01 GOOD GOVERNANCE

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02 CORPORATE SOCIAL RESPONSIBILITY (CSR)

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Good Governance

Lar España continues to make great strides forward in terms of transparency, ethics and regulatory compliance, thereby guaranteeing good governance both in terms of the company and its governing bodies.
Governance Structure

BoD Composition (7 members, 5 independent)

- Jose Luis del Valle, Chairman
- Alec Emmott
- Pedro Luis Uriarte
- Miguel Pereda, Grupo Lar
- Roger Maxwell Cooke
- Laurent Luccioni, PIMCO
- Isabel Aguilera

Board & Committees

- General Shareholders Meeting
- Board of Directors (19 Meetings in 2017)
- Audit & Control Committee (3 Members, 13 Meetings in 2017)
- Appointments & Remuneration Committee (4 Members, 8 Meetings in 2017)

Critical Activities internalized

- CFO
- Corporate Manager
- Legal Manager
- Investor Relations
- Internal Audit
Key milestones

**Action Plan**
Enable the organization to comply with prevailing regulations and position it in line with international best practices in this field:

**OBJECTIVES**

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

2. **Leveraging director activities selection, remuneration and training to pursue more advanced management and enhance transparency.**

3. **Furthering the process of evaluating and improving the Board’s performance.**
### Key milestones

Progress was made on the following fronts:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>1</td>
<td>Amendments to the Board Regulations</td>
</tr>
<tr>
<td>2</td>
<td>Amendments to the Internal Securities Markets Code of Conduct</td>
</tr>
<tr>
<td>3</td>
<td>Approval of the Audit and Control Committee Regulations</td>
</tr>
<tr>
<td>4</td>
<td>Approval of the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors</td>
</tr>
<tr>
<td>5</td>
<td>Continuation of the implementation of the Corporate Governance Policy</td>
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<tr>
<td>6</td>
<td>Continuation of the implementation of the Director Selection Policy</td>
</tr>
<tr>
<td>7</td>
<td>Corporate Social Responsibility Policy roll out</td>
</tr>
<tr>
<td>8</td>
<td>Evaluation of the Board of Directors, its members and its committees</td>
</tr>
<tr>
<td>9</td>
<td>Directors training</td>
</tr>
<tr>
<td>10</td>
<td>Establishment of an Ethics Committee</td>
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Ethics and compliance

In order to guarantee ethical conduct and enforce regulatory compliance, Lar España has established a number of control and supervision mechanisms to ensure that all employees and members of the Company’s governing bodies behave in accordance with best ethics principles and moral standards:

**Implementation of the behavior guidelines emanating from the Code of Conduct and oversight of the Whistle-blowing Channel by the Ethics Committee**

- It establishes the rules of conduct to be followed by all those who act in the name of Lar España and its subsidiaries

**Implementation of the Crime Prevention Model**

- Lar España has defined and adopted an Organizational and Management Model for the Prevention of Crime

**Approval and implementation of the Anti-Money Laundering Manual + Procedures**

- The real estate sector is subject to strict regulations designed to prevent money laundering and establish the rules of engagement with the Executive Branch of the Commission for the Prevention of Money Laundering and Monetary Infractions (SEPBLAC). Against this backdrop, Lar España has drawn up an Anti-Money Laundering Manual, which was in force throughout 2017.
As stipulated in the Risk Control and Management Policy, Lar España views risk management as a continuous and dynamic process which encompasses the following steps:

1. **Identification and assessment of the risks** that may affect the organization, evaluating their probability of occurrence and potential impact.

2. **Identification of the processes** in which these risks are generated and controls performed, determining the relationship between the organization’s key risks and processes.

3. **Identification of the controls** in place for mitigating these risks.

4. **Evaluation of the effectiveness** of the controls in place to mitigate these risks.

5. **Design of action plans** in response to the risks identified.

**Risk monitoring and reporting**

Ongoing evaluation of the suitability and effectiveness of the system in use and benchmarking of best practices and recommendations in risk management.
Risk Map

The risk map is the tool used by Lar España to identify and assess its risks. All the risks contemplated, including tax risks, are evaluated considering various indicators of impact and likelihood.

The organisation’s most significant risks have been duly identified:
Value creation via Corporate Social Responsibility is one of Lar España’s defining attributes, via the responsible management of its assets, the creation of wealth in the communities it operates in and the active listening of its Stakeholders.
Lar España’s approach to CSR - Creating shared value

**Environment**
Understood as both the physical and active environment that directly impacts our financial returns and generates value for the company.

**Corporate Governance**
Business model that aims to have a positive effect on the environment and society, as well as generate financial returns; easing environmental and social pressures generated by the business activity.

**Social Capital**
People’s talent forms the cornerstone of the economic model and the company’s value.

**Assets**
Properties that have a positive effect on their urban surroundings and generate a high return for our shareholders and investors.

Creating Shared value for our shareholders and investors as well as for the environment we operate in.
ESG - Responsible business model

1. Fundraising
   Lar España promotes responsible investing.

2. Asset acquisition
   The Company strives to minimise the environmental impact of its investments while safeguarding their economic viability and financial returns.

3. Development
   The regeneration, refurbishment and upgrade of public buildings. Innovation and adaptation to emerging technological, demographic and economic trends and to unanticipated social or climatic events.

4. Management
   User-focused, fostering interaction and favouring management employee cohesion. The management style attempts to encourage participation, communication and transparency and engage with the Company’s customers and communities.

5. Divestment
   Asset assessments take into consideration social and environmental criteria.

RETURN ON INVESTMENT FOR BOTH SHAREHOLDERS AND SOCIETY
Lar España strives to build stable and long-lasting relationships with its stakeholders, to which end it attempts to engage in smooth and constant dialogue with them.

As a result, Lar España can identify the most relevant areas of its corporate social responsibility effort.
Responsible Asset Management

Lar España encourages its solid and diversified base of tenants to pursue sustainability certification measures and adopt new technology to improve quality and management.

Electricity
- Negotiation of capacity charges and rates
- Lighting: light sensors and LED technology
- HVAC: Free-cooling technology
- Process systematisation: BMS and SCADA
- Power generation: installation of photovoltaic solar panels

Gas/ Diesel
- Electronic thermostats in gas boilers
- Reuse of residual heat and use of clean fuels
- Solar panels to heat domestic water

Water
- Watering: efficient systems and reuse of treated wastewater
- Toilets and common areas: low-consumption devices
- HVAC: water filling controls

Additional environmental measures
- Tri-generation for hot water, heating and air conditioning
- Accessible siting: public transport, municipal bike schemes
- Parking spaces and charging stations for electric vehicles
- Waste management

Implemented in our shopping centres with the goal of enhancing environmental performance and raising user awareness.
2017 environmental performance

**Energy consumption**

- **Variation in energy consumption in kWh/sqm**
  - **-3.5% vs 2016**
  - 2017: 36.9 kWh/sqm
  - 2016: 38.2 kWh/sqm

- **Electricity consumption in kWh**
  - **-1.5% vs 2016**
  - 2017: 22,421,371 kWh
  - 2016: 22,772,543 kWh

- **Gas consumption in kWh**
  - **-18% vs 2016**
  - 2017: 2,453,300 kWh
  - 2016: 2,093,396 kWh

**Waste Management**

- **Recycled Waste**
  - 53% vs 2016

**GHG emissions**

- **GHG emissions in kg CO₂ eq**
  - **-41% vs 2016**
  - 2017: 2,338,562 kg CO₂ eq
  - 2016: 3,021,736 kg CO₂ eq

**Water consumption**

- **Total water consumption increased by 2.3% from 2016 due to the growth in the number of visitors in our shopping centres. Water consumption per person stayed at the same level.**

- **Water consumption in m³**
  - 2017: 119,006 m³
  - 2016: 116,319 m³

- **Variation of water consumption in litres/person**
  - 2017: 2.2 litres/person
  - 2016: 2.2 litres/person
BREEAM® Certifications

80% of the operational assets for which Lar España has full autonomy, are certified in BREEAM® or are in the process of obtaining BREEAM certification.

