

*Creating value from innovation,  
experience and sustainability*



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# 1

## Lar España in 2019

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***“We put **strategy, properties and management** at the heart of everything we do, and it paid off. The snapshot of the last five years highlights our **outstanding trading figures.**”***

*José Luis del Valle Doblado  
Lar España’s Chairman*

# 1.1

## Letter from the Chairman



Dear Shareholders,

Once again, I am delighted to share with you the most exciting developments of the last 12 months, plus a few reflections of our own on the events of 2019.

On 5 March 2019, we celebrated the fifth anniversary of our stock market debut. We became the very **first SOCIMI to be listed on the Continuous Market**. Our Company has blazed a new trail by specialising in retail, a sector where efficient, professional management is becoming more and more important.

From day one, we set about creating **the leading shopping centre and retail park portfolio**. One by one, we achieved our stated targets in terms of quality, price, potential and catchment dominance.

We put our triple focus on **strategy, properties and management** at the heart of everything we do, and it has paid off. We have now completed the process of divesting non-strategic assets, with tremendous success, and thanks to the strength of our 'core' assets **we have consistently outperformed the market by a significant margin**, positioning Lar España as one of the best companies to invest in for those looking for a solid return.

Furthermore, we have grown into a prestigious, instantly recognised, innovative and sustainable company, committed to upholding **the highest standards of corporate governance, transparency and open communication**. After years of hard work and devotion, we can feel proud of what we have achieved and primed to take on new challenges.

No snapshot of the last five years would be complete without highlighting our **outstanding trading figures**. We have more than doubled the gross value of our retail properties, from €614 million at the end of 2014 to €1,552 million at the close of 2019, with an **annual revaluation of 13%**.

We have successfully concluded a **divestment programme that has generated a value uplift of 87.5%** compared to acquisition price. As we bare goodbye to 2019, we were celebrating a total revenue of €81.1 million and an EBITDA of €59.3 million, an **advance of 9%** on last year's performance. Furthermore, our annual gross rental income came in at **€96.2 million**.



## Highlights of 2019

Our strategy of refocusing on the retail sector was brought to its logical conclusion with the divestment of our two remaining non-retail properties. The company received €37 million as a result of the sale of the Marcelo Espínola office building, **with a value uplift of 94.7% on the acquisition price.** We gained another €40 million from the sale of the Eloy Gonzalo building, this time with a value uplift of **214.2% on the acquisition price.**

We also concluded the sale of our luxury apartments in the Lagasca99 complex, an innovative new concept for contemporary living with an emphasis on maximising natural light, privacy, spaciousness, distinctive design with meticulous attention to detail, new technologies and premium finishes. For a piece of the high life in this **iconic and sustainable building**, buyers paid an average of €11,300 per square metre.

Looking back at 2019, the most exciting development was undoubtedly the **launch of Lagoh in Seville on 26 September.** This shopping centre and family entertainment hub has quickly become the standard-bearer for a new approach to retail. As an added bonus, it's the only shopping centre

of its kind in the whole of Andalusia. Lagoh is a magnet for top brands and there was a huge amount of interest from prospective occupiers. It's a space to enjoy life with friends and family in a delightful setting that offers an experience beyond compare.

Not only is Lagoh a premier shopping, leisure and family entertainment destination, it was also designed to complement local urban development and help knit the surrounding area together. In doing so, **it is helping boost growth, environmental sustainability and the local economy.** Lagoh marks out Seville as one of the world's most exciting cities for shopping, dining and leisure.

It embodies and symbolises the **retail 4.0 model** that Lar España has embraced. We have every confidence that digitalisation and the rise in e-commerce will lead retailers to develop new, targeted strategies for physical and online sales. **Excellence in management, omnichannel retailing, the roll-out of new technologies, customer insight** and, finally, international experience are all vital growth drivers for twentieth-century retail.



## A consolidated strategy

Our shopping centres fully comply with the requirements. We own 100% of the great majority of our premium properties — those embodying the highest standards of quality and occupying an overwhelmingly dominant market position in their catchment areas. We have never acquired a portfolio; each of our properties was hand selected before being carefully developed and positioned for maximum added value.

Over the course of 2019, we completed the greater part of our **retail property modernisation and renovation programme**, involving investment of €24.5 million across eight of our fifteen shopping centres. All are now operating at peak performance and more competitive than ever, and our investment has created a substantial leap in income potential both in the short and long term.

All of our efforts are focused on the question of how to add value to our portfolio. As a result of this laser focus, coupled with our capacity to develop new real estate assets, we can now pride ourselves on a collection of shopping centres and retail parks **that set new standards for quality and performance in the Spanish market**. The proof has been the **sixteen consecutive quarters of progress in our key performance indicators**.

In short, Lar España has introduced and internalised a set of differentiating factors that have had a profound effect on how we do business. Our focus is on adding value by providing **outstanding property management and delivering a solid return on investment**. With our strong track record, we are in an excellent position to continue expanding our capacity to increase our revenue, optimising our shareholders returns.

To this end, **we have successfully completed our second share buy-back programme**, resulting in the repayment of 5% of the company's shares. As of early 2020, plans have already been set in motion for a third buy-back, expected to recoup up to €45 million and another 5% of capital.

**A dividend of €0.63 per share** has allowed us to hold on to last year's position as one of the top Spanish companies for



direct shareholder distribution. It is worth bearing in mind that, **since the year of our foundation, Lar España's shareholders have enjoyed a highly satisfactory rate of return** from their investment. From a company with such a significant operational profile that puts its investors at the very heart and soul of our strategy, they should expect no less.

Finally, throughout all our new ventures we have maintained a strong balance sheet, keeping us on firm financial ground thanks to a prudent regard for our bottom line. **A moderate loan-to-value rate of 34%, together with financial costs of 2.1%, testify to our stability as a company.**

In terms of financing and debt, we have signed a new credit line for Rivas Futura for a total of €34.5 million, extending the previous loan by an additional €7 million. We have also increased the credit line for VidaNova Parc by €11 million, taking it to a total of €28 million. Both of these decisions **have led to improvements in the average cost of debt and more favourable maturity dates.**



## Quality and good governance

This whistle-stop tour demonstrates that Lar España continues to uphold the commitments that set us apart, **exemplary property management and the most rigorous standards of transparency and good governance.**

Every year, we have been proud to receive the **EPRA Gold Award** in recognition of the quality of our financial reporting. We are the very first SOCIMI to have been awarded this distinction for **five consecutive years.** In terms of Corporate Social Responsibility, our efforts in the area of sustainability have been rewarded with an **EPRA Gold Award** for the second year in a row.

We are one step ahead of the requirements set out in the new Good Governance Code for Listed Companies proposed by the Spanish Stock Market Commission. Our properties already meet the **most stringent environmental, social and corporate governance standards in the sector.** Both our proprietary and independent directors, and all the professionals on our team, are highly qualified and have an outstanding proven track record of professional practice. In addition, we have **reinforced our standards for accessibility, sustainability, energy efficiency and respect for the environment.** Indeed, in 2019 Lar España continued to work intensively on its contribution to Agenda 2030 and the Sustainable Development Goals. We also deepened our commitment to introducing new measures and initiatives to help fight climate change.

In short, in just five years we have built Lar España into the well-known and highly respected SOCIMI it is today. Our brand is recognised and held in high regard throughout the sector and by all of our key stakeholders. Almost **65 million visitors** came through the doors of our shopping centres last year, and **more than 1,000 operator leases** signed, these two figures are why all of us come into work each day with the determination to give our very best.

Specialists, managers, authorities, competitors, shareholders, investors, retailers, professionals and clients all under-

stand just how **exceptional our properties are**, the tremendous value we add through our management services and our iron-clad commitment to profitability and the best possible return for all our stakeholders.

**Our business model is unlike any other in the sector.** We combine a premium collection of properties with a quest to add value and secure sustainable returns. That's our philosophy.

We have already achieved so much, and I have no doubt that, with your support, **we can go on to even bigger and better things in the year ahead.**

**D. José Luis del Valle Doblado**

*Chairman*

*March, 2020*

# 1.2

## Key Figures

### Portfolio Information

**GAV**  
**1,552**  
Million €

**Annualised Net Rent**  
**88.1**  
Million €

**WAULT**  
**3.5**  
years

**Assets**  
**15**

**GLA**  
**579,286**  
sqm

**Divestments in 2019**  
**77.0**  
Million €



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### Financial Information

**EPRA NAV**  
**1,003.8**  
Million €  
(11.47 €/share)<sup>(1)</sup>

**Net LTV**  
**34%**

**Financial Debt**  
**697.9**  
Million €

**Average Cost of Debt**  
**2.1%**

**Rental Income**  
**81.1**  
Million €

**EBITDA**  
**59.3**  
Million €

**Net Profit**  
**80.7**  
Million €

**Dividend**  
**55** Million €  
(0.63€/share)

**Shareholder Return**  
**10.14%**



(1) When analyzing this measure it is important to take into account the dividend paid in Q2 2019 (0.80€/share).

