

# **Accounts Auditor Selection Policy**

## **Lar España Real Estate SOCIMI, S.A.,**



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## **CONTENTS**

<b>1.</b>	<b>INTRODUCTION .....</b>	<b>2</b>
<b>2.</b>	<b>PURPOSE.....</b>	<b>2</b>
<b>3.</b>	<b>DUTIES AND RESPONSIBILITIES.....</b>	<b>2</b>
<b>4.</b>	<b>SELECTION PROCESS.....</b>	<b>3</b>
<b>5.</b>	<b>TERM OF THE AUDITOR’S MANDATE .....</b>	<b>6</b>
<b>6.</b>	<b>FEES.....</b>	<b>6</b>
<b>7.</b>	<b>PROPOSAL FOR RE-ELECTION .....</b>	<b>7</b>
<b>8.</b>	<b>PROPOSAL FOR REVOCATION.....</b>	<b>7</b>
<b>9.</b>	<b>ANNUAL APPRAISAL.....</b>	<b>8</b>
<b>10.</b>	<b>CONTROL, OVERSIGHT AND DISTRIBUTION OF THIS POLICY .....</b>	<b>8</b>

## **LAR ESPAÑA REAL ESTATE SOCIMI, S.A., ACCOUNTS AUDITOR SELECTION POLICY**

### **1. INTRODUCTION**

Lar España Real Estate SOCIMI, S.A. (“**Lar España**” or the “**Company**”) is a SOCIMI (Listed Real Estate Investment Company) that has been listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges since 5 March 2014.

As the dominant company in a corporate group (the “**LRE Group**” or the “**Group**”), it is obliged to prepare consolidated annual accounts and a consolidated management report in addition to its own individual annual accounts and management report.

Similarly, both at an individual level (because it exceeds the financial limits established in the regulations) and at a consolidated level, Lar España is obliged to submit its individual and consolidated annual accounts for verification by an accounts auditor or an auditing company (hereinafter, an “**external auditor**”), pursuant to the provisions contained in the Royal Decree of 22 August 1885, under which the Spanish Commercial Code was published, and the consolidated text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, all in accordance with the requirements and formalities set out in Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 (“**REU**”) and Spanish Act 22/2015 of 20 July, on Accounts Auditing (*Ley de Auditoría de Cuentas*, “**LAC**”) and its implementing Regulations approved in Royal Decree 2/2021 of 12 January (“**RLAC**”).

### **2. PURPOSE**

The purpose of this Policy is to regulate the procedure to be followed for the selection, appointment and, where applicable, re-election or dismissal of the external auditor of Lar España and its Group and to establish the principles and criteria that are to be observed, in a way that will ensure that the process is completed in a fair and impartial way and that this task falls to an independent firm that combines all the technical skills required to perform their duties efficiently and responsibly, all in accordance with the requirements set out in the regulations in force.

### **3. DUTIES AND RESPONSIBILITIES**

#### **Audit and Control Committee**

- To submit proposals to the Board for the selection, appointment, re-election and replacement of the external auditor, taking charge of the selection process, in accordance with the provisions set out in the applicable regulations, and establishing the conditions for its engagement. To this end it shall:

1. define the auditor selection procedure; and
  2. issue a reasoned proposal that includes at least two candidates for selection as auditor, except when proposing re-election of the current auditor.
- To maintain the independence of the external auditor in the performance of its duties and, to this end: (i) ensure that the Company notifies any change of auditor to the Spanish Securities Markets Commission (CNMV), accompanied by a statement detailing any potential disagreements arising with the outgoing auditor, where applicable, and the reasons for these disagreements; (ii) ensure that the Company and the auditor adhere to current regulations on the provision of non-auditing services, and other requirements established to ensure auditor independence; and (iii) in the event of the external auditor's resignation, examine the circumstances that have caused it.
  - In the case of groups, to favour the appointment of the group's auditor to take responsibility for the audits of the companies belonging to the group.
  - To ensure that the payment of the external auditor does not compromise its quality or independence.
  - To carry out a final assessment of the auditor's actions and the degree to which these have contributed to the quality of the audit and the integrity of the financial information.

