mrs. Leticia Iglesias as an independent director of the Company, also agree to send it to the Board for final approval, a report that was made available to shareholders at the time of the convening of the Ordinary General Meeting of Shareholders.

3) Regarding the evaluation and re-election of directors:

- Analysis of the absence of conflicts of interest and hiring Georgeson as an external advisor to carry out the evaluation of the Board, its members and its Committees in 2018. Coordination and supervision of the Board's evaluation process. In this context, analysis of the structure and operation of the Board of Directors of Lar España; of the perceptions and valuations of each of the directors, the chairmen of the Board and Committees and the secretariat of the Company; of the perception of the most relevant investors and proxy advisors; and of the main parameters of corporate governance with respect to comparable companies.
- Following the evaluation process, analysis of the recommendations and the action plan proposed by Georgeson, agreeing to review the conclusions of the evaluation in the plenary of the Board of Directors to implement the highest number of recommendations, thus improving the functioning of the Board and continuing being

a reference in terms of corporate governance.

4) Regarding remuneration:

- Approval of the implementation of a long-term incentive plan for the directors of the Company
- Also with respect to executives, the Committee analyzed the components of its remuneration packages, assessing the convenience of being adjusted to adapt them to market conditions, agreeing to submit to the Board the proposal to (i) review the fixed components of remuneration and (ii) commission an independent consultant to study the market conditions that would correspond to the specific profiles of the three managers, with the idea of being able to assess their conclusions and / or recommendations.
- In relation to independent directors, the Appointments and Remuneration Committee agreed to commission a comparative exercise of the remuneration of independent directors of comparable companies to assess the advisability of proposing the revision of their remuneration. This comparative analysis has been carried out by Willis Towers Watson after having made a contest between three different independent firms.
- The Committee reviewed and approved the Annual Report on Directors' Remuneration corresponding to the 2018 financial year in accordance with the provisions of article 541 of the Capital Companies Law by sending it to the Board for final approval and subsequent referral to the General Meeting of Shareholders
- Finally, the Committee reviewed the proposal of global objectives of the directors of the Company for 2019 as well as the degree of compliance with those of 2018.

5) Regarding Corporate Social Responsibility and Sustainability:

- Supervision of the aspects of corporate social responsibility (CSR) and sustainability of the Company. In this regard, among other issues, the actions carried out in 2018 and compliance with the CSR policy were reviewed, an action plan for 2019 was established and the Committee stressed the importance of continuing to monitor sustainability and sustainability issues. CSR since they are becoming increasingly relevant in the investment market, also promoting and promoting actions and improvements in this area.

6) Other actions

- Review and proposal of modification of the Regulations of the Board of Directors to adapt it to Technical Guide 1/2019 of the CNMV, preparing and also agreeing to submit to the Board a proposal for a Regulation of the Appointments and Remuneration Committee for final approval.
- Approval of the annual plan of activities of the Committee for 2020.

COMMITTEE

Name	Position	Class of director

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

Explain the duties vested in this committee, describe its procedures and rules of organisation and operation and summarise the most important activities undertaken by it during the reporting period.

C.2.2 Fill out the following table indicating the number of female directors represented on the board committees over the last four years:

	Number of female directors			
	2019 Number %	2018 Number %	2017 Number %	2016 Number %
Executive committee	NA	NA	NA	NA
Audit committee	2 – 67%	2 – 67%	1- 33%	0
Appointments and remuneration committee	0	0	0	0
Nomination committee	NA	NA	NA	NA
Remuneration committee	NA	NA	NA	NA
_____ committee	NA	NA	NA	NA

C.2.3 Section repealed

C.2.4 Section repealed

C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees, where they are available for consultation and any amendments to the same during the financial year. State whether any annual report has been drawn up voluntarily on the activities of each committee.

The Regulations of the Board of Directors regulate the operation of the Appointments and Remuneration Committee (Article 15) and the Audit and Control Committee (Article 14). The Audit and Control Committee and the Appointments and Remuneration Committee have their own regulations of operation, approved on December 27, 2017 and December 12, 2019 respectively. All these regulations are available at the following link on the corporate website:

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

In 2018, the remuneration policy was completed with a document on ‘ ‘ Remuneration Policy for the Board of Directors’, available at the following link on the corporate website:

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

Lar España elaborates annual reports on the composition and activities of the committees of the Board of Directors of the Company and makes them available to shareholders on the occasion of the Ordinary General Meeting.

C.2.6 Section repealed

D

RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D.1. Outline the procedure, if any, in place for approving related-party and intra-group transactions.

The Board's competences include approving, subject to a prior report by the Audit and Control Committee, related-party transactions, as defined under prevailing applicable legislation (article 5.4.o of the Board Regulations).

The Audit and Control Committee's duties include reporting to the Board of Directors before the latter takes the corresponding decisions regarding related-party transactions, as defined under prevailing applicable legislation (article 14.3.d.iii of the Board Regulations).

However, Board authorisation shall not be required for related-party transactions that simultaneously meet the following three conditions: (i) they are governed by standard-form agreements applied on an across-the-board basis to a large number of customers; (ii) they go through at market rates, generally set by the person supplying the goods or services; and (iii) their amount is no more than 1% of the Company's annual revenues (article 37.3 of the Board Regulations).

