

## **REPORT PREPARED BY THE AUDIT AND CONTROL COMMITTEE OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. ON ITS FUNCTIONING IN 2019**

### **I. INTRODUCTION**

In accordance with the provisions of article 14.7 of the Board of Directors Regulations of Lar España Real Estate SOCIMI, S.A. (“**Lar España**” or the “**Company**”) regarding regulation of the Audit and Control Committee, and in order for the Board of Directors to undertake the annual evaluation of this Committee as provided in article 529 *nonies* of the consolidated text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July 2010 (the “**Spanish Companies Act**”), the aforesaid Committee will prepare an annual report of its functioning, highlighting the principal issues arising, if any, in respect of its inherent functions. In compliance with the aforesaid rules, the Audit and Control Committee prepares this report- which includes the information provided in Spanish National Securities Market Commission (CNMV) Technical Guide 3/2017, on Audit Committees of entities of public interest (the “**CNMV Technical Guide 3/2017**”).

This report will be attached to the Company’s annual Corporate Governance report and, for the purposes of complying with Recommendation 6 of the Code of Good Governance for Listed Companies, will be available for shareholders, investors and other stakeholders by way of the Company’s website ([www.larespana.com](http://www.larespana.com)) since the call of the ordinary General Meeting of shareholders. Also is included in this report the Committee's report on the auditor's independence and information on related-party transactions during the year.

### **II. REGULATION**

The Audit and Control Committee of Lar España is regulated in articles 42 of the Articles of Association, 14 of the Regulations of the Board of Directors, and in the specific Regulations of the Audit and Control Committee which include the basic aspects regarding the composition, functions and functioning of the Committee included in the Technical Guide 3/2017 of the CNMV.

### **III. COMPOSICIÓN**

Articles 42 of the Articles of Association and 14 of the Board of Directors Regulations, at the date of this report, provide that the Audit and Control Committee will be comprised 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 majority of the members of the Audit and Control Committee will be independent and will be appointed –specially the Chairman– taking into account their knowledge and experience in accounting, auditing and risk management. Likewise, the Committee members shall have, as a whole, the technical knowledge necessary with regard to the Company’s business sector, in accordance with article 529 *quaterdecies*.<sup>1</sup> of Spanish Companies Act. The Board of Directors shall also appoint the Chairman of the Committee from among the independent directors that form part of the Committee. In accordance with article 14.2 of the Board of Directors Regulations, the Chairman of the Audit and Control Committee will remain in office for a maximum term of three years, at the end of which the Chairman may not be re-elected as such until one year has passed after leaving office, without prejudice to the Chairman’s continuing or being re-elected as a member of the Committee.

During 2019 there have not been changes in the composition of the Audit and Control Committee, being this the following:

- **Mrs. Leticia Iglesias Herraiz** (Chairman) is an independent external director of Lar España. She was appointed by the Company’s Board of Directors through the cooption system on its’ meeting held on 16 October 2018, in the same date she was appointed also by the Board of Directors as member of the Audit and Control Committee, being her appointment confirmed by the General Shareholders Meeting held on 25 April 2019. She has a wide experience in both the regulation and supervision of securities markets and in financial services. She started her professional career in 1987, in the audit division of Arthur Andersen. Then from 1989 to 2007 she further developed her career in the Securities Exchange Commission of Spain (the “CNMV”). From 2007 to 2013 she was CEO of the Spanish Institute of Chartered Accountants (ICJCE). Additionally, from 2013 to

2017 she was an independent member of the Board of Directors at Banco Mare Nostrum (BMN), member of the Executive Committee, Chair of the Global Risk Committee and member of the Audit Committee. From 2017 to 2018, she was an independent member of Board of Directors at Abanca Financial Services, EFC, and Chair of the Audit and Risk Committee. Since May 2018, she has been an independent member of the Board of Directors of Abanca Bank, Chair of the Audit and Compliance Committee, member of the Global Risk Committee and member of the Comprehensive Risk Committee. Since April 2019 she has been an Independent Director and Chair of the Audit Committee of AENA SME, S.A.

