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# Corporate Governance Policy at **Lar España Real Estate SOCIMI, S.A.**



<b>Prepared by</b>	<b>Date</b>	<b>Approved by</b>	<b>Date</b>
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## **CORPORATE GOVERNANCE POLICY AT LAR ESPAÑA REAL ESTATE SOCIMI, S.A.**

### **1. FOREWORD**

In accordance with Articles 529 ter of the Corporate Enterprises Act and Article 5 of Regulations of the Board of Directors, the Board of Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter, “Lar España” or the “Company”) is empowered to draw up this corporate governance Policy, which includes the main aspects and commitments of the Company in matters of corporate governance and the internal corporate-governance and internal corporategovernance-related standards.

This Policy is articulated around two key sets of standards:

- a. On the one hand, the legally-binding standards enshrined in the Spanish Corporate Enterprises Act and other applicable company law.
- b. On the other hand the recommendations contained in the current Corporate Governance Code of listed companies of the Spanish Securities Market Commission (hereinafter “CNMV” for its acronym in Spanish) dated 18 February 2015 and partially revised in June 2020, which are voluntary but which require the Board to give a reasoned explanation for any of the follow-up to its recommendations in the Annual Corporate Governance Report..

Given the nature of the Company’s shareholders the Board will endeavor to ensure that its practices are in harmony with current international best practice of corporate governance among listed property companies.

In accordance with the above, in its meeting on 20 January 2016 the Company's Board of Directors approved this Policy, which was reviewed at its meeting on 20 December 2018 and has been reviewed again at its meeting on 15 December 2020.

### **2. PURPOSE**

The aim of the Policy is to transmit the basis for the organization and functioning of the company's governing bodies to shareholders and markets and help Lar España maximize its competitiveness, foster transparency and thereby build the confidence of Spanish and international shareholders and investors, improve internal control and environmental and social sustainability practices, commit to provide relevant information on the implementation and evolution of sustainability practices and ensure due segregation of functions, duties and responsibilities, all from the standpoint of maximum professionalism and rigor.

### **3. GENERAL PRINCIPLES**

1. To maximize, on a sustained basis, the Company's economic value, in keeping with the legitimate public and/or private interests that come into play in the pursuit of any economic activity.

2. To establish the mechanisms and instruments need to ensure that the Company identifies, analyzes and adopts, as required, the best practices, standards and recommendations in the corporate governance field.
3. To guarantee equal treatment of all shareholders who are in the same position , duly protecting and facilitating the exercise of their rights, especially with regard to information, participation and the exercise of voting rights at the General Shareholders' Meeting.
4. To promote transparency and maximize the dissemination of the information to the market, so that the economic-financial, non-financial and corporate information and other public information of the Company reports in a clear, comprehensive, simple, orderly and comprehensible manner to its various stakeholders.
5. To oversee the safeguards in place to ensure the honorability, suitability, solvency, skills, experience, qualification, training, availability and commitment to their duties of the directors and senior officers.
6. Encourage an appropriate composition of the Board and, in this connection, to ensure the existence of appropriate director selection procedures so as to guarantee reasonable boardroom balance and diversity, for the proper performance of its functions and ensures that appointment or re-election proposals are based on a prior analysis of the competences required by the Board of Directors.
7. To establish the appropriate mechanisms for circumscribing the duties and responsibilities of the directors and enabling the prevention and resolution of potential conflicts of interest between the directors and the Company.
8. To ensure a director remuneration policy based on the principles of transparency, moderation, compensation for dedication and correlation with the Company's performance.
9. To ensure the quality and effectiveness of the work performed by the Board of Directors, its members and its committees by means of an annual evaluation, attempting to this end to rely on the support and assistance of independent external advisors.
10. To facilitate the directors' ongoing learning so as to ensure familiarity with the Company's business and its corporate governance rules by means of an annual information program.