The Investment Management Agreement in force between Grupo Lar Inversiones Inmobiliarias, S.A. as Management Company and Lar España Real Estate SOCIMI, S.A. as the Company Managed, entered into on 12 February 2014, and its renewal and modification carried out on January 19, 2018, and maked effective January 1, 2018, specifies that, without prejudice to the prerogatives and competences that the Manager has to act on behalf of the Company in the framework of said contract, will require prior express approval in writing by the Board of Directors of Lar España, among others, "*transactions and situations with related parties that may give rise to a conflict of interest situation in relation to the Manager and the Management Team, including any transaction with third parties under which the Manager is entitled to receive any compensation, commission or retribution*"(clause 5 (ix))

D.2. List any transactions considered significant by virtue of their amount or substance between the company or its group companies and the company's significant shareholders:

Name or company name of significant shareholder	Name or company name of the company or its group company	Nature of the relationship	Nature of the transaction	Amount (thousands of euros)
Grupo Lar Inversiones Inmobiliarias S.A.	Grupo Lar Inversiones Inmobiliarias S.A.	Contract	Management contract	9,877
Grupo Lar Inversiones Inmobiliarias S.A	Gentalia 2006, S.L	Contract	Management contract	3,544

D.3. List transactions considered significant by virtue of their amount or substance between the company or its group companies and the company's directors and/or officers:

Name or company name of the directors and/or officers	Name or company name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)

D.4. Report any significant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose purpose or terms fall outside the company's ordinary course of business:

Regardless of their materiality, report any intragroup transactions performed with entities domiciled in countries or territories considered tax havens:

Name of the group company	Brief description of the transaction	Amount (thousands of euros)

D.5. Indicate the amounts of related-party transactions carried out.

D.6. List the mechanisms established to detect, analyse and resolve any possible conflicts of interest between the company and/or its group, and its directors, officers or significant shareholders.

Article 31 of the Board Regulations

A conflict of interest is deemed to exist in situations in which the interests of the Company or its group companies and the personal interests of the director clash, directly or indirectly. The director shall be deemed to have a personal interest in a matter when that matter affects him or a person related to him or, in the case of a proprietary director, the shareholder(s) that proposed his appointment or persons related directly or indirectly to them.

For Board regulation purposes, the following definitions apply:

- a. Persons related to natural person directors:
 - i. Their spouses or significant others.
 - ii. The ancestors, descendants and siblings of the director and of the spouse (or significant other) of the director.
 - iii. The spouses of the ancestors, descendants and siblings of the director.
 - iv. The companies or entities at which the director or any of his related parties, directly or through a representative, fulfils any of the circumstances contemplated in article 42 of Spain's Code of Commerce.
 - v. The companies or entities at which the director or any of his related parties, directly or through a representative, holds a directorship or management position or from which he receives any compensation for any reason.

vi. In the case of proprietary directors, additionally, the shareholders appointing him as their representative.

b. Persons related to legal person directors:

i. The shareholders of these legal entities that fulfil any of the circumstances contemplated in article 42 of Spain's Code of Commerce.

ii. The companies in the same group, as group is defined in article 42 of Spain's Code of Commerce, and their owners.

iii. These legal entities' natural person representatives, directors, de facto or by law, liquidators and legal representatives with general power of attorney.

iv. The persons who are considered related parties of the representative of the legal person director in keeping with the above provisions with respect to natural person directors.

Directors are obliged to report the existence of conflicts of interest to the Board of Directors and abstain from intervening as Company representative in the transaction underlying the conflict in question, except as carved out in applicable legislation.

Internal Securities Markets Code of Conduct

A conflict of interest is deemed to exist when the Bound Parties meet any of the following conditions in relation to the entities referred to in this article:

1. Serves as a director or senior executive.
2. Owns a significant interest (understood in the case of a company listed on any official Spanish or foreign stock exchange as the shareholdings referred to in article 53 of the Spanish Securities Markets Act and enacting regulations, and in the case of unlisted Spanish or foreign companies, any direct or indirect shareholding of over twenty per cent of issued share capital).
3. Has kinship within the second degree by affinity or third degree of consanguinity with the Company's directors, owners of significant shareholdings or senior executives.
4. Has significant contractual relationships, direct or indirect.

Conflicted Bound Parties must observe the following general codes of conduct:

Independence: Bound Parties must act in good faith in what they consider to be the interests of the Company and its shareholders, irrespective of their own or other interests. Accordingly they must refrain from placing their own interests over those of the Company, and from placing the interests of one shareholder over those of others.

Abstention: Bound Parties must abstain from participating in or influencing decisions that may affect conflicted persons or entities and from obtaining confidential information concerning the conflict in question.

Disclosure: Bound Parties must notify the head of compliance of potential conflicts of interest deriving from their activities outside of the Company, their family relationships, their personal finances or arising on any other grounds with:

- a. The Company or any of the companies comprising Grupo Lar España.
- b. Significant suppliers or customers of the Company or the companies comprising Grupo Lar España.

c. Entities devoted to the same business as or that compete with the Company or any of its subsidiaries.

Any questions regarding a potential conflict of interest must be addressed to the head of compliance. The final decision is ultimately the responsibility of the Audit and Control Committee.

Code of Conduct

A conflict of interest is understood to arise whenever any of the Bound Parties who must decide, perform or omit an action, in the course of his or her job duties, faces the option of choosing between the interests of the Company and his/her own interests or those of a third party, such that choosing those of either of the latter two would benefit a third party, giving rise to a gain that would otherwise not accrue.

D.7. Is more than one group company listed in Spain?

Yes No

Identify the subsidiaries listed in Spain:

Listed subsidiaries

Indicate whether the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies, have been publicly and accurately defined:

Yes No

Define any business dealings between the parent company and the listed subsidiary, as well as between the listed subsidiary and other group companies:

E.1. Explain the scope of the company's risk management system, including the fiscal risk management system.

The integrated enterprise risk management (ERM) system of de Lar España Real Estate SOCIMI, S.A. and subsidiaries (hereinafter, Lar España) has been implemented at the corporate level and is designed to mitigate the risks (including fiscal risks) to which the organisation is exposed on account of its business activities.

This System has been described and developed in the Risk Control and Management Policy approved by the Board of Directors of Lar España, which establishes a methodology to identify, evaluate, prioritize and manage risks in an effective way, taking into account the circumstances of the Company and the economic and regulatory environment where it operates. The system's overriding goal is to guarantee reasonable assurance that the Company will be able to achieve its strategic, operating, reporting and compliance objectives. The system is aligned with the key guidelines established in the "Enterprise Risk Management - Integrated Framework. Committee of Sponsoring Organizations of the Treadway Commission (COSO)" report (hereinafter, COSO).

