

## **REPORT ISSUED BY THE APPOINTMENTS, REMUNERATION AND SUSTAINABILITY COMMITTEE OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE PROPOSED AMENDMENT OF THE REMUNERATIONS POLICY OF THE COMPANY, SET OUT IN ITEM TWELVE OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED TO BE HELD ON APRIL 26 AND 27, 2021, ON FIRST AND SECOND CALL, RESPECTIVELY**

### **1. INTRODUCTION**

Article 529 novodecies of the consolidated text Spanish Companies Act, enacted by Royal Legislative Decree 1/2010, of 2 July ("**Spanish Companies Act**"), as amended by Act 5/2021 ("**Act 5/2021**"), the Board of Directors of Lar España Real Estate SOCIMI, S.A. ("**Lar España**" or "**Company**"), includes the obligation for listed companies to draft and submit for the approval of the General Shareholders' Meeting a policy on the remuneration of the members of the board of directors. The drafting of the proposal that will be submitted for the approval of the General Shareholders' Meeting corresponds to the Board of Directors of the Company. Furthermore, the proposal must be submitted together with a specific report issued by the Appointments, Remunerations and Sustainability Committee. In order to comply with the aforementioned provision, the Appointments, Remunerations and Sustainability Committee of Lar España has drafted this report on the proposed Remunerations Policy of the Company for the remainder of financial year 2022 to 2024, both included (the "**Remunerations Policy**"), which will entirely replace the policy applicable from 2021 to 2023, for its submission to the Board of Directors of the Company.

### **2. APPLICABLE RULES TO THE DIRECTORS' REMUNERATION**

The main rules that govern the remuneration of the directors of Lar España are the following:

#### **a. Spanish Companies Act**

The Spanish Companies Act states that the directors' office in listed companies must be remunerated, unless otherwise provided for in the by-laws of the corresponding company. Lar España's by-laws confirm that the directors' office is remunerated and include the remuneration structure for the directors on their condition as such. Furthermore, the by-laws regulate the remuneration that payable to executive directors and that shall be determined by the Board of Directors, where appropriate.

With regard to the directors on their condition as such (non-executive directors), the Remunerations Policy must determine at least the maximum annual amount payable to all the directors on their conditions as such.

With regard to the directors that carry out executive duties (executive directors), the Remunerations Policy must include at least their annual fixed remuneration.

Any compensation paid to the directors for the performance or termination of their duties, or the performance of executive duties must be in accordance with the applicable Remunerations Policy, except for those compensations specifically approved by the General Shareholders' Meeting.

Furthermore, the Spanish Companies Act states that, in general, directors' remunerations must be in accordance with the relevance of the company, the economic situation that it may have from time to time and the market standards of comparable companies. Likewise, the remuneration system must promote the long-term profitability and sustainability of the company and incorporates the necessary safeguards to avoid excessive risk-taking or the reward of unfavourable results.

#### **b. Lar España's by-laws and other internal rules**

The Company's regulation regarding directors' remuneration is included in article 40 of the Company's by-laws and it is further developed in article 27 of the Board of Directors' Rules and Regulations. These rules also govern the composition, functioning and powers of the Appointments, Remunerations and Sustainability Committee.

### **3. PRINCIPAL CHANGES TO THE REMUNERATIONS POLICY**

The purpose of drawing up a new Remunerations Policy is to: (A) incorporate the new features introduced in the Spanish Companies Act by Act 5/2021. In this regard, the new Remunerations Policy essentially includes the same terms and conditions as the current Policy, whose essential principles and amounts have not changed since 2018, with the amendments introduced in the proposed Remunerations Policy being aimed at (i) adapting section 3.3 relating to long-term sustainability to article 529 novodecies of the Spanish Companies Act; (ii) incorporating in a new section 3.7 the relationship of the Policy with the conditions of remuneration and employment of the Company's employees; (iii) adapting section 4 relating to the remuneration of directors in their condition as such to article 529 septdecies of the Spanish Companies Act; (iv) introducing in section 6 the need for a prior resolution of the General Shareholders' Meeting, upon proposal of the Appointments, Remuneration and Sustainability Committee, regarding other remuneration that directors may receive for services rendered other than those inherent to their position, in accordance with article 529 novodecies.5 of the Spanish Companies Act; and (v) completing section 7.1 regarding the preparation, approval and review of the Remunerations Policy, pursuant to article 529 novodecies.3 h) of the Spanish Companies Act; and (B) update the Chairman's remuneration in accordance with the Company's current circumstances and adjust the maximum amount of remuneration of the members of the Board of Directors accordingly.

