Lar España Real Estate SOCIMI, S.A.

Financial Statements for the year then ended on 31 December 2020 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2.a and 19). In the event of a discrepancy, the Spanish-language version prevails.

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Lar España Real Estate SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2020, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2020, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2-a to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

Key Audit Matters

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

Valuation of the non-current investments in Group companies

Description	Procedures applied in the audit
The Company has ownership interests in the share capital of Group companies, which engage in the ownership and lease of their investment property, as detailed in Note 5 and in the Appendix I to the accompanying financial statements. Those ownership interests are the main items in the Company's financial statements as at 31 December 2020. As indicated in Note 5 of the financial statements, management determines the recoverable amount of these ownership interests as the net equity of each investee plus amount of the unrealised gains existing at each measurement date. In addition, the unrealised gains are determined based on the valuation of the investment property entrust to experts, who use methodologies and standards widely used in the industry. The valuation of those ownership interests was identified as a key matter in our audit due to the significant amount that those ownership interests represent in the context of the financial statements taken as a whole and the requirement to use of significant judgements and estimates by management in order to determine the recoverable amount of those ownership interests, which has been increased in the current economic environment caused by the pandemic, as indicated in Note 5 to the financial statements. Specifically, the valuation method generally used for determining the unrealised gains associated with the rental property assets is the discounted cash flow method, which requires estimates of:	Our audit procedures included, among others, the assessment of the conclusion reached by Company management regarding the recoverability of the investments in the Group companies. In this connection, in view of the real estate nature of the investees, which means that their recoverable amount is closely linked to the valuation of the property assets owned by them, in addition to the financial statements of Group companies, we obtained the valuation reports of the experts hired by the Company to value the entire real estate portfolio of the investees and assessed the competence, ability and objectivity of the experts and the suitability of their work for use as audit evidence. In this connection, with the cooperation of our internal valuation experts, we have: • analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts hired by Company management; • performed a review of the practical totality of valuations, assessing in conjunction with our internal experts, the most significant risks, including the occupancy rates and expected returns on the real estate assets. While carrying out this review we have taken into consideration available industry information and transactions with property assets similar to those in the Company's Group real estate portfolio.

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

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

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

Compliance with the special REIT tax regime	
Description	**Procedures applied in the audit**
The Company has availed itself of the special tax regime for Real Estate Investment Trusts (REITs). One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%. The tax regime for REITs is subject to certain mandatory requirements, such as those relating to their company name and object, the minimum amount of their share capital, the obligation to distribute the profit obtained each year in the form of dividends, and the listing of their shares on a regulated market, as well as other requirements, such as, basically, investment requirements, such as, basically, investment requirements and those relating to the nature of the income obtained each year, which require significant judgements and estimates to be made by management, since failure to comply with any of these requirement will result in the loss of entitlement to the special tax regimen unless the cause of non-compliance is rectified within the immediately following year. Therefore, compliance with the REIT tax regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the consolidated financial statements and shareholder returns, since the business model of the Parent and its Group is based on continuing to qualify for taxation under the REIT tax regime.	Our audit procedures included, among other, obtaining and reviewing the documentation prepared by Group management relating to compliance with the obligations associated with this special tax regime and we involved our internal experts from the tax area, who assisted us in analyzing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date. Lastly, we verified that Notes 1, 12 and 13 to the financial statements contain the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the Company's taxation.

Other Information: Directors' Report

The other information comprises only the directors' report for 2020, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

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

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

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

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2020 and its content and presentation are in conformity with the applicable regulations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 24 February 2021.

Engagement Period

The Annual General Meeting held on 17 March 2020 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2019.

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

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

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

24 February 2021

Appendix to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Financial Statements and Management Report
31 December 2020

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

CONTENTS

CONTENTS

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Balance sheet at 31 December 2020

(Expressed in thousands of Euros)

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

Assets	Note	31/12/2020	31/12/2019
Investment property		96	97
Land	4a	40	40
Buildings	4a	56	57
Long-term investments in Group companies and associates		718,401	757,436
Equity instruments	5a	718,401	757,436
Total non-current assets		**718,497**	**757,533**
Non-current assets held for sale	7	49,523	—
Trade and other receivables		18,759	21,338
Client receivables for sales and rendering of services		52	58
Clients, Group companies and associates	15	18,693	19,593
Sundry debtors		—	840
Public entities, other		14	—
Current tax assets	12a	—	847
Investments in Group companies and associates	15	74,551	28,700
Loans to companies		54,933	—
Other financial assets		19,618	28,700
Short-term financial investments	6a	350	99
Other financial assets		350	99
Short-term accruals		288	346
Cash and other cash equivalent assets		33,559	26,703
Treasury	13	33,559	26,703
Total current assets		**177,030**	**77,186**
Total assets		**895,527**	**834,719**

The accompanying Notes 1 to 19 and Appendix I form an integral part of the balance sheet at 31 December 2020.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Balance sheet at 31 December 2020

(Expressed in thousands of Euros)

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

Net Equity and Liabilities	Note	31/12/2020	31/12/2019
Treasury funds			
Capital		175,267	175,267
Issued capital	8a	175,267	175,267
Issue premium	8b	475,130	475,130
Reserves	8c	(41,912)	(48,942)
Legal and statutory		16,990	10,879
Other reserves		(58,902)	(59,821)
(Treasury shares and equity holdings)	8d	(16,474)	(762)
Other shareholder contributions		240	240
Profit for the period	3	20,211	61,111
Total net equity		**612,462**	**662,044**
Long-term borrowings		209,624	139,415
Debentures and other marketable debt securities	9	139,685	139,376
Bank borrowings	9	69,900	
Other financial liabilities	9	39	39
Total non-current liabilities		**209,624**	**139,415**
Short-term borrowings		33,607	3,494
Debentures and other marketable debt securities	9	3,482	3,482
Bank borrowings	9	30,125	12
Short-term borrowings from Group companies and associates	9, 15	36,538	27,608
Trade and other payables		3,297	2,158
Short-term suppliers, related companies	15	1,811	646
Sundry creditors	10	654	347
Personnel	10	107	119
Other Public Entity payables	10, 12	724	1,046
Total current liabilities		**73,441**	**33,260**
Total net equity and liabilities		**895,527**	**834,719**

The accompanying Notes 1 to 19 and Appendix I form an integral part of the balance sheet at 31 December 2020.

(Expressed in thousands of Euros)

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

	Note	2020	2019
On-going transactions			
Net turnover		28,838	71,813
Revenue from stakes in equity instruments	4h, 14a, 15	24,474	67,449
Revenue from rebilling financial expenses within the Group	14a, 15	4,364	4,364
Other operating revenue		11	109
Non-core and other current operating revenue		11	109
Staff expenses		(474)	(423)
Salaries and wages	14b	(412)	(367)
Benefits	14b	(62)	(56)
Other operating expenses		(1,933)	(2,076)
External services	14c	(1,928)	(2,081)
Taxes other than corporate income tax	14c	(5)	(4)
Losses on, impairment of and change in allowances for trade operations		—	9
Amortisation and depreciation of fixed assets		(1)	(1)
Impairment and gains/(losses) on disposals of financial instruments		(827)	(3,547)
Impairment and losses	5a	(827)	(3,547)
Operating profit		**25,614**	**65,875**
Financial revenue		82	1
From negotiable securities and other financial instruments		82	1
From Group companies		52	—
From third parties		30	1
Financial expenses	9c	(5,485)	(4,765)
Borrowings from Group companies and associates		(121)	(234)
Borrowings from third parties		(5,364)	(4,531)
Financial profit/(loss)		**(5,403)**	**(4,764)**
Profit/(loss) before tax		**20,211**	**61,111**
Corporate income tax	12b	—	—
Profits/(losses) for the period from on-going transactions		20,211	61,111
Profit for the period		**20,211**	**61,111**

The accompanying Notes 1 to 19 and Appendix I form an integral part of the income statement for 2020.

A) Statement of recognised income and expenses for 2020

(Expressed in thousands of Euros)

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

	2020	2019
Income statement result	20,211	61,111
Total revenue and expense recognised directly in net equity	—	—
Total transfers to the income statement	—	—
Total recognised revenues and expenses	20,211	61,111

The accompanying Notes 1 to 19 and Appendix I form an integral part of the statement of changes in net equity for 2020.

B) Statement of Total Changes in Net Equity at 31 December 2020

(Expressed in thousands of Euros)

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

	Issued Capital	Issue premium	Reserves	Treasury shares and equity holdings	Other shareholder contributions	Profit for the period	Total
Balance at 31 December 2018	186,438	476,301	(24,641)	(1,228)	240	76,082	713,192
Recognised revenues and expenses	—	—	—	—	—	61,111	61,111
Transactions with shareholders or owners							
Capital increases	1,243	5,182	—	—	—	—	6,425
Capital decreases (Note 8a)	(12,414)	—	(34,011)	46,425	—	—	—
Distribution of profit							
To reserves	—	—	9,835	—	—	(9,835)	—
To dividends	—	—	—	—	—	(66,247)	(66,247)
Return of the issue premium	—	(6,353)	—	—	—	—	(6,353)
Treasury shares	—	—	(16)	(45,959)	—	—	(45,975)
Other operations	—	—	(109)	—	—	—	(109)
Balance at 31 December 2019	175,267	475,130	(48,942)	(762)	240	61,111	662,044
Recognised revenues and expenses	—	—	—	—	—	20,211	20,211
Transactions with shareholders or owners							
Distribution of profit							
To reserves	—	—	7,017	—	—	(7,017)	—
To Dividends (Note 8e)	—	—	—	—	—	(54,094)	(54,094)
Treasury shares (Note 8d)	—	—	(6)	(15,712)	—	—	(15,718)
Other changes	—	—	19	—	—	—	19
Balance at 31 December 2020	175,267	475,130	(41,912)	(16,474)	240	20,211	612,462

The accompanying Notes 1 to 19 and Appendix I form an integral part of the statement of total changes in net equity for 2020.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Statement of Cash Flows for 2020

(Expressed in thousands of Euros)

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

	Note	2020	2019
Cash flows from operating activities			
Profit/(loss) for the period before tax		20,211	61,111
Adjustments to profit/(loss)		(18,243)	(59,137)
Amortisation of fixed assets (+)	5	1	1
Valuation adjustments due to impairment (+/-)	6a	827	3,547
Revenue from stakes in equity instruments (-)	16	(24,474)	(67,449)
Revenue from investments in Group companies and associates (-)	16	—	—
Financial revenue (-)		(82)	(1)
Revenue from disposals of shareholdings (-)	6a	—	—
Financial expenses (+)	10	5,485	4,765
Changes in working capital		3,318	19,883
Debtors and other receivables (+/-)		2,579	29,433
Creditors and other payables (+/-)		902	(9,716)
Other current assets (+/-)		(163)	164
Other current and non-current liabilities (+/-)		—	2
Other cash flows from operating activities		34,269	29,263
Interest payments (-)		(4,732)	(4,220)
Proceeds from dividends (+)	16	39,001	33,483
Cash flows from operating activities		**39,555**	**51,120**
Cash flows from investing activities			
Payments for investments (-)		(75,916)	(95,270)
Group companies and associates	6a	(21,035)	(95,266)
Loans to Group companies and associates		(54,881)	—
Acquisition of equity instruments	6a	—	(4)
Proceeds from sales on investments (+)		—	72,555
Group companies and associates	6a	—	69,555
Disposal of equity instruments	6a	—	3,000
Loans to Group companies and associates	16	—	—
Cash flows from investing activities		**(75,916)**	**(22,715)**
Cash flows from financing activities			
Payments made and received for equity instruments		(15,713)	(39,551)
Issue of equity instruments (+)	9	—	6,425
Disposal of equity instruments (+/-)	9	(15,713)	(45,976)
Payments made and received for financial liability instruments		113,024	(23,113)
a) Issue of:			
Bank borrowings (+)	10	99,940	20,083
Borrowings from Group companies and associates (+)	16	13,084	—
b) Returns of:			
Bank borrowings (-)	10	—	(20,083)
Borrowings from Group companies and associates (-)	16	—	(23,113)
Payments for dividends and remuneration from other equity instruments		(54,094)	(72,600)
Dividends (-)	9	(54,094)	(72,600)
Cash flows from financing activities		**43,217**	**(135,264)**
Net increase / decrease in cash or cash equivalents		**6,856**	**(106,859)**
Cash or cash equivalents at the beginning of the period		26,703	133,562
Cash or cash equivalents at the end of the period		33,559	26,703

The accompanying Notes 1 to 19 and Appendix I form an integral part of the statement of cash flows for 2020.

(1) NATURE AND ACTIVITIES OF THE COMPANY

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

Its registered office is located at Calle Rosario Pino 14-16, 28020, Madrid.

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

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

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

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

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

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

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

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

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

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

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

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

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

3. The properties that constitute the SOCIMI's assets must be leased for at least three years. The period of time during which the properties have been available for lease, up to a maximum of one year, shall be included for the purposes of this calculation. The period shall be calculated as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 23 February 2021 the Directors of the Company drew up the 2020 consolidated financial statements for Lar España Real Estate SOCIMI, S.A. and the subsidiaries thereof, which reflect EUR 53,668 thousand in consolidated losses, EUR 859,650 thousand in consolidated net equity and EUR 1,678,831 thousand in consolidated total assets. The consolidated figures were obtained from the consolidated financial statements prepared by the Company based on International Financial Reporting Standards, adopted by the European Union, and other provisions of the framework regulations on financial information to which the Group is subject in Spain.

(2) BASIS OF PRESENTATION

(a) Regulatory framework on financial information

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

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

(b) True and fair view

The adjoined financial statements were obtained from the Company's accounting records and are presented in accordance with the applicable regulatory framework for financial information in such a way that they give a true and fair view of the equity, the financial position and the results of the Company, and cash flows during the financial year under review. These financial statements, which were prepared by the Directors on 23 February 2021, shall be submitted for approval at the General Shareholders' Meeting and they are expected to be approved without any changes. The 2019 financial statements were approved by the General Shareholders' Meeting held on 17 March 2020.

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

(c) Non-mandatory account principles applied

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

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

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

These estimates were made on the basis of the best available information at the end of the 2020 period; nevertheless, it is possible that future events may make it necessary to modify them (either up or down) in coming years. If necessary, any changes would be made prospectively.

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

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

(e) Comparison of information

The same accounting criteria were applied in the 2019 and 2020 periods, such that there were no operations or transactions that were recorded using different accounting principles that could lead to discrepancies in the interpretation of the comparative figures for the two periods.

(f) Grouping together of items

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

(g) Changes in accounting criteria

During the annual period ended on 31 December 2020 there were no changes in accounting criteria with respect to those applied when preparing the financial statements of 2019.

(h) Correction of errors

In preparing the adjoined financial statements, no significant errors have been detected that require that the amounts included in the financial statements for 2019 be re-stated.

(i) Functional and presentation currency

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

(j) Impact of COVID 19 on the financial statements

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

Despite not being able to reliably evaluate all the pandemic's potential effects on account of the numerous uncertainties resulting from this extraordinary situation, the Company's Directors have performed a preliminary evaluation of the effects of the COVID-19 crisis on the Company's operations and liquidity at present, as well as on the value of the assets and liabilities on the balance sheet and on certain key figures of its financial statements. The results of said evaluation include the following noteworthy aspects:

- **Operating risk**: on account of the pandemic and the Spanish Government's decision to declare a State of Alert, all the business parks and shopping centres of the Company's investee subsidiaries were closed, except the commercial premises used for essential activities, from 14 March 2020 until 25 May 2020, with the reopening date depending on the Autonomous Community in which each establishment is located.

  Furthermore, in the second six months of 2020, the activity at business parks and shopping centres was affected by restrictive measures established by each Autonomous Community depending on the evolution of the pandemic. These measures varied from limited capacities to specific activities, such as restaurant activities, to complete closures of business parks and shopping centres, with the exception of essential activities.

  In this context, Lar España took the proactive decision to quickly implement a series of commercial policies aimed at relieving pressure on liquidity that tenants affected by the forced closure of their businesses were going to experience. These policies initially comprised delaying the collection of rent and costs corresponding to the period in which the parks and shopping centres were closed to the months of July and August when tenants could return to their operations. The Company's subsidiaries have managed each situation directly, without intermediaries, which has enabled it to reach agreements quickly, which are adapted to the specific needs of each tenant and activity. Said agreements were mostly reached under conditions that entailed major commitments for both parties, in terms of rent discounts in exchange for extensions to contract durations.

  At 31 December 2020, the Group reached individual rent discount agreements with its lessees in relation to the restrictions imposed due to the COVID-19 health crisis. Thus, the total impact for 2020 is estimated at around EUR 22 million. Said agreements have generally included other changes to the terms of the contracts, such as extensions to the duration thereof or the elimination or delay of early termination options. In accordance with the regulatory framework of the Company´s investee subsidiaries, the Directors understand these changes to comprise a change to the corresponding lease agreements, such that the impact of the discounts shall be posted on a straight-line basis in the Consolidated Statement of Comprehensive Income between the date of formalisation and the maturity date of each agreement. Thus, the 2020 individual results of the subsidiaries have not been significantly affected, and such subsidiaries have been able to distribute interim dividends.

  In this sense, in 2021 partial and total closures continued for certain Group assets, according to the breakdowns above, such that based on the Directors' best estimate, this situation is expected to continue through the first half of 2021.

- **Liquidity risk**: given the initial uncertainty caused by the pandemic and the risk of a general increase in pressure on liquidity in the economy, as well as the contraction of a credit market, the Company decided to draw down on a loan granted by the IEB of EUR 70 million and a credit facility of EUR 30 million (Note 9) that, together with the implementation of specific plans to effectively improve and manage liquidity, has allowed the Company to face this potential stress as well as honour short-term payment obligations and maintain a solid financial position.

- **Balance sheet asset and liability valuation risk**: in 2020, because of the effects of the COVID-19 crisis on the economy, as stated in the previous section, the retail sector, in which practically all the Company´s investee subsidiaries carry out their activity, was extremely affected. Its activity ceased temporarily and the lessees in this sector were affected, which influenced the cash flows for the year and increased uncertainty regarding future flows, Consequently, the value of investment property owned by the investees of Lar España Real Estate SOCIMI, S.A. was impacted these represent practically all the assets of the Company´s investee subsidiaries.

  In this sense, the measurements made at 31 December 2020 by the external experts contracted by the Group, which are used by the Company to determine the unrealised capital gains on its real estate investments and, by extension, the recoverable value of the holdings maintained (Note 5), were made in an unprecedented situation with great uncertainty and the absence of sufficient relevant market evidence on which to support the measurement judgements. Therefore, the appraisers have issued their assessment reports on a basis of "material valuation uncertainty" (pursuant to VPS 3 and VPGA 10 of the Valuation Standards published by The Royal Institution of Chartered Surveyors), indicating that consequently said reports are exposed to a lesser degree of certainty than they would in a situation unaffected by COVID-19 and must be used with greater precaution (Note 4b iv).

- **Risk of change in certain financial figures**: the aforesaid factors have changed the key indicators in the consolidated financial statements in (leverage ratio (LTV), EBITDA/financial expense ratio, etc.) on which the mandatory financial ratios (covenants) that are associated with the Company's financing agreements are calculated because of its role as the Parent Company.

In this respect, the Group has drawn up a comparison of the effect that the lockdown and the changes to agreements with tenants has and will have on its key financials. At 31 December 2020 these financials are considered satisfied and they are expected to be satisfied in the coming year, with the additional possibility of the coordination of measures to correct these financials or obtain waivers if necessary.
Taking into consideration the complexity and multitude of impacts caused by the pandemic in the economic environment and the absence, thus far, of an effective, universally available treatment for the virus, the consequences for the Company's operations are uncertain and will depend largely on the evolution and expansion of the pandemic in the coming months, as well as on all the affected economic agents' ability to react and adapt.

In terms of the liquidity situation, the Group has the following payment obligations within 12 months of the date these statements were drawn up:

- Interest payment for financial obligations from the issue of bonds in the amount of EUR 3,482.
- Repayment of the credit facility held with Bankinter at 31 December 2020 in the amount of EUR 30 million, which was effectively repaid on 07 January 2021. Said credit facility matures in May 2021, however it is renewed annually through an agreement between the parties. The Directors believe that this renewal will take place in 2021 as it has in previous years.
- Dividend payment to shareholders in the amount of EUR 27.5 million.
- In addition, on 21 February 2022, the bonds for EUR 140 million will mature.

In this sense, Management and Directors prepared cash projections, in an uncertain environment, estimating that the Group shall have sufficient liquidity to face said payments and continue operating as usual. In addition, and despite the fact that there is still a year left for the maturity of the bonds, Management has started a process to raise funds through a new issue of bonds. The Directors estimate that this issue will be completed successfully in 2021, preventing potential liquidity pressures in the future.

Given the changing environment and extensive uncertainty, Management and the Directors are constantly monitoring the evolution of all these aspects.

(3) DISTRIBUTION OF PROFIT

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

	Euros
Basis of allocation	
Profit for the period	20,211,139.96
Issue premium	9,309,974.04
Distribution of profit	
Legal reserve	2,021,114.00
Dividends	27,500,000.00

The proposed profit distribution is €0.3138 per share.

(4) RECORD AND VALUATION STANDARDS

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

(a) Investment property

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

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

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

(b) Financial instruments

(i) *Classification of financial instruments*

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

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

(ii) *Offsetting principles*

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

(iii) *Loans and receivables*

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

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

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

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

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

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

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

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

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

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

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

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

In this regard, the appraisers included "material valuation uncertainty" in their valuation reports at 31 December 2020 as a result of the COVID-19 crisis, Because they did not believe there is not sufficient and valid market evidence and because of the numerous uncertainties resulting from the numerous uncertainties resulting from this extraordinary situation, they therefore indicated that these valuations must be taken with a lesser degree of certainty and greater precaution than normal.

Specifically, measurements made on 31 December 2020 have taken into account potential impacts of allowances granted due to COVID-19 in the amount of EUR 5,788 thousand on the cash flows, taking into account at all times the type of lessee of each asset, until the end of the first six months of 2021. In addition, in comparison to the valuations of previous periods, the financial variables, exit yield and discount rate, have been stressed within a range of 0 to 40 basis points as a reflection of the increased uncertainty in these circumstances of future cash flows (Note 2g).

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

(v) *Impairment of financial assets*

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

– Impairment of financial assets carried at amortised cost

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

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

(vi) *Financial liabilities*

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

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

(vii) *Derecognition of financial assets*

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

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

(viii) *Derecognitions of financial liabilities*

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

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

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

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

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

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

(c) Own equity instruments held by the Company

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

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

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

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

(d) Distributions to shareholders

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

(e) Cash and other cash equivalent assets

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

(f) Short-term employee benefits

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

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

(g) Payments based on shares

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

(h) Provisions and contingencies

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

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

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

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

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

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

(i) Recognition of income

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

Revenue from stakes in equity instruments

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

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

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

Revenue from investments in Group companies and associates

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

Revenue from the sale of shareholdings

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

Rebilling of costs to Group companies

(i) *Interests related to liabilities*

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

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

The Company does not classify costs passed on to its subsidiaries for services received from external service organisations and independent professionals as revenue from the provision of services. The invoicing for these items is included, under "External services" on the accompanying income statement, net of expenses paid by the Company for said items. Said rebilled costs total EUR 14,245 thousand in 2020 (EUR 15,861 miles 2019).

(j) Income tax

(i) *General regime*

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

The current tax is the amount that the Company satisfies as a consequence of the fiscal settlements of the income tax related to a period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carry-forwards applied in the current reporting period are accounted for as a reduction in current tax.

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

(ii) *Tax regime for SOCIMIs*

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

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

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

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

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

(l) Environmental assets and liabilities

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

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

(m) Transactions between Group companies

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

(n) Statement of cash flows

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

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

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

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

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

(o) Non-current assets held for sale

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

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

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

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

(Expressed in thousands of Euros)

(5) INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

(p) Investments in equity instruments

The breakdown of investments in Group company and associate equity instruments at 31 December 2020 and 2019 is as follows (see additional information in Appendix I):

Stocks in Group Companies (all at 100%)

	Thousands of Euros						
	2020						
Company	Opening balance	Acquisitions	Transfers (Note 7)	Voluntary contributions	Derecognitions	Impairments	Closing balance
LE Logistic Alovera I y II, S.A.U.	3,469	—	—	—	—	—	3,469
LE Retail Hiper Albacenter, S.L.U.	14,053	—	—	498	—	—	14,551
LE Retail Alisal, S.A.U.	2,327	—	—	—	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	6,028	—	—	—	(5,445)	(158)	425
LE Retail As Termas, S.L.U.	32,559	—	—	767	—	—	33,326
LE Offices Joan Miró, S.L.U.	803	—	—	—	—	—	803
LE Logistic Alovera III y IV, S.L.U.	651	—	—	—	—	—	651
LE Logistic Almussafes, S.L.U.	2,974	—	—	—	—	—	2,974
LE Retail Hiper Ondara, S.L.U.	129,398	—	—	3,148	—	—	132,546
LE Retail Vidanova Parc, S.L.U.	30,194	—	—	519	—	(168)	30,545
LE Retail Galaria, S.L.U.	509	—	—	—	—	(95)	414
LE Retail El Rosal, S.L.U.	33,543	—	—	987	—	—	34,530
LE Retail Lagoh, S.L.U.	121,360	—	—	2,735	—	—	124,095
LE Retail Vistahermosa, S.L.U.	21,907	—	—	447	—	—	22,354
LE Retail Sagunto II, S.L.U.	1,536	—	—	6	—	(278)	1,264
Lar España Inversión Logística IV, S.L.U.	701	—	—	—	—	—	701
LE Retail Villaverde, S.L.U.	1,760	—	—	—	—	—	1,760
LE Offices Marcelo Spínola, S.L.U.	5,516	—	—	—	—	—	5,516
LE Retail Albacenter, S.L.U.	33,776	—	—	1,260	—	—	35,036
LE Retail Anec Blau, S.L.U.	83,570	—	—	4,738	—	—	88,308
LE Retail Gran Vía de Vigo, S.L.U.	59,170	—	—	1,544	—	—	60,714
LE Retail Las Huertas, S.L.U.	12,823	—	—	349	—	(385)	12,787
LE Retail Txingudi, S.L.U.	32,627	—	—	1,094	—	—	33,721
LE Retail Abadía, S.L.U.	36,849	—	—	753	—	—	37,602
LE Retail Hipermercados I, S.L.U.	15,615	—	(16,149)	534	—	—	—
LE Retail Hipermercados II, S.L.U.	16,827	—	(17,358)	531	—	—	—
LE Retail Hipermercados III, S.L.U.	15,524	—	(16,016)	492	—	—	—
LE Retail Rivas, S.L.U.	35,313	—	—	603	—	—	35,916
LE Retail Córdoba Sur, S.L.U.	954	—	—	30	—	—	984
	752,336	—	(49,523)	21,035	(5,445)	(1,084)	717,319

(Expressed in thousands of Euros)

Stocks in Associates

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

Stocks in Group Companies (all at 100%)

Company	Thousands of Euros 2019 Opening balance	Acquisitions	Transfers	Voluntary contributions	Derecognitions due to the return of available	Closing balance
LE Logistic Alovera I y II, S.A.U.	60	—	—	3,409	—	3,469
LE Retail Hiper Albacenter, S.L.U.	12,480	—	—	1,573	—	14,053
LE Retail Alisal, S.A.U.	2,210	—	—	117	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	—	—	19,834	5,918	(19,724)	6,028
LE Retail As Termas, S.L.U.	28,532	—	—	4,027	—	32,559
LE Offices Joan Miró, S.L.U.	13,798	—	—	980	(13,975)	803
LE Logistic Alovera III y IV, S.L.U.	101	—	—	550	—	651
LE Logistic Almussafes, S.L.U.	2,529	—	—	445	—	2,974
LE Retail Hiper Ondara, S.L.U.	113,729	—	—	15,669	—	129,398
LE Retail Vidanova Parc, S.L.U.	24,068	—	—	6,126	—	30,194
LE Retail Galaria, S.L.U.	4	—	—	505	—	509
LE Retail El Rosal, S.L.U.	32,067	—	—	3,476	(2,000)	33,543
Lar España Shopping Centres VIII, S.L.U.	96,854	—	—	24,507	(1)	121,360
LE Retail Vistahermosa, S.L.U.	20,345	—	—	1,562	—	21,907
LE Retail Sagunto II, S.L.U.	1,536	—	—	—	—	1,536
Lar España Inversión Logística IV, S.L.U.	111	—	—	590	—	701
LE Retail Villaverde, S.L.U.	1,653	—	—	119	(12)	1,760
LE Offices Marcelo Spínola, S.L.U.	31,564	—	—	4,531	(30,579)	5,516
LE Retail Albacenter, S.L.U.	30,734	—	—	3,042	—	33,776
LE Retail Anec Blau, S.L.U.	78,785	—	—	4,785	—	83,570
LE Retail Gran Vía de Vigo, S.L.U.	53,932	—	—	5,238	—	59,170
LE Retail Las Huertas, S.L.U.	12,196	—	—	627	—	12,823
LE Retail Txingudi, S.L.U.	30,761	—	—	1,866	—	32,627
LE Retail Abadía, S.L.U.	34,780	—	—	2,069	—	36,849
LE Retail Hipermercados I, S.L.U.	14,735	—	—	880	—	15,615
LE Retail Hipermercados II, S.L.U.	15,955	—	—	872	—	16,827
LE Retail Hipermercados III, S.L.U.	14,643	—	—	881	—	15,524
LE Retail Rivas, S.L.U.	33,361	—	—	1,952	—	35,313
LE Retail Córdoba Sur, S.L.U.	—	4	—	950	—	954
	701,523	4	19,834	97,266	(66,291)	752,336

(Expressed in thousands of Euros)

Stocks in Associates

	Thousands of Euros					
	2019					
Company	Opening balance	Additions	Impairment recorded	Impairment reversal	Returns	Closing balance
Inmobiliaria Juan Bravo 3, S.L.	8,647	-	(3,547)	-	-	5,100
	8,647	-	(3,547)	-	-	5,100

Equity instrument investment movements in 2020

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

- On 31 December 2020, the Company partially reversed the impairment on its shareholding in LE Offices Eloy Gonzalo 27, S.A.U., LE Retail Vidanova Parc, S.L.U., LE Retail Galaria, S.L.U., LE Retail Sagunto II, S.L.U. and LE Retail Las Huertas, S.L.U. by EUR 158 thousand, EUR 168 thousand, EUR 95 thousand, EUR 278 thousand and EUR 385 thousand, respectively.

- On 27 July 2020 and 31 December 2020, the dividend paid by LE Offices Eloy Gonzalo, S.L.U. was recorded as decreased investments in Group companies, on the adjoined balance sheet, in the amount of EUR 5,348 thousand and EUR 96 thousand, respectively.

- On 31 December 2020 the Company impaired its shareholding in the associate LE Offices Eloy Gonzalo 27, S.L.U. by EUR 5,445 thousand.

- On 31 December 2020, the Company classified 100% of the company shares held in LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. as non-current assets held for sale in the amount of EUR 16,149 thousands, EUR 17,358 thousands and EUR 16,016 thousands, respectively, based on the decision to sell same and the short-term execution of such sales (Note 7).

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

Equity instrument investment movements in 2019

- On 11 January 2019, the Sole Shareholder of LE Offices Joan Miró, S.L.U. approved a return of shareholder contributions in the total amount of 13,975 thousand, which was recorded as decreased investments in Group companies on the adjoined balance sheet, as reflected in the table above. Furthermore, in 2019 said Sole Shareholder of said subsidiary approved the distribution of complementary dividends from the 2018 profit and interim dividends from the 2019 profit in the amount of EUR 5,497 thousand, which were recorded under "Revenue from stakes in Equity Instruments" on the adjoined income statement (Notes 14a and 15b).

- On 15 January 2019, the Company acquired 100% of the shares of the company LE Retail Córdoba Sur, S.L.U. (formerly called Global Pérgamo, S.L.U.) from Latorre & Asociados Consultoría, S.L. for a total of EUR 4 thousand, having also voluntarily contributed a total of EUR 950 thousand to the company.

- In March 2019, the company LE Offices Marcelo Spínola, S.L.U. approved the return of shareholder contributions and the issue premium in the amount of EUR 32,461 thousand, of which EUR 1,883 thousand were recorded as a distribution of profits under "Revenue from stakes in Equity Instruments" on the adjoined 2019 income statement (Notes 14a and 15b). The remaining amount was recorded as a decrease in the value of investments in Group companies.

- On 24 April 2019 the Company reclassified 100% of the shares held in LE Offices Eloy Gonzalo 27, S.A.U. as shareholdings in Group companies. At 31 December 2018 such shares were classified as non-current assets held for sale, given the sale of the property asset owned by this company instead of the shareholdings in said company. Furthermore, in 2019, the Sole Shareholder approved the return of available reserves in the amount of EUR 23,106 thousand, of which EUR 3,382 thousand were recorded as a distribution of profits under "Revenue from stakes in Equity Instruments" on the income statement (Notes 14a and 15b). The remaining amount was recorded as a decrease in the value of investments in Group companies. Furthermore, on 31 December 2019, said Sole Shareholder of said subsidiary approved the distribution of a dividend from the 2019 profit in the amount of EUR 15,079 thousand, which was recorded as a distribution of profit under "Revenue from stakes in Equity Instruments" on the income statement (Notes 14a and 15b).

- On 18 December 2019, the company LE Retail El Rosal, S.L.U. approved the return of shareholder contributions in the total amount of EUR 2,000 thousand, all of which were recorded as a decrease in the value of investments in Group companies.

- On 31 December 2019, the Company impaired its shareholding in the associate Inmobiliaria Juan Bravo 3, S.L. by EUR 3,547 thousand based on the Directors' best estimate of the recoverable value thereof, after having delivered, as of the first quarter of 2020, all of the dwellings of the development owned by the investee.

(Expressed in thousands of Euros)

(6) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

The classification of financial liabilities held by the Company at 31 December 2020 and 2019 by category is as follows:

	Thousands of Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Non-current assets held for sale	—	49,523	—	—
Other financial assets	—	350	—	99
Investments in Group companies and associates (Note 15b)	—	74,551	—	28,700
Trade and other receivables				
Client receivables for sales and rendering of services	—	52	—	58
Customers, Group companies and associates (Note	—	18,693	—	19,593
Sundry debtors	—	—	—	840
Other Public entity receivables (Note 12)	—	14	—	—
Current tax assets (Note 12)	—	—	—	847
Total financial assets	—	143,183	—	50,137

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

The line item "Investments in Group companies and associates" mainly includes the interim dividend of Group companies distributed using the result of the profit for 2020, collected in January 2021, (Note 15b) and the current accounts with shareholders (Note 15).

