

REPORT PREPARED BY THE AUDIT AND CONTROL COMMITTEE OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. ON ITS FUNCTIONING IN 2020

I. INTRODUCTION

In accordance with the provisions of article 14.8 of the Board of Directors Regulations of Lar España Real Estate SOCIMI, S.A. (“**Lar España**” or the “**Company**”) 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 (“**CBG**”), will be available for shareholders, investors and other stakeholders by way of the Company’s website (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. The current versions of these documents are available on the Company's website (www.larespana.com), under the link "Internal Rules on Governance" in the "Corporate Governance" section of the "Shareholders and Investors" section.

Notwithstanding the above, the references included in this report to the internal regulations applicable to the Audit and Control Committee correspond to the regulations in force during 2020, notwithstanding the fact that the Board of Directors agreed, at its meeting of 15 December 2020, to approve the amendment of the Board Regulations and the specific Regulations of the Audit and Control Committee to adapt them to the new wording of certain Recommendations of the CBG of June 2020.

III. COMPOSITION

Articles 42 of the Articles of Association and 14 of the Board of Directors Regulations of the Company, 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 both financial and non-financial. Likewise, the Board shall endeavor to ensure that the members of the Committee have, as a whole, the knowledge and experience in other areas that may be appropriate for the Audit and Control Committee to fulfil its functions as a whole, such as finance, internal control and information technologies. 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.1* 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 2020 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 and President 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 is Independent Director and Chair of the Audit Committee of AENA SME, S.A and, on October 2020, she became an Independent Director and member of the Audit Committee of ACERINOX 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), PRODIS Foundation Special Employment Center Patron, as well as ICADE Business Club Board member.

- **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 and re-elected by the Ordinary General Shareholders' Meeting held on 17 March 2020. 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), Advisor to the Chairman of the aerogenerator manufacturer Gamesa (2011-2012) and Director of Abengoa, S.A., which provides innovative technological solutions for sustainable development (2016-2020). Currently, Mr. del Valle is Chairman of the Board of the Directors of the WiZink Bank; 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 2018. Mrs. Isabel Aguilera Navarro developed her professional career at various companies across several sectors. She served as President for Spain and Portugal at General Electric, General Manager for Spain and Portugal at Google, Chief Operating Officer at NH Hoteles Group, CEO for Spain, Italy and Portugal at Dell Computer Corporation and member of the Board of Directors at different companies such as Indra Sistemas, BMN Bank, Aegon España and Laureate, Inc., Egasa and HPS (Hightech Payment Systems). Mrs. Isabel is currently a member of the Board of Directors at Cemex Group, Banca Farmafactoring, Oryzon Genomics, Clínica Baviera 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 2020 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 2020.

IV. MEETINGS

In accordance with the provisions of article 14.4 of the Regulations of the Board of Directors and 6.1 of the Regulations of the Committee, 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.

All meetings of the Audit and Control Committee have been duly convened by its Secretary following instructions from the Chairman of the Committee, by means of individual communication to each of its members, in accordance with the form and deadlines established in the Board Regulations and the Committee Regulations, except in a single case in which the meeting was validly constituted when all its members were present and unanimously accepted the holding of the meeting and its agenda.

The Audit and Control Committee met ten times during 2020.

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 2020.

Of the ten meetings of the Audit and Control Committee three were held physically at the Company's registered office, one as held by videoconference at the registered office, and six other meetings were held by videoconference at the location of the Chairman of the Committee.

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 Co-President) and Mr. Roger Cooke, the Corporate Director and CFO, the CEO of Grupo Lar responsible for the tertiary business, the Company's external auditor (Deloitte) and the Internal Auditor. Particularly, the Internal Auditor has attended 10 meetings of the Committee and the External Auditor has attended 3 meetings.

V. FUNCTIONS OF THE AUDIT AND CONTROL COMMITTEE AND ACTIVITIES DURING 2020

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 in force between 1 January and 15 December 2020, indicating its most important actions in 2020 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:

- Report to the General Shareholders' Meeting on any matters raised by the shareholders regarding its competence and, in particular, on the results of the audit, explaining how it contributed to the integrity of the financial information and the function discharged by the Committee in this process.
 - Supervise 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 2020, the Committee supervised the process of preparation and the integrity of the financial information –including, where applicable, the adjustments that have deemed appropriate in the quarterly and half-yearly 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.

