

Procurement and Outsourcing of Services Policy

Lar España Real Estate SOCIMI, S.A.



Prepared by	Date	Approved by	Date
Corporate Management and CFO	15 June 2023	Audit and Control Committee	21 December 2023
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The Board of Directors of Lar España Real Estate SOCIMI, S.A. (“**Lar España**” or the “**Company**”) has the legally sanctioned and non-delegable duty to define the Company’s general strategies and policies, a duty that is also established in the Board of Directors Regulations.

Accordingly, the Company’s Board of Directors has approved this **Lar España Procurement and Outsourcing of Services Policy** (the “**Procurement and Outsourcing of Services Policy**” or the “**Policy**”), which will help advance the Company’s commitment to take every appropriate action to identify, monitor, manage and minimise any significant risk resulting from the business activities engaged in by the Company and the Group of which it is the parent (the “**LRE Group**” or the “**Group**”).

1. Purpose

The purpose of this Policy, which forms part of the LRE Group's risk monitoring and management environment, is to establish a general framework for action and the guiding principles that will govern the procurement and outsourcing of services process, all of which must be observed by employees, managers, representatives and directors of both the Company and the companies in its Group (the "**Personnel**") in order to identify, monitor, manage and minimise any significant risk associated with these processes.

The Policy also defines the duties and responsibilities of the different members of the Company's Personnel who participate in these procurement and outsourcing of services processes.

2. Effect and Applicable Scope

a. Subjective Scope

This Procurement and Outsourcing of Services Policy applies to Lar España, all the companies in the LRE Group and their Personnel, including all the people who work with the LRE Group in the performance of their duties (investment managers, asset managers, property managers, office managers, treasurers, external accountants, technical consultants, etc.), all of whom are bound to comply with the terms of this present Policy and the **Procurement and Outsourcing of Services Contracting Procedure** (the "**Procedure**") adopted in order to implement this Policy.

The Company will encourage investees that do not belong to the Group to implement principles and guidelines that are consistent with those set out in this Policy.

b. Objective Scope

For the purposes of this Policy, "procurement" shall be understood to mean the acquisition of goods or the engagement of services by Lar España and companies in the LRE Group in the course of their ordinary business activities, i.e. materials, equipment, supplies, building work and any other similar items.

For its part, the "outsourcing of services" refers to an agreement reached between the Company or any other organisation in the LRE Group and a service supplier (whether this is another Group company or a company that does not belong to the Group), so that the latter may engage in business activities on an ongoing basis (including activities agreed for a limited period of time) that the Company would normally perform itself but that it has, for strategic, financial or other reasons, decided to outsource.

In this regard, Lar España and the company known as "Grupo Lar Inversiones Inmobiliarias, S.A." have a corporate collaboration agreement for the provision of certain services. This agreement is known as the "Investment Manager Agreement", and its contents and contracting rules are not covered by the terms set out in this Policy or the Procedure.

3. Basic principles

Application of the Policy is supported as one of the basic premises of the **LRE Group Code of Conduct**, which sets out the Company's commitment to ethical and professional integrity, equal opportunities, non-discrimination and transparency in all the areas in which it is active, including processes relating to procurement and the outsourcing of services. This Policy is also aligned with the LRE Group's **Values**: responsibility, quality and respect, innovation, transparency and honesty in all of its activities.

Its application is also supported by the **Risk Control and Management Policy**, which acts as the general framework for action to control and manage all the different kinds of risk faced by the LRE Group and whose basic principles extend to include this present Policy and the Procedure.

The Policy is founded on the following basic principles for action, the application of which will be consistent with the principle of proportionality with regard to the individual characteristics of each case:

- a) To ensure that supplier and contractor selection processes adhere to objective, transparent, impartial and equitable criteria, reconciling the LRE Group's interest in securing the best conditions with the convenience of maintaining stable and fair commercial relationships with ethical and responsible suppliers.
- b) To ensure that the objective and impartial criteria that form the basis for any contracting decisions take account of financial, organisational, environmental, social and governance issues, the use and security of information, cybersecurity, confidentiality and data protection, with the aim of achieving a supply chain that is aligned with the Group's objectives in such matters as human rights, climate change, energy efficiency, the circular economy, the creation of value that is shared among the communities in which it operates, due diligence, environmental sustainability and governance.
- c) To ensure that selection processes always include several bids that are of a similar and comparable scope, in order to ensure a process that is fully aligned with the principle of fair competition and thus guarantees the best choice for the Company.
- d) To act with ethical and professional integrity. In particular, no gifts may be accepted from third parties, nor will gifts of a certain value, invitations or other benefits be offered during the performance of one's professional duties, where these may be understood to represent illicit inducements to obtain advantages or favourable treatment, according to the rules set out in the Group's Code of Conduct.
- e) To comply with all applicable legal and regulatory requirements, along with the general principles set out in the Group's Code of Conduct.
- f) To protect the organisation's results and reputation at Group level, ensure corporate stability and financial robustness in a way that is sustainable over time and defend the interests of shareholders, customers and other stakeholders of companies in the Group.
- g) To report any improper act or any suspicion of unlawful behaviour that one becomes aware of within the LRE Group, using the Whistleblower Channel offered by the Company as part of its Internal Reporting System.

4. Preparation, duties and responsibilities

The integrated management of risk involves all of the Personnel working for the Company, the LRE Group and the third parties with which they interact, and it is therefore a necessary condition that the Procurement and Outsourcing of Services Policy must define an organisational approach to these processes that is in line with the LRE Group's organisational structure and corporate culture.