(Expressed in thousands of Euros)

(7) NON-CURRENT ASSETS HELD FOR SALE

In accordance with the business plan of the Group in which the Company is the Parent Company, the Group is in the process of divesting itself of non-core assets, including the companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U., which own commercial premises. Therefore, given that the requirements established in the Spanish General Chart of Accounts are met for said assets to be classified as non-current assets held for sale, at 31 December 2020 the appropriate reclassifications were effected (Note 5a).

The breakdown of the shareholdings classified under this category as at 31 December 2020 is the following:

	2020
	Thousands of
LE Retail Hipermercados I, S.L.U.	16,149
LE Retail Hipermercados II, S.L.U.	17,358
LE Retail Hipermercados III, S.L.U.	16,016
	49,523

On 23 February 2021, the Company sold 100% of the stakes in the aforesaid subsidiaries to Igcel Investments, S.L. for combined total of EUR 59,522 thousand.

(8) NET EQUITY

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

(a) Capital

At 31 December 2020 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 175,267 thousand (EUR 175,267 thousand at 31 December 2019) represented by 87,633,730 registered shares (87,633,730 registered shares at 31 December 2019), represented through book entries, with a par value of EUR 2 each, completely subscribed and paid, all granting the same rights.

On 10 June 2019, by virtue of the resolution adopted by the Board of Directors on 07 June 2019, the Parent increased share capital by a nominal amount of EUR 1,243 thousand through the issue of shares (621,337 ordinary shares with a par value of EUR 2 par value) with a share premium of EUR 5,182 thousand. This capital increase has been subscribed by Grupo Lar Inversiones Inmobiliarias, S.A. in compliance with the provisions of the Investment Management Agreement, which establishes that the manager must invest the post-tax performance fee in the subscription of the capital increase carried out by the Parent in accordance with the terms of the aforementioned agreement. This capital increase was carried out with the exclusion of pre-emptive subscription rights and delegation to the Board of Directors for the execution of the resolution. The new shares issued within the framework of said increase are subject to a three-year lock-up period imposed by the Lar Group, pursuant to the terms of the Investment Management Agreement subscribed with Lar España.

Similarly, on 10 June 2019, by virtue of the resolution adopted by the Board of Directors on 07 June 2019, the Parent reduced capital by EUR 6,506 thousand, corresponding to 3,252,820 shares of EUR 2 par value each, representing 3.5% of share capital. The capital decrease was charged against unrestricted reserves by appropriating to a restricted capital redemption reserve EUR 6,506 thousand, an amount equal to the par value of the redeemed shares. The shares were amortised through the use of treasury shares, the value of which at the time of the capital decrease totalled EUR 24,743 thousand.

(Expressed in thousands of Euros)

On 20 December 2019, pursuant to the Board of Directors' resolution in 19 December 2019, the Parent Company reduced capital by EUR 5,908 thousand, corresponding to 2,953,831 shares of EUR 2 par value each and representing 3.2% of share capital. The capital decrease was charged against unrestricted reserves by appropriating to a restricted capital redemption reserve EUR 5,908 thousand, an amount equal to the par value of the redeemed shares. The shares were amortised through the use of treasury shares, the value of which at the time of the capital decrease totalled EUR 21,682 thousand. On 30 December 2019 the capital decrease was entered at the Companies Registry.

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

The quoted price at 31 December 2020 was EUR 4.67 per share and the average price per share in the 2020 period was EUR 4.76 (In the 2019 period the average price per share was EUR 7.10 and the quoted price was EUR 7.46 per share).

The breakdown of the Company's main shareholders at 31 December 2020 is as follows:

	%
LVS II Lux XII S.a.r.l.	20.7 %
Grupo Lar Inversiones Inmobiliarias, S.A.	11.5 %
Santa Lucía S.A. Cía. de Seguros	5.2 %
Brandes Investment Partners, L.P.	5.0 %
Blackrock Inc.	3.7 %
Adamsville, S.L.	3.0 %
Other shareholders with an interest of less than 3%	50.9 %
Total	100.0 %

(b) Issue premium

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

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

(Expressed in thousands of Euros)

On 25 April 2019 the resolution was adopted to pay a return against the issue premium in the amount of EUR 6,647 thousand, taking into account all issued shares.

At 31 December 2020, the Group's share premium amounted to EUR 475,130 thousand (EUR 475,130 thousand at 31 December 2019).

(c) Reserves

The breakdown of this category as at 31 December 2020 and 2019 is the following:

	Thousands of Euros	
	31/12/2020	31/12/2019
Legal reserve	16,990	10,879
Capital redemption reserve	15,502	15,502
Other reserves	(74,404)	(75,323)
Total	(41,912)	(48,942)

Reserve movements that took place during the 2020 and 2019 periods were as follows:

	Thousands of Euros	Thousands of Euros
	2020	2019
Opening balance	(48,942)	(24,641)
Profit for the period	7,017	9,835
Capital decreases	—	(34,011)
Result from treasury shares	(6)	(16)
Other changes	19	(109)
Closing balance	(41,912)	(48,942)

(i) *Legal reserve*

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

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

At 31 December 2020 the Company's legal reserve totals EUR 16,990 thousand (EUR 10,879 at 31 December 2019). Therefore, the legal reserve at 31 December 2020 is not fully provided for.

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

(ii) *Capital redemption reserve*

This reserve includes the nominal value of the treasury shares redeemed in the capital decreases carried out on 20 December 2019, 10 June 2019 and 28 December 2018, totalling EUR 15,502 thousand. The provision and availability of this reserve shall be held to the same requirements demanded for the capital decrease, in line with the provisions of Article 335 c) of the Spanish Companies Act, the revised text of which was approved by Royal Legislative Decree 1/2010 of 2 July ("Spanish Companies Act").

(iii) *Other reserves*

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

(d) Treasury shares

At 31 December 2020, the Company has treasury shares with an acquisition cost of EUR 16,475 (EUR 762 thousand at 31 December 2019).

(Expressed in thousands of Euros)

Movement during the 2020 and 2019 periods was as follows:

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

	Number of shares	Thousands of Euros
31 December 2018	164,925	1,228
Registrations	6,240,541	46,715
Derecognitions	(94,995)	(756)
Capital decreases (Note 8a)	(6,206,651)	(46,425)
31 December 2019	103,820	762

The average selling price of treasury shares in 2020 was EUR 7.02 per share (EUR 7.77 in 2019). Furthermore, losses for the period ended 31 December 2020 amounted to Euros 6 thousand (EUR 16 thousand in losses at 31 December 2019) and were recognised under “Other Reserves” on the balance sheet.

On 28 February 2019 and 17 December 2019 marked the end of the share repurchase programs formalised between the Company and its liquidity supplier, said programs having a target of a maximum of 3,160,000 and 4,660,000 shares, respectively.

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

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

(e) Dividends paid

On 17 March 2020, the General Shareholders' Meeting of the Parent Company approved the distribution of a dividend of EUR 55,000 thousand, at EUR 0.63 per share (taking into account all the shares issued) recognised in profit and loss in the 2019 financial year. The amount distributed totalled EUR 54,094 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's net equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the General Shareholders' Meeting.

(Expressed in thousands of Euros)

(9) FINANCIAL LIABILITIES BY CATEGORY

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 31 December 2020 and 2019 is as follows:

	Thousands of Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Debt and payables				
Financial liabilities from issue of bonds	139,685	3,482	139,376	3,482
Other financial liabilities with third parties	39	—	39	—
Bank borrowings	69,900	30,125	—	12
Short-term borrowings from Group companies and associates (Note 15)	—	36,538	—	27,608
Trade and other payables (Note 10)	—	3,297	—	2,158
Total financial liabilities	209,624	73,442	139,415	33,260

At 31 December 2020 and 2019 the carrying amounts of the financial liabilities recorded at amortised cost do not differ from the fair value.

(b) Classification of financial liabilities by maturity

The details by maturity of the Company's financial liabilities at 31 December 2020 and 2019 are as follows:

(Expressed in thousands of Euros)

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

	2019						
	Thousands of Euros						
	2020	2021	2022	2023	2024 and remaining	Indefinite	Total
Debt from issue of bonds (a)	3,482	—	140,000	—	—	—	143,482
Other financial liabilities - security deposits and other	—	—	—	—	—	39	39
Bank borrowings	12	—	—	—	—	—	12
Short-term borrowings from Group companies and associates	27,608	—	—	—	—	—	27,608
Trade and other payables	2,158	—	—	—	—	—	2,158
Total	33,260	—	140,000	—	—	39	173,299

(a) *The effect of measuring the financial liabilities from bank bonds at amortised cost amounts decreases the nominal value of these liabilities by EUR 315 thousand (EUR 624 thousand due to bonds in 2019). In turn, the effect of valuing bank borrowings at amortised cost decreases the nominal value of these liabilities by EUR 105 thousand, where there being no decrease as at 31 December 2019.*

(b) *This amount corresponds to the current accounts pledged with subsidiaries. Although these accounts mature on 31 December 2020, they are tacitly extended on an annual basis.*

(c) Financial liabilities from borrowings

i) Main characteristics of debt from bonds

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

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

The main characteristics of the issue are therefore as follows:

– Issuer: Lar España Real Estate SOCIMI, S.A.
– Amount of the issue: EUR 140,000 thousand.
– Nominal value of each bond: EUR 100 thousand.
– Maturity: 21/02/2022. In certain circumstances the early amortisation of this instrument is possible.
– Interest rate: 2.9%.
– Nature of the issue: Simple bonds.
– Guarantees: Guarantees were established up to a maximum amount of 20% of the placement. Mortgaged assets at 31 December 2020 are as follows: the Txingudi, Albacenter, Albacenter Hipermercado, Anec Blau and As Termas shopping centres. An ordinary pledge has also been established on the shares in LE Retail Txingudi, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Anec Blau, S.L.U. and LE Retail As Termas, S.L.U.

On 02 December 2020, by virtue of the deed granted before a notary, the investment properties pledged as collateral for bonds were amended. Said amendment comprised the cancellation of the mortgage on the Las Huertas shopping centre and the Eroski supermarkets, as well as the cancellation of the pledge on stakes in LE Retail Huertas, S.L.U., LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U., and the constitution of a pledge on the As Termas shopping centre and the pledge on the shareholdings in LE Retail As Termas, S.L.U.

The issuance expenses associated with this issue amounted to EUR 1,995 thousand, which were recorded by reducing the debt. In 2019, EUR 309 thousand (EUR 299 thousand in 2019) of said expenses were posted under "Financial expenses" on the income statement for the year. Interest accrued at 31 December 2020 totalled EUR 4,060 thousand (EUR 4,060 thousand at 31 December 2019), EUR 3,482 thousand of which was outstanding at 31 December 2020 to be paid in February of 2021.

At 31 December 2020, assets pledged as collateral for the bonds have a fair value of EUR 271,770 thousand and refer to the aforementioned, all of which are property investments owned by companies that are in turn completely owned by the Company.

Covenants

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

- An Interest Coverage Ratio equal to or greater than 1.25%, calculated as EBITDA over financial expenses for the period.

- A Loan-to-Value Ratio equal to or lesser than 65%, calculated as consolidated financial debt over the total consolidated value of the asset.

In addition, the Group undertook to establish new guarantees in those cases in which the Interest Hedging Ratio is less than 1.75% and the Loan-to-Value Ratio is greater than 60%.

The Directors believe the ratios are met at 31 December 2020 without the need for additional guarantees and they believe these ratios will be met in 2021.

ii) Short-term borrowings from Group companies and associates

On 01 April 2019, a liquidity facility was signed between the Company and Inmobiliaria Juan Bravo 3, S.L., whereby the Company can draw down a maximum amount of EUR 7,000 thousand, maturing on 31 March 2020. This liquidity facility yielded a fixed interest rate of 5.95% of the drawn capital payable on the due date.

In 2020, the Company received EUR 1,021 thousand, as a credit from Inmobiliaria Juan Bravo 3, S.L. Likewise, in 2019, the Company received a total of EUR 3,100 thousand as a credit from Inmobiliaria Juan Bravo 3, S.L.

On 27 March 2020, Inmobiliaria Juan Bravo 3, S.L. returned the shareholder contributions by offsetting the total amount of the liquidity facility drawn down by the Company, which was EUR 4,275 thousand. This offset was recorded as a decrease in the amount posted under "Investments in Group companies" and "Short-term borrowings from Group companies and associates" (Note 5a).

Financial interest accrued in 2020 amounted to an expense of EUR 55 thousand (EUR 112 thousand in 2019), such interest being recorded under "Financial expenses - Borrowings from Group companies and associates" (Note 15).

In addition, current accounts were formalised with subsidiaries. The amounts of these accounts at 31 December 2020 totalled EUR 36,538 thousand (EUR 24,409 thousand at 31 December 2019). Said current accounts accrue fixed interest at a rate of 0.21% and any interest is payable yearly. The formalised contracts are tacitly renewed for one-year periods, unless express notification to the contrary is received (Note 15).

iii) Bank borrowings

On 16 May 2020, the Company renewed the credit facility with Bankinter in the amount of EUR 30,000 thousand (the maximum amount thereof having been expanded by EUR 5,000 thousand since 2019). This amount may be drawn down up to the limit established at any time by virtue of cheques, transfer orders, account charges or any other order of payment accepted by Bankinter. The maturity date on which the amount drawn down must be fully repaid is 16 May 2021. Interest accrues quarterly and the interest rate is 12-month EURIBOR plus a 1.60% spread. A fee of 0.35% is charged on any drawdowns over the agreed amount. The fee for not withdrawing from the facility is 0.06% of the average balance that is not withdrawn and returned in the quarter. On 31 December 2020, EUR 29,934 thousand was drawn down.

In addition, on 26 October 2018 the Company formalised a funding line in the amount of EUR 70,000 thousand with the European Investment Bank ("EIB"). Said loan matures 7 years from the first withdrawal. On 04 May 2020 the entire amount of the loan was drawn down. Interest accrues biannually and the interest rate is 1.67%. Accrued interest totalled EUR 933 thousand, where EUR 185 thousand was outstanding as at 31 December 2020.

(Expressed in thousands of Euros)

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

The Directors believe the aforesaid ratios are met at 31 December 2020 and believe they will be met throughout the contract.

(10) TRADE AND OTHER PAYABLES

Details of trade and other payables at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Trade payables	654	347
Suppliers, related companies (Note 15)	1,811	646
Personnel	107	119
Public entities, other (Note 12)	724	1,046
Total	3,296	2,158

(11) INFORMATION ON THE AVERAGE NUMBER OF DAYS PAYABLE OUTSTANDING

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

	2020	2019
	Days	Days
Average number of days payable outstanding to suppliers	30	18
Ratio of paid operations	32	18
Ratio of operations pending payment	6	68
	Thousands of	Thousands of
Total effected payments	14,949	28,654
Total pending payments	1,232	59

(Expressed in thousands of Euros)

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

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

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

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

(12) PUBLIC ENTITIES AND TAXATION

(a) Balances with Public Entities

Details on balances with public entities at 31 December 2020 and 2019 are as follows:

Receivables

	2020	2019
	Thousands of	Thousands of
Taxation authorities, other withholdings	—	847
Public entities, other	14	—
	14	847

(Expressed in thousands of Euros)

Payables

	2020	2019
	Thousands of	Thousands of
Taxation authorities, VAT payable	653	961
Taxation authorities, personal income tax withholdings	66	80
Social Security contributions payable	5	5
	724	1,046

The amount recorded under "Public entities, other" mostly corresponds to the outstanding amount of the subsidised loans pertaining to the Company's senior management in 2020.

In turn, the amount recorded under "Taxation authorities, other withholdings" mostly corresponds to the withholdings effected with respect to income from the loans granted to associates in the 2018 period. As at the date of these statements, these amounts have been recovered.

(b) Reconciliation of accounting profit and income

At 31 December 2020 and 2019, the taxable fiscal base comprises the following items:

	Thousands of Euros	
	31/12/2020	31/12/2019
Profit before taxes	20,211	61,111
Permanent differences	189	(2,170)
Temporary differences	827	3,538
Taxable income (tax loss)	21,227	62,479
Tax payable (0%)	—	—
Corporation tax expense/income	—	—

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

Deferred tax assets and liabilities

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

(c) Periods pending verification and inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 2020 year-end, the Company has the last four financial years open for inspection.

On 11 December 2019, partial inspection and verification proceedings began regarding Corporate Income Tax, Value Added Tax, Work and Professional Income Withholdings, Investment Income Withholdings, and Non-resident Tax Withholdings for the periods from 2015-2019 for the company Lar España Real Estate Socimi, S.A. The scope of this procedure is strictly limited to properly verifying the taxation percentages of the Regional Taxation Authorities.

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

(Expressed in thousands of Euros)

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

2020 Period

a) Reserves from periods prior to the application of the tax regime provided in Law 11/2009, amended by Law 16/2012 of 27 December.	-
b) Reserves for each period in which the special tax regime provided by that Law is applicable	2020 profits proposed to be distributed to reserves: EUR 2,021 thousand to the legal reserve. 2019 profits to be distributed to reserves: EUR 6,111 thousand to the legal reserve. 2018 profits to be distributed to reserves: EUR 7,608 thousand to legal reserve and EUR 121 thousand to voluntary reserves. 2017 profits to be distributed to reserves: EUR 1,921 thousand to legal reserve and EUR 4 thousand to voluntary reserves. 2016 profits to be distributed to reserves: EUR 380 thousand to legal reserve and EUR 4 thousand to voluntary reserves. 2015 profits to be distributed to reserves: EUR 501 thousand to the legal reserve and EUR 6 thousand to voluntary reserves. 2014 profits to be distributed to reserves: EUR 166 thousand to the legal reserve and EUR 167 thousand to voluntary reserves.
a. Profits from income subject to the general income tax rate	2020 profits: - 2019 profits: EUR 2,176 thousand. 2018 profits: EUR 5,165 thousand.
b. Profits from income subject to a tax rate of 19%	-
c. Profits from income subject to a tax rate of 0%	2020 profits: EUR 20,211 thousand. 2019 profits: EUR 58,935 thousand. 2018 profits: EUR 70,917 thousand. 2017 profits: EUR 19,211 thousand. 2016 profits: EUR 3,800 thousand. 2015 profits: EUR 5,006 thousand. 2014 profits: EUR 1,664 thousand.
c) Dividends distributed against profits for each period in which the tax regime provided by this Law is applicable	Proposed dividend distribution for 2020: EUR 18,190 thousand. Dividend distribution for 2019: EUR 55,000 thousand. Dividend distribution for 2018: EUR 68,353 thousand. Dividend distribution for 2017: EUR 17,286 thousand. Dividend distribution for 2016: EUR 3,416 thousand. Dividend distribution for 2015: EUR 4,499 thousand. Dividend distribution for 2014: EUR 1,331 thousand.
a. Dividends from income subject to the general income tax rate	Proposed dividend distribution for 2018: EUR 5,165 thousand.
b. Dividends from income subject to a tax rate of 18% (2009) and 19% (2010 to 2012)	-
c. Dividends from income subject to a tax rate of 0%	Proposed dividend distribution for 2020: EUR 18,190 thousand. Dividend distribution for 2019: EUR 55,000 thousand. Dividend distribution for 2018: EUR 68,353 thousand. Dividend distribution for 2017: EUR 17,286 thousand.

(Expressed in thousands of Euros)

	Dividend distribution for 2016: EUR 3,416 thousand. Dividend distribution for 2015: EUR 4,499 thousand. Dividend distribution for 2014: EUR 1,331 thousand.
d) Distributed dividends charged against reserves	-
Distribution charged against reserves subject to the general income tax rate	-
b. Distribution charged against reserves subject to a tax rate of 19%	-
c. Distribution charged against reserves subject to a tax rate of 0%	Proposed distribution of dividends for 2020 against the issue premium: EUR 9,310 thousand. Distribution of dividends for 2018 against the issue premium: EUR 6,647 thousand. Distribution of dividends for 2017 against the issue premium: EUR 27,714 thousand. Distribution of dividends for 2016 against the issue premium: EUR 26,565 thousand. Distribution of dividends for 2015 against the issue premium: EUR 7,521 thousand.
e) Date of the agreement of the distribution of the dividends referenced in c) and d) above	2020 dividends: Pending approval. 2019 dividends: 17/03/2020 Dividends from 2018: 25/04/2019 Dividends from 2017: 19/04/2018 Dividends from 2016: 29/05/2017 Dividends from 2015: 21/04/2016 Dividends from 2014: 27/04/2015
f) Date of acquisition of properties for lease that generate income subject to this special regime	2016: Txingudi shopping centre: 24 March 2014 Las Huertas shopping centre: 24 March 2014 Albacenter shopping centre: 30 July 2014 Anec Blau shopping centre: 31 July 2014 Marcelo Spínola office building: 31 July 2014 2015: Txingudi shopping centre: 24 March 2014 Las Huertas shopping centre: 24 March 2014 Albacenter shopping centre: 30 July 2014 Anec Blau shopping centre: 31 July 2014 Marcelo Spínola office building: 31 July 2014 2014: Txingudi shopping centre: 24 March 2014 Las Huertas shopping centre: 24 March 2014 Albacenter shopping centre: 30 July 2014 Anec Blau shopping centre: 31 July 2014 Marcelo Spínola office building: 31 July 2014 LE Logistic Alovera I y II, S.A.U.: 23 July 2014 LE Retail Hiper Albacenter, S.A.U.: 4 November 2014 LE Retail Alisal, S.A.U.: 4 November 2014 LE Offices Eloy Gonzalo 27, S.A.U.: 18 December 2014

(Expressed in thousands of Euros)

g) Date of acquisition of shares in the capital of the entities referenced in Article 2.1 of this Law.	LE Retail As Termas, S.L.U.: 18 December 2014 LE Logistic Almussafes, S.L.U.: 4 March 2015 LE Logistic Alovera III y IV, S.L.U.: 4 March 2015 LE Retail Hiper Ondara, S.L.U.: 9 June 2015 LE Offices Joan Miró 21, S.L.U.: 4 March 2015 LE Retail El Rosal, S.L.U.: 7 July 2015 LE Retail Vidanova Parc, S.L.U.: 26 March 2015 LE Retail Megapark, S.L.U.: 29 May 2015 LE Retail Galaria, S.L.U.: 20 July 2015 LE Retail Lagoh, S.L.U.: 4 August 2015 LE Retail Vistahermosa, S.L.U.: 4 August 2015 LE Retail Sagunto II, S.L.U.: 4 August 2015 LE Retail Villaverde, S.L.U.: 21 September 2015 LE Retail Anec Blau, S.L.U.: 29 April 2016 LE Retail Albacenter, S.L.U.: 29 April 2016 LE Retail Txingudi, S.L.U.: 29 April 2016 LE Retail Las Huertas, S.L.U.: 29 April 2016 LE Retail Portal de la Marina, S.L.U.: 30 March 2016 41.22% and 10 October 2014 58.78% LE Retail Gran Vía de Vigo, S.A.U.: 15 September 2016 LE Retail Abadía, S.L.U.: 27 March 2017 and 2016 LE Retail Hipermercados I, S.L.U.: 27 March 2017 LE Retail Hipermercados II, S.L.U.: 27 March 2017 LE Retail Hipermercados III, S.L.U.: 27 March 2017 LE Retail Rivas, S.L.U.: 6 February 2018 LE Retail Córdoba Sur, S.L.U.: 15 January 2019
h) Identification of the asset included in the 80% mentioned in Article 3.1 of this Law	- Investment properties: Txingudi shopping centre Las Huertas shopping centre Albacenter shopping centre Anec Blau shopping centre Albacenter hypermarket As Termas shopping centre Portal de la Marina hypermarket El Rosal shopping centre Portal de la Marina shopping centre As Termas petrol station VidaNova Parc business park Megapark shopping centre Vistahermosa business park Gran Vía de Vigo shopping centre Abadía business park and shopping centre Eroski hypermarkets Megapark recreation area Rivas business park Lagoh shopping centre - Capital investments: LE Logistic Alovera I y II, S.A.U.: 23 July 2014

(Expressed in thousands of Euros)

	LE Retail Hiper Albacenter, S.A.U.: 4 November 2014 LE Retail Alisal, S.A.U.: 4 November 2014 LE Offices Eloy Gonzalo 27, S.A.U.: 18 December 2014 LE Retail As Termas, S.L.U.: 18 December 2014 LE Logistic Almussafes, S.L.U.: 4 March 2015 LE Logistic Alovera III y IV, S.L.U.: 4 March 2015 LE Retail Hiper Ondara, S.L.U.: 9 June 2015 LE Offices Joan Miró 21, S.L.U.: 4 March 2015 LE Retail El Rosal, S.L.U.: 7 July 2015 LE Retail Vidanova Parc, S.L.U.: 26 March 2015 LE Retail Galaria, S.L.U.: 20 July 2015 LE Retail Lagoh, S.L.U.: 4 August 2015 LE Retail Vistahermosa, S.L.U.: 4 August 2015 LE Retail Sagunto II, S.L.U.: 4 August 2015 LE Retail Villaverde, S.L.U.: 21 September 2015 LE Retail Anec Blau, S.L.U.: 29 April 2016 LE Retail Albacenter, S.L.U.: 29 April 2016 LE Retail Txingudi, S.L.U.: 29 April 2016 LE Retail Las Huertas, S.L.U.: 29 April 2016 LE Retail Gran Vía de Vigo, S.A.U.: 15 September 2016 LE Retail Abadía, S.L.U.: 27 March 2017 LE Retail Hipermercados I, S.L.U.: 27 March 2017 LE Retail Hipermercados II, S.L.U.: 27 March 2017 LE Retail Hipermercados III, S.L.U.: 27 March 2017 LE Retail Rivas, S.L.U.: 6 February 2018 LE Retail Córdoba Sur, S.L.U.: 15 January 2019
i) Reserves from periods in which the special tax regime provided in this Law was applicable that have been applied in the tax period other than for the distribution thereof or to offset losses. The period from which these reserves have been taken must be specified.	-

(13) RISK MANAGEMENT POLICY

(a) Financial risk factors

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

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

(i) *Market risks*

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

In light of the current situation of the real estate sector and with a view to minimising its potential impact, the Group has established certain specific measures that it intends to adopt to minimise the impact on its financial situation.

Implementation of these measures is subject to the results of the Group's regular sensitivity analyses. These analyses take into account:

(b) The economic climate in which it pursues its activity: the design of different economic scenarios having regard to varying levels of development of the COVID-19 pandemic and, in particular, amending the key variables that could affect the Group (interest rates, share prices, occupancy of real estate investments, increased default, increase in discounts granted, contraction of the credit market, etc.) Identification of the above independent variables and degree to which they are related.

(c) The effect of the 5 basis point variation in the variable interest rate applicable to the finance debt with credit institutions would have an impact of Euros 507 thousand on the consolidated income statement.

(d) - Time frame in which the assessment is being performed: the time frame of the analysis and any possible deviations will be taken into account. Various timeframes have been considered in terms of the impact of the COVID-19 crisis on the Group's operating flows, which are expected to be concentrated in the first six months of 2021.

Cash and cash equivalents

At 31 December 2020 the Company has cash and cash equivalents totalling EUR 33,559 thousand, which represents its maximum exposure to risk associated with these assets (EUR 26,703 thousand at 31 December 2019).

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

(ii) *Liquidity risk*

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

The Company applies a prudent policy to cover its liquidity risks based on having sufficient liquidity to meet its obligations when they fall due in both normal and stressed conditions, without incurring unacceptable losses or placing the Company's reputation at risk. Given the initial uncertainty caused by the pandemic and the risk of a general increase in pressure on liquidity in the economy, as well as the contraction of a credit market, the Parent Company decided to draw down on a loan granted by the IEB in the amount of EUR 70 million and a credit line of EUR 30 million (Note 9). This withdrawal, along with the implementation of specific plans for the improvement and efficient management of liquidity, has allowed the Company to address these potential tensions and face payment obligations while maintaining a solid financial position throughout the year.

The Company's exposure to liquidity risk at 31 December 2020 and 2019 is detailed below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

(Expressed in thousands of Euros)

	2020					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Financial liabilities from issue of bonds (*)	—	3,482	—	139,685	—	143,167
Other non-current liabilities - security deposits and guarantees	—	—	—	—	39	39
Bank borrowings (*)	—	—	30,125	69,900	—	100,025
Borrowings from Group companies and associates (a)	—	—	36,538	—	—	36,538
Trade and other payables	1,542	1,754	—	—	—	3,296
Total	1,542	5,236	66,663	209,585	39	283,065

	2019					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Financial liabilities from issue of bonds (*)	-	3,482	-	140,000	-	143,482
Other non-current liabilities - security deposits and guarantees	-	-	-	-	39	39
Bank borrowings	-	-	12	-	-	12
Borrowings from Group companies and associates (a)	-	-	27,608	-	-	27,608
Trade and other payables	1,071	1,087	-	-	-	2,158
Total	1,071	4,569	27,620	140,000	39	173,299

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

** The effect of measuring the financial liabilities from bonds at amortised cost amounts, which mature in 2022, decreases the nominal value of these liabilities by EUR 315 thousand (EUR 623 thousand in 2019).*
In turn, the effect of valuing bank borrowings at amortised cost decreases the nominal value of these liabilities by EUR 100 thousand, where there being no decrease as at 31 December 2019.

It is worth mentioning that the Group has bonds in the amount of EUR 140 million that mature on 21 February 2020. In this sense, Management and Directors prepared cash projections, in an uncertain environment, estimating that the Group shall have sufficient liquidity to face said payments and continue operating as usual. In addition, Management has started a process to raise funds through a new issue of bonds. The Directors estimate that this issue will be completed successfully in 2021, preventing potential liquidity pressures in the future.

(iii) *Cash flow and fair value interest rate risks*

At 31 December 2020 the Company held no short-term fixed-rate deposits.

At the reporting date, revenue and cash flows from the Company's operating activities are not significantly affected by fluctuations in market interest rates. At 31 December 2020, the Company holds a financial liability for simple, fixed-rate bonds issued for a nominal amount of EUR 140,000 thousand. Furthermore, in 2020 the Company drew down the entire loan granted by the EIB for a total amount of EUR 70 million, as well as a credit facility with Bankinter for EUR 30 million (Note 9).

(iv) *Tax risk*

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

Among the obligations that the Company must comply with are some that are more formalistic in nature, such as the inclusion of the term SOCIMI in the corporate name, the inclusion of certain information in the notes to the individual financial statements, being listed on a stock exchange, etc., and others that additionally require the preparation of estimates and the application of rulings by the Management (determination of tax income, income tests, asset tests, etc.) that may be complex, especially considering that the SOCIMI Regime is relatively recent and its development has been carried out, fundamentally, through the General Directorate of Taxation's response to queries raised by different companies. In this sense, Group Management, with the support of its tax advisers, evaluated its completion of the requirements of the SOCIMI regime, concluding that at 31 December 2020 all requirements were satisfied. Therefore, the Company shall continue to avail itself of the SOCIMI tax regime, and this has been taken into account when drawing up these financial statements.

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

(b) Capital management

The Company is essentially financed with its own capital and financial debt. The Company resorted to market financing through mortgage-backed loans or other means of funding to fund the acquisition of new investments. In addition, in 2015 the Company carried out a bond issue (Note 9).

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

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

(Expressed in thousands of Euros)

(14) REVENUES AND EXPENSES

(a) Net turnover

Distribution of the net turnover for the 2020 and 2019 financial years, by business category and by geographical market is as follows:

	2020	2019
	Thousands of Euros	Thousands of
Revenue from stakes in equity instruments:		
Revenue from dividends (Note 15a)	24,474	62,184
Revenue from distributing available reserves (Notes 5 and 15a)	—	5,265
Revenue from invoicing financial expenses within the Group (Note 15a)	4,364	4,364
	28,838	71,813

	2020	2019
	Thousands of Euros	Thousands of Euros
Spain	28,838	71,813
	28,838	71,813

(b) Personnel expenses

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

	Thousands of Euros	
	2020	2019
Salaries and wages	412	367
Other benefits and taxes	62	56
	474	423

(Expressed in thousands of Euros)

(c) Other operating expenses

The details of "Other operating expenses" in years 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Independent professional services	1,143	1,541
Insurance premiums	139	126
Bank fees and commissions	4	9
Advertising and publicity	49	112
Utilities	2	3
Other expenses	591	290
Losses on, impairment of and change in	—	(9)
Taxes other than corporate income tax	5	4
	1,933	2,076

On 31 December 2020 Lar España Real Estate SOCIMI, S.A. invoiced the subsidiaries it completely controls a total of EUR 9,881 thousand for management support services provided to these companies during the year (EUR 11,425 thousand at 31 December 2019). This amount appears net of the expenses included under "Independent professional services" (Note 15a).

(15) RELATED PARTY BALANCES AND TRANSACTIONS

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

Management agreement with Grupo Lar

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

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

The fixed amount accrued by the manager totalled EUR 8,496 thousand (EUR 9,887 thousand at 31 December 2019) (net of any expenses discounted based on the management agreement formalised between the parties, which totalled EUR 1,198 thousand) and is recorded under "Other operating expenses" on the adjoined Income Statement and was subsequently rebilled to subsidiaries (Note 15c). At 31 December 2020, the amount of EUR 1,811 thousand was pending payment (EUR 646 thousand at 31 December 2019). In addition, and as an exceptional measure, there was a EUR 334 thousand decrease in the fees charged by the manager, the Lar Group, in the first six months of 2020 because of the COVID-19 pandemic crisis.

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

In terms of the floating amount, no figures were recorded at 31 December 2020, such that the Directors of the Company believe that developments of the EPRA NAV and market capitalisation at year-end did not reach either minimum established in the IMA for the accrual thereof.

Rebilling between Group companies

In 2020, as in previous years, the Company has formalized service provision and management agreements with companies in its group for the period ended 31 December 2020, where the expenses of this nature incurred by the Company on the behalf of the Group companies are passed on.

In this sense, in 2020, the Company has invoiced EUR 9,881 thousand, net of VAT, for management support services (EUR 11,425 thousand in 2019). The Company's distribution approach is based on the relative weight of the underlying market value of each property asset of the investees over the total market value (calculated based on the latest available appraisal from the period immediately prior to 31 December of each period) of such property assets at the beginning of the relevant period.