As set out in its ERM system, Lar España views risk management as a continuous and dynamic process which encompasses the following steps:

- Identification and assessment of the risks that may affect the organisation, evaluating their probability of occurrence and potential impact.
- Identification of the controls in place for mitigating these risks.
- Identification of the processes in which these risks are generated and controls performed, determining the relationship between the organisation's key risks and processes.
- Evaluation of the effectiveness of the controls in place to mitigate these risks.
- Design of action plans in response to the risks identified.
- Risk monitoring and reporting.
- Ongoing evaluation of the suitability and effectiveness of the system in use and benchmarking of best practices and recommendations in risk management.

Ultimately, having identified the risks and analysed the suitability and effectiveness of the decisions taken to mitigate them, management, under the supervision of the internal audit function, establishes risk management priorities and the measures to be implemented, ensuring that the Company's processes are performed and working as intended.

E.2. Identify the bodies responsible for designing and implementing the enterprise system for managing risks, including fiscal risks.

The ERM system affects and involves all of the organisation's staff. Due to the specific characteristics of Lar España, certain risk management activities are performed by specialist service providers which assist with significant processes such as:

- Investment and asset management, performed primarily by Grupo Lar
- Preparation of the organisation's financial, accounting and tax information
- Regular asset valuations/appraisals

However, Lar España follows detailed processes for supervising the third parties responsible for these outsourced services to ensure that these suppliers perform the activities contemplated in the ERM model.

The main participants in the ERM model are:

Process manager or owner or of the business unit

These people are directly responsible for managing risk in its everyday manifestations; their work encompasses the identification, analysis, assessment and management of the risks which are crucial to delivery of the objectives set for each area, under the scope of current business plans.

Risk officer

The risk officer's job is to analyse and consolidate the risk information prepared by the process owners, which is gradually crystallising in the form of 'risk files'. He or she is also tasked with identifying new events, gathering and assessing information regarding the key risk indicators intrinsic to the Company's processes and proposing any monitoring action plans, as required. Once the priority risk factors have been identified, the 'risk files' are allocated to the parties responsible for their management and control.

Audit and Control Committee

In accordance with the provisions of article 14 of the Regulations of the Board of Directors and article 5 of the Regulations of the Audit and Control Committee, it is entrusted, among others, with the following functions:

- Supervising the effectiveness of the internal control and risk management systems and, in particular, reviewing them to make sure the main risks are properly identified, managed and disclosed.
- Supervising the internal risk control and management function.
- Identify the different types of risk (operational, technological, financial, legal, reputational) that the Company faces, including, among financial or economic, contingent liabilities and other off-balance sheet risks.
- The determination of risk levels that the Company considers acceptable.
- Identifying measures for mitigating the identified risks.
- Identifying the internal reporting and control systems to be used to control and manage the said risks.

In light of the above, the Audit and Control Committee is tasked with monitoring application of the Risk Control and Management Policy defined by the Board of Directors. This Policy includes the various classes of risk to which the organisation is exposed (strategic, operational, compliance and financial), including fiscal risks (paying close attention to oversight of the requirements associated with the REIT regime). Lastly, the Audit and Control Committee has to report to the Board on its activities throughout the course of the year.

Board of Directors

The Board of Directors is the body tasked with approving the Group's Risk Control and Management Policy.

It assumes, among other powers, the duty of identifying the Company's main risks and supervising the internal control systems, to which end it is kept informed by its Audit and Control Committee.

E.3. State the main risks that could prevent the company from achieving its business targets.

Lar España has identified the risks that could jeopardise its ability to achieve its objectives and successfully execute its strategies. In order to identify these risks, management's experience in

the real estate sector and the Company's specific circumstances were factored in, as were the medium-term strategic initiatives contemplated by the firm.

Lar España has an updated risk map depicting the universe of risks that could affect the organisation. The risks listed below are the risks that have been prioritised by Lar España in the wake of this risk mapping exercise, updated annually; in 2019, it managed and monitored these risks adequately, a process which will be ongoing in the years to come:

- Compliance with the requirements of the SOCIMI regime.
- Sale-purchase of real estate assets, planning, information and execution.
- Loss of value of real estate, mainly as a result of variations that may affect the economic cycle in general, or the real estate sector in particular.
- Political situation and socio-economic factors (political instability, change in the economic cycle, in consumption patterns, increasing digitalization, etc.).
- Investment / Asset Manager unit.
- Cybersecurity.
- Retention of internal talent.
- Increased competition, both for competitive actions and for a greater proliferation of alternative products.
- Market situation that may adversely affect the materialization of investment / divestment opportunities.
- Regulations and regulatory changes.
- Confidentiality.
- Technological infrastructure.

The risk monitoring process consists of tracking all internal and external variables that could help anticipate or foresee the materialisation of these or other risks of relevance to the Lar España.

E.4. State whether the company has a defined risk tolerance threshold, including with respect fiscal risk

The risk map is the tool used by Lar España to identify and assess its risks. All the risks contemplated, including tax risks, are evaluated considering various indicators of impact and likelihood.

Lar España's ERM system defines risk tolerance as “*the acceptable level of variation in outcomes relative to the achievement of objectives*”. The proposed risk tolerance criteria are used to prioritise and itemise the level of management and monitoring assigned to each risk category. Accordingly, the more critical the objective with which an identified risk is associated, the lower the level of tolerance accepted by Lar España.

Against this backdrop, three levels of risk have been defined: high, medium and low, depending on how critical the objective with which the risk is associated is deemed. The risk tolerance determination system is reviewed at least annually by the Audit and Control Committee.

E.5. State the risks, including fiscal risks, that materialised during the reporting period.