#### **Board of Directors**

- Assess the recommendation of the Audit and Control Committee and its preference, which shall not be binding, and submit the appointment, renewal and revocation of the Company's annual accounts auditor for approval by the General Shareholders' Meeting (with details of its contractual conditions and the scope of its professional duties).

#### **General Shareholders' Meeting**

- To appoint, renew or revoke the external auditor that is to audit the accounts. The appointment must be made before the end of the financial year that is to be audited, for an initial term which may not be less than three years or more than nine, calculated from the date on which the first year to be audited begins, and it may be re-elected by the General Shareholders' Meeting once the initial term has elapsed, in the manner provided for in law.

## **4. SELECTION PROCESS**

The Audit and Control Committee will be responsible for the process for selecting an external auditor for Lar España's individual and consolidated accounts, and in this it will be assisted and supported by the Corporate and Financial Management Departments and the review by the Internal Auditing Department. It will also endeavour to ensure that the LRE Group's auditor is also made responsible for auditing the individual accounts of the other companies belonging to the group.

With the exception of cases involving the renewal of an auditor's appointment, the selection of an external auditor will be made in a competitive tendering process, which must be impartial, transparent, efficient and non-discriminatory. In any case, the Audit and Control Committee will ensure strict compliance with the regulations that apply to the selection and engagement of the external auditor and, in particular, the equal treatment of all candidate firms.

To protect the integrity of the selection process and any confidential information that the Company may make available to candidate firms, the relevant non-disclosure agreement will be signed with each of these firms.

The tendering process will be organised in accordance with the following criteria, which have been prepared on the basis of Lar España's own corporate documents and the provisions contained in the REU, the LAC, the RLAC and the Spanish Securities Markets Commission's Technical Guideline 3/2017, on the audit committees of public interest entities:

- Any legally qualified auditor or auditing firm may be freely invited to submit bids for the provision of account auditing services, provided that:
  - They are entered in the Official Register of Accounts Auditors at the Spanish Accounting and Auditing Institute.
  - No threats to their independence have been identified, nor are they affected by any of the circumstances provided for in the regulations that might disqualify them from providing account auditing services.
  - The fees that the Company is expecting to pay for all items do not exceed 5% of the total revenues earned by the accounts auditor or auditing firm during the most recent financial year.
- When the process is organised by means of a public invitation to submit bids for the position of auditor, an announcement will be posted on the Company's corporate website ([www.larespana.com](http://www.larespana.com)) offering access to information about the process, and a link will be provided via which an application to participate may be submitted.
- A list of conditions or RFP (Request for Proposal) will be drafted for distribution to all the external auditors taking part in the process. This will make them aware of the business activities engaged in by Lar España and the LRE Group, the type of legal audit that is to be carried out and the scope of their professional duties with the group of consolidated entities that are covered by the auditor's engagement.
- This list of conditions will include the transparent and non-discriminatory selection criteria that Lar España will apply when evaluating the bids submitted by the external auditors taking part in the process. The following minimum criteria will be considered:
  - The resources and experience of the auditor or auditing firm, especially in the real estate sector and in relation to Listed Real Investment Trusts (SOCIMIs).
  - The auditing firm must have personnel with the necessary skills and abilities and specialist technical systems and/or resources that are able to deal with complex issues and that match the volume and complexity of the LRE Group's business activities, along with specialist personnel with specific know-how in the area of SOCIMIs, the International Financial Reporting Standards and International Valuation Standards.
  - The independence of the auditing firm or individual auditor that will be signing off the accounts, particularly as regards their personal situation or with regard to their provision to Lar España and its Group of any services other than auditing, pursuant to the regulations governing the auditing of accounts, along with any other circumstance arising from the rules governing independence to which they are subject.

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- The extent of geographical cover provided by the network to which the auditor or auditing firm belongs, commensurate with the diversification of Lar España and its Group.
- The quality and efficiency of the services, for which the Audit and Control Committee will take account of information on the results of the inspections carried out on various auditors or auditing firms, where applicable, by the Spanish Accounting and Auditing Institute (*Instituto de Contabilidad y Auditoría de Cuentas*, “**ICAC**”) or other competent regulatory bodies, along with strict compliance with any other condition or requirement that the applicable regulations establish from time to time.
- The proposed professional fees and the quality/price ratio.
- The number of hours expected to be worked by partners/senior associates.
- The information security management system implemented as part of the auditing process.
- The proposed added value.

The auditor’s selection will be the result of a proper weighing up of all the different criteria, and no precedence will be given to the fee amounts proposed.

The ability to provide additional services other than auditing will not be included in the evaluation criteria under any circumstances.

In order to ensure that the quality of auditing services takes precedence among the criteria used to establish remuneration, the Committee may include limiting criteria when evaluating financial bids (such as bids that may be considered disproportionate or abnormal).

Candidate firms will submit their bids to the Audit and Control Committee at one or more meetings convened for this purpose.

Once the submitted bids have been evaluated in accordance with the selection criteria defined in the list of conditions, the Audit and Control Committee will submit a report to the Board of Directors describing the Process followed, and this will include a recommendation with regard to the appointment of the external auditor. This recommendation will be reasoned, and it will include at least two candidates for the position, along with an indication of and justification for its preference for one of them. In any case, the auditor or auditors recommended by the Committee must have taken part in the selection Process. The number of financial years for which the Committee recommends making the appointment will also be indicated.

In its recommendation, the Audit and Control Committee will state that this has been reached without any third-party influence, and that the Committee has not been subject to any condition that might limit the selection to be made by the General Shareholders’ Meeting to certain categories or lists of legal auditors or auditing firms with regard to the appointment of a specific legal auditor or auditing firm.

The Board of Directors will assess the Audit and Control Committee’s recommendation and preference, though this will not be binding, and it will propose the appointment of one of the auditors selected by the Committee to the General Shareholders’ Meeting, giving its reasons, where applicable, when it does not follow the preference indicated.

## **5. TERM OF THE AUDITOR'S MANDATE**

The minimum length of the initial term of engagement may not be less than three years or more than nine, and the total length of the auditor's mandate, including any extensions, may not exceed a maximum term of ten years. The auditor may be re-elected by the General Shareholders' Meeting once the initial term has elapsed, in the manner provided for in law. In this regard, pursuant to the contents of Article 40 of the LAC, the maximum length of the engagement, including any extensions, will be ten years, though this term may be additionally extended up to a maximum of fourteen years provided that the auditor or auditing firm in question has been engaged simultaneously with one or more other auditors or auditing firms to act jointly during this additional period, or up to ten years if a public tendering process inviting bids for legal auditing services is carried out, pursuant to the contents of Article 16, Section 2 to 5 of the REU.

In addition, once five years have elapsed following the signing of the original agreement, the principal auditors responsible for auditing work must be rotated, and a period of three years must elapse in all cases before those people are allowed to participate once again in auditing the Company and its Group.

The length of the auditor's mandate will be calculated from the date of the first financial year covered by the auditing agreement in which the legal auditor or auditing firm is first appointed to carry out consecutive legal audits of the Company.

In the event of any uncertainty regarding the date on which the external auditor began carrying out consecutive legal audits of the Company, e.g. because there have been mergers, acquisitions or changes in ownership structure, the external auditor will be required to report this immediately to the competent authority, which will be the body with ultimate responsibility for establishing the relevant date.

Once the maximum term of the mandate plus any extensions has expired, neither the legal auditor or auditing firm nor, where applicable, any member of the legal networks of these parties within the European Union, may carry out any legal audit of the Company until four years have elapsed.

## **6. FEES**

Under no circumstances will it be agreed that the fees payable for completing legal audits are contingent in nature.

"Contingent fees" are understood to be fees paid in such a way that remuneration is calculated in accordance with a pre-established formula, depending on the results of a particular transaction or the work carried out.

Fees established as the result of a decision by the courts or the competent authorities are not classified as contingent.

### **Fees during the term of the contractual relationship**

When the external auditor provides the Company or entities within the Group with services other than auditing (and other than those that are "prohibited" under the regulations in force) for a period of three or more consecutive financial years, the total fees received for the services in

question may not exceed 70% of the average fees paid during the last three consecutive years for the auditing or legal auditing of Lar España's and the LRE Group's consolidated financial statements.

When the total fees paid during each of the last three consecutive financial years account for more than 15% of the total fees obtained by the external auditor, the external auditor will report this to the Audit and Control Committee, which will work jointly with the auditor to examine any threats to its independence and the safeguarding measures adopted to mitigate them. The Audit and Control Committee will analyse whether the auditing work carried out should be subject to a quality control review by another legal auditor or auditing firm before the audit report is issued.

In the event that the fees paid by the Company remain in excess of 15% of the total fees received by the external auditor, the Audit and Control Committee will decide, on the basis of objective reasoning, whether the auditor can continue performing the legal audit for an additional period, which may not under any circumstances exceed two years.

All the non-auditing services that are provided by the external auditor to the Group or the Company must be previously approved by the Audit and Control Committee. These shall not include any of the "prohibited services" listed in the regulations in force.

## **7. PROPOSAL FOR RE-ELECTION**

Before the end of the financial year in which the external auditor's mandate is due to expire, the Audit and Control Committee will analyse the possibility of its re-election or, where applicable, the initiation of a process to select and appoint a new auditor, in the manner described in this present Policy.

To this end, consideration will be given to the results of the annual appraisal of the independence and quality of the work carried out, along with the deadlines and quantitative restrictions set out in the regulations in force.

The Audit and Control Committee will submit a proposal for the auditor's re-election to the Board of Directors, so that the latter may in turn prepare the relevant proposal for the General Shareholders' Meeting.

## **8. PROPOSAL FOR REVOCATION**

The Audit and Control Committee may only propose the revocation of the external auditor to the Board of Directors, for subsequent submission to the General Shareholders' Meeting, before the end of the initial term for which it was appointed, or before it completes each of the jobs for which it was engaged after the end of the initial term, when this is permitted under the regulations and there is just cause.



## 9. ANNUAL APPRAISAL

The Audit and Control Committee will carry out an annual appraisal of the auditor's actions and the degree to which these have contributed to the quality of the audit and the integrity of the financial information. The conclusions reached in this appraisal will take account of parameters such as: (i) the independence of the accounts auditor; (ii) its knowledge of the Group's business; (iii) the frequency and quality of its communications; (iv) the published results of any quality controls or inspections carried out by the ICAC or other supervisory bodies; and (v) the reports on the transparency of the auditor, along with any other available information.

The Committee may seek the opinions of the Company management and the Internal Auditing Department regarding the accounts auditor.

If, following its appraisal of the external auditor, the Committee feels that there are aspects that raise questions about or compromise the quality of the accounts audit, it must assess the possibility of reporting these to the Board of Directors so that, where deemed appropriate, they may be made known to the supervisory authorities for the relevant purposes in each case.

## 10. CONTROL, OVERSIGHT AND DISTRIBUTION OF THIS POLICY

Pursuant to the contents of the Lar España Board of Directors Regulations, the **Audit and Control Committee** is responsible for regularly reviewing the content of this Policy and overseeing its application and development, and for reporting its findings in this regard to the Company's **Board of Directors**, with the power to submit any proposals for improvement that it deems appropriate.