# RETAIL PERFORMANCE

## Operating Results

**Annualised Gross Rent**  
**96.2**  
Million €

**% Occupancy**  
**96.5%<sup>(1)</sup>**

**Sales**  
**815.2<sup>(2)</sup>**  
Million €

**Footfall**  
**64.5**  
Million of visits

**+4.4%<sup>(3)(4)</sup> / +2.1%<sup>(3)(5)</sup> vs 2018**

**+1.9%<sup>(3)</sup> vs 2018**

**LfL GRI**  
**+1.2%<sup>(3)</sup>**

**LfL NOI**  
**+1.6%<sup>(3)</sup>**

**Reversionary Yield**  
**6.2%**

**EPRA topped-up NIY**  
**5.9%**

**GAV (%)**

**RENTAL INCOME (%)**

**80**

**74**

**17**

**3**

**21**

**5**

Shopping Centres. Retail Parks. Others Retail.

## Leasing Activity

**Negotiated rent**  
**9.5**  
Million €

**Operations**  
**135**

**Rotated area**  
**52,961**  
sqm

**Rent uplift**  
**+9%**



## Certifications

**100%** shopping centres certified in **BREEAM®**

**Consumption performance**  
**38.1 kWh/sqm** of energy consumption  
**(-6% vs 2018 LfL)**

## Emissions

**1.3 kg** CO<sub>2</sub> eq /sqm/year of scope emissions 1 & 2  
**(-46% vs 2018 LfL)**

## Accessibility

Accessibility audits performed on **100%**  
of our assets

**2** assets certified in **AENOR Universal Accessibility**

## Society

**Over 21,600** direct jobs generated

We have worked with **over 25** ONGs and foundations

(1) Ratio calculated according to EPRA recommendations / (2) Declared Sales / (3) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project and either Albacenter's data due to the division of the hypermarket into four retail units / (4) Total sales / (5) Comparable sales

# 1.3

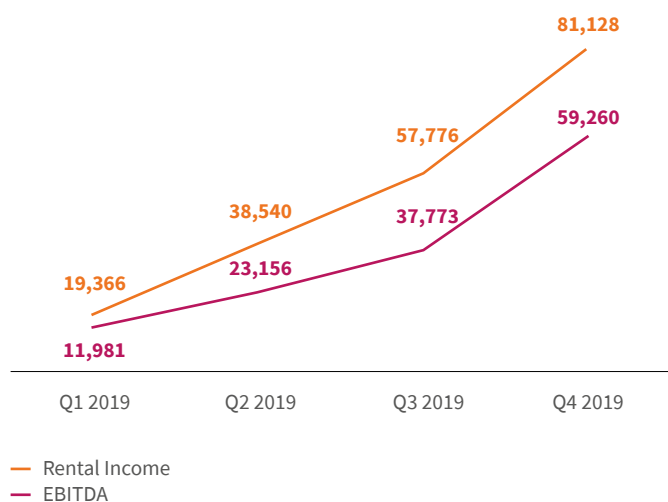
## Key Indicators Performance

A.

### Performance of main economic and financial result

**Rental income** obtained at the close of the financial year was **81,128 thousand Euros**, whilst **EBITDA** amounted to **59,260 thousand Euros** and the **net profit** reached **80,730 thousand Euros**.

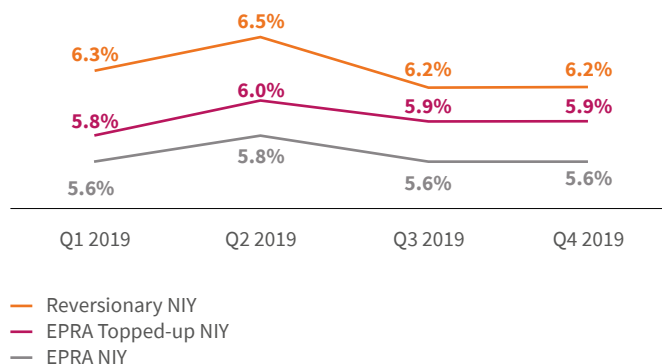
Performance throughout the course of 2019 is shown in the following figure (amounts shown in thousands of euros):



B.

### Performance of main EPRA indicators

As regards the performance of **EPRA Yields<sup>(\*)</sup>** during 2019 and their comparison with the Reversionary NIY, one can see the notable profitability of Lar España's portfolio and the potential growth that the Company could still obtain, thanks to the active management of the portfolio:



**59,260**  
Thousand Euros  
**EBITDA**  
**+9% vs 2018**

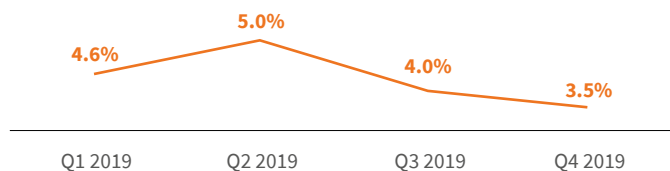


**5.9%**  
**EPRA Topped-up NIY**  
**31.12.19**

(\*) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project.



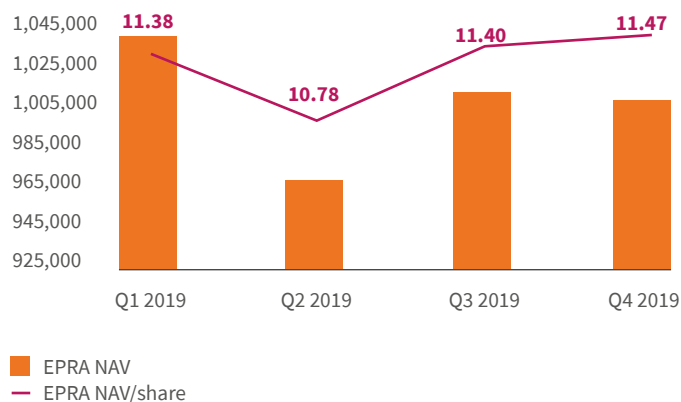
Although the **EPRA Vacancy rate<sup>(\*)</sup>** was affected throughout the year by refurbishment works being carried out at various properties, it fell considerably during 2019, closing at **3.5%**.



 **3.5%**  
**EPRA Vacancy**  
31.12.19

The following figure shows the performance of the Company's **EPRA NAV**. At 31 December 2019, the EPRA NAV stood at **1,003,760 thousand Euros (11.47€/share)<sup>(\*\*)</sup>**, an increase of **10.1%** on the previous year.

Thousands of Euros



 **EPRA NAV**  
per share 31.12.2019  
**11.47€/share<sup>(\*\*)</sup>**  
**+10.1% vs 31.12.18**

(\*) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project.

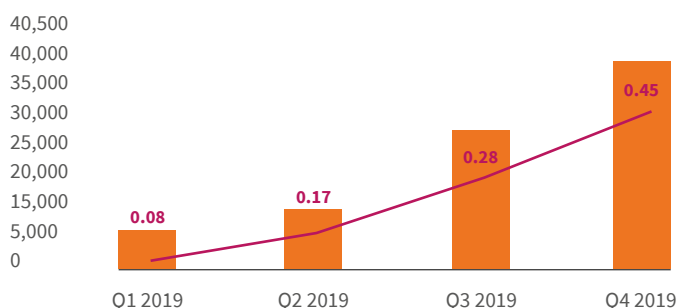
(\*\*) When analyzing this measure it is important to take into account the dividend paid in Q2 2019 (0.80€/share).

The following graph shows the change in the operating income figure (**EPRA Earnings**), which at the close of 2019 stood at **40,419 thousand Euros**, an **increase of 38%** on the previous year. This is mainly due to the efficient management of the assets held in the portfolio, along with some excellent sales and letting work.