In addition, and given the exceptional situation arising in 2020 as a result of the Covid-19 pandemic, and on the basis of the measures adopted by the Government in the context of the state of alarm and other exceptional regulations, the Committee has assessed the advisability or otherwise of availing itself of the extensions of deadlines envisaged by the Government and has continuously monitored, among others, the situation of workers, suppliers and customers, the health and safety measures adopted in the Company's assets, the strategy in the renegotiation of contracts and their accounting impacts, cash flow forecasts and compliance with financial covenants, among others.

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, with special attention during this financial year to the measures adopted by the Company in the context of the crisis generated by the Covid-19 pandemic.

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

Finally, the Committee has been informed of the receipt by the Company of a request for information from the CNMV, within the framework of its regular activity of periodic review of listed companies, regarding the financial information submitted by Lar España, and has reviewed the reply submitted by the Company.

- **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 individual and consolidated annual accounts.
- Monitor and verify compliance with legal requirements and the proper application of generally accepted accounting principles, and, in general, of the regulatory financial reporting framework applicable to the Company.
- Review the periodic financial information that the Board of Directors must provide to the markets and their supervising bodies.

Following a presentation by the Corporate and Financial Director and after the appropriate discussion and analysis of the financial information and the audit report with the external auditor, 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 2019, 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 2019.

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 2019 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 2020, with regard to the latter two relevant aspects being the new European electronic format (ESEF) and the latest ESMA recommendations, which stress the need for particular clarity and transparency in financial information.

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 2020 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) receive periodical information regarding its activities; and (iii) 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, which in 2020 has been particularly marked by the impacts of the Covid-19 pandemic, the Internal Auditor has therefore been instructed to follow up on the issues related to this situation. In particular, reviewed the work carried out in 2020, confirming that all its mandated functions had been fulfilled, and approved the audit plan for 2021, stressing the importance of stressing the importance of proper documentation of all review and oversight actions carried out.

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 periodically informed, among other issues, about the evolution in the execution of the internal audit plan, the monitoring of the status of various issues related to the situation generated by the Covid-19 pandemic, the monitoring of the renegotiation of certain contracts and their accounting effects, work carried out in the field of auditing Information Technology (IT) and Cybersecurity services, the functioning of the whistleblower channel, about crime prevention and money laundering follow-up, (with the Chairman of the Committee also reporting on the conclusions of the Ethics Committee in this regard).

Likewise, and after the internal auditor had presented his conclusions, the Committee agreed to submit to the Board of Directors the report of Rubí Blanc Abogados, as external expert on money laundering.

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

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

During fiscal year 2020, 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 addition, as part

of the audit, the external auditor informed the Committee that no material weaknesses had been identified.

The Committee, within the framework of the processes of continuous review and updating of the Company's internal regulations, also approved, among others, the updating of the Company's ICFR Manual.

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 threaten 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 of the external auditor**

The Audit and Control Committee has analyzed the proposal submitted to the Board of Directors for the re-election of the external auditor of the Company for fiscal year 2020, for its later submission to the General Shareholders Meeting, agreeing to propose to the Board of Directors the renewal of the current external auditor (Deloitte) 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 2020, as well as the compliance with the current auditing services contract, receiving information, among other matters, of the audit plan for 2020, 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 (in addition to the management team and the internal auditor) to review the focus of their work, issues relating to their independence and the fees paid to the external auditor.

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

In relation to the above, the Audit and Control Committee considers that the Committee's communication with the external auditor has been fluid, continuous, in accordance with the

regulations governing the auditing of accounts and has not undermined the effectiveness with which the audit has been carried out.

- **Supervision of the independence of the external auditors**

The Audit and Control Committee has periodically supervised the compliance of both the Company and the external auditor with the regulations in force on the provision of audit services and the other rules on auditor independence.

In particular, 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.

