

2.1 Lar España: Corporate Governance



2.1.1 Corporate Governance

Lar España is committed to a corporate governance model that promotes **best practices** both at national and international level while offering a **stable and consistent oversight framework** that addresses the increasing demands of regulators, investors and shareholders.

Lar España's commitments are reflected in its **Corporate Governance Policy**, which sets out the core aspects of, and the Company's commitments regarding, corporate governance. This policy forms an essential part of its internal regulations. It has been drawn up having regard to prevailing applicable legislation and the recommendations laid down in the Good Governance Code for listed companies approved by the Spanish National Securities Market Commission (CNMV). The general principles enshrined therein apply to the entire organisation.

Lar España is currently working on the roll-out of an **Action Plan** for 2021 and 2022 that ensures compliance with prevailing regulations and puts the Company on a par with the main Spanish and international benchmarks with regard to corporate governance.

The Action Plan is articulated around the following **objectives**:

Among the principal **measures set out in the Action Plan** for 2021 and 2022, the following are particularly worthy of note:

- **Analysis of the size, structure and composition** of the Board of Directors in general terms, and of present and future needs.
- Adaptation to the new **good governance guidelines and trends**, particularly on gender diversity matters.
- Analysis and preparation of the **succession plan**.
- Improvement of the **directors' ESG knowledge**.
- **Ongoing adaptation and improvement** with respect to ESG.

Ensuring strong governance by means of transparency, ethics, corporate social responsibility and regulatory compliance.

Improving the activities, selection, remuneration and training of directors in terms of **management and transparency**.

Making progress on evaluating and improving the performance of the Board of Directors.

Lar España's commitment to following best practices in the field of corporate governance is reflected in its alignment with the CNMV's Good Governance Code. The Company **complies fully with 98.4% of the applicable recommendations** set down in the Code, and partially with the rest (1.6%). The above figures reflect a considerable improvement in the level of compliance with the recommendations set out in the Code of Good Governance, as now there is just one of the 64 points with which the Company only complies partially.

The Lar España **Annual Corporate Governance Report (ACGR)** includes detailed information on the structure and functioning of its governing bodies, as well as the oversight of corporate governance best practices and recommendations.

Oversight of ESG matters

Elsewhere, the Board of Directors of Lar España places great importance on **ongoing adaptation and improvement with respect to ESG matters** at the Company. In 2021, the Board reviewed the Company's progress with respect to ESG and has overseen each of the steps taken by Lar España in this connection, as well as its achievements and work in progress.

It is also tasked with supervising the Company's **sustainability policies and strategies**. Its duties are delegated to the Appointments, Remuneration and Sustainability Committee, which is responsible for compliance with the ESG policy, monitoring the ESG strategy and practices and assessing the level of compliance before reporting to the Board of Directors.





2.1.2 Internal Rules on Governance

The **good governance system**, understood as the suite of rules, principles and procedures that regulate the structure and functioning of the governing bodies in a company, establishes relationships between the different members and determines the rules for decision-making.

Lar España's Internal Governance Rules are the **backbone of the Company** and reflect the commitments undertaken by management and the culture of the organisation as a whole.

Regulatory framework at Lar España

Articles of Association

Last amended in December 2021. The articles of association set out essential information governing the **running of and decision-making** at Lar España, and regulate the functioning of the Board of Directors and its Committees.

General Shareholders Meeting Regulations

Last amended in April 2021. These regulations govern the **calling, preparation and conduct** of the General Shareholders Meeting, the information relating thereto and attendance of its meetings, as well as the exercise of the shareholders' voting rights.

Board of Directors' Regulations

These regulations set out the principles governing the activities of the Board of Directors, and the basic rules regarding its organisation and operation, as well as the **rules on the selection, appointment, reappointment, removal and conduct** of its members.

Their most recent amendment in November 2021 takes into account all of the aspects that must necessarily be included within the regulations in light of the amendment to the Spanish Companies Act introduced by Law 5/2021, which highlights, inter alia, the inclusion of the responsibilities and competencies of the Board of Directors with respect to related-party transactions and the setting of the individual remuneration of directors within the framework of the articles of association and the remuneration policy, as well as the discharge of their executive duties.

Regulatory framework at Lar España

Audit and Control Committee Regulations

These regulations establish the **rules governing the organisation and operation** of the Audit and Control Committee, based on the good corporate governance recommendations and criteria laid down by the Spanish National Securities Market Commission.

Their most recent amendment in November 2021 took into account all of the aspects that were to be incorporated into the regulations as a result of the amendment to the Spanish Companies Act introduced by Law 5/2021 and other technical improvements.

Regulations of the Appointments, Remuneration and Sustainability Committee

These regulations establish the **rules governing the organisation and operation** of the Appointments, Remuneration and Sustainability Committee, developing any aspects of the provisions of the articles of association and Board of Directors' Regulations as may be appropriate with a view to better fulfilment of their functions.

Their most recent amendment in November 2021 considered all of the aspects that were to be incorporated into the regulations as a result of the amendment to the Spanish Companies Act introduced by Law 5/2021 and other technical improvements. Besides, their most recent amendment in November 2021 saw the **name of the committee changed** in light of its responsibility for reviewing ESG-related information, performance and strategy.

Code of conduct

Last amended in February 2015. This code establishes guidelines governing the conduct of anyone acting on behalf of Lar España or its subsidiaries, and **it must be complied with** by Lar España and any companies with whom the latter has entered into a significant contractual relationship.

Breach of the code, which is based on the principles detailed below, may result in penalties:

- › Legal compliance.
- › Ethical and professional integrity.
- › Conflict of interest.
- › Record of transactions and preparation of financial information.
- › Internal control, anti-money laundering and crime prevention.
- › Asset protection.
- › Information usage and security.
- › Securities markets and confidential, relevant insider information.
- › Personal data protection.
- › Equal opportunity and non-discrimination.
- › Corporate social responsibility.
- › Stakeholder relations.

Rules Governing the Whistleblowing Channel

Last amended in December 2014. These rules regulate the functioning of the whistleblowing channel, through which any person subject to Lar España's Code of Conduct, current legislation or any other internal regulations that have been put in place who considers that certain rules are being breached **may make a complaint/report a grievance** so that the issue can be aired and resolved.

Internal Code of Conduct in the Securities Markets

Last amended in December 2017. **This code sets forth the rules of conduct** that must be observed by the company, its administrative bodies, employees and other affected persons in their activities in relation to the securities market, as provided for by law.

Corporate policies at Lar España

Corporate Governance Policy

This policy constitutes the Company's frame of reference for all corporate governance matters. The policy was drawn up in accordance with the **applicable domestic legislation** and with the recommendations laid down in the Good Governance Code for listed companies approved by the Spanish National Securities Market Commission (CNMV). The general principles enshrined therein apply to the entire organisation. The policy was last updated in December 2020 in line with the recommendations of the Good Governance Code of the CNMV.

Sustainability/ESG Policy

This policy sets forth the **core principles, commitments, goals, strategy and values** that should provide the basis for managing and running Lar España in order to build a business model that will **create long-term value**, satisfy the needs and expectations of its stakeholders and generate socially responsible externalities. The policy was last updated in December 2020.

Board of Directors Remuneration Policy

This policy defines and controls the Company's director remuneration practices, thus contributing to the **creation of** long-term, sustainable **value for its shareholders**.

The policy, which was approved in 2021, replaced a previous remuneration policy approved in 2018. It has adapted the corporate governance rules and best practices and was prepared in light of the features inherent to an externally managed SOCIMI, while also taking into account national and international market standards and the directors' specific commitment to the Company.

Selection and Diversity Policy

This policy lays down the internal requirements and procedures to be taken into account by the Board of Directors and the Appointments, Remuneration and Sustainability Committee of Lar España in processes involving the **selection, appointment, re-election and evaluation** of the members of the Company's Board of Directors, in accordance with the applicable legislation, the Company's internal rules and the recommendations set out in the Good Governance Code, with a view to encouraging the appropriate selection of directors. The policy was last updated in December 2020.

It pursues the following objectives:

- › To be specific and verifiable.
- › To ensure that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors.
- › To promote diversity among the members of the Company's Board of Directors in terms of experience and knowledge, education, age, disability and gender.
- › To promote female boardroom representation of at least 40% by 2022.

Information, Communication, Contacts and Involvement Policy

To encourage dialogue, build trust and foster transparency vis-à-vis Spanish and international shareholders and investors. This policy is based on values such as veracity, ongoing communication, equal treatment and strict, timely compliance, in due form, with the reporting obligations.

It also outlines the **analytical procedures and develops** the main tools, channels and reporting mechanisms for informing shareholders, investors, proxy advisors and other stakeholders.

Lar España's Sustainability/ESG policy

Lar España is committed to sustainability and the creation of long-term value, to which end it has developed a business model that **meets stakeholders' needs and expectations** and generates socially responsible externalities. This policy was drawn up in 2015 and amended in 2018 and 2020. It is approved by the Board of Directors, which demonstrates the company's commitment to sustainability/ESG. The policy sets out the core principles and values that should provide the basis for managing and running Lar España and its investees, namely:

- Business ethics and integrity.
- Creation of shared value.
- Environmental management.

- Property accessibility.
- Responsible and sustainable supplier relations.
- Commitment to employees and talent development.
- Tax responsibility.
- Transparency.

Through this policy, Lar España undertakes to adopt a management approach based on the identification and implementation of trends and best practices, and the establishment of objectives that lead to the adoption of specific actions, in addition to monitoring the fulfilment of objectives and commitments using indicators.

