

ORGANISATIONAL STRUCTURE AND INTERNAL CONTROL SYSTEM REPORT

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1. CORPORATE GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

The administration of the Company is entrusted to a Board of Directors consisting of the following five (5) members:

- i. Mr. Diego San José (President, Proprietary)
- ii. Mr. Miguel Oñate (Vice-President, Other External)
- iii. Mr. Wolfgang Beck (CEO)
- iv. Mr. Jean Francois Bossy (Proprietary)
- v. Mr. Jean-Christophe Dubois (Proprietary)

The Secretary Non-director is Ms. Laura Fernández (appointed at the meeting of the Board of Directors held on 27/02/2019).

The Board has the widest powers to manage the Company, and except for those matters exclusively within the purview of the shareholders at a general shareholders' meeting, is the highest decision-making body of the Company.

The Board appointed Mr. Wolfgang Beck as Chief Executive Officer and authorized him to perform all the duties that the Board may delegate pursuant to the law. However, the Board of Directors is responsible for supervising the performance of its delegated bodies and managers.

MANAGEMENT OF THE COMPANY

The Company is internally managed and has a fully-integrated and highly-scalable operating platform with significant resources and extensive experience that allows the Company to effectively and efficiently acquire, renovate, lease, maintain and manage its rental portfolio.

The Company's platform consists of more than 70 highly skilled full-time employees, making this dedicated team one of the largest of its type in Spain. The operating platform is mostly centralized in Madrid, where corporate headquarters and the majority of its properties are located.

The Company also operates property management offices in San Sebastián, Barcelona, Valladolid and Las Palmas de Gran Canaria, since it believes that the close proximity to and knowledge of such local markets by regional offices facilitate the management of the regional portfolios and support the generation of new business opportunities.

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The Company's platform was structured to maximize its scalability and currently comprises three key areas:

- i. Asset Management;
- ii. Finance & IT;
- iii. Mergers and Acquisitions, Legal and Human Resources.

These three areas are fully coordinated to provide services along the most relevant parts of the value chain. In addition, the in-house platform is supported by outsourcing service providers, currently four of them, who carry out auxiliary third-party services (such as handyman services, electrician services, etc.). The Company also works with maintenance and repair service providers and with various leasing real estate agencies in the commercialization of its portfolio.

With the belief that its highly methodological approach supports the Company's ability to address different operating and strategic challenges, in an efficient and timely manner, Testa has standardized various key processes in its business operations to ensure a smooth and efficient workflow and facilitate the continuous interactions among the platform units.

The chart below reflects the organizational structure of the Company as of the date of this report, as well as the key responsibilities of each of our platform units:



Additional information on each of the Company's business areas is included below:

- i. **Asset management:** This is the largest business area in the platform and is made up of experienced professionals who are responsible for carrying out the full panoply of its active asset management initiatives.

Among its tasks, the asset management area is responsible for the commercialization of the portfolio (in close collaboration with external leasing real estate agencies) and the customer service functions. It is also responsible for the maintenance and modernization

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of the Company's portfolio and the optimization of property operating expenses. The area includes commercial and technical teams, as well as professionals who are specialized in and dedicated to retail assets.

- ii. **Finance and IT:** The Finance team is primarily responsible for financial controlling functions, including the supervision of financial accounting, internal reporting, auditing, and treasury and budget control. It seeks to ensure that the Group has sufficient available liquidity to fund both its operations and its potential investment opportunities. In particular, it regularly monitors debt maturities, interest rate evolution, refinancing and hedging opportunities, and potential opportunities for the overall improvement of the Company's financing structure. It also monitors compliance with undertakings and covenants included in financing agreements. Moreover, the Finance team is responsible for rent collection and the management of outstanding rent.

The IT team is responsible for overseeing the IT infrastructure needed to support the Company's platform and the adequate provision of IT related services, which are externalized.

- iii. **Mergers and Acquisitions, Legal and Human Resources:**

The M&A area is primarily responsible for the identification of new investment opportunities and the smooth execution of the acquisitions. In particular, the M&A area is generally responsible for identifying properties that fit the Company's business strategy, carrying out a comprehensive business plan analysis on such assets, coordinating the due diligence process and negotiating acquisition terms. In analyzing potential acquisitions, the M&A area works in close coordination with Finance team, which prepares a detailed cost and financing plan for the relevant acquisition, and with Legal team, which carries out the legal due diligence and the negotiation of any agreement.”.

The Legal team is involved both in investment and in asset management decisions, it oversees matters related to corporate structure and corporate governance and defines the Company's policies, procedures and actions to ensure compliance with laws and regulations. It is also involved in the negotiation of agreements (including acquisition and lease agreements) and legal due diligence, which is typically undertaken with the support of external legal counsel. The Legal team is also responsible for the day-to-day supervision and monitoring of all legal matters related to the Company, such as legal proceedings and permits and licenses, either directly or through the supervision of external counsel.

The Human Resources team is responsible for workforce planning, hiring (recruiting and selection), training, orientation, conflict resolution, and payroll and benefits management. It seeks to develop, implement and nurture a culture built around the acquisition and development of industry leading talent.

2. INTERNAL CONTROL SYSTEM

CONTROL ENVIROMENT

The Board of Directors is responsible for maintaining and reviewing the effectiveness of risk management and the Company's internal control systems, and for determining the nature and

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extent of the significant risks that the Company is willing to take in order to achieve its strategic objectives. These procedures can only provide reasonable, but not absolute assurance, against material misstatement, errors, losses or fraud.

Led by the Board, the management designs procedures and implements control system both related to the risk management system (SGR) and the internal control over financial reporting systems (SCIIF).

The Company has the following tools in order to ensure that its control environment is adequate:

- i. Setting up of objectives and strategies approved by the Board;
- ii. Compliance Unit;
- iii. Internal Audit & Risk Management Unit
- iv. Code of Conduct;
- v. Whistleblowing channel;
- vi. Sanctions regime;
- vii. Training to employees and members of the Board;
- viii. Periodically compliance risk assessment;
- ix. Periodically planning and budgeting exercises;
- x. Updated powers of attorney;
- xi. Internal rules of the Board of Directors;
- xii. Anti-bribery policy, among other policies.

RISK ASSESSMENT

The Company is exposed to various risks inherent to the market in which it operates and to the activities it carries out, which may prevent the Company from achieving its objectives and executing its strategies in a successful manner.

The top management team of the Company has carried out business risk assessments. These business risks were clearly displayed to the participants, and subsequently assessed in regards to: the likelihood of occurrence of the risk and the potential consequence that the risk may have on the Company, considering the current strength of the controls defined for each risk.

Within the Company, the risk management structure, objectives, methodology and associated processes to identify, assess, control, monitor and report business risks have been documented in the “*SGR Policy and Manual*”.

Related to Financial Report internal control, the Company has implemented an internal control system, whose main goal is to assure the accuracy of financial reports addressed to interest groups, shareholders and supervisors. To achieve this goal, key stakeholders and the SCIIF Internal Control Unit analyze the procedures, processes and phases undertaken in order to prepare financial reports, as well as defining controls and taking enhancement or remediation actions. The Audit Unit periodically reviews the effectiveness of the overall process.

The most relevant risks related to the lack of accuracy of financial information upon material criteria are the following:

- Revenue;
- Purchase;
- Close, consolidation, and reporting;

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- Treasury and finance;
- Valuation of property portfolio;
- Special tax regime of Real Estate Investment Trust (REIT) or SOCIMI in Spain.

Within the Company, Financial Report internal control objectives, methodology and associated processes have been documented in the “*SCIF Manual*”.

In any case, the risk management process provided by the Company is based on COSO Standards, a widely accepted internal control and risk management methodology.

3. DISCLOSURE OF PUBLIC INFORMATION

The information provided to the market is prepared by the Managers and reviewed and, when applicable, approved by the Board or the CEO. Should it be necessary, the information will be made available to shareholders for its review and approval.

The information disclosed to the market includes, among others:

- i. The periodic reporting (be it on an annual or semi-annual basis) needed under the terms of the MAB’s regulations;
- ii. Investor-relevant information, among others, relevant facts;
- iii. Information on shareholders’ and directors’ significant stakes, under the terms of the MAB’s regulations and the current legislation; and
- iv. Any other information that may be necessary according to the Company’s progress or required by either the Company’s regulations or Bylaws.

INFORMATION TREATMENT AND CONTROL

The Company has the following tools in order to control the information it provides to the market:

- The Company, with the approval of the Board of Directors or the CEO, when applicable, will proceed to publish information considered to be relevant or of interest to the market through the proper information channels, listed below, once the information has been verified to coincide:
 - i. **The Mercado Alternativo Bursátil’s (MAB) website:**
(<https://www.bolsasymercados.es/mab/esp/Home.aspx>).
In this website, the Company will publish the relevant facts when mandatory, as well as other information required by applicable legislation.
 - ii. **The Company’s Corporate Website:** Testa Residencial, SOCIMI, S.A.’s website is the following: <http://www.testaresidencial.com/>
Through this website, which will be permanently updated, the Company will disclose, in accordance with the transparency principle, not only the information that may be of interest to shareholders and investors, but also the information that it sends to MAB or other official bodies and whose publishing is legally obligatory.
 - iii. **The Investor Relations Service** through the (ir@testainmo.com).
 - iv. **The General Shareholders’ Meeting:** Shareholders may exercise their information rights prior to and at the General Shareholders’ Meeting in accordance with the Law and the Company’s corporate governance rules.

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- v. **The Media.** The Company, through its Board of Directors or its CEO, will coordinate, analyze and manage the contact and the relationship with the media.
- In order to ensure the coordination of information flows, any presentation and communication, to either the media or the market, must be previously reviewed and approved by the CEO or the CFO and, when the nature of the information so requires, by the Board of Directors.

4. INDEPENDENT EXPERTS WORKING FOR THE COMPANY

The Company has the following independent experts in the field of its competences:

- Audit of accounts:
The Company's yearly Financial Statements are audited by Deloitte, S.L.
- Nominated advisor:
Renta 4 Corporate, S.A.
- Independent expert for property valuation:
Savills Consultores Inmobiliarios, S.A.