In accordance with the above, the Committee received the letter of independence of the external auditor (Deloitte) dated 13 February 2020, considering the external auditor that everything reviewed in the audit process was in accordance, no errors were detected and there had been good collaboration with the Company, and the Committee concluded that there were no objective reasons to question the independence of the auditor in the 2019 financial year.

Furthermore, on the basis of the aforementioned legal requirement and the confirmation of independence received from the auditors through a letter dated 22 February 2021, the Audit and Control Committee has concluded that there are no objective reasons to question the independence of the auditors in the financial year 2020.

The Audit and Control Committee checked the fees paid by the various Group companies to the external auditor in 2020. Details are given below:

Concepts	Total
	(thousands of euros)
Audit Services	319
Other Verification Services	64
Total Audit and related Services	383
Tax Services	-

Other Services	-
Total Professional Services	383

Likewise, the Audit and Control Committee has analysed and checked the fee schedule submitted by the external auditor for fiscal year 2020.

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

- (i) While performing its duties during the fiscal year 2020, 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 and there is no risk from the point of view of the auditor's independence and the maximum percentages foreseen in the regulations.

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 received regular reports on the internal auditor's findings on the functioning of risk management. In particular, the Committee has reviewed and approved the new risk map, both financial and non-financial, after the internal auditor explained the changes in the Company's priority risks. In addition, the Committee was informed by the external auditor of the main risk areas for the Company under review, and it was agreed by the Committee which risks should be identified as priorities for inclusion in the IAGC.

The Commission has also analysed in several meetings the measures adopted or proposed by the Government in the context of the state of alarm and the exceptional situation resulting from the Covid-19 pandemic and its implication for the Society. Among other issues, the Committee has continuously monitored the health and hygiene measures adopted in the Company's assets, certified by a certifying company, the contract renegotiation strategy and its accounting impacts, cash flow forecasts and compliance with financial covenants.

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 2019 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, after review and further discussion, the functioning report of the Committee for fiscal year 2019, including the Committee's report on the auditor's independence and information on related party transactions, agreeing to send it to the Board for its approval and subsequent publication at the Ordinary General Shareholders' Meeting.

In addition, during the Annual General Meeting of Shareholders of the Company held on 17 March 2020, the Chairman of the Committee informed the shareholders of the main activities carried out by the Committee during the financial year 2019.

Likewise, the Committee has reviewed the Summary Report on the Evaluation of the Board and its Committees during the financial year 2019, agreeing to approve said Report as regards the Committee, as well as the follow-up of the proposed action plan for 2020 and 2021. In this regard, among other matters, the Committee has agreed that, when the Company's financial information is to be reviewed, when setting the annual calendar of meetings, the meetings of the Committee will be held a few days before those of the Board.

- **Review of the Company's Corporate Regulations and Policies**

On 26 June 2020, the CNMV approved the partial revision of the CBG, updating various recommendations of the CBG and adapting some of them to various legal amendments approved since its publication, while also clarifying the scope of certain recommendations.

In line with this, CNMV Circular 1/2020 of 6 October was approved, amending the models of the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, the transitional provision of which establishes that, without prejudice to their de facto compliance, companies must adapt corporate texts, internal policies and procedures, where applicable, to the new wording of the CBG recommendations before the end of 2020 in order to be able to consider the amended recommendations to be complied with in the Annual Corporate Governance Report for 2020.

In this regard, in order to always be at the forefront of best corporate governance practices and to complete the adaptation to the new CBG, the Audit and Control Committee of Lar España has analysed, on the basis of the drafts circulated prior to the meeting and after a presentation by the Company's Legal Director of the main aspects of the reform, the proposed amendments to: (i) the Regulations of the Audit and Control Committee; (ii) the Regulations of the Board of Directors; (iii) the Corporate Governance Policy; (iv) the Policy for Information, Communication, Contacts and Involvement with shareholders, investors, proxy advisors and other interest groups of the Company; and (v) the Sustainability Policy of the Company, as well as the joint report on said proposals, agreeing to report favourably and submit to the Board for its final approval the proposed amendments to the aforementioned Regulations and Policies.

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.