## **4. GOOD GOVERNANCE COMMITMENTS**

### **4.1. Shareholder protection**

- Lar España shall avoid all bylaw clauses whose underlying purpose is to hinder possible takeover bids.
- When the Company is under the control of another entity that has a business relationship with it or carries out activities that are related to its own, it must report this and adequate measures shall be established to protect the legitimate interests of all affected parties and to prevent and address any potential conflicts of interest.
- Lar España shall pursue a strategy of communicating and engaging with shareholders and institutional investors, within the framework of their involvement in the Company, and with proxy advisors that fully respects anti-market abuse law, treating all

shareholders of the same status equally. Likewise, the Company should also have a general policy for the communication of economic-financial, non-financial and corporate information, available at its website, through the channels it considers appropriate that helps maximize the dissemination and quality of the information available to the market, investors and other stakeholders.

- The directors of Lar España shall make limited use of their delegated power to issue shares or convertible securities when waiving pre-emptive subscription rights in any amount exceeding 20% of capital at the time of the related shareholder resolution. However, when the delegation exceeds 20% of the share capital, the Board shall inform shareholders appropriately about such use.

#### **4.2. General Meetings**

- Lar España shall guarantee equal treatment of all shareholders in the same position as regards the exercise their rights of information, attendance, participation and the right to vote in General Meeting under equal conditions. In particular, shareholders have the right to attend the General Meeting regardless of the number of shares they own, provided that they comply with the requirements established in the Law and in the Shareholder Meeting Rules and Regulations. Likewise, the Board of Directors may enable, when it deems it necessary, attendance at the General Shareholders' Meeting by telematic means under the terms of the Law and the Company's internal regulations
- Lar España does not intend to pay shareholders a bonus for General Meeting attendance. In the event that the criteria is modified it shall first establish and publish a general policy governing such payments.
- Lar España shall provide its shareholders with clear information concerning its degree of compliance with the Governance Code recommendations at the Ordinary General Meeting.
- The Shareholders' General meeting shall be conducted according to principles of transparency and with appropriate information provided. In this sense, and always within the legally established limits, the Board of Directors of Lar España will promote the informed participation of the shareholders in the General Meeting and will adopt all appropriate measures to facilitate the effective exercise by the General Meeting of its functions in accordance with the Law and the internal rules of the Company.
- The Board of Directors shall guarantee at all times that the shareholders of the Company may exercise their rights of representation and vote rights at the General Meeting. In this regard, shareholders may delegate or exercise their vote by remote means specified in the corresponding call of the meeting, seeking as far as possible to allow the delegation and exercise of votes by electronic means.
- Lar España shall prepare the following reports, which will be uploaded onto the Company's website sufficiently in advance of the Annual General Meeting:
  - Report on auditor independence.
  - Reviews of the operation of the Audit Committee and Control and the Appointments and Remuneration Committee.

- Audit Committee and Control report on third-party transactions.

#### **4.3. Board of Directors**

##### ***Composition***

- The Board of Directors shall be authorized to adopt all the resolutions that are not attributed by the bylaws or the law to the General Meeting of Shareholders.
- The Board of Directors of Lar España, which has the broadest powers and faculties to manage, direct, administer and represent the Company, shall focus its activity, within the legal limits, on the general function of strategic coordination and the definition and supervision of the basic management guidelines of the Company and its Group, deciding on matters of strategic relevance at Group level, respecting the respective functional areas and responsibilities of each entities that from part of the Group and operating in interest of all of them, entrusting the direction and ordinary management of the Company to the Chairman, to the CEO, if any, and senior management team, of the Company.

Those powers legally or bylaws reserved for the direct knowledge of the Board of Directors or those necessary for the responsible exercise of the general supervisory function may not be delegated.