In this context, an increase in the remuneration of the Chairman of the Board of Directors of 25,000 euros per year as a fixed amount is envisaged. This increase, which represents an increase of 17.8% with respect to the amount that the Chairman has been receiving for all concepts since 2018, is justified, among other reasons, by the following:

- (i) The remuneration of Board members has remained unchanged since 2018. Although a review of the remuneration applicable for the 2020 financial year was considered in 2019, and a study was commissioned from an independent expert (Willis Towers Watson), following the outbreak of the Covid-19 pandemic the Board agreed to maintain a conservative and continuist line in view of the crisis caused, until circumstances may improved. Not only that, but the Board of Directors also agreed to a temporary reduction in the remuneration of its members during the worst months of the pandemic.
- (ii) The Appointments, Remuneration and Sustainability Committee has assessed qualitative issues relating to the specific person occupying the position, such as the

degree of dedication, experience, knowledge, criticality at relevant times, importance from an institutional perspective and the relevance of the corporate functions attributed to him, in a Company that is externally managed and where there are no executive directors.

- (iii) The Committee has also assessed the Chairman's level of dedication, which far exceeds what would be customary for a non-executive Chairman in a similar company. This is due, among other reasons, to the fact that the Company is externally managed, with only a small number of managers/employees, and that there are no directors performing executive functions. Furthermore, as reflected in the Annual Corporate Governance Report for Listed Companies, the Board of Lar España is very active, having met on 15 occasions in 2021, all of which were attended by the Chairman. In this regard, it should be noted that the Company's Remunerations Policy does not contemplate the existence of assistance allowance for attending meetings, but only a fixed annual remuneration regardless of the number of meetings held.
- (iv) In terms of comparables, the Appointments, Remuneration and Sustainability Committee has also taken into account in the decision-making process:
- The aforementioned study commissioned by the Company from an independent external expert (Willis Towers Watson) at the end of 2019, which was based on two different groups of comparable companies at both national and European level, taking into account (a) market capitalisation; (b) asset value; and (c) sector and type of activity; and which concluded that, on average, the remuneration of comparable non-executive Chairmen was 246% higher than the remuneration for their membership of the Board in relation to the rest of the directors. In this respect, the remuneration now proposed for the Chairman of the Board of Directors of the Company would be below this average, at 214%. Furthermore, the study concluded that the Chairman's remuneration would be below the 75th percentile in comparable companies overall, while the number of meetings of the Company's Board of Directors would be well above the average of 10 meetings.
  - The latest annual report on board remuneration in listed companies published by the CNMV on remuneration 2020, which presents, in aggregate terms, the main characteristics of the remuneration policies and practices applied by listed companies to their directors, obtained from the information included in the Annual Report on Directors' Remuneration ("IARC") published by these companies. The report analyses the evolution of the amounts allocated to directors' remuneration; it describes some of the most common characteristics when defining remuneration policies, as well as the criteria used by companies to determine the amounts and the allocation to each director. It includes a brief analysis of the degree of compliance with the unified IARC model and is completed with an appendix containing the individual data of listed companies on board member remuneration. According to this report, the remuneration of a non-executive Chairman in non-IBEX35 companies is around 132,000 euros (50th percentile) and 350,000 euros (75th percentile). Therefore, the proposed remuneration would be close to the average and well below the 75th percentile.
  - Finally, the Committee has also taken into account the evolution of the Board's remuneration compared to the remuneration of the Company's employees. Thus, according to the Company's 2021 IARC, it can be observed compared to 2018 (date of the last quantitative modification of the remunerations policy for the members of the Board of Directors) that, while the remuneration of the Board has not changed, the average remuneration of the employees has increased by 38%.