During the year 2019, there has been no knowledge of the materialization of any risk of any type, including those of a fiscal nature, that has had a significant impact on the achievement of the Company's objectives.

E.6. Outline the response and monitoring plans for the company's key risk factors,

including fiscal risk factors

The specific characteristics of Lar España, coupled with those of the business sector in which it operates, make it of tantamount importance to correctly monitor and update the various risks to which the organisation is exposed, including tax risks.

The level and frequency with which it monitors the risks identified varies as a function of the perceived importance or criticality of these risk factors and the level of effectiveness of the controls currently in place. Accordingly, Lar España has defined different scenarios for managing its risks: a) exhaustive analysis of the risks deemed highly critical to achieving an adequate level of control; b) assessment and surveillance of risks deemed of medium importance to achieving adequate control as a function of the real level of risk; and c) rationalisation and optimisation of the controls applied to risks of relatively less importance. Based on these levels, Lar España has established four kinds of strategies in relation to the level of risk assumed in each instance:

- **Reduction:** this implies undertaking response activities designed to reduce the probability of occurrence or impact of the risk, or both simultaneously. This may entail the introduction of new controls or the improvement of existing ones.
- **Sharing:** a risk's probability of occurrence or impact can be reduced by transferring or sharing a portion of that risk (e.g., via insurance policies).
- **Avoidance:** this implies withdrawal from the risk-generating activities. In this instance, the risk response may be to get out of a given business unit or line and/or decide not to pursue new business activities associated with such risks.
- **Acceptance:** in this instance no action is taken to modify the risk's probability or impact; risk is assumed at its inherent level as this is deemed appropriate for the activity and established objectives.

Lar España prioritises action plans depending on how critical the risks being mitigated are, the cost/benefit analysis of the proposed course of action and available resources. To this end, the organisation's most significant risks have been identified; work has begun on documenting these risks in individual risk files in order to enable enhanced monitoring. These files specify the controls in place and the key indicators (KRIs) that enable anticipation and/or monitoring of the associated risks. The plan is to further advance this risk management and monitoring process in the years to come.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk control and management systems as they affect your company's internal control over financial reporting (ICFR) system

F.1. The entity's control environment

Indicate the existence of at least the following components, describing their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR system; (ii) its implementation; and (iii) its monitoring.

The internal control over financial reporting (hereinafter, ICFR) system has been designed and configured to provide reasonable assurance as to the reliability of the financial information disclosed to the markets.

The bodies responsible for the existence and/or oversight of Lar España's ICFR model are:

Board of Directors

The Board of Directors is ultimately responsible for the existence and maintenance of a suitable and effective ICFR system.

To this end, article 5 of the Board Regulations reserves the following power to the Board in plenary session:

- The supervision of the process of preparing and presenting the financial information and the management report, which will include, where appropriate, the mandatory non-financial information, as well as the approval of the financial information that, due to its status as a listed company, the company must make public periodically.
- Approving the risk control and management policy and the periodic monitoring of the internal information and control systems.

To achieve these objectives, the Board is assisted by its Audit and Control Committee, which is tasked with supervision of the ICFR system (with the help of the internal audit function). It is additionally supported by the work performed by the process owners and/or the responsible of the business units tasked with implementation of the ICFR system and the firm's Corporate & Financial Management, which is ultimately responsible for ensuring the system is adequate and effective.

Each time the Board of Directors authorises annual financial statements for issue, in conjunction with approval of the annual corporate governance report, it approves and validates the existence of an effective ICFR system and its description.

Audit and Control Committee

Lar España establishes in Article 14 of its Regulations of the Board of Directors and in Article 5 of the Regulations of the Audit and Control Committee, which it has among its competences:

- Periodically supervise the effectiveness of the internal control of the Company and its group, as well as the activity of the internal audit of the Company, discussing, together with the account auditors, the significant weaknesses of the internal control system detected in the development of the audit.
- Supervise the process of preparation and presentation of mandatory financial information

and submit recommendations or proposals to the administrative body, aimed at safeguarding its integrity.

As a result, the Audit and Control Committee's work is articulated and focused around four main areas:

- The risk identification and internal control system
- The review and approval of financial information
- The external audit of the annual financial statements
- Compliance with the law and the Company's body of internal rules and regulations

The supervision activity of the Audit and Control Committee consists in ensuring the effectiveness of the ICFR, obtaining sufficient evidence of its correct design and operation, which requires evaluating the process of identifying the risks that may affect the faithful image of the financial information, verify that there are controls to mitigate them and that they work effectively.

It also consists of reviewing, analyzing and commenting on the financial and the ICFR information with the Management and with the auditors, internal and external, to ensure that the accounting criteria applied are correct and the information provided is complete and consistent with the operations, and that the ICFR is suitable for achieving its objectives and has functioned efficiently throughout the year.

Likewise, the Audit and Control Committee verifies that the ICFR takes into account all aspects established in the recommendations of the CNMV and reports its conclusions to the Board of Directors.

Corporate and Financial Management

The Corporate & Financial Management team is responsible for the design, implementation and workings of the ICFR system, which effort includes:

- Defining, proposing and implementing a model for generating financial information.
- Defining, implementing and documenting the ICFR system.
- Assisting the Audit and Control Committee in preparing the financial statements and other financial information and in selecting the criteria used in the process.
- Verifying, at least annually, the comprehensiveness and suitability of ICFR documentation and performance.
- Reporting on developments in terms of ICFR documentation to the Audit and Control Committee and to the Internal Audit Service so they are familiar with and can appraise such developments.

Internal Audit Service

The Audit and Control Committee has tasked the Internal Audit Service with assisting it with supervision of the ICFR system, which remit specifically includes:

- Supervise the sufficiency and effectiveness of the ICFR and of the general and process controls.
- Collaborating on the definition and classification of incidents and on the design of any required action plans and monitoring the latter.
- Reporting to the Audit and Control Committee on the incidents detected during

the evaluation and oversight process.