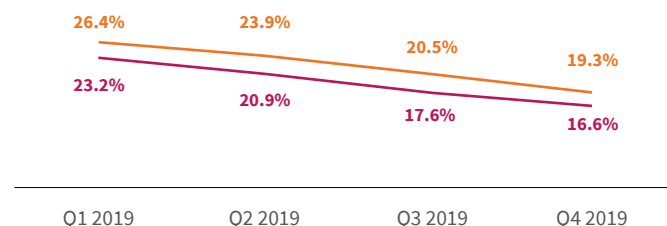
The performance of the **EPRA Cost Ratio** over the course of the year demonstrates Lar España's efficiency in reducing the costs associated with operational management:

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Thousands of Euros



■ Adjusted EPRA Earnings  
— Adjusted EPRA Earnings/share



— Recurring EPRA Cost Ratio (including direct vacancy costs and excluding costs directly related to development projects)  
— Recurring EPRA Cost Ratio (excluding direct vacancy costs and costs directly related to development projects)



**Adjusted EPRA  
Earnings  
per share +45%  
vs 2018**

### C. Major operative milestones evolution

The performance of the **key retail indicators** in 2019 is detailed below. Lar España booked **total sales** in the shopping centres of **815.2 million Euros**, driven by the growing number of people visiting our shopping centres (**64.5 million visits**). A total of **52,961 sqm** has been rotated.

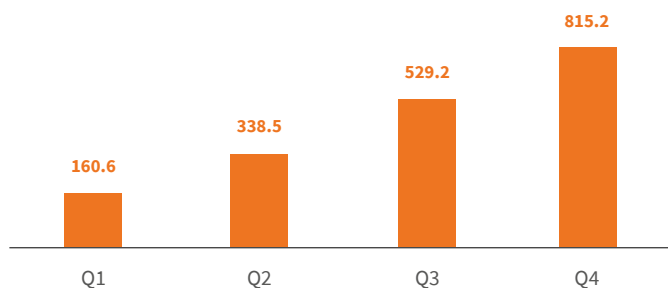


**+1.9%<sup>(\*)</sup> footfall**  
vs 2018

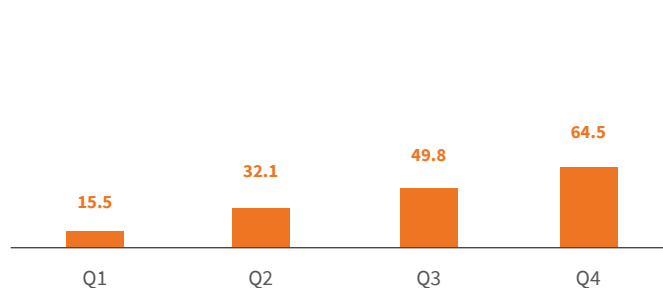


**+4.4%<sup>(\*)</sup> total declared sales**  
vs 2018

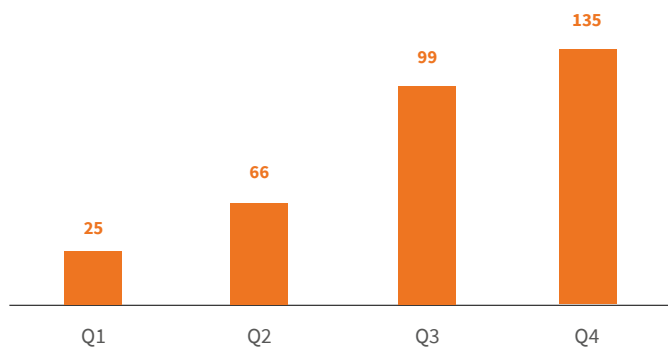
**YTD Declared sales** (€ Mn)



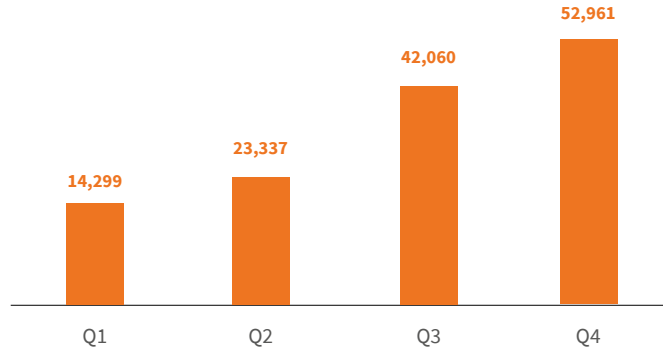
**YTD Footfall** (Mn visits)



**YTD N° of operations**



**YTD GLA Rotated** (sqm)



(1) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project and either Albacenter's data due to the division of the hypermarket into four retail units

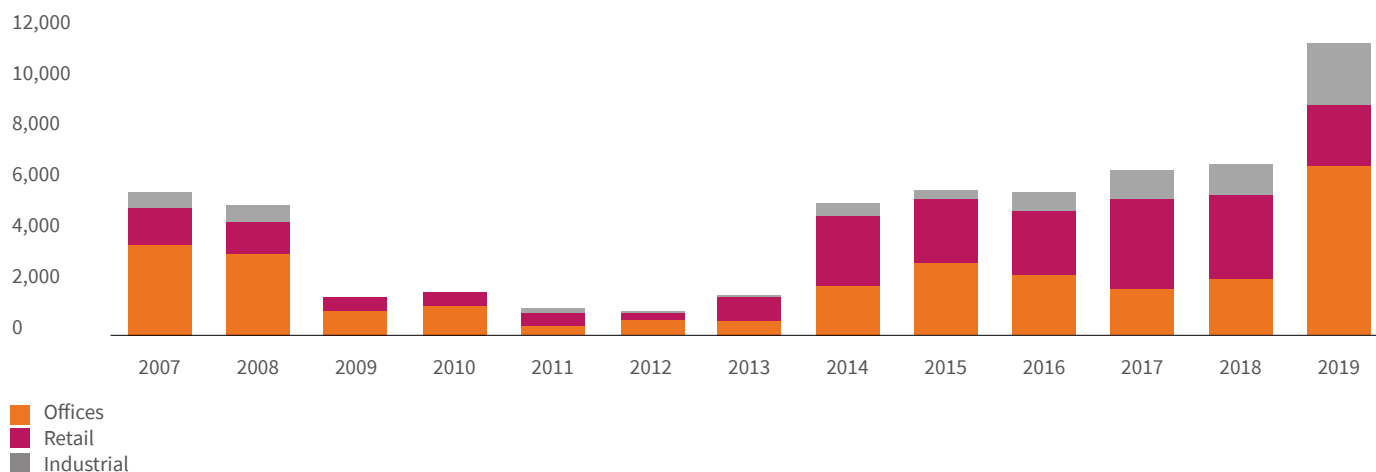
# 1.4

## Quick View

**€11.3bn**  
invested in the tertiary  
sector in 2019

### Environment

**Commercial investment volume** (€ Mn)

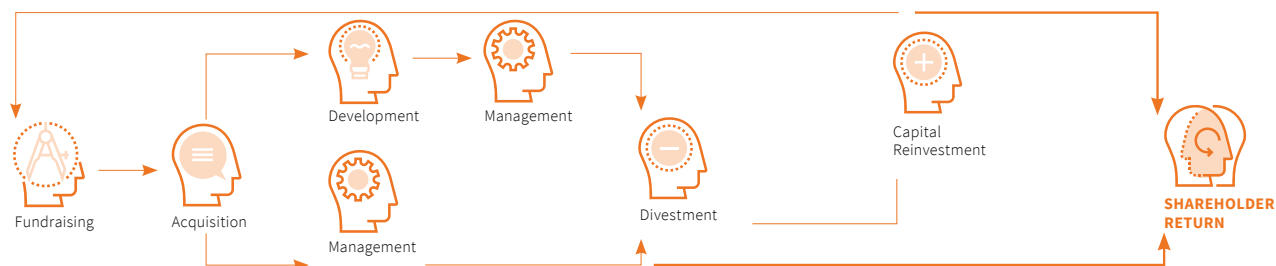


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### Business model

The company's investment policy is mainly focused on:

- Strategic assets, **shopping centres** and **retail parks**.
- **Investment opportunities in retail assets**, that are dominant in their areas of influence.
- **Risk diversification**, expanding in Spain mainly through the investment and development of large commercial areas.