- (v) Finally, the Committee has also taken into account the views of the Company's shareholders and other institutional investors received in the framework of its general engagement policies, the recommendations of proxy advisors and, in general, the market consensus on best corporate governance practices by stakeholders.

In short, in the opinion of the Appointments, Remuneration and Sustainability Committee, the remuneration of the directors set out in the proposed Remunerations Policy, and which has not changed since 2018, except as regards the Chairman (in respect of whom the proposed increase in remuneration is considered duly justified, as stated above), maintains an appropriate proportion and promotes the long-term profitability and sustainability of the Company, incorporating the necessary criteria to avoid excessive assumption of risks or rewarding unfavorable results and ensuring the alignment of the interests of the directors with those of the Company and its shareholders, without compromising the independence of the directors. Furthermore, such Policy responds to the criteria and principles established in the previous remunerations policy, which was approved by a majority of the shareholders at the General Shareholders' Meeting held on 22nd April 2021 with the vote in favor of 93.47% of the share capital present and represented and which was prepared by the Company taking into account, from a conservative and containment perspective in the context of uncertainty (which still persists to a certain extent) caused by the pandemic: the relevance of the Company, its economic situation, its particularities as an externally managed Listed Real Estate Investment Trust or SOCIMI, the market standards for other comparable listed companies, Spanish SOCIMIs and Real Estate Investment Trusts or REITs in the rest of Europe and the particular dedication of the directors to the Company.

#### **4. CONTENT OF THE REMUNERATIONS POLICY**

The complete text of the proposed Remunerations Policy is attached to this report.

#### **5. IN-FORCE PERIOD**

Article 529 novodecies.1 of the Spanish Companies Act, as amended by Act 5/2021, establishes that the proposal for a new Policy must be submitted to the General Shareholders' Meeting prior to the end of the last financial year in which the previous Policy was applied, and the General Shareholders' Meeting may determine that the new Policy shall apply from the same date of approval and for the following three financial years. In this regard, the Policy will be applicable to the Company's directors from the time of its approval for the remainder of financial year 2022 and for financial years 2023 and 2024.

#### **6. CONCLUSION**

Based on the information included in this report, the Appointments, Remuneration and Sustainability Committee of Lar España considers that the proposed Remunerations Policy for the remainder of financial year 2022 to 2024, which substitutes the policy valid from 2021 to 2023, contains all the items required by the applicable law, specifically regarding the regulation of the remuneration of listed companies, complies with good governance and transparency criteria and is aligned with shareholders' interests.

Madrid, 22 March, 2022



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## **ANNEX**



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## **Remunerations Policy for the members of the Board of Directors**

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## **1. BACKGROUND AND SCOPE OF THE REMUNERATIONS POLICY**

This document sets out the Remunerations Policy for the members of the Board of Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter, “**Lar España**” or the “**Company**”) in compliance with the statutory requirements included in the consolidated text of the Spanish Companies Act approved by virtue of Royal Legislative Decree 1/2010, of 2<sup>nd</sup> July (the “**Spanish Companies Act**”) (hereinafter, the “**Remunerations Policy**”).

As a result of the amendments made to the Spanish Companies Act by Act 5/2021 of 12 April, amending the Spanish Companies Act and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies (“**Act 5/2021**”), the Board of Directors of the Company has deemed it necessary, upon proposal of the Appointments, Remuneration and Sustainability Committee, to submit for approval by the General Shareholders’ Meeting of the Company the new Remunerations Policy which, without modifying the spirit or the essential contents of the previous policy, includes the aforementioned novelties introduced by Law 5/2021.