Ms. Leticia has a degree in Economics and Business Studies from Universidad Pontificia Comillas (ICADE). She is a member of the Official Registry of Auditors of Spain (ROAC), Trustee of the PRODIS Special Employment Centre Foundation as well as member of the Management Board of the ICADE Business Club.

- **Mr. José Luis del Valle Doblado** (Member) is an external independent director of Lar España. He was appointed as a director of Lar España by Grupo Lar Inversiones Inmobiliarias, S.A., the then sole shareholder of the Company, on 5 February 2014, and re-elected as external independent director, at the prior proposal of the Appointments and Remuneration Committee and following a favourable report from the Board of Directors, by the Ordinary General Shareholders' Meeting held on 29 May 2017. The Board of Directors of the Company appointed him as its Chairman and as member and Chairman of the Audit and Control Committee on 6 February 2014, a position which he held until 29 May 2017, the date on which he presented his resignation to the Board as Chairman of the Committee, being since then a member of such Committee. Mr. del Valle has extensive experience in the banking and energy sector. From 1988 to 2002 he held various positions with Banco Santander, one of the most relevant financial entities in Spain. In 1999 he was appointed Senior Executive Vice President and CFO of the bank (1999-2002). Subsequently he became 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 Chairman of the aerogenerator manufacturer Gamesa (2011-2012). Currently, Mr. del Valle is Chairman of the Board of the Directors of the WiZink Bank; Director of Abengoa, S.A., which provides innovative technological solutions for sustainable development; Director of the insurance group Ocaso; and Director of the Instituto de Consejeros-Administradores.

Mr. José Luis is a Mining Engineer from Universidad Politécnica (Madrid, Spain), number one of his class, Master of Science and Nuclear Engineer from the Massachusetts Institute of Technology (Boston, USA). Furthermore, Mr. del Valle holds an MBA with High Distinction from Harvard Business School (Boston, USA).

- **Mrs. Isabel Aguilera Navarro** (Member) is an independent external director of Lar España. She was appointed as a director of Lar España by the Board of Directors through the co-option system, at its meeting held on 29 May 2017, date on which the Board of Directors also appointed her as member of the Audit and Control Committee, being her appointment ratified by the general meeting of shareholders held on 19 April 2019. Mrs. Isabel Aguilera Navarro developed her professional career at various companies across several sectors. She served as Chairman for Spain and Portugal at General Electric, General Manager for Spain and Portugal at Google, General Operations Director at NH Hoteles Group, CEO for Spain, Italy and Portugal at Dell Computer Corporation and director of Indra Sistemas, BMN Bank, Aegon España and Laureate, Inc. and Egasa. Mrs. Isabel has been a member of several national and international Boards of Directors, and is currently a member of the Board of Directors at Grupo Cemex, Banca Farmafactoring, Oryzon Genomics, HPS (Hightech Payment Services) and Making Science.

Mrs. Isabel has a degree in Architecture and Urbanism from the Escuela Técnica Superior de Arquitectura of Seville, a master's degree in Commercial and Marketing Management from IE, and completed the General Management

Programme at IESE and the Executive Management of Leading Companies and Institutions Programme at San Telmo Institute. Mrs. Isabel is currently Associate Professor at ESADE and Strategy and Innovation Consultant.

Detailed information on the members of the Committee and their professional careers is available to the shareholders, investors other stakeholders of Lar España on the website of the Company.

In accordance with the provisions of article 14.2 of the Board of Directors Regulations, the Secretary non member of the Audit and Control Committee is Mr. Juan Gómez-Acebo Sáenz de Heredia, as he is also the Secretary of the Board of Directors, being Deputy Secretary of the Committee, the Deputy Secretary of the Board of Directors Mrs. Susana Guerrero Trevijano.

As a result, the composition of the Committee during 2019 has been consistent with the provisions of the Board of Directors Regulations and article 529 *quaterdecies*.1 of the Spanish Companies Act, in accordance with its current version, being all the members of the Committee independent directors during 2019.

