



# CORPORATE SOCIAL RESPONSIBILITY

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## 1.1 Lar España's approach to CSR

For Lar España, sustainability, in its three core dimensions - economic, environmental and social -, is a matter to be addressed at the highest level, structurally and strategically. The Company strives to put its sustainable development pledges into practice in all its activities and the everyday management of its assets. Lar España is aware that a **business model that is sustainable** for the long haul is one that helps to create added value for its stakeholders, to which end the generation of positive externalities

and satisfaction of their legitimate expectations are key enablers.

For these reasons, Corporate Social Responsibility has been a key issue for Lar España since it was incorporated in 2014. Against this backdrop, 2015 was a decisive year, punctuated by board approval of the **Company's CSR Policy**, a framework for action articulated around seven core lines of initiative.



### Business ethics and integrity

**To guarantee compliance with prevailing legislation and the codes** endorsed by the Company which ensure that the organisation and its employees act with due diligence



### Creating shared value

**To cooperate and engage with the Company's stakeholders** with the aim of generating a positive impact on its surroundings by fostering sustainable economic and human development



### Environmental management

**To manage the properties' environmental footprint** from the moment they are acquired throughout their life cycle, cooperating with suppliers, tenants and users to minimise their environmental impacts



### Building accessibility

To strive to ensure that the Company's **properties** are **accessible, functional and inclusive** so that everyone, regardless of their physical condition, are guaranteed safe access



### Business relationships

**To articulate mutually-beneficial business relationships** by means of fair, objective and transparent contracting processes which incorporate corporate responsibility criteria



### Employees

**To frame talent recruitment, selection and retention policies** with equality and professional development criteria



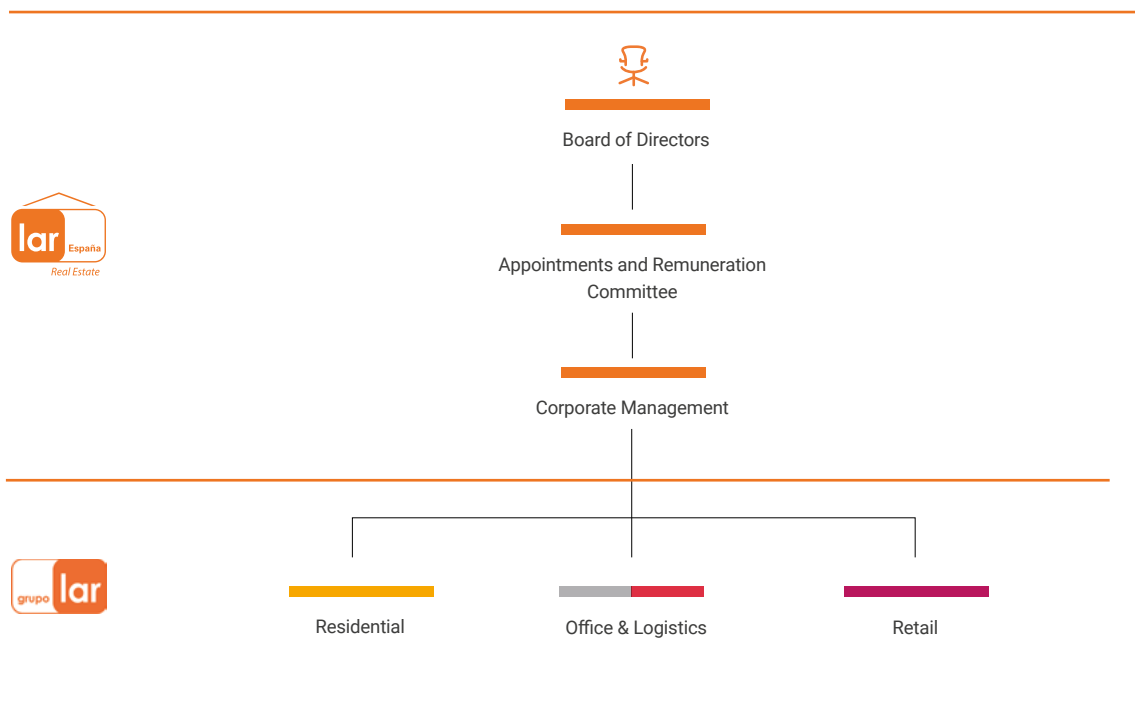
### Transparency

**To measure and report relevant and reliable financial and non-financial information** about the Company's activities and performance

## Organisational structure

The **Board of Directors**, in plenary session, is responsible for approving **Lar España's corporate social responsibility policies**. Meanwhile, the Appointments and Remuneration Committee is responsible for staying abreast of, driving, orienting and supervising the Company's actions in the CSR arena and reporting to the Board of Directors on its activities

and findings. Lastly, **Lar España's corporate management** is tasked with coordinating, aligning and standardising the Company's CSR efforts, with the help of the Management Company, which takes the guidelines set by the Company fully on board and ensures their implementation.







