



Report prepared by the Board of Directors of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. in connection with the appointment of the Company and its consolidated Group auditor.



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I. INTRODUCTION

The Board of Directors of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. (hereinafter, "Lar España" or the "Company") prepares the following report in accordance with articles 160. b), 225, 226, 263 and 264 of the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 12 July (hereinafter, the "Capital Companies Act") and in connection with the appointment of the Company's and of the group of companies of which it is the controlling entity (hereinafter, "Group") auditor, to be submitted for approval to the next Ordinary General Shareholders' Meeting to be held on 24 April 2024, at first call, and on 25 April 2024, at second call.

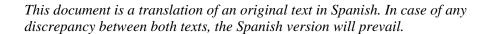
II. REGULATORY FRAMEWORK

As the parent company of the Group, Lar España is required to prepare consolidated accounts and a consolidated management report, in addition to its own accounts and management report.

Likewise, in accordance with the provisions of the Royal Decree of 22 August 1885, publishing the Commercial Code and the Capital Companies Act, Lar España is required to have its individual and consolidated accounts audited by an auditor or audit firm (hereinafter, the "External Auditor"), and in compliance with the requirements and formalities established in Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 (hereinafter, "RUE") and in Law 22/2015, of 20 July, on the Audit of Financial Statements (hereinafter, the "LAC") and its implementing regulations, approved by Royal Decree 2/2021, of 12 January.

In this regard, articles 17 RUE and 40 LAC establish the following limits on the duration of audit engagement of public interest entities:

- Minimum length of the initial term of engagement may not be less than 3 years.
- Maximum length of the engagement may not exceed 10 years, including renewed engagements.
- Possibility to extend the maximum length of engagement: the initial 10 years may be extended by a further 10 years (10+10) 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 RUE.
- Possibility to extend the maximum length of the engagement in case of joint audit: the
 initial 10 years may be extended by a further 14 years (10+14) if the auditor or auditing
 firm has been engaged simultaneously with one or more other auditors or auditing firms
 to act jointly during the additional period.
- At the end of the maximum length (10 or 10+10 or 10+14 years), the External Auditor may not audit the entity until 4 years have elapsed (cooling off period).
- Rotation of principal auditors responsible for auditing work: after 5 years from the initial engagement, with a cooling off period of 3 years.





On the other hand, in accordance with article 529 quaterdecies.4.d) of the Capital Companies Act, article 42.3.d) of the Articles of Association and article 5 of the Regulations of the Audit and Control Committee of Lar España (hereinafter, the "Audit and Control Committee"), the Audit and Control Committee is responsible for defining the auditor selection procedure in accordance with the applicable regulations and for submitting the Board of Directors, for approval by the General Shareholders' Meeting, the proposals for the selection, appointment, re-election and replacement of the External Auditor.

III. SELECTION PROCEDURE

a. Context and basis of the Procedure

Deloitte, S.L. (hereinafter, "**Deloitte**") has been the External Auditor of the Company since its incorporation in 2014, so that in 2023 the maximum 10 years length of the audit engagement provided for in the applicable regulations has been reached, without prejudice to the extensions referred to above.

In this context, the Audit and Control Committee has analysed the different options for the appointment of the Company's External Auditor and has agreed to conduct a public tendering process for the selection of the External Auditor of the accounts for financial years 2024-2026 (hereinafter, the "**Tender**"). The Company's main objective was to ensure a fair and transparent Tender, based on non-discriminatory criteria, which would allow the selection of the audit firm best suited to the needs of the Company and its Group. To this end, the Company has taken external legal advice to ensure strict compliance with applicable regulations.

The Company has an Auditor Selection Policy (hereinafter, the "Auditor Selection Policy") which sets out, among others, the principles and criteria to be applied in the evaluation, selection and appointment of the External Auditor to ensure that the selection is made in a fair and impartial manner and that the appointment is awarded to an independent firm with the necessary technical capabilities to carry out its work effectively and responsibly, and in compliance with applicable regulations.

On the basis of the criteria and requirements set out in the Auditor Selection Policy, the Audit and Control Committee approved in November 2023 the Tender specifications (hereinafter, the "**Tender Specifications**"), which specify, among others, the basis for the Tender, the nature and scope of the work, the length of the assignment, information on the Company's activities, the timetable for the Tender, the criteria for the evaluation of bids, the minimum format and content of the bids, the contact persons, if any, the instructions regarding the technological platform (Data Room) supporting the Tender and the procedure for the resolution of queries.

b. Pre-qualification

The Audit and Control Committee undertook a series of pre-qualification activities to identify, through publicly available information (ROAC, transparency reports, ICAC, continuous market and BME Growth reports, etc.), a number of no less than three candidates to be invited to participate in the Tender, in accordance with the provisions of the Auditor Selection Policy.

