

**ANNEX I**

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED  
COMPANIES**

**ISSUER IDENTIFICATION**

YEAR- END DATE

31/12/2018

Tax Identification No.  
[C.I.F.] A88130471

Company Name:

ÁRIMA REAL ESTATE SOCIMI, S.A.

Registered Office:

CALLE FERNANDO EL SANTO, 15 – 4º, 28010 MADRID

## ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

### A CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
23/10/2018	100.063.000	10.006.300	10.006.300

Remarks

Please state whether there are different classes of shares with different associated rights: :

Yes                       No

Class	Number of shares	Par value	Number of votes	Associated rights

Remarks

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BANK OF MONTREAL	0,000	9,794	0,000	0,000	9,794
COLONQUES MORENO, HECTOR	0,000	4,997	0,000	0,000	4,997
MISTRAL IBERIA REAL ESTATE SOCIMI S.A.	5,097	0,000	0,000	0,000	5,097
MORGAN STANLEY	0,000	9,976	0,000	0,000	9,976

<b>PELHAM LONG/SHORT SMALL CAP MASTER FUND LTD</b>	0,000	0,000	9,984	0,000	9,984
<b>TURNER , ROSS</b>	0,000	0,000	9,984	0,000	9,984

<b>Remarks</b>

Breakdown of the indirect holding

<b>Name of indirect shareholder</b>	<b>Name of direct shareholder</b>	<b>% of shares carrying voting rights</b>	<b>% of voting rights through financial instruments</b>	<b>% of total voting rights</b>

Remarks
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State the most significant shareholder structure changes during the year:

<b>Name of the Shareholder</b>	<b>Date of the Operation</b>	<b>Description of the Operation</b>
Mistral Iberia Real Estate Socimi S.A.	30/10/2018	Surpassed 3% of share capital
Morgan Stanley & Co. International plc	30/10/2018	Surpassed 10% of share capital
Morgan Stanley & Co. International plc	31/10/2018	Sold down below 10% of share capital
Mistral Iberia Real Estate Socimi S.A.	23/11/2018	Surpassed 5% of share capital

<b>Most significant movements</b>

A.3 In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR LUIS ALFONSO LOPEZ DE HERRERA-ORIA	0,000	10,906	0,000	0,000	10,906	0,000	10,906

<b>Total percentage of voting rights held by the Board of Directors</b>	10,906
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<b>Remarks</b>

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments

<b>Remarks</b>

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related Party	Nature of relationship	Brief description

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR LUIS ALFONSO LOPEZ DE HERRERA-ORIA		Rodex Asset Management, S.L.	Board Member

Remarks
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A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes                       No

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

Remarks
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State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes                       No

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

Remarks
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If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

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A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores (“Spanish Securities Market Act” or “LMV”). If so, please identify them:

Yes  No

Name of individual or company

Remarks

A.9 Complete the following table with details of the company’s treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
58,130	0	0.58

Remarks

(\*) through:

Name of direct shareholder	Number of direct shares
<b>Total:</b>	

Remarks

Explain any significant changes during the year:

Explain significant changes

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

At the Annual General Meeting held on 1 October 2018, the Company's shareholders authorised the buyback of own shares for a period of five years.
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A.11 Estimated working capital:

	%
Estimated working capital	

Remarks

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes  No

Description of restrictions

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes  No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes  No

If so, please list each type of share and the rights and obligations conferred on each.

List each type of share

## **B** GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes

No

	<b>% quorum different from that contained in Article 193 LSC for general matters</b>	<b>% quorum different from that contained in Article 194 LSC for special resolutions</b>
<b>Quorum required at 1st call</b>		
<b>Quorum required at 2nd call</b>		

<b>Description of differences</b>

B.2 State whether there are any differences in the company’s manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes

No

Describe how it is different from that contained in the LSC.

	<b>Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters</b>	<b>Other matters requiring a qualified majority</b>
<b>% established by the company for adoption of resolutions</b>		

<b>Describe the differences</b>

B.3 State the rules for amending the company’s Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders’ rights in the event of amendments to the Articles of Association.

The bylaw-stipulated regime for carrying resolutions is that established in Spain’s Corporate Enterprises Act.
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B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
26/09/2018	100	0	0	0	100
01/10/2018	100	0	0	0	100
18/10/2018	100	0	0	0	100
<b>Of which, free float:</b>					

Remarks

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes

No

Points on agenda not approved	% votes against (*)

(\*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes

No

Number of shares required to attend General Meetings	
Number of shares required for distance voting	

Remarks

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes

No

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

www.arimainmo.com

## C COMPANY ADMINISTRATIVE STRUCTURE

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

<b>Maximum number of directors</b>	7
<b>Minimum number of directors</b>	5
<b>Number of directors set by the general meeting</b>	5

<b>Remarks</b>

C.1.2 Please complete the following table on directors:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
MR LUIS ALFONSO LOPEZ DE HERRERAORIA		Executive	CEO	26/09/2018		SHAREHOLDERS MEETING	09/08/1956
MR LUIS MARIA ARREDONDO MALO		Independent	Chairman	26/09/2018		SHAREHOLDERS MEETING	24/01/1943
MR FERNANDO BAUTISTA SAGÜES		Independent	Board Member	26/09/2018		SHAREHOLDERS MEETING	29/10/1957
MR DAVID JIMENEZ BLANCO CARRILLO DE		Independent	Board Member	26/09/2018		SHAREHOLDERS MEETING	31/05/1963

ALBORNOZ							
MR CATO HENNING STONEX		Independent	Board Member	26/09/2018		SHAREHOLDERS MEETING	17/12/1963

<b>Total number of directors</b>	5
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term

<b>Reason for leaving and other remarks</b>

C.1.3 Complete the following tables regarding the members of the Board and their categories:

**EXECUTIVE DIRECTORS**

Name or company name of director	Post in organisational chart of the company	Profile
MR LUIS ALFONSO LOPEZ DE HERRERA-ORIA	Consejero Delegado	<p>He was the CEO of Axiare from 2014 until 2018 and Managing Director of Prima from 1986 until 2002. During that time, Prima's shares were listed on the Madrid stock exchange (1988) and in 1990 it became the largest real estate company in Spain.</p> <p>In 2002, he founded Rodex with a small team from Prima</p> <p>In 2007, Rodex's core business was transferred to Alza Real Estate, SA, where he continued his career as CEO and independent advisor.</p> <p>Luis Alfonso López de Herrera-Oria has also acted as independent advisor to funds such as Falcon II Real Estate, set up by Morgan Stanley and CBRE, and</p>

		iAdvise Partners, EAFI, SL. He holds a Bachelor's Degree in Economics and is a Fellow of the Royal Institution of Chartered Surveyors (FRICS).
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<b>Total number of executive directors</b>	1
<b>Percentage of Board</b>	20

<b>Remarks</b>

**PROPRIETARY DIRECTORS**

<b>Name of director</b>	<b>Name or company name of the significant shareholder represented or that has proposed their appointment</b>	<b>Profile</b>

<b>Total number of proprietary directors</b>	
<b>Percentage of the Board</b>	

<b>Remarks</b>

**INDEPENDENT DIRECTORS**

<b>Name of director</b>	<b>Profile</b>
MR LUIS MARIA ARREDONDO MALO	He is a civil engineer and holds the Medal for Professional Merit from the Chamber of Civil Engineers. He has also completed a senior management programme at IESE Business School (University of Navarra). Between 1969 and 1975 he worked as a project engineer at the Ministry of Public Works. From 1975 until 1978 he worked as General Manager of SACRA, a construction firm and subsidiary of Belgium's CFE. Between 1980 and 1988 he served as General Manager of Corporación Inmobiliaria Hispamer (CIH) and of Edificaciones de Madrid y Provincia, S.A. (EMPSA). From 1988 until 1994, he was CEO of Inmobiliaria Zabálburu, S.A., a company listed on the Spanish stock exchange. Under his management, that real estate

	<p>company delivered fast and steady growth. Between 1994 and 2006, he worked as CEO of Inmobiliaria Urbis, a company he also chaired until 2006; during that period Urbis's market value reached €3.4 billion. From 2006 to 2013, he served as Chairman and CEO of Santander Global Property, Banco Santander's property arm, overseeing large-scale international projects in cities such as Madrid, Sao Paulo, Mexico City, Monterrey, Miami and Berlin. Between 2014 and 2018, he chaired the board of Axiare Patrimonio, one of Spain's largest listed REITs, which was recently acquired by Inmobiliaria Colonial.</p>
<p>MR FERNANDO BAUTISTA SAGÜES</p>	<p>He is one of the Company's non-executive independent directors. He holds a Bachelor's Degree in Law from Deusto University and in Economics and Business Administration from ICADE and has been a member of Madrid's Bar Association since 1981. Fernando Bautista Sagüés was named a partner at law firm J&amp;A Garrigues in 1989 and, following that firm's merger with Arthur Andersen, became a partner of Arthur Andersen Worldwide in 1996. Two years later, in 1998, he was made partner at Freshfields. Between 2014 and 2018, he served as a non-executive independent director of Axiare Patrimonio. Today, Mr. Fernando Bautista Sagüés works as an independent legal advisor specialised in matters of corporate and financial law; he is a director at Abante Asesores, S.A. and the secretary of Iberdrola, S.A.'s corporate social responsibility committee.</p>
<p>MR DAVID JIMENEZ BLANCO CARRILLO DE ALBORNOZ</p>	<p>He is one of the Company's non-executive independent directors. He holds a Bachelor's Degree in Economics and Business Administration from CUNEF. Mr. Jiménez-Blanco worked at Goldman Sachs International from 1995 until 2006, where he headed up the European Industrial Clients Group and the investment banking teams in Spain and Portugal. Between 2006 and 2009, Mr. Jiménez-Blanco chaired Merrill Lynch Capital Markets España, S.A, Sociedad de Valores in his capacity as Head of Investment Banking and Global Markets in Spain and Portugal and member of the EMEA Investment Banking Operations Committee. From 2010 until 2013, he was partner at BK Partners, a management company focused primarily on direct investment in Mexico, and</p>

	between 2013 and 2016, he served as CFO of World Duty Free Group SpA, a company listed in Milan. Between 2014 and 2018, he served as a non-executive independent director of Axiare Patrimonio. Today, Mr. Jiménez-Blanco is the head of restructuring at Abengoa, S.A. and the Lead Independent Director of BME, S.A.
MR CATO HENNING STONEX	He is one of the Company's non-executive independent directors. He holds a Bachelor of Science (Economics) from the London School of Economics and Political Science. From 2006 until 2016, he served as Governor of the LSE and in 2016 he was named Emeritus Governor. Mr. Cato Henning Stonex directs LSE Ideas (a think-tank) and is also a member of the LSE's Investment Committee. He joined Morgan Grenfell & Co in 1986, specifically the government bond trading desk. In 1989, he joined J. Rothschild Administration as a fund manager. He co-founded Taube Hodson Stonex in 1996. Taube Hodson Stonex merged with Global Asset Management in 2016. In 2017, he founded Partners Investment Company, LLP. He was an independent non-executive director of Axiare Patrimonio between 2017 and 2018.

<b>Number of independent directors</b>	4
<b>Percentage of the Board</b>	80

<b>Remarks</b>

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

N/A.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

<b>Name of the director</b>	<b>Description of the relationship</b>	<b>Statement of the Board</b>

**OTHER EXTERNAL DIRECTORS**

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile

<b>Total number of other external directors</b>	
<b>Percentage of the Board</b>	

<b>Remarks</b>

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status

<b>Remarks</b>

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
<b>Executive</b>	0	0	0	0	0	0	0	0
<b>Proprietary</b>	0	0	0	0	0	0	0	0
<b>Independent</b>	0	0	0	0	0	0	0	0
<b>Other external</b>	0	0	0	0	0	0	0	0
<b>Total</b>	0	0	0	0	0	0	0	0

<b>Remarks</b>

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized

enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes

No

Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
The board of directors is in the process of approving the director selection policy. That policy will ensure that the director selection procedures are conducive to fostering diversity in terms of gender, professional experience and knowledge/skills and are unbiased, so as to prevent discrimination on any grounds. It will also be designed to ensure that non-executive director candidates have sufficient time available to discharge their duties effectively.

- C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means
Although there are no female directors at present, it is the board's intention to address that situation. It plans to carry out the corresponding internal assessments to this end.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means
As noted above, the Company is conducting the internal assessments required in relation to the incorporation of female directors. However, this effort has yet to yield the desired results.

- C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in



particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Company has articulated a director selection policy based on an analysis of the Company's needs. Director candidates must be well-regarded, solvent, competent, qualified, skilled, available and committed. They must be upstanding professionals whose professional conduct and trajectory are aligned with the Company's mission, vision and values. Note that the Company is working to deliver its diversity policies and its specific targets for female board representation.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes                       No

Name of shareholder	Explanation

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
MR LUIS ALFONSO LOPEZ DE HERRERA- ORIA	Each and every one of the powers vested in the board of directors that can be delegated in keeping with the provisions in company law, the bylaws and the board regulations.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
MR LUIS ALFONSO LOPEZ DE HERRERA-ORIA	Árma Real Estate Investments, S.L.U.	Individual representing Sole Director	Yes

Remarks

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position

Remarks

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes

No

Explanation of the rules and identification of the document where this is regulated
As stipulated in article 21.2.a) of the board regulations, under no circumstances can a director sit on more than five boards of directors.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	103
Amount of vested pension interests for current members (thousand euros)	0
Amount of vested pension interests for former members (thousand euros)	0

<b>Remarks</b>

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position

<b>Total senior management remuneration (thousand euros)</b>	
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<b>Remarks</b>

C.1.15 State whether the Board rules were amended during the year:

Yes                       No

<b>Description of amendment</b>

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

The director selection policy is framed by the following principles:
1.- The composition of the board of directors should be balanced, with a wide majority of non-executive directors and a proportionate mix between proprietary and independent directors.
2.- The board of directors must ensure that the director selection procedures foster diversity of gender, backgrounds and skills and are free from any bias that could lead to discrimination. It must also ensure that non-executive director candidates have sufficient time available to discharge their duties effectively.
3.- The director selection process must be based on prior analysis of the needs of the Company and its group. That analysis must be conducted by the Company's board of directors at the recommendation (along with a prior report substantiating that recommendation) of the appointments and remuneration committee.
4.- That committee report must be published in conjunction with the calls to general meetings at which director ratifications, appointments or re-elections are to be voted on.
5.- The remuneration and appointments committee must verify compliance with the director selection policy annually and report on its findings in the annual corporate governance report.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
The board's internal organisation has not been changed as a result of its self-evaluation.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
<p>The board of directors is required to carry out a self-assessment annually, evaluating the performance of it and its committees, paying special attention to the diversity of backgrounds and skills represented on the board, the performances of the chairman of the board, the Company's CEO and the other directors, taking the opportune measures as needed.</p> <p>The results of the evaluation must be recorded in the meeting minutes or appended thereto.</p> <p>The evaluation of the various board committees must be based on the reports they submit to the board of directors, while that of the board itself must start from the report of the appointments and remuneration committee.</p> <p>Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence must be verified by the appointments and remuneration committee.</p> <p>Any business dealings that the facilitator (or any member of its corporate group) has with the Company (or any member of its corporate group) must be disclosed in the annual corporate governance report. The process followed and areas evaluated must also be detailed in the annual corporate governance report.</p>

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

N/A
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C.1.19 State the situations in which directors are required to resign.

Article 12 of the Regulations of the Board of Directors regulates the removal and separation of Directors:

1. The directors must present their resignation to the position and formalize their resignation when they have incurred in any of the cases of incompatibility or prohibition for the performance of the position of director provided for in the Law, as well as in the following cases:

a) In the case of proprietary directors, when the shareholder at whose request they have been appointed transmits in its entirety the share it held in the Company or reduce it to a level that requires the reduction of the number of proprietary directors.

b) When the Board itself so requests by a majority of at least two thirds (2/3) of its members, for having breached its obligations as a director, prior proposal or report of the Nomination and Remuneration Committee, or when its permanence in the Board may put at risk the credit and reputation of the Company.

2. In the event that a natural person representing a legal person finds him- or herself party to any of the legally-stipulated conflicts of duty or interest, the latter must be replaced immediately by the legal person director.

3. The board of directors may not propose the removal of independent directors before the end of their bylaw-stipulated tenure, except for cause and based on a prior report from the appointments and remuneration committee. Specifically, just cause is deemed to exist when a director has failed to uphold his or her fiduciary duties, breaches any of the corporate governance recommendations applicable to the Company or meets any of the circumstances that would disqualify him or her as an independent director. Notwithstanding the foregoing, the removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the Company's capital structure in order to meet the proportionality criterion with respect to the board's composition.

4. Directors who give up their board seats before their tenure expires, through resignation or otherwise, must state their reasons in a letter to be sent to all members of the board, without prejudice to the potential need to disclose the resignation as a price-sensitive event and to explain the reasons in the annual corporate governance report. Specifically, in the event that a director resigns because the board has taken material or reiterated decisions about which the director has expressed reservations and those reservations have prompted him or her to resign, those circumstances must be stated in the resignation letter. This provision also applies to the secretary of the board, director or otherwise.

5. Notwithstanding the foregoing, the removal of directors can be ratified by the shareholders in general meeting at any time, even if a motion to do so is not included on the meeting agenda.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes  No

If so, please describe any differences.

Description of differences
Article 31.6 of the board regulations states that the report needed to ask the shareholders to approve the creation of a remuneration scheme for the Company's directors and executives entailing the delivery of shares or rights over shares must be approved by a qualified majority of directors.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes  No

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes  No

	Age limit
Chairman	
CEO	
Directors	

Remarks

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes  No

Additional requirements and/or maximum number of term limits

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Article 31.2 of the board regulations stipulates that even though the Company's directors must attend any board meetings in person, they may appoint another director as proxy, in keeping with prevailing company law. Proxies must be appointed separately for each meeting of the board and may be notified using any of the channels provided for in article 30.5 of the regulations.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

<b>Number of Board meetings</b>	7
<b>Number of Board meetings without the chairman</b>	0

<b>Remarks</b>

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

<b>Number of meetings</b>	0
---------------------------	---

<b>Remarks</b>

Please specify the number of meetings held by each committee of the Board during the year:

<b>Number of meetings held by the Executive Committee</b>	
<b>Number of meetings held by the Audit Committee</b>	1
<b>Number of Meetings held by the Appointments and Remuneration Committee</b>	2
<b>Number of meetings held by the Appointments Committee</b>	
<b>Number of meetings held by the Remuneration Committee</b>	
<b>Number of meetings held by the _____ Committee</b>	

<b>Remarks</b>

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

<b>Number of meetings when all directors attended</b>	4
<b>% of attendance over total votes during the year</b>	57
<b>Number of meetings in situ or representations made with specific instructions of all directors</b>	4
<b>% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year</b>	57

<b>Remarks</b>

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes                       No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position

<b>Remarks</b>

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Article 40 of the board regulations regulates dealings between the Company and its external auditor as follows:

1. The dealings between the board of directors and the Company's external auditor must be channelled through the audit and control committee.
2. The board of directors must refrain from engaging audit firms if the total estimated fees payable by the Company and its group amount to more than 5% of that audit firm's total income in Spain during the immediately preceding year.
3. The board of directors must strive to present the financial statements to shareholders without reservations or qualifications in the audit report. Should, exceptionally, such reservations or qualifications exist, both the chairman of the audit and control committee and the auditor are required to give the Company's shareholders a clear account their scope and content.



C.1.29 Is the secretary of the Board also a director?

Yes

No

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
MR IVAN AZINOVIC GAMO	
Remarks	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Article 35.5 of the board regulations vests the audit committee with the following duties in respect of the external auditor:

(i) Making recommendations to the board of directors regarding the selection, appointment, reappointment and removal of the external auditor (which must be a prestigious international audit firm), and the terms and conditions of its engagement;

(ii) Receiving regular information from the external auditor on the progress and findings of the audit plan and verifying that senior management is acting on its recommendations;

(iii) Safeguarding the independence of the external auditor and, to that end, ensuring that the Company notifies the securities market regulator (the CNMV), in the form of a price-sensitive filing, of any change in auditor, accompanied as necessary by a statement regarding the existence and content of disagreements with the outgoing auditor, if any, and in the event that it is the external auditor that steps down, an explanation of the circumstances leading up to that decision.

The audit and control committee must establish the opportune relationship with the auditor(s) in order to receive feedback on any issues that could jeopardise its independence and on any other matters related to the financial statement auditing process, and to facilitate the other communications provided for in prevailing audit legislation and audit standards. Regardless, at least once a year, the auditor(s) must provide the committee with written confirmation of its independence vis-à-vis the Company and its direct and indirect related parties, including disclosures regarding additional services of any kind provided to those entities by the auditor(s) and any parties related thereto, as stipulated in Spanish audit legislation (Law 22/2015);

(iv) Encouraging the Company's auditor to audit any other entities comprising its group;

(v) In the event the external auditor resigns, investigating the underlying issues;

(vi) Ensuring that the remuneration of the external auditor does not compromise its quality or independence;

(vii) Ensuring that the external auditor meets once a year with the board in full to inform it of the work undertaken and developments in the Company's risk and accounting positions;

(viii) Ensuring that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

In addition, the audit committee must issue annually, prior to issuance of the audit report, a report expressing an opinion on the independence of the external auditor(s). That report should refer specifically to the provision of non-audit services.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes  No

Outgoing auditor	Incoming auditor

Remarks

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes  No

Explanation of disagreements

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes  No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	0	0	0
Amount invoiced for non-audit services/Amount for audit work (in %)	0%	0%	0%

Remarks

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes

No

Explanation of reasons

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100%	100%

Remarks

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes

No

Explanation of procedure
<p>Article 30.5 of the board regulations stipulates that:            Board meetings must be called by letter, fax, telegram, e-mail or any other means that allows for proof of receipt; calls must be authorised by the signature of the chairman, secretary or vice-secretary, at the behest of the chairman. Meeting calls must be made with enough time so that the directors are notified no later than the third day before the scheduled meeting, with the exception of emergency meetings, which may even be called immediately. Under certain circumstances a specific call notice period is legally required. Call notices must always state the place, date and time of the scheduled meeting and the meeting agenda, unless its exclusion can be substantiated. Exceptionally, unless the board meeting has been called for reasons of urgency, the notice must be accompanied</p>

by the information needed by the directors to deliberate and decide on the matters on the agenda.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes

No

**Explain the rules**

Article 21 of the board regulations governs the directors' disclosure obligations:

1. Directors must report to the Company the shareholdings they or their related parties have in any entity with the same, analogous or complementary business as that constituting the Company's core object and the positions held or duties performed at those companies. They must also report any professional duties discharged, as independent professionals or as employees, at entities whose business is complementary to that of the Company. That information must be included in the Company's financial statements and annual corporate governance report, as required by company law.

2. Directors must also inform the Company about:

a) All of the positions they hold and the activities performed at other companies or entities and any other professional obligations. Specifically, before accepting any directorships or executive positions at another company or entity, directors must first consult the audit and control committee. Under no circumstances may directors sit on more than five (5) boards of directors;

b) Any significant change in their professional situations that affect the terms on which they were appointed as directors;

c) Any proceedings, whether judicial, administrative or otherwise, taken against the directors that, on account of their significance or specifics, could gravely harm the Company's reputation. Specifically, directors must inform the Company, through the chairman, if they are indicted or tried for any of the crimes itemised in article 213 of Spain's Corporate Enterprises Act. If that happens, the board shall examine the circumstances as soon as possible and take the decisions it deems in the Company's best interests;

d) The shares held, directly or indirectly, by them or their related persons, in the Company, any changes in those shareholdings and any transactions executed directly or indirectly by them or their related persons involving or related with the Company's shares. To this end, 'related person' shall be understood to include any persons deemed, in keeping with Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse, to be 'closely associated' with the directors; and

e) In general, any development or situation that could be relevant to their performance as Company directors.

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C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes  No

Name of director	Criminal charge	Remarks

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes  No

Decision/Action taken	Explanation

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Árima Real Estate Socimi, S.A. has set up a share incentive plan for its management team. That plan was approved at the Annual General Meeting on 26 September 2018 and is detailed in the offering prospectus filed with the CNMV on 9 October 2018. As noted in the prospectus, a change of control as a result of a public tender offer, in accordance with Spain's takeover code (Royal Decree 1066/2007), would qualify as a vesting event, as defined in the incentive plan. That plan can be settled in shares or in cash; it is up to the board of directors to decide.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	
Type of beneficiary	Description of agreement
CEO	<p>The services provision agreement in effect between the Company and the CEO stipulates that if the Company terminates the agreement without just cause (i.e., unfair dismissal, as defined in Spain's Workers' Statute), the CEO would be entitled to receive cash compensation equivalent to the higher of two times' the last total annual remuneration received (including his fixed remuneration, annual bonus, medium- and long-term incentive plans and company benefits).</p> <p>If in the year immediately preceding the year in which the relationship with the CEO is terminated by the Company two or more medium- and long-term incentive plans were paid out, only the higher payout shall compute for compensation purposes.</p> <p>In addition, six executives besides the CEO have termination clauses that would be triggered in the event they are discontinued for any reason other than for cause or at the executive's request. Those executives would be entitled to the same compensation in certain other circumstances, including a change of control. In those instances, the executives would be entitled to two years' total annual remuneration.</p>

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	<b>Board of Directors</b>	<b>General Shareholders' Meeting</b>
<b>Body authorising the severance clauses</b>	YES	

	<b>YES</b>	<b>NO</b>
<b>Are these clauses notified to the General Shareholders' Meeting?</b>		X

<b>Remarks</b>

## C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

### EXECUTIVE COMMITTEE

<b>Name</b>	<b>Post</b>	<b>Category</b>

<b>% of executive directors</b>	
<b>% of proprietary directors</b>	
<b>% of independent directors</b>	
<b>% of external directors</b>	

<b>Remarks</b>

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed

thereto by law, in the Articles of Association or other corporate resolutions.

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**AUDIT COMMITTEE**

<b>Name</b>	<b>Post</b>	<b>Category</b>
D. David Jiménez-Blanco Carrillo de Albornoz	Chairman	Independent
D. Fernando Bautista Sagüés	Vocal	Independent
D. Cato Henning Stonex	Vocal	Independent

<b>% of proprietary directors</b>	0%
<b>% of independent directors</b>	100%
<b>% of external directors</b>	0%

<b>Remarks</b>

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

<p>The audit committee's overriding mission is to support the board of directors in its duty of oversight by regularly reviewing the financial reporting process, the related internal controls and the independence of the external auditor.</p>
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Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

<b>Name of directors with experience</b>	Mr. Fernando Bautista Sagüés
<b>Date of appointment of the chairperson</b>	26/09/2018

<b>Remarks</b>

**APPOINTMENTS AND REMUNERATION COMMITTEE**

<b>Name</b>	<b>Post</b>	<b>Category</b>
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Mr. Fernando Bautista Sagüés	President	Independent
Mr. David Jiménez-Blanco Carrillo de Albornoz	Member	Independent
Mr. Cato Henning Stonex	Member	Independent

<b>% of proprietary directors</b>	0%
<b>% of independent directors</b>	100%
<b>% of external directors</b>	0%
<b>Remarks</b>	

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

This committee focuses its duties on supporting and assisting the board of directors with motions for the appointment, re-election, ratification and discontinuation of directors, establishing the remuneration policy for the Company's directors and executives, ensuring that the directors are upholding their fiduciary duties, particularly in relation to potential conflicts of interest and related-party transactions, and checking compliance with the Company's internal code of conduct and corporate governance rules.

#### APPOINTMENTS COMMITTEE

Name	Post	Category

<b>% of proprietary directors</b>	
<b>% of independent directors</b>	
<b>% of external directors</b>	

<b>Remarks</b>

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed

thereto by law, in the Articles of Association or other corporate resolutions.

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**REMUNERATION COMMITTEE**

Name	Post	Category

<b>% of proprietary directors</b>	
<b>% of independent directors</b>	
<b>% of external directors</b>	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

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\_\_\_\_\_ COMMITTEE

Name	Post	Category

<b>% of executive directors</b>	
<b>% of proprietary directors</b>	
<b>% of independent directors</b>	
<b>% of other external directors</b>	

Remarks

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed

thereto by law, in the Articles of Association or other corporate resolutions.

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C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year t	Year t-1	Year t-2	Year t-3
	Number %	Number %	Number %	Number %
Executive committee	0 / 0%	0 / 0%	0 / 0%	0 / 0%
Audit committee	0 / 0%	0 / 0%	0 / 0%	0 / 0%
Appointments and remuneration committee	0 / 0%	0 / 0%	0 / 0%	0 / 0%
Appointments committee				
Remuneration committee				
_____ committee				

Remarks

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The rules governing the organisation and operation of the board committees are stipulated in articles 34, 35 and 36 of the board regulations. The board regulations are available for consultation on the Company's website.
No annual reports have been drawn up voluntarily on the activities of any of the committees.

**D RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Sections 3, 4 and 5 of article 22 of the board regulations establish the following procedure for approving related-party transactions:

1. Transactions between the Company and its directors, executives or persons related to them, including transactions that could give rise to a conflict of interest and any transaction with third parties pursuant to which any director, significant shareholder or executive, or any person related to them, is entitled to receive consideration, remuneration or a fee, must be approved by the board of directors on the basis of a favourable report from the audit and control committee.

2. Before authorising the Company to execute transactions of this nature, the audit and control committee and the board of directors must analyse the transaction from the standpoints of (i) the requirement to treat all shareholders equally; and (ii) arm's length terms.

3. In the event a related-party transaction involves one of the directors, that director is not provided with any additional information about the transaction in question; and if that director is present at the meeting of the board or audit and control committee, in addition to not being allowed to exercise or delegate his or her vote, he or she must leave the room while the members of the board or the audit and control committee deliberate and vote on the transaction.

4. The prior board authorisation contemplated above is not necessary when the following three conditions are met simultaneously:

- a) The transactions are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
- b) They go through at market rates, generally set by the person supplying the goods or services; and
- c) Their amount is no more than 1% of the Company's annual revenues.

5. In the case of transactions falling within the ordinary course of the Company's business that are customary or recurring in nature, a standard-form board approval will suffice.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)

<b>Remarks</b>

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)

<b>Remarks</b>

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)

<b>Remarks</b>

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
Rodex Asset Management, S.L.	In June and September, the Company's former majority shareholder converted creditor balances into two profit-participating loans, which were cancelled in November.	276

<b>Remarks</b>

- [ ]
- D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Article 17 of the board regulations governs conflicts of interest as follows:

1. A conflict of interest is deemed to exist in situations in which the interests of the Company or its group companies and the personal interests of its directors clash, directly or indirectly. Directors are deemed to have a vested interest in a matter when that matter affects them or a person related to them (as defined next).

2. For conflict purposes, the following are considered "related persons":

a) In relation to natural person directors:

(i) Their spouses or significant others;

(ii) The ancestors, descendants and siblings of the directors and of their spouses (or significant others);

(iii) The spouses of the ancestors, descendants and siblings of the directors;

(iv) The companies in which the directors, directly or through a representative, exercise or may exercise control, directly or indirectly, as contemplated in article 42 of Spain's Code of Commerce;

a) In relation to legal person directors:

(i) The owners or shareholders that exercise or could exercise, directly or indirectly, with respect to the legal person director, control, as contemplated in article 42 of Spain's Code of Commerce;

(ii) The companies in the same group, as defined in article 42 of Spain's Code of Commerce, and their owners or shareholders;

(iii) The legal person directors' natural person representatives, directors, de facto or by law, liquidators and legal representatives with general power of attorney;

(iv) The persons who are considered related parties of the representative of the legal person director under the above provisions with respect to natural person directors.

3. Conflicts of interest are governed by the following rules:

a) Communication: directors must inform the board of directors, specifically the chairman or the secretary, of any conflict of interest in which they find themselves;

b) Abstention: directors must refrain from intervening in deliberations and votes on the matters pertaining to the conflict affecting them; note that in such instances, those directors are not counted for quorum calculation purposes; In the case of proprietary directors, they must refrain from participating in votes on matters that could imply a conflict of interest between the shareholder(s) that proposed their directorships and the Company;

c) Transparency: the Company must disclose any conflicts of interest affecting its directors that are notified to it by the affected parties or of which it is aware by any other means in the annual corporate governance report.

4. The rules outlined herein may be further developed by means of rules issued by the board of directors, including in internal code of conduct rules.

D.7 Is there more than one company in the group listed in Spain?

Yes

No

Identify the other companies that are listed in Spain and their relationship to the company:

**Identity and relationship with other listed group companies**

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group;

Yes

No

**Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group**

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

**Measures taken to resolve potential conflicts of interest**

## **E RISK MANAGEMENT AND CONTROL SYSTEMS**

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The Company has developed an enterprise risk management system that factors in the Company's specific characteristics as well as those related to the environments in which it does business at the economic, geographical and regulatory levels.

The board of directors is responsible for the risk management policy and strategy. However, all members of the organisation participate in the risk management effort and are responsible for ensuring the success of the system.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The governing bodies with responsibility over risk management and control are the board of directors and the audit committee:

#### Board of directors

The board of directors is the body responsible for approving the Company's strategy and the organisational resources needed to carry it forward and for overseeing and controlling that management delivers the targets set. It likewise ensures that in dealing with its direct and indirect stakeholders, the Company abides by applicable laws and regulations; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories in which it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily. Article 43 of the Company's bylaws stipulates that the board of directors set up and maintain a permanent, internal audit and control committee.

#### Audit and control committee

Article 44 of the Company's bylaws vests the audit and control committee with the overriding mission of supporting the board of directors in its duty of oversight by regularly reviewing the financial reporting process, the related internal controls and the independence of the external auditor.

- E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

The schematic below presents the key risks, but not all of the risks, deriving from the Company's real estate investment and management activities, all of which are covered by the established enterprise risk management system.

#### 1. Financial risks

##### a) Market risk

Interest rate risk. The Company's interest rate risk arises from its borrowings. The Company had no borrowings as at 31 December 2018.

##### b) Credit risk

The Company's credit risk, defined as the risk of a loss as a result of non-performing accounts receivable, is not significantly concentrated. The Company has designed policies to ensure that it sells and leases properties to customers with suitable credit histories.

##### c) Liquidity risk

The Company's finance department is responsible for managing liquidity risk to ensure the ability to service its payment obligations and/or commitments deriving from new investments. To this end, it prepares annual cash flow projections.



## 2. Market risk.

The Company minimises market risk through its business strategy and model. Árima invests in prime real estate assets that present significant valuation upside, mainly in the office and logistics segments, in well-established locations. The Company's long-term business plan is focused on creating value via active portfolio management and repositioning, emphasising environmental sustainability.

## 3. Financial risks

In acquisitions, these risks are managed by meticulously analysing proposed transactions, examining and anticipating potential problems and problem-solving. In disposals, the main risk is the inability to collect the proceeds on the terms agreed as a result of a breach by the buyers. That risk is managed by securing collateral of all kinds to ensure collection in full of the agreed price or the ability to take back ownership of the property being sold.

## 4. Legal and tax risks

The Company's activities are regulated by legal, tax and urban planning and zoning requirements. Local, regional, national and European authorities have the power to impose fines if the Company violates these rules and requirements. Changes in the prevailing legal and tax environment could affect how the Company plans its business activities: the corresponding departments, with the help of their legal and tax advisors, watch and analyse developments and take the required measures as needed.

The risks associated with compliance with specific legislation are the following:

a) Court and out-of-court claims. The Company's business exposes it to legal action in relation to the properties it leases, albeit derived from the actions of third parties hired by the Company (architects, engineers, contractors and subcontractors). The Company mitigates this risk by arranging appropriate civil liability and casualty insurance cover.

b) Company responsibilities in its capacity as a REIT, or SOCIMI for its acronym in Spanish. All of the Company's actions must comply with Spanish Law 11/2009, which governs listed real estate investment vehicles. The Company continually monitors its compliance with all prevailing legislation in this respect.

## 5. Money laundering risks

These risks are controlled by means of preventative policies and control over the transactions performed by the Company, in keeping with applicable legislation.

## 6. Data protection risks

These risks are controlled by including boilerplate and specific disclaimers in the Company's agreements in different situations, as prescribed in applicable data protection regulations, so as to limit and even eliminate any Company liability in this respect.

## 7. Consumer/user protection risks

The Company complies with its requirements under the various state and regional consumer and user protection standards. In addition, it has an internal code of conduct specific for its securities markets activities.

Sections IV and V of that internal code of conduct outline the criteria that must be upheld by bound parties in respect of the affected securities, inside and price-sensitive information and confidential documents in order to foster transparent business operations and ensure adequate investor information and protection.

- E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

Risk tolerance at Árima is defined as the level of risk the Company is willing to accept in order to deliver its strategic targets. Risk tolerance is shaped by the Company's strategy and is agreed at the board level.

Risk tolerance is also defined as the level of variability the Company is willing to accept with respect to a given target. It is, therefore, the acceptable threshold for each risk and target. Risk tolerance must be updated regularly by each department's risk officers and duly reported to the compliance officer.

- E.5 State which risks, including tax compliance risks, have materialised during the year.

None of the risks outlined above materialised during the reporting period.

- E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The Company articulates the management and control of the risks to which it is exposed by designing a series of policies and procedures that can be adapted for the differing nature of those risks. The board of directors is committed to the risk management and control processes and approves the corresponding policies, procedures, limits and structures. During its weekly meetings, the Company's management committee, on which all of the business areas and the finance department are represented, analyses the status and trend in the main risks and takes corrective measures when deemed necessary. Any risk considered critical is

handled by the management committee at its regular meetings. The management committee recommends specific response plans for all critical risks to the board of directors. The board then takes those proposals under advisement, modifying them as warranted.

## **F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

### **F.1 Control environment**

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Responsibility for the design, implementation and working of the internal control over financial reporting (ICFR) system has been entrusted to the Company's finance and internal audit departments.

As for responsibility for the ICFR system, the board regulations formally set out the audit committee's basic duties, which include that of supervising the process of drawing up the Company's financial information and its integrity.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

The CEO is ultimately responsible for designing and reviewing the Company's organisational structure, a responsibility delegated in it by the board of directors.

As for the process of preparing the Company's financial information, in addition to organisational charts, all of those involved in the process are clear about the guidelines, responsibilities and timing specific to each period end.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is

specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

The Company has a board-approved, mandatory code of conduct.

The purpose of the code is to establish the basic rules and principles regulating the conduct of everyone who acts in the name of Árima and its subsidiaries. The code is applicable at all of the companies comprising Árima and is binding upon the members of its board of directors and all of its employees, irrespective of their titles and duties. This code complements the internal code of conduct governing securities market dealings, the company's other rules, its bylaws and other prevailing legislation applicable to the business of Árima. It is binding upon Árima and all the companies with which there is a material contractual relationship. Failure to comply with the provisions set down in the code constitutes an infraction and could result in the application of disciplinary measures, governed by a disciplinary regime.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

The Company is currently in the process of implementing a whistleblowing channel for matters related with the Company's internal rules of conduct and another procedure for reporting potentially significant financial and accounting incidents.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

The finance department has organised training and refresher sessions on the Company's internal rules of conduct and controls.

## F.2 Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.
- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.
- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.
- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.
- The governing body within the company that supervises the process.

## F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

The Company has an internal financial information review procedure (which includes the annual financial statements, the interim financial statements and the annual corporate governance report) which encompasses the process from when that information is generated in the finance area until it is approved by the audit and control committee and, ultimately, by the board of directors, prior to publication.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The internal control policies and procedures associated with the financial reporting systems are designed by the Company's management. The main risks considered by the Company, for which responses are defined, relate to physical security (back-ups, maintenance, server access, etc.), logical security (access controls, procedures for granting/revoking access, protection against viruses/malware, etc.), due segregation of duties, information record-keeping and traceability, privacy (data protection), system development and maintenance.

- F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

The activity outsourced to third parties with the most significant impact on the financial statements is the asset valuation exercise conducted by an independent expert. The procedure implemented by the Company in this respect essentially follows the recommendations made by the CNMV to appraisers and listed real estate investment trusts in relation to property appraisals.

#### **F.4 Information and communication**

State whether the company has at least the following, describing their main characteristics:

- F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

El The Company's finance department designs and updates accounting policies and handles any queries in relation thereto.

- F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The accounting policies defined by the finance department form the basis for drawing up the financial information of the Company and its subsidiaries. These policies guarantee the application of uniform financial preparation standards as well as uniform presentation.

## F.5 Supervision of system performance

Describe at least the following:

- F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

As stated in article 44 of the Company's bylaws, the audit and control committee's duties include regularly reviewing the financial reporting process, the related internal controls and the independence of the external auditor. Regarding the scope of the ICFR assessment, in 2019, the Company plans to expand the reach of its evaluation of the operational effectiveness of the controls in place and the definition of the various activity cycles. That work will be carried out by the various business areas under the supervision of the audit and control committee through the internal audit function.

- F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría (NTA)* - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The audit and control committee meets to discharge its primary duty, which is supporting the board of directors in its oversight duties by regularly reviewing the financial reporting process, the internal audit function and the independence of the external auditor, to which end it carries out the following activities, among others:

It talks with the external auditor (particularly when the latter has intervened: audit reports, limited reviews, etc.) in order to:

- Obtener información sobre la planificación, alcance y conclusiones de los trabajos realizados.
- Obtener información acerca de debilidades de control interno detectadas en el transcurso de sus trabajos.
- Informar al auditor externo de aquellas cuestiones que pudieran afectar a su trabajo.
- Discutir con el auditor externo el contenido previsto de sus informes.

- Obtener la información necesaria para, en cumplimiento de las funciones de la Comisión de Auditoría y Control, comprobar la independencia del auditor externo.

In addition, the audit and control committee is entitled to ask for additional information or call on outside experts when analysing matters related with the discharge of its duties.

#### F.6 Other relevant information

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#### F.7 External auditor's report

Report from:

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

The Company has not submitted its ICFR system to external assurance as it is currently in the process of evaluating in-house the operational effectiveness of the Company's controls, including, by extension, the internal control system.

### **G** EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

- 1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.**

Complies  Explanation

- 2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**
  - a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**
  - b) The mechanisms in place to resolve any conflicts of interest that may arise.**



Complies  Complies Partially  Explanation  Not Applicable

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:
- a) Changes that have occurred since the last General Shareholders' Meeting.
  - b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies  Complies partially  Explanation

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies  Complies partially  Explanation

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies  Complies partially  Explanation

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:
- a) Report regarding the auditor's independence.
  - b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
  - c) Report by the audit committee regarding related-party transactions
  - d) Report on the corporate social responsibility policy.

Complies  Complies partially  Explanation

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies  Explanation

Compliance with this recommendation will be reviewed annually but is not currently contemplated.

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies  Complies partially  Explanation

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies  Complies partially  Explanation

La The Company is currently working on meeting this recommendation.

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies  Complies Partially  Explanation  Not Applicable

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies  Complies Partially  Explanation  Not Applicable

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies  Complies partially  Explanation

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies  Explanation

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies  Complies partially  Explanation

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies  Complies partially  Explanation

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies  Explanation

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies  Explanation

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies  Complies partially  Explanation

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies  Complies Partially  Explanation  Not Applicable

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies  Complies Partially  Explanation  Not Applicable

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies  Explanation

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies  Complies partially  Explanation

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies  Complies Partially  Explanation  Not Applicable

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors.

**Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.**

Complies  Complies Partially  Explanation  Not Applicable

**25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.**

**And that the Board rules establish the maximum number of company Boards on which directors may sit.**

Complies  Complies partially  Explanation

**26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.**

Complies  Complies partially  Explanation

**27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.**

Complies  Complies partially  Explanation

**28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.**

Complies  Complies Partially  Explanation  Not Applicable

**29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies  Complies partially  Explanation

**30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require**

Complies  Explanation  Not Applicable

**31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

**When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.**

Complies  Complies partially  Explanation

**32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies  Complies partially  Explanation

**33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.**

Complies  Complies partially  Explanation

**34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.**

Complies  Complies Partially  Explanation  Not Applicable

**35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.**

Complies  Explanation

**36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

**In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.**

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies  Complies partially  Explanation

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies  Complies Partially  Explanation  Not Applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies  Complies Partially  Explanation  Not Applicable

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies  Complies partially  Explanation

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies  Complies partially  Explanation

The Company, given its recent incorporation and current size, is weighing up the creation of an internal audit function.

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies  Complies Partially  Explanation  Not Applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance



with governing rules and the appropriate application of consolidation and accounting criteria.

- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies  Complies partially  Explanation

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies  Complies partially  Explanation

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies  Complies Partially  Explanation  Not Applicable

45. That the risk management and control policy identify, as a minimum:

- a) The various types of financial and non-financial risks (among those operational,

technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

- b) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimise identified risks in the event they transpire.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies  Complies partially  Explanation

**46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies  Complies partially  Explanation

The Company, given its recent incorporation and current size, is weighing up the creation of the internal risk management and control function that is currently performed by the board of directors.

**47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies  Complies partially  Explanation

**48. That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies  Explanation  Not Applicable

**49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies  Complies partially  Explanation

**50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:**

- a) Propose basic conditions of employment for senior management.**
- b) Verify compliance with company remuneration policy.**
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.**
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.**

Complies  Complies partially  Explanation

**51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.**

Complies  Complies partially  Explanation

**52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:**

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.**
- b) That their chairmen be independent directors.**
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.**
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.**
- e) That their meetings be recorded and the minutes be made available to all directors.**

Complies  Complies Partially  Explanation  Not Applicable

**53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the**

**Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:**

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.**
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.**
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.**
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.**
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.**
- f) Supervision and evaluation of the way relations with various stakeholders are handled.**
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.**
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.**

Complies  Complies partially  Explanation

**54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:**

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.**
- b) Corporate strategy related to sustainability, the natural environment and social issues.**
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.**
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.**
- e) Means of supervising non-financial risk, ethics, and business conduct.**
- f) Communication channels, participation and dialogue with stakeholders.**
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies  Complies partially  Explanation

Given its recent incorporation, the Company's corporate social responsibility policy is currently in the process of being approved.

- 55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.**

Complies  Complies partially  Explanation

- 56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.**

Complies  Explanation

- 57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.**

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies  Complies partially  Explanation

- 58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.**

**And, in particular, that variable remuneration components:**

- a) **Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.**
- b) **Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.**
- c) **Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.**

Complies  Complies Partially  Explanation  Not Applicable

**59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.**

Complies  Complies Partially  Explanation  Not Applicable

**60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.**

Complies  Complies Partially  Explanation  Not Applicable

**61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.**

Complies  Complies Partially  Explanation  Not Applicable

**62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.**

**The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.**

Complies  Complies Partially  Explanation  Not Applicable

**63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.**

Complies  Complies Partially  Explanation  Not Applicable

There is no equivalent clause in the services provision agreement executed between the Company and the CEO.

**64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies  Complies Partially  Explanation  Not Applicable

## **H** FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010

Although not disclosed in section C.2 of the report, the Company has an investment committee which analyses and approves the investments submitted to it by the CEO. The reason for not disclosing its composition alongside the equivalent disclosures for the appointments and remuneration and the audit and control committees is that not all of its members are members of the board of directors.

That committee's composition is as follows:

Mr. Luis Alfonso López de Herrera-Oria  
Mrs. Chony Martín Vicente-Mazariegos  
Mrs. Carmen Boyero-Klossner  
Mr. Guillermo Fernández-Cuesta Laborde  
Mr. Fernando Arenas Liñán  
Mr. Stuart William McDonald  
Mr. Fabio Alen Viani

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 23 January 2019.

State whether any directors voted against or abstained from voting on this report.

Yes

No