Likewise, the Company has entered into agreements with the Group companies owning assets used to guarantee the issued bonds (Note 9) in order to pass on the financial cost thereof. The amount passed on as at 31 December 2020 for this item totalled EUR 4,364 thousand (EUR 4,364 thousand in 2019) and is recorded under "Net turnover". The Company's distribution approach is based on the relative weight of the underlying market value of each pledged property asset of the investees over the total market value (calculated based on the latest available appraisal from the period immediately prior to 31 December of each period) of such property assets at the beginning of the relevant period.

Revenues from receivables and shareholdings in Group, multi-group and associated companies

The amount of revenue the Company collects in terms of the dividends received from subsidiaries totalled EUR 24,474 thousand in 2020 (EUR 62,185 thousand in 2019). Of this amount, EUR 19,522 thousand corresponds to interim dividends distributed against the profit for 2020 of investees, where the remainder corresponds to the final dividends distributed against the profit for 2019 after the distribution of the profit of investees was approved.

Furthermore, in 2019, the Company recorded revenue from distributing available reserves in the amount of EUR 5,265 thousand (Notes 4i, 5a and 14a).

Short-term borrowings from Group companies and associates

On 1 April 2019, a liquidity facility was arranged between Lar España Real Estate SOCIMI, S.A., the Parent of the Group, and Inmobiliaria Juan Bravo 3, S.L., whereby Lar España Real Estate SOCIMI, S.A. may dispose of a maximum amount of EUR 7,000 thousand, maturing on 31 March 2020. This liquidity facility yields a fixed interest rate of 5.95% of the drawn capital payable on the due date. Interest totalling EUR 76 thousand was accrued in the first six-month period of 2020 (EUR 122 thousand in 2019).

On 27 March 2020, Inmobiliaria Juan Bravo 3, S.L. returned the shareholder contributions by offsetting the total amount of the liquidity facility drawn down by the Company, which was EUR 4,275 thousand. This offset was recorded as decrease in the amount posted under "Investments in Group companies and associates".

In addition, the Company has current accounts formalised with some subsidiaries. The sums of these accounts at 31 December 2020 totalled EUR 36,538 thousand (EUR 24,409 thousand at 31 December 2019). Said current accounts accrue fixed interest at a rate of 0.21% and any interest is payable yearly. The accounts mature yearly and are tacitly renewed for one-year periods, unless express notification to the contrary is received.

Financial interest accrued in 2020 amounted to an expense of EUR 66 thousand (EUR 112 thousand in 2019), such interest being recorded under "Financial expenses - Borrowings from Group companies and associates".

(Expressed in thousands of Euros)

Short-term borrowings from Group companies and associates

In 2020 and 2019, the Company formalised current accounts with certain subsidiaries completely owned by same, some of which have a receivable balance at 31 December 2020 of EUR 54,933 thousand. As at 31 December 2019 there was no receivable balance.

Financial interest accrued in 2020 comprised a revenue of EUR 52 thousand, where no revenue was accrued in 2019.

(b) Details of transactions and balances held with related parties

Transactions and balances with related parties in the 2020 and 2019 periods are as follows:

	2020						
	Thousands of Euros						
	Balances					Transactions	
	Loans and receivables		Payables	Current account		Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Receivable	Payable		
LE Retail Txingudi, S.L.U.	—	944	—	—		776	—
LE Retail Las Huertas, S.L.U.	—	282	—	—		231	—
LE Retail Anec Blau, S.L.U.	—	2,888	—	9,158		2,350	—
LE Retail Albacenter, S.L.U.	—	1,449	—	—		987	—
LE Offices Marcelo Spínola, S.L.U.	—	—	—	—	6,476	—	(10)
LE Logistic Alovera I y II, S.A.U.	—	—	—	—	1,269	—	(2)
LE Offices Eloy Gonzalo 27, S.A.U.	—	—	—	—	420	—	(3)
LE Retail As Termas, S.L.U.	—	843	—	37,541		709	—
LE Logistic Alovera III y IV, S.L.U.	—	—	—	—	622	—	(1)
LE Logistic Almussafes, S.L.U.	—	—	—	—	2,794	—	(6)
LE Retail Hiper Ondara, S.L.U.	—	2,737	—	—	15,767	2,198	(33)
LE Offices Joan Miró 21, S.L.U.	—	—	—	—	642	—	(1)
LE Retail Vidanova Parc, S.L.U.	—	409	—	—		330	—
LE Retail Galaria, S.L.U.	—	—	—	—		—	—
LE Retail Lagoh, S.L.U.	—	2,475	—	5,166		2,005	—
LE Retail Vistahermosa, S.L.U.	—	393	—	—		317	—

(Expressed in thousands of Euros)

	2020						
	Thousands of Euros						
	Balances					Transactions	
	Loans and receivables		Payables	Current account		Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Receivable	Payable		
LE Retail Gran Vía de Vigo, S.A.U.	—	1,305	—	899		1,039	—
LE Retail Hiper Albacenter, S.A.U.	—	497	—	813		411	—
LE Retail Alisal, S.A.U.	—	—	—	—	2,228	—	(5)
LE Retail El Rosal, S.L.U.	—	896	—	945		709	—
LE Retail Villaverde, S.L.U.	—	—	—	—	1,661	—	(4)
LE Retail Abadía, S.L.U.	—	696	—	387		563	—
LE Retail Hipermercados I, S.L.U.	—	514	—	—	1,300	425	—
LE Retail Hipermercados II, S.L.U.	—	522	—	—	1,400	431	—
LE Retail Hipermercados III, S.L.U.	—	473	—	—	1,350	391	—
Lar España Inversión Logística IV, S.L.U.	—	—	—	—	609	—	(1)
LE Retail Rivas, S.L.U.	—	526	—	—		426	—
LE Retail Sagunto II, S.L.U.	—	4	—	24		4	—
LE Retail Córdoba Sur, S.L.U.	—	840	—	—		—	—
Inmobiliaria Juan Bravo 3, S.L.	—	—	—	—		—	(55)
Revenue from dividends (i)	—	19,618	—	—		24,474	—
Grupo Lar Inversiones Inmobiliarias, S.A.	—	—	(1,811)	—		—	—
	—	38,311	(1,811)	54,933	36,538	38,776	(121)

* *Revenue from rebilling that is presented net of any external service expense, in accordance with Note 4i, totalled EUR 9,881 thousand at 31 December 2020.*

(Expressed in thousands of Euros)

- The details of the dividends recorded in 2020 are as follows:

Company	**Interim dividends over profit and loss at 31/12/2020**	**Complementary dividends over profit and loss at 31/12/2019**	**Total**
LE Retail Alisal, S.A.U.	4	1	5
LE Logistic Almussafes, S.L.U.	—	18	18
LE Logistic Alovera I y II, S.A.U.	—	—	—
LE Logistic Alovera III y IV, S.L.U.	—	1	1
LE Retail As Termas, S.L.U.	2,352	203	2,555
LE Retail Galaria, S.L.U.	—	—	—
LE Retail Hiper Albacenter, S.A.U.	463	4	467
LE Retail Hiper Ondara, S.L.U.	3,655	267	4,622
LE Offices Eloy Gonzalo 27, S.A.U. (*)	96	5,348	5,444
LE Offices Joan Miró 21, S.L.U.	57	—	57
LE Retail Villaverde, S.L.U.	—	1	1
LE Retail Vistahermosa, S.L.U.	575	—	575
LE Retail Gran Vía de Vigo, S.A.U.	3,321	3,537	6,158
LE Retail Abadía, S.L.U.	2,294	207	2,501
LE Retail Hipermercados I, S.L.U.	820	67	887
LE Retail Hipermercados II, S.L.U.	770	68	838
LE Retail Hipermercados III, S.L.U.	699	62	761
LE Retail Anec Blau, S.L.U.	—	4	4
LE Retail Txingudi, S.L.U.	1,148	—	1,148
LE Retail Albacenter, S.L.U.	1,051	51	1,102
LE Retail Las Huertas, S.L.U.	—	220	220
Lar España Inversión Logística IV, S.L.U.	—	—	—
LE Retail Rivas, S.L.U.	1,580	77	1,657
LE Retail Vidanova Parc, S.L.U.	389	122	511
Le Retail Sagunto II, S.L.U.	—	—	—
LE Retail El Rosal, S.L.U.	344	42	386
Total	**19,618**	**10,300**	**29,918**

** These dividends have been recognised as a lower value of the investment in Group companies (Note 5).*

The interim dividends over profit and loss at 31 December 2020 were approved on 29 December 2020 and were paid on 28 January 2021. Likewise, complementary dividends from the 2019 profit were liquidated in less than a month from the approval thereof.

(Expressed in thousands of Euros)

	2019					
	Thousands of Euros					
	Balances				Transactions	
	Loans and receivables		Payables	Current accounts	Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Balance		
LE Retail Txingudi, S.L.U.	—	1,094	—	—	1,533	—
LE Retail Las Huertas, S.L.U.	—	349	—	—	489	—
LE Retail Anec Blau, S.L.U.	—	2,861	—	—	3,975	—
LE Retail Albacenter, S.L.U.	—	1,285	—	—	1,766	—
LE Offices Marcelo Spínola, S.L.U.	—	—	—	—	12	—
LE Logistic Alovera I y II, S.A.U.	—	—	—	(903)	—	(21)
LE Offices Eloy Gonzalo 27, S.A.U.	—	—	—	—	60	(23)
LE Retail As Termas, S.L.U.	—	791	—	—	634	—
LE Logistic Alovera III y IV, S.L.U.	—	—	—	(216)	—	(4)
LE Logistic Almussafes, S.L.U.	—	—	—	(2,756)	—	(8)
LE Retail Hiper Ondara, S.L.U.	—	3,173	—	(15,734)	2,603	(33)
LE Offices Joan Miró 21, S.L.U.	—	—	—	(416)	—	(7)
LE Retail Vidanova Parc, S.L.U.	—	518	—	—	428	—
LE Retail Galaria, S.L.U.	—	—	—	—	—	—
Lar España Shopping Centres VIII, S.L.U.	—	2,755	—	—	2,260	—
LE Retail Vistahermosa, S.L.U.	—	447	—	—	369	—
LE Retail Gran Vía de Vigo, S.A.U.	—	1,818	—	—	1,276	—
LE Retail Hiper Albacenter, S.A.U.	—	498	—	—	698	—
LE Retail Alisal, S.A.U.	—	—	—	(2,223)	—	(7)
LE Retail El Rosal, S.L.U.	—	1,012	—	—	816	—
LE Retail Villaverde, S.L.U.	—	—	—	(1,656)	—	(5)
LE Retail Abadía, S.L.U.	—	752	—	—	622	—
LE Retail Hipermercados I, S.L.U.	—	534	—	—	749	—
LE Retail Hipermercados II, S.L.U.	—	531	—	—	744	—
LE Retail Hipermercados III, S.L.U.	—	492	—	—	689	—
Lar España Inversión Logística IV, S.L.U.	—	—	—	(505)	—	(4)
LE Retail Rivas, S.L.U.	—	603	—	—	498	—
LE Retail Sagunto II, S.L.U.	—	6	—	—	5	—
LE Retail Córdoba Sur, S.L.U.	—	—	—	—	—	—
Inmobiliaria Juan Bravo 3, S.L.	—	74	—	(3,199)	—	(122)
Revenue from dividends (i)	—	28,700	—	—	62,185	—
Revenue from distributing available reserves (Notes 15a and 6a)	—	—	—	—	5,265	—
Grupo Lar Inversiones Inmobiliarias, S.A.	—	—	(646)	—	—	—
	—	48,293	(646)	(27,608)	87,676	(234)

(Expressed in thousands of Euros)

- The details of the dividends recorded in 2019 are as follows:

Company	Interim dividends over profit and loss at 31/12/2019	Final dividends over profit and loss at 31/12/2018	Total
LE Retail Alisal, S.A.U.	5	2,011	2,016
LE Logistic Almussafes, S.L.U.	159	2,054	2,213
LE Logistic Alovera I y II, S.A.U.	—	15,621	15,621
LE Logistic Alovera III y IV, S.L.U.	12	2,790	2,802
LE Retail As Termas, S.L.U.	1,828	557	2,385
LE Retail Galaria, S.L.U.	—	1,598	1,598
LE Retail Hiper Albacenter, S.A.U.	32	89	121
LE Retail Hiper Ondara, S.L.U.	2,415	657	3,072
LE Offices Eloy Gonzalo 27, S.A.U.	15,079	—	15,079
LE Offices Joan Miró 21, S.L.U.	1	5,496	5,497
LE Retail Villaverde, S.L.U.	5	1,456	1,461
LE Retail Vistahermosa, S.L.U.	781	—	781
LE Retail Gran Vía de Vigo, S.A.U.	—	181	181
LE Retail Abadía, S.L.U.	1,861	132	1,993
LE Retail Hipermercados I, S.L.U.	606	3	609
LE Retail Hipermercados II, S.L.U.	611	53	664
LE Retail Hipermercados III, S.L.U.	554	47	601
LE Retail Anec Blau, S.L.U.	35	266	301
LE Retail Txingudi, S.L.U.	804	—	804
LE Retail Albacenter, S.L.U.	908	176	1,084
LE Retail Las Huertas, S.L.U.	—	1	1
Lar España Inversión Logística IV, S.L.U.	—	293	293
LE Retail Rivas, S.L.U.	1,528	—	1,528
LE Retail Vidanova Parc, S.L.U.	1,095	—	1,095
Le Retail Sagunto II, S.L.U.	—	4	4
LE Retail El Rosal, S.L.U.	381	—	381
Total	**28,700**	**33,485**	**62,185**

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

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

The remuneration received by the members of the board of directors and senior management personnel of the Group during 2020 and 2019, classified by item, is as follows:

In 2020, the Board of Directors received EUR 560 thousand in allowances (EUR 590 thousand in 2019). Allowances for the Board of Directors in 2020 include EUR 81 thousand for the non-executive Secretary of the Board of Directors (EUR 85 thousand in 2020).

In the context of the crisis caused by the COVID-19 pandemic, the Board of Directors unanimously agreed to approve a temporary reduction of 20% in the remuneration of independent directors, including that of the non-director secretary, applicable to the second quarter of 2020.

Senior management staff received EUR 412 thousand in salaries and wages (EUR 368 thousand in 2019).

The amount of civil liability insurance premiums for directors and senior management covering damages resulting from acts or omissions totalled EUR 96 thousand (EUR 120 thousand in 2019).

At 31 December 2020 and 2019 the Company has no pension, life insurance, stock options or compensation obligations with former or current members of the Board of Directors or Senior Management personnel of the Company.

At 31 December 2020 and 2019 no advances or loans have been extended to members of the board or senior management.

At 31 December 2020 and 2019 the Company has 7 Directors: 5 men and 2 women.

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

Apart from the transactions with related parties listed above, in 2020 the Directors of the Company and members of its Board of Directors have not carried out any transactions other than ordinary business or under terms that differ from market conditions with said Company or any other Group company.

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

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

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

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

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

iii. Sole Administrator of Fomento del Entorno Natural, S.A. in which he is also a shareholder (holding property of 13.85% of the shares).

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

Company	Position/Role	Number of Shares	% of Participation
Grupo Lar Inversiones Inmobiliarias, S.A.	Chairperson of the Board of Directors and Several and Joint Managing Director	5,605	24.95%
Grupo Lar Europa del Este, S.L.U.	Director	N/A	N/A
Grupo Lar Holding Iberia, S.A.U.	Sole Administrator	N/A	N/A
Inmobérica de Gestión, S.L.U.	Sole Administrator	N/A	N/A
Global Caronte, S.L.U.	Joint and Several Administrator	N/A	N/A
Global Byzas, S.L.U.	Sole Administrator	N/A	N/A
Oficinas Calle Albarracín, S.L.U.	Sole Administrator	N/A	N/A
Desarrollos Ibéricos Lar, S.L.U.	Joint and Several Administrator	N/A	N/A
Grupo Lar Desarrollo Suelo, S.L.U.	Joint and Several Administrator	N/A	N/A
Parque Castilleja, S.L.	Chairperson and Several and Joint Chief Executive Officer	N/A	N/A
Grupo Lar Grosvenor Dos Servicios S.L.	Individual representing the Sole Administrator of Grupo Lar Terciario, S.L.	N/A	N/A
Grupo Lar Oficinas Europeas, S.A.U.	Sole Administrator	N/A	N/A
Acacia Inmuebles, S.L.	Chairperson of the Board of Directors	N/A	N/A
Inmuebles Logísticos Iberia, S.L.	Chairperson of the Board of Directors	N/A	N/A
HRE Inversiones II, S.L.U.	Sole Administrator	N/A	N/A

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

(Expressed in thousands of Euros)

(16) EMPLOYEE INFORMATION

The average headcount of the Company at 31 December 2020 and 2019, distributed by category, is as follows:

	2020	2019
Professional category		
Senior Management	3	3
Total	3	3

The gender distribution in the Company at 2020 and 2019 year ends is as follows:

	2020		2019	
	Female	Male	Female	Male
Professional category				
Senior Management	1	2	1	2
Total	1	2	1	2

Salaries, wages and similar expenses corresponding to these employees at 31 December 2020 totalled EUR 412 thousand (EUR 367 thousand at 31 December 2019).

In 2020 and 2019 the Company did not employ anyone with a disability greater than or equal to 33%.

(17) AUDIT FEES

During 2020 and 2019, fees for audit and other related services charged to the Group by the auditor of the Company, Deloitte, S.L., and by a company related to the auditor through control, shared property or management were as follows (in thousands of Euros):

	Thousands of Euros	
	2020	2019
Audit and related services		
Audit services	183.6	163.5
Other verification services	11.5	101.6
Professional services		
Other services	—	—
Total	195.1	265.1

(18) EVENTS AFTER THE REPORTING PERIOD

On 23 February 2021, the Company sold 100% of the stakes in the aforesaid subsidiaries to Igcel Investments, S.L. for combined total of EUR 59,522 thousand.

30 January 2021 saw the publication of Royal Decree 1/2021 of 12 January 2021, modifying the General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007, the General Chart of Accounts for Small and Medium-Sized Enterprises approved by Royal Decree 1515/2007 of 16 November 2007, the Rules on the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010 of 17 September 2010, and the Rules adapting the General Chart of Accounts to Not-for-profit Entities approved by Royal Decree 1491/2011 of 24 October 2011. Moreover, 13 February 2021 saw the publication of the Spanish Accounting and Auditing Institute Resolution of 10 February 2021, issuing the rules on the registration, valuation and preparation of annual accounts for the recognition of income from the supply of goods and provision of services.

The rule changes apply to years commencing as from 1 January 2021, and focus on the criteria for the recognition, valuation and breakdown of income from the supply of goods and services, financial instruments, the recognition of hedging, the valuation of exchange traded commodities by the intermediaries trading such commodities and the definition of fair value.

With this in mind, individual annual accounts filed in respect of the first year commencing as from 1 January 2021 must include comparative information, albeit without any obligation to restate the information from the previous year. The comparative information will only be restated in the event that all of the criteria approved under the Royal Decree can be applied without incurring in retrospective bias, notwithstanding the exceptions set out in the transitional provisions.

In general terms, the rules apply retrospectively, albeit with alternative practical solutions. Nonetheless, the recognition of hedging is applied prospectively, the criteria governing the classification of financial instruments may be applied prospectively and the criteria concerning income from sales and provisions of services may be applied prospectively to contracts commencing as from 1 January 2021.

The company's directors are weighing up the transition options available and the accounting-related impacts of such modifications, although, at the date of preparation of these individual annual accounts, they do not yet have sufficient information to reach a conclusion on the results of this analysis.

In addition, we hereby state that the financial statements we have prepared have not been drawn up or presented in European Single Electronic Format (ESEF) in accordance with the content of the Delegated Regulation (EU) 2019/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, as we have opted to delay the application of this format provided for in the announcement published by the Spanish Institute of Accounting and Account Auditing (ICAC) on 12 February 2021, which is based on the agreement to amend said Directive by the European Parliament and of the Council, reached in December 2020, to allow quoted companies to delay the obligation to draw up and publish their annual financial reports pursuant to ESEF for one year.

(19) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2020

(a) Subsidiaries

			% of Participation		Thousands of Euros									
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(13)	(11)	—	3,556	3,605	—	—	—	3,469
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	469	469	(463)	14,503	14,569	17,830	13,880	3,950	14,551
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	—	5	(4)	2,279	2,340	—	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	115	118	(96)	343	425	—	—	—	426
LE Retail As Termas, S.L.U.*	Leasing of property	Subsidiary	100	100	4	2,952	2,416	(2,352)	33,323	33,391	82,380	67,036	15,344	33,326
LE Logistic Alovera III y IV, S.L.U.	Acquisition and leasing of property	Subsidiary	100	100	4	(14)	(13)	—	646	637	—	—	—	651
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(13)	(7)	—	2,969	2,966	—	—	—	2,974
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	8,503	3,855	(3,655)	138,891	139,095	334,920	271,290	63,630	132,545
LE Offices Joan Miró 21, S.L.U.*	Leasing of property	Subsidiary	100	100	4	56	58	(57)	798	803	—	—	—	802
LE Retail Vidanova Parc, S.L.U.*	Leasing of property	Subsidiary	100	100	4	1,907	1,147	(389)	28,620	29,382	47,550	45,818	1,732	30,545
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,944	926	(344)	24,188	24,773	106,400	67,754	38,646	34,530

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2020

			% of Participation		Thousands of Euros									
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(9)	(9)	—	420	415	—	—	—	414
LE Retail Lagoh, S.L.U.*	Leasing of property	Subsidiary	100	100	3	6,949	735	—	118,190	118,928	292,400	213,061	79,339	124,095
LE Retail Sagunto II, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(10)	(441)	—	1,522	1,084	960	796	183	1,264
LE Retail Vistahermosa, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,472	929	(575)	22,089	22,446	48,350	41,942	6,408	22,352
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	4	5	—	1,943	1,951	—	—	—	701
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(13)	(10)	—	1,758	1,751	—	—	—	1,760
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	189	180	—	87,717	87,900	96,400	92,410	3,990	88,308
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,064	1,064	(1,051)	35,034	35,050	42,550	32,013	10,537	35,036
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,429	1,429	(1,148)	33,666	33,950	32,610	30,049	2,561	33,722
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	480	51	—	12,937	12,991	11,240	10,530	—	12,787
LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(28)	(18)	—	6,559	6,544	—	—	—	5,517

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2020

			% of Participation		Thousands of Euros									
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	5,912	3,695	(3,321)	28,902	29,778	151,660	103,524	48,136	60,714
LE Retail Abadía, S.L.U.*	Leasing of property	Subsidiary	100	100	7,204	3,378	2,418	(2,294)	17,909	25,237	86,080	62,947	23,133	37,602
LE Retail Hipermercados I, S.L.U.	Leasing of property	Subsidiary	100	100	3	852	852	(820)	15,343	15,378	20,050	14,241	5,809	16,149
LE Retail Hipermercados II, S.L.U.	Leasing of property	Subsidiary	100	100	3	873	873	(770)	15,467	15,573	20,360	14,458	5,902	17,358
LE Retail Hipermercados III, S.L.U.	Leasing of property	Subsidiary	100	100	3	802	803	(699)	14,175	14,282	18,460	13,113	5,347	16,016
LE Retail Rivas, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,418	1,720	(1,580)	28,056	28,199	66,000	52,993	13,007	35,917
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(6)	(6)	—	963	961	—	—	—	984
					8,023	40,802	23,233	(19,618)	692,766	704,404	1,476,219	1,148,565	327,654	766,842

* Company audited by Deloitte, S.L.
All the companies are domiciled at Calle Rosario Pino 14-16, Madrid.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2020

(b) Joint venture

					% of Participation		Thousands of Euros						
Company	**Registered office**	**Activity**	**Auditor**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity**	**Carrying amount of investment**
Inmobiliaria Juan Bravo 3, S.L.	Rosario Pino 14-16, Madrid	Property development	Deloitte	Associate	50	50	1,483	2,004	558	—	123	2,164	1,082

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2019

(a) Subsidiaries

Company	Activity	Type of entity	% of Participation: Direct	Total	Thousands of Euros: Share capital	Operating profit	Profit/(loss)	Dividends	Other equity	Total net equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(44)	(24)	—	3,579	3,615	—	—	—	3,469
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	36	36	(32)	14,004	14,068	19,100	14,095	5,005	14,053
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	(1)	6	(5)	2,278	2,339	—	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	20,395	20,427	(15,079)	344	5,752	—	—	—	6,028
LE Retail As Termas, S.L.U.*	Leasing of property	Subsidiary	100	100	4	3,126	2,031	(1,828)	32,480	32,687	86,260	68,476	17,784	32,559
LE Logistic Alovera III y IV, S.L.U.	Acquisition and leasing of property	Subsidiary	100	100	4	10	14	(12)	646	652	—	—	—	651
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	169	177	(159)	2,969	2,991	—	—	—	2,974
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	9,279	2,683	(2,415)	135,742	136,014	345,566	271,495	74,071	129,398
LE Offices Joan Miró 21, S.L.U.*	Leasing of property	Subsidiary	100	100	4	(7)	1	(1)	798	802	—	—	—	803

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2019

			% of Participation		Thousands of Euros									
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Retail Vidanova Parc, S.L.U.*	Leasing of property	Subsidiary	100	100	4	2,151	1,217	(1,095)	28,433	28,559	55,000	45,854	9,146	30,194
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,675	423	(381)	23,079	23,124	110,900	70,364	40,536	33,543
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(6)	(84)	—	504	424	—	—	—	509
LE Retail Lagoh, S.L.U.*	Leasing of property	Subsidiary	100	100	3	930	(210)	—	115,665	115,458	312,000	214,639	97,361	121,360
LE Retail Sagunto II, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(16)	(16)	—	1,532	1,519	1,445	1,227	218	1,536
LE Retail Vistahermosa, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,408	867	(781)	21,490	21,579	50,500	42,238	8,262	21,907
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	1,377	1,246	—	697	1,946	—	—	—	701
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	—	6	(5)	1,758	1,762	—	—	—	1,760
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	39	39	(35)	82,980	82,987	102,063	86,699	15,364	83,570

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2019

			% of Participation		Thousands of Euros									
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,009	1,009	(908)	33,724	33,828	44,600	32,282	12,318	33,776
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	893	893	(804)	32,482	32,574	36,520	30,027	6,493	32,627
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	220	220	—	12,588	12,811	11,580	11,697	(117)	12,823
LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	9,029	8,058	—	(1,499)	6,562	—	—	—	5,516
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	5,731	3,538	—	26,958	30,998	166,890	105,234	61,656	59,170
LE Retail Abadía, S.L.U.*	Leasing of property	Subsidiary	100	100	7,204	3,258	2,298	(1,861)	16,926	24,567	87,520	63,850	23,670	36,849
LE Retail Hipermercados I, S.L.U.	Leasing of property	Subsidiary	100	100	3	674	674	(606)	14,808	14,879	18,580	14,241	4,339	15,615
LE Retail Hipermercados II, S.L.U.	Leasing of property	Subsidiary	100	100	3	679	679	(611)	14,936	15,007	18,440	14,458	3,982	16,827
LE Retail Hipermercados III, S.L.U.	Leasing of property	Subsidiary	100	100	3	615	615	(554)	13,684	13,748	17,100	13,113	3,987	15,524
LE Retail Rivas, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,372	1,697	(1,528)	27,361	27,533	67,500	51,903	15,597	35,313

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2019

			% of Participation		Thousands of Euros									
Company	**Activity**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity (a)**	**Market value (b)**	**Carrying amount (c)**	**Implicit capital gains (d=b-c)**	**Carrying amount of investment (e)**
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(14)	(14)	—	947	937	—	—	—	954
					8,023	64,987	48,506	(28,700)	661,893	689,722	1,551,564	1,151,892	399,672	752,336

* Company audited by Deloitte, S.L.
All the companies are domiciled at Calle Rosario Pino 14-16, Madrid.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2019

(b) Joint venture

					% of Participation		Thousands of Euros						
Company	**Registered office**	**Activity**	**Auditor**	**Type of entity**	**Direct**	**Total**	**Share capital**	**Operating profit**	**Profit/(loss)**	**Dividends**	**Other equity**	**Total net equity**	**Carrying amount of investment**
Inmobiliaria Juan Bravo 3, S.L.	Rosario Pino 14-16, Madrid	Property development	Deloitte	Associate	50	50	3,483	2,109	946	—	5,771	10,200	5,100

1 Position of the Company

1.1 Organisational structure and functional operation

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

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

Group companies, most of which are 100% owned by the Company, with the exception of Inmobiliaria Juan Bravo 3, S.L. (50%), carry out their activity with the following types of assets:

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

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

- Residential.

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

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

- On assets the company considers to be strategic assets, mainly commercial parks and shopping centres.

- Investment opportunities in mid-sized assets that offer great management possibilities, avoiding those segments where competition may be greater.

- Risk diversification, expanding throughout Spain mainly in shopping centre investments.

2 Development and business results

2.1 Introduction

At the 2020 reporting date, the Company's revenue amounted to EUR 28,838 thousand, which corresponded to returns from dividends received from investee companies, financial income from financing granted to same and returns from the disposal of equity instruments in accordance with their standing as holding companies.

The operating result before amortisations, provisions and interest (EBITDA, is calculated as the result of the operations, net of amortisation expenses) presents a positive result of EUR 26,442 thousand.

The negative financial result was EUR 5,403 thousand.

The Company's profit for the period amounts to EUR 20,211 thousand.

2.2 Other financial indicators

At 31 December 2020, the Company presents the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) EUR 103,588 thousand (EUR 43,926 thousand at 31 December 2019).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) 2.41 (2.32 at 31 December 2019).
- Solvency ratio (calculated as non-current liabilities and equity divided by non-current assets 1.14 (1.06 at 31 December 2019).

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

The ROE (“Return on Equity”), which measures the Company's rate of return divided by its equity, is 3.30% (it was 9.23% as of 31 December 2019). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity at 31 December 2020.

The ROA (“Return on Assets”), which measures the efficiency of the Company's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 2.26% (7,32% as of 31 December 2019). This is calculated as the quotient of the profit for the last 12 months and the Company's total assets at 31 December 2020.

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) regarding the calculation and determination of Alternative Performance Measures used by the Company's Management in taking financial and operational decisions, sections 5 and 8 of the "Full year report 2020”, which was published on the same date as these Financial Statements and explanatory notes, state how the EPRA (European Public Real Estate Association) indicators are calculated and defined.

2.3 Matters regarding the environment and personnel

Environment

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

Personnel

At 31 December 2020 the Company has 3 employees (2 men and 1 woman). Said employees are classified as Senior Management. In the 2020 period the Company has had no employees with a 33% or greater disability.

3 Liquidity and capital resources

3.1 Liquidez y recursos de capital

At 31 December 2020, the Company's financial debt amounted to EUR 243,192 thousand, of which EUR 33,607 thousand are recognized as short-term financial debt.
In this sense, Management and the Directors have drawn up cash flow projections, amidst uncertainty, estimating that the Group will have sufficient liquidity to cover these payments and continue to operate on a going-concern basis. Additionally, and despite the fact that there is still a year left for the maturity of the bonds, Management has begun a process aimed at raising financing through a new bond issue. The Directors consider that it will be completed successfully in 2021, thereby enabling them to prevent any future liquidity tensions.

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

- Credit lines and financing:

  - On 16 May 2020, the Company renewed the credit facility with Bankinter in the amount of EUR 30,000 thousand (the maximum amount thereof having been expanded by EUR 5,000 thousand since 2019). This amount may be drawn down up to the limit established at any time by virtue of cheques, transfer orders, account charges or any other order of payment accepted by Bankinter. The maturity date on which the amount drawn down must be fully repaid is 16 May 2021. Interest accrues quarterly and the interest rate is 12-month EURIBOR plus a 1.60% spread. A fee of 0.35% is charged on any drawdowns over the agreed amount. The fee for not withdrawing from the facility is 0.06% of the average balance that is not withdrawn and returned in the quarter. On 31 December 2020, EUR 29,940 thousand was drawn down.

  - On 26 October 2018 the Company formalised a funding line in the amount of EUR 70,000 thousand with the European Investment Bank ("EIB"). Said loan matures 7 years from the first withdrawal. On 04 May 2020 the entire amount of the loan was drawn down. Interest accrues biannually and the interest rate is 1.67%. Accrued interest totalled EUR 933 thousand, where EUR 185 thousand was outstanding as at 31 December 2020.

- Short-term borrowings from Group companies and associates:

  - On 01 April 2019, a liquidity facility was signed between the Company and Inmobiliaria Juan Bravo 3, S.L., whereby the Company can draw down a maximum amount of EUR 7,000 thousand, maturing on 31 March 2020. This liquidity facility yielded a fixed interest rate of 5.95% of the drawn capital payable on the due date.

    In 2020, the Company received EUR 1,021 thousand, as a credit from Inmobiliaria Juan Bravo 3, S.L. Likewise, in 2019, the Company received a total of EUR 3,100 thousand as a credit from Inmobiliaria Juan Bravo 3, S.L.

    On 27 March 2020, Inmobiliaria Juan Bravo 3, S.L. returned the shareholder contributions by offsetting the total amount of the liquidity facility drawn down by the Company, which was EUR 4,275 thousand. This offset was recorded as a decrease in the amount posted under "Investments in Group companies" and "Short-term borrowings from Group companies and associates".

  - In addition, current accounts were formalised with subsidiaries. The amounts of these accounts at 31 December 2020 totalled EUR 36,538 thousand (EUR 24,409 thousand at 31 December 2019). Said current accounts accrue fixed interest at a rate of 0.21% and any interest is payable yearly. The formalised contracts are tacitly renewed for one-year periods, unless express notification to the contrary is received.

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

The Company does not have any contractual obligations that imply an outflow of liquid resources at 31 December 2020 beyond those mentioned in point 3.1.

At 31 December 2020, the Company does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Company, the expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

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

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

5 Significant circumstances occurring after the close

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

6 Information on the foreseeable evolution of the Company

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

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

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

Based on available information and the current business plans, we believe that the Company will be in a position to continue making progress in 2020 and in subsequent years.

With the appropriate reservations given the current situation, we believe that the Group will be in a position to continue making progress in 2021 and in subsequent years.

7 COVID-19

7.1 Current situation

On Saturday 14 March 2020, when the state of alarm was first declared, the Company's subsidiaries activated its own temporary shutdown plan. Specific access routes to the stores that remained open were marked out to ensure the smoothest service possible for our customers and to make it quick, safe and convenient for them to shop for essentials. Close to a quarter of the commercial space in Lar España's shopping centres and retail parks remained open carrying out normal business activity.

Consequently, from 16 March 2020 the Company's subsidiaries' assets started to implement measures to prevent the spread of the virus, such as continuous disinfection and cleaning work, as well as controlling the number of people accessing the facilities and the entrances thereto.

The shopping centres and retail parks in the Company's subsidiaries' portfolio have been opened in line with the advance of the phases stipulated by the different autonomous regions, as decreed by the Spanish government.

In addition, Lar España's and the Lar Group's professionals have organised their teams to minimise the possibility of infection as far as possible, working from home. The teams involved have the tools, equipment and technology to fully carry out all day-to-day tasks and procedures.

The physical presence of employees in the different work centres (central offices and shopping centres) has been reduced to the absolute minimum, taking additional safety measures in these cases.

7.2 Management experience

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

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

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

From the declaration of the state of emergency until 31 December 2020, the SOCIMI (REIT) Lar España Real Estate reached case-by-case rental agreements in respect of high percentage of the gross lettable area in its centres. The Company's subsidiaries have managed each situation directly, without intermediaries, which has enabled it to reach agreements quickly, which are adapted to the specific needs of each tenant and activity. The agreements have largely been reached in conditions that represent a major compromise by both parties, strengthening relations with retailers and consolidating the term and stability of the agreements, as well as that of all the shopping centres and retail parks.

7.3 Business model and operational structure

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

The Company's subsidiaries' shopping centres boast an occupancy rate of more than 95%, operating at close to full capacity.

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

The operating profits of the investees are robust and recurrent. In 2020, recurring net profit amounted to Euros 53,700 thousand, mainly due to the linearisation of rent reductions granted, as contract modifications were made pursuant to the legal framework applicable to each investee. This represents a decline of 35% vis-à-vis the same period of the prior year.
Lar España has a solid, diversified and high-quality tenant base, enjoying a healthy and collaborative relationship with them all – now even more so given the present climate.

The top ten tenants account for 33.94% of its rental income, and more than 64% of all the leases signed with retailers have a remaining term beyond the year 2024.

The Company's subsidiaries' properties have a clear competitive edge in their catchment areas, generally offering more than 578,370 sqm of retail space and located in regions with an above average per capita income for Spain.

7.4 Commitment to retailers

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

As part of this commitment, Lar España has conducted an in-depth analysis to assess the situation of each and every tenant across its shopping centres and retail parks.

In addition, Royal Legislative Decree 15 published on 21 April 2020, also outlines specific conditions under which certain businesses may be granted rent deferrals during the state of emergency and the subsequent months following their reopening. This subsequent period shall not under any circumstances exceed four months, unless a prior agreement to the contrary is reached between both parties.

Meanwhile, service charges have been revised and adjusted as much as possible due to the current situation, in many cases achieving considerable reductions.

With these measures, Lar España has aims to ease the difficulties facing some of its tenants and allow them to reopen as soon as the restrictions on retail activity are lifted.

7.5 Consolidated financial position

The Company's subsidiaries' strong liquidity levels and financial autonomy afford it considerable economic resilience. This stands it in excellent stead to face scenarios such as this current one, having carried out stress tests that have produced satisfactory results on its annual business model. In overall LfL terms, given the percentage share that our Lagoh property in Seville and several other properties that were refurbished in 2019 hold in our portfolio, we would be able to considerably offset drops in rental income, since these properties are only operational for a couple of months or were partially closed during 2019.

With an average cost of 2.2%, 96% at fixed rate, and as well as no major lease expires in the next 12 months.

Lar España's robust cash position will enable it to meet all the Company's subsidiaries' expenses, including finance costs.

7.6 Financial and investment caution

The Company's subsidiaries have applied austerity measures to all of its ongoing activities, adapting its expenses to the new situation. The Company's subsidiaries have also reduced its CAPEX to a minimum and any decisions regarding existing projects will be taken once business starts to resume and will depend on the climate at that time. Nonetheless, all decisions will be made on the premise of achieving solid returns via effective management and value uplift across all of its assets.

7.7 Post state of alarm

The assets in Lar España's portfolio have been opened gradually since Monday 25 May 2020, being in conditions to ensure all the measures of health and hygiene, social distancing and communication that are required in this situation and the protocols established by the authorities.

In fact, the large-scale refurbishments and improvements carried out at our properties in recent years means they are now far better-equipped to meet these new requirements. The fact that all the shopping centres and retail parks in our portfolios are safe spaces also offers the additional Benefit of having large spaces that help avoid unnecessary crowding, retail units with sprawling shop floors, the best environmental and accessibility practices, cutting-edge technology and expert technical and private security personnel.

The Group has also drawn up an action plan to ensure an optimal reopening of its centres certified by the leading certification company SGS. The plan is broken down into two parts, the first part details general operational criteria and the second focuses on how the general criteria will be specifically applied in the centres. The aim is to define procedures which can be rolled out across all of its centres and that set out the main protocols for cleaning, security and maintenance in order to minimise the risks of infection and the spreading of COVID-19.

The points to be covered in the action plan that has already been implemented in the assets cover cleaning, security and maintenance, the distribution of car parks, the control of pedestrian entrances, opening times, transport, the concessions of space and the management of communal areas and the food courts, among others.

The main cleaning measures taken are:

Thorough cleaning of all areas of the centres

- Programme of disinfection using nebulisation for the entire shopping centre.
- Review of cleaning protocols of critical areas.
- Application of new techniques, machinery and cleaning products.
- Installation of different points with gel dispensers and sanitising modules.

More security

- Control of capacities in malls and stores.
- Communication with the main operators to coordinate opening and functioning protocols.
- Automatic control system of footfall (Shoppertrack) with an Alerting system.
- Queue management in stores.
- Management of panic situations.
- Marking of transit lanes to maintain safety distance.

Maintenance of facilities and protocols

- Review of maintenance and facility protocols.
- Management of works.
- Verification of safety and health studies and projects.

Car parks and pedestrian entrances

- Recommendation to use other places.
- Indication of number of open/closed entrances.
- Management of possible queues with horizontal vinyl screens placed on the floor at two metres to maintain social distance.

Control of visitor capacities

- Priority access for people with reduced mobility, the over-65s and families with children under 14 years of age.
- Presence of security at each entrance to control numbers.
- Gel dispensers and gloves at each entrance opened.

Ongoing communication with users

- QR code: It will be a component of the welcome and the basic source of information for consumers.
- Real-time communication of the capacity at each of our shopping centres.
- Vinyl screens at entrances.
- Digital screens and directories.
- Service personnel.
- Rules of use and safety.

Food court

In order to guarantee the use of food court areas, the terrace area that each operator may use has been defined, ensuring that the limitations on capacity are upheld at all times.

These actions have enabled the Company's subsidiaries to comply with prevailing legislation and at all times with the hygiene and social distancing measures.

8 R&D+i activities

Due to the inherent characteristics of the companies that make up the Company, and their activities and structure, the Company does not usually conduct any research, development and innovation initiatives.

9 Acquisition and disposal of treasury stock

On 28 February 2019 and 17 December 2019 marked the end of the share repurchase programs formalised between the Company and its liquidity supplier, said programs having a target of a maximum of 3,160,000 and 4,660,000 shares, respectively.

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

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

The average selling price of treasury shares was EUR 7.02 per share in 2020 (EUR 7.77 in 2019). The result at 31 December 2020 amounted to 6 thousand euros (16 thousand euros at 31 December 2019) was recorded under Other Reserves on the balance sheet.

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

At of 31 December 2020 the share price was EUR 4.67.

As of 31 December 2020, the Parent Company holds a total of 3,074,672 shares, representing 3.5% of total issued shares.

10 Other relevant information

10.1 Stock exchange information

The initial share price at the start of the year was EUR 7.10 and the nominal value at year end was EUR 4.67. During 2020, the average price per share was EUR 4.76.

The Company does not currently have a credit rating from the principal international rating agencies.

10.2 Dividend policy

On 17 March 2020, the General Shareholders' Meeting of the Parent Company approved the distribution of a dividend of EUR 55,000 thousand, at EUR 0.63 per share (taking into account all the shares issued) recognised in profit and loss in the 2019 financial year. Said dividend was paid on 16 April 2020. The amount distributed totaled EUR 54,094 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the General Shareholders' Meeting.

10.3 Average number of days payable outstanding to suppliers

The average number of days payable outstanding to suppliers is 30, complying with the maximum legal payment period applicable to the Company in the year 2020 according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July.

11 Annual Corporate Governance Report

To the effects of Article 538 of the Spanish Companies Act, it is stated for the record that the 2020 Annual Corporate Governance Report forms part of this Director's Report.

12 Events after the reporting period

On 23 February 2021, the Company sold 100% of the stakes in the aforesaid subsidiaries to Igcel Investments, S.L. for combined total of EUR 59,522 thousand.

On 30 January 2021 saw the publication of Royal Decree 1/2021 of 12 January 2021, modifying the General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007, the General Chart of Accounts for Small and Medium-Sized Enterprises approved by Royal Decree 1515/2007 of 16 November 2007, the Rules on the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010 of 17 September 2010, and the Rules adapting the General Chart of Accounts to Not-for-profit Entities approved by Royal Decree 1491/2011 of 24 October 2011. Moreover, 13 February 2021 saw the publication of the Spanish Accounting and Auditing Institute Resolution of 10 February 2021, issuing the rules on the registration, valuation and preparation of annual accounts for the recognition of income from the supply of goods and provision of services.

The rule changes apply to years commencing as from 1 January 2021, and focus on the criteria for the recognition, valuation and breakdown of income from the supply of goods and services, financial instruments, the recognition of hedging, the valuation of exchange traded commodities by the intermediaries trading such commodities and the definition of fair value.

With this in mind, individual annual accounts filed in respect of the first year commencing as from 1 January 2021 must include comparative information, albeit without any obligation to restate the information from the previous year. The comparative information will only be restated in the event that all of the criteria approved under the Royal Decree can be applied without incurring in retrospective bias, notwithstanding the exceptions set out in the transitional provisions.

In general terms, the rules apply retrospectively, albeit with alternative practical solutions. Nonetheless, the recognition of hedging is applied prospectively, the criteria governing the classification of financial instruments may be applied prospectively and the criteria concerning income from sales and provisions of services may be applied prospectively to contracts commencing as from 1 January 2021.

The company's directors are weighing up the transition options available and the accounting-related impacts of such modifications, although, at the date of preparation of these individual annual accounts, they do not yet have sufficient information to reach a conclusion on the results of this analysis.

In addition, we hereby state that the financial statements we have prepared have not been drawn up or presented in European Single Electronic Format (ESEF) in accordance with the content of the Delegated Regulation (EU) 2019/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, as we have opted to delay the application of this format provided for in the announcement published by the Spanish Institute of Accounting and Account Auditing (ICAC) on 12 February 2021, which is based on the agreement to amend said Directive by the European Parliament and of the Council, reached in December 2020, to allow quoted companies to delay the obligation to draw up and publish their annual financial reports pursuant to ESEF for one year.

Preparation of accounts and management report
for 2020 and statement of compliance of
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

At their meeting held on 23 February 2021, pursuant to the requirements of Article 253 of the Revised Spanish Companies Act and Article 37 of the Spanish Code of Commerce, the Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter the “Company” or “Lar España”) drew up the financial statements and management report for the period ended 31 December 2020. The financial statements are incorporated based on the adjoined documents that precede this writ and are labelled on the adjoined folios of ordinary paper. All of said folios have been endorsed by the Vice-Secretary of the Board of Directors and this last sheet has been signed by all the members of the Board of Directors.

According to the provisions of Royal Decree 1362/2007, of 19 October, (article 8.1 b) the undersigning directors of Lar España, hereby declare that:

To the best of their knowledge, the financial statement for the year ended 31 December 2020, prepared in accordance with applicable accounting principles, present fairly the equity, financial position and results of the Company and that the management report accompanying the financial statements includes a reliable analysis of the development and business results and position of the Company together with a description of the principal risks and uncertainties that it faces.

Signatories:

Mr José Luis del Valle Doblado (Chairman)	Mr José Luis del Valle Doblado (on behalf of Mr. Alec Emmott)
Mr Roger Maxwell Cooke	Ms Leticia Iglesias Herraiz
Mr Miguel Pereda Espeso	Mr José Luis del Valle Doblado (on behalf of Mr Laurent Luccioni)
Ms Isabel Aguilera Navarro	

*The Director Mr Laurent Luccioni and the Director Mr. Alec Emmott attended the meeting via videoconference and approved the financial statements. As such, the financial statements were drawn up and Mr José Luis del Valle Doblado was expressly authorised to sign the statements on behalf of Mr Luccioni and Mr Alec Emmott.

Madrid, 23 February 2021

ANNEX I FORM

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION DATA OF THE ISSUER

END DATE OF THE REFERENCE YEAR 31/12/2020

Tax Identification Number:
A-86918307

Corporate Name:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Registered office:

Rosario Pino 14-16, Madrid

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A OWNERSHIP STRUCTURE

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

Last modified on	Share capital (€)	Number of shares	Number of voting rights
20/12/2019	175,267,460	87,633,730	87,633,730

Comments

Please indicate whether there are any different types of shares with different associated rights:

Yes ☐ **No** X

Class	Number of shares	Unit name	Unit number of voting rights	Rights and obligations conferred by it

Comments

A.2 Detail the direct and indirect shareholders of significant shares at the end of the year, excluding Directors:

Name or corporate name of the shareholder	% of voting rights attributed to the shares		% of voting rights held via financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
ADAMSVILLE, S.L.	3.002	0.000	0.000	0.000	3.002
BLACKROCK INC.	0.000	3.069	0.610	0.000	3.679
BRANDES INVESTMENT PARTNERS, L.P.	0.000	5.048	0.000	0.000	5.048
GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.	10.000	0.000	0.000	0.000	10.000
PIMCO BRAVO FUND II, L.P.	0.000	20.044	0.000	0.000	20.044

SANTA LUCIA S.A. INSURANCE COMPANY	3.888	1.328	0.000	0.000	5.216

Comments

Details of the indirect holding:

Name or corporate name of the indirect holder	Name or corporate name of the direct holder	% of voting rights attributed to the shares	% of voting rights held via financial instruments	% of total voting rights
PIMCO BRAVO FUND II, L.P.	LVS II LUX XII, S.À.R.L.	20.044	0	20.044
SANTA LUCIA S.A. INSURANCE COMPANY	SANTA LUCIA ASSET MANAGEMENT, SGIIC, SA	0.996	0	0.996
	SANTA LUCIA VIDA Y PENSIONES, S.A. INSURANCE AND REINSURANCE COMPANY	0.128	0	0.128
	UNICORP VIDA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	0.115	0	0.115
	CAJA ESPAÑA VIDA Y COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	0.089	0	0.089

Comments

Indicate the most significant changes in the ownership structure in the year:

Name or corporate name of the shareholder	Transaction date	Description of the transaction
Adamsville, S.L.	22/07/2020	Purchase of shares above the "significant share" threshold in the company
Brandes Investment Partners, L.P.	10/11/2020	Purchase of shares

Franklin International Small Cap Growth Fund	09/03/2020	Sale of shares below the "significant share" threshold
Franklin Templeton Institutional, LLC	11/05/2020	Sale of shares below the "significant share" threshold

Most significant changes
In 2020, Lar España did not carry out any expansion or reduction transaction of share capital. However, in 2020 there was a change in shareholders with significant shares. • Adamsville, S.L. acquired a significant share of 3.002% on 22 July 2020. • Brandes Investment Partners, L.P. changed its share amount on several occasions over the year from 5.031% to 5.048% on 10 November 2020. • On the other hand, Franklin International Small Cap Growth Fund and Franklin Templeton Institutional, LLC sold voting rights until they crossed the threshold and reached participation quotas of 2.947% on 9 March 2020 and 2.952% on 11 May 2020, respectively.

A.3 Complete the following tables on the Board members, who hold voting rights on the Company's shares:

Name or corporate name of the Director	**% of voting rights attributed to the shares**		**% of voting rights held via financial instruments**		**% of total voting rights**	**% voting rights which may be transmitted through financial instruments**	
	Direct	**Indirect**	**Direct**	**Indirect**		**Direct**	**Indirect**
Mr José Luis del Valle	0.114	0.054			0.168		
Ms Isabel Aguilera	0.003				0.003		
Mr Alec Emmott	0.001				0.001		
Mr Roger M. Cooke	0.003				0.003		
Mr Miguel Pereda	0.034				0.034		
Ms Leticia Iglesias	0.000				0.000		

total % of voting rights held by the Board	0.209

Comments

Details of the indirect holding:

Name or corporate name of the Director	Name or corporate name of the direct holder	% of voting rights attributed to the shares	% of voting rights held via financial instruments	% of total voting rights	% voting rights which may be transmitted through financial instruments
José Luis del Valle	Eugemor, SICAV, S.A.	0.054		0.054	

Comments

A.4 Indicate, where applicable, relationships of a family, commercial, contractual or corporate nature that exist between the shareholders of significant shares, to the extent that they are known to the Company, unless they are of little relevance or result from ordinary course of trade, except those reported in section A.6:

Related name or corporate name	Type of relationship	Brief description
.		

A.5 Indicate, where applicable, commercial, contractual or corporate relationships that exist between the shareholders of significant shares, and the company or group, unless they are of little relevance or result from ordinary course of trade:

Related name or corporate name	Type of relationship	Brief description
LVS II LUX XII, S.A.R.L. (PIMCO)	Contractual "Subscription Agreement"	First offer rights in relation to certain opportunities for co-investment in tertiary and residential properties
GRUPO LAR INVERSIONES	Contractual "Investment Management Agreement"	Company management agreement

A.6 Describe the relationships, unless they are of little relevance to the two parties, that exist between the significant shareholders or represented in the Board and the Directors, or their representatives, in the case of legal Directors.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate the Directors who were appointed on behalf of significant shareholders, those whose appointment had been promoted by significant shareholders, or who were related to significant shareholders or entities of their group, specifying the nature of such relationship. In particular, mention will be made, where appropriate, of the existence, identity and position of members of the Board, or representatives of Directors of the listed company who are, in turn, Board members, or their representatives, in companies holding significant shares of the listed company or in entities of the group of those significant shareholders.

Name or corporate name of the related Director or representative	Name or corporate name of the significant related shareholder	Corporate name of the significant shareholder group company	Description of relationship/position
Miguel Pereda Espeso			Appointed proprietary Director on behalf of Grupo Lar Inversiones Inmobiliarias, S.A.
Laurent Luccioni			Appointed proprietary Director on behalf of PIMCO

Comments

A.7 Please indicate whether any partnerships that affect the Company have been communicated to the Company pursuant to sections 530 and 531 of the Corporate Enterprises Act [*Ley de Sociedades de Capital*]. If applicable, briefly describe and list the shareholders related to the agreement:

Yes ☐ **No** X

Interventions of the parasocial agreement	% of share capital affected	Brief description of the agreement	Expiration date of the concerted action if any

Comments

Please indicate whether the company is aware of the existence of concerted actions between its shareholders. If applicable, please briefly describe:

Yes ☐ **No** X

Persons engaging in concerted action	% of share capital affected	Brief description of the concerted action	Expiration date of the concerted action if any

Comments

If, in the course of the year, the aforementioned covenants or agreements or concerted actions have been modified or broken, expressly describe them here:

A.8 Please indicate whether any natural or legal person exercises or is able to exercise control over the Company in accordance with section 5 of the Securities Market Act [*Ley del Mercado de Valores*]. If applicable, identify it:

Yes ☐ **No** X

Name or corporate name

Comments

A.9 Complete the following tables on the Company's treasury stock:

At year-end date:

Number of direct shares	Number of indirect shares (*)	total % of share capital
3,074,672	0	3.508

Comments

(*) Via:

Name or corporate name of the direct holder of the holding	Number of direct shares
Total:	

Comments

Explain the significant changes during the year:

Explain significant changes
From 14 January 2020 until 31 December 2020, the Company, following its new Share Repurchase Program approved on 12 December 2019, pursuant to the authorisation granted at the General Shareholders Meeting on 29 May 2017 for the derivative acquisition of equity, acquired a total of 2,970,852 own shares increasing the total treasury stock to 3,074,672 shares, equivalent to 3.508% of the Company's capital. Significant changes include the transaction communicated on 27 February 2020, which exceeded the threshold of 1% and that of 25 September 2020, which exceeded the threshold of 3% of share capital.

A.10 Detail the terms and time limit of the current term of office from the shareholders meeting to the Board to issue, repurchase or transfer own shares.

According to section 5 (n) of the General Shareholders Meeting Regulations, it is the responsibility of the Board to authorise the acquisition of own shares.

At the General Shareholders Meeting held in May 2017, it was agreed to delegate to the Board of Directors, for a period of five years, the authorisation for the derivative acquisition of own shares according to the limits and requirements established in the Corporate Enterprises Act, expressly authorising it to reduce, where appropriate, the share capital by one or several times in order to amortise the acquired own shares. In 2020, the Board of Directors carried out the acquisition of own shares according to the authority delegated by the General Shareholders Meeting.

A.11 Estimated floating capital:

	%
Estimated Floating Capital	67.6

Comments

A.12 Please indicate whether there is any restriction (statutory, legislative or any kind) on the transferability of securities or any restriction on voting rights. In particular, the existence of any restrictions that may hinder the takeover of the Company through the acquisition of its shares in the market, as well as any prior authorisation or communication regimes that, on the acquisition or transfer of the Company's financial instruments, apply to it by sectoral legislation, will be notified.

Yes X **No** ☐

Description of restrictions
In paragraph 7.2.2 of the management agreement signed between Lar España Real Estate and Grupo Lar, the shares acquired by the manager due to the performance fee, have a lock up period of 3 years. Section 7 bis of Law 19/2003, of 4 July, on the legal regime governing capital movements and economic transactions abroad and on certain measures to prevent money laundering, on the suspension of the liberalisation regime for certain foreign direct investments in Spain; as amended by Royal Decree Law 8/2020, of 17 March; Royal Decree Law 11/2020, of 31 March and Royal Decree Law 34/2020, of 17 November also applies.

A.13 Please indicate whether the General Shareholders Meeting has resolved to take neutralisation measures against a public takeover bid pursuant to Law 6/2007.

Yes ☐ **No** X

If applicable, explain the measures approved and the terms under which the restrictions will be ineffective:

Explain the measures approved and the terms on which the ineffectiveness will occur

A.14 Please indicate whether the company has issued securities that are not traded on a regulated market in the European Union.

Yes ☐ **No** X

If applicable, indicate the various types of shares and, for each class of shares, the rights and obligations it grants.

Indicate the various types of shares

B GENERAL SHAREHOLDERS MEETING

B.1 Please indicate and, where applicable, detail whether there are differences with the floor regime envisaged in the Corporate Enterprises Act with respect to the quorum of incorporation of the General Shareholders Meeting.

Yes □ **No** X

	% of quorum other than that established in section 193 of the Corporate Enterprises Act for general cases	% of quorum other than that established in section 194 of the Corporate Enterprises Act for the special circumstances found in that section
Quorum required at 1st call		
Quorum required in 2nd call		

Description of differences

B.2 Please indicate, and where applicable, detail whether there are differences with the regime envisaged in the Corporate Enterprises Act to pass resolutions:

Yes □ **No** X

Describe the difference in the regime envisaged in the Corporate Enterprises Act.

	Enhanced majority other than that established in section 201.2 of the Corporate Enterprises Act for the cases in its section 194.1	Other cases of enhanced majority
% established by the entity for the passing of resolutions		

Describe the differences

B.3 Please indicate the rules applicable to the modification of the Company's Articles of Association. In particular, the majorities envisaged for amendment of the Articles of Association will be notified, as well as, where appropriate, the rules envisaged for the protection of the rights of the shareholders in the modification of the Articles of Association.

Section 17.2 of the General Shareholders Meeting Regulations applies as follows: *"In order for the ordinary or extraordinary General Shareholders Meeting to validly agree on the issue of debentures, the disapply or restrict pre-emptive rights of purchase of new shares, as well as the transformation, merger, division or global assignment of assets and liabilities, the liquidation of the Company, the transfer of registered office abroad and, in general, any modification of the Articles of Association, it*

will be necessary, at first call, the concurrence of shareholders, present or represented, who hold at least 50% of the subscribed capital with voting rights. In the second call, 25% of the aforementioned share capital will be sufficient, although, when shareholders represent less than 50% of the share capital subscribed with voting rights, the resolutions referred to in this paragraph may only be validly passed with the favourable vote of two thirds of the capital present or represented on the General Shareholders Meeting."

B.4 Please indicate the attendance data at the General Shareholders Meetings held in the year to which this report relates and those of the previous two years:

	Attendance data				
General Shareholders Meeting Date	**% of physical presence**	**% represented**	**% distance vote**		**Total**
			Electronic vote	**Other**	
19/04/2018	5.893	68.518	0.005	0	74.415
25/04/2019	12.829	64.000	0.005	0.278	77.111
17/03/2020	13.440	53.564	0.006	0.293	67.003
Of which Floating Capital:	0.047	32,844	0.006	0.293	33.190

Comments

B.5 Please indicate whether there was any agenda item at the General Shareholders Meetings held in the year that, for any reason, was not approved by the shareholders.

Yes ☐ **No** X

Not approved agenda items	**% against (*)**

(*) If the non-approval of the item is for reasons other than the vote against it, "n/a" will be explained in the part of the text and in the column of "% vote against."

B.6 Please indicate whether there is any statutory restriction that establishes a minimum number of actions necessary to attend the General Shareholders Meeting, or to vote at a distance:

Yes ☐ **No** X

Number of actions required to attend the General Shareholders Meeting	
Number of shares required to vote at a distance	

Comments

B.7 Please indicate whether it has been established that certain decisions, other than those established by Law, that involve the acquisition, disposal, transfer to another company of essential assets or other similar corporate transactions, must be submitted to the approval at the General Shareholders Meeting.

Yes ☐ **No** X

Explanation of the decisions to be submitted to the Board, other than those established by law

B.8 Please indicate the address and mode of access on the Company's website to information on corporate governance and other information about the General Shareholders Meetings to be made available to shareholders through the Company's website.

https://www.larespana.com/gobierno-corporativo/junta-general-ordinaria-2020/

C STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors provided for in the Articles of Association and the number established at the General Shareholders Meeting:

Maximum number of Directors	fifteen
Minimum number of Directors	five
Number of Directors fixed by the Board	seven

Comments

C.1.2 Complete the following table with the Board members:

Name or corporate name of the Director	Representative:	Director category	Board position	Date of first appointment	Date of last appointment	Election procedure	Date of Birth
Mr José Luis del Valle Doblado		Independent	Chairman	05/02/2014	17/03/2020	Re-Election to Board	29/04/1954
Mr Alec Emmott		Independent	Director	05/02/2014	17/03/2020	Re-Election to Board	16/12/1947
Mr Roger Maxwell Cooke		Independent	Director	05/02/2014	17/03/2020	Re-Election to Board	12/04/1958
Ms Isabel Aguilera Navarro		Independent	Director	29/05/2017	19/04/2018	Co-opting ratified by the Board	24/08/1960
Ms Leticia Iglesias Herraiz		Independent	Director	16/10/2018	25/04/2019	Co-opting ratified by the Board	12/06/1964
Mr Miguel Pereda Espeso		Proprietary	Director	05/02/2014	17/03/2020	Re-Election to Board	30/09/1963
Mr Laurent Luccioni		Proprietary	Director	29/05/2017	17/03/2020	Proportional representation	31/07/1971

Total number of Directors	7

Please indicate any redundancies, either by resignation or shareholder resolution, on the Board of Directors during the reporting period:

Name or corporate name of the Director	Category of Director at termination	Date of last appointment	Date of derecognition	Specialised committees of which he was a member	Please indicate whether the termination occurred prior to the end of the term of office

Cause of termination, when it occurred prior to the end of the term of office and other comments; information as to whether the Director has sent a letter to the other board members and, in the case of terminations of non-executive Directors, explanation or opinion of the Director who has been discontinued at the General Shareholders Meeting

C.1.3 Complete the following tables on board members and their different category:

EXECUTIVE DIRECTORS

Name or corporate name of the Director	Position in the Company's organisation chart	Profile

Total number of executive directors	
% of the total board	

Comments

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the Director	Name or name of the significant shareholder to whom he represents or has proposed his appointment	Profile
Mr Miguel Pereda	Grupo Lar Inversiones Inmobiliarias, S.A.	Mr Pereda has over 25-years' experience in the real estate sector. He is co-chair and shareholder of Grupo Lar Inversiones Inmobiliarias, S.A., and was previously Director General of Grupo Lar Grosvenor for 6 years. In 2015 he was appointed Eminent Member of the Royal

		Institution of Chartered Surveyors (RICS) in London. Currently, he is also President of Vilnius, S.A., a company of the Grosvenor Group, and president of the Altamira Lar Foundation. Mr Pereda holds a degree in Economic and Business Sciences from Complutense University, has an MBA from the Institute of Enterprise (IE), Breakthrough program for Senior Executives by IMD, Master's degree in tax advising from ICADE and real estate management program by Harvard University.
Mr Laurent Luccioni	LVS II LUX XII, S.A.R.L. (PIMCO)	Mr Luccioni has over 18-years' experience in the area of financial and investment services. Currently, he is Senior Advisor to PIMCO in Europe. Until the end of 2019, he served as managing Director and portfolio manager at PIMCO's London office, with responsibility for overseeing the European commercial real estate team. Prior to PIMCO, Mr Luccioni was Managing Director for Europe of MGPA, a private equity firm supported by Macquarie, and worked for Cherokee Investment Partners in London. Currently, Mr Luccioni is a Director of Carmila SAS. Mr Luccioni holds an MBA from Northwestern University Business School (Kellogg School of Management) and a PhD in civil and environmental engineering from the University of California, Berkeley.

Total number of proprietary Directors	2
% of the total board	28.57%

Comments

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of the Director	Profile
Mr José Luis del Valle	Mr José Luis del Valle has a broad track record in the banking and energy sector. From 1988 to 2002, he held various positions in Banco Santander, one of Spain's largest financial institutions. In 1999 he was appointed Director General and Chief Financial Officer of the bank (1999-2002). Subsequently, he was Director of Strategy and Development of Iberdrola, one of the main Spanish energy companies (2002-2008), Director General of Scottish Power (2007-2008), Director of Iberdrola Strategy and Studies (2008-2010) and Adviser to the Chairman of the wind turbine manufacturer Gamesa (2011-2012). At present he is Chairman of the Board of WiZink Bank, Director of the Insurer Group and Director of the Institute of Directors and Administrators. Mr José Luis del Valle is a Mining Engineer at the Polytechnic University (Madrid, Spain), number one of its promotion, and a Master of Nuclear Science and Nuclear Engineering at the Massachusetts Institute of Technology (Cambridge, USA.) He also holds an MBA with High Distinction at Harvard Business School (Boston, USA).
Ms Leticia Iglesias	Ms Leticia Iglesias has extensive experience in regulating and supervising securities markets and financial services. She started her career in 1987 in Arthur Andersen's Auditing Division. Between 1989 and 2007, she developed her professional career at the National Securities Market Commission (CNMV). From 2007 to 2013 she was Director General at the Spanish Institute of Chartered Accounts (ICJCE). Likewise, between 2013 and 2017, she was an independent Director of the Board of Banco Mare Nostrum (BMN), as well as a member of the Executive Committee, Chairman of the Global Risk Committee and a member of the Auditing Committee. In 2017 and 2018 she served as independent adviser in Abanca Servicios Financieros, EFC, as well as Chairperson of the Joint Audit and Risk Committee. Since May 2108 she has been a Board member of Abanca Corporación Bancaria, Chairperson of the Auditing and Compliance Committee and a member of the Integral Risk Commission. Since April 2019 she has been Independent Director and Chairperson of the AENA SME, S.A. Audit Commission and, on 22 October, she joined the ACERINOX S.A. Audit Commission as an Independent Director and member. Ms Iglesias holds a master’s degree in Economics and Business Administration from the Madrid Complutense University. She is a member of the Spanish Official Registry of Accounts (ROAC), Patrono de Fundacion PRODIS Special Employment Centre, as well as a Board member of the ICADE Business Club.
Mr Alec Emmott	Mr Alec Emmott has an extensive professional career in the listed and unlisted real estate sector in Europe and resides in Paris. He worked as Director General of Société Foncière Lyonnaise (SFL)

	between 1997 and 2007, and subsequently as executive adviser to SFL until 2012. He is currently Director of Europroperty Consulting, and since 2011 he has been Director of CeGeREAL S.A. (representing 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 holds an MA by Trinity College (Cambridge, UK).
Mr Roger Maxwell Cooke	Mr Roger M. Cooke is a professional with more than 30-years' experience in the real estate sector. In 1980, he joined the London office of Cushman & Wakefield, where he participated in the drafting of the valuation standards (Red Book). From 1995 to the end of 2013 he held the position of Director General of Cushman & Wakefield España, placing the company in a leading position in the sector. In 2017, Mr Cooke was decorated by Queen Isabel II with a MBE for his services to British companies in Spain and to Anglo-Spanish trade and investment. Mr Cooke holds a degree from Urban Estate Surveying by Trent Polytechnic University (Nottingham, United Kingdom) and is currently a member of the Royal Institution of Chartered Surveyors (FRICS). Until May 2016, he chaired the British Chamber of Commerce in Spain. Since September 2017, Mr Roger Maxwell has been Chairman of the Editorial Board of Iberian Property and since January 2020 he has been Chairman of RICS in Spain.
Ms Isabel Aguilera Navarro	Ms Isabel Aguilera has developed her professional career in various companies in diverse sectors and has been President of General Electric in Spain and Portugal, Director General of Google in Spain and Portugal, Chief Operating Officer of the NH Hoteles Group, and Director General of Dell Computer Corporation in Spain, Italy and Portugal. Likewise, she has been a part of the Board of various companies such as Indra Sistemas, Banco Mare Nostrum, Aegon España, Laureate Inc, Grupo Egasa and HPS (Hightech Payment Systems). At present, Ms Aguilera is adviser to Grupo Cemex, Banca Farmafactoring, Oryzon Genomics, Baviera Clinic and Making Science. Ms Aguilera has a degree in Architecture and Urbanism from the Higher Technical School of Architecture in Seville, has completed the master’s degree in Commercial and Marketing Directorate of the IE, the General Management Program of IESE and the Program for Upper Management of Leading Companies and Institutions of the San Telmo Institute. She is currently Associate Professor of ESADE and Consultant for Strategy and Innovation.

Total number of independent Directors	5
total % of the Board	71.43%

Comments

Please indicate whether any Director classified as independent receives from the Company, or from its Group, any amount or profit for an item other than Directors' remuneration, or maintains or has maintained during the last year a business relationship with the Company or any company of its Group, whether on her own behalf or as a significant shareholder, adviser or senior manager of an entity that has or has maintained such a relationship.

Where appropriate, a reasoned statement from the Board will be included in the reasons why it considers that the Director may perform her duties as an independent Director.

Name or corporate name of the Director	Description of the relationship	Reasoned declaration
Not applicable		

OTHER EXTERNAL DIRECTORS

The other external Directors will be identified and the reasons why they cannot be considered to be a proprietary or independent Directors; their relationships, whether with the company, its Directors or its shareholders, will be detailed:

Name or corporate name of the Director	Reasoning	Company, executive or shareholder with which it maintains the relationship	Profile

Total number of other external Directors	
total % of the Board	

Comments

Please indicate any changes that may have taken place during the period in the category of each Director:

Name or corporate name of the Director	Date of change	Previous category	category current

Comments

C.1.4 Complete the following table with the information regarding the number of Directors at the end of the last 4 years, as well as the category of such Directors:

	Number of female Directors				% of the total number of female Directors in each category			
	2020	**2019**	**2018**	**2017**	**2020**	**2019**	**2018**	**2017**
Female Executive Directors	0	0	0	0	0	0	0	0
Female Proprietary Directors	0	0	0	0	0	0	0	0
Female Independent Directors	2	2	2	1	40%	40%	40%	20%
Other female External Directors	0	0	0	0	0	0	0	0
Total:	2	2	2	1	29%	29%	29%	14%

Comments

C.1.5 Please indicate whether the Company has **diversity policies** in relation to the Company's Board with regard to issues such as age, gender, disability, vocational training and experience. Small and medium-sized entities, according to the definition in the Auditing Act, will have to report, at a minimum, the policy they have in place regarding gender diversity.

Yes X **No** ☐ **Partial policies**

If so**, describe these diversity policies,** its **objectives, measures and how they were implemented** and their **results** in the year. **Specific measures taken by the** Board should also be indicated and the **nomination and remuneration Committee** to achieve a balanced and diverse presence of Directors.

If the Company does not apply a diversity policy, explain why it does not.

Description of the policies, objectives, measures and how they were implemented and the results obtained
The Board of Lar España Real Estate SOCIMI is tasked, among other functions, to ensure that the selection procedures of its members favour the diversity of gender, age, experience and knowledge and do not suffer from implicit biases that may entail any discrimination and, in particular, that they facilitate the selection of Directors in a number that allows a balanced presence of women and men to be achieved. Within the context of this function, as well as section 5 of the Board Regulations, on 15 December 2020 the Board approved the updating and reform of many of the corporate rules and policies, including the Lar España Board of Directors' Selection, Appointment, Re-Election and Evaluation Policy in order to adapt it to the new wording of the Code of Good Governance (CGG), approved on 25 June 2020. The objective of this policy is to promote the diversity of experience and knowledge, training, age, disability and gender of the Board members of the Company.

To this end, consideration should be given to the selection process for candidates, the inclusion onto the Board of Directors with sufficient diversity of training, experience and knowledge, gender, age or disability, to meet the legal requirements and recommendations of good governance in relation to the composition and unique suitability to be met by the Board members and the various Internal Oversight Committees of the Board (Audit and Control Committee and Nomination and Remuneration Committee), so that their composition reflects a diverse set of views and experiences.

In particular, the Board of Directors of Lar España will promote the objective that the number of female Directors will represent at least 40% of the total Board members in 2022, while also ensuring cultural diversity and the presence of members with international knowledge and experience.

Efforts will be made to ensure that the Company has a significant number of female upper management positions.

To this end, the following measures were adapted, among others:

As mentioned above, the Board of Directors has adapted the Lar España Board of Directors' Selection, Appointment, Re-Election and Evaluation Policy to the new recommendations on diversity. At the proposal of the Nomination and Remuneration Committee, on 15 December 2020 the Board also approved a new version of the Nomination and Remuneration Committee Regulations, amending, for instance, section 5 as regards the role of the Committee in promoting and fostering diversity in consonance with new Recommendation 14 of the Code of Good Governance of June 2020 and likewise with section 540.4(c)(6) of the Corporate Enterprises Act.
The Nomination and Remuneration Committee has prepared a matrix of powers of the Board, summarising in a synthetic manner the various capacities that the Board deems most relevant to the management of the Company, pointing out the highlights of the profile of each of the Directors, concluding that the composition of the Board was appropriate and that no adjustment was therefore necessary. This matrix will be revised again for the next General Shareholders Meeting which will be held in March 2021.

Competency Matrix for the Board of Directors of Lar España December 2020

	Committee Post	Nationality	Sector: Real estate /Retail /Valuations	Technical sector: Architecture/ Urban planning/ Engineering	IT	Finance	Audits / Risks	International market	Other Boards	Investor / stakeholder knowledge	Team and talent management	ESG	Executive Management /CEO duties
Jose Luis del Valle (Chairman)	Non-executive-independent Chairman Member, AOC	Spanish		x		x	x	x	x	x		x	x
Leticia Iglesias	Independent director Chairwoman, AOC	Spanish				x	x	x	x	x	x		x
Isabel Aguilera	Independent director Member, AOC	Spanish		x	x	x		x	x		x		x
Roger Cooke	Independent director Chairman, ARC	British	x					x			x	x	x
Miguel Pereda	Nominee director Member, ARC	Spanish	x			x		x		x	x	x	x
Laurent Luccioni	Nominee director Member, ARC	French	x			x		x	x	x			x
Alec Emmott	Independent director Member, ARC	British	x					x	x	x		x	x

*This matrix very concisely sums up the areas of expertise the Board considers most pertinent to Company management and notes the most relevant aspects of each Director's profile. The matrix does not set out all the areas in which Board members are competent, only those areas previously defined as essential in which each Director can be considered expert.

C.1.6 Explain the **measures** that, where applicable, the **Nomination Committee** ensures the selection procedures do not suffer from implicit biases that hinder the selection of female Directors, and that the company deliberately seeks and includes among the potential candidates women who fulfil the desired professional profile and that a balanced presence of women and men can be achieved. Please also indicate whether these measures include encouraging the company to have a significant number of upper management:

Explanation of the measures
At the proposal of the Nomination and Remuneration Committee, the body tasked with promoting and advancing these aspects, the Board of Directors approved both the revisions to the Company's Nomination and Remuneration Committee Regulations and the revisions to Lar España's Director Selection, Appointment, Re-election, and Evaluation Policy and Board of Directors Diversity Policy. Furthermore, the initial revisions to the competency matrix were affected by the Committee.

If, in spite of any measures taken, the number of female Directors or upper management is low or zero, explain the reasons justifying it:

Explanation of the reasons

C.1.7 Explain the conclusions of the nomination committee on the verification of compliance with the policy aimed at favouring an appropriate composition of the Board.

The Nomination and Remuneration Committee verified compliance with the diversity policy of the Board, reaching the following conclusion:

- The Committee reviewed the necessary matrix of powers of the Board defining the skills and knowledge of the candidates for Directors, concluding that it was up to date and that therefore no adjustment was necessary.

- The Committee reviewed the categories of Director held by each of the Board members, concluding that the current categories remain fully in line with their circumstances.

- In the context of different proposals regarding the nomination of Company Board members to be members of other Boards of Directors, the Committee analysed the possible incompatibilities of several of its Directors and concluded that there was no conflict of interest or adverse effect on their dedication to their position in the Company.

C.1.8 Explain, where applicable, the reasons why the proprietary Directors were appointed at the request of shareholders whose shareholding is less than 3% of the capital:

Name or corporate name of the shareholder	Justification

Please indicate whether formal requests have not been complied with for presence on the Board from shareholders whose share holdings are equal to or greater than those of others who have been appointed proprietary Directors. If applicable, explain why:

Yes ☐ **No** X

Name or corporate name of the shareholder	Explanation:

C.1.9 If they exist, indicate the powers and powers delegated by the Board to Directors or board committees:

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

C.1.10 Identify, where appropriate, the Board members holding positions of Directors, Directors' representatives or Directors in other companies that are part of the group of the listed company:

Name or corporate name of the Director	Corporate name of the listed entity	Position	Does it have executive functions?
Mr Miguel Pereda	LE LOGISTIC ALOVERA I Y II, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL ALISAL, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL HIPER ALBACENTER, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE OFFICES ELOY GONZALO 27, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL AS TERMAS, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE LOGISTIC ALOVERA III Y IV, S.L.U.	Chairman of the Board	No

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

Mr Miguel Pereda	LE RETAIL HIPERMERCADOS I, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL HIPERMERCADOS II, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL HIPERMERCADOS III, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL RIVAS, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL CORDOBA SUR, S.L.U. (formerly GLOBAL PERGAMO, S.L.U.)	Chairman of the Board	No
Mr Miguel Pereda	INMOBILIARIA JUAN BRAVO 3, S.L.	Member of the Board	No
Mr Roger M. Cooke	INMOBILIARIA JUAN BRAVO 3, S.L.	Chairman of the Board	No

Comments

C.1.11 Detail, where applicable, the Directors or representatives of Directors of legal entities of their company, who are Board members or representatives of Directors, legal persons of other entities listed on regulated markets other than their group, which have been communicated to the company:

Name or corporate name of the Director	**Corporate name of the listed entity**	**Position**
Ms Isabel Aguilera	Oryzon Genomics, S.A.	Independent Director
	Banca Famafactoring, S.p.A	Non-Executive Director
	Cemex, S.A.B	Independent Director
	Clinica Baviera, S.A.	Independent Director
Mr Alec Emmott	CeGeREAL, S.A. (representing Europroperty Consulting)	Proprietary Director
Mr Laurent Luccioni	Carmila	Independent Director
Ms Leticia Iglesias	ABANCA Corporación Bancaria, S.A.	Independent Director
	AENA SME, S.A.	Independent Director
	ACERINOX, S.A.	Independent external Director

Comments

C.1.12 Indicate and, where applicable, explain whether the company has established rules on the maximum number of company boards of which its Directors may be part, indicated where it is regulated, where applicable:

Yes X **No** ☐

Explanation of the rules and identification of the document where they are regulated
Under section 19.4 of the Board Regulations, Directors of the Company may hold positions on up to a maximum of four Boards of Directors of other companies listed on official secondary markets (other than the Company) in Spain or abroad.

C.1.13 Please indicate the amounts of the items relating to the overall remuneration of the Board:

Remuneration accrued in the year to the Board of Directors (thousands of euros)	479
Amount of accrued pension rights of former Directors (thousands of euros)	0
Amount of accrued pension rights of former Directors (thousands of euros)	0

Comments

C.1.14 Identify the upper management members who are not executive Directors and indicate the total remuneration accrued to them during the year:

Name or corporate name	Position(s)
Mr JON ARMENTIA MENDAZA	CORPORATE DIRECTOR AND CFO
Ms SUSANA GUERRERO TREVIJANO	LEGAL DIRECTOR AND VICE SECRETARY OF THE BOARD
Mr HERNAN SAN PEDRO LOPEZ DE URIBE	DIRECTOR OF INVESTOR RELATIONS

Number of women in upper management	1
Percentage of upper management	33.33

Total upper management remuneration (thousands of euros)	412

Comments

C.1.15 Please indicate whether any changes to the Board Regulations have taken place during the year:

Yes X **No**

Description of Changes
On 15 December 2020 the Board of LAR ESPAÑA approved a series of amendments to the Board Regulations, to bring it into line with the partial revision of the Code of Good Governance of Listed Companies, approved by the Board of the National Securities Market Commission of 25 June 2020. These Recommendations concern mainly the corporate policies that the Company must have (communication policy, contacts and involvement with shareholders, institutional investors and voting advisers, economic-financial, non-financial and corporate information communication policy, diversity policy of the Board and the selection of Directors and sustainability policy in environmental and social matters), which were also revised; certain forecasts related to the termination and resignation of Directors, the composition of the Audit and Control Committee; and the powers of the Audit and Control Committees and Nomination and Remuneration Committee. At that same meeting, the Board further approved a firm commitment to submit the amendments to the corporate Articles of Association and the Board Regulations to the Ordinary General Shareholders Meeting so as to be in compliance with the Transitional Provision of Circular 1/2020 concerning the Code. Likewise, within the context of these changes, certain express unamended Code of Good Governance Recommendations in June 2020 were completed or introduced, with which the Company currently complies (Recommendations 12, 21, 34 and 35 of the CGG). Specifically, certain systematic improvements are incorporated, including coordination with the Company's other corporate texts, and some technical details are included, such as: (i) Article 4.2 expressly provides that the Board Regulations will be available on the Company's website; (ii) Article 5.2 establishes the separation of strategic and supervisory functions that correspond to the Board and those of the ordinary management of the executive line, and also introduces the reference to the Group; (iii) The functions of the Board are supplemented by those provided for in section 249 bis (a), (f), (j), (i) of the Corporate Enterprises Act; (iv) Section 17.4 states that, in the event of a tie, the Chairman of the Board will have a casting vote, in coordination with the current article 39.2 of the Articles of Association, including the definition of the absolute majority; (v) With regard to the minutes of the Board, it is envisaged that they may be signed using recognised electronic signatures or advanced electronic signatures, which may be partially approved when necessary and that the proposed minutes may be submitted by the Secretary or the Vice Secretary for approval by means of remote communication (article17); (vi) Under article 19.4 of the Board Regulations, Directors of the Company may hold positions on up to a maximum of four Boards of Directors of other companies listed on "official secondary markets" (other than the Company) “in Spain or abroad”. (vii) As to the duties of the Directors, given their importance, the duties of diligence and loyalty legally established are separated into two sections (articles 28 and 28 bis, respectively); and (viii) The reference to the "relevant fact" in article 40.1 is deleted, supplemented by the references to "inside information" and "other relevant information," according to the

new information communication procedure with issuers authorised by the CNMV since 8 February 2020.

C.1.16 Indicate the procedures to select, appoint, re-elect, and remove of Directors. Detail the competent bodies, the procedures to be followed and the criteria to be used in each of the procedures.

The Board of Lar España Real Estate SOCIMI is tasked, among other functions, to ensure that the selection procedures of its members favour the diversity of gender, age, experience and knowledge and do not suffer from implicit biases that may entail any discrimination and, in particular, that they facilitate the selection of Directors in a number that allows a balanced presence of women and men to be achieved. Within the context of this duty as well as that established in Recommendation 14 of the Code of Good Governance the Lar España Board of Directors approved at its meeting on 26 January 2016 the Selection, Appointment, Re-Election, Evaluation and Removal Policy of the Directors of the Company, which was amended at its meeting on 20 December 2018 as the Selection, Appointment, Re-Election and Assessment Policy of the Directors and Diversity of the Board of Lar España (the "Policy") and this time has been amended and approved at the Board meeting on 15 December 2020, which pursues the following objectives:

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

In the selection procedures for Directors, the Board of Directors, the Nomination and Remuneration Committee and other bodies responsible for the selection of candidates will take into account at least the following requirements:

Appropriateness of Directors*:* The Directors of Lar España must at all times meet the conditions of suitability provided for in the regulations applicable at all times, and in particular:

- Trade and professional honesty: It entails commercial and professional reputations in those who have been showing personal, commercial and professional conduct that does not cast doubt on their ability to perform sound and prudent management of the company. In the negative sense, it is understood that there is no good corporate or professional character, among others, in:

i. those who, in Spain or abroad, have been declared bankrupt without having rectified the situation;

ii. those who have criminal records for misrepresentation, against the Public Treasury, punishable insolvency, breach of trust in the custody of documents, breach of secrets, money laundering, embezzlement of public funds, discovery and disclosure of secrets, against ownership; or

iii. those who are disqualified or suspended, criminally or administratively, to hold public office or to administer or direct financial entities.

- Proper knowledge and experience: The Board of Lar España must consist of persons of recognised professional standing with appropriate knowledge and experience. However, it will not be necessary for all Directors to have the same level of knowledge and experience, provided that the Board of Directors, as a whole, brings together an appropriate combination of both factors.

Applicants will be considered to have adequate knowledge if they have::

i. a bachelor's degree or equivalent, preferably in any speciality related to the economy, administration and management of companies or finance; or

ii. any other bachelor's degree or equivalent, they certify specialised training through masters, postgraduate studies or training courses given by specialised centres recognised as such officially, in any of the aforementioned subjects; or

iii. any bachelor's degree or equivalent, they assumed for a period of at least five years managerial functions in other prestigious companies, preferably in the real estate sector.

Applicants will be considered to have adequate experience if they have:

i. have served in any entity with an activity, totally or partially, under the supervision of the National Securities Market Commission, for a minimum of three years; or

ii. have performed for at least three years, functions of administration or upper management or complexity equivalent to that of the Company, in any entity, Spanish or foreign, of recognised prestige, preferably in the real estate sector.

Notwithstanding the foregoing descriptions, the Board of Directors and the Nomination and Remuneration Committee may assess other types of different nominations or profiles that may be of interest to the Company at any time, expressly stating this and their justification in the corporate documents prepared within the framework of the selection process.

-**Disposed to exercise good governance:** Directors of Lar España must carry out their position and comply with the duties imposed by law and the Articles of Association with the due skill and care expected of a professional, taking into account the nature of the position and the duties assigned to each of them. In particular, it will assess:

i. the ability of the candidate to devote the time and effort necessary to execute the post effectively, while respecting in any case the maximum number of positions established in the Company's internal regulations at all times.

ii. the presence of potential conflicts of interest arising from professional experience and positions performed in the past or in the present by the candidate or, where applicable, any kind of personal, professional or economic relationship with other significant Directors or shareholders of the Company or of companies of its Group.

-Commitment to the performance of the Directors' duties and obligations:

Proposals for re-election of Board members will assess the commitment shown by the Director during his term of office with the Company and with the performance of his duties as Director. In particular:

i. Directors must have the dedication required and take the necessary measures to ensure adequate management and control of the Company.

ii. In carrying out their duties, Directors have the right to request and obtain from the Company the appropriate and necessary information to comply with their obligations.

iii. The Directors must devote sufficient time to informing themselves, knowing the reality of the Company and the evolution of their business and participating in the Board meetings and the Committees of which they are part.

iv. Directors must inform the rest of the Board of any direct or indirect conflict of interest that they or persons related to them may have with the Company's interest.

Promoting Diversity: The selection of the candidates proposed as Directors of the Company should also take into account the composition of the Board and its Committees as a whole, based on their functions and also on the characteristics of the Company and its Group.

The procedure for selecting and appointing Directors will be carried out through the following four points:

1. <u>The proposal:</u>

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

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

ii. establish a target for representation of the gender least represented on the Board and prepare guidelines to achieve that target;

2. <u>Presentation of the nomination:</u>

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

i. Applicant identification details:

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

- Legal persons: photocopy of their deed of incorporation, consolidated text of their current Articles of Association; email address and contact telephones.

ii. Their knowledge of the Company's Articles of Association and internal regulations, as well as the acceptance of its terms.

iii. Their appropriate knowledge and experience for the performance of the post, evaluating their curriculum or other documentation that the candidate may provide.

iv. Their willingness to exercise good governance of the Company, and the Committee may request a declaration from the candidate.

v. Concurrence of commercial and professional honour in the candidate in the terms of this Policy.

3. <u>Evaluation of candidacy:</u>

After the information is received, and where applicable, a period of 7 working days of correction or clarification has lapsed, within a period of 7 working days, the Nomination and Remuneration Committee will issue its reasoned proposal, in the case of independent Directors, or supporting report in the case of Directors of other categories, as follows:

i. If, in the opinion of the Nomination and Remuneration Committee, the candidate proposed meets sufficient conditions of suitability, it will submit a proposal for a favourable resolution accompanied by a copy of the information received to the Board of Directors.

ii. If the Nomination and Remuneration Committee finds: (a) reasonable doubts as to whether the proposed candidate fulfils all the suitability requirements envisaged; (b) the appointment of the proposed candidate may entail a material impairment of the knowledge and experience of the Board members as a whole; or (c) that the proposed candidate does not meet one or more of the requirements established in the applicable Policy or legislation for consideration as appropriate, it will submit to the Board of Directors a report setting out, on a reasoned basis, the circumstances that it deems to be uncertain as to the suitability of the candidate or determine an unfavourable assessment, accompanied by a copy of the information received.

4. <u>Appointment</u>

Once analysed within 30 working days, proposals for the appointment of independent Directors, or favourable reports in the case of Directors of other categories, of the Nomination and Remuneration Committee, the Board of Directors will raise the corresponding proposals for submission to the decision of the General Shareholders Meeting.

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

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

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

5. <u>The ongoing evaluation:</u>

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

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

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

ii. Timely assessment of special situations:

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

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

C.1.17 Please explain to what extent the Board's annual evaluation has led to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of Changes
As a result of the Board' self-assessment process carried out in 2020 in respect of 2019, and in response to best corporate governance practices, to the CNMV recommendations contained in point 3 of section Three of the Technical Guide 1/2019, to the general requests of the stakeholders and, as envisaged in section 5.d. of the new Nomination and Remuneration Committee Regulation, the Board approved at the meeting held on 17 September 2020 The Assessment Report of the Board and its Committees, and is working on the implementation of the 2020 and 2021 action plan. The action plan includes the following measures being put in practice and implemented by the Board: 1. Revisions to the succession plan 2. Revisions to the crisis protocols 3. Improvement of the Training Plan for Board members 4. Adaptation to the new Governance Code and the ESG recommendations 5. Improvement of the time taken to make the various Committees' documents available to the Board of Directors

6. Convening Audit and Control Committee meetings further in advance of Board meetings In relation to the Training Plan, the Nomination and Remuneration Committee agreed to propose to the Board a new Training Plan for 2020 and 2021. The Board decided at its meeting held on 15 December 2020 to approve the proposals for amendments to the Board Regulations, the Audit and Control Committee Regulations and the Appointment and Remunerations Committee Regulations, as well as its supporting documentation. On the other hand, it approved the proposal to amend the Information, Communication, Contacts and Implication Policy with Shareholders, Institutional Investors and Voting Advisers and other Interest Groups, the Selection, Appointment, Re-election and Evaluation of Directors and Diversity of the Board, the Corporate Governance Policy, and the Sustainability Policy, as well as its supporting documentation, and expressed the intention to prepare the proposals that it deems appropriate to submit to the 2021 General Shareholders Meeting in relation to the Company's compliance with the recommendations of the Code of Good Governance amended in June 2020.

Describe the evaluation process and the areas evaluated by the Board assisted, where appropriate, by an external consultant, with respect to the functioning and composition of the Board and its Committees and any other area or aspect that has been evaluated.

Description evaluation process and areas evaluated
The section 18 of the Board Regulations establishes that the Board will evaluate its performance once a year and, where appropriate, on a proposal from the Nomination and Remuneration Committee, pass an action plan that corrects the deficiencies identified with respect to: 1. The quality and efficiency of the Board 2. The operation and composition of its committees. 3. Diversity in the composition and powers of the Board 4. The performance of the Chairman of the Board and of the first executive of the company, where applicable 5. The performance and contribution of each Director, with particular attention to the various chairmen of the Board committees. In addition, in section 18 (3) of the Board Regulations, it is indicated that every three years the Board will be assisted in carrying out such an evaluation by an external consultant. Since in 2019 the Board was assisted by Georgeson, S.L. in its 2018 accounting year evaluation process, the participation of an external consultant was not considered necessary for the 2020 evaluation process on the 2019 accounting year. The self-assessment carried out in 2020 in 2019 focused on the following areas: (i) the structure of the corporate governance model, (ii) the functioning of the Board, (iii) corporate governance practices, (iv) the performance of the Chairman of the Board, (v) the performance

of the Secretary of the Board and (vi) the composition, quality and efficiency of the functioning of the Audit and Control Committee and the Nomination and Remuneration Committee.

Regarding the methodology used, the President of the Board lead the evaluation process of the Board, its members and Committees with the collaboration of the Secretary and the Vice Secretary in part of the process to ensure their objectivity and confidentiality.

First, each member replied to a questionnaire prepared by Georgeson, in the context of the evaluation of the previous year and for the purpose of being used in future evaluations, with questions regarding the various areas mentioned in the previous point. Once the replies were received, consolidated and analysed, they were provided to the Nomination and Remuneration Committee for the drafting of the report, which was subsequently revised and approved by the full Board. The main conclusions of the 2019 evaluation process are (i) that there is a good functioning and effectiveness of all governing bodies and roles in LAR España, (ii) that there have been significant improvements in the implementation of the action plan contained in the 2018 evaluation report, (iii) that there is a shared feeling that the Board and its Committees have worked efficiently during 2019, and (iv) the unanimous perception that the role and performance of their functions by the Chairman must be highlighted.

With regard to the action plan, the Board approved a plan for 2020 and 2021 which, as discussed in the previous section, is being suitably implemented.

C.1.18 Breakdown, in those years in which the assessment was assisted by an external consultant, of the business relationships that the consultant or any company of his group has with the company or any company of his group.

N/A

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

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

a. When they discontinue in the executive positions to which their appointment as Director is associated.
b. If any of the cases of legal or statutory incompatibility or prohibition are deemed to be ineffective.
c. When they are severely reprimanded by the Board for violating their duties as Directors.
d. When their stay on the Board may jeopardise or impair the Company's interest, credit or reputation or when the reasons for which they were appointed disappear (for example, when a proprietary Director disposes of his participation in the Company or significantly reduces it as indicated in the following section e.)
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 to whom they represent fully sells their shareholder interest or significantly reduces it and, (ii) when the shareholder reduces its shareholder interest to a level that requires a reduction in the number of proprietary Directors.

C.1.20 Are super-majorities, other than legal ones, required in any kind of decision?:

Yes □ **No** X

If applicable, describe the differences.

Description of differences

C.1.21 Please explain whether there are any specific requirements, other than those relating to Directors, to be appointed Chairman of the Board.

Yes □ **No** X

Description of the requirements

C.1.22 Please indicate whether the Articles of Association or Board regulations limit the age of Directors:

Yes □ **No** X

	Age limit
Chairman	
Managing Director	
Director	

Comments

C.1.23 Please indicate whether the Board's statutes or regulations establish a limited mandate or other stricter requirements outside of those legally envisaged for independent Directors:

Yes □ **No** X

Additional requirements or maximum number of mandate years	

C.1.24 Please indicate whether the Articles of Association or Board Regulations establish specific rules for the delegation of the vote to the Board of Directors in favour of other Directors, how to do so and, in particular, the maximum number of delegations a Director may have, as well as whether any limits have been established as to the categories in which it is possible to delegate, beyond the limitations imposed by law. If applicable, please detail these rules briefly.

Section 17 of the Board Regulations establishes that representation will be given in writing, necessarily in favour of another Director, and in particular for each session, communicating it to the Chairman of the Board by any means that may prove its receipt.

In addition, pursuant to section 39 of the Articles of Association, non-executive Directors may only delegate their representation to another non-executive Director.

C.1.25 Please indicate the number of meetings held by the Board during the year. Also, indicate, where appropriate, the number of times that the Board has met without the attendance of its Chairman. In the calculation of this, representatives attending with specific instructions will be considered attendance.

Number of Board Meetings	11
Number of Board meetings without the attendance of the Chairman	0

Comments

Indicate the number of meetings held by the Coordinating Director with the other Directors, without the attendance or representation of any Executive Director:

Number of meetings	

Comments

Please indicate the number of meetings held by the various board committees in the year:

Number of meetings of the Executive Board	
Number of audit committee meetings	10
Number of meetings of the Nomination and Remuneration Committee	9
Number of meetings of the Nomination Committee	
Number of meetings of the Remuneration Committee	
Number of committee meetings ______	

Comments

C.1.26 Please indicate the number of meetings held by the Board during the year and the data regarding the attendance of its members:

Number of meetings attended by at least 80% of Directors	11
% of physical attendance over total votes in the year	98.70%
Number of meetings with the attendance, or representations made with specific instructions, of all Directors	11
% of votes cast with physical attendance and representatives attending with specific instructions, on the total number of votes in the year	100%

Comments

C.1.27 Please indicate whether the individual and consolidated annual accounts submitted to the Board for preparation have been previously certified:

Yes ☐ **No** X

Identify, where applicable, the person(s) who has/have certified the Company's individual and consolidated annual accounts for preparation by the Board:

Name	Position

Comments

C.1.28 Explain any the mechanisms established by the Board to ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting legislation.

Section 14 of the Board Regulations on the *Audit and Control Committee. Composition, competences and operation*, establishes that, notwithstanding any other tasks that may be assigned to it at any time by the Board, the Audit and Control Committee will perform a number of core functions, including:

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

- Ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting legislation. However, in cases where the auditor of the financial statements has included in his audit report any caveats, the Chairman of the Audit and Control Committee will clearly explain in the General Shareholders Meeting the opinion of the Committee on its content and scope. Likewise, a summary of this opinion will be made available to shareholders at the time of publication of the call of the General Shareholders Meeting.

- Inform the Board of Directors, in advance, of the financial information and the management report, which will include, where appropriate, the mandatory non-financial information that the Company is required to publish periodically. The Audit and Control Committee should ensure that the half-yearly financial reports and interim management statements are prepared under the same accounting criteria as the annual accounts and, to this end, consider the appropriateness of a limited review of the half-yearly financial reports by the external auditor.

2. With regard to internal control and reporting systems:

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

C.1.29 Does the Secretary of the Board have the status of Director?

Yes ☐ **No** X

If the Secretary does not have the status of Director, complete the following table:

Name or corporate name of the shareholder:	Representative:
Juan Gómez-Acebo Saénz de Heredia	

Comments

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

Section 5 of the Audit and Control Committee Regulations, based on its last amendment of 15 December 2020, provides that, notwithstanding any other tasks that may be assigned to it at any time by the Board, the Audit and Control Committee will perform, among others, the following core functions in relation to the external auditor:

iv. Prior to the audit report, issue an annual report expressing an opinion as to whether the independence of auditors of accounts or audit firms is compromised, which will be made available to shareholders and investors through the Company's website sufficiently in advance of the convening of the General Shareholders Meeting. In any case, this report must contain the reasoned assessment of each and every one of the additional services mentioned in the preceding letter, taken individually and as a whole, other than legal audit services, and in connection with the rules on independence or with the regulations governing the activity of accounts auditing.

v. Preserve the independence of the external auditor in the performance of his duties and, to this end: (i) supervise the Company's disclosure through the National Securities Market Commission of the change of auditor and attach a statement to it regarding the possible existence of disagreements with the outgoing auditor and, if any, their content; (ii) ensure that the Company and the auditor comply with the current rules on the provision of non-audit services and, in general, with the other rules established to ensure the independence of the auditors; and (iii) that, in the event of the resignation of the external auditor, they examine the circumstances that gave rise to it.

vii. Ensure that the remuneration of the external auditor for his work does not compromise his quality or independence.

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

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

In particular, the Auditing Act and paragraph 4(f) of section 529 *quaterdecins* of the Corporate Enterprises Act require the Audit Committee to issue annually, prior to the audit report, a report setting out an opinion on the independence of the auditors.

In accordance with the above, the Commission received the letter of independence from the external auditor (Deloitte) dated 13 February 2020, where the external auditor deemed that everything reviewed in the audit process was compliant, errors were not detected and there was good collaboration with the Company, with the Commission concluding that there were no objective reasons to question the independence of the auditor in 2019.

Likewise, based on 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 concluded that there are no objective reasons to question the independence of the auditor in 2020.

Likewise, the Audit and Control Committee has carried out and prepared the proposal of external auditor fees for the 2020 financial year.

In accordance with the above, the Commission has reasonably concluded that:

i. In its own work in 2020, the auditor acted in accordance with the applicable independence standards under current audit regulations.

ii. No aspects have been identified that call into question compliance with the regulations for the activity of the external auditor with regard to the Company and its independence.

iii. The auditor's turnover does not represent a significant percentage of the financial income of the aforementioned auditor for the purposes of the Auditing Act [*Ley de Auditoría*].

iv. The fees have been reasonably justified, and they are not considered to exceed the reasonable market prices they apply to them, nor have any risks been assessed from the perspective of the Auditor's independence and the maximum percentages envisaged in the regulations.

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

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

C.1.31 Please indicate whether the Company changed its external auditor during the year. If applicable, identify the incoming and outgoing auditor:

Yes ☐ **No** X

Outgoing Auditor	Incoming Auditor

Comments

If there were disagreements with the outgoing auditor, explain their content:

Yes ☐ **No** X

Explanation of disagreements

C.1.32 Please indicate whether the audit firm performs any other work for the company or its group other than the audit group and, if so, declare the amount of the fees received for such work and the percentage that the above amount entails over the fees charged for audit work to the company or its group:

Yes X **No** ☐

	Company	Group companies	Total
Amount of work other than audit work (thousands of euros)	**11.5**	**52.5**	**64.0**
Amount of work other than audit work/Amount of audit work (%)	**6%**	**39%**	**20%**

Comments

C.1.33 Please indicate whether the audit report on the annual accounts for the previous year is valid. If applicable, indicate the reasons given to the shareholders in the General Shareholders Meeting by the Chairman of the audit committee to explain the content and scope of these caveats.

Yes ☐ **No** X

Explanation of the reasons and direct link to the document made available to the shareholders at the time of the call in relation to this matter

C.1.34 Indicate the number of years that the current audit firm has continuously performed by auditing the company's individual or consolidated annual accounts. Also indicate the percentage representing the number of years audited by the current audit firm on the total number of years in which the annual accounts were audited:

	Individual	Consolidated
Number of uninterrupted years	7	7

	Individual	Consolidated
Number of years audited by the current audit firm/Number of years the company or its group has been audited (%)	100	100

Comments

C.1.35 Please indicate and, where applicable, detail whether there is a procedure to allow Directors to have the information necessary to prepare the meetings of the management bodies in sufficient time:

Yes X **No**

Detail the procedure
Paragraphs 3 and 4 of section 16 of the Board Regulations state: 3. The Board meeting will be convened by the Secretary of the Board or by whoever, with the authorisation of its Chairman, by any means that can prove its receipt. The meeting notice will be issued at least five days in advance. The meeting notice will always include the agenda for the meeting and will be accompanied by the duly prepared and summarised relevant information. 4. The Chairman of the Board may call extraordinary sessions of the Board when, in his opinion, the circumstances so warrant, without applying in such cases the period of notice and the other requirements indicated in the preceding section. Notwithstanding the foregoing, care will be taken to ensure that the documentation that, where appropriate, must be provided to the Directors is provided sufficiently in advance. In addition, section 11, regarding the Secretary and Assistant Counsel of the Board, specifies that the Registrar should be responsible, in particular, for providing the Directors with the advice and information necessary for the performance of their duties sufficiently in advance and in the appropriate format. Lastly, section 25 establishes that: 1. The Director may request information on any matter within the competence of the Board and, in this regard, examine its books, records, documents and other documentation. The right of information extends to subsidiary companies in any case, and to investees, whenever possible. 2. The request for information should be addressed to the Secretary of the Board, who will send it to the Chairman of the Board and to the appropriate contact person in the Company. 3. The Registrar will notify the Director of the confidentiality of the information he requests and receives and of his duty of confidentiality in accordance with these Rules. 4. The Chairman may refuse the information if he considers: (i) it is not essential for the full performance of the functions entrusted to the Director or (ii) that its cost is unreasonable in view of the importance of the problem and the Company's assets and income.

C.1.36 Please indicate and, where applicable, detail whether the Company has established rules requiring Directors to report and, where applicable, to resign when situations affect them, whether or not related to their performance in the Company itself that may harm the Company's credit and reputation:

Yes X **No**

Explain the rules
Along with other provisions, Section 36 of the Board Regulations was amended on 15 December 2020 to bring its wording into line with the new Code of Good Governance of June 2020 and states that: 1. The Director will inform the Board of Directors of its shares that he owns directly or indirectly through related persons referred to in section 31 of this Regulation, in accordance with the Company's Internal Rules of Conduct on the Company's Securities Markets. 2. The Director must also inform the Board of Directors of the positions he holds on the Board of Directors of other companies, whether listed or not, as well as of the other remunerated activities he performs, whatever their nature and, in general, of the events, circumstances or situations that may be relevant to his performance as Director of the Company in accordance with this Regulation. 3. Likewise, any Director must inform the Board of Directors when there are situations that affect him, whether or not related to his performance in the Company itself, that may harm the Company's credit and reputation and, in particular, they must inform the Board of any criminal cases in which they appear as investigated, as well as of their procedural vicissitudes. The Board, having been informed or otherwise aware of any of the situations mentioned in the preceding paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, after the report of the Nomination and Remuneration Committee, whether or not to take any action, among others, to open an internal investigation, request the resignation of the Director or propose his termination to the General Shareholders Meeting. This will be reported in the annual corporate governance report, unless there are special circumstances that justify it, which will be recorded in the minutes. This is without prejudice to the information that the Company must disseminate, if appropriate, at the time of the passing of the corresponding measures. Likewise, section 23.2.d. of the aforementioned Regulation establishes that Directors must make their position available to the Board of Directors and formalise, if it deems it appropriate, the corresponding resignation when their stay in the Board may jeopardise or prejudice the interests, credit or reputation of the Company or when the reasons for which they were appointed disappear.

C.1.37 Please indicate, unless there were special circumstances that were recorded in the minutes, whether the Board has been informed or otherwise known of any situation affecting a Director, whether or not related to his performance in the company itself, which may harm the company's credit and reputation:

Yes **No** X

Name of Director	Nature of the situation	Comments

If so, please indicate whether the Board of Directors has examined the case. If the answer is yes, please explain in a reasoned manner whether, in the light of the specific circumstances, you have taken any action, such as opening an internal investigation, requesting the resignation of the Director or proposing his termination.

Please also indicate whether the Board's decision has included a report from the Nomination Committee.

Yes ☐ **No** ☐

Decision taken/action taken	Reasoned explanation

C.1.38 Please provide details of the significant agreements that the Company has entered into and that enter into force, are amended or concluded in the event of a change of control of the Company following a public takeover bid and their effects.

N/A

C.1.39 Identify individually, when referring to Directors, and in aggregate in all other cases and detail the agreements between the company and its management and management positions or employees that provide compensation, warranty or protection clauses, when these resign or are wrongly dismissed or if the contractual relationship ends on the occasion of a public takeover bid or other transactions.

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

Please indicate whether, beyond the cases envisaged by the law, these contracts must be communicated or approved by the company's or its group bodies. If positive, specify the procedures, assumptions envisaged and the nature of the bodies responsible for their approval or for making the communication:

	Board	General Shareholders Meeting
Body authorising clauses		

	YES	NO
Is the General Shareholders Meeting informed of the clauses?		

Comments

C.2 Board of Directors' Committees

C.2.1 Detail all the Boards of Directors, their members and the proportion of executive, proprietary, independent and other external Directors comprising them:

EXECUTIVE COMMITTEE

Name	Position	Category

% of executive Directors	
% of proprietary Directors	
% of independent Directors	
% of other external Directors	

Comments

Explain the functions that this committee has delegated or assigned other than those that have already been described in section C.1.9, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how each of the functions assigned to it has been exercised in practice, whether in law, in Articles of Association or in other corporate resolutions.

As of this date, Lar España has not formed any Executive Committee.

AUDIT COMMITTEE

Name	Position	Category
Ms Leticia Iglesias Herraiz	Chairman	Independent
Mr José Luis del Valle Doblado	Member	Independent
Ms Isabel Aguilera Navarro	Member	Independent
Mr Juan Gómez-Acebo Saénz de Heredia	Secretary	Non-Director

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

Comments

Explain the functions, including, where appropriate, those additional to those legally envisaged, that this committee has, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how each of the functions assigned to it has been exercised in practice, whether in law or in Articles of Association or in other resolutions.

Functions

In accordance with section 42.2 of the Company's Articles of Association, section 14.3 of the Board Regulations and section 5.1 of the Regulations of the Audit and Control Committee, and notwithstanding any other tasks that may be assigned to it at any time by the Board, the Audit and Control Committee will perform the following basic functions:

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

1. Inform the General Shareholders Meeting regarding issues raised in relation to matters for which the committee is responsible and, in particular, regarding the results of the Audit, explaining how it has contributed to the integrity of the financial information and the function that the committee has carried out in that process.

2. Supervise the process of preparing and presenting the mandatory financial information and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity.

3. Ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting law.

4. Inform the Board of Directors, in advance, of the financial information and the management report, which will include, where appropriate, the mandatory non-financial information that the Company is required to publish periodically.

With regard to the internal control and reporting systems:

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

of accounting criteria and, in particular, to know, understand and monitor the effectiveness of the internal control system for financial information (SCIIF, by its initials in Spanish).

2. Regularly monitor the effectiveness of the Company's internal control and its Group, as well as the Company's internal audit activity, discussing, together with the auditors of the accounts, the significant weaknesses of the internal control system identified in conducting the audit, concluding on the level of confidence and reliability of the system, all without impairing its independence.

3. Generally ensure that policies and systems established in the field of internal control are effectively applied in practice.

4. Supervise the unit that assumes the internal audit function, which will ensure the proper functioning of the internal information and control systems and will report functionally to the Chairman of the Audit and Control Committee.

5. Establish and supervise a mechanism that allows employees and other persons related to the Company, such as the boards, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting, or any other nature, related to the Company that they warn within the Company or its Group, receiving regular information on its operation and being able to propose appropriate actions for its improvement and the reduction of the risk of future irregularities.

In relation to the external auditor:

1. 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 applicable law, as well as the conditions of his recruitment

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

3. Establish appropriate relations with the auditors of the financial statements to receive information on matters that may pose a threat to their independence, in particular any discrepancies that may arise between the auditor of the accounts and the management of the Company, for consideration by the Audit and Control Committee, and any other matters related to the process of carrying out the audit of the financial statements and, where applicable, the authorisation of services other than those prohibited, in accordance with applicable law, as well as any other communications provided for in the audit legislation and other auditing standards.

4. Prior to the audit report, issue an annual report expressing an opinion as to whether the independence of auditors of accounts or audit firms is compromised, which will be made available to shareholders and investors through the Company's website sufficiently in advance of the convening of the General Shareholders Meeting.

5. Preserve the independence of the external auditor in the performance of his duties.

6. In the case of groups, encourage the group auditor to assume responsibility for the audits of the companies comprising it.

7. Ensure that the remuneration of the external auditor for his work does not compromise his quality or independence.

8. Ensure that the external auditor meets annually with the Board of Directors to inform it of the work performed and of the evolution of the Company's accounting and risk situation.

9. Make a final assessment of the auditor's performance and how it contributed to the quality of the audit and the integrity of the financial information.

In relation to the supervision of risk management and control:

1. Monitor and evaluate the effectiveness of the financial and non-financial risk control and management systems related to the Company and, where applicable, the Group.

2. Monitor the internal risk control and management function.

3. In relation to risk policy and management, identify or determine at least: (i) the various types of risk that the Company faces; (ii) a risk control and management model based on different levels; (iii) the level of risk that the Company considers acceptable; (iv) the measures envisaged to mitigate the impact of the risks identified, should they materialise; and (v) the information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

4. Reassess, at least once per year, the most significant financial and non-financial risk list and assess its tolerance level, proposing its adjustment to the Board of Directors, where applicable.

5. At least once per year, hold a meeting with senior managers of business units explaining business trends and associated risks.

In relation to the Company's own obligations:

1. Inform the Board of Directors of: (a) The creation or acquisition of shares in special-purpose entities or domiciled in countries or territories that have the status of tax havens, as well as any other transactions or transactions of a similar nature that, due to their complexity, could impair the transparency of the group. (b) The economic conditions and the accounting impact and, where applicable, the exchange rate, the operations of structural and corporate changes envisaged by the Company. (c) The amendment of the internal rules of conduct.

2. Report the related transactions to be approved at the General Shareholders Meeting or Board of Directors.

In relation to the oversight of the Company's corporate governance policies and rules, as well as of the Company's internal codes of conduct:

1. Monitor compliance with the Company's legal requirements, internal corporate governance regulations and internal codes of conduct, while ensuring that corporate culture is aligned with its purpose and values.

2. Periodically review the Company's internal corporate governance regulations and propose to the Board of Directors, for approval or elevation to the General Shareholders Meeting, as appropriate, any changes and updates that contribute to its continuous development and improvement.

3. Promote the Company’s corporate governance strategy, as well as regular evaluation of the adequacy of the Company's corporate governance system, to ensure that it fulfils its mission of promoting the corporate interest and consider, as applicable, the legitimate interests of the rest of the stakeholders;

4. Monitor the implementation of the general policy on the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, voting advisers and other interest groups.

5. Understand, promote, guide and supervise the Company's performance in relation to corporate reputation and to inform the Board of Directors or, where appropriate, its Executive Committee.

6. Report, prior to its approval, the Company's annual corporate governance report, seeking the reports of the Nomination and Remuneration Committee in relation to the sections of that report that are within the scope of its competence.

Other functions of the Committee:

1. Supervise the calculation of the fees received by the Management Company in the performance of its duties.

2. Appoint and supervise the services of the external auditors in relation to the valuation of the Company's assets.

Operation:

In accordance with section 42 of the Articles of Association in relation to section 14 of the Board Regulations, and expanded by the Audit and Control Committee Regulations:

The Audit and Control Committee will meet regularly on a quarterly basis to review the regular financial information to be sent to the supervisory authorities, as well as the information that the Board of Directors will approve and include in its annual public documents. It will also meet at the request of any of its members and whenever it is convened by its Chairman, who will do so whenever the Board or its Chairman requests the issuance of a report or the passing of proposals and, in any case, whenever it is appropriate for the proper conduct of its functions.

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

The Committee will draw up minutes of its meetings, from which copies will be sent to all the Board members.

The Audit and Control Committee will prepare an annual action plan that covers the main activities of the year.

The Audit and Control Committee will prepare an annual report on its operation, which will serve as the basis for the evaluation to be prepared by the Board, highlighting the main events that have arisen, if any, in relation to its functions.

In addition, when the Audit and Control Committee deems it appropriate, it will include in that report proposals to improve the Company's governing rules. The Audit and Control Committee's report will be available to shareholders and investors through the website well in advance of the convening of the General Shareholders Meeting.

The Audit and Control Committee may call any of the members of the Company's management team or staff, including calling them to appear without any other Directors present. The called parties will be obliged to attend the meetings of the Audit and Control Committee and to cooperate and give access to the information at their disposal.

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

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

Activities

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

• Revision of regular financial information:

As in the previous year, in 2020 the Committee monitored the process of preparation and the integrity of the financial information, including any adjustments it deemed appropriate to the quarterly and half-yearly documentation, both individually and consolidated, that the Board of Directors must provide to the market and submit to the CNMV pursuant to its regular reporting obligations as a listed company.

Likewise, given the exceptional situation created in 2020 as a result of the COVID-19 pandemic, and based on the measures taken by the Government in the context of the state of alarm and other exceptional regulations, the Committee has been considering the possible advisability of taking advantage of the extended terms provided by the Government and has been monitoring matters continuously, for instance, the situation of employees, providers, and customers, the hygienic and health measures implemented at the Company's premises, the contract renegotiation strategy and its accounting repercussions, cash-flow projections, and compliance with financial covenants, etc.
In this regard, the Committee has reviewed compliance with the regulatory requirements, the appropriate description of the scope of consolidation and the correct application of the accounting criteria in the regular financial information, all within the legally established deadlines for this purpose, approving the financial information prior to its submission to the Board of Directors for approval before making it public, with particular attention in this year to the measures taken by the Company within the context of the crisis brought about by the COVID-19 pandemic.

Within the context of this review, the Committee analysed and discussed the prospects for the future and has regularly received information from the external auditor and the internal auditor on the conclusions of its review regarding the financial information, in addition to continuously monitoring the financial information published on the Company's website.

Finally, the Committee was informed of the receipt by the Company of an information injunction by the CNMV, within the context of its regular activity of regular review of the listed entities, concerning the financial information submitted by Lar España, and has reviewed the response submitted by the Company.

• Revision of the annual accounts:

In order to prevent the individual and consolidated annual accounts prepared by the Board from being presented to the General Shareholders Meeting with caveats in the audit report prior to that formulation, the Audit and Control Committee performed, among others, the following tasks:

- ✓ Review of the individual and consolidated annual accounts.

- ✓ Monitor compliance with legal requirements and the correct application of generally accepted accounting principles and, in general, the regulatory financial reporting framework applicable to the company.

- ✓ Review the regular financial information to be provided by the Board to the markets and their supervisory 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 has notified the Board of Directors favourably prior to the preparation of the Company's individual and consolidated annual accounts for the year ended 31 December 2019 and the management report, which incorporates the Annual Corporate Governance Report. It also agreed to propose to the Board to apply the profit/loss for the year ended 31 December 2019.

In this regard, it is noted that the audit reports of the individual and consolidated annual accounts of Lar España for the year ended 31 December 2019 did not present any caveats.

Likewise, it is not envisaged that the audit reports with respect of the individual and consolidated annual accounts of Lar España for the year ended 31 December 2020 will be qualified, with two relevant aspects being highlighted, such as the new European electronic format (ESEF) and the last recommendations of ESMA that affect the need for special clarity and transparency in financial reporting.

On the other hand, both the Company's internal auditor and the external auditors expressly stated that they were able to perform their work with complete freedom and collaboration from Lar España without any limitation.

2. **<u>With regard to internal control and reporting systems:</u>**

• Internal audit oversight:

The Audit and Control Committee of Lar España during 2020 performed the functions related to the Company's internal audit, which were attributed to it in the Board Regulation, mainly the following: (i) ensure the independence and effectiveness of internal audits; (ii) receive regular information on its activities; and (iii) verify that upper management takes into account the conclusions and recommendations of its reports.

Likewise, the Committee approved the guidance and its work plan, ensuring that its activity was focused mainly on the Company's relevant risks, which in 2020 have been especially marked by the impact of the Covid-19 pandemic, and hence the Internal Auditor has been instructed to take special care to follow-up of aspects connected with this situation. In particular, it reviewed the work carried out in 2020 by confirming that all the functions entrusted to it were fulfilled and approved the audit plan by 2021, stressing the importance of affecting the proper documentation of all the review and oversight activities carried out.

In this regard, the Company's internal audit has regularly informed the Committee of its activities. In particular, the Committee has been regularly informed, among others, of: the evolution of the implementation 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, the work carried out in the auditing of Information Technology (IT) and Cybersecurity services, the operation of the whistle-blowing channel, the review of the updating of the crime prevention model and the monitoring of crime prevention and money-laundering (also informing the Chairman of the Committee of the conclusions of the Ethics Committee in this regard).

Likewise, after presenting the conclusions by the internal auditor, the Committee has agreed to submit to the Board of Directors the report by Rubí Blanc Lawyers, as an external expert, on money-laundering.

Finally, the Audit and Control Committee, based on the self-assessment proposal prepared by the internal auditor, has evaluated the functioning of the internal audit and the performance of its head, declaring its agreement with the evaluation of the internal auditor and resolving to inform the Board of such.

• Monitoring of the information systems and internal control systems:

In 2020, in relation to the Company's SCIIF, the Audit and Control Committee analysed and monitored the effectiveness of internal control systems and was informed by the internal auditor at various meetings about the progress of the review process. Likewise, within the context of the audit, the external auditor informed the Committee that no significant weaknesses were identified.

In the framework of the ongoing review and updating of the Company's internal regulations, the Committee also approved, for instance, the new version of the Company's SCIIF Manual.

3. **<u>In relation to the oversight of the relations and independence of the external auditor:</u>**

• Proposed re-election of the external auditor:

The Audit and Control Committee analysed the advisability of proposing to the Board of Directors, for subsequent submission to the General Shareholders Meeting, the re-election of the Company's external auditor for 2020, resolving to propose to the Board of Directors the renewal of the external auditor (Deloitte) for a period of one year.

• Supervision of external audit relationships and activities:

The Audit and Control Committee has monitored relations with the external auditors and their fees for 2020, as well as compliance with the current audit agreement, receiving regular information, among others, from the audit plan for 2020, ensuring that the opinion on the annual accounts and the main contents of the audit report are clearly and accurately drafted. In this regard, the Chairman of the Committee met on several occasions with the external auditors (in addition to the management team and the internal auditor) to review the approach of their work, the issues related to their independence and the fees paid to the external auditor.

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

As regards to the foregoing, 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 audit activity and has not undermined the effectiveness with which the audit was performed.

• Supervision of the independence of the external audit:

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

In particular, the Auditing Act and section 4(f) of section 529 *quaterdecins* of the Corporate Enterprises Act require the Audit Commission, prior to the audit report, to issue an annual report setting out an opinion on the independence of the auditors.

In accordance with the above, the Committee received the letter of independence from the external auditor (Deloitte) dated 13 February 2020, where the external auditor deemed that everything reviewed in the audit process was compliant, errors were not detected and there was good collaboration with the Company, with the Committee concluding that there were no objective reasons to question the independence of the auditor in 2019.

Likewise, 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 concluded that there are no objective reasons to question the independence of the auditor in 2020.

The Audit and Control Committee verified the fees paid by the various Group companies to the external auditor in 2020.

The Audit and Control Committee also analysed and approved the proposal for external auditor fees for 2020.

4. <u>In relation to the supervision of risk management and control:</u>

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

In this regard, the Audit and Control Committee has received regular reports on the internal auditor's conclusions regarding the functioning of risk management. In particular, the Committee has revised and approved the new financial and non-financial risk map, after explaining the changes in the Company's priority risks. The external auditor also informed the Committee of the main risk aspects for the Company that were being examined, agreeing on which risks should be identified as priorities for inclusion in the IAGC.

The Committee also analysed at various meetings the measures taken or proposed by the Government in the context of the state of alarm and the exceptional situation arising from the COVID-19 pandemic and its involvement in the Company. Among other issues, the Committee has continuously monitored the sanitary hygiene measures taken on in the Company's assets, certified by a certifying company, the strategy for renegotiation of contracts and their accounting effects, cash forecasts and compliance with financial covenants.

5. <u>In relation to the Company's corporate governance obligations:</u>

• Supervision of compliance with corporate governance regulations:

The Committee has reviewed and reported favourably on the Annual Corporate Governance Report for 2019, which, in accordance with section 538 of the Corporate Enterprises Act, must be included in a separate section in the Management Report accompanying the Annual Accounts.

Likewise, the Audit and Control Committee, after its review and subsequent debate on it, has approved the Committee's operating report for 2019, which includes the Committee's report on the auditor's independence and information on the related transactions, resolving to send it to the Board for approval and subsequent publication at the Ordinary General Shareholders Meeting.

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

The Committee further reviewed the summary report of the Evaluation of the Board and its Committees during 2019 and approved that report as concerns the Committee and monitoring of the proposed action plan for 2020 and 2021.

To this end, among other matters, the Commission has resolved that, when the financial information of the Company must be reviewed, when setting the annual meetings schedule, the meetings of the Committee will be held further in advance of the Board Meetings.

• Revision of the Company Corporate and Policy Regulations:

On 26 June 2020, the CNMV approved the partial revision of the CGG, updating various CGG recommendations while adapting some of them to various legal changes approved since their publication, also clarifying the scope of certain recommendations.

In line with this, Circular 1/2020, of 6 October, of the CNMV was approved, which amends the models of Annual Corporate Governance Report and Annual Report on Remuneration of Directors, whose transitional provision establishes that, notwithstanding their de facto compliance, companies must adapt, before the end of 2020, internal corporate texts, policies and procedures, where appropriate, to the new wording of the CGG recommendations in order to comply with the recommendations modified in the 2020 Annual Corporate Governance Report.

In this regard, in order to always be at the forefront of corporate governance best practices and to complete the adaptation to the new CGG, the Lar España Audit and Control Committee, on the basis of the drafts circulated prior to the meeting and after having been informed by the Company's Legal Director of the main aspects of the reform, has analysed the proposals to modify: (i) the Audit and Control Committee Regulations; (ii) the Board Regulations; (iii) Corporate Governance Policy; (iv) the Company's Information, Communication, Contacts and Involvement Policy with Shareholders, Institutional Investors, Voting Advisers and Other Interest Groups; and (v) the Company's Sustainability Policy, as well as the Joint Memorandum of these proposals, resolving to report favourably and submit to the Board for final approval the proposals to amend the aforementioned Regulations and Policies.

6. <u>In relation to the listed Companies' obligations:</u>

• Related transactions:

After analysing and discussing the proposal, the Committee resolved to inform the Board favourably of the proposal to hire Gentalia, a subsidiary of Grupo Lar, which provides services as Property Manager to the Company to be the equity manager of the supermarket portfolio, as well as the proposal to hire the Company to provide certain technical services, after having reviewed and agreed with the information submitted by the internal auditor. It also analysed and revised the Company's property losses, including Gentalia, in the context of the situation created as a result of the COVID-19 pandemic, resolving to report favourably and submit it to the Board for approval.

• Share buyback 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 has been informed of the main terms of the development of the share repurchase program launched by the Company, the current situation and the proposal of the finance team for the future. After analysing the liquidity position of the Company, the Committee has positively informed the proposed share buyback program for its elevation to the Board.

7. Other functions of the Committee:

• Measurement of the Company's assets:

In accordance with the Articles of Association, the Board Regulations and the Committee's Regulations, the Audit and Control Committee reviewed - on the basis of a previous submission 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 valuators appointed by the Company for that purpose (Jones Lang LaSalle and Cushman & Wakefield). In this regard, the Chairman of the Committee met on several occasions with the external auditors, the management team and the internal auditor to analyse the valuation of the Company's assets.

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

• Other:

The Committee assessed various alternative versions of the Company's business plan based on the possible investments made, the market and Company circumstances, particularly taking into account the uncertainty and economic forecasts arising from the crisis caused by the COVID-19 pandemic.

On the other hand, with the collaboration of the external auditor in the audit process, the Committee reviewed the internal auditor and the Corporate and Financial Director, and approved at various meetings the fees of the Manager, confirming that they fully complied with the Investment Manager Agreement, resolving to inform the Board about it. Likewise, as progress has been made, it analysed and revised the fees for 2020 for the Company's suppliers that provide services such as Property repair in the context of the situation created as a result of the COVID-19 pandemic, resolving to report favourably on the proposal and submit it to the Board for approval.

On the other hand, the Audit and Control Committee has taken note of certain issues related to the financing of the Company. The Committee has also been informed and has shown its agreement with regard to the conditions of the insurance policies for 2021.

In addition, the Committee was informed of the Company's various proposed dividend distribution options and resolved to forward the dividend distribution proposal to the Board for approval.

Likewise, the Committee has regularly 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 met on several occasions with the external auditors, in addition to the management team and the internal auditor, to analyse and assess the risk of the Company related to meeting the requirements of the SOCIMI regime in 2020. Likewise, the Company's Legal Director informed the members of the Committee of the main characteristics of the various regulations approved by the State and Autonomous Governments within the context of the pandemic with a direct impact on commercial leases and, among others, Royal Decree Law 15/2020, Royal Decree Law 35/2020 and Decree Law 34/2020, and their possible impact on the Company.

On the other hand, the members of the Committee reviewed the actions carried out by the Committee in 2020, confirming that all the actions that the Law, the Regulations (external and internal) and the recommendations of corporate governance of the CNMV entrust to the audit committees have been complied with and carried out.

Lastly, the Committee approved the Committee's annual business plan for 2021, which includes the annual calendar of meetings, and the main activities of the Committee during the year in performing its functions.

Identify the appointed Directors of the Audit Board, taking into account their knowledge and experience in accounting, auditing or both, and report on the date of appointment of the Chairman of the Audit Board in office.

Names of experienced Directors	Ms Leticia Iglesias Herráiz Mr José Luis del Valle
Date of appointment	16/10/2018

Comments
Ms Leticia Iglesias was appointed for her knowledge of auditing matters and of other fields. Mr José Luis del Valle was re-elected for his knowledge of financial, auditing, and risk matters and of other fields.

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Category
Mr Roger Maxwell Cooke	Chairman	Independent Director
Mr Alec Emmott	Member	Independent Director
Mr Miguel Pereda Espeso	Member	Proprietary Director
Mr Laurent Luccioni	Member	Proprietary Director
Mr Juan Gómez-Acebo Saénz de Heredia	Secretary	Non-Director

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

Comments
Section 43.1 of the Articles of Association and section 15 of the Board Regulations, in line with Recommendation 47 and section 3 of the Appointment and Remunerations Committee Regulations, provide that the majority of the members of this Committee must be independent. Lar España intends to comply with this requirement as soon as there are vacancies in the Committee. The Company continues to opt for a differentiated composition of the Nomination and Remuneration Committee with respect to the Audit and Control Committee (composed of the other three independent Directors) in order to promote more participation by all the independent Directors in the various Committees, resulting in greater involvement by each participating Director by belonging to only a single committee. Notwithstanding the foregoing, the independence of the Committee's decisions is ensured by the absence of executive Directors and the Chairman of the Nomination and Remuneration Committee, which is the independent, casting vote in the event of a tie.

Explain the functions, including, where appropriate, those additional to those legally envisaged, that this committee has, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how each of the functions assigned to it has been exercised in practice, whether in law or in Articles of Association or in other resolutions.

In line with section 43.2 of the Articles of Association, section 15.4 of the Board Regulations and section 5.1 of the Nomination and Remuneration Committee, notwithstanding other functions that may be assigned to it by the Board, the Nomination and Remuneration Committee will have the following basic responsibilities:

a) Powers relating to the composition of the Board and its committees

i. Inform and review the criteria to be followed for the composition of the Board and the selection of candidates and, in particular, evaluate the necessary skills, knowledge and experience in the Board of Directors.

ii. Ensure that, when new vacancies are filled or when appointing new Directors, the selection procedures do not suffer from implied bias that may entail any discrimination and, in particular, that they may hinder the selection of Directors.

iii. Propose to the Board of Directors the diversity policy of the Board and selection of Directors. It will also prepare the report referred to in section 5.6 of the Board Regulation and annually verify compliance with the diversity policy of the Board and the selection of Directors, reporting on this in the annual corporate governance report.

iv. Ensure annually that the criteria for promoting diversity in the composition of the Board established by the Company are met.

v. Advise the Board of Directors on the most appropriate configuration of the Board itself and its committees as to size and balance between the various classes of Directors existing at any time.

vi. Regularly verify the category of the Directors.

vii. Inform or make proposals regarding the appointment or separation of the members to be part of each of the committees.

b) Powers relating to the selection of candidates for Directors and upper management

i. Select the potential 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. Submit to the Board of Directors the nomination proposals (for appointment by co-opting or submission to the decision of the General Shareholders Meeting) of the independent Directors, as well as the proposals for re-election of these Directors at the Meeting.

iii. At the request of the Chairman of the Board, report the proposals for the appointment of the other Directors, as well as the proposals for the re-election of these Directors at the General Shareholders Meeting.

iv. Report the proposals of the Chairman of the Board or the Director General, if any, regarding the appointment or separation of upper management.

c) Powers related to the process of appointing internal Directors

i. Report the proposals concerning the appointment or separation of the Chairman of the Board.

ii. Report the proposals of the Chairman of the Board or the Director General, if any, regarding the appointment or separation of upper management.

iii. Examine or organise the succession of the Chairman of the Board and, if any, of the Director General of the Company and, where appropriate, make proposals to the Board of Directors for such succession to take place in an orderly and planned manner, preparing a succession plan for that purpose.

iv. Inform the Chairman of the Board of the appointment or separation of the Vice Chairman or Vice Chairmen of the Board.

v. Submit to the Board of Directors the proposal for the appointment of an Independent Coordinating Director, who will be particularly empowered in the event that the Chairman of the Board exercises executive functions, and to report the proposal for their separation.

vi. Inform the Chairman of the Board of the appointment or separation of the Secretary and, where applicable, the Vice Secretary or Vice Secretary of the Board, the Secretary General and the counsel.

d) Powers related to the evaluation of Directors

i. Establish and supervise an annual program for the continuous evaluation and review of the qualification, training and, where appropriate, independence, as well as the maintenance of the conditions necessary for the exercise of the position of Director and of a member of a certain committee, and propose to the Board of Directors any measures it deems appropriate in this regard.

ii. In coordination with the Chairman of the Board and with the collaboration, where appropriate, of the Independent Coordinating Director, lead the annual evaluation of the functioning of the Board and its committees, including the evaluation of the performance of the Chairman of the Board and, where appropriate, of the Director General, and submit to the Board the results of its evaluation together with a proposal for an action plan or with recommendations to correct any identified deficiencies or improve their functioning.

e) Powers relating to the separation and termination of Directors

i. Inform the Board of Directors of the proposals for the separation of non-independent Directors in the event of a breach of the duties inherent in the position of Director or for having incurred in an unusual manner any of the circumstances of resignation or termination, in accordance with the law or the Company's internal law.

ii. Submit to the Board of Directors proposals for the separation of independent Directors in the event of a breach of the duties inherent in the position of Director or for having incurred in an unusual manner any of the circumstances of resignation or termination, in accordance with the law or the Company's internal law.

f) Powers related to the remuneration of Directors and upper management

i. Propose to the Board of Directors the remuneration policy of Directors and upper management.

ii. Regularly review the remuneration policy of Directors and upper management, including the remuneration systems with shares and their application, and ensure that their individual remuneration is proportionate to those paid by the other Directors and senior Directors of the Company.

iii. Propose to the Board of Directors the individual remuneration of non-executives, taking into account the functions and responsibility attributed to each Director.

iv. Propose the individual remuneration of the executive Directors and the other basic conditions of their contracts for approval by the Board, including any compensation that may be fixed for the event of early termination of their functions and the amounts payable by the Company for insurance premiums or contributions to savings systems.

v. Inform and submit to the Board of Directors the proposals of the Chairman of the Board or the Director General, if any, concerning the remuneration structure of upper management and the basic conditions of their contracts, including any compensation or compensation that may be fixed for the separation event.

vi. Review the terms of the executive Directors' and upper management contracts and verify that they are consistent with current remuneration policies.

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

viii. On a mandatory basis and prior to approval by the competent company body, report any remuneration that may be established for independent Directors of other Group companies.

g) Competences related to sustainability in environmental and social matters

i. Oversee and ensure that the Company's environmental and social practices conform to the strategy and policy established, and to inform the Board of Directors or, where appropriate, its Executive Committee.

ii. Regularly assess and review the Company's environmental and social sustainability policy in order to fulfil its mission of promoting the social interest and taking into account, as appropriate, the legitimate interests of the various interest groups, and to monitor their compliance.

iii. Supervise and assess processes regarding the various stakeholders;

h) Report on the matters covered by Title IX of the Board Regulations, in accordance with its provisions.

i) Ensure that any conflicts of interest do not prejudice the independence of the external advice provided to the Committee in relation to the performance of its duties.

In carrying out its duties, the Nomination and Remuneration Committee will take into account the principles and criteria established in Technical Guide 1/2019 on Nomination and Remuneration Committees of the National Securities Market Commission, of 20 February 2019, notwithstanding their adaptation to the particular circumstances and characteristics of the Company and its Group, always taking into account the principle of proportionality.

Operation:

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

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

The Nomination and Remuneration Committee will normally meet at least three times a year. It will also meet at the request of any of its members and whenever it is convened by its

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

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

Activities

1. **In relation to the composition of the Board and its Committees:**

In 2020, the Nomination and Remuneration Committee analysed possible incompatibilities of two of its Directors in relation to their appointment as Board members of other entities, concluding that neither because of the number of meetings and demands for the workload, nor because of the corporate objects of the companies, nor because of the number of Boards of which the Directors are part, was there any reason for which they could admit the charges. Likewise, the Committee analysed possible incompatibilities of one of its Directors before his appointment as Chairman of a professional body, concluding that there was no conflict of interest or negatively impact on his dedication to the position in the Company.

Likewise, the Committee reviewed the categories of Director held by each of the Board members, concluding that the current categories remain fully in line with their circumstances. On the other hand, the Committee revised the necessary matrix of powers of the Board that defines the skills and knowledge of the candidates for Directors, concluding that it was up to date and that therefore no adjustment was necessary.

2. **In relation to the selection of candidates for Directors and upper management:**

The Nomination and Remuneration Committee revised and approved the Committee's proposals and reports for the re-election of Directors. Mr José Luis del Valle, Mr Alec Emmott, Mr Roger Cooke and Mr Miguel Pereda, also resolving to send to the Board for final approval reports that were made available to shareholders at the time of the call of the General Shareholders Meeting.

3. **In relation to the process of appointing internal positions of the Board.**

In 2020, the exercise of the aforementioned powers by the Nomination and Remuneration Committee was not required.

4. **In relation to the evaluation of Directors:**

The Committee, having reviewed and discussed the conclusions of the Board's evaluation, as well as the proposed action plan for 2020 and 2021, agreed to approve the Board's Assessment Report and its Committees for 2019 and the Board's action plan for 2021. In particular with regard to the Nomination and Remuneration Committee, it approved the Self-Assessment Report and the Committee's action plan for 2021.

In addition, the Committee analysed the training of Directors by resolving to propose to the Board training sessions in relation to Proptech and new digital retail trends, the impact of COVID-19 on the business and legal developments.

5. **In relation to the separation and termination of Directors:**

In 2020, the exercise of the aforementioned powers by the Nomination and Remuneration Committee was not required.

6. **In relation to the remuneration of Directors and upper management:**

In 2020, the Nomination and Remuneration Committee analysed the comparative report of the remuneration of independent Directors on the Spanish market prepared by external expert Willis Tower Watson at the request of the Company, resolving to postpone the review of the remuneration policy of the Board and request Willis Tower Watson to update the aforementioned report.

The Committee also revised the Directors' targets and remuneration by resolving to pay them, based on an external expert report prepared by Michael Page.

On the other hand, the Committee revised the Annual Report on Remuneration of Directors for 2019 in accordance with section 541 of the Corporate Enterprises Act, resolving to approve it and forward it to the Board for final approval and subsequent distribution at the General Shareholders Meeting.

In turn, and in the context of the crisis caused by the COVID-19 pandemic, the Committee reviewed the remuneration of the Board members, resolving to propose to it the temporary reduction of the Directors' remuneration.

In relation to the objectives of the management team, the Committee reviewed and monitored their personal objectives, informing the Board of all aspects related to this issue.

7. **In relation to Corporate Social Responsibility and Sustainability:**

In relation to these powers, the Committee was informed of all the actions carried out by the Company in relation to ESG (Environmental, Social and Governance) during the year, as well as of the achievements and projects in progress, analysing the possibility of obtaining some kind of rating in relation to ESG. In this regard, the Committee concluded that work should be done to find a way to adequately transmit all the work done in this area by the Company to the market.

From a more social perspective, in 2020 the Nomination and Remuneration Committee analysed, among other measures, the possibility of collaborating with the Aladina Foundation in the reform of a hospital in Seville dedicated to the treatment of children with cancer, concluding that it is appropriate to make a contribution and submit the proposal to the Board of Directors. The Committee also analysed the possible collaboration with Caritas in its accompanying project to vulnerable families, reporting favourably on it and resolving to forward it to the Board for final approval.

Likewise, in 2020 and in the context of COVID-19, the Committee has been informed at all times and has monitored the Company's situation from the perspective of the health and safety of both its employees and the Company's shopping centres.

8. **Other competences:**

The Nomination and Remuneration Committee revised and approved the Committee's operating report for 2019 in accordance with section 529 *nonies* of the Corporate Enterprises Act, which served as the basis for the Committee's assessment by the Board, in accordance with the aforementioned section of the Corporate Enterprises Act and the Company's internal rules.

The Nomination and Remuneration Committee reviewed the actions carried out in 2020, confirming that all the actions that the Corporate Governance Law, Regulations and Recommendations and CNMV entrust to the Commission have been implemented and carried out, with a particular focus on issues of Corporate Social Responsibility and Sustainability. In particular, the review of Company Corporate and Policy Regulations: On 26 June 2020, the CNMV approved the partial revision of the CGG, updating various CGG recommendations while adapting some of them to various legal changes approved since their publication, also clarifying the scope of certain recommendations. In line with this, Circular 1/2020, of 6 October, of the CNMV was approved, which amends the models of Annual Corporate Governance Report and Annual Report on Remuneration of Directors, whose transitional provision establishes that, notwithstanding their de facto compliance, companies must adapt, before the end of 2020, internal corporate texts, policies and procedures, where appropriate, to the new wording of the CGG recommendations in order to comply with the recommendations modified in the 2020 Annual Corporate Governance Report. In this regard, and in order to always be at the forefront of corporate governance best practices and to complete the adaptation to the new CGG, the Nomination and Remuneration Committee of Lar España has analysed, on the basis of the drafts circulated prior to the meeting and after having been informed by the Company's Legal Director of the main aspects of the reform, the proposals to amend: (i) the Nomination and Remuneration Committee Regulations; (ii) the Board Regulations; (iii) the Corporate Governance Policy; (iv) the Company's Sustainability Policy; and (v) the Diversity and Selection of Directors Policy, as well as the joint report of these proposals, resolving to report favourably and submit to the Board for final approval the proposals for amendments to the aforementioned Regulations and Policies.

NOMINATION COMMITTEE

Name	Position	Category

% of proprietary Directors	
% of independent Directors	
% of other external Directors	

Comments

Explain the functions, including, where appropriate, those additional to those legally envisaged, that this committee has, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how each of the functions assigned to it has been exercised in practice, whether in law or in Articles of Association or in other resolutions.

REMUNERATIONS COMMITTEE

Name	Position	Category

% of proprietary Directors	
% of independent Directors	
% of other external Directors	

Comments

Explain the functions, including, where appropriate, those additional to those legally envisaged, that this committee has, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions assigned to it either in law or in the Articles of Association or in other resolutions.

______ COMMITTEE

Name	Position	Category

% of executive Directors	
% of proprietary Directors	
% of independent Directors	
% of other external Directors	

Comments

Explain the functions assigned to this committee and describe the procedures and rules governing its organisation and operation. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions assigned to it either in law or in the Articles of Association or in other resolutions.

C.2.2. Complete the following table with the information regarding the number of Directors that are part of the committees at the end of each of the last 4 years:

	Number of Directors			
	2020 **Number %**	**2019** **Number %**	**2018** **Number %**	**2017** **Number %**
Executive Committee	NA	NA	NA	NA
Audit Committee	2-67%	2-67%	2-67%	1-33%
Nomination and Remuneration Committee	0	0	0	0
Nomination Committee	NA	NA	NA	NA
remuneration committee	NA	NA	NA	NA
_____ committee				

Comments

C.2.3 If there exists any regulation of the Board's committees, indicate the place where they are available for consultation, and any changes made during the year. Likewise, indicate whether an annual report on the activities of each committee has been prepared on a voluntary basis.

The sections 42 and 43 of the Articles of Association regulate the functioning of the Audit and Control Committee and the Nomination and Remuneration Committee, respectively. In turn, the Board Regulations regulate these committees, in section 14, on the Audit and Control Committee, and section 15, on the Nomination and Remuneration Committee. In addition, these two committees each have their own operating regulations, approved on 27 December 2017 and 12 December 2019, respectively, and amended both on 15 December 2020 in order to adapt to the new Recommendations of the Code of Good Governance. These Regulations are available on the following corporate website link:

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

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

D RELATED TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, where applicable, the procedure and bodies competent to approve transactions with related and intra-group parties.

In accordance with section 37 of the Board Regulations, it is subject to authorisation by the Board or, in urgent cases, the Executive Committee, if any, with subsequent ratification by the Board of Directors, after informing the Audit and Control Committee, of any transaction by the Company with Directors and shareholders holding shares that are deemed significant under the securities market law that is applicable at any time or that, where applicable, have proposed the appointment of one of the Directors of the Company, or with the respective related persons, with the understanding that such persons are those indicated in internal rules.

The Audit and Control Committee and the Board of Directors or the Executive Committee, if any, before authorising the Company to perform such transactions, will assess the transaction from the point of view of equal treatment of shareholders and market conditions.

The authorisation of the Board will not, however, be understood as precise in those related transactions that simultaneously fulfil the following three conditions: (i) they are made pursuant to contracts the terms and conditions of which are standardised and applied en masse to a large number of customers; (ii) they are carried out at generally established prices or tariffs by whoever acts as the supplier of the good or service in question; and (iii) their amount does not exceed one per cent (1%) of the Company's annual revenues.

In the case of transactions within the ordinary course of corporate business that are customary or recurrent, the generic authorisation of the Board will suffice.

The Investment Management Agreement between Grupo Lar Investaciones Inmobiliarias, S.A. as Managing Company and Lar España Real Estate SOCIMI, S.A. as Managed Company, signed on 12 February 2014, as drafted by the renewal and modification carried out on 19 January 2018, taking effect from 1 January 2018, specifies that, notwithstanding the prerogatives and powers that the Manager has to act on behalf of the Company under that agreement, they will require prior express written approval from the Board of Directors of Lar España, among others, for "transactions and situations with related parties that may give rise to a conflict of interest situation in relation to the Directors, including any transaction with third parties under which the Manager has the right to receive any compensation, commission or remuneration" (clause 5. (ix)).

D.2 Detail of the transactions that are material or material between the company or entities of its group and the significant shareholders of the company:

Name or corporate name of the significant shareholder	Name or corporate name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Grupo Lar Inversiones Inmobiliarias, S.A.	Grupo Lar Inversiones Inmobiliarias, S.A.	Contractual	Asset Management Agreement	8,496
Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia 2006, S.L.	Contractual	Management agreement as property manager (marketing, administration, management)	2,027

Comments

D.3 Detail the transactions that are significant in amount or are relevant to their subject matter between the company or entities of its group and the administrators or Directors of the company:

Name or corporate name of administrators or Directors	Name or corporate name of the company or entity of its group	Relationship	Nature of the transaction	Amount (thousands of euros)

Comments

D.4 Report of the significant transactions performed by the company with other entities belonging to the same group, provided that they are not eliminated in the process of preparing consolidated financial statements and are not part of the Company's usual traffic in terms of their purpose and conditions.

In any event, any intra-group transactions with entities established in countries or territories that have the status of tax haven will be reported:

Corporate name of the entity of its group	Brief description of the transaction	Amount (thousands of euros)

Comments

D.5 Detail significant transactions between the company or entities of its group and other related parties, which have not been reported under the preceding sections.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euros)

Comments

D.6 Detail the mechanisms established to identify, identify and resolve potential conflicts of interest between the company or its group and its significant Directors, administrators or shareholders.

BOARD REGULATIONS - SECTION 31

Conflicts of interest are deemed to exist in situations where they enter into a direct or indirect conflict of the Company's interest in their group and the personal interest of the Director. The personal interest of the Director will exist when the matter concerns him or a person related to him.

a. For the purposes of this Regulation, "Persons related to the Director" will mean natural persons:

i. The spouse or persons with a similar relationship.

ii. The ascendants, descendants and brothers of the Director or of the spouse (or person with a similar relationship) of the Director.

iii. The spouses of the Directors' ascendants, descendants and siblings.

iv. The Companies or entities in which the Director or any of the persons related to it, by himself or by an involved person, are in one of the situations referred to in section 42 of the Commercial Code [*Código de Comercio*].

v. Companies or entities in which the Director or any of the persons associated with him, by himself or by an involved person, exercises a position of administration or management or receives emoluments for any cause.

vi. In addition to the case of the proprietary Directors, the shareholders who had proposed their nomination.

b. Persons related to the legal entity Director:

i. Shareholders who, in respect of the Director, are legal entities, and are in one of the situations referred to in section 42 of the Commercial Code.

ii. Companies that are part of the same group, as this term is defined in section 42 of the Commercial Code, and their shareholders.

iii. The natural person representative, the Directors, legal or, in fact, the trustees and those holding power of attorney for the legal entity Director.

iv. Persons who, with respect to the representative of the Director, have the status of related persons in accordance with this section for natural person Directors.

In particular, the Director must refrain from transactions with the Company (except in the case of ordinary transactions, made in standard terms for customers and of little relevance, meaning those whose information is not necessary for expressing the true picture of the assets, financial position and results of the Company).

In any event, the Director must notify the Board of Directors of any dispute, direct or indirect, that he or persons related to him may have with the interest of the Company.

The conflicts of interest experienced by the Directors will be the subject of information in the notes to the annual accounts.

INTERNAL RULES OF CONDUCT IN SECURITIES MARKETS
SECTION 8. CONFLICTS OF INTEREST

A conflict of interest will be deemed to exist when the Regulated Person has any of the following conditions with respect to the entities referred to in this section:

1. Administrator or Senior Director.
2. In the case of companies listed in any Spanish or foreign official secondary market, the holders of a significant holding (i.e., those referred to in section 125LMV and its enacting legislation, and in the case of unlisted domestic or foreign companies, any direct or indirect shareholding exceeding twenty percent of its issued share capital).
3. Family relationship of up to the second degree by or third degree by consanguinity with its Directors, shareholders of significant shares in its capital or Senior Directors.
4. Maintain relevant, direct or indirect contractual relations.

Regulated Persons subject to conflicts of interest must observe the following general principles of action:

Independence: The Regulated Persons must act at all times with freedom of distance vote, loyalty to the Company and its shareholders and regardless of their own or other interests. Consequently, they will refrain from giving priority to their own interests at the expense of those of the Company or those of investors at the expense of others.
Abstention: The Directors, executives and employees will refrain from participating in or influencing the decision-making process that may affect the persons or entities with which there is a conflict and from accessing inside or relevant information affecting that conflict.
Communication: Regulated Persons must inform the Compliance Officer of any conflicts of interest that may arise as a result of their activities outside the Company, their family relations, their personal assets or for any other reason, with:

a) The Company or any of the companies belonging to Grupo Lar España.
b) Significant suppliers or customers of the Company or of the companies belonging to the Group of Lar España.
c) Entities engaged in the same type of business or competing with the Company or any of the Company's subsidiaries.

Any doubts about the possibility of a conflict of interest must be consulted with the Compliance Officer, which corresponds to the final decision to the Audit Committee.

CODE OF CONDUCT
SECTION 2.3.
A conflict of interest is deemed to exist when any of the Regulated Persons that must decide, perform or omit an action, because of their functions, has the option of choosing between the interest of the Company and their own interest or that of a third party, so that by choosing one of the latter two, it would benefit the third party, obtaining an otherwise unreceived profit.

In order to avoid such situations, the Regulated Persons must act honestly and confidentially without being manipulated or influenced by third parties. They will abstain from voting or the right of opinion when they are in a conflict that may harm the social interest and will always act independently with freedom of distance vote, and loyally to the Company. Employees, Executives or Directors who have doubts about a suspected conflict of interest must contact the Audit and Control Committee.

D.7 Please indicate whether the company is controlled by another entity within the meaning of section 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries on activities related to those of any of them.

Yes ☐ **No** X

Please indicate whether you have accurately publicly reported about any respective areas of activity and any potential business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries:

Yes ☐ **No** ☐

Please indicate whether you have reported about any areas of activity and potential business relationships, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries, and identify where these matters have been publicly reported:

Identify the mechanisms envisaged to resolve any conflicts of interest between the other parent company owned by the listed company and the other group companies:

Mechanisms for resolving potential conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Control and Management System, including those of a tax nature.

The Risk Management System of Lar España Real Estate SOCIMI, S.A. and Subsidiaries (“Lar España”) is implemented at the corporate level and is designed to mitigate the risks (including tax risks) to which the Organisation is exposed because of its activity.

This System has been described and developed in the Risk Control and Management Policy approved by the Lar España Board of Directors, which is regularly reviewed by the Audit and Control Committee and establishes a methodology to identify, assess, prioritise and manage risks effectively, taking into account the circumstances of the Company and the economic and regulatory environment in which it operates. Likewise, the ultimate purpose is to ensure that a reasonable degree of security is obtained with respect to the achievement of the strategic and operational objectives, the reliability of the information and compliance with the legislation.

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

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

- Identification of the processes in which the risks are generated and the controls are performed, determining the relationship between the key risks and the processes of the Organisation.
- Identification and assessment of the risks that may affect the Organisation, evaluating the likelihood of occurrence and its potential impact.
- Identification of the controls in place to mitigate those risks.
- Assessment of the effectiveness of the controls implemented to mitigate those risks.
- Design of action plans to be carried out in response to risks.
- Regular monitoring and control of risks.
- Continued assessment of the suitability and efficiency of the implementation of the system and of best risk practices and recommendations.

In order to maintain an effective risk management system, Lar España produces a Company Risk Map that identifies the main risks that affect the group. It also has a Risk Management Manual, which includes the templates and documents to be used for carrying out the various activities and defines other relevant practical aspects of the Risk Management System.

In 2020, the Company Risk Map was revised, incorporating new relevant risks based on criticality for the business, which are associated with the pandemic:

- Economic and social impact generated by epidemic outbreaks, epidemics or pandemics. These impacts would be related to restrictions on commercial activity, restrictions on mobility, social distancing measures, etc., which may affect the activity of the shopping centres, reducing its influx, reducing or changing consumption patterns, resulting in a drop in sales, etc.
- Non-performance of the contracts by the lessees that has led to renegotiation of contracts with the tenants of non-essential activities.
- Health security of employees, customers and visitors in shopping centres and parks.

Ultimately, after the identification of the risks and the analysis of the suitability and effectiveness of the decisions taken to mitigate them, the Board of Directors, together with the oversight of Internal Audit, establishes its risk priorities and determines the measures to be put in place, ensuring the compliance and proper functioning of the Company's processes.

E.2 Identify the company bodies responsible for preparing and implementing the Risk Control and Management System, including tax payables.

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

- Investment and asset management, mainly carried out by Grupo Lar
- Preparation of financial, accounting and tax information
- Regular valuation of the assets

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

The main participants in the model are as follows:

Responsible person for the Process or Business Units

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

Risk Officer

The Risk Officer should analyse and consolidate the risk information prepared by the Directors of the Process, which will be progressively materialised in "Risk Sheets." This person also assumes the function of identifying new events, collecting and evaluating information on key indicators of the risks inherent in the processes and, where appropriate, proposing and monitoring action plans. Once the priority risks have been defined, those responsible for their management and control of the "Risk Sheets" will be assigned.

Audit and Control Committee

In accordance with section 5 of the Audit and Control Committee Regulations, the Audit and Control Committee has, among others, the following functions:

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

In this regard, the Audit and Control Committee is responsible for monitoring the implementation of the Risk Control and Management Policy defined by the Board. This policy includes the various risk typologies (Strategic, Operational, Compliance and Financial), including tax risks (with particular attention to monitoring the requirements associated with the SOCIMI regime). Ultimately, the Audit and Control Committee is responsible for informing the Board of its activities throughout the year.

Board of Directors

The Board is responsible for approving the Risk Control and Management Policy in accordance with section 529 *ter* of Law 31/2014, amending the Corporate Enterprises Act to improve corporate governance.

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

E.3 Please indicate the main risks, including taxes and to the extent the risks derive from corruption (understood as those falling within the purview of Royal Decree Law 18/2017), which may affect the achievement of business objectives.

Lar España has conducted a process to identify risks that may affect its ability to achieve its objectives and successfully implement its strategies. In order to identify the risks, the Director's experiences in the real estate sector were taken into account, as well as the Company's specificities, considering also strategic initiatives envisaged by the Organisation in the medium term.

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

The risks considered as "priority" by Lar España are detailed below, after the corresponding annual update of the Risk Map and on which, in 2020, the appropriate management and monitoring activities have been carried out, a process that will be continued in the following years. The main risks that may affect the achievement of business objectives in accordance with the classification of risk dimensions are: strategic, operational, financial and regulatory.

Strategic:

- Epidemic outbreaks, epidemics and pandemics.
- Political situation and socio-economic factors.
- Regulatory changes/legal uncertainty.
- Climate change and environmental sustainability.

Operational:

- Value of the properties.
- Health safety of employees, collaborators, customers and visitors in shopping centres and business parks.
- Loss of internal talent.
- Cyber security and information security.
- Changes in contractual obligations.
- Solvency and credit risk of customers.
- Investment/Asset Manager Unit.

Financial:

- Market risk.
- Compliance of covenants associated with financing agreements.

Regulations:

- Management of SOCIMI regime requirements.

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

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

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

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

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

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

In addition, the Lar España Management System defines tolerance as "*the acceptable level of variation in the Company's performance or performance in achieving its objectives*'. The proposed risk tolerance criteria are used to prioritise and detail the management and monitoring to be performed for each type of risk. Thus, the more critical the objective to which an identified risk is associated, the lower the tolerance accepted by Lar España.

In this regard, there are three levels of tolerance: high, medium or low, based on the criticality of the objective to which the risk is associated. The tolerance determination system is reviewed at least once per year by the Audit and Control Committee.

E.5 Please indicate what risks, including tax payables, have materialised during the year.

The risk factors inherent in Lar España's business model may materialise over each year.

In 2020, the main risk materialised was "Economic and social impact generated by epidemic outbreaks, epidemics or pandemics."

Following the emergence and rapid global expansion of the COVID-19 virus that lead the World Health Organisation to classify it as a pandemic on 11 March 2020, in our country, the health emergency caused by the virus has lead the Government and the Autonomous Communities to successively impose a series of measures to prevent the spread of the disease, and to manage the health and economic consequences of the pandemic.

Some of these regulatory measures and changes were implemented in the course of 2020 and in some cases related to total or partial closures of certain activities, with restrictions on the free movement of the persons and limitations on schedules and places, thus impacting the normal activity of the company and its lessees.

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

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

It should be noted that the activities carried out by Lar España in 2021 will be subject to the continuation of these same risk factors.

E.6 Explain the response and supervisory plans for the entity's main risks, including tax payables, as well as the procedures followed by the company to ensure that the Board responds to any new challenges that arise

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

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

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

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

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

In addition, the tolerance level should be reviewed at least once per year and validated by the Audit and Control Committee. Once the tolerance level has been approved, it is communicated to the Risk Manager/Risk Officer and through it to the Managers of the Processes. The owners of each of the risks are responsible for preparing the corresponding risk sheets, with the objective of reporting the treatment established to mitigate or maintain the level of risk under the tolerance threshold accepted by Lar España.

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

Based on the review of the annual risk map, and due to the emergence of new risks associated with COVID-19, Lar España has included specific response plans to the possible materialisation of the risks based on their criticality for the business:

1- Development of prevention protocols and measures at work centres for employees and collaborators and in shopping centres.
2- Development of an Internal and External Communication Plan.
3- Development of action plans to adapt the company's activity to the circumstances and regulatory changes that have taken place.
4- Certification of the protocols and measures taken to preserve the safety of employees, customers and visitors in shopping centres and parks by an external certifying company (SGS), which has certified the correct implementation of the preventive measures.
5- Contractual changes with each of the lessees based on each special need.
6- Ongoing monitoring and adaptation of the activity in shopping centres and parks based on the regulations published by the authorities.
7- Update of cash forecasts, sensitivity analyses, generation of scenarios and development of liquidity protection measures for the company.
8- Update of the Business Plan to the new context caused by the pandemic.
9- Activation of a Disease Monitoring Committee, the main responsibilities of which were to pass the necessary measures and gradually implement the actions agreed to in the light of the evolution of the pandemic, and of the regulatory changes and recommendations made by national and international health authorities, government, autonomous regions or other government agencies.
10- Invigorating actions in the shopping centres to revitalise their activity and recover the turnout levels prior to the pandemic.

The oversight of the response plans is carried out by the Internal Auditing of Lar España.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS RELATED TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (SCIIF)

Describe the mechanisms that make up the risk control and management systems in relation to the financial reporting process (SCIIF) of your entity.

F.1 Entity control environment

Report, indicating its main characteristics of at least:

F.1.1. Which bodies or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) its supervision.

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

Board of Directors

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

Specifically, section 5 of the Board Regulation ("General Functions and Powers") establishes, among others, the following functions:

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

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

- "The supervision of the process of 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 quote, the company must regularly make public."
- "The determination of the risk control and management policy, including tax payables, as well as the supervision of internal information and control systems."

To meet these objectives, the Board of Directors, as established in section 14 of its Regulations: "*it will permanently set up an Audit and Control Committee*" to which it delegates, the supervision of the SCIIF (with the support of Internal Audit).

Audit and Control Committee

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

- *Supervise and evaluate the process of preparation and the integrity of the financial and non-financial information relating to the Company and, where applicable, the Group, reviewing compliance with regulatory requirements, the appropriate delineation of the scope of consolidation and the correct application of accounting criteria and, in particular, to know, understand and monitor the effectiveness of the internal control system for financial information (SCIIF).*
- *Regularly monitor the effectiveness of the Company's internal control and its Group, as well as the Company's internal audit activity, discussing, together with the auditors of the accounts, the significant weaknesses of the internal control system identified in conducting the audit, concluding on the level of confidence and reliability of the system, all without impairing its independence. For such purpose, and where applicable, recommendations or proposals and the corresponding period for follow-up may be submitted to the managing body.*

The SCIIF Manual, as last amended by the Audit and Control Committee on 15/12/2020, establishes: *"In this context, the oversight activity of the Audit and Control Committee is to ensure its effectiveness, obtaining sufficient evidence of its proper design and functioning, which requires evaluating the process of identifying the risks that may affect the true image of the financial information, verifying that controls exist to mitigate them and verify that they function effectively.*

The oversight also consists of reviewing, analysing and commenting on the financial and the SCIIF information with Management and with internal and external auditors, to ensure that the accounting criteria applied are correct and the information provided is complete and consistent with the transactions, and that the SCIIF is suitable for the achievement of its objectives and has functioned efficiently throughout the year.

System oversight should be an ongoing process to make it effective over time. However, the evaluation may be carried out in a timely manner to form an opinion on all or any of the control devices at a specific date.

The Audit and Control Committee has entrusted the development of this function to the Internal Auditing Service (IAS). "

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

Corporate and Financial Management

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

- *"Defining, proposing and implementing a model for generating financial information."*
- *"Defining, implementing and documenting the SCIIF."*
- *"Support the Audit and Control Committee with respect to the preparation of the financial statements and other financial information, as well as the criteria applied in that process."*
- *"Establish, at once per year, the integrity and suitability of the documentation and the functioning of the SCIIF."*
- *"Inform the Audit and Control Committee and the Internal Auditing Service (IAS) of the new documentation of the SCIIF for their knowledge and assessment."*

In relation to the evaluation and supervision of the SCIIF, the Corporate and Financial Management is responsible for:

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

Internal Auditing Service (IAS)

As established in the SCIIF Manual, the Audit and Control Committee has entrusted the IAS with the supporting role in supervising the SCIIF, which includes:

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

Services Providers involved in the generation of financial information

Its functions include:

- *"Cooperating with the Corporate and Financial Management in defining, documenting and updating internal processes and procedures."*
- *"Executing the control activities as designed and retain evidence of such execution that allows their traceability."*
- *"Informing the Corporate and Financial Management of any changes in its operations or transactions that may make it necessary to update the documentation of its processes and the controls defined therein, as well as the weaknesses of control that they may detect."*
- *"Define and implement the action plans on the incidents observed within the scope of their responsibility."*

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

F.1.2. If there are, in particular with regard to the process of preparing the financial information, the following elements:

- Departments or mechanisms responsible for: (i) the design and revision of the organisational structure; (ii) to clearly define the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) that there are sufficient procedures for their proper dissemination in the entity.

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

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

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

- Code of Conduct, Approval Body, degree of dissemination and instruction, principles and values included (indicating whether there are specific indications to the register of transactions and the preparation of financial information), body responsible for analysing breaches and proposing corrective actions and penalties.

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

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

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

The lack of honesty in the communication of information, both within the Company - to employees, controlled companies, departments, internal bodies, administrative bodies, etc. - and abroad - to auditors, shareholders and investors, regulatory bodies, media, etc. - contravenes this Code. There is also a lack of honesty when delivering incorrect or misleading information, or attempting to mislead those who receive it."

Likewise, with regard to the Internal Financial Reporting Control System (SCIIF), it refers to Principle 5 on Internal Control, Prevention of Money Laundering and Prevention of Crime, which establishes: *"Lar España will ensure that an appropriate control environment is established to assess and manage the risks of the Company, especially those related to the Internal Financial Reporting Control System (SCIIF), in order to ensure that all transactions of Lar España are clearly and accurately reflected in the Company's accounting and other records, as well as in the preparation of the financial information."*

- The channel of complaints, permitting the communication to the audit committee of irregularities of a financial and accounting nature, in addition to possible breaches of the code of conduct and irregular activities in the organisation, informing, where appropriate, whether it is of a confidential nature and whether it allows anonymous communications to be made with respect to the rights of the complainant and the respondent

Under section 14.3.b.v of the Board Regulations, it will be the responsibility of the Audit and Control Committee *"to establish and supervise a mechanism that allows employees and other persons related to the Company, such as boards, shareholders, suppliers, contractors or subcontractors to report any irregularities of potential significance, including financial and accounting, or of any other nature, related to the Company that they warn within the Company or its Group. This mechanism must ensure confidentiality and provide for cases in which communications can be made anonymously, respecting the rights of the complainant and the respondent."*

The Board of Lar España has a Regulation on the Functioning of the Complaints Channel, which regulates the operation of this channel, whereby any person subject to the Lar España Code of Conduct, any existing regulations or other established internal regulations, who considers that breaches are occurring, may file a complaint in order to make the problem known and resolved.

The scope of the Complaints Channel extends to all members of the Company's Board of Directors, the Company's Senior Directors, the members of the Lar Group's Managing Team (Lar España Manager), the Directors and employees of both the Company and its investee companies, and any other person that may be related to Lar España, even if it does not have the status of an employee. Likewise, it may be employed by any internal or external interest group of the Company.

Lar España establishes the following means to file complaints:

- Website: http://larespana.com
- Email:canaldenuncias@larespana.com
- Explanatory confidential letter

In order to ensure more effective management of the Complaints Channel, Lar España has established an Ethics Committee that mainly assumes the following functions:

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

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

The Code of Conduct and the Rules on the Functioning of the Complaints Channel are available on the Lar España website.

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

- Regular training and updating programs for the personnel involved in preparing and reviewing the financial information, as well as in evaluating the SCIIF, covering at least accounting standards, audit, internal control and risk management.

The Corporate and Financial Management, as responsible, among other functions, for the design, implementation and operation of the SCIIF, should provide that all personnel involved in preparing the Group's financial statements have the appropriate and up-to-date training in International Financial Reporting Standards and in principles of internal control of financial information. The Corporate and Financial Management validates directly 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 required regulations in order to ensure the reliability of the financial information.

The Corporate Director & CFO, as head of the SCIIF, has extensive accounting and financial reporting training as a result of his experience in accounting audit and financial management.

In the course of the year, the Corporate and Financial Management is informed of any changes that affect the preparation and monitoring of financial information, both through subscriptions to information releases and "newsletters" from external sources, as well as through attendance at conferences and seminars on specific subjects and technical updating organised by expert companies in financial regulations, accounting and auditing

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

Lar España conducts a rigorous process of selecting subcontracted advisers to have specialised firms of recognised standing that are selected under quality and specialisation criteria. The Corporate and Financial Management ensures that these advisers have sufficient expertise and that they have ongoing training policies in these areas.

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

F.2 **Risk assessment of financial information**

Report with at least the following information:

F.2.1. Main characteristics of the risk identification process, including error or fraud, with regard to:

- Whether the process exists and is documented.

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

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

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

In 2020, a process was carried out to revise the SCIIF Manual of Lar España, where it states that: *'at a minimum, the Corporate Director and CFO must review the Group's process and control documentation and verify its integrity in accordance with the scope of the Group's SCIIF. Likewise, in the event that there are relevant changes to significant processes or changes in scope to include new processes, their documentation must be updated at the time this occurs."*

- If the process covers all the objectives of the financial information (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), if and how often it is updated.

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

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

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

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

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

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

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

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

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

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

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

- Which governing body of the entity supervises the process.

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

F.3 **Control activities**

Report, indicating its main characteristics, if it has at least:

F.3.1. Procedures for reviewing and authorising the financial information and description of the SCIIF, to be published on the securities markets, indicating their Directors, as well as documentation describing the activity flow and controls (including those relating to fraud risk) of the various types of transactions that may materially affect the financial statements, including the accounting closure procedure and the specific review of the relevant judgements, estimates, valuations and projections.

In accordance with section 40.3 of the Board Regulations, "*the measures necessary to ensure that quarterly, half-yearly financial information, as well as any other information required by law, is prepared based on the same principles, criteria and professional practices as the annual accounts are prepared and that they are equally as reliable as the latter"* were adopted.

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

Lar España publishes financial information on a quarterly basis. This information is prepared by a specialised external company and is reviewed by the Corporate and Financial Management. Subsequently, the information prepared is sent to the Audit and Control Committee to be checked.

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

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

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

- Closure of financial statements and consolidation
- Asset valuations
- Revenue from rent
- Investments
- Cash
- Financing
- Management of Accounts Payables - Promotion Projects
- Management of Accounts Payables - Management Fees
- Disinvestments

In addition to the monitoring process of the SCIIF (entrusted to the Audit and Control Committee with the support of the IAS), the SCIIF Manual provides for an internal annual evaluation process that aims to verify that the controls of the SCIIF are in force, well designed and effective for the objectives pursued.

In 2020, the SCIIF was revised and updated, specifically, the SCIIF Manual, the Entity level General Controls Matrix and the Narrative corresponding to the rental income cycle were updated.

F.3.2. Policies and procedures for internal control over information systems (including security of access, control of changes, operation of those systems, operational continuity and segregation of functions) that support the relevant processes of the entity in relation to the preparation and publication of financial information.

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

F.3.3. Internal control policies and procedures aimed at supervising the management of the activities outsourced to third parties, as well as those evaluation, calculation or measurement aspects entrusted to independent experts, which may materially affect the financial statements.

Due to the outsourcing of certain activities related to the generation of financial information in a third party other than Lar España, the entity has identified all those organisations that provide services in the various business processes, determining the impact of their activities on the financial reporting system. Specifically, the Company has identified certain services provided by third parties that are considered as part of the Company's financial information system. These services are included in the analysis performed for the documentation and evaluation of the SCIIF, highlighting mainly the management of investments and assets, the accounting outsourcing process and the half-yearly valuation of assets by accredited and independent entities. In relation to the policies and procedures that are considered for evaluating and supervising the management of the outsourced activities, the Company performs a comprehensive procedure for the hiring of outsourced persons to ensure their competence, independence and technical and legal training with regard to the services provided. In addition, the Company regularly carries out evaluation work on key controls performed by third-party service providers to verify their proper functioning. Likewise, all information prepared by independent experts that is significant for the financial statements is reviewed and validated by the Lar España Corporate and Financial Management.

F.4 Information and communication

Report, indicating its main characteristics, if it has at least:

F.4.1. A specific function responsible for defining, maintaining up-to-date accounting policies (area or department of accounting policies) and resolving doubts or conflicts arising from their interpretation, maintaining a smooth communication with those responsible for the operations in the organisation, as well as an updated accounting policy manual and communicated to the units through which the entity operates.

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

Lar España has a Manual of Accounting Policies, which is in the process of being revised and updated and contains structured accounting standards, policies and criteria that apply, generally, to all entities of the Organisation.

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

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

F.4.2. Mechanisms to capture and prepare financial information with homogeneous formats, that applies and can be used by all the units of the entity or of the group that support the main financial statements and the notes, as well as the information detailed on the SCIIF.

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

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

F.5 System performance monitoring

Report, indicating its main characteristics, at least:

F.5.1. The oversight activities of the SCIIF carried out by the Audit Committee, as well as whether the entity has an internal audit function that has among its powers to support the Committee in its oversight of the internal control system, including the SCIIF. Likewise, the scope of the evaluation of the SCIIF carried out in the year and the procedure by which the person in charge of executing the evaluation communicates its results, if the entity has an action plan detailing any corrective actions, and if its impact on the financial information has been considered will be communicated.

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

- *To supervise and assess the effectiveness of the financial and non-financial risk control and management systems related to the Company and, where applicable, the Group (including operational, technological, legal, social, environmental, political and reputational or corruption-related risks) and, in particular, to review them so that the main risks are adequately identified, managed and disclosed.*
- *Monitor the internal risk control and management function.*

The Audit and Control Committee is supported by the IAS for the supervision of the SCIIF. Specifically, the Internal Audit Function Statute, which was updated this year, assigns the IAS, among others, the following functions: meaning, the activity of this Service includes the following tasks:

- *To monitor the quality and reliability of the financial and management information, in particular the regulated information that the Group is required to provide to the markets.*
- *To ensure the proper functioning of the Internal Financial Reporting Control System established in the Group, proposing any recommendations for improvement it considers appropriate.*
- *Check the implementation of the corrective measures approved to remedy the weaknesses of the risk management and internal control system that have been revealed.*

The Audit and Control Committee met ten times as reported in the Report prepared by the Audit and Control Committee of Lar España Real Estate SOCIMI, S.A. on its operation in 2020.

In 2020, and in relation to the Company's SCIIF, the Audit and Control Committee analysed and monitored the effectiveness of internal control systems and was informed by the internal auditor at various meetings about the progress of the review process. Likewise, and in the framework of the audit, the external auditor informed the Committee that their procedures are not intended to express an opinion on the effectiveness of the internal control of the entity and the Group, however, they are obliged to communicate any deficiency in internal control detected in the course of their audit, without having identified any aspect to inform. Likewise, in the context of the ongoing review and updating of the Company's internal regulations, the Committee approved, among others, the updating of the Company's SCIIF Manual.

The Internal Audit Plan is approved annually by the Audit and Control Committee at the end of each year or in the months immediately following the following year. This Plan defines a work program by process, including, as a matter of course, the supervision of the proper implementation of the SCIIF, the review of the documentation forming part of it, and the review of the effectiveness of the controls defined. Periodically, at least quarterly, the IAS reports directly to the Audit and Control Committee on the level of compliance with the Plan and the results of its work. The SCIIF Manual provides for the annual evaluation and monitoring of the various components of the Manual. The documentation relating to some of the significant processes was revised and updated throughout 2020. Likewise, work has been carried out to verify the operation of the controls, among others, in the processes of asset valuation, management and recording of the Manager's fees, in relation to compliance with the SOCIMI regime, and with the income cycle for rent without finding any significant impact. The Directorate and the Audit and Control Committee have received the information corresponding to the development of the aforementioned activities.

In addition, the Corporate and Financial Management and the Audit and Control Committee perform a process of reviewing the quarterly financial information sent to the CNMV, based on the established schedules.

F.5.2. If you have a discussion procedure whereby, the auditor of the financial statements (in accordance will the NTA), the internal audit function and other experts are able to inform the upper management and the Audit Committee or Directors of the entity the significant weaknesses of internal control identified during the review processes of the annual accounts or those others entrusted to them. It will also report on whether it has an action plan that seeks to correct or mitigate the weaknesses observed.

The Corporate Director & CFO holds regular meetings to discuss the criteria with the internal auditor and other advisers for preparing the financial information, as well as the review and updating activities related to the SCIIF.

In addition, all the precise actions were carried out in relation to the Board Regulations, which establishes that the Audit and Control Committee must:

- To analyse, together with the auditors of the financial statements, the significant weaknesses of the internal control system identified in the conduct of the audit and, where appropriate, to take appropriate measures to remedy them.
- To establish appropriate relations with the auditors of the financial statements to receive information on matters that may pose a threat to their independence, to be examined by the Audit and Control Committee, and any other matters related to the process of developing the audit of the financial statements and, where applicable, the authorisation of services other than those prohibited, in accordance with applicable law, as well as any other communications provided for in the audit legislation and other auditing standards.

F.6 **Other relevant information**

F.7 **External auditor report**

Report:

F.7.1. Whether the information from the SCIIF sent to the markets has been reviewed by the external auditor, in which case the entity should include the related report as an annex. Otherwise, you should give reasons.

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

G DEGREE OF FOLLOW-UP TO CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of follow-up by the company to the recommendations of the Code of Good Governance.

If any recommendation is not followed, in full or in part, a detailed explanation of the rationale as to why not must be included so that shareholders, investors and the market in general have sufficient information to assess the Company's performance. General explanations are not acceptable.

1. **That the Articles of Association of the listed companies do not limit the maximum number of votes that the same shareholder may cast, or nor do they contain other restrictions that make it difficult to take control of the company by acquiring its shares in the market.**

   Compliant X Explain ☐

2. **If the listed company is controlled by another entity, within the meaning of section 42 of the Commercial Code, irrespective whether or not it is listed, and has, directly or indirectly through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them publicly informs precisely about:**

   a) **The respective areas of activity and any business relationship between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.**

   b) **The mechanisms envisaged to resolve any conflicts of interest that may arise.**

   Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

3. **That, when the Ordinary General Shareholders Meetings are held, in addition to the written dissemination of the Annual Corporate Governance Report, the Chairman of the Board verbally informs the shareholders, in sufficient detail, of the most relevant aspects of the corporate governance of the company and, in particular:**

   a) **about the changes that have taken place since the previous Ordinary General Shareholders Meeting; and**

   b) **about the specific reasons why the Company has not followed the recommendations from the Corporate Governance Code and, if appropriate, the alternative applicable rules.**

   Compliant X Partially compliant ☐ Explain ☐

4. **The Company defines and promotes a policy regarding communication and contact with shareholders and institutional investors in the framework of their involvement in the Company, as well as with voting advisers that fully observes anti-market abuse rules and treats shareholders in the same position equally. That the Company publishes this policy on its website, including information on how it was implemented and identifying the interlocutors or those responsible for carrying it out.**

Without prejudice to legal obligations for disseminating inside information and other regulated information, the Company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social networks or other channels), maximising the dissemination and quality of the information available to the market, investors and other interest groups.

Compliant X Partially compliant ☐ Explain ☐

5. **That the Board will not submit a proposal to the General Meeting for delegating powers, to issue convertible shares or securities excluding the pre-emptive right of purchase, for an amount exceeding 20% of the capital at the time of the delegation.**

   When the Board approves any issue of convertible shares or securities excluding the pre-emptive right of purchase, the Company immediately publishes on its website the reports on such exclusion referred to in commercial law.

Compliant X 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 the auditor's independence.**

   b) **Reports on the operation of the Audit Committee and the appointments and remuneration committee.**

   c) **Report of the Audit Committee on related transactions.**

Compliant X Partially compliant ☐ Explain ☐

7. **The company should live-stream, through its website, the shareholders meetings held.**

   That the company has mechanisms that allow votes to be delegated and exercised by telematic means and even, in the case of highly capitalised companies and to the extent that it is proportionate, assistance and active participation in the General Meeting.

Compliant X Partially compliant ☐ Explain ☐

8. **The Audit Committee should ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting legislation. If the auditor has included any caveats in his audit report, the Chairman of the Audit Committee must clearly explain the opinion of the Audit Committee on its content and scope at the General Meeting, and make a summary of the opinion available to shareholders at the time of publication of the call, together with the other proposals and Board reports.**

Compliant X Partially compliant ☐ Explain ☐

9. **The Company will continuously publish -on its website- the requirements and procedures it will accept to prove share ownership, right of attendance and the exercise or delegation of voting rights.**

   That these requirements and procedures favour the assistance and exercise of their rights to shareholders and apply indiscriminately.

Compliant X Partially compliant ☐ Explain ☐

10. If any legitimate shareholder exercises the right to add to the agenda in advance of the General Shareholders Meeting, or submits new proposals for an agreement, the company:

    a) must immediately disseminate those additional points and new proposed resolutions.

    b) must publish the attendance card template or form to delegate the vote or remote vote with the changes required to delegate the vote or vote on the new points in the agenda and alternative proposed resolutions on the same terms as those proposed by the Board.

    c) must submit all these alternative items or proposals to vote and apply them the same voting rules as those formulated by the Board, including, in particular, presumptions or deductions on the meaning of the vote.

    d)after the General Shareholders Meeting, provide a breakdown of the vote on the supplementary points or alternative proposals.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

11. If the company plans to pay aid premiums to the General Shareholders Meeting, it must establish, in advance, a general policy on such premiums and specify whether such a policy is stable.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

12. The Board should perform its functions unanimously and with independence of distance vote, treat all shares that are in the same position equally, and act in the company's interest, which is understood as achieving a profitable and sustainable long-term business, than promotes its continuity and maximises its economic value.

    That in the search for the social interest, in addition to observing laws and regulations and acting in good faith, ethically and observing commonly accepted uses and good practices, seek to reconcile the social interest itself with, as appropriate, the legitimate interests of its employees, suppliers, customers and other interest groups that may be affected, as well as the impact of the company's activities on the community as a whole and on the environment.

Compliant X Partially compliant ☐ Explain ☐

13. The Board has the precise dimension to ensure effective and participatory functioning, which makes it advisable for it have between five and fifteen members.

Compliant X Explain ☐

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

    a) is specific and verifiable;

    b) ensure that proposals for appointment or re-election are based on a prior analysis of the powers required by the Board; and

    c) promote the diversity of knowledge, experience, age and gender. To this end, measures that encourage the company to have a significant number of senior managers are considered to promote gender diversity.

That the result of the prior analysis of the powers required by the Board is included in the supporting report of the Nomination Committee published when the General Shareholders Meeting to which the ratification, appointment or re-election of each Director is submitted is called.

The Nomination Committee will annually verify compliance with this policy and will be informed in the Annual Corporate Governance Report.

Compliant X Partially compliant ☐ Explain ☐

15. **That the Parent and Independent Directors constitute a large majority of the Board and that the number of Executive Directors is the minimum necessary, taking into account the complexity of the corporate group and the percentage of participation of Executive Directors in the Company's capital.**

    That the number of Directors constitutes at least 40% of the Board members before the end of 2022 and, thereafter, not less than 30%.

    Compliant ☐ Partially compliant X Explain ☐

    Lar España has a Board of Directors composed entirely of non-executive Directors. Of the seven Directors that make up the Board, only two are proprietary, and the remaining five independent Directors independent.

    With regard to the number of female Directors, it currently accounts for 28.57%. Taking into account the current number of Directors, the appointment of an additional female Director would increase the percentage to 42.85%.

    That said, and as commented in previous paragraphs, the Board of Lar España will promote the objective that the number of Directors represents at least 40% of the total Board members in 2022.

16. **That the percentage of proprietary Directors to the total number of non-executive Directors does not exceed the ratio between the capital of the company represented by those Directors and the rest of the capital.**

    This criterion may be mitigated:

    a) **In highly capitalised companies where there are few shareholdings that are legally considered significant.**

    b) **In the case of companies where there is a plurality of shareholders represented on the Board and they are not connected to each other.**

    Compliant X Explain ☐

17. **The number of independent Directors represents at least half of the total number of Directors.**

    If, however, the company is not highly capitalised or, even if it has one shareholder or several acting in concert, controlling more than 30% of the share capital, the number of independent Directors represents at least one third of the total number of Directors.

    Compliant X Explain ☐

18. **That the companies make public through their website, and keep up-to-date, the following information about their Directors:**

    a) **Professional and biographical profile.**

b) **Other Directors to which they belong, whether or not they are listed companies, as well as other remunerated activities carried out by them, whatever their nature.**

c) **Indicate the category of Director to which they belong, noting, in the case of proprietary Directors, the shareholder they represent or with whom they are connected.**

d) **Date of his first appointment as Director in the company and subsequent re-elections.**

e) **Company shares and options, of which they hold.**

Compliant X Partially compliant ☐ Explain ☐

19. **That the Annual Corporate Governance Report, after verification by the Committee of appointments, specifying the reasons for which the Directors were appointed at the request of shareholders whose shareholding is less than 3% of the capital; and setting out the reasons why formal requests for presence on the Board from shareholders whose shareholder participation is equal to or greater than that of others on whose behest the proprietary Directors where appointed.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

20. **The proprietary Directors must resign when the shareholder they represent fully transfers their shareholding. They must also resign, in the appropriate number, when that shareholder reduces its shareholding to a level that requires a reduction in the number of its controlling Directors.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

21. **The Board must not propose the separation of any independent Director before the end of the statutory period for which he was appointed, unless there is a just cause, assessed by the Board after having informed the Nomination Committee. In particular, it is understood that there is a just cause when the Director becomes new positions or assumes new obligations that prevent him from devoting the necessary time to the performance of the functions of Director, breaches the duties inherent in his office or for any other reason loses his independent status, in accordance with applicable law.**

    Separation of independent Directors may also be proposed as a result of public offers of acquisition, mergers or other similar corporate transactions that entail a change in the capital structure of the company, when such changes in the structure of the Board are permitted by the proportionality test indicated in recommendation 16.

Compliant X Explain ☐

22. **The companies must establish rules that require Directors to inform and, where appropriate, resign when situations affect them, whether or not related to their actions in the company itself, may harm the company's credit and reputation and, in particular, oblige them to inform the Board of any criminal cases in which they appear as investigated, as well as of their procedural defects.**

    Having been informed or otherwise known to the Board of any of the situations mentioned in the preceding paragraph, they must study the case as soon as possible and, taking into account the specific circumstances, decide, after informing the Board of appointments and salaries, whether or not to take any action, such as opening an

internal investigation, requesting the resignation of the Director or proposing his termination. That it is reported in the Annual Corporate Governance Report, unless there are special circumstances that justify it, which must be recorded in the minutes. This is without prejudice to the information that the company must disseminate, if appropriate, at the time the corresponding measures are adopted.

Compliant X Partially compliant ☐ Explain ☐

23. **That all Directors clearly express their opposition when they consider that any proposal for a decision submitted to the Board may be contrary to the corporate interest. To do so, in particular, by independent and other Directors who do not affect the potential conflict of interest, when it comes to decisions that may prejudice unrepresented shareholders on the Board.**

    When the Board takes significant or repeated decisions on which the Director has made serious reservations, the Board draws the appropriate conclusions and, if it chooses to resign, explains the reasons in the letter referred to in the following recommendation.

    This recommendation also extends to the Secretary of the Board, even if he does not have the status of Director.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

24. **If, either by resignation or shareholder resolution, a Director ceases to hold office before the end of his term of office, he sufficiently explains the reasons for his resignation or, in the case of non-executive Directors, his opinion on the reasons for the termination by the Board, in a letter that he will send to all Board members.**

    Without prejudice to the fact that this is recognised in the Annual Corporate Governance Report, to the extent that it is relevant to investors, the company publishes the termination as soon as possible, including sufficient reference to the reasons or circumstances provided by the Director.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

25. **That the Nomination Committee ensures that non-executive Directors have sufficient time available for the proper performance of their duties.**

    That the Board Regulations establish the maximum number of company boards of which its Directors are part.

Compliant X Partially compliant ☐ Explain ☐

26. **That the Board meet with the precise frequency to effectively perform its functions and, at least, eight times a year, following the schedule of dates and matters it establishes at the beginning of the year, each Director being able to propose other items on the agenda initially unplanned.**

Compliant X Partially compliant ☐ Explain ☐

27. **The non-attending the Directors must be reduced to the indispensable cases and quantified in the Annual Corporate Governance Report. When appropriate, the representative must be sufficiently instructed.**

Compliant X Partially compliant ☐ Explain ☐

28. **If the Directors or the secretary express concern about any proposal or, in the case of the Directors, about the progress of the company and such concerns are not resolved**

in the Board, at the request of the person who said them, they are recorded in the minutes.

Compliant X 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 X Partially compliant Explain

30. **That, regardless of the knowledge required of Directors for the performance of their duties, companies also provide Directors with knowledge updating programs when circumstances so warrant.**

Compliant X Explain Not applicable

31. **That the agenda of the meetings clearly indicates those points on which the Board must take a decision or pass a resolution so that the Directors may study or obtain, prior to that, the information necessary for their approval.**

    If, exceptionally, for reasons of urgency, the Chairman wishes to submit to the Board for approval decisions or resolutions that are not on the agenda, the prior and express consent of the majority of the Directors present will be required, which will be duly recorded in the minutes.

Compliant X Partially compliant Explain

32. **The Directors are regularly informed of the movements in the shareholdings and of the opinion that the significant shareholders, investors and rating agencies have on the company and its group.**

Compliant X Partially compliant Explain

33. **That the Chairman, as the head of the effective functioning of the Board, in addition to exercising the functions has legally and statutorily assigned, prepare and submit to the Board a schedule of dates and matters to be dealt with; organise and coordinate the periodic evaluation of the Board, as well as, where appropriate, that of the first executive of the Company; be responsible for managing the Board and for the effectiveness of its functioning; ensure that sufficient time is devoted to the strategic issues, and agree and review the programs for the updating of knowledge for each Director, when circumstances so warrant.**

Compliant X Partially compliant Explain

34. **If there is a coordinating Director, the Articles of Association or the Board Regulations, in addition to the powers legally vested in him, attribute the following: to preside over the Board in the absence of the Chairman and the vice-presidents, if any; to echo the concerns of the non-executive Directors; to maintain contacts with investors and shareholders to know their views for the purpose of forming an opinion on their concerns, in particular, in relation to the corporate government of the company; and to coordinate the succession plan of the president.**

Compliant Partially compliant Explain Not applicable X

35. **The Secretary of the Board should ensure in particular that in its actions and decisions the Board takes into account the recommendations on good governance contained in this Code of Good Governance that apply to the Company.**

Compliant X Explain

36. **The Board at its plenary session should conduct an annual assessment, adopting, where necessary, an action plan to correct any weakness detected in relation to the following:**

    a) **The quality and efficiency of the functioning of the Board.**

    b) **The operation and composition of its committees.**

    c) **The diversity of the composition and powers of the Board.**

    d) **The performance of the Chairman of the Board and the first executive of the company.**

    e) **The performance and contribution of each Director, with particular attention to the various chairmen of the Board committees.**

    The evaluation of the various Committees will be based on the report that they submit to the Board, and that of the latter, from which the Nomination Committee rises.

    Every three years, the Board should engage an external consultant to aid in the evaluation process. This consultant's independence should be verified by the appointments committee.

    The business relations that the consultant or any company of his group maintain with the company or any company of his group must be broken down in the Annual Corporate Governance Report.

    The process and the areas evaluated will be described in the Annual Corporate Governance Report.

Compliant X Partially compliant Explain

37. **If there is an Executive Committee there is at least two non-executive Directors, at least one of them being independent; and its secretary is that of the Board.**

Compliant Partially compliant Explain Not applicable X

38. **The Board should always be aware of the matters dealt with and of the decisions taken by the Executive Committee and all Board members should receive a copy of the minutes of the meetings of the Executive Committee.**

Compliant Partially compliant Explain Not applicable X

39. **Audit and Compliance Committee members and, in particular, its Chairman, will be appointed based on their knowledge and experience in accounting, auditing and risk management.**

Compliant X 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 functionally report to the Board's non-executive Chairman or the Chairman of the Audit Committee.

Compliant X Partially compliant ☐ Explain ☐

41. The head of the unit that assumes the internal audit function present to the Audit Committee, for approval by the Board or by the Board, its annual work plan, to report directly to it on its implementation, including any possible impact and limitations on the scope of its development, the results and follow-up of its recommendations and submit to it at the end of each year an activity report.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

42. That, in addition to those provided for by law, the following functions correspond to the Audit Committee:

1. With regard to internal control and reporting systems:

a) To monitor and evaluate the process of preparation and the integrity of financial and non-financial information, as well as the systems of control and management of financial and non-financial risks related to the company and, where applicable, the group - including operational, technological, legal, social, environmental, political and reputational or corruption-related - by reviewing compliance with regulatory requirements, the appropriate delineation of the scope of consolidation and the correct application of accounting criteria.

b) To ensure the independence of the unit that assumes the internal audit function; to propose the selection, appointment and termination of the head of the Internal Auditing Service; to propose the budget of that service; to approve or propose the approval of the Board of the guidance and the annual work plan of the internal audit, ensuring that its activity focuses mainly on the relevant risks (including reputational risks); to receive regular information on its activities; and to verify that the upper management takes into account the conclusions and recommendations of its reports.

c) To establish and supervise a mechanism that allows employees and other persons related to the company, such as Directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting, or of any other nature, related to the company that they warn within the company or its group. This mechanism should ensure confidentiality and, in any case, cover cases in which communications can be made anonymously, observing the rights of the complainant and the defendant.

d) Generally to ensure that policies and systems established in the field of internal control are effectively applied in practice.

2. Regarding the external auditor

a) In the event of the resignation of the external auditor, examine the circumstances giving rise to it.

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

c) To supervise that the company communicates through the CNMV the change of auditor and accompany it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content.

d) **Ensure that the external auditor meets annually with the full Board of Directors to inform him of the work performed and of the evolution of the company's accounting and risk situation.**

e) **To ensure that the company and the external auditor comply with the current rules on the provision of non-audit services, the limits to the concentration of the auditor's business and, in general, the other rules on the independence of the auditors.**

Compliant X Partially compliant Explain

43. **The Audit Committee may call on any company employee or manager to be present at its meeting, even ordering their presence without another manager.**

Compliant X Partially compliant Explain

44. **The Audit Committee should be informed of the operations of structural and corporate changes planned by the company for analysis and prior report to the Board on its economic terms and its accounting impact and, in particular, where appropriate, on the proposed exchange rate equation.**

Compliant Partially compliant Explain Not applicable X

45. **That the risk control and management policy identifies or determines at least:**

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

b) **A risk control and management model based on different levels, of which a specialised Risk Committee will be part when the sectoral rules provide for it or the company considers it appropriate.**

c) **The level of risk considered acceptable by the company.**

d) **The measures envisaged to mitigate the impact of the risks identified, should they materialise.**

e) **The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.**

Compliant X Partially compliant Explain

46. **That, under the direct supervision of the Audit Committee or, where applicable, a specialised Board of Directors, there is an internal risk control and management function exercised by an internal unit or department of the company that expressly has the following functions:**

a) **To ensure the proper functioning of risk control and management systems and, in particular, that all significant risks affecting the company are adequately identified, managed and quantified.**

b) **To participate actively in the elaboration of the risk strategy and in the important decisions on its management.**

c) **To ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the Board.**

Compliant X Partially compliant Explain

47. Nomination and Remuneration Committee or the Nomination and Remuneration Committee members, if separate, should be appointed by ensuring that they have the knowledge, skills and experience appropriate to the functions they are called to perform and that the majority of these members are independent Directors.

Compliant Partially compliant X Explain

The Company fully complies with the first part of the recommendation since Nomination and Remuneration Committee members are appointed to ensure that they have the knowledge, skills and experience appropriate to the functions they are called to perform.

However, only half of the members of the Committee are currently independent Directors. Section 3 of the Nomination and Remuneration Committee Regulations provides that the appointment must be made "ensuring that most of them are independent Directors" and the Company intends to meet this requirement as soon as vacancies occur. The Company continues to opt for a differentiated composition of the Nomination and Remuneration Committee with regard to the Audit and Control Committee (comprising the other three independent Directors) in order to achieve greater independence of the two Committees, greater participation by all the independent Directors in the different Committees, and more dedication of each participating Director by belonging to a single Committee only. Without prejudice to the foregoing, the independence of the decisions of the Nomination and Remuneration Committee is guaranteed since there are no executive Directors and the Chairman of the Committee, who is independent, has a casting vote in the event of a tie.

48. The highly capitalised companies have an Nomination Committee and a separate Remuneration Committee.

Compliant Explain Not applicable X

49. That the Nomination Committee consults the Chairman of the Board and the first executive of the company, especially when it comes to matters concerning the Executive Directors.

That any Director may request the Nomination Committee to take into consideration, if it considers them appropriate, potential candidates to fill adviser vacancies.

Compliant X Partially compliant Explain

50. The Remuneration Committee exercises its functions independently and that, in addition to the functions assigned to it by law, it has the following functions:

a) To propose to the Board the basic terms of the contracts of upper management.

b) Check compliance with the remuneration policy established by the company.

c) Regularly review the remuneration policy applied to Directors and upper management, including the remuneration systems with shares and their application, and ensure that their individual remuneration is proportionate to that paid to the other Directors and upper management of the company.

d) To ensure that any conflicts of interest do not prejudice the independence of the external advice provided to the Committee.

e) To verify information on the remuneration Directors and Upper management contained in the various corporate documents, including the annual report on Director remuneration;

Compliant X Partially compliant Explain

51. **That the Remuneration Committee consults the president and the first executive of the company, especially when it comes to matters relating to executive Directors and upper management.**

Compliant X Partially compliant Explain

52. **That the rules on the composition and functioning of the supervisory and control Committees are included in the Board Regulations and are consistent with those applicable to legally binding Committees based on the above recommendations, including:**

    a) **They are composed exclusively of non-executive Directors, with a majority of independent Directors.**

    b) **The chairpersons should be independent Directors.**

    c) **That the Board appoint the members of these Committees, bearing in mind the knowledge, skills and experience of the Directors and the tasks of each Committee, deliberates on their proposals and reports; and that they report, at the first plenary of the Board after their meetings, on their activity and that they respond to the work performed.**

    d) **The committees may engage external advisors, when they feel this is necessary for the discharge of their duties.**

    e) **The minutes of its meetings will be drawn up and will be made available to all Directors.**

Compliant Partially compliant X Explain Not applicable

The Company complies with all the recommendations listed except a), with which it partially complies. See response to section 47 of this section.

53. **That oversight of compliance with Company environmental, social and corporate governance policies and rules, as well as internal codes of conduct, is attributed to one or is shared among several Committees, which may be the Audit Committee, the Nomination Committee, a Committee specialising in sustainability or corporate social responsibility or another specialised Committee that the Board, in the exercise of its self-organisation powers, has decided to establish. That Committee consists only of non-executive Directors, the majority being independent and specifically assigned the minimum functions indicated in the following recommendation.**

Compliant Partially compliant X Explain

Supervision of the Company's corporate governance policies and rules and internal codes of conduct were specifically attributed to the Audit and Control Committee through the new wording of its Regulation of 15 December 2020. In addition, the Audit and Control Committee is composed entirely of independent Directors.

On the other hand, the monitoring of compliance with the Company's environmental and social policies and rules was specifically attributed to the Nomination and Remuneration Committee through the new wording of its Regulation dated 15 December 2020. However, the Nomination and Remuneration Committee, although composed of only non-executive Directors, does not have a majority of independent members. See justification provided in section G. 47. of this Report.

54. The minimum functions referred to in the previous recommendation are as follows:

- **a) To supervise compliance with corporate governance rules and the Company's internal codes of conduct, also ensuring that the corporate culture is aligned with its purpose and values.**
- **b) To supervise implementation of the general policy on the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, voting advisers and other interest groups. Likewise, the way in which the entity communicates and relates to small and medium-sized shareholders will be monitored.**
- **c) The periodic evaluation and review of the corporate governance system and the Company's environmental and social policy, so that they successfully perform their role to promote the social interest and take into account, as appropriate, the legitimate interests of the other interest groups.**
- **d) The supervision that the company's environmental and social practices are in line with the strategy and policy established.**
- **e) The supervision and assessment of processes regarding the various stakeholders.**

Compliant X Partially compliant Explain

55. That sustainability policies in environmental and social matters identify and include at least:

- **a) The principles, commitments, objectives and strategy regarding shareholders, employees, customers, suppliers, social issues, environment, diversity, tax liability, respect for human rights and prevention of corruption and other unlawful conduct**
- **b) The methods or systems for monitoring compliance with policies, associated risks and their management.**
- **c) Non-financial risk monitoring mechanisms, including those related to ethical and business conduct aspects.**
- **d) Channels for communication, participation, and dialogue with stakeholders; and**
- **e) Responsible communication practices that prevent information manipulation and protect integrity and honour.**

Compliant X Partially compliant Explain

56. Director remuneration is necessary to attract and retain the Directors of the desired calibre and to remunerate the dedication, qualification and responsibility that the position requires, but not so high as to buy. Impair the independence of the non-executive Directors.

Compliant X Explain

57. That executive Directors are subject to variable remuneration related to the Company's performance and personal performance, as well as remuneration through the delivery of shares, options or rights in shares or instruments related to the value of the share and long-term savings systems such as pension schemes, retirement schemes or other social security schemes.

Payment in shares may be considered as remuneration to non-executives when they are conditional upon their retention until their termination as Directors. The foregoing

will not apply to the actions that the Director needs to dispose, where appropriate, of the costs related to his acquisition.

Compliant X Partially compliant Explain

58. **That, in the event of variable remuneration, the remuneration policies incorporate the limits and the necessary technical precautions to ensure that such remuneration relates to the professional performance of its beneficiaries and does not derive solely from the general evolution of the company's markets or sector of activity or from other similar circumstances.**

In particular, the variable remuneration components:

a) **They are linked to performance criteria that are predetermined and measurable and that these criteria consider the risk assumed for obtaining a result.**

b) **Promote the sustainability of the company and include non-financial criteria that are appropriate for long-term value creation, such as compliance with the Company's internal rules and procedures and its policies for risk control and management.**

c) **They are configured based on a balance between the achievement of short-, medium- and long-term objectives that make it possible to remunerate the yield for a continuous performance for a sufficient period of time to assess its contribution to sustainable value creation, so that the measuring elements of that yield do not revolve solely around specific, occasional or extraordinary events.**

Compliant Partially compliant Explain Not applicable X

59. **The payment of the variable components of the remuneration is subject to sufficient verification that the previously established performance or other criteria have been effectively met. Entities will include in the Directors' annual remuneration report the criteria as to the time required and the methods for such verification based on the nature and characteristics of each variable component.**

In addition, the entities assess the establishment of a reduction clause ("malus") based on the deferral for a sufficient period of payment of a part of the variable components that entails their total or partial loss in the event that an event that makes it advisable occurs prior to the time of payment.

Compliant Partially compliant Explain Not applicable X

60. **Remuneration related to the Company's performance takes into account any qualifications included in the external auditor's report and undermines those results.**

Compliant Partially compliant Explain Not applicable X

61. **A relevant percentage of the variable remuneration of executive Directors is linked to the delivery of shares or financial instruments related to their value.**

Compliant Partially compliant Explain Not applicable X

62. **That once the shares, options or financial instruments corresponding to the remuneration systems have been allocated, the executive Directors may not transfer their ownership or exercise them until at least three years have elapsed.**

The exception is the case where the Director maintains, at the time of the transfer or year, a net economic exposure to the change in the share price at a market value

equivalent to an amount of at least twice its fixed annual remuneration by means of ownership of shares, options or other financial instruments.

The foregoing does not apply to the actions that the Director needs to dispose of to meet the costs related to his acquisition or, after favourable assessment of the Committee of appointments and salaries, to deal with extraordinary situations that require it.

Compliant Partially compliant Explain Not applicable X

63. That the contractual agreements include a clause allowing the company to claim the reimbursement of the variable components of the remuneration when the payment was not in conformity with the conditions of performance or when they were paid based on data the inaccuracy of which is subsequently proven.

Compliant Partially compliant Explain Not applicable X

64. That the termination or severance payments do not exceed an amount equal to two years of the total annual remuneration and that they are not paid until the company has been able to verify that the Director has met the criteria or terms established for their collection.

For the purposes of this recommendation, any termination or termination payment will be considered to be any payment whose accrual or payment obligation arises as a result of or upon termination of the contractual relationship that linked the Director to the Company, including the amounts not previously consolidated of long-term savings systems and the amounts that are paid under post-contractual non-compete clauses.

Compliant Partially compliant Explain Not applicable X

H OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect of corporate governance in the company or in the group entities that has not been included in the other sections of this report, but that it is necessary to include in order to collect more complete and reasoned information on the structure and practices of government in the entity or its group, briefly detail them.

2. Within this section, any other information, clarification or nuance related to the preceding sections of the report may also be included to the extent that they are relevant and not repetitive.

   Specifically, it will indicate whether the company is subject to legislation other than Spanish law on corporate governance and, where applicable, include information that it is obliged to provide and is different from that required in this report.

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

3. The Company may also indicate whether it has voluntarily adhered to other codes of ethical principles or good practice, international, sectoral or other. If applicable, the code in question and the date of accession will be identified. In particular, it will mention whether it has acceded to the Code of Good Tax Practices of 20 July 2010.

This Annual Corporate Governance Report was approved by the Board at its session on 23 February 2021.

Please indicate whether any Directors voted against or abstained in connection with the approval of this Report.

YES ☐ NO X

Name or corporate name of the Director who did not vote in favour of approving this report	Reasons (against, abstention, non-assistance)	Explain the reasons

Observations

Lar España Real Estate SOCIMI, S.A.

Auditors' report on the 2020 "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

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

AUDITORS' REPORT ON THE 2020 INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

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

As requested by the Board of Directors of Lar España Real Estate SOCIMI, S.A. ("the Entity") and in accordance with our engagement letter of January 22th 2021, we have applied certain procedures to the accompanying "Information relating to the ICFR", included in section F) of the Annual Corporate Governance Report (ACGR) of Lar España Real Estate Socimi, S.A. for fiscal year 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

In this regard, it should be noted, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2020 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.

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The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in CNMV Circular 5/2013 of June 12th 2013, subsequently modified, being the last one the Circular 1/2020 of October 6 th, 2020.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (III) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the internal audit department, senior executives or other internal or external experts providing support functions to the Audit and Control Committee.

4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.

5. Reading of the meetings minutes of the board of directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by Circulars published by the CNMV (Spanish National Securities Market Commission) for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Carmen Barrasa Ruiz

February 24th, 2021