### Master CSR Plan

In line with its **CSR commitments**, Lar España has decided to integrate the core lines of initiative defined in its **CSR policy** into its everyday business operations by means of an action plan. At the time of writing, the Company is in the midst of drawing up its **CSR Master Plan**.

The starting point for the Master Plan is the **materiality assessment** performed by the Company (further information can be found in Chapter 4), a matrix which maps the issues of greatest concern to the Company's stakeholders and their level of implementation among its main competitors. This work is being performed in close collaboration with the Management Company's team, which will ultimately be responsible for execution of the various initiatives defined in the Plan.



## 1.2 Asset management

### Management approach

Asset management is underpinned by three cornerstones at Lar España:

1. Intervention to **improve** the buildings' environmental, social and economic **performance**;
2. **Active property management** by means of detail-focused management policies, processes and practices which factor in environmental and social impacts;
3. **Tenant management** with the aim of offering high-quality service by means of management policies, processes and practices targeted specifically at them and, indeed, at all its buildings' users.

However, due to the unique characteristics of the classes of properties it manages in its portfolio, the manner in which Lar España applies this approach varies accordingly.

### Residential

At present Lar España does not have any residential properties in its asset portfolio. However, it has acquired a 26,203 sqm plot in Madrid's exclusive Salamanca district for residential development (Lagasca 99). Construction is due to begin in 2016 and will be framed by a management system at the design and construction levels.

The plan is to certify the building's design and construction under the stringent **BREEAM® green-building standard**. This seal guarantees more sustainable building methods, which translate into enhanced efficiency for the parties building, operating and/or maintaining the property, reducing its environmental footprint and boosting user comfort.

### Offices

Our offices in **Arturo Soria** are equipped with a remote BMS monitoring system.

The technical and operational aspects of the properties' management are handled by an external property management firm with a view to delivering service excellence and the specific targets set. Whenever possible, Lar España tries to select local property managers with long-standing knowledge of the property in question.

The property managers engage directly with the buildings' various service and maintenance providers and are fully and exclusively dedicated to the buildings. They report their activities to the Company's offices unit which follows up at least monthly. Issues of greater significance or complexity may require more intense supervision, possibly even management involvement.

Whenever a building is refurbished or rehabilitated, the management approach is articulated around achieving **BREEAM certification**.





## Retail

The quality management system in place at the **As Termas** shopping centre is ISO 9001-certified.

A **sustainability plan** is already in place across the retail portfolio, leveraging Lar España's extensive track record managing this class of assets. The sustainability plan builds on analysis and ongoing monitoring of each property's **energy usage**, in turn underpinned by full **energy audits** and strict periodic controls.

Specifically, portfolio properties which exceed average energy (kWh/m<sup>2</sup>) and water (m<sup>3</sup>/m<sup>2</sup>) consumption levels by more than 50% qualify for priority intervention, marked by the implementation of quick-win measures (payback: 2.5 years).

## Logistics

This asset class - warehouses and logistics platforms - is operated entirely by the lessors; as a result, management and operation of this specific asset class is not within the scope of Lar España's services. The **management and performance indicators for these assets are accordingly not available to Lar España** and therefore not included within the scope of this report.



Anec Blau  
Shopping Centre  
(Barcelona)

## Energy

**Energy management** lies at the heart of Lar España's environmental management effort, framed by a commitment to reducing energy bills and passing these

savings onto the tenants. Several energy savings and efficiency initiatives were undertaken in 2015.