#### **IV. MEETINGS**

In accordance with the provisions of article 14.4 of the Regulations of the Board of Directors, the Audit and Control Committee ordinarily meets on a quarterly basis, in order to review the periodic financial information to be submitted to the supervisory authorities as well as the information that the Board of Directors must approve and include within its annual public documentation. It also may meet at the request of any of its members and when called by its Chairman. The Chairman must call the meeting whenever the Board or its Chairman request the issuance of a report or preparation and adoption of proposals and, in any event, whenever it is appropriate to the proper exercise of its authority.

The Audit and Control Committee met ten times during 2019.

As a result, the Audit and Control Committee met with the frequency required for proper performance of its duties. All of its members have personally attended the meetings that were held during 2019; with the sole exception of Mrs. Isabel Aguilera Navarro, who was

represented in a single occasion by the Chairman of the Committee pursuant to a special delegation granted for these purposes, having provided specific voting instructions prior to the meeting.

Of the ten meetings of the Audit and Control Committee all were held at the Company's registered office.

In addition to its members, the meetings of the Audit and Control Committee have been attended by various non-members, at the invitation of the Chairman of the Committee to deal with certain items on the Agenda, such as the Director Mr. Miguel Pereda (also CEO of Manager), the Corporate Director and CFO, the Company's external auditor (Deloitte) and the Internal Auditor. Particularly, the Internal Auditor has attended 8 meetings of the Committee and the External Auditor has attended 3 meetings.

## **V. FUNCTIONS OF THE AUDIT AND CONTROL COMMITTEE AND ACTIVITIES DURING 2018**

Article 14 of the Board of Directors Regulations sets out the functions of the Audit and Control Committee in matters relating essentially to the supervision of financial information, the supervision of internal information and control systems, the supervision of risk management and control, independence and relations with the external auditor, related-party transactions and the Company's corporate governance obligations.

The following is a list of the powers that the Regulations attribute to the Committee, indicating its most important actions in 2019 in relation to them:

### **1) With regard to the supervision of financial information:**

In relation to this matter, the Audit and Control Committee has the following powers:

- Oversee the process of preparing and submitting the required financial information and submit recommendations or proposals to the managing body aimed at safeguarding its integrity.
- Give the Board of Directors prior notice of any financial information that the Company, as a listed company, is obliged to publish periodically. The Audit and Control Committee must ensure that the half-yearly financial reports and the

interim management reports are drawn up in accordance with the same accounting policies as the annual financial statements and, to this end, it may ask the external auditor to conduct a limited review of the half-yearly financial reports.

- Oversee that the Board of Directors endeavours to present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the auditors' report. Should such reservations or qualifications exist, both the Chairman of the Audit and Control Committee and the auditors should clearly explain to the shareholders of the content and scope of such reservations or qualifications.

- **Review of periodic financial reporting**

As in the last financial period, during the year 2019, the Committee supervised the process of preparation and the integrity of the quarterly and semi-annual financial information –including, where applicable, the adjustments that have deemed appropriate in the documentation–, both individual and consolidated, that the Board of Directors must provide to the market and submit to the CNMV by virtue of its periodic reporting obligations as a listed company.

Accordingly, the Committee reviewed compliance with the regulatory requirements, appropriate definition of the scope of consolidation and proper application of accounting principles in the periodic financial reporting, all within the terms legally established for that purpose, approving the financial information prior to its submission to the Board of Directors for approval before making it public.

- **Review of annual accounts**

The Audit and Control Committee, with the purpose of preventing the individual and consolidated annual accounts prepared by the Board of Directors from being presented with reservations and qualifications in the audit report, performed the following activities prior to the preparation of the accounts:

- Review the accounts of the Company and the Group.

- Monitor and verify compliance with legal requirements and the proper application of generally accepted accounting principles.
- Review the periodic financial information that the Board of Directors must provide to the markets and their supervising bodies.

After timely discussion and clarification of various aspects of the documents presented, the Audit and Control Committee reported favorably to the Board of Directors prior to the preparation of the annual accounts, as well as the Company's consolidated financial statements for the fiscal year ended 31 December 2018, and the management report, which incorporates the Annual Corporate Governance Report. Likewise, the Audit and Control Committee has agreed to submit to the Board the proposed profit application for the fiscal year ended on 31 December 2018.