### Governance

#### CORPORATE GOVERNANCE

- Update of the Board of Directors and the Audit and Control Regulations policies and approval of the Appointments and Remuneration Regulations in keeping with CNMV Guide 1/2019
- Creation of a matrix of the Board of Director's expertise and capabilities
- External performance evaluation of the Board of Directors

#### ETHICS AND COMPLIANCE

- Oversight of compliance with the Code of Conduct and internal regulations
- Monitoring of the Whistle-Blowing Channel and the Corporate Crime and the Prevention and Anti-Money Laundering Model
- Fine-tuning of the Enterprise Risk Management (ERM) System

#### CORPORATE SOCIAL RESPONSIBILITY

- Execution of the Master Corporate Social Responsibility Plan for 2018-2020
- €923,000 worth of investments earmarked to community collaborations, sponsorships and initiatives
- Collaboration with more than 25 NGOs and foundations in 2019
- Implementation of digital systems for tracking the assets' environmental metrics



## Risks and Opportunities

- Risk Control and Management Policy as dynamic framework
- Implementation of the Enterprise Risk Management System (ERM) at the corporate level
- Updated Risks Map, Response and Monitoring Plans

The main risks that Lar España is facing are the following:

- Compliance with the requirements of the SOCIMI regime
- Sale-purchase of real estate assets, planning, information and execution
- Loss of value of real estate, mainly as a result of variations that may affect the economic cycle
- Political situation and socio-economic factors
- Dependence on the Investment/Asset Manager
- Cybersecurity
- Retention of internal talent
- Increased competition
- Market situation that may adversely affect the materialization of investment/divestment opportunities
- Regulations and regulatory changes
- Confidentiality
- Technological infrastructure

## Innovation and Technology

Lar España is leading the digital transformation in the sector, creating value through the **“TES” project (Technology, Engagement & Sustainability)**, which will allow the Company to:

- To position Lar España as the forefront of the digital transformation of the retail sector
- To create shared value in order to drive economic and social progress

### TES PROJECT 2019 RESULTS

Implementation of new tools to enhance the assets' value and positioning:

- Asset management (Advertima, Mallcomm, Dotgis and GAPS) to evaluate and measure the visitor experience and optimise management of the shopping centres and customer relationship
- Web tool showcasing Lar España's vision for its shopping centres (Lar Experience)
- Automated environmental information collection system to control energy/water consumption and boost efficiency
- Dedicated project for improving air quality across the shopping centres

## Strategy

- Real Estate Investment Trust specialized in **commercial properties**
- Carefully selected **off-market acquisitions**
- Creation of high returns for shareholders: **yearly net income of 88.1 million euros**
- Competitive benefit distribution policy. **Dividends of 0.63€/share**
- **Active and diversified** management

### 2019 RESULTS

- Valuation of assets of 1,552 million euros
- 12.7% annual portfolio revaluation like for like
- Opening of Lagoh shopping centre in Seville
- Disposals totalling €77 million, representing a capital gain of 142.9% on the acquisition price

## Outlook



Enhancing cash flows from portfolio properties and value creation in order to maximise shareholder returns



Continuing the process of consolidating the Company as one of the most active REITs in Europe and a benchmark in the Spanish real estate sector, specially in shopping centres and retail parks segment

# 2

## Our Business

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**2.1** Market context

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**2.5** Main milestones

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**2.6** Grupo Lar, Lar España's Manager

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**2.7** Innovation and technology

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*Lar España – managed by Grupo Lar – is the **leading SOCIMI in the retail sector** and is strongly committed to **innovation, experience and sustainability**, with the firm aim of **generating value** for its shareholders.*

## 2.1

### Market context

#### I. Economy

##### Growth and GDP

Spain's economic growth continues to **outpace the Eurozone average (1.2%)**, with Spanish Gross Domestic Product (**GDP**) **up 2.0%** in 2019, according to the latest figures published by INE. Domestic demand remains a key growth factor, helped by improving foreign trade at the end of the year. **Q4 2019 saw the Spanish economy expand by 0.5% q-o-q** in terms of volume, putting the annual growth rate at 2.0%. This is in keeping with forecasts from the Bank of Spain and the IMF, and with the general consensus among leading research bodies.

Growth forecasts for 2020 are more modest, with the overall figure set to reach **1.7%**, according to Oxford Economics.

In spite of global tensions and the economic slowdown in the Eurozone, exports **rose by 2.7% y-o-y during Q4 2019**. Exports are expected to pick up slightly in 2020, **reaching an average y-o-y increase of 2.0%**.

##### Inflation

When we talk about **inflation** in Spain, we often refer to the Consumer Price Index, or **CPI**. Spain's CPI tracks variations in the prices of a fixed 'basket' of goods and services purchased by Spanish households for their own use or consumption.

**Inflation increased by 0.8% in December**, the sharpest increase in seven months, but still falling short of the ECB's target level. Forecasts indicate an average inflation rate of **1.0% for 2020** (up from 0.7% in 2019), according to Oxford Economics.

Over the next five years, inflation is expected to rise steadily at an average rate of circa **1.8%** each year.





## Employment

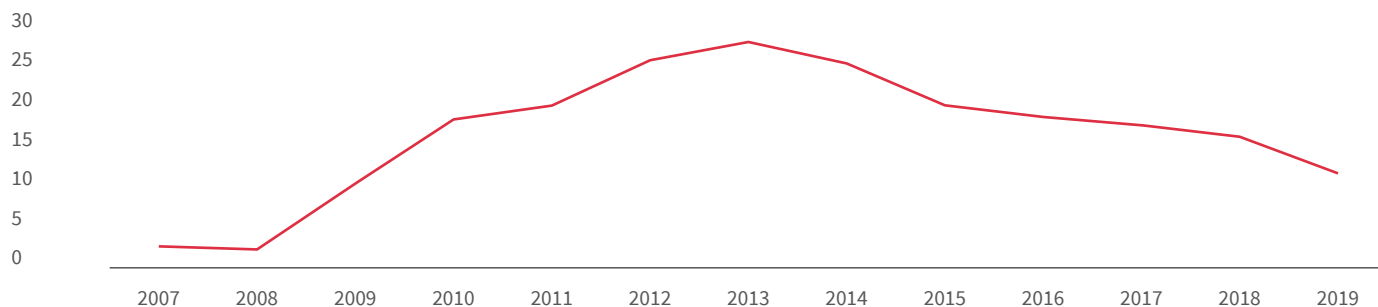
The purchasing power of Spanish households continues to rise, reflecting the country's **strong economic performance and decreasing unemployment levels**. Data from the Labour Force Survey (LFS) indicates that Spain's **unemployment rate** stood at **13.8%** at the end of 2019, down by 67 basis points on the previous year. This confirms that unemployment in Spain remains at the lowest recorded levels since 2008.

The number of economically active persons rose faster than the number of those out of work fell.

This can be explained by the fact that Spain's working population grew by 290,000 over the course of 2019 to reach **23.2 million**, resulting in a **labour participation rate of 58.7%**.

The number of unemployed persons stood at 3,191,900 at the end of 2019, falling by **112,400 y-o-y (-3.40%)**.

### Unemployment rate in Spain (%)



Source: National Statistics Institute (INE)



**13.8%**  
**record unemployment rate in 2019** in Spain, reaching an 11-year low

## Consumer Confidence Index

The CIS **Consumer Confidence Index (CCI)** for December stood at **77.7 percentage points, 0.4 percentage points up** on the previous month.

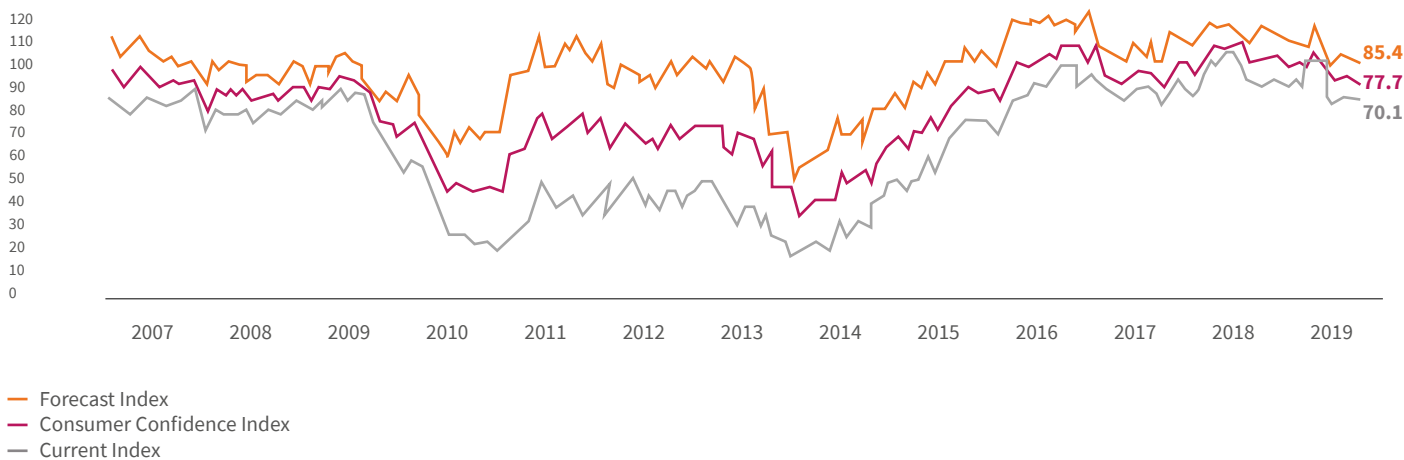
This took the CCI figure for YE 2019 close to the levels previously recorded at YE 2013 and Q1 2014.