- Assisting Corporate & Financial Management to prepare reports on the status and description of the ICFR system.

Process owners involved in the financial reporting process

The parties responsible for the various processes related to the generation of financial information, whether internal or external, must perform specific activities, as dictated by Corporate & Financial Management guidelines, with a view to:

- Defining, documenting, and updating the internal processes and procedures.
- Executing the control activities as designed and intended and documenting evidence of their performance for traceability purposes.
- Reporting to Corporate & Financial Management on any change to their *modus operandi* or transactions that could trigger the need to update how their processes and controls are defined and documented and on any control shortcomings they may detect.
- Defining and implementing action plans in response to incidents observed within their sphere of responsibility.

Lar España has outsourced the performance of certain material financial reporting activities to specialist third parties (including investment and asset management, preparation of its financial, accounting and tax information and periodic appraisal of its assets). In respect of the ICFR function, Corporate & Financial Management ensures that these service providers perform the controls that, despite being executed by the latter, have been identified as key controls for the ICFR system. As part of this model, supervision of the Internal Audit Service is tasked to the Audit and Control Committee.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of duties and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company:

Corporate & Financial Management, following the guidelines set by the Board of Directors, ensures the existence of an adequate organisational structure, allocation of roles and accountability and the staggered deployment of sufficient procedures, which are allocated among the parties intervening in the processes.

The Corporate Director & CFO can call on the resources, whether internal or external, he or she needs to manage the different activities of the Company, for assistance and advice. Against this backdrop, Lar España has entered into a Management Agreement with Grupo Lar under which the Manager undertakes to devote the staff and resources needed to fulfil its functions, including its financial reporting related duties.

Lar España's ICFR Manual provides that whenever the services provided by a “service organisation” are part of the Company's IT system, they must be encompassed by the IFRS evaluation process either by means of specific and direct assessment of the controls applied by the service organisation or by obtaining an internationally recognised SSAE certificate (Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization) or by carrying out alternative procedures. At the moment the second option is being carried out, through a third party confirmation, who provides accounting services.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

Lar España has a Code of Conduct, which aims to establish the conduct guidelines that will regulate the behavior of all those acting on behalf of Lar España and its subsidiaries. This Code's scope of application extends to the members of the management team of Grupo Lar, in its capacity as Lar España's Management Company, and any other person which could be related to Lar España even if they are not employees.

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

Principle 4, regarding the recording of transactions and the financial reporting process specifies that *“Lar España pledges to ensure that the Company's financial information, most particularly its annual financial statements, reflects its financial reality, in keeping with applicable generally accepted accounting principles and international financial reporting standards. To this end, no professional may conceal or distort the information contained in the Company's accounting registers and reports, which must be complete, accurate and precise.*

The failure to honestly report the Company's financial information, whether internally - to employees, subsidiaries, departments, internal bodies, governing bodies, etc. - or externally - to auditors, shareholders/investors, regulatory bodies, media, etc. - violates this Code. The delivery of incorrect information, its incorrect configuration or any attempt to confuse its recipients are similarly deemed to constitute financial reporting misconduct”.

- **‘Whistle-blowing’ channel, for the purpose of reporting any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation to the audit committee, stating whether reports made through this channel are kept confidential.**

According to article 14.3.b.iv of the Board Regulations, it will be the responsibility of the Audit and Control Committee to establish and supervise a mechanism that allows Lar España employees and interest groups to communicate confidentially and, if deemed appropriate, anonymously, irregularities of potential significance, especially financial and accounting, that warn within the Company.

Lar España has a Regulation for the Operation of the Whistle-blowing Channel whereby any party bound by Lar España's Code of Conduct or by any prevailing legislation or other body of internal rules who believes they are being breached can present a complaint or claim with the aim of making the issue known and having it resolved.

The Whistle-blowing Channel applies to Lar España and other professionals bound by the Code of Conduct and may be used by the Company's internal or external stakeholders.

Lar España has the following channels for lodging complaints/claims:

- Corporate website: <http://laespana.com>
- Dedicated e-mail inbox: canaldenuncias@laespana.com
- A confidential explanatory letter

All of these channels for presenting complaints are available 24/7 in order to ensure optimal effectiveness and round-the-clock availability for Lar España's employees and stakeholders.

In order to ensure effective management of the Whistle-blowing Channel, Lar España has set up an Ethics Committee whose main duties are the following:

- Receipt and classification of the complaints received
- Coordination of the investigative effort required to follow up on each complaint
- Imposition of the corresponding disciplinary measures
- Preparation of periodic reports on the channel's activities and workings

The Ethics Committee of Lar España is made up of the person who heads up the internal audit function, the Secretary of the Board of Directors and the Chairman of the Audit and Control Committee.

The Code of Conduct and the Operating Rules Governing the Whistle-blowing Channel are available on Lar España's corporate website. These documents outline the procedures to be followed in handling any incidents reported.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

Corporate & Financial Management, in its capacity as the party responsible for the design, implementation and operation of the ICFR system, is obliged to make sure that all staff involved in preparing the Group's financial statements have received sufficient and up-to-date training on the International Financial Reporting Standards (IFRS) and the internal control over financial reporting principles. Corporate & Financial Management directly validates with the accounting expert, subcontracted for the preparation of the financial-accounting information, the training and knowledge of the teams assigned to these activities in relation to the regulations required in order to ensure the reliability of the information financial.

Director Corporate & CFO, responsible for ICFR, has extensive training in accounting and financial reporting as a result of audit experience in accounting and financial management.

During the year, the Corporate & Financial Management is informed of any changes that affect the preparation and supervision of financial information, both through subscriptions to information pills and newsletters from external sources, as well as through attendance at conferences and seminars specific materials and technical updating organized by expert companies in financial regulations, accounting and auditing.

Lar España has a relatively small staff which is, however, bolstered by the assistance provided by external advisers in certain areas, specifically including, as detailed in other sections, some of the activities related to the financial statement preparation process and the implementation and rollout of the ICFR system.