- The Board of Directors shall perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It shall be guided at all times by the Company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.
- In pursuing the corporate interest, it shall abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, and also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.
- The Board of Directors shall be sized to facilitate its efficient functioning, the participation of all members and agile decision-making and shall be made up of a number of members of no less than five and no more than fifteen, which shall be determined by the General Meeting of Shareholders.
- The Board of Directors shall have a balanced membership, with a large majority of non-executive directors and an appropriate mix of proprietary and independent directors, with the latter occupying at least half of board places.
- The policy of diversity of the Board of Directors and selection of directors will promote diversity of knowledge, experiences, nationality, training experiences, age, disability and gender in its composition

##### ***Board positions***

- The chairman shall be responsible for the leadership and efficient running of the Board of Directors. At the proposal of the chairman, the Board may also designate one or more

Vice-Presidents. The VicePresident shall replace the President in the event of vacancy, absence or sickness or when the President so determines.

- At the proposal of the chairman, the Board of Directors shall elect a Secretary, whose appointment may be made by one of its members or by a person not belonging to the Board of Directors who is capable of performing the duties inherent to that office. In the event that the Secretary of the Board of Directors is not a director, he/she shall have the right to speak but not to vote. The work of the secretary of the Board of Directors shall be to facilitate the efficient running of the board. At the proposal of the chairman, the Board may also appoint a Vice-Secretary.

### ***Modus operandi***

- The Board of Directors shall meet with the necessary frequency to properly perform its management and oversight functions. Directors must personally attend the meetings of the Board held. Notwithstanding the foregoing, directors may delegate their representation to another director and non-executive directors may only do so to another non-executive director.
- The call to Board meetings shall always include the agenda of the meeting and shall be accompanied by the relevant information duly prepared and summarized.
- The President shall organize and stimulate the debate, seeking and promoting the active participation of all the directors during the sessions of the Board, safeguarding their free adoption of position and expression of opinion.
- The Board shall periodically evaluate its overall performance and that of its members and Committees. This evaluation shall be externally facilitated at least every three years, and, where applicable, will take on the basis of the outcome of this evaluation exercise, at the proposal of the Appointments and Remuneration Committee, it shall draw up an action plan to address any shortcomings identified.

### ***Appointment and removal of directors***

- The directors shall be appointed by the General Meeting or by the Board of Directors in accordance with the provisions contained in the Law and the internal regulations of Lar España.
- The Board of Directors shall endeavor to ensure that the appointment of directors shall fall upon persons of recognized solvency, competence and experience, and shall exercise extreme rigor in relation to those persons called upon to cover the duties of independent directors.
- The term of the directors' mandate shall be as determined in the Company bylaws, but in no case shall it exceed four years, at the end of which time they may be re-elected one or more times for periods of the same maximum duration.
- The grounds for director removal or resignation must not impinge upon their freedom of judgment. They shall protect the Company's name and reputation, allow for changing circumstances and ensure independent directors a stable mandate as long as they retain their independent status and are not in breach of their duties.

### ***Director remuneration***

- The remuneration of Board members shall suffice to attract and retain the right people and to sufficiently compensate them for the dedication, abilities and responsibilities that the post demands, but shall not be so high as to compromise the independent judgment of non-executive directors. Remuneration policy shall seek to further the corporate interest, while incorporating the necessary mechanisms to avoid excessive risk-taking or rewarding poor performance.
- The Appointments and Remuneration Committee shall propose director remuneration policy, which must be endorsed by the Board and submitted to a shareholder vote at least every three years as a separate item on the agenda.

### **4.4. Committees of the Board**

- As well as its legally-defined functions, the Audit and Control Committee shall be formed by a majority of independent directors and its members, as a whole, particularly its chairman, shall be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial, while its terms shall favor independence in the performance of their duties.
- The Audit and Control Committee shall be responsible for supervising the effectiveness of the Company's internal control, internal audit and internal risk management systems, both financial and non-financial, supervising the process of preparing and presenting the required financial information and non-financial related and proposing the selection, appointment, re-election and replacement of the external auditor and relations with said auditor, among others.

In particular, in those cases where the auditors includes any qualification in its report, the Chairman of the Audit and Control Committee will provide at the General Meeting a clear explanation of their opinion regarding the content and scope.