## Tourism

Spain is the second most popular tourist destination in the world – behind France and ahead of the US. It received a total of **83.7 million international tourists** in 2019, up 1.1% y-o-y.

In terms of **tourist spend**, Spain has regained second position in the world ranking and first in Europe, with close to **€92,300 million** spent during 2019, **up by 2.8% y-o-y**.

### Consumer Confidence Index, current Index and forecast Index evolution



Source: Centro de Investigaciones Sociológicas (CIS)



**83.7 million**  
international tourists in Spain in 2019

## II. Investment

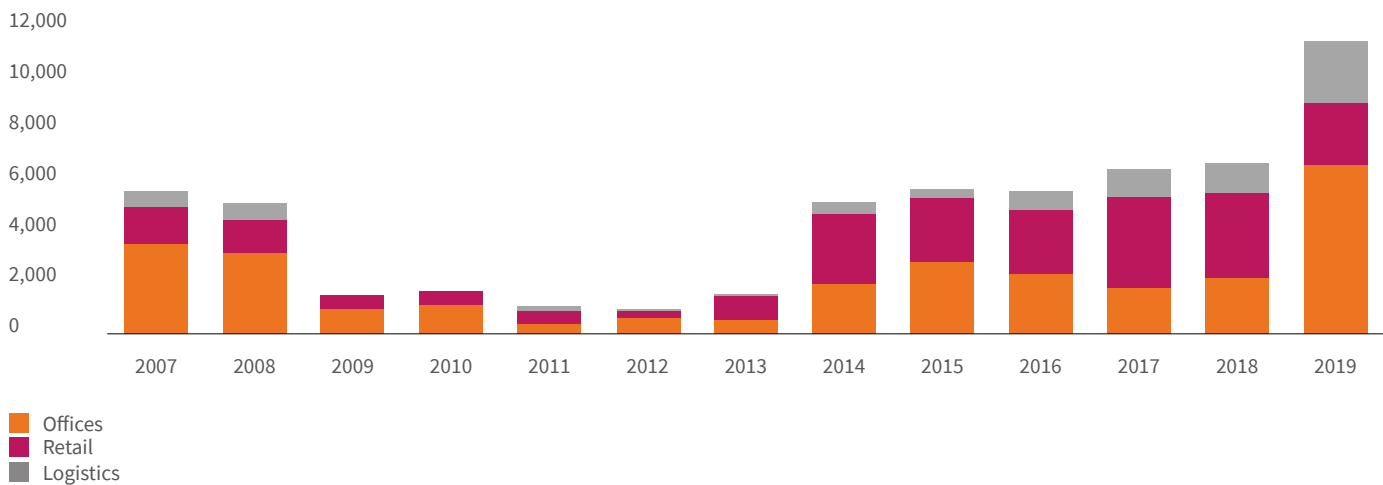
The **commercial investment** (offices, retail and logistics) volume reached circa **€11,275 million** in Spain in **2019, up 43.6%** on 2018, demonstrating the appeal of Spain to investors. If the hotel investment volume were also added to this, the 2019 figure would reach circa €13,790 million.

The **most active sector in terms of investment was offices**, which accounted for €7,800 million of investment volume, the standout transaction being the purchase of the Santander headquarters for an estimated sales price of round to €3,000 million. The second most dynamic sector in terms of investment was logistics (€1,875 million), followed by retail, which attracted investment to the tune of **€1,600 million**.



**Commercial investment**  
(retail, offices and logistics)  
in Spain in 2019:  
**€11,275 million**  
an increase of 43.6%  
vs 2018

**Commercial investment volume** (€ Mn)



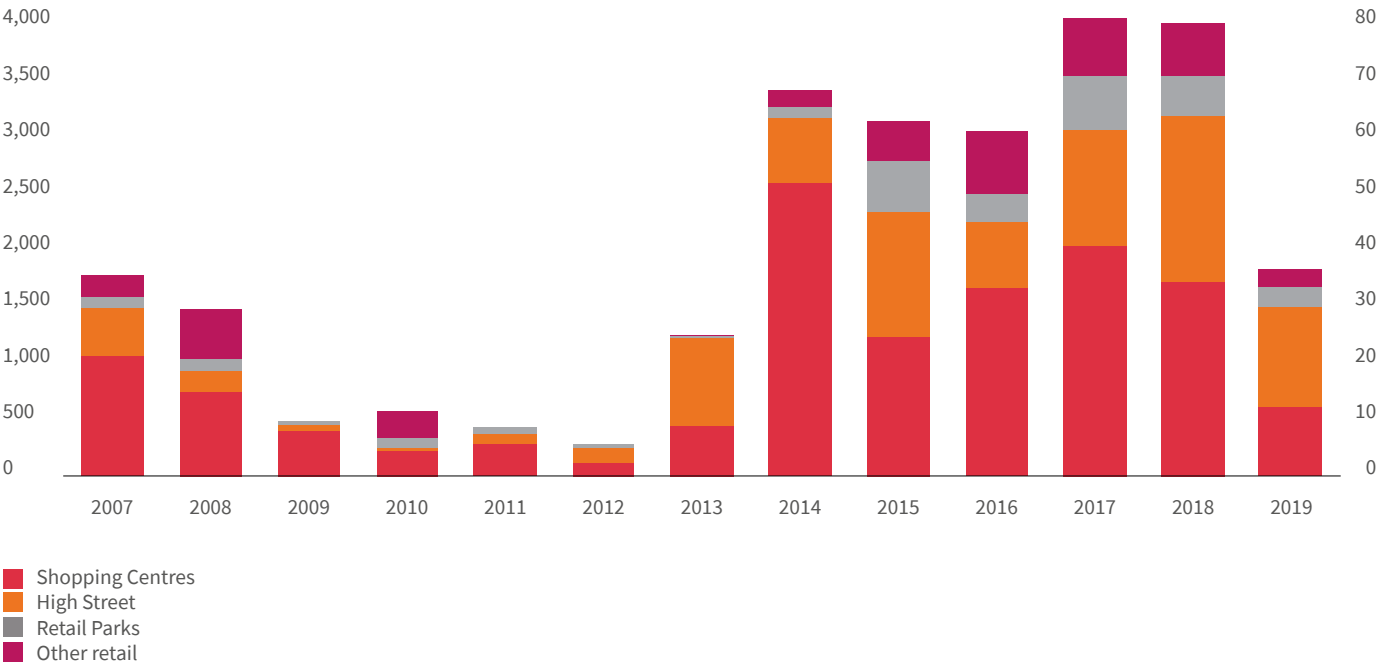
Source: JLL

The retail sector remains highly active. Over the last year, take-up and rents have steadily risen in the leading shopping centres and in retail parks (up 2.6% y-o-y), while prime high street rents have remained stable.

Retail investment fell slightly, after reaching **record highs for the last five years**. The high street segment accounted for the highest investment volume (58% of the total), followed by shopping centres (27% of the total), which notably saw a lack of major deals, and retail parks (10%).

Investors are primarily interested in core assets in the high street segment, while investment in shopping centres and retail parks is more focused on core+ assets.

Retail investment volumen by asset class (€Mn)



Source: JLL





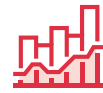
III.

## Retail market

### Prime rents

**Prime rents** for retail property continue to grow from one year to the next. The average annual high street unit rent remained stable compared to the previous year, with rents reaching €3,528 per sqm per year. **Shopping centre rents climbed 2.6%** to an average of **€1,200 per sqm per year**, compared with €1,170 per sqm per year in 2018. **Retail parks posted a 2.6% y-o-y increase.** Prime rents in this segment now hover around **€240 per sqm per year**, compared with €234 per sqm per year in 2018.

In terms of shopping centres, Spain is forecast to see some of the **highest rental growth** in Europe over the next four years, with rents set to rise by an average of **1.9%** each year until 2023.