### Residential

- The **Lagasca 99 residential** property development has been planned as follows:
  - Measures will be taken during the works to reduce electricity consumption.
  - The building design features an envelope which will deliver higher insulation performance than that required in Spain's Building Code.
  - All lighting will be LED. If discharge lamps have to be installed, they will be equipped with high-intensity ballasts.
  - The heating system will be individual, enabled for separate temperature control in each of the homes' main zones.
  - The homes will be provided with class A or A+ household appliances.
  - The communal areas and each home will be equipped with home automation systems in order to maximise energy efficiency.



### Offices

- Energy audits have been performed at all the office properties (except at Cardenal Marcelo Spínola, a property in the midst of overhaul) to determine how their energy performance could be improved and streamlined.
- Energy efficiency plans have been defined for each property on the basis of their scope for improvement.
- Action taken in 2015 at the offices in **Arturo Soria**:
  - Installation of LED lighting covering 24% of GLA.
  - Replacement of incandescent light bulbs (60W) with energy-saving bulbs (14W) throughout the building stairwell.
  - Replacement of halogen landing lights with energy-saving LED lighting.
  - Installation of dusk-to-dawn sensors in landing areas.



### Retail

- Under the scope of the sustainability plan, the following noteworthy initiatives were carried out between 2014 and 2015:
  - Performance of full energy audits at priority properties such as Ànec Blau, As Termas, Portal de la Marina, El Rosal, Albacenter, Txingudi.
  - Installation of photovoltaic solar panels at the following shopping centres: El Rosal (100 kW), Albacenter (86 kW) and El Alisal (20 kW), generating sustained annual production of around 280,000 kWh.
  - Installation of LED lighting inside the Albacenter car park.
  - Maintenance and renewal of the air conditioning units at As Termas and El Rosal shopping centres.
- This action plan also encompasses specific energy consumption savings targets for the As Termas (7%), Portal de la Marina (10%) and Ànec Blau (15%) shopping centres.



## Certifications

The continuous management and improvement effort being undertaken by the portfolio management team is set to translate into **better energy performance certificates (EPC)** at the buildings where

action has been taken. In order to have this effort externally acknowledged, the Company is in the process of obtaining **BREEAM certification** for most of its properties' in-use sustainability.

CERTIFICATIONS, ENERGY PERFORMANCE CERTIFICATES AND SUSTAINABILITY SEALS OBTAINED AND/OR IN PROCESS FOR NEW BUILDS, MANAGEMENT, USAGE AND REFURBISHMENT		
	EPC	Certifications
<b>Residential</b>		
Lagasca 99	A or B*	BREEAM for design and construction*
<b>Offices</b>		
Arturo Soria	C	-
Egeo	D	-
Marcelo Spinola	D <sup>1</sup>	Preliminary BREEAM rating (design): Very Good
Eloy Gonzalo	E	-
Joan Miró	C	-
<b>Retail</b>		
Las Huertas	C	BREEAM In Use**
Txingudi	E	BREEAM In Use**
Albacenter	E	BREEAM In Use**
Anec Blau	C	BREEAM In Use**
Portal de la Marina	D	BREEAM In Use**
As Termas	C	BREEAM In Use**, ISO 9001
El Rosal	C	BREEAM In Use**
Megapark	D/E/F	BREEAM In Use**
Villaverde	N/A	N/A***
Nuevo Alisal	D	-
Parque Galaria	E	N/A***

\* In the pipeline (construction of this building is about to begin).

\*\* In process.

\*\*\* Building managed directly by tenants.

<sup>1</sup> At the time of acquisition.



## Energy consumption, production and usage intensity

The table below provides the 2015 **energy consumption, production and intensity** figures for Lar España's property portfolio (excluding the logistics centres)<sup>2</sup>.

Portfolio / Property	GLA (sqm)	Energy consumed		Energy use intensity (kWh/sqm)	Energy production (kWh)
		Total electricity consumption (kWh/year)	Total natural gas consumption (kWh/year)		
Residential					
Lagasca 99	26,203	N/A	N/A	-	-
TOTAL	26,203	N/A	N/A	-	-
Offices					
Egeo	18,254	1,172,592	412,969	86.86	-
Arturo Soria	8,663	563,638	316,157	101.56	-
Joan Miró	8,610	349,055	N/A	40.54	-
Marcelo Spinola	5,440	33,461	377,977	75.63	-
Eloy Gonzalo	12,220	N/A	N/A	-	-
TOTAL	53,187	2,118,746	1,107,103	78.74	-
Retail					
Megapark Barakaldo	64,000	N/A	N/A	-	-
El Rosal	50,000	3,639,312	786,189	88.51	152,890
Ànecblau	28,863	3,483,782	N/A	120.70	-
As Termas	33,151	1,657,782	51,421	51.56	-
Portal de la Marina	30,007	2,825,182	N/A	94.15	-
Albacenter	15,696	974,098	345,321	84.06	101,916
Txingudi	34,700	840,723	N/A	24.23	-
Nuevo Alisal	7,648	55,337	N/A	7.24	24,550
Las Huertas	20,291	498,594	N/A	24.57	-
Villaverde	4,391	N/A	N/A	-	-
Parque Galaria	4,108	N/A	N/A	-	-
TOTAL	292,855	13,974,810	1,182,931	68.79	279,356
TOTAL	346,042	16,093,556	2,290,034	70.35	279,356

<sup>2</sup> Lar España's management remit at its logistics centres is very limited; most tasks are performed by the lessees and neither consumption nor emission figures are generally available.

Translation of information originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version shall prevail.



## Water

Keenly aware of the water scarcity issue, Lar España strives to deploy technological breakthroughs to ensure efficient water **consumption and sanitation** across its portfolio. To this end, the Company uses water-saving and efficiency strategies when designing and maintaining its properties with the goal of **reducing the volume of water used inside and outside its buildings**, minimising the volume of wastewater requiring treatment and reusing rainwater. Water-saving measures were implemented at the Arturo Soria offices in 2015.



## Offices

The work at Arturo Soria office building concluded in 2015 with:

- The installation of frequency converters in the drinking water unit,
- The placement of diffusers in taps to conserve water,
- The installation of air quality probes in the air conditioning unit return pipes and integration with the BMS system.



**Water consumption** by property is broken down in the next table:

Portfolio / Property	GLA (sqm)	Total water consumption (m <sup>3</sup> /year)	Water use intensity (m <sup>3</sup> /sqm)
<b>Residential</b>			
Lagasca 99	26,203	N/A	-
<b>TOTAL</b>	<b>26,203</b>	<b>N/A</b>	<b>-</b>
<b>Offices</b>			
Egeo	18,254	5,851	0.32
Arturo Soria	8,663	4,072	0.47
Joan Miró	8,610	1,973.49	0.23
Marcelo Spinola	5,440	1,732	0.32
Eloy Gonzalo	12,220	N/A	-
<b>TOTAL</b>	<b>53,187</b>	<b>13,628.49</b>	<b>0.33</b>
<b>Retail</b>			
Megapark Barakaldo	64,000	N/A	-
El Rosal	50,000	13,959.24	-
Ànecblau	28,863	14,772	0.14
As Termas	33,151	9,820.10	0.23
Portal de la Marina	30,007	16,833	0.29
Albacenter	15,696	6,852	0.34
Txingudi	34,700	7,131	0.21
Nuevo Alisal	7,648	N/A	0.11
Las Huertas	20,291	3,870	-
Villaverde	4,391	N/A	0.21
Parque Galaria	4,108	N/A	-
<b>TOTAL</b>	<b>292,855</b>	<b>73,237.34</b>	<b>0.34</b>
<b>TOTAL</b>	<b>346,042</b>	<b>86,865.83</b>	<b>0.34</b>



## Emissions

In addition, management has calculated the portfolio's scope 1 (direct) and scope 2 (indirect) GHG emissions corresponding to their most significant energy consumptions - electricity and fossil fuel - for each asset operated, using benchmark emission factors.

It is estimated that the on-site generation of power from the photovoltaic solar panels installed at the El Rosal, Albacenter and El Alisal shopping centres has prevented the emission of **103 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e)**.

Portfolio / Property	GLA (sqm)	Emissions			GHG intensity (kgCO <sub>2</sub> e/sqm)	Emissions avoided (tCO <sub>2</sub> e)
		Scope 1 (direct) (tCO <sub>2</sub> /year)	Scope 2 (indirect) (tCO <sub>2</sub> /year)	Total (tCO <sub>2</sub> /year)		
Residential						
Lagasca 99	26,203	N/A	N/A	-	-	-
TOTAL	26,203	N/A	N/A	-	-	-
Offices						
Egeo	18,254	83.25	451.45	534.70	29.29	-
Arturo Soria	8,663	63.74	217.00	280.74	32.41	-
Joan Miró	8,610	0.00	134.39	134.39	15.61	-
Marcelo Spinola	5,440	76.2	12.88	89.08	16.38	-
Eloy Gonzalo	12,220	N/A	N/A	-	-	-
TOTAL	53,187	223.19	815.72	1,038.91	25.36	-
Retail						
Megapark Barakaldo	64,000	N/A	N/A	-	-	-
El Rosal	50,000	198.12	1,353.82	1,551.94	31.04	56.57
Ànecblau	28,863	N/A	1,295.97	1,295.97	44.90	-
As Termas	33,151	12.96	616.69	629.65	18.99	-
Portal de la Marina	30,007	N/A	1,050.97	1,050.97	35.02	-
Albacenter	15,696	87.02	362.36	449.39	28.63	37.71
Txingudi	34,700	N/A	312.75	312.75	9.01	-
Nuevo Alisal	7,648	N/A	20.59	20.59	2.69	9.08
Las Huertas	20,291	N/A	185.48	185.48	9.14	-
Villaverde	4,391	N/A	N/A	-	-	-
Parque Galaria	4,108	N/A	N/A	-	-	-
TOTAL	292,855	298.10	5,198.63	5,496.73	24.94	103.36
TOTAL	346,042	521.29	6,014.35	6,535.64	25.01	103.36



## 1.3 Accessibility

Lar España strives to ensure all its properties are **accessible, functional and inclusive** so that everyone, regardless of their physical condition, is guaranteed access. To this end, the Company takes an end-to-

end management approach from building design to remodelling, refurbishment and maintenance, at all times framed by the goal of outperforming legal thresholds.



### Residential

The **Lagasca 99 residential** property development has been planned as follows:

- All of the complex's **communal areas** will be accessible.
- All of the duplex units will be fitted with a **vertical transportation system**.
- Buyers will be offered the possibility of **adapting the layout for accessibility purposes**.
- A bike storage room is planned within the communal area and there will be an **electric vehicle charging station** in the underground car park.
- Correct functioning of the shared elevator systems is guaranteed by means of **emergency power generator support**.



### Offices

- All communal floor space in Lar España-owned offices is **accessible**.
- The main lobby at the **Arturo Soria** office can be accessed by a wheelchair ramp.
- The ramp at the **Egeo** office building is covered by **non-slip flooring**, which also covers the main stairs. Elsewhere, all of this building's emergency lighting has been replaced to ensure accessibility in the event of emergency evacuation.
- The ground floor of the **Joan Miró** office building is fitted with reduced-mobility **access ramps** which give access via the lifts to all of the building's public-use floors other than the basement. There are also bathrooms adapted for reduced mobility on the second through to the sixth floors.



### Retail

- All of the Company's shopping centres meet applicable **accessibility requirements**.
- The Company is in the process of obtaining a renowned accessibility seal (DIGA) for the various centres to highlight its excellence in this respect.
- **DIGA certification** will inform all visitors about the accessibility conditions of its establishments and services.



## 1.4 Supplier and customer relations

The **As Termas** shopping centre has an OHSAS 18000-certified occupational health and safety management system.

Lar España and its Management Company only work with **suppliers of renowned solvency**, making sure that they have **internal control mechanisms** and **codes of conduct** that guarantee due diligence.

Lar España attempts to anticipate its customers' and users' needs and demands in order to provide them with optimal product and service quality. Against this backdrop, the safety and health of its property occupants is crucial to the Company. To this end it pays special attention to compliance with basic **health and safety regulations** by duly coordinating its business activities and information about safety risks at work centres and correctly distributing the emergency evacuation protocols.

The following communication channels have been set up to ensure smooth communication with suppliers and customers:

- Direct dialogue between the asset manager assigned to each property and its tenants.
- An incident reporting protocol with the property managers in the form of a dedicated e-mail inbox (Incidencias LAR Project).
- Specific meetings with the property manager upon demand by either party.
- Office user satisfaction surveys.

In addition, the following initiatives have been carried out with the aim of fostering best sustainability practices on the part of tenants:

- Provision of information about energy consumption and efficiency.
- Specific health and safety training.
- Provision of sustainability guides and manuals to tenants: this initiative is planned as part of a pilot test for the Cardenal Marcelo Spinola offices when they are reopened following full refurbishment.