- The Company shall maintain a financial and non-financial risk control and management function in the charge of an internal unit or department, supervised directly by the Audit and Control Committee.
- As well as its legally-defined functions, the Appointments and Remuneration Committee shall have at least two of independent members, who shall be appointed with regard to their knowledge, skills and experience, while its terms of reference shall promote independence in the performance of its duties.
- The duties of the Appointments and Remuneration Committee shall include assessing the skills, knowledge and experience required on the Board of Directors; presenting to the Board proposals for the appointment of independent directors and reporting on the appointment of the remaining directors; reporting on proposals for the appointment and removal of senior executives and the basic conditions of their contracts; and proposing to the Board of Directors the remuneration policy for directors and senior executives.
- The task of supervising compliance with the policies and rules of the Company in the environmental, social and corporate governance areas and internal rules of conduct will



be split between the Audit and Control Committee the Appointments and Remuneration Committee, in accordance with the Company's internal regulations.

#### **4.5. Sustainability Management**

- The Company shall deploy an appropriate Sustainability in environmental and social areas Policy, which will be approved by the Board, and periodically report transparently and in sufficient detail on its development, application and results, following the reference frameworks.
- The Appointments and Remuneration Committee shall be responsible the monitoring of the sustainability strategy and practices in environmental and social areas and the evolution of associated indicators before reporting to the Board of Directors who is responsible for decisions on these matters. In turn, the Audit and Control Committee will be responsible for supervising compliance with this policy.

#### **4.6. Director obligations and fiduciary duties**

##### ***Duties of care and loyalty***

- The directors must be in a position to discharge their duties and comply with their legally-imposed and bylaw-stipulated obligations with due diligence, bearing in mind the nature of the position and the duties associated with each.
- The directors must carry out their duties as loyal Company representatives, acting in good faith and in the Company's best interests.
- Directors shall allocate sufficient time to the Company to discharge their responsibilities effectively and to gain a solid grasp of Lar España's business and the governance rules to which it is subject, taking part to this effect in the induction and knowledge refresher courses organized by the Company.
- Directors shall be equipped with sufficient information to operate effectively, and shall be entitled to call on the Company for any guidance they require.

##### ***Director liability***

- Directors shall be liable to the Company, its shareholders and its creditors for damages caused by acts or omissions that violate the law or the Bylaws and the directors' fiduciary duties, insofar as there has been willful misconduct or negligence.
- The Company will subscribe to, and maintain a Directors' and Officers' insurance to cover the cost of compensation claims made against the Company, its directors and key managers in the legitimate course of the Company's activity, as well as the cost of defending such actions.

#### **4.7. Whistleblower Channel**

- Lar España will guarantee the existence and proper functioning of a Complaints Channel through which any person subject to Lar España's Code of Conduct can make a complaint/denunciation, anonymously and guaranteeing confidentiality, about any current regulation or other established internal regulations that they consider to be being

violated, so that the problem is known and resolved. For this purpose, the Company will have a Regulation that regulates the operation of the Whistleblower Channel, which will be disseminated together with the Whistleblower Channel to its employees and other interest groups through the website and by any means of internal communication.

- The Audit and Control Committee shall be responsible for ensuring the proper functioning of the Whistleblower Channel with the collaboration of the Company's Ethics Committee.

## **5. CONTROL, MONITORING AND DISSEMINATION OF POLICY**

- In accordance with the provisions of the Regulations of the Board of Directors of Lar España, the Audit and Control Committee shall be responsible for the periodic supervision of the content, application and development of this Policy, informing the Company's Board of Directors and being able to propose any proposals for improvement it deems appropriate.
- This Policy will be published on the Company's website. Likewise, the detailed information on the contents of this Policy and, in particular, on the various elements of Corporate Governance of the Company and its operation in practice and compliance, shall be provided in the Annual Corporate Governance Report of the Company under the terms established in the Law.