**€1,200 per sqm/year**  
in Shopping Centres  
**+2.6% vs 2018**



**€240 per sqm/year**  
in Retail Parks and  
Warehouses  
**+2.6% vs 2018**

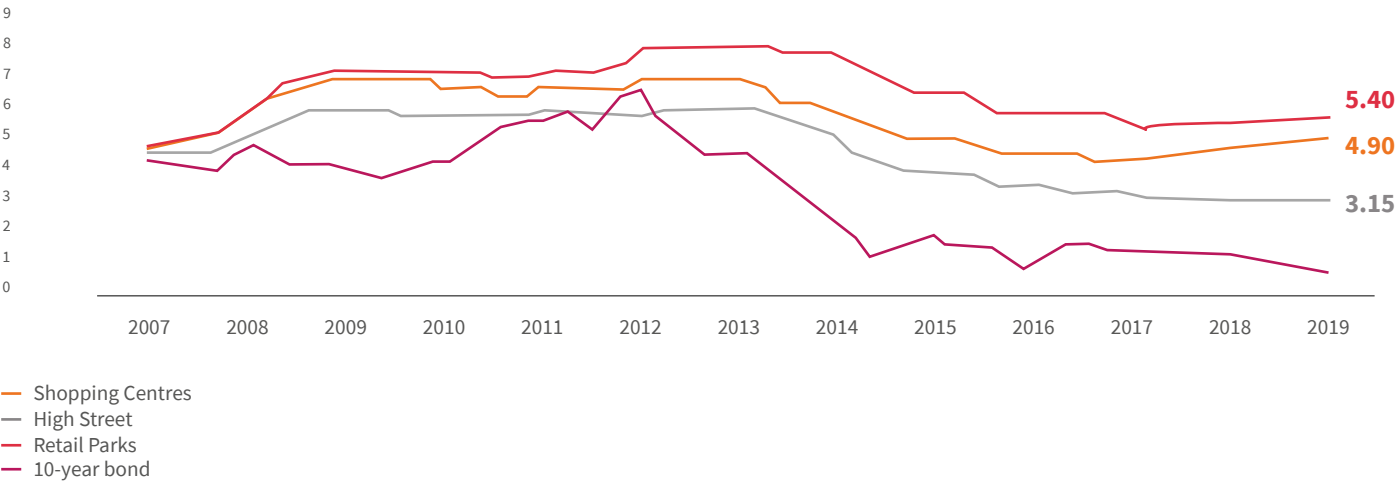


## Prime yields

**High street and retail park yields held steady** in 2019. A prime yield of **3.15%** is achievable for units in the best high street locations, whereas for retail parks the prime yield sits at **5.40%**.

**Shopping centre** yields stood at **4.90%** at Q4 2019. These properties, most of which are core assets, remain an attractive proposition for investors.

Prime yields (%)



Source: JLL



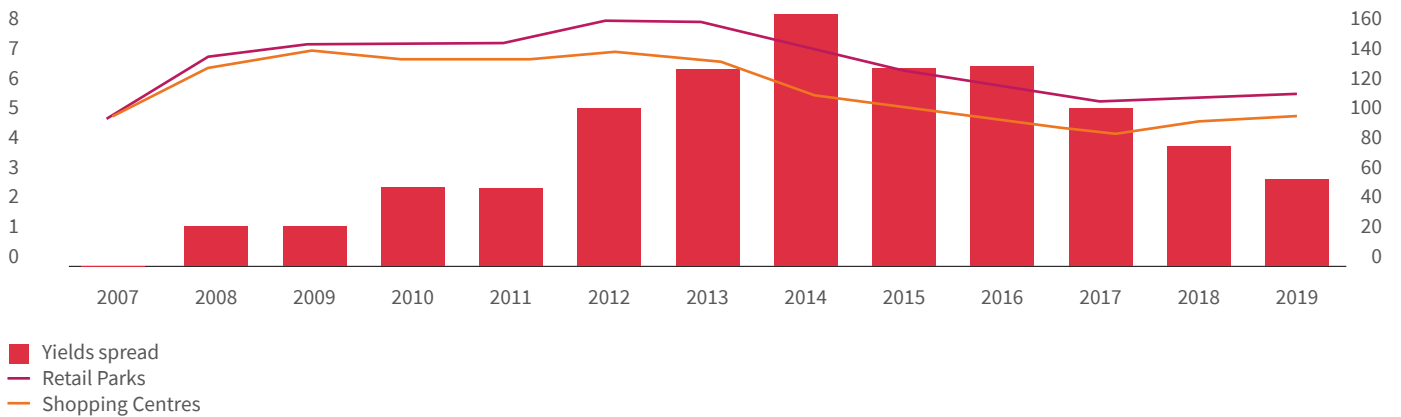


**4.90%**  
Shopping Centres  
prime yield



**5.40%**  
Retail Parks  
prime yield

### Prime yields spread. Retail Parks vs Shopping Centres



Source: JLL

## Footfall

Retail footfall fell slightly at YE 2019 compared to the previous year. The ShopperTrak national footfall index posted a monthly increase of 18.8%, although it ended the year **down by 1.9% y-o-y**.

The **purchasing power** of Spanish households continues to rise, reflecting the country's **decreasing unemployment levels** and burgeoning **economic growth**, which is driving the retail market and pushing up **consumer footfall**, as Spaniards spend an increasing amount of time and money on activities in their spare time.

Below is a breakdown of the **monthly and annual visitor numbers** at retail properties in Spain during the past six months, according to the leading ShopperTrak index:

	<i>Monthly variation</i>	<i>Annual variation</i>
July	19.0%	-1.3%
August	-6.9%	-1.2%
September	-6.7%	-1.2%
October	-2.6%	-1.5%
November	6.9%	-1.7%
<b>DECEMBER</b>	<b>18.8%</b>	<b>-1.9%</b>

Source: Shoppertrak Index

## Sales

Retail sales **increased by 1.7%**, with prices unchanged on the previous year, according to the latest figures published by INE.

Shopping centre sales **rose by a y-o-y average of 2.1%**, according to the Department Store Index from the National Statistics Institute (INE).

Shopping centres are developing digital apps that combine both physical and online platforms, focusing their efforts on an omnichannel sales strategy. E-commerce is also **forcing shopping centres to change** and allocate more space for **leisure and food & beverage** in order to provide an **improved visitor experience**. Shopping centres are becoming omnichannel spaces that offer unique experiences that are the key to providing added value over e-commerce.

Retail properties with a stronger focus on **food & beverage, leisure and consumer experience** will be the ones to prosper in the future. Creating a **consumer experience** is one of the main advantages that shopping centres have over e-commerce. It is increasingly important to understand the **customer journey** and recognise that it doesn't just start when a customer steps foot in a centre – it starts from the moment they very first think about shopping.

The leisure sector is also evolving to meet the needs of an **increasingly sophisticated public**, as demonstrated by the transformation of cinemas in recent years. The main cinema chains have found new ways of making their theatres stand out, focusing their product on each type of customer (premium auditoriums, children's screens, etc.).

In addition, **shopping centres have been transforming their food courts**, in order to adapt to changing consumer habits. Food & Beverage sales continue to rise, demonstrating how well the main chains are adapting to the needs and demands of their customers, and making it the fastest-growing segment in the world of retail.

Retailers continue to adapt their business models to the new consumer habits, with many entering into omnichannel retailing. Retailers are focused on prime locations, investing in **brick-and-mortar stores as a necessary addition to complement their online outlets.**

Some pure players are expanding from the offline sphere to open physical stores – including retailers such as Hawkers and AliExpress – as they aim to **bring their products closer to customers.**

Although e-commerce grew in 2019, its share of total retail sales in Spain continues to lag behind that of other European nations, such as the United Kingdom, France and Germany.

**Airline tickets and travels** are still both the most popular products purchased online and the fastest-growing e-commerce segment, while the share of tangible retail products remains low compared to the rest of Europe.