Lar España selects the service organisations to which it outsources these activities rigorously so that it works with specialist firms of renowned prestige that are chosen for their quality and expertise. Corporate & Financial Management ensures that these advisors indeed have the expertise required and continuous learning policies in respect of these areas of expertise.

In addition, the Internal Audit Plan prepared by the Internal Audit Service and approved by the Audit and Control Committee of Lar España contemplates the training needed by the people involved in these matters.

F.2. Financial reporting risk assessment

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- **The process exists and is documented.**

The process of identifying financial reporting risks, including risks of error or fraud, is one of the most important aspects of Lar España's ICFR methodology. This process is documented in an internal methodology guide explaining the ICFR management and assessment process: “Internal Control over Financial Reporting (ICFR) Manual of Grupo Lar España Real Estate SOCIMI”.

Lar España has assessed the risk associated with its financial accounts. Having determined the level of risk associated with each account, the most significant risks were related with the Company processes which generate and control its material financial information. The purpose of this mapping exercise is to identify the processes or business units within the Group of greatest importance in terms of financial information generation.

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, among others, transaction flows, possible risks of error or fraud in the financial information, as well as those key controls established in the Company, which adequately mitigate and with the necessary anticipation the risks associated with the process. During the year 2019, this documentation has been reviewed, updated and completed, obtaining a more efficient model, adapted to the objectives of financial information, and focused on material processes, both quantitatively and qualitatively.

- **The process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.**

The documentation prepared for each of the significant processes includes, among other elements, a matrix of risks and controls. This document links the financial risks at the process level with the control (s) that mitigates it. 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 implanted system, verifying that all risks have been mitigated by the controls associated with them. Among the information that the matrices incorporate, they include the assertions or specific control objectives in relation to the identified risk: integrity, existence and occurrence, rights and obligations, measurement and valuation, presentation.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

Article 5 of the Board Regulations states that the Board of Directors “reserves the power to define the structure of the corporate group”.

Against this backdrop, each year, Corporate & Financial Management, with the collaboration of the Legal Department, takes responsibility for continually analysing the companies added to the scope of consolidation and notifying any such additions to the Audit and Control Committee, enabling knowledge of the companies included at all times.

One of the Audit and Control Committee's duties is to supervise the process of drawing up and presenting the financial information the Company has to disclose. Specifically, the Audit and Control Committee reviews the Group's consolidated financial information on the occasion of each quarterly close.

- **The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

The process of identifying the risk of financial reporting error takes into consideration the impact of all classes of risks, whether operational, technological, financial, legal, reputational, environmental, or tax-related, insofar as they could affect the quality and reliability of the Company's financial information.

Additionally, the Company has a Risk Control and Management Policy which:

- Describes and analyses the components and activities of the risk management process *per se*;
 - Defines the organisational approach and the roles and duties needed from an enterprise risk management (ERM) standpoint.
 - Defines the model for monitoring (information and reporting) ERM activities.
 - Outlines the criteria for updating the ERM system.
- **Which of the company's governing bodies is responsible for overseeing the process.**

As established by the internal regulations (article 42 of the Social Statutes of Lar España, article 14 of the Regulations of the Board of Directors, and article 5 of the Regulations of the Audit and Control Committee), the Audit and Control Committee is responsible for supervise the effectiveness of the internal control of the Company and of the risk management systems, including fiscal ones, and specifically of the Internal Financial Information Control System.

F.3. Control activities

Indicate the existence of at least the following components and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising financial information and the description of the ICFR to be disclosed to the market, indicating the corresponding lines of responsibility, as well as documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, valuations and projections.

As stipulated in article 40.3 of the Board Regulations, the Board of Directors establishes “*the precise measures needed to ensure that the half-yearly and quarterly financial information, and any other information that warrants public disclosure in keeping with prudent strategy, is prepared applying the same principles, criteria and professional practices as are used to draw up the annual financial statements so that the interim information is as reliable as the annual disclosures*”.

The Board of Directors is ultimately responsible for the existence and maintenance of an appropriate and effective ICFR system and has authority over the financial reporting function. It also approves the Risk Control and Management Policy and the periodic monitoring of the internal information and control systems established by Lar España. In order to carry out these functions, it has the support of the Audit and Control Committee who, with the collaboration of the UPS, is entrusted with the function of supervising and evaluating the Group's ICFR. The Board of Directors also has the support of those responsible for the processes and the Corporate & Financial Management as responsible for ensuring that it is adequate and effective.

Lar España publicly discloses financial information quarterly. This information is prepared by a specialist external firm and reviewed by Corporate & Financial Management. The information is subsequently sent to the Audit and Control Committee for review.

This process is documented in an internal methodology guide explaining the ICFR management and assessment process: “Internal Control over Financial Reporting (ICFR) Manual of Grupo Lar España Real Estate SOCIMI”.

The Company's ICFR principles, definitions and management criteria are documented in its ICFR Manual.

In recent years, Lar España has documented the organisation's General Controls and the most significant processes, specifically those itemised below:

- Closing of Financial Statements and Consolidation
- Asset valuations
- Rental income
- Investments
- Cash management
- Financing
- Management of accounts payable - Promotion projects
- Management of accounts payable - Management fees
- Disposals

In addition to the ICFR oversight process (tasked to the Audit and Control Committee with the assistance of the Internal Audit Service), the ICFR Manual of Lar España contemplates the performance of an annual internal evaluation intended to ensure that the ICFR controls remain valid, well-designed and capable of delivering the intended objectives. During fiscal year 2019, the Corporate & Financial Management has continued with the process of progressive implementation of the policies and procedures included in the ICFR Manual and has reviewed and updated the documentation related to significant processes with the objective of achieving a system of internal control more efficient and adapted to the objectives of financial information, which covers all material processes, both quantitatively and qualitatively.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Lar España has outsourced its accounting services to a specialist firm. As a result, the Company does not have proprietary IT systems of significance to the preparation and publication of its financial information. However, the Corporate & Financial Management ensures that the contracted entity has a certified information security management system in accordance with ISO 27001, in addition to constantly monitoring and supervising both the outsourcing contract and the financial information reported by the third party to prevent it from containing errors.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Since it has outsourced some of its financial reporting activities to a third party that is not part of Grupo Lar, Lar España has identified all of the organisations that provide it with 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 which are

considered part of its financial reporting system. These services include the analysis performed to document and assess the ICFR system, with the outsourcing of the accounting function and the half-yearly asset appraisals to accredited and independent entities standing out in this respect.

As for the policies and procedures in place for evaluating and overseeing the management of outsourced activities, the Company has exhaustive external advisor engagement procedures that are designed to ensure the providers' competence, independence, expertise and legal know-how with respect to the services provided. Additionally, the company periodically carries out evaluation work on the key controls carried out by third-party service providers, to verify their correct functioning.

All of the information prepared by independent experts deemed material in respect of the financial statements is reviewed and validated by Lar España's Corporate & Financial Management.

F.4. Information and communication

Indicate the existence of at least the following components and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations.

Corporate & Financial Management is responsible for informing and communicating, internally and externally, the main accounting policies applied and for resolving any queries about their application.

Lar España has an effective and duly-approved Accounting Policy Manual encompassing, in a structured manner, the accounting rules, policies and criteria being applied in general at all of the organisation's companies.

The book-keeping process *per se* is handled at present by an outsourced, prestigious, specialist firm which is working with Lar España on the definition and application of accounting criteria, in keeping with prevailing legislation. This process is supervised continually by Corporate & Financial Management, which reports to the Audit and Control Committee on the progress made on a regular basis. Additionally, and when necessary, the criteria adopted with accounting experts or other advisors to resolve any doubt or possible conflict arising from the interpretation of any standard are confirmed.

Lastly, the Board of Directors approves the financial information which the Company must report periodically in its capacity as a listed entity.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

As already noted in section F.4.1 above, the book-keeping process and the preparation of the Company's individual and consolidated financial statements have been outsourced to a prestigious, specialist firm.

Nevertheless, Lar España and the external firm that provides the accounting services have mechanisms for the capture and preparation of financial information, configured with adequate formats and applications, which are used on an across-the-board basis at all Group units and companies. In addition, the Company has established adequate controls over the financial preparation and reporting process. Lastly, Corporate & Financial Management supervises and

reviews the financial information before presenting it to the Audit and Control Committee.

F.5. System monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. Describe the ICFR monitoring activities performed by the audit committee, including an indication of whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Audit and Control Committee is the advisory body through which the Board of Directors supervises the ICFR system. Against this backdrop, article 14 of the Board Regulations attributes multiple duties to the Audit and Control Committee, specifically including the following:

- *“Supervising the effectiveness of the internal controls of the Company and its group and of its enterprise risk management systems”.*
- *“Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process”.*
- *“Monitoring the process of drawing up and disclosing regulated financial information”.*

The Audit and Control Committee has the support of the UPS for the supervision of the ICFR. Specifically, the Statute of the Internal Audit Function, updated in this year, attributes to the UPS, among others, the following functions: therefore, the activity of this Service includes the following tasks:

- Supervise the quality and reliability of financial and management information, in particular, of the regulated information that the Group must provide to the markets.
- Ensure the proper functioning of the internal financial information control system (ICFR) established in the Group, proposing the improvement recommendations it deems appropriate.
- Check the implementation of the corrective measures approved to address the weaknesses of the risk management and internal control system that have been revealed.

The Internal Audit Plan is approved annually by the Audit and Control Committee at the end of each year or in the early months of the following year. This Plan defines a program of work by processes including, on a regular basis, the supervision of the proper implementation of the ICFR, review of the documentation that is part of it, and the review of the effectiveness of the controls defined. Periodically, at least quarterly, the UPS 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 provides for the annual evaluation and supervision of the different components thereof. In this sense, throughout the year 2019 it has been reviewed and updates have been introduced in the documentation corresponding to all significant processes. Likewise, work has been carried out to verify the operation of controls, among others, in the processes of asset valuation, management and registration of the Manager's fees, and in relation to compliance with the SOCIMI regime, without finding significant incidents. The Directorate and the Audit and Control Committee have received the information

corresponding to the development of the indicated activities.

Additionally, the Corporate & Financial Management and the Audit and Control Committee carry out a review process of the quarterly financial information sent to the CNMV, in accordance with the established schedules.

F.5.2. Indicate whether there is a discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

As already noted, Lar España is implementing its ICFR system and documenting the most critical processes gradually. It is worth noting in this respect that Corporate Management meets regularly with the external auditor or other advisors to discuss its proposed financial reporting criteria and the level of progress made on developing the ICFR system.

In addition, all required steps were taken to enable the provisions of the Board Regulations with respect to its mandate to the Audit and Control Committee, specifically that of:

- Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process and adopting the opportune measures for addressing them, as required. In this regard, during the year 2019, the account auditors have attended 3 meetings of the Audit and Control Committee. In these sessions, the account auditors inform the Committee of the important audit matters identified in the course of the work and, if applicable, of the significant weaknesses of internal control, in addition to the recommendations identified that allow improving the Internal control system of the Company.
- Establishing the opportune relationship with the auditor in order to receive feedback on any issues that could jeopardise its independence, for the purpose of analysis by the Audit and Control Committee or for any other purpose related to the auditing process, and to channel the other communications provided for in prevailing audit legislation and other audit standards.

F.6. Other relevant disclosures

Not applicable.

F.7. External auditor report

State whether:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The external auditor's report on the ICFR information supplied by Lar España to the market is attached to this document as an appendix.



DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company is in compliance with the recommendations of the Good Governance Code for listed companies.

If the company does not comply or only partially complies with any of the recommendations, provide a detailed explanation for so doing such that shareholders, investors and the market in general have sufficient information to assess the company's course of action in this respect. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) **The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;**
- b) **The mechanisms in place to resolve possible conflicts of interest.**

Compliant Partially compliant Explain Not applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) **Changes taking place since the previous annual general meeting.**
- b) **The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.**

Compliant Partially compliant Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant Partially compliant Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant Partially compliant Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Compliant Partially compliant Explain

7. The company should broadcast its general meetings live on the corporate website.

Compliant Explain

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant Partially compliant Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant Partially compliant Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) **Immediately circulate the supplementary items and new proposals.**
- b) **Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.**
- c) **Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.**
- d) **After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

Compliant Partially compliant Explain Not applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Compliant Partially compliant Explain Not applicable

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant Partially compliant Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant Explain

14. The board of directors should approve a director selection policy that:

- a) **Is concrete and verifiable;**
- b) **Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and**
- c) **Favours a diversity of knowledge, experience and gender.**

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant Partially compliant Explain

15. Proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant Partially compliant Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.**

Compliant Explain

17. Independent directors should be at least half of all board members. However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Compliant Explain

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Background and professional experience.**
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**
- d) The dates of their first appointment and subsequent re-election as board members, and;**
- e) Shares held in the company and any options on the same.**

Compliant Partially compliant Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant Partially compliant Explain Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant Partially compliant Explain Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant Explain

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant Partially compliant Explain

23. Directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and

other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant Partially compliant Explain Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant Partially compliant Explain Not applicable

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant Partially compliant Explain

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant Partially compliant Explain

27. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant Partially compliant Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved in the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant Partially compliant Explain Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant Partially compliant Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant Partially compliant Explain

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant Partially compliant Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant Partially compliant Explain

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant Partially compliant Explain

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant Partially compliant Explain Not applicable X

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant X Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant X Partially compliant Explain

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Compliant Partially compliant Explain Not applicable X

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant Partially compliant Explain Not applicable X

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant Partially compliant Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant Partially compliant Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant Partially compliant Explain Not applicable

42. The audit committee should have the following functions over and above those legally assigned.

1. With respect to internal control and reporting systems:

a) Monitoring the preparation and the integrity of the financial information concerning the company and, where appropriate, the group, checking for compliance with legal provisions, the adequate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With respect to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant Partially compliant Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant Partially compliant Explain

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant Partially compliant Explain Not applicable

45. Risk control and management policy should specify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant Partially compliant Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant Partially compliant Explain

47. Appointees to the appointments and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant Partially compliant Explain

The Company fully complies with the first part of the recommendation, given that the members of the Appointments and Remuneration Committee are designated making sure that they have appropriate knowledge, skills and experience to the functions they are called upon to carry out. When it comes to if the majority of these members are independent directors, the Board Regulations establishes that the majority of the members should be independent. The Company seeks to comply with this requirement as soon as there are vacancies in the Board, and therefore has not amended the Board Regulation in this regard. In that respect, the Company has pursued a different composition of the Appointments and Remuneration Committee and of the Audit and Control Committee (composed of the other three independent directors) in order to achieve the independence of the two bodies and a higher participation of all the external directors in different Committees. Notwithstanding, the independence of the decisions made by the Committee is guaranteed as long as there are no executive directors and the Chairman of the Appointments and Remunerations Committee, who is independent, has a casting vote in the event of a draw.

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Compliant Explain Not applicable

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Compliant Partially compliant Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.**
- b) Monitor compliance with the remuneration policy set by the company.**
- c) Periodically review the remuneration policy for directors and senior officers, 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 officers in the company.**

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant Partially compliant Explain

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant Partially compliant Explain

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Compliant Partially compliant Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established *ad hoc* by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant Partially compliant Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant Partially compliant Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant Partially compliant Explain

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant Explain

57. Variable remuneration linked to the company and 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 should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Compliant Partially compliant Explain Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant Partially compliant Explain Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant Partially compliant Explain Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant Partially compliant Explain Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explain Not applicable X

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant Partially compliant Explain Not applicable X

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant Partially compliant Explain Not applicable X

H**OTHER INFORMATION OF INTEREST**

1. If you consider that there is any material corporate governance related matter relating to your company or its group that has not been addressed anywhere else in this report that is necessary to provide a more comprehensive and substantiated picture of corporate governance structure or practices at your company or its group, outline them briefly here.

2. You may include in this section other relevant, but not reiterative, information, clarification or qualification related to the earlier sections of this report.

The breakdown of the indirect and direct holders of significant interests in Lar España reported in section A.2 corresponds with those registered at the CNMV's shareholder records at the time of been recorded.

This annual corporate governance report was approved by the Company's Board of Directors on February 13th, 2020.

Specifically, indicate whether the company is subject to the corporate governance legislation of any country other than Spain and, if so, include any mandatory disclosures that are different from those required for this report.

3. State also whether the company voluntarily subscribes to other business ethics or corporate governance codes, whether international, sector-specific or other. If so, identify the codes applied and the date of adhesion. State specifically whether the company subscribes to the Good Tax Practice Code (of 20 July 2010).

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

Yes No

Name or company name of any directors who did not vote in favour of authorising this report for issue.	Reason (vote cast against abstention non-attendance)	Explanation for the reason given

Lar España Real Estate SOCIMI, S.A.

Assurance' report on the 2019
"Information Relating to the
system of internal control over
financial reporting (ICFR)"

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

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

ASSURANCE' REPORT ON THE 2019 "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. FOR 2019

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 December 12th 2019, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Lar España Real Estate Socimi, S.A. for fiscal year finished on December 31st 2019, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is 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 included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

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 2019 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 by CNMV Circular 7/2015 of December 22nd 2015 and CNMV Circular 2/2018 of June 12th 2018.

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 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 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 13th 2020