**BREEAM® In-Use “Very Good” Certificated**

<table>
<thead>
<tr>
<th>Building</th>
<th>Category</th>
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</thead>
<tbody>
<tr>
<td>EL ROSAL</td>
<td>SHOPPING CENTRE</td>
</tr>
<tr>
<td>VISTAHERMOSA</td>
<td>RETAIL COMPLEX</td>
</tr>
<tr>
<td>GRAN VÍA DE VIGO</td>
<td>SHOPPING CENTRE</td>
</tr>
<tr>
<td>ANECBLAU</td>
<td>SHOPPING CENTRE</td>
</tr>
<tr>
<td>MEGAPARK</td>
<td>RETAIL COMPLEX</td>
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<td>AS TERMAS</td>
<td>SHOPPING CENTRE</td>
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<tr>
<td>ALBACENTER</td>
<td>SHOPPING CENTRE</td>
</tr>
<tr>
<td>PORTAL DE LA MARINA</td>
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<td>LAS HUERTAS</td>
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</table>

**Our developments**

are designed and developed in line with the specifications required to obtain the prestigious BREEAM® quality and sustainability certification.

**Other Assets**

- **ELOY GONZALO REFURBISHMENT PROJECT**
  Certified with BREEAM® New-Build, “Very Good” rating

- **MARCELO SPÍNOLA OFFICE BUILDING**
  Certified with BREEAM® New-Build, “Very Good” rating

- **LAGASCA 99 RESIDENTIAL DEVELOPMENT**
  In process of gaining BREEAM® certification
In 2017, a diagnosis was undertaken in collaboration with ILUNION, ONCE and AENOR (the Spanish Association for Standardization and Certification).

The audits highlight the level of compliance with prevailing regulations and make recommendations as to how to obtain universal accessibility certifications.

The main achievements in 2017 are as follows:

- **70%** ACCESSIBILITY AUDITS performed on 70% of our assets
- **100%** RENOVATIONS in Lar España’s assets, are taking into account accessibility requirements from the new building code

In October 2017, ILUNION formally acknowledged Lar España’s efforts to enhance universal accessibility at its properties and to accommodate persons with disabilities.

Eloy Gonzalo office building: AENOR universal accessibility certification for the refurbishment work
# Relations

## Supplier Relations

Continuous working on enhancing relations with suppliers, a group of stakeholders of vital importance for the business:

<table>
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<tr>
<th>Products and services acquired to suppliers for more than €120 Mn generating wealth in the communities where it operates</th>
<th>The total number of suppliers is 640 being most of them local companies</th>
</tr>
</thead>
</table>

## Customer Relations

Lar España’s philosophy for maximizing customer satisfaction:

<table>
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<tr>
<th>1. Improving communication channels and active listening</th>
<th>2. Adding value by means of product and process innovation</th>
<th>3. Building health and safety</th>
<th>4. Adapting to the diversity of customer needs</th>
</tr>
</thead>
</table>

## Society-based initiatives

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<tr>
<th>+ 225 days of environmental initiatives at our shopping centres</th>
<th>+ 28 NGOs and charities collaborated with</th>
<th>+€212,000 earmarked to community collaborations and initiatives</th>
<th>+ 25,500 Kg of clothing donated</th>
<th>+ 25,000 Kg of food collected in several campaigns</th>
</tr>
</thead>
</table>

Lar España’s properties in operation and under construction create more than 25,000 jobs
Lar España: ESG Policies

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info@larespana.com

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