- **Related transactions**

The Committee, after analysing and discussing the proposal, has agreed to report favourably to the Board on the proposed contracting of Gentalia, a subsidiary company of the Lar Group, which provides services as Property manager to the Company to be the asset manager of the supermarkets portfolio, as well as the proposed contracting of this same company to provide certain technical services, after review and approval by the internal auditor with the information presented. It also analysed and reviewed the fees of the Company's property managers, including Gentalia, in the context of the situation created as a result of the Covid-19 pandemic, and agreed to report favourably on the proposal and submit it to the Board for approval.

- **Share repurchase program**

On the basis of a presentation sent to the members of the Committee in advance and presented at the meeting by the Corporate and Financial Director, 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 of the financial team for the future. Having analysed the liquidity position of the Company, the Committee reported positively on the proposed share buyback programme to be submitted to the Board.

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, the Regulations of the Board of Directors and the Regulations of the Committee itself, the Audit and Control Committee reviewed - on the basis of a presentation previously sent to the members of the Committee - and approved the valuations of the Company's assets at 31 December 2019 and 30 June 2020 prepared by the independent experts appointed by the Company for that purpose (Jones Lang LaSalle y Cushman & Wakefield). In this regard, the Chairman of the Committee has met on several occasions with the external auditors, the management team and the internal auditor to discuss the valuation of the Company's assets.

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

- **Others**

The Committee has evaluated different alternative versions of the business plans for the Company depending on the potential investments to be carried out, the market circumstances and the ones the Company's own itself, taking into account in particular the uncertainty and economic forecasts resulting from the crisis caused by the Covid-19 pandemic.

On the other hand, the Committee reviewed - with the collaboration of the external auditor in the audit process, the internal auditor and the Corporate and Financial Director - and approved in different meetings the Manager's fees, confirming that they were in full compliance with the Investment Manager Agreement, and agreed to inform the Board thereof for its knowledge. It also, already in advance, analysed and reviewed the fees for 2020 of the Company's suppliers providing services as Property managers in the context of the situation created as a result of the Covid-19 pandemic, agreeing to report favourably on the proposal and submit it to the Board for approval.

On the other hand, the Audit and Control Committee was informed of certain issues related to the financing of the Company. Furthermore, the Committee has been informed and has given its agreement on the conditions of the insurance policies for 2021.

In addition, the Committee has been informed of the various alternatives for the Company's proposed dividend distribution and agreed to submit the proposed dividend distribution to the Board for approval.

Likewise, the Committee has periodically analysed the fulfilment of the requirements to be able to apply the SOCIMI regime, based on the reports prepared by KPMG. In this regard, the Chairman of the Committee has met on several occasions with the external auditors, as well as with the management team and the internal auditor, to analyse and assess the Company's risk related to compliance with the requirements of the SOCIMI regime in 2020. In addition, the Company's Legal Director informed the members of the Committee of the main features of the different regulations passed by the State and Regional Governments in the framework of the pandemic with a direct impact on commercial leases and, among others, Royal Decree-Law 15/2020, Royal Decree-Law 35/2020 and the Catalan Decree-Law 34/2020, and its possible impact on the Company.

On the other hand, the members of the Committee have reviewed the actions carried out by the Committee during the financial year 2020, confirming that all those actions that the Law, the Regulations (external and internal) and the recommendations of good corporate

governance of the CNMV entrusted to the audit committees have been complied with and carried out.

Lastly, the Committee has approved the annual plan of activities of the Committee for the financial year 2021, which includes the annual calendar of meetings, including the main activities of the Committee during the financial year in relation to the performance of its duties.

VI. EVALUATION AND CONCLUSIONS

Based on the foregoing, the Audit and Control Committee has evaluated its composition and functioning during the year 2020, considering that:

- The composition of the Committee has been adjusted to the legal and corporate provisions laid down for this purpose, having as a whole members with the relevant knowledge in relation to the competences of the Committee, in particular in accounting, auditing and risk management, both financial and non-financial, and the sector of activity to which Lar España belongs, with all the members of the Committee being 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 in person, either physically at the meeting venue or by videoconference or similar systems.
- 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 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 2020.



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

This report has been approved by the Audit and Control Committee at its meeting held on 22 February 2021 and by the Board of Directors at its meeting held later on 23 February 2021.