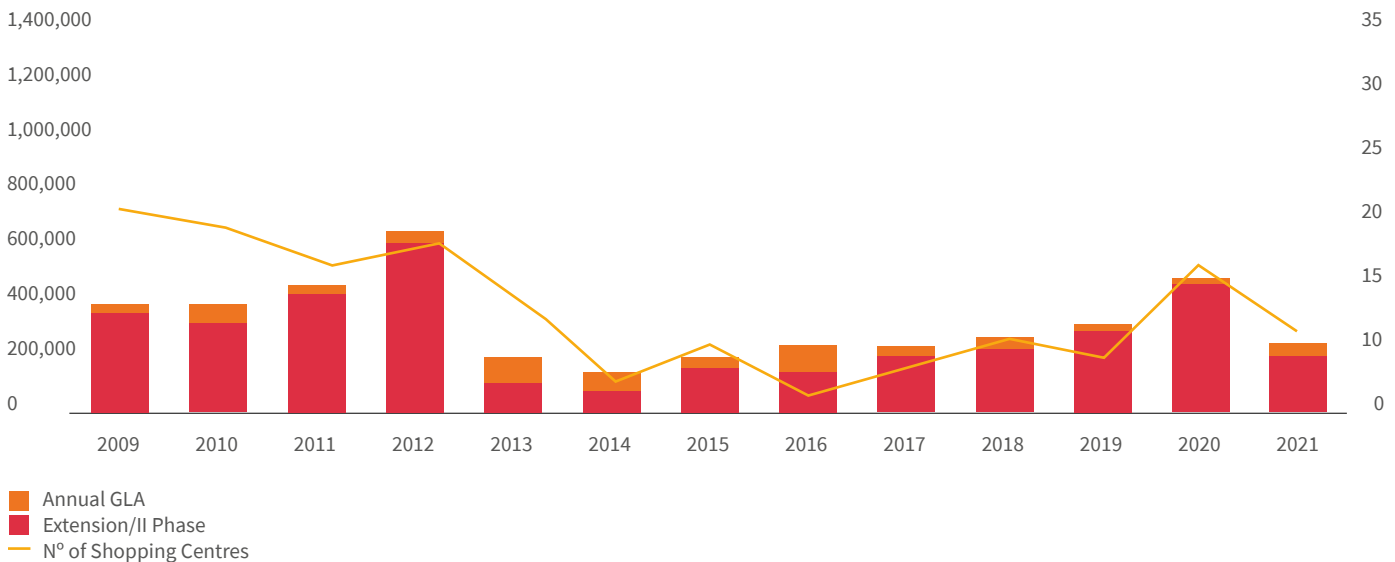


## Stock

More than **210,000 sqm of GLA was opened** in 2019, the majority of which pertained to two new retail properties that opened during the first nine months of the year, including Lar España's **Lagoh** shopping centre, which comprises a gross lettable area of 70,000 sqm. Another small part of the GLA relates to **extensions and second phases**. These figures remain in line with 2018's performance.

The pipeline of new developments is expected to remain the same for the next few years, with an annual GLA output of between 200,000 sqm and 300,000 sqm across **18 projects** between 2020 and 2022, according to the Spanish Shopping Centre Association.

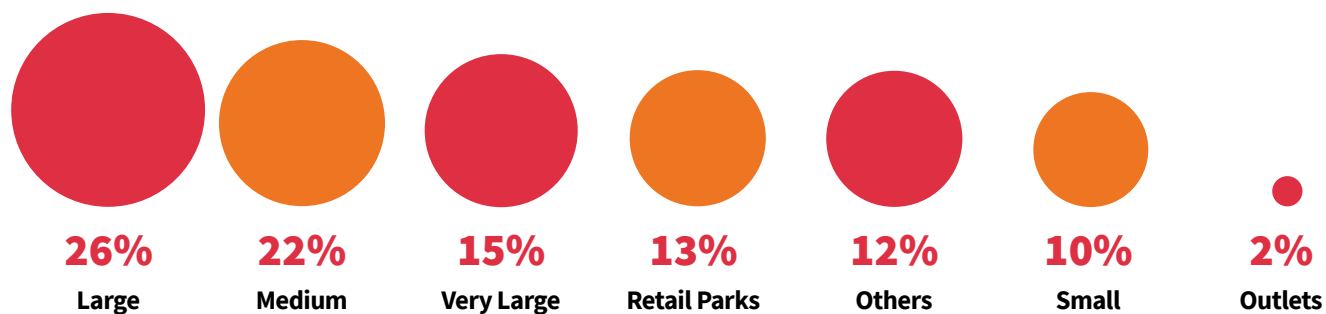
The red alert for shopping centres in the US doesn't appear to have reached Spain just yet. In fact, quite on the contrary, there has been **a real boom in developer activity** over the last three years.



Source: JLL

According to data from the Spanish Shopping Centres Association, as of 31 December 2019, there were **567 shopping centres and retail parks** in Spain, with a total gross lettable area of **16 million sqm**.

*Stock distribution by asset class (\*)*



(\*) According to Spanish Association of Shopping Centres (AECC):

Very Large (>79,999 sqm)

Large (40,000-79,999 sqm)

Medium (20,000-39,999 sqm)

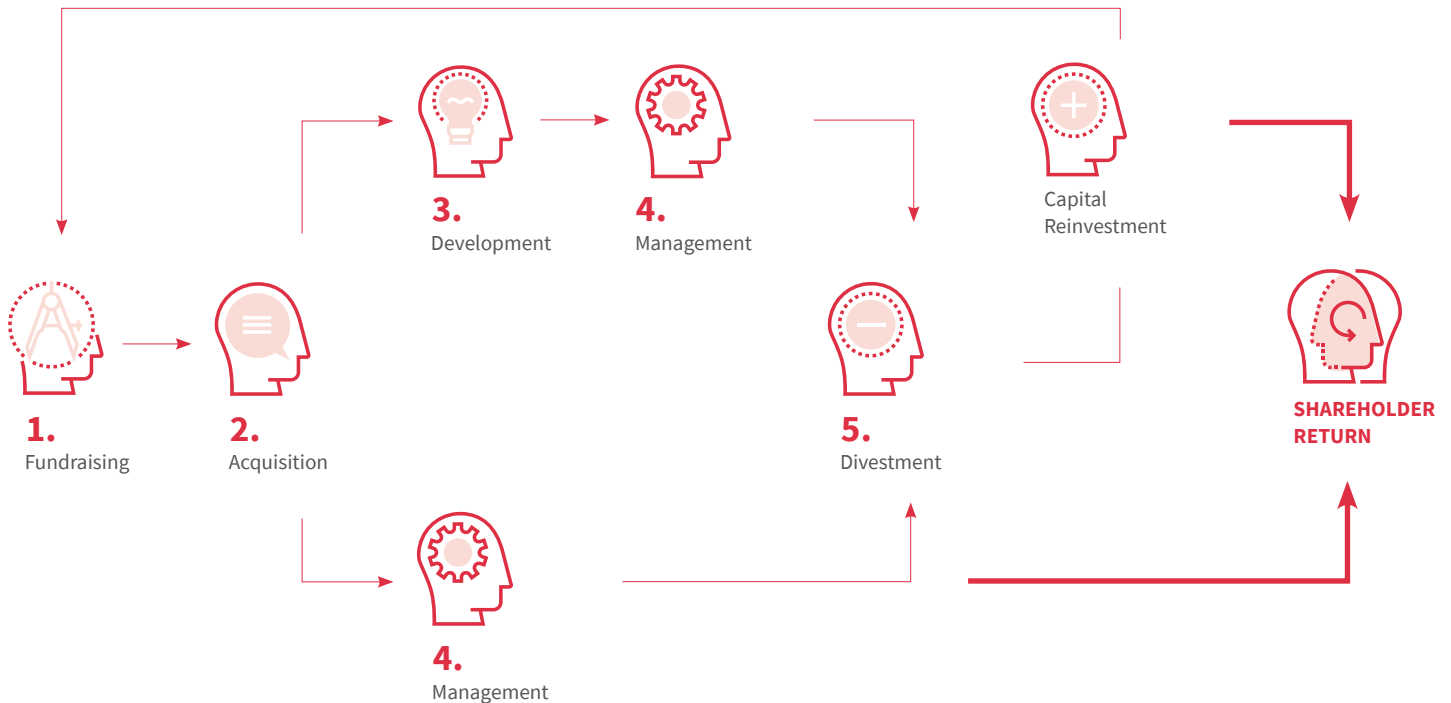
Small (5,000-19,999 sqm)



← Centro Comercial



## 2.2 Business model



### 1.

The **investment** and real estate management process begins at the level, where investment decisions are made and **financing** obtained through:

- Financial Markets (IPO and share capital increases).
- Bank Financing.
- Alternative Financing (Bonds).

### 2.

Once and in-depth analysis of the investment opportunity and its future returns has been carried out, a **decision to purchase** is then made.

### 3.

In the property **development, construction and refurbishment phases**, we pay special attention to reducing negative environmental and social repercussions.

### 4.

We look at the deal from an **active management** point of view, analysing the most efficient way to conserve the properties paying particular attention to aspects such as sustainability, innovation, accessibility, ensuring value creation for all of our stakeholders.

### 5.

We sell our properties at the optimal moment, after **maximising their value creation**, and ensuring that returns have been achieved in line with those approved in the acquisition process.





## 2.3

### Corporate strategy and positioning

#### Who are we?

**Lar España Real Estate SOCIMI, S.A.**, (hereinafter Lar España) is a SOCIMI (Listed Real Estate Investment Company) that has been listed on the Madrid Stock Exchange since 5 March 2014.