As a result, the new Remunerations Policy is consistent with the previous one, without incorporating significant changes, although (i) certain sections of the same are reinforced, including its contribution to the business strategy and to the interests and long-term sustainability of the Company and its alignment with the remuneration and employment conditions of the Company's employees, in line with the requirements established in the current Spanish Companies Act; and (ii) an increase of 25,000 euros per financial year in the remuneration of the Chairman of the Board of Directors, which is determined by qualitative issues relating to the specific person occupying the position, such as the degree of dedication, experience, knowledge, criticality at relevant times, importance from an institutional perspective and the relevance of the corporate functions attributed to him, in a Company that is externally managed and where there are no executive directors.

It should also be noted that the remuneration set for the Company's directors has remained unchanged from 2018, except for the increase hereby proposed for the Chairman for the reasons outlined above.





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In any event, this Remunerations Policy responds to the criteria and principles established in the previous Remunerations Policy, which was approved by majority at the General Shareholders' Meeting held on 22<sup>nd</sup> April 2021 with the favorable vote of 93.47% of the share capital present and represented and which was prepared by the Company taking into account, from a conservative and containment perspective in the context of uncertainty (which still persists to a certain extent) caused by the pandemic: the significance of the Company, its economic situation, its condition as a Listed Real Estate Investment Company (SOCIMI), the market standards for other comparable listed companies, Spanish SOCIMIS and Real Estate Investment Trusts (REITs) from the rest of Europe and the particular dedication of the directors of the Company.

The directors remuneration maintains an adequate proportion and promotes the Company's long-term profitability and sustainability. The Remunerations Policy also incorporates the necessary criteria to avoid excessive risk-taking or rewarding unfavorable results, and to align the interest of the directors with those of the Company and its shareholders without compromising the independence of the directors.

In accordance with the provisions of article 529 novodecies.4 of the Spanish Companies Act, the motivated proposal of the Remunerations Policy is accompanied by a specific report from the Appointments, Remuneration and Sustainability Committee, which will be made available to the Shareholders on the Company's website as from the call to the General Shareholders' Meeting. Shareholders may also request the delivery or sent of these documents free of charge.

The corporate website shall also contain the date and result of the vote in relation to the Board's approval of the Remunerations Policy from the time of its approval and at least for as long as it is applicable.

## **2. OBJECTIVES OF THE REMUNERATIONS POLICY**

The Remunerations Policy is intended to define and control the remuneration practices of the Company's directors to contribute to the creation of value for the shareholders of the Company in a sustainable manner in the long term.

Consequently, the Remunerations Policy seeks to establish an adequate remuneration scheme linked to the dedication and responsibilities assumed by the directors, and shall



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be applied to attract, retain and motivate the directors of Lar España with the objective of ensuring that the Company has the adequate professional that contribute to the achievement of the Company's strategic objectives.

### **3. GOVERNING PRINCIPLES AND CRITERIA OF THE REMUNERATIONS POLICY**

In order to develop a good corporate governance framework, Lar España has considered appropriate to establish clear corporate governance principles to ensure its alignment with Company's strategy, based on the principles of competitiveness and fairness.

In this respect, the remuneration of directors who receive remuneration for the performance of their duties is based on the following principles:

#### **3.1 Independent judgment**

Remuneration shall be structured so that the independent judgment of the directors is not compromised, with a special focus on the remuneration granted to non-executive directors, if any.

#### **3.2 Attraction and retention of the best professionals**

The remunerations granted by the Company will be competitive in order to attract and retain talent that contributes to the creation of value for the shareholders of the Company and the achievement of the Company's strategic objectives.

#### **3.3 Long-term sustainability**

Remuneration shall be compatible with the Company's long-term business interests and strategy, as well as its values and goals, and shall take into account, if necessary, any adequate precautions to avoid conflicts of interest.

Lar España, aware of the impact of its business activity, has as a priority to contribute to the long-term sustainability of the Company through its operations and decision-making in an ethical, responsible and sustainable manner, generating a positive impact both for society, with particular attention to the environment, and for investors, obtaining an adequate financial return.

In this regard, Lar España's high degree of commitment to the long-term sustainability of the Company and its Group is reflected in all areas and, among them, in the Company's governance system, having approved for this purpose an action plan which, among other

aspects, expressly includes the objective of advancing in the management and transparency of the activity, selection, remuneration and training of the directors.

In turn, in accordance with the aforementioned strategic orientation of sustainable development by the Company and its Group, the remuneration systems for directors do not incorporate measurement elements that encourage the Company to take excessive risks, being limited in this respect to fixed remuneration for membership of the Board of Directors.

### **3.4 Transparency**

The Remunerations Policy contains clear and precise principles and specific rules for the determination of directors' remuneration. In line with this, and in accordance with the commitment to full transparency with shareholders and the markets in general, the Company will make the Annual Report on Remuneration of Directors available to its shareholders at the moment of the announcement of its ordinary General Shareholders Meeting, which will be submitted for a consultative vote on a separate item of the agenda.

### **3.5 Simplicity and individualization**

The rules governing the management and determination of compensation shall be drafted clearly and concisely.

### **3.6 Fairness and proportionality of compensation**

Remuneration shall be set taking into account the dedication, qualification, experience and responsibilities of each director and the functions and tasks performed by such director. Also, the remuneration paid by the Company shall maintain a balance between market competitiveness and internal fairness.

### **3.7 Relation of the Policy with the conditions of remuneration and employment of the Company's employees.**

Lar España has established a remuneration system in which offers all its professionals (including directors and employees) a fair level of remuneration appropriate to the market.

In doing so, it seeks to retain talent and encourage the motivation of all its professionals as a means of ensuring the long-term sustainability of its businesses. Remuneration is based on the criteria of position, functions and competencies, professional worth and level of responsibility. Based on these criteria, the Group maintains, at all levels, what is considered a fair and reasonable remuneration system.



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In this regard, as set out in the Company's Code of Conduct, applicable, among others, to all members of the Company's Board of Directors and to all its employees, Lar España will apply the principles of non-discrimination on grounds of gender, age, culture, religion and race, or any other circumstance, and equal opportunities, giving equal treatment to all those who interact with it and managing its activities on a freely competitive basis. It shall adopt training policies that develop the professional skills of its employees, paying special attention to the promotion of measures aimed at equality between men and women and non-discrimination for reasons of gender.

Notwithstanding the small staff structure of the Company, the remuneration conditions of the employees have been taken into account in the setting of this Policy, both of which are also aligned with the Company's long-term sustainability strategy.

#### **4. REMUNERATION OF THE DIRECTORS AS MEMBERS OF THE BOARD**

In connection with the remuneration payable to the members of the Board of Directors in their capacity as such, i.e., for the performance of their supervisory and decision-making functions within the Board of Directors and the Committees to which they belong, the objective of the Remunerations Policy is to compensate them adequately and sufficiently for their dedication, qualification and responsibility, without compromising their independent judgment.

In accordance with Article 40 of the By-Laws of the Company, directors are entitled to receive an annual fixed remuneration in considerations for their duties as directors, without prejudice to the fact that, in accordance with the provisions of this Remunerations Policy, the Board of Directors may take into account for these purposes the distinction between proprietary and independent directors. In turn, directors that carry out executive duties, where appropriate, are entitled to receive the compensation provided for in the services contract entered into with the Company. Additionally, all directors will receive the corresponding compensation for any travel expenses in which they may incur to attend the meeting of the Board and the Committees to which they belong.

In turn, the determination of the specific amount to be paid to each director for these items within the maximum amount approved by the General Shareholders' Meeting shall be agreed by the Board of Directors in accordance with this Remunerations Policy. For such

purpose, the Board shall take into account the office held by each director within the Board itself, as well as the membership and attendance of each director to any Committee. Finally, the Company shall pay for any premium due for any civil liability insurance policy taken out by the Company in respect of its directors upon customary market terms and commensurate with the circumstances of the Company.

#### **4.1 Maximum amount of annual remuneration for directors**

The maximum annual remuneration payable to the members of the Board of Directors in their capacity as such shall amount to 650,000 euros. For the purposes of this calculation, the sum of the current remuneration items in the terms indicated below has been taken into account, as well as the possibility that, if applicable, a new independent director may join the Board, who may also be a member of a Board committee, or that one of the current independent directors may join another Board committee, thus avoiding the need to modify this Remunerations Policy.

This maximum amount does not include: (a) any salary, compensation of any kind or payment that may be carried out under other concepts to the directors in accordance with the Remunerations Policy for their executive duties or for any other concept unrelated to their status as directors; (b) the premiums paid for any civil liability insurance by the Company for its directors; and (c) an reimbursement for the expenses incurred by the directors to attend the meeting of the Board or any of its Committees.

#### **4.2 Annual fixed remuneration**

The Board of Directors shall establish the criteria in order to determine the remuneration payable to each director, taking into account:

- The category of the Director.
- The office held by the director in the Board of Directors and in any of its Committees.
- The specific functions and responsibilities assumed during the year.
- The experience and knowledge required to carry out those functions.
- The amount of time and dedication required to carry out effectively such functions.
- Any other objective circumstances that may be considered relevant.

Considering the above, it is hereby stated that, for the exception of proprietary directors, which will not receive any compensation (notwithstanding the fact that they are



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beneficiaries of civil liability insurance), each director of Lar España will receive an annual fixed remuneration of EUR 70,000. The Chairman of the Board will receive, an additional annual remuneration of EUR 80,000 (amounting to a total of EUR 150,000 annually).

Additionally, and except for proprietary directors, members of the Board of Directors that are members of:

- the Audit and Control Committee will receive an additional annual remuneration of EUR 15,000 for participating in the meetings of the Committee. The Chairman of the Audit and Control Committee will receive, an additional remuneration of EUR 7,500 (amounting to a total of EUR 22,500 annually).
- the Appointments, Remuneration and Sustainability Committee will receive an additional remuneration of 15,000 euros for participating in the meetings of the Committee. The Chairman of the Appointments, Remunerations and Sustainability Committee will receive, an additional remuneration of EUR 2,000 (amounting to a total of EUR 17,000 annually).

Those directors, who, appointed by Lar España, participate in any corporate bodies of the subsidiaries that Lar España participates with other partners may perceive an additional fixed remuneration of EUR 15,000 per year and subsidiary.

These amounts are payable on the basis of a full tax year. Where a director sits in the Board for less than a full tax year, the amount payable to such a director shall be prorated accordingly. If the number of members of the Board of Directors were increased within the limits foreseen in the Company's by-laws, the fixed remuneration payable to any additional director shall be determined in accordance with the provisions above, always respecting the maximum annual amount set forth in section 4.1 above.

## **5. TERMS INCLUDED IN THE EXECUTIVE DIRECTORS' SERVICE AGREEMENTS**

In the event that Lar España decides to appoint executive directors, it shall be up to the Board of Directors to set the remuneration payable to them for performance of their executive duties, according to legal requirements and in accordance with the By-Laws of the Company.

This Remunerations Policy would therefore have to be adapted in order to specify the amount of fixed annual remuneration and the change therein during the reporting period; the various parameters used to determine their variable remuneration; and the main terms and conditions of their contracts, specifically including their duration, any severance pay triggered by early termination of the contractual relationship, exclusivity agreements, postcontractual non-compete clauses and any retainers.

## **6. OTHER REMUNERATION PAID TO THE DIRECTORS FOR SERVICES NOT INCLUDED IN THEIR DUTIES AS DIRECTORS**

Directors may receive, subject to a resolution of the General Shareholders' Meeting and upon proposal of the Appointments, Remuneration and Sustainability Committee, an additional remuneration in cash, shares or options over shares of the Company if the Board of Directors, following a report issued by the Appointments, Remunerations and Sustainability Committee, considers that it is in the best interest of the Company to incentivize and reward a director's involvement and worthy performance in certain transactions and, specifically, when the director is involved in the planning, preparation, negotiation or execution of transactions deemed to be relevant or fundamental for the future of the Company. The objectives to be achieved by the beneficiaries of these plans may be complemented with the achievement of other parameters that measure the positive evolution of the Company's business in the long term.

To promote the correct performance of their duties and aligned the long term interests of the directors and those of the shareholders, remunerations for the services rendered to the Company that are different from those corresponding to their condition as directors may be carried out through the granting of shares of the Company. In that case, in accordance with the provisions included in the Spanish Companies Act, the remuneration will required the approval of the Company's General Shareholders' Meeting.

## **7. GOVERNANCE MATTERS**

### **7.1 Preparation, approval and review of this Remunerations Policy**

The Board of Directors, upon the proposal of the Appointments, Remuneration and Sustainability Committee, shall submit to the General Shareholders' Meeting a Remunerations Policy proposal at least every three years. This proposal shall be submitted as a separate item of the agenda, which shall be accompanied by a specific report from the Appointments, Remuneration and Sustainability Committee. The report of the



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Appointments, Remuneration and Sustainability Committee shall be attached to the proposal of the Board of Directors. Likewise, in the event that the Company has executive directors, the Board of Directors shall be the competent body, upon the proposal of the Appointments, Remuneration and Sustainability Committee, to determine and approve the terms and conditions of their contracts, within the framework of the Remunerations Policy approved by the General Shareholders' Meeting (articles 249 and 529 octodecies of the Spanish Companies Act), with the executive director abstaining from participating in the deliberation and voting on these resolutions.

The proposed Remunerations Policy submitted by the Board of Directors and the report prepared by the Appointments, Remuneration and Sustainability Committee shall be made available to the shareholders on the Company's website as of the date of the announcement of the General Shareholders' Meeting. Shareholders may also request the delivery or sending, free of charge, of a copy of the referred documents. The announcement shall make a reference to this right. In this regard, the General Shareholders' Meeting is the competent body to approve, where appropriate, the Remunerations Policy of the Company, and shall also be the responsible body for determining for each financial year the maximum amount of remuneration that the directors shall be entitled to receive. Based on the maximum annual amount set and approved by the General Meeting as remuneration to directors in their capacity as such, the Board shall have the power to determine the remuneration of each director in accordance with the duties and responsibilities attributed, membership and attendance at Board Committees and any other objective circumstances it deems relevant.

In order to avoid potential conflicts of interest at the General Shareholders' Meeting, directors who, following a public request, have been appointed by a shareholder as proxy for the General Shareholders' Meeting, shall refrain from exercising the voting rights corresponding to the shares represented in connection with resolutions relating to the Remunerations Policy, unless they have received voting instructions in this respect.

Any amendment or replacement of this Policy shall also require the prior approval of the General Shareholders' Meeting, without prejudice to the provisions of article 529 novodecies.5 of the Spanish Companies Act, in respect of those remunerations expressly approved by the General Shareholders' Meeting.





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The Appointments, Remuneration and Sustainability Committee will continuously review this Policy and, specifically, its appropriateness to achieve the objectives included in section 2 of this Policy. The Appointments, Remuneration and Sustainability Committee of Lar España is only made up of external directors and therefore no executive directors, thus avoiding possible conflicts of interest that could arise in the event that the Company has an executive member on the Board of Directors. Likewise, at the proposal of the Appointments, Remunerations and Sustainability Committee, the Board of Directors may approve to hire an external expert for it to participate in the review process of the Remunerations Policy.

## **7.2 Supervision and application of the Remunerations Policy**

The Board of Directors is responsible for establishing a control and supervision regime in respect of the specific requirements set out in the Remunerations Policy, while the Appointments, Remuneration and Sustainability Committee is responsible for ensuring the compliance of such Policy.

## **7.3 Term of the Remunerations Policy**

This Remunerations Policy shall be in effect for three financial years after its approval by the General Shareholders' Meeting of the Company (financial years 2022, 2023 and 2024). Notwithstanding the above, the General Shareholders' Meeting of Lar España may amend, modify or replace this Remunerations Policy at any time in accordance with the procedure described above.