With regard to the criteria used for the pre-qualification activities, the following were defined as evaluable criteria, which would allow an appropriate level of resources, technical training and



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experience to be deduced in relation to the type of company, the sector in which it operates and the size and complexity of the audit to performed:

- Experience in auditing public interest entities.
- Experience in Listed Real Estate Investment Trusts (hereinafter, "**SOCIMI**") with a market capitalisation of more than EUR 100 million.
- Experience in listed companies operating in the real estate sector.

On the basis of these criteria and taking into account the information published by the audit firms in their respective Transparency Reports for the last financial year, the candidates who a priori met the requirements set by the Company were selected.

An analysis was then made on the concurrence of possible incompatibilities in the audit firms, and some of them were excluded for providing the Company or Group companies incompatible services with the auditing of the accounts.

On the other hand, given that one of the main candidates for the provision of audit services expressly included Deloitte, the Company's current External Auditor, the risk that the previous provision of audit services to the Company and the Group could compromise the necessary independence was analysed and ruled out after considering, among others: (i) the declarations of independence submitted by Deloitte with respect to the Company and its directly or indirectly related entities; (ii) the annual appraisals of the Audit and Control Committee stating that, in its opinion, Deloitte's independence has not been compromised during the performance of its services; and (iii) that, if finally selected, the principal auditors responsible for auditing work should, in any case, be rotated as required by the applicable regulations.

c. Process

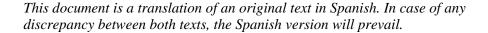
Once three candidates had been pre-selected, the Company sent them in November 2023 a formal invitation to participate in the Tender and, on the same date, formally launched the Tender by publishing its announcement on the Company's website, all of which was recorded in a notarial deed.

Subsequently, the invited candidates sent a formal acceptance to participate in the Tender and a letter in which they stated that there were no circumstances that might threaten their independence in the event of their appointment as the Company's External Auditors. As no further request to participate in the Tender was received, a copy of the specifications was sent to the aforementioned candidates at the same time and with the same content.

During the Tender, the Corporate and Financial Management of Lar España (hereinafter, the "Corporate and Financial Management") was appointed as coordinator/interlocutor with the candidates, and meetings of the same duration were held with their key personnel.

d. Assessment

In January 2024, the three bids from the candidates were received in due time and form and were analysed on the basis of the transparent and non-discriminatory evaluation criteria set out in the Tender Specification. There were no proposals from other candidates. In particular, the criteria applied by Lar España in evaluating the bids submitted by the candidates were:





- The resources and experience of the auditor or auditing firm, especially in the real estate sector and in relation to SOCIMI.
- 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 Group's business activities, along with specialist personnel with specific know-how in the area of SOCIMI, 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.
- 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 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.

In accordance with the provisions of the Auditor Selection Policy and the Tender Specifications, the bids submitted by the candidates were analysed by the Corporate and Financial Management, which requested any clarification or additional information it deemed necessary and prepared an evaluation report on the candidates with its proposal and two alternatives to be submitted to the Audit and Control Committee.

Likewise, the Company's Internal Auditing Department (hereinafter, the "Internal Audit Department"), in its role of assisting the Audit and Compliance Committee, verified compliance with the formalities of the Tender and the evaluation report prepared by the Corporate and Financial Management, and did not detect any incident in this respect.

On the basis of the aforementioned evaluation report and the conclusions of the Internal Audit Management, the Audit and Compliance Committee issued a recommendation report on the appointment of the External Auditor of Lar España for the next financial years 2024-2026, which included the Committee's proposal and two alternatives, with the appointment of Deloitte being the Committee's preference, given the good results obtained in application of Tenders' evaluation criteria, the proven quality of the services provided to the Company and its Group in recent years, both in auditing and in other areas.

IV. PROPOSED RESOLUTION

Taking into account the reports issued by the Audit and Control Committee and the Corporate and Financial Management, as well as the conclusions of the Internal Auditing Department, the



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Board of Directors of the Company has discussed and agreed to propose to the next Ordinary General Shareholders' Meeting to be held on 24 April 2024, at first call, and on 25 April 2024, at second call, the appointment of Deloitte as External Auditor of the Company and its Group for the financial years 2024, 2025 and 2026.

The full text of the proposed resolution that is submitted to the Ordinary General Shareholders' Meeting is the following:

"Following a report from the Board of Directors, to appoint as auditor of Lar España Real Estate SOCIMI, S.A.'s individual and consolidated accounts, for the 2024, 2025, and 2026 financial years, Deloitte, S.L., with registered office at Plaza Pablo Ruiz Picasso 1, Torre Picasso, 28020 Madrid, Spain, with tax identification number B-79104469 and registered with the Commercial Registry of Madrid at volume 13,650, section 8, sheet 188, page M-54,414, record 96, and at the Official Registry of Accounts' Auditors (Registro Oficial de Auditores de Cuentas) with number S0692.

This resolution is adopted following the proposal of the Board of Directors, which in turn was made following the proposal of the Audit and Control Committee".

Madrid, 21 March 2024