Accordingly, it is noted that the audit reports of the individual and consolidated annual accounts of Lar España corresponding to the financial year ended 31 December 2018 had no reservations or qualifications. Likewise, no reservations or qualifications are expected regarding the audit reports regarding the individual and consolidated accounts of Lar España corresponding to the financial year ended 31 December 2019.

On the other hand, both the Company's Internal Auditor and the external auditors have expressly stated that they have been able to carry out their work with complete freedom and collaboration from Lar España without any limitation.

## **2) With regard to the supervision of internal control and reporting systems:**

In relation to this matter, the Audit and Control Committee has the following powers:

- Oversee the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking the fulfilment of legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- Oversee on a regular basis the effectiveness of the internal control of the Company and its Group as well as the activities of the Company's internal audit function,

discussing together with the auditors and any significant weaknesses in the internal control system detected in the audit, all without diminishing its independence. To that effect, and where applicable, the Committee will submit recommendations or proposals to the Board of Directors and the corresponding period for the follow-up thereof.

- Oversee the unit that assumes the internal audit function, which will oversee the proper functioning of the reporting and internal control systems and will report functionally to the Chairman of the Audit and Control Committee and, in particular: (a) monitor the independence and effectiveness of the internal audit function; (b) propose the selection, appointment, re-election and removal of the head of the internal audit department; (c) propose the department's budget; (d) approve its priorities and work plans, ensuring that its activity focuses primarily on the main risks to which the Company is exposed; (e) receive regular reports on its activities; (f) and verify that senior management take into account the findings and recommendations of its reports. The head of the internal audit department should present an annual work plan to the Committee, report on any incidents arising during its implementation and submit an activities report at the end of each year.
- Establish and monitor a mechanism whereby employees and any third party can report in a confidential or, if appropriate, anonymous manner any potentially significant irregularities within the Company, particularly of a financial and accounting nature.

- **Supervision of the Internal Audit**

The Audit and Control Committee of Lar España has performed during 2019 the functions related to internal auditing of the Company that have been attributed to it in the Board Regulations, basically the following: (i) overseeing the independence and effectiveness of the internal audit function; (ii) propose the budget of the unit; (iii) receive periodical information regarding its activities; and (iv) verify that senior management takes into consideration the conclusions and recommendations of its reports.

It has also approved the orientation and its work plans, ensuring that its activity is focused mainly on the relevant risks of the Company. In particular, it approved the work carried out on the 2018 audit plan and the 2019 audit plan.

In this regard, the internal audit of the Company has periodically informed the Audit and Control Committee about its activities. In particular, the Committee was informed, among other issues, about the evolution in the execution of the internal audit plan, about the functioning of the whistleblower channel, about crime prevention and money laundering follow-up, (with a clean opinion from the external expert carrying out the annual assessment) and data protection issues.

In addition, the Committee was informed about the selection process carried out for the appointment of a new internal auditor of the Company, and also passed a new Internal Audit Statute of the Company in order to adapt it to the latest legislative developments and best practices.

Likewise, the Committee was informed of the conclusions of the review carried out with respect to the degree of implementation and compliance with the recommendations of CNMV Technical Guide 3/2017, it reviewed all the tasks performed during 2019 confirming that all the assigned duties had been accomplished and passed a work schedule for fiscal year 2020.

- **Supervision of the reporting and internal control systems**

During fiscal year 2019, and in relation to the Company's ICFR, the Audit and Control Committee has analysed 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) With regard to the supervision of the relations and Independence of the external auditor:**

In relation to this matter, the Audit and Control Committee has the following powers:

- 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 that set forth in applicable legislation, as well as the contracting terms.
- Receive regular information from the external auditor in relation to the auditing plan and the results of its implementation, and verify that senior management has borne in mind its recommendations.
- Establish the proper relationships with auditors to receive information on any matters that may threatened their independence, for examination by the Audit and Control Committee, and any other matters related to the audit process and, where applicable, the authorisation of the services other than those prohibited, under the terms envisaged in applicable legislation, as well as other notices envisaged in audit legislation and other audit regulations.

In any event, the external auditor must send written confirmation on its independence with respect to the Company or entities directly or indirectly connected thereto on an annual basis, as well as detailed and individual information on any type of additional services provided and the related fees received from these entities by the external auditor or by persons or entities related to the auditor, pursuant to the applicable accounting legislation.

- Issue an annual report, prior to the issue of the auditors' report, containing an opinion on whether the independence of the auditors or audit companies has been compromised, which will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting. Such report will, in all cases, contain the reasoned evaluation the provision of each and every one of the additional services mentioned in the letter above, considered individually and as a whole, other than legal audit services, and

in relation to the rules on independence or in accordance with the regulations governing audit activities.

- Preserve the independence of the external auditor in the performance of its duties and, for such purpose: (i) ensure that the Company notifies the CNMV of any change of auditor as a Significant Event, accompanied by a statement of any possible disagreements arising with the outgoing auditor and, if any, of their content; (ii) ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services and, in general, other requirements designated to safeguard auditors' independence; and (iii), in the event of auditor's resignation, examine the reasons thereto.
  - In the case of groups, the Committee should encourage the Group auditor to take on the auditing of all companies of the Group.
  - Ensure that the remuneration of the external auditor does not compromise its quality or independence.
  - Ensure that the external auditor has an annual meeting with the Board of Directors in plenary session to inform it of the work carried out and developments in the Company's risk and accounting positions.
- **Proposal for the appointment, re-election and substitution of the external auditor**

The Audit and Control Committee has analyzed the proposal submitted to the Board of Directors for the appointment of the external auditor of the Company for fiscal year 2019, for its later submission to the General Shareholders Meeting, agreeing to propose to the Board of Directors the renewal of the current external auditor for a one year term.
  - **Supervision of relations and independence of the External audit**

The Audit and Control Committee supervised the relationships with the external auditors and its fees for the financial year 2019, as well as the compliance with the current auditing services contract, receiving information, among other matters, of the audit plan for 2019, ensuring that the opinion on the annual accounts and principal content of the audit report

were drafted clearly and precisely. In this regard, the Chairman of the Committee has met on various occasions with the external auditors to review the focus of their work.

In addition, the Audit and Control Committee has analyzed and authorized the different services to be provided by the external auditor other than the audit of accounts as well as the fees proposed for them, taking, where appropriate, all necessary measures to avoid any risk to the auditor's independence.

The Audit Act and section 4, function f), of article 529 *quaterdecies* of the Spanish Companies Act require that the Audit Committee annually, prior to the audit report, issue a report stating an opinion regarding the independence of the auditors. Based on this requirement and the confirmation of independence received from the auditors through the letter date 13 February 2020, the Audit and Control Committee concluded that there are no objective reasons for questioning the independence of the statutory auditor for 2019.

The Audit and Control Committee checked the fees paid by the various Group companies to the external auditor in 2019. Details are given below:

<b>Concepts</b>	<b>Total</b> <i>(thousands of euros)</i>
<b>Audit Services</b>	308.9
<b>Other Verification Services</b>	136,6
<b>Total Audit and related Services</b>	445,5
<b>Tax Services</b>	-
<b>Other Services</b>	-
<b>Total Professional Services</b>	445.5

Likewise, the Audit and Control Committee has analysed and checked the fee schedule submitted by the external auditor for fiscal year 2019.

In accordance with the foregoing, this Committee reasonably concludes that:

- (i) While performing its duties during the fiscal year 2019, the auditor has complied with the applicable rules regarding independence established in the auditing regulations.
- (ii) No circumstances have been identified in order to question the compliance with the rules governing the auditing activities performed by the external auditor with regards to its independence and the Company.
- (iii) The fees paid by the Company to the auditor do not represent a significant percentage of the revenue of the auditor for the purposes of complying with the rules established in the Audit Act.
- (iv) The fees paid to the auditor have been reasonably justified, estimating that they will not exceed reasonable market prices applicable to these types of services.
- (v) In 2019 the obligation regarding the rotation of the signing auditor partner is applicable, so 2018 was the last year for the audit partner to sign off on the audit of the accounts.

There are not aspects that could reasonably be considered as a breach of the auditing rules regarding independence of the auditor or with the delivery of additional services different from the audit services.

#### **4) With regard to oversight of risk management and control:**

In relation to this matter, the Audit and Control Committee has the following powers:

- Oversee the effectiveness of the risk management systems and, in particular, review these systems in order for the main risks to be properly identified, managed and disclosed.
- Oversee the internal risk management and control function.

- In relation to the risk policy and risk management, identify at least (i) the different types of risk (operating, technological, financial, legal, reputational) to which the Company is exposed, including financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) the risk levels the Company deems acceptable; (iii) the measures in place to mitigate the impact of the identified risks, should they occur; and (iv) the internal reporting and control systems to be applied to control and manage the aforementioned risks, including contingent liabilities and off-balance risks.

In this regard, the Audit and Control Committee has carried out various activities such as the review and approval of the new risk map, after explaining to the Internal Auditor that the Company's risk control levels are very healthy and explaining the changes in the Company's priority risks. Likewise, the external auditor reported to the Committee on the main risk aspects for the Company that were being considered, confirming that no issues of concern had been identified.

#### **5) With regard to the Company's corporate governance obligations:**

In relation to this matter, the Audit and Control Committee has the following powers:

- Monitor compliance with legal requirements and the Company's internal governance regulations, including internal codes of conduct.
- Regularly review the Company's internal governance regulations and propose to the Board of Directors, for approval or submission at the General Shareholders' Meeting, as the case may be, any amendments and updates that contribute to its development and ongoing improvement.
- Promote the Company's corporate governance strategy, as well as regularly evaluate the effectiveness of the Company's corporate governance system, in order to confirm that it is fulfilling its mission to promote the corporate interest and consider, as appropriate, the legitimate interests of remaining stakeholders.
- Oversee the communication strategy and shareholders and investors' relations, including small and medium-sized shareholders.

- Assess all aspects related to non-financial risks of the Company (including operating, technological, legal, social, environmental, political and reputational risks).
  - Coordinate non-financial information and diversity reporting processes in accordance with applicable legislation and international benchmarks.
  - Be apprised of, promote, guide and oversee the Company's performance regarding corporate reputation and report thereon to the Board of Directors or, where applicable, to the Executive Committee.
  - Report on the matters of Title IX of the Board of Directors Regulations ("Director's Duties") under the terms envisaged therein.
  - Report on, prior to its approval, the Company's annual governance report, obtaining for such purposes the reports from the Appointments and Remuneration Committee in relation to these sections of such report that are within their competence.
- **Supervision of the compliance with corporate governance regulations:**

The Committee reviewed and accepted the Annual Corporate Governance Report for the financial year 2018 that, in accordance with article 538 of the Spanish Companies Act, must be included in a separate section of the Management Report that goes together with the Annual Accounts.

Likewise, the Audit and Control Committee has approved the functioning report of the Committee for fiscal year 2018, agreeing to send it to the Board for its approval and subsequent publication at the Ordinary General Shareholders' Meeting.

During fiscal year 2019 the Committee has reviewed the internal corporate governance regulations, particularly it agreed to issue a favourable report regarding the suggested amendments in the Board of Directors Regulations in order to adapt it to the CNMV Technical Guide 1/2019 regarding Appointments and Retribution Committee and submit

the proposal for the new Board of Directors Regulations to the Board of Directors for its final approval.

In addition, the Committee reviewed the amendment proposal for its own regulations, resolving to issue a favourable report and submit it along with the proposal for the new Audit and Control, Committee Regulations to the Board of Directors for its final approval.

**6) With regard to the obligations of Listed companies:**

In relation to this matter, the Audit and Control Committee is responsible for reporting to the Board of Directors, prior to the Board adopting the corresponding decisions on the matter:

- The incorporation or acquisition of ownership interests in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
  - Related transactions, as they are defined by the legislation applicable at any given time. With regard to related transactions, the annual report issued, where applicable, by the Audit and Control Committee on related transactions will be available to shareholders and investors through the Company's website well in advance of the Ordinary General Shareholders' Meeting.
  - The economic terms, the accounting impact and, where applicable, the impact on the exchange ratio, of the structural changes and corporate transactions that the Company plans to carry out.
  - Any amendment to the internal code of conduct.
- **Share repurchase program**

The Committee was informed of the main terms of the development of the share buyback program implemented by the Company, the current situation and the proposal for the future, positively informed the proposal for its presentation to the Board, and also analyzed the listing situation of the Company's shares, agreeing to monitor the matter on a continuous basis.

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

In relation to this matter, the Audit and Control Committee has the following powers:

- Oversee the calculation of fees received by the Management Company in the performance of its functions.
  - Appoint and supervise the services of external appraisers in relation to the appraisal of the Company's assets.
- **Valuation of the assets of the Company**

In accordance with the provisions of the Articles of Association and the Regulations of the Board of Directors, the Committee reviewed and approved the valuations of the Company's assets at 31 December 2018 and 30 June 2019 prepared by the experts appointed by the Company for that purpose (Jones Lang LaSalle y Cushman & Wakefield).

In relation to the valuers of the Company's assets, the Committee debated the possibility of opening a new tender, considering finally to reappoint the current valuers (Jones Lang LaSalle y Cushman & Wakefield).

Likewise, the Committee has been periodically informed of different issues related to certain assets of the Company and has approved periodically the valuations submitted by the valuers.

- **Others**

The Committee has evaluated two alternative business plans for the Company depending on the potential investments to be carried out, the market circumstances and the ones the Company's ones itself.

On the other hand, the Committee reviewed and passed in several meetings the Manager's fees, confirming that they fully comply with the Investment Manager Agreement.

In the area of insurance, the Audit and Control Committee agreed to the renewal of the D&O insurance policy; and at a subsequent meeting agreed to the renewal of the insurance broker in respect of civil liability, loss of income and damages.

The Committee was informed on the different alternatives for proposing the Company's dividends payout and agreed to submit to the Board the proposal for distribution for its final approval.

Likewise, the Committee has analyzed compliance with the requirements to be able to apply the SOCIMI, in particular, with special reference to the income ratio.

Finally, the Commission approved the annual plan of activities of the Commission for 2020.

## **VI. EVALUATION AND CONCLUSIONS**

Based on the foregoing, the Audit and Control Committee has evaluated its composition and functioning during the year 2019, considering that:

- The composition of the Committee has been adjusted to the legal and corporate provisions laid down for this purpose, being comprised of members that have the technical knowledge necessary with regard to the competences of the Committee and the Company's business sector to which Lar España belongs, being all the members of the Committee independent directors.
- The Committee has held meetings with the frequency provided in article 14 of the Board Regulations and whenever it has been necessary in response to the issues to be addressed in such Committee.
- The ten meetings of the Committee have been attended by all its members, present or duly represented.
- The members of the Committee have had at their disposal, prior to the Committee's meetings, the necessary information with regard to the different Items of the Agenda in order to be able to deliberate and make informed decisions. In addition, when necessary, the Committee has been advised by external experts.
- Lastly, the Committee has deliberated and adopted resolutions on matters within its competence, among which the following can be highlighted, among others: the review of the periodic financial information, the supervision of relations and the independence of the External Audit, the supervision of the Internal Audit, the

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supervision of the compliance with corporate governance regulations or the supervision of fees received by the Management Company.

In accordance with the foregoing, it can be concluded that the Audit and Control Committee has complied with the rules provided in the Law and in its corporate regulations regarding the composition, frequency of meetings, attendance and informed participation of its members, having dealt with the matters of competence of the Audit and Control Committee during fiscal year 2019.

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This report has been approved by the Audit and Control Committee at its meeting held on 13 February 2020 and by the Board of Directors at its meeting held later on the same date.