It was founded at an **ideal juncture in the Spanish property cycle**, when real estate prices had just bottomed out at record lows and the real estate market was entering a new cycle. Lar España also ushered in a change of trend for the Stock Market, as it was not only the **first Spanish SOCIMI to be floated**, but it was also the very first listing to take place following a three-year dearth, and the first listing of a real estate company in seven years.

Lar España is exclusively managed by **Grupo Lar**, a real estate company whose extensive experience in the sector is of particular note. It boasts a large team of professionals that actively manage and work to diversify the portfolio in order to maximise its operational efficiency, as well as each asset's yield.

**The Group's investment strategy** focus is now entirely on **retail properties**, after a desinvestment process of the considered as non-strategic assets:

- **Shopping centres and retail parks:** Retail unit and retail warehouse lettings. Its strategy is focused on identifying shopping centres that are poorly managed and that have **strong upside potential**, especially centres where there is an opportunity for repositioning or extending them.
- **Offices:** Lar España has implemented a value-add plan for the properties in its portfolio, with the aim of **maximising shareholder returns** when they are sold.

In 2019, an agreement was reached for the sale of the two remaining office buildings in its portfolio, resulting in a combined capital gain of **142.9%** on the acquisition price.

Lar España also made an unprecedented investment in the residential sector through a joint venture with PIMCO, taking a 50% stake in luxury housing development Lagasca99. **All apartments delivery in this new complex have now been completed and delivered.**

The Company's investment policy is mainly focused on:

- Strategic assets, **shopping centres and retail parks**, with strong growth potential.
- Investment opportunities in **dominant retail assets in their catchment area** that offer significant upside via management, avoiding the segments where there is greater competition.
- **Risk diversification**, expanding in Spain and primarily investing and developing in retail spaces.

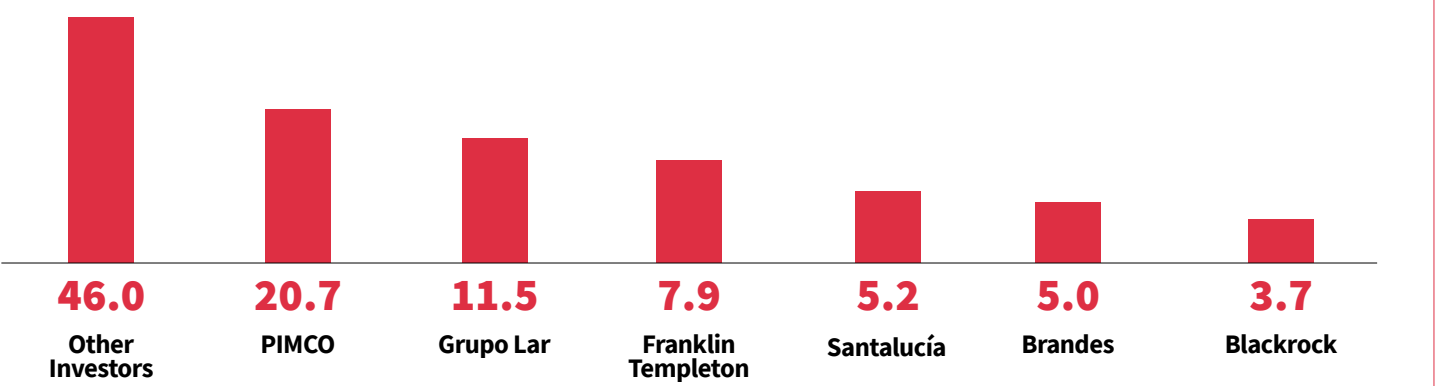
The Company's pipeline remains solid, allowing it to continue to comfortably meet its forecast investment targets.

The objective set out for the Company when it was first created was to invest in the Spanish real estate market under a long-term asset management plan. A plan, aimed at generating **high returns for its shareholders**, via the payment of considerable annual dividends, and creating value by increasing the Company's EPRA NAV.

## Shareholder structure

Lar España’s shareholders include some of the most important investment and financial groups in the world, such as **PIMCO** and **Franklin Templeton**.

Shareholder structure 31 December 2019 (%)



Shareholder structure by profile



Institutional shareholders by geographic area (%)




Organisational structure

The **Board of Directors** is Lar España’s main governing body, whose role is to supervise the management of the Company with the common aim of championing social interest.


It is also Lar España’s internal ruling structure and possesses the most far-reaching powers in terms of the running of the company, except for those matters that require approval from the Annual General Shareholders Meeting.

It comprises 7 members, **5 of whom are independent and 2 of whom are proprietary**, from PIMCO and Grupo Lar.


All of the members of the Board of Directors hold or have held senior executive positions in listed companies in the financial and real estate sectors. (See the information provided in section 3 – **Good Governance**).




Mr. JOSÉ LUIS DEL VALLE




Chairman




Member




Mr. ALEC EMMOTT




Director




Member




Mr. ROGER MAXWELL COOKE




Director




Chairman




Ms. ISABEL AGUILERA




Director




Member




Ms. LETICIA IGLESIAS




Director




Chairman




Mr. MIGUEL PEREDA




Director




Member







Mr. LAURENT LUCCIONI



Director



Member

-  Independent Director
-  Audit and Control Committee
-  Proprietary Director
-  Appointments and Remuneration Committee

**Mr. JUAN GÓMEZ - ACEBO**  
Secretary of the Board (Non-Director)

**Ms. SUSANA GUERRERO**  
Vice-secretary of the Board (Non-Director)





Lar España also features a **Management Team** that runs Lar España and is comprised of three people (two men and one woman) that benefit from extensive experience in the real estate sector, as well as an expert knowledge of the market.

100% is covered by a Collective Agreement, and the absenteeism rate in 2019 stood at 0%.

Its structure is detailed below:



At the same time, Lar España has an **Internal Audit Service (SAI)**, which, although it is not the Company's employees, reports directly to the Audit and Control Committee.





### Mr. Jon Armentia

Mr. Jon Armentia is the Corporate Director & CFO of the Company. He joined Lar España in 2014.

Mr. Jon Armentia was appointed CFO of Grupo Lar in 2006, covering the area of retail properties. Previously he worked in Deloitte (formerly Arthur Andersen) for four years.

Mr. Jon Armentia has a Bachelor Degree in Business Management and Administration from Universidad de Navarra and has over 18 years of experience in audit, finance and real estate, in which he has participated in several Committees and Boards of Directors.



### Ms. Susana Guerrero

Ms. Susana Guerrero is the Legal Manager and Vice-secretary of the Board of Directors of the Company. She joined Lar España in November 2014.

Previously she worked as a corporate and M&A lawyer at Uría Menéndez for 10 years and boasts extensive experience in corporate governance, serving as Secretary of the Board of Directors at companies across a range of different sectors.

Ms. Susana Guerrero studied Law at the Complutense University in Madrid and has an LLM in Business Law from Instituto de Empresa (IE).



### Mr. Hernán San Pedro

Mr. Hernán San Pedro is the Head of IR of the Company. He joined Lar España in January 2016.

Previously he worked at Grupo Sacyr Vallehermoso as Head of IR, Skandia-Old Mutual Group and Banco Santander.

Mr. Hernán San Pedro studied Law at Universidad San Pablo - CEU (Madrid), holds an MTA from Escuela Europea de Negocios and has over 30 years of experience in different positions in the financial, insurance, construction and real estate sectors.



## International standards

Lar España aims to comply with the highest international standards of transparency, comparability and commitment. Hence, it is a member of the **European Public Real Estate Association (EPRA)**, the leading international association in the sector, which aims to provide comparable financial information between publicly listed Real Estate companies.

On June 4 2015 the SOCIMI joined the **FTSA EPRA/NAREIT index**, a select global index designed to showcase general trends, which includes some of the biggest real estate companies in the world.

In September 2019, Lar España was awarded for the fifth year running the **EPRA Gold Award** from the European Public Real Estate Association (EPRA) **in recognition of the quality of the financial information** provided by the company. Lar España was also awarded for the second time with the most prestigious recognition from EPRA, the **Gold Award**, related to the **information about Corporate Social Responsibility**.



This highlights the international recognition for the information reported by Lar España and made available to its shareholders.

Lar España also collaborates with MSCI-IPD and forms part of its annual real estate index, (**IPD Spain Annual Property Index**), which provides additional information and visibility of the real estate sector.



During the financial year 2019, Lar España participated again in the evaluation of **GRESB** (Global Real Estate Sustainability Benchmark), obtaining an **increase of 20%** of the rating compared to the previous year. GRESB has positioned itself as a **frame of reference for the evaluation of environmental, social and governance aspects (ESG)** in the real estate sector.



Lar España continues to be the leader SOCIMI in terms of **financial and sustