

LLYC

**REPORT ON
ORGANIZATIONAL
STRUCTURE AND
INTERNAL
CONTROL SYSTEM**

Madrid, March 2024

Index

1. BRIEF COMPANY PRESENTATION	03
2. CORPORATE GOVERNANCE STRUCTURE	05
Board of Directors	06
Audit Committee	09
Appointments and Compensation Committee	10
External audit	11
Executive Committee of the Board	11
Economic-financial management	11
3. ORGANIZATIONAL CONTROL SYSTEMS	12
Annual corporate strategy and budget planning	12
Internal controls	13
Internal regulations for conduct in the securities market	15
4. RISK ASSESSMENT	17
Credit risk	18
Liquidity risk	19
Market risk (interest rate and exchange rate risk)	19
5. FINANCIAL INFORMATION COMMUNICATION	21
6. ACTIVITIES SUPERVISION AND MONITORING	23

1. BRIEF COMPANY PRESENTATION

Llorente & Cuenca, S.A. (from now on referred to as "the Parent Company") and its subsidiaries (from now on collectively referred to as "the LLYC Group" or simply "the Group" or "LLYC") constitute a consolidated group of companies. The Parent Company of the LLYC Group, incorporated in 1995, is registered at Calle Lagasca, 88, 3rd floor, MADRID, serving as both its registered office and tax domicile.

Initially established as a limited liability company (S.L.), the Parent Company underwent a transformation to a public limited company (S.A.), as resolved at the General Meeting of the Company on June 4, 2021, and duly registered in the Mercantile Registry of Madrid.

The parent company and the Group's primary corporate purpose and principal activity involve providing communication, public relations, public affairs, marketing, and technology consulting services.

LLYC offers a comprehensive range of Communication Consulting services. The Group augments its service portfolio with a focus on technology, integrating new digital and innovation services. This strategic approach positions LLYC as an all-in-one provider with extensive cross-selling capabilities. Consequently, the Company has successfully consolidated its lines of activity and expanded its presence in various geographic regions, serving clients who are industry leaders and rely on LLYC as a strategic partner across multiple sectors and territories.

The primary areas of activity for LLYC encompass Deep Digital Business, which encompasses Digital Influence, Deep Learning, Paid Media & Performance, and Digital Marketing, alongside Corporate Communication, Public Affairs, Engagement, Financial Communication, and Crisis & Risk management.

LLYC operates across different regions, including Europe (Spain and Portugal), the Andean Region (Peru, Colombia, and Ecuador), the North American Region (Mexico, Panama, and the Dominican Republic), the South American Region (Brazil, Argentina, and Chile), and the United States

In 2023, the Company destined significant efforts to design a new organizational model, which will be gradually implemented throughout 2024. This model has two practice areas, Marketing and Corporate Affairs, each with its own set of skills and expertise. The talent communities and projects are organized on a case-by-case basis, using a global and matrix-based approach to ensure optimal results. Each specialty area will be further subdivided into three geographical regions: Europe, Latin America, and the U.S. This model will start being implemented in 2024 and did not affect any activities in 2023.

The Company's financial year starts on January 1 and ends on December 31.

2. CORPORATE GOVERNANCE STRUCTURE

Governance structure

The LLYC Group has a set of rules, principles and procedures that regulate the structure and operation of the Governing Bodies and whose purpose is, among others, to direct and regulate its organization in a transparent and efficient manner, establishing control mechanisms for the correct performance of executive management and regulatory compliance.

LLYC's organizational structure is as follows:

- A. Board of Directors
- B. Audit Committee
- C. Appointments and Compensation Committee

2.1 BOARD OF DIRECTORS

Except in matters reserved for submission to the Shareholders' Meeting, the Board of Directors is the Group's highest decision-making, supervisory, and governing body. The Board of Directors is responsible for the direction, administration, management, and representation of the Group, delegating in general the day-to-day management of the business to the executive team and concentrating its activity on the supervisory function, including the control of the management bodies, the orientation of the Group's strategy, the adoption of the most relevant decisions and the evaluation of the management of the executives, as well as acting as a liaison with the shareholders.

The Board of Directors of the LLYC Group is ultimately responsible for the existence and maintenance of the ICFR, ensuring that the financial information recorded is legitimate, truthful and adequately reflects the events and transactions carried out during the year. In this sense, and in accordance with the Audit Committee Regulations, the Audit Committee assumes the supervision of the ICFR.

The Board of Directors of the LLYC Group meets at least quarterly and as of December 31, 2023, the Board of Directors consisted of the following persons:

José Antonio Llorente, Executive Chairman of the Board of Directors. Graduate in Information Sciences from the Complutense University of Madrid, founder of LLORENTE Y CUENCA (LLYC) in 1995 and Chairman of the firm, whose growth and international expansion he has led. He has more than 30 years of experience in communications consultancy. For 10 years he worked at the multinational firm Burson-Marsteller, where he was CEO. Previously, he worked for 5 years in the Communications Department of the CEOE (Spanish Confederation of Business Organizations) and was a journalist at the EFE News Agency.

Member of the Arthur W. Page Society, the association that brings together the global communication leaders of major international companies and consulting firms; member of the Advisory Board of the Human Age Institute, the Manpower Foundation, the Board of Trustees of the Euroamerica Foundation, the Advisory Board of the ARCO Foundation, the Museo del Barrio

in New York and the International Patronage Council of the Reina Sofia Museum in Spain. He is the first Spanish professional to receive the SABRE de Honor -SABRE Award for Outstanding Individual Achievement-, an award granted by Provoke. He was named Distinguished Alumni of the Complutense University of Madrid.

Alejandro Romero. Chief Executive Officer and First Vice Chairman and Executive Director of the Board of Directors.

Alejandro is our Global CEO. He is in charge of the fulfillment of the company's Strategic Plan, driving LLYC's CEOs in Europe, the United States and Latin America to achieve the business objectives. Directly leads the Key Clients plan and the Healthcare and Mining global plan accelerators. He is actively involved in our M&A and inorganic growth strategy, as well as in LLYC Venturing, our corporate venture initiative.

In addition, he has been a member of the Board of Directors of LLYC SA since 2011, where he was appointed as CEO in 2022. He has more than 28 years in the world of communication and marketing, 17 of them in Latin America and since 2015 in the United States, driving the growth of our firm, first geographically with a focus on Latin America, and now at the head of our organization globally, working with our Founding Partner and President, José Antonio Llorente, and our global COO, Luisa García.

He is an expert in Financial Communication, Crisis Communication, Marketing and Corporate Communication, and has worked in the most representative crisis communication projects in Latin America, such as Pacific Industrial Bank and Bavaria, and the shareholder dispute over the Backus & Johnston brewery. He has advised economic groups such as Grupo Santo Domingo in Colombia, Grupo Romero in Peru, Grupo Luksic in Chile, Empresas Polar in Venezuela or Grupo Financiero Uno in Central America. He has led three of the 10 most relevant transactions in Latam, making him one of the leading M&A specialists in the region.

Luisa García. Second Vice President and Executive Director of the Board of Directors.

As Chief Operating Officer, Luisa focuses primarily on driving the firm's growth and innovation through the corporate areas: Finance, Talent, IT, Communication, Marketing and ESG. In addition, she has been a member of the Board of Directors of LLYC SA since 2021.

Luisa is considered one of the most influential women in Spain according to Forbes and Yo Dona lists. She was recognized as 'Woman of the Year in Communication and Corporate Services' by Stevie Awards for Women in Business and, two years in a row, as one of the 50 most influential businesswomen in Latin America. She is also a member of the Instituto de Consejeros-Administradores (ICA), the Young Presidents Organization (YPO) and the Asociación Española de Ejecutivas y Consejeras (Eje & Con).

She started her career at LLYC Madrid and participated in the expansion in Latin America in 2002-2018, opening offices in Panama and leading operations in Lima and the Andean region. Between 2019 and 2023, she headed LLYC's European operations as Managing Director and CEO Europe. She has more than 20 years of experience in Communication Consulting and has led high impact projects for multinationals such as Coca Cola, GSK, ABInbev or Telefónica.

Adolfo Corujo. Executive Director of the Board of Directors.

Adolfo is the global leader of the business unit that integrates digital influence, paid media & performance, advertising creative and deep learning (Tech & Data) services. He is also a member of the Board of Directors of LLYC SA since 2021. He has more than 20 years of experience in Marketing, Technology, Influence and digital reputation consulting, collaborating

in the design and execution of projects both for the construction and for the defense or promotion of the digital identity of different multinationals in Spain and Latin America.

At LLYC, he has served as Leader of the Digital Communications practice (2008 to 2012), Partner and Managing Director of the Europe region (2013 to 2015), Partner and Chief Talent & Innovation Officer (2016-2018), as well as Partner and Chief Strategy Officer (2019-2020). Adolfo has solid international and management experience in other markets such as Latin America (from 2016 to 2020) and the United States, where he has been working since 2021.

Francisco Sánchez Rivas. Independent Director of the Board of Directors. Degree in Economics from the Complutense University of Madrid. Responsible for corporate operations and M&A. More than 25 years in investment banking, corporate finance, venture capital and private placements, with more than 80 transactions advised. Founder of Zechman Capital, an investment banking boutique specialized in the middle market. Experience as CEO of Edmond de Rothschild Corporate Finance for Spain and Portugal for almost 10 years. MBA from IESE and AMP (Advanced Management Program) from Harvard. Postgraduate degree in Financial Markets from the London School of Economics and Political Science.

Mónica Vidal. Proprietary Director of the Board of Directors.

Mónica Vidal (Proprietary Director): Member of the Board of Directors (appointment date 04/06/2021). Graduate in Economics and Business Administration from CUNEF, she completed postgraduate studies in investment management at London Business School and a program in Social Entrepreneurship at Stanford University.

She has an extensive career in international financial services. She is currently a partner at Lattice Capital Partners, a San Francisco-based company active in advising and investing in startups and high-growth companies. She has been a Managing Director at Arcano Group in New York, where she also worked for JP Morgan as head of Alternative Investments for Latin America and later as a member of the private equity group. Previously, she was managing partner of the Alantra Group in Madrid, in charge of the wealth management business, and previously held various positions as a European portfolio manager in London, Madrid and Paris. She began her career in 1989 at Banco Santander in the emerging markets team.

She is a board member of the Global Entrepreneurship Initiative at Georgetown University's McDonough School of Business and a member of the board of trustees of El Museo del Barrio in New York. She is a director of Ninety Nine Sociedad de Valores and EQ Capital SLU.

Elena Gonzalez-Blanco. Independent Director and Chairwoman of the Audit Committee.

Elena González-Blanco (Independent Director): Member of the Board of Directors and Chairwoman of the Audit Committee (appointment date 04/06/2021). Former Global Head of Digital for Wealth Management and Insurance at Banco Santander (EVP). Previously, she was the General Manager Europe at insutech startup Coverwallet, acquired by AON in January 2020, where she was also a member of the Executive Committee of AON Iberia. Previously, she was the Head of Product Development in Artificial Intelligence at Minsait-Indra. An expert in Artificial Intelligence and Digital Transformation, she is a specialist in the field of language technology.

She holds a PhD in Hispanic Philology from the Complutense University of Madrid and a Master in Information Systems from UC3M, and has completed executive education programs at LSE London, MIT and ESADE. She has been a lecturer and researcher at Harvard University, and currently teaches Artificial Intelligence applied to business at IE Business School, in addition to teaching at ICAI and AFI. An internationally recognized researcher, she leads POSTDATA, an ERC

European research project of excellence on language processing and semantic web (+1M€). She was the director and founder of the first Digital Humanities Innovation Lab in Spain: www.linhd.es, and is also a member of numerous international committees (member of the Scientific Advisory Board of the largest European language technology research infrastructure www.clarin.eu and advisor to Venture Capital Conexo, as well as several technology startups).

Chosen #1 in 2018 and #3 in 2019 of the Choiseul Ranking "Economic Leaders of Spain's Future" www.choiseul.es, and awarded the 2021 WIDS (Women in Machine Learning and Data Science) award, she has been selected as one of the Top 100 women in Spain in the 2016, 2017 and 2018 editions of the contest www.lastop100.es and awarded the Julián Marías 2017 research award in the under 40 years old category.

Ana Busto. Independent Director and Chairman of the Appointments and Compensation Committee.

Ana Busto (Independent Director): Member of the Board of Directors and Chair of the Appointments and Compensation Committee (appointment date 04/06/2021). Currently advises companies on the creation of responsible brands, particularly in the field of energy transition.

For the past 10 years, she has been a member of the executive committee of Sodexo and Engie, two global listed companies in the services and energy sectors, embarking on a profound corporate and cultural change. Ana started her career in Prague in 1994 as a cultural attaché for the Belgian public service and then as a consultant for the European Commission based in Latvia. Between 2000 and 2008, she joined the law firm Clifford Chance in the Netherlands as Communications Manager for their corporate university, before becoming director of internal communications at the consulting firm Steria. She then joined the Sodexo Group in 2008, where she became the top Brand and Communication Manager. From 2016 until 2020 she was Senior Vice President Brand & Communication at Engie Group.

She is also a member of the board of directors of the NGO, Le Projet Imagine, and a member of the Purpose Committee of Sweep, a B Corp startup. She graduated from the Institute of Translators and Interpreters (ISTI) in Belgium and holds a Master's degree in Corporate Communication from the Rotterdam School of Management in the Netherlands.

Barrie Berg. Independent Director of the Board of Directors.

Barrie Berg (Independent Director): Member of the Board of Directors (appointment date 04/06/2021). BA cum laude from Yale University and MBA from Harvard Business School. She is an international executive with over 30 years of experience developing rapid growth for new brands and business models, digital transformation, strategic innovation and geographic expansion.

She has been a partner at global consultancy Booz-Allen & Hamilton (now PWC Strategy) in NYC, London and São Paulo, where she was the leading global expert on brand and growth strategies for consumer, luxury, retail and media companies. She later founded her own dedicated venture capital consulting firm, which she merged with a specialized innovation and digital consultancy, What If! Innovation Partners (now part of Accenture) and as CEO led the growth and transformation of the company into a global leader in the innovation sector with offices in NYC, London, Shanghai, Singapore and São Paulo.

Now based in Spain, she works with companies with leadership and growth objectives as a consultant, interim executive, advisor and investor.

Juan Pablo Ocaña. Secretary Non-Director of the Board of Directors. Graduated in Law from the University of Valladolid, and subsequently completed a Master's Degree in Business Law at

Centro de Estudios Garrigues. In 2003 he worked as a project technician at Fundación Iberoamérica Europa. Between 2005 and 2017 he was a lawyer at the international law firm Garrigues, providing advice on commercial law to various companies, in many cases holding the position of Secretary of the Board, and participating in numerous mergers and acquisitions processes. In 2017 he joined LLYC as Senior Director of Legal & Compliance of the Firm and Secretary of the Board.

On December 31, 2023, the Chairman of the Board of Directors of LLYC, Mr. José Antonio Llorente Herrero, passed away. At its meeting held on January 24, 2024, the Board of Directors approved the appointment of Mr. Francisco Sánchez Rivas as the new non-executive Chairman, for the term of his office as a director. Likewise, at the same meeting, it was agreed to appoint Mr. Alfonso Callejo Martínez as a new independent director, by the co-optation procedure, to fill the existing vacancy on the Board of Directors.

2.2 AUDIT COMMITTEE

According to the Company's Bylaws and the Regulations of the Board of Directors of the Company, the Audit Committee is responsible for evaluating the Company's accounting verification system, ensuring the independence of the external auditor, reviewing the ICFR and monitoring compliance with the Company's governance rules.

The Audit Committee, as a delegated Committee of the Board of Directors, is governed by the provisions of the Regulations of the Board of Directors, which grants it the powers of information, supervision, advice and proposal in the matters within its competence. In particular, and without prejudice to other duties that may be assigned to it by the Board of Directors, the Committee has the following powers:

The Audit Committee, as a body reporting to the Board of Directors, is responsible for the following tasks:

1. To report to the General Shareholders' Meeting on matters within its competence.
2. Supervise the effectiveness of the Company's internal control, internal audit and risk management systems, including tax risks, as well as discuss with the auditor any significant weaknesses in the internal control system detected during the course of the audit.
3. Supervise the process of preparation and presentation of mandatory financial information.
4. To submit to the Board proposals for the selection, appointment, reappointment and replacement of the auditor, as well as the terms and conditions of his engagement, and to regularly obtain information from him on the audit plan and its execution, in addition to preserving his independence in the performance of his duties.
5. Establish the appropriate relations with the auditor to receive information on those matters that may jeopardize its independence, for examination by the Committee, and any other matters related to the process of auditing the accounts, as well as any other

communications provided for in the legislation on auditing the accounts and in the auditing standards.

6. To issue annually, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditor.
7. To be aware of the tax policies applied by the Company.
8. Oversee the implementation of the Company's corporate social responsibility policy and monitor corporate social responsibility strategy and practices.
9. Evaluate those issues related to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks, as well as coordinate the reporting process of non-financial information.
10. To report, in advance, to the Board on all matters provided for in the law, the Bylaws and the Board Regulations and, in particular, on:
 - 10.1. the financial information that the Company must periodically disclose to the public;
 - 10.2. the creation or acquisition of interests in special purpose entities or entities domiciled in countries or territories that are considered tax havens; and
 - 10.3. transactions with related parties.

On June 4, 2021, the Audit Committee was formed, composed of three members, all of them Independent Directors. Its composition is in accordance with Article 529 of the Capital Companies Act and Article 24 of the Company's bylaws, in that all of its members are non-executive directors and the majority are independent, and that one of them has been chosen taking into account his knowledge and experience in accounting and auditing matters.

The Company's Audit Committee is currently composed of the following 3 members:

- Elena González-Blanco. President
- Barrie Berg. Vocal
- Ana María Busto. Secretary

2.3 APPOINTMENTS AND COMPENSATION COMMITTEE

The Appointments and Compensation Committee is an internal informational and consultative body, without executive functions, with information, advisory and proposal-making powers within its scope of action. Specifically, the Audit Committee has the functions and powers established in the legislation in force.

The Company's Appointments and Compensation Committee is currently composed of the following 3 members:

- Ana María Busto. President

- Luisa García. Vocal
- Barrie Berg. Secretary

2.4 EXTERNAL AUDIT

The 2023 Annual Accounts of LLYC are audited by the renowned audit firm Grant Thornton, who are in charge of the annual audit of the individual accounts of Llorente y Cuenca S.A. and of the consolidated accounts of the Group, as well as the limited reviews of the first half of each year.

2.5 EXECUTIVE COMMITTEE OF THE BOARD

The different operations/countries, led by a General Manager (GM), work in a coordinated manner under the supervision of a Regional General Manager who reports directly to the Group Executive Committee, chaired by the Chairman and Founding Partner of the Group, Mr. José Antonio Llorente, and which includes the Group CEO, the COO, the CFO, the CTO (Chief Talent Officer), the CEOs of Latam and Europe and the Regional General Managers. LLYC has 4 DGRs corresponding to the 4 Regions: Europe, North (Mexico, Dominican Republic and Panama), Andean (Peru, Ecuador and Colombia) and South (Argentina, Brazil and Chile).

At the operational level, it is the body with the greatest responsibility. The personnel that make up the Committee are fully committed to the company, and have a long track record in the company and decision-making power in their specific field.

2.6 ECONOMIC-FINANCIAL MANAGEMENT

This Department is in charge of the coordination, implementation, maintenance and correct functioning of the Internal Control Systems in all the Group's companies, in addition to the specifically financial functions.

This department oversees the individual monthly financial statements provided by each Group company, which is managed internally by the local LLYC finance team, based on common guidelines provided by the Group's Finance Department.

In addition, it generates the consolidated information, on a monthly basis, and other financial information that the Company prepares on a recurring basis, as well as non-financial information that is relevant to the Company's reports, such as the Controller's Report, the Productivity Report, the consolidated Capacity Report, etc. The Group also has external professional accounting and tax services in the countries where it has filiarities, whose information is then reviewed and consolidated.

It also aims to identify deviations from the business plan. These deviations are reported to the EC for analysis and implementation of corrective measures.

LLYC follows the IFRS International Accounting Standards in Spain. The Annual Accounts are prepared on a going concern basis.

3. ORGANIZATIONAL CONTROL SYSTEMS

LLYC's Board of Directors has drawn up and formalized various policies in its different areas of activity in order to provide technical and legal coverage for all the most critical issues, activities and processes within the Group.

The Board of Directors of the LLYC Group considers that the Group's control environment is appropriate and adapted to the size of the Company.

In this regard, it is worth mentioning that all policies and procedures are updated periodically and reviewed by the corresponding committees.

The Group's main policies included in the EINF are as follows:

- Environmental Policy
- Code of Ethics
- Crime Prevention, Anti-Corruption and Anti-Money Laundering Policy
- Customer selection policy
- Diversity, Equality and Inclusion Protocol
- Responsible Purchasing Policy
- Communication policy with shareholders, institutional investors and proxy advisors and dissemination of economic-financial, non-financial and corporate information.
- Sustainability Policy
- Privacy Policy
- Equality Plan

3.1 ANNUAL CORPORATE STRATEGY AND BUDGET PLANNING

LLYC's Management, supported by the Finance Department, is responsible for developing its Annual Budget at the local, regional and global levels, which also includes the Sales Plans (SP) for each area. Each group manager with responsibility for a specific business area prepares his or her Sales Plan in which the priorities, commercial objectives and specific needs of the area are established. The financial department also prepares the annual monthly budgets for each of the group's companies. Both documents are approved before the beginning of each year.

Subsequently, the financial department continuously monitors the degree of compliance with the objectives set on a monthly basis, studying the deviations and causes, as well as corrective actions, if applicable, together with the person in charge of each Operation/Country. This information is transferred to the CFO and the EC on a monthly basis.

3.2 INTERNAL CONTROLS

The LLYC Group has control procedures and activities in place in all key processes to ensure the proper recording, valuation, presentation and disclosure of all transactions, especially those that may materially affect the Company's Financial Statements.

Each key procedure is documented, and has assigned control, review and updating responsibilities. Among these policies are:

- **Transaction Policy between Group companies:** This document includes the policy for issuing invoices between LLYC Group companies and the accounting treatment of transactions that include items in currencies other than the local currency, as well as the obligation to pay within a maximum of 60 days and the quarterly reconciliation of the same to avoid unpaid balances. Transactions in currencies other than the local currency are subject to a specific treatment, which must be remembered for its correct application by all the Group's offices. The supervision and updating of the same will be the responsibility of the General Management and the Financial Department. The Finance Department will be responsible for its effective and correct application.
- **Expense Policy:** Included in this document are the policies for travel expenses, local transportation, representation expenses and working meals, contracting third party work and online tools. It shall be supervised and updated by the General Management and the Finance Department. The Finance Department will be responsible for its effective and correct application.
- **Corporate Credit Card Policy:** This procedure applies to all LLYC Group companies without exception, and applies to all company professionals who receive a credit card under this procedure. Oversight of the application of this Policy shall be the responsibility of the local Finance Department. Modification of this Policy will be the responsibility of the Group Controller's area, who will recommend changes to the Group Executive Committee.
- **Corporate Insurance Policy:** General rules of action are included for all LLYC Group companies, with the objective that the company is reasonably covered for all those risks that could have a relevant impact on the progress and economic results of our business, in the event of any contingency arising from claims that could be covered, at a reasonable cost, by an insurance company. The effective application of this Policy will correspond to the Controller, for those insurances that affect the company at a global level and whose negotiation is centralized at a corporate level, and to the local Financial Departments in the cases of insurances that have to be contracted and formalized at a local level.
- **Fixed Assets Investment and Replacement Policy:** A series of uniform criteria are included regarding the investment and replacement of Fixed Assets. The objective of this procedure is to establish and maintain a periodic control over the application of this Policy to ensure an efficient and centralized management of the company's assets. The supervision of the implementation of this Policy and its correct compliance will correspond to the Financial and Technology (IT) areas of the company.
- **Supplier Policy:** This includes the steps to be followed for contracting and the terms and conditions of the same. The supervision of the implementation of this Policy and its correct compliance will correspond to the financial department.
- **Corporate Costs Policy:** Corporate costs are an element of great complexity in multinational companies such as ours, since their repercussion involves billing expenses related to technical assistance services, strategic and re-invoicing to companies operating in different countries with different legislation and taxation. For this reason, we must take special care to clearly reflect where these expenses come from, their nature and their final allocation among all the companies involved.

In addition to these policies, the company has established a series of procedures that govern intra-group operations, such as procedures for transactions in foreign currency, procedures for the provision of income, the sending and receipt of invoices and the procedure for billing and collections.

As additional support to these policies and procedures, the financial department establishes a series of periodic reports common to all the group's operations. These reports are:

- **Fees Report:** This report includes the portfolio of active clients, the contracts signed with each of them and the monthly distribution of the corresponding revenues. This report is the responsibility of each local financial department and must be reported monthly to the Group's Controlling Area.
- **Collections report:** This report contains the detail of outstanding customer receivables, their corresponding debt aging analysis and the cash position of each operation of the group. This report is the responsibility of each local financial department and must be reported on a weekly basis to the Directors of each Operation, the corresponding Regional Management and the Group Controller.
- **Management Report:** This report includes the monthly financial statements of each group operation: Income Statement, Balance Sheet and details of operations between group companies, among others. This report includes current information, the previous year and the current year's budget. This report is the responsibility of each local financial department and must be reported monthly to the Group Controller, who is responsible for consolidation.

Different levels of control can be distinguished in the Company at the financial reporting level:

- **First level:** Local Finance Department and General Managers of Operations. They are responsible in their daily operations for the correct control of procedures and control systems pre-established in the company. Ensures that day-to-day operations run smoothly in accordance with the established rules.
- **Second Level:** Group Controller. They have analytical and corrective responsibility in the event that the first level agents detect deviations, as well as approval of changes and new procedures to ensure the adequacy of internal control.
- **Third level:** Audit and External Audit Committee. Prior to the presentation and approval of the Annual Financial Statements at the General Shareholders' Meeting, these are reviewed and audited by the auditors. The Audit Committee is the body in charge of receiving the audited Annual Financial Statements together with the Audit Report, and they discuss the most relevant aspects of their review and their assessment of the Internal Control mechanisms.
- **Fourth Level:** the Board of Directors receives all the information from the auditor and presents its conclusions to the Shareholders' Meeting, through the formulation of the Annual Accounts. The Shareholders' Meeting is responsible for reviewing this information and approving the Annual Accounts, as well as the allocation of the profit for the year.

3.3 INTERNAL REGULATIONS FOR CONDUCT IN THE SECURITIES MARKET

On June 4, 2021, the Board of Directors approved an Internal Code of Conduct, although according to Royal Decree-Law 19/2018 of November 23, 2018, on payment services and urgent measures in financial matters, which amends the wording of Article 225.2 of the Securities Market Law, its preparation and submission to the CNMV is not mandatory.

The Internal Rules of Conduct regulate, among other things, the conduct of directors and officers in connection with the treatment, use and disclosure of inside information relating to the Company. The Internal Rules of Conduct apply, among other persons, to members of the Board of Directors of the Company, officers and employees of companies performing activities for the Company who have access to inside information, as well as to external advisors who have access to such inside information.

The Internal Code of Conduct is available on the Company's website (<https://llyc.global/nosotros/inversores/gobierno-corporativo/>).

To ensure compliance with the Internal Rules of Conduct in the Securities Markets, the maintenance of the List of Persons Subject, Related Parties and Insiders and the Treatment of Privileged Information and Relevant Information, there is a Regulatory Compliance Officer at LLYC.

4. RISK ASSESSMENT

LLYC has evaluated the risks that may impact its business, mainly financial, operational, valuation and regulatory, in order to identify risk areas, their quantification and possible mitigation mechanisms to minimize the Company's exposure. The most significant risks are:

4.1 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations and arises mainly from trade receivables. Due to the characteristics of the current customer portfolio, the Group does not have a significant concentration of credit risk, the exposure being distributed among a large number of counterparties and customers.

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

Trade receivables consist of a large number of customers in various industries and geographic areas. The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. However, management also considers factors that may influence the credit risk of its customer portfolio, including the default risk associated with the industry and country in which customers operate.

The Group has a diversified client portfolio, with more than 900 clients, in which the Top 20 clients, measured in fee revenues, represent only 20% of such revenues by 2023. The Group also has a high degree of recurrence and loyalty among its main clients. These characteristics ensure that there is no concentration in the Group at the client level.

The Group continuously monitors the credit quality of customers. The Group's policy is to deal only with creditworthy counterparties, based on a credit risk management policy whereby each new customer is individually analyzed to determine its creditworthiness before granting it a credit limit and a maturity period for sales invoices issued to it, taking into account the standard credit period that the Group provides to its customers. This process is subject to an internal approval process that takes into account all these points and determines the final contractual terms. Ongoing credit risk is managed by periodically reviewing the aging analysis of outstanding receivables, together with the credit limits per customer, as well as considering macroeconomic data based on country risk.

In this regard, the Group has a policy of impairing all loans more than 180 days past due and periodically monitors the estimated expected loss on loans less than 180 days past due based on default statistics for the last 5 years, as well as macroeconomic data based on country risk.

4.2 LIQUIDITY RISK

The Group is not significantly exposed to liquidity risk, due to the maintenance of sufficient cash and cash equivalents to meet the necessary outflows in its normal operations, as well as the periodic renewal of its credit facilities. In the event of the occasional need for financing both in euros and in other currencies, the Group has access to loans, credit facilities or any other financial instrument. The main focus is on the control of financing and the diversification of credit lines.

In particular, we can summarize the points on which most attention is paid:

- Liquidity of monetary assets: the placement of surpluses is always carried out at very short terms and highly available. On December 31, 2023, the amount in cash and cash equivalents is 10,675,188.07 euros (12,195,585.15 euros on December 31, 2022).
- The working capital is positive at December 31, 2023 in the amount of 13,568,394.72 euros (12,570,468.19 euros at December 31, 2022).

The Group's liquidity position means that it has not been necessary to resort to government aid during fiscal years 2023 and 2022.

4.3 MARKET RISK (INTEREST RATE AND EXCHANGE RATE RISK)

INTEREST RATE RISK

Changes in interest rates modify the fair value of assets and liabilities that accrue a fixed interest rate, as well as the future cash flows of assets and liabilities referenced to a variable interest rate.

The objective of interest rate risk management is to achieve a balanced debt structure that minimizes the cost of debt over the multi-year horizon with reduced volatility in the Consolidated Income Statement.

The reference interest rate of the debt contracted by the group is Euribor. The company has an adequate cash flow management system, based on weekly monitoring of the evolution of accounts receivable and centralized cash management, which allows for adequate predictability in the event of possible changes in variable rate loans.

EXCHANGE RATE RISK

A portion of the Group's business, which is expected to grow in the future, has an international origin outside the European market, mainly in Latin America and the United States, and is carried out in local currency, so that the Group bears the risk of currency exchange rate fluctuations.

Although the Group is evaluating different alternatives to mitigate this risk, such as contracting exchange rate hedges, the evolution of the exchange rate could negatively affect the future growth, business, results, financial position, equity and valuation of the Company.

5. FINANCIAL INFORMATION COMMUNICATION

The financial information for reporting to BME Growth from BME MTF Equity (BME Growth) is prepared from the individual and consolidated financial statements. Before being reported, this information goes through several controls, both internal (from the department itself that records it, through the group staff that centralizes and homogenizes it for consolidation) and external (external auditor, Audit Committee and Board of Directors).

In the case of quarterly information or publication of Inside Information or Other Material Information, it first goes through the CFO, and Management.

Given their importance, all communications of financial information must follow established guidelines:

1. Identification by the Company (in line with the explanations received from the Registered Advisor) or the Registered Advisor of an event that could constitute Inside Information or Other Material Information.
2. Sending of supporting documentation of the aforementioned event to the Registered Advisor for its analysis and evaluation.
3. Drafting of Inside Information or Other Material Information by the Management of the Company and the Registered Advisor.
4. Review of Inside Information or Other Material Information agreed between the Company and the Registered Advisor, by the Chief Executive Officer and Chairman of the Board of Directors (the only person who signs Inside Information and Other Material Information in the Company).
5. Uploading of the Inside Information or Other Relevant Information agreed between the parties mentioned above on the BME Growth website by the Company.
6. Approval of the Inside Information or Other Material Information by the Registered Advisor prior to the commencement of the opening auction or after the closing auction.
7. Confirmation by the Registered Advisor of the publication of the Inside Information or Other Material Information.
8. Uploading of the aforementioned Inside Information or Other Relevant Information on the Company's website by the Company (<https://llyc.global/nosotros/inversores/notificaciones-al-mercado/>)

6. ACTIVITIES SUPERVISION AND MONITORING

The main purpose of the supervision activities is to ensure that the mechanisms put in place for internal control over financial and non-financial information are working properly.

The members of the Steering Committee are Directors or Middle Managers between the Management and the personnel of the company, and belong to the different departments of the company, so that it is possible to maintain a continuous supervision of the whole organization in each of the processes developed in the company. At the meetings, aspects related to the different matters related to internal control are discussed, and subsequently minutes of the meeting are drafted to record the points to be discussed and serve as a starting point for the next meeting. All the people included in this Committee develop activities of supervision and random control of processes in their areas.

The bodies responsible for supervising the financial information risk identification process are the Finance Department itself, the Management Committee, Management and the Board of Directors as the body ultimately responsible for the Company's financial information. In addition, all information is reviewed by the auditors.

The Board meets an average of 11 times a year. At its meetings, all relevant topics related to the Company's activity are discussed: strategic, business, etc. These topics are communicated in advance in the agenda.