The Company will prepare a **Procurement and Outsourcing of Services Contracting Procedure** which will govern the duties and responsibilities relating to the contracting of products and services from suppliers and service providers in greater detail and which will be based on the fundamental principles contained in this Policy. Personnel will be notified about the Procedure, and it will be made available to them via the appropriate channels so that they may be made aware of and apply its contents.

Among other things, the Procedure will describe the following steps in the procurement and outsourcing of services contracting process:

- (1) The organisational units within the Group that are involved in the process.
- (2) The financial, organisational, environmental, social, governance, user, information security, cybersecurity, confidentiality and data protection criteria required from suppliers and service providers, along with criteria relating to their capacity to perform the services, compliance with the regulations in force, awareness of the principles set out in the Code of Conduct and alignment with the LRE Group's Values.
- (3) Definition of the main components involved in the process (contract, contractor, bid, outsourcing, deadlines, etc.).
- (4) The process for requesting and tendering bids, and the minimum number of suppliers who are to tender bids, depending on the value of the work commissioned.
- (5) The award and contracting process, the criteria on which award decisions are based and the systems used to record the documentation relating to the tendering process.
- (6) The process for reviewing contracts in accordance with the regulations in force, the authorisation matrix and powers of attorney for entering into contracts, and the actions to be taken before entering into contractual commitments with third parties.
- (7) The performance criteria that apply to the suppliers of outsourced services, the following up of performance of the contracted service with evaluation of these performance criteria, and any risk situations that may require corrective action or the suspension or termination of relations with the counterparty.

In order to apply this Policy and the Procedure, the LRE Group will establish the organisational units that are necessary for both the performance and oversight of these activities in the course of the Group's operations.

The main participants in procurement and/or outsourcing of services activities, whose duties will be described in detail in the Procedure through which this Policy is to be implemented, will be as follows:

- Unit/person that proposes the procurement/outsourcing of the service.
- Person responsible for the contract procurement and outsourcing of services process.
- Person responsible for overseeing the outsourced service.
- Internal Auditing Department.
- Audit and Control Committee.
- Board of Directors.

5. Risks associated with procurement and outsourcing of services processes

The general management of risk at the LRE Group and the associated basic principles are implemented by means of the Risk Control and Management Policy and the Integrated Risk Control and Management System (IRMS), and reinforced by all the component parts of the governance model, based on the proper definition and allocation of powers and responsibilities at various levels, and on the use of suitable procedures, methodologies and supporting tools for the activities at the various levels that form part of the system.

As regards the risks that are directly associated with procurement and outsourcing of services processes at the LRE Group, the following are particularly notable:

- (1) Business/contractual risk that results from a counterparty failing to comply with its contractual obligations and that gives rise to an economic or financial loss for the Company or causes the Group to be incapable of complying with its contract with that counterparty.
- (2) Reputational risk that results from the Company behaving in a way that differs from the expectations raised among shareholders, customers, the media, analysts or others. The potential impact caused by a breach or improper practices on the part of the suppliers or service providers engaged, when such practices do not conform to the general principles contained in the Code of Conduct and/or the Group's Values.
- (3) The legal/criminal risk that results from a breach by the counterparty of any applicable policies, obligations or regulations, due to the Company's direct or subsidiary liability.
- (4) Regulatory risk that results from changes to the rules, mainly with regard to the regulations governing the real estate and retail sectors, taxes and the rules governing SOCIMIs.
- (5) Credit risk, due to a contractual breach that results in a financial impact (advances paid to suppliers for goods or services that are not received, penalties for a breach of delivery terms by the Company, guarantee deposits that are not returned, etc.).

- (6) Environmental, social and governance (ESG) risk that results from a breach by the counterparty of the best practices required internationally in matters of sustainability.
- (7) Compliance risk, due to the counterparty's failure to comply with the data protection, employment or accounting regulations, among others, when this has negative repercussions for the Company.
- (8) Technological risk, due to the ineffectiveness of the counterparty's information security management systems, or its cybersecurity policies and/or practices.
- (9) Operational risk that results from technological failures, fraud, error, or the counterparty's lack of sufficient technical/financial skills to comply with its obligations and/or to provide remedies.
- (10) Exit strategy risk, which could be due to excessive reliance on a single supplier/service provider or the said supplier's obvious inability to meet its contractual commitments, in which case a quick exit would be very costly.
- (11) Risk relating to an inability to obtain sufficient insurance cover to protect the Company from losses arising from certain breaches occurring during service procurement or outsourcing operations.

6. Updating/distribution

The Policy will be regularly reviewed to ensure that it is in line with the recommendations and best practices in place from time to time, and it will be updated whenever there are changes to strategic objectives, organisational structure or the regulations in force that make this advisable.

The Company's Management and CFO will be responsible for submitting a proposed amendment so that it may be assessed by the Audit and Control Committee and, where applicable, submitted in turn to the Board of Directors for its approval.

The Policy will be made available to all Personnel and stakeholder groups via the Company's corporate website, and it will also be subject to the relevant communication, training and awareness activities to ensure that it is properly understood and put into practice.

7. Approval and entry into force

This Procurement and Outsourcing of Services Policy has been approved by the Board of Directors of Lar España, following its approval by the Audit and Control Committee, and it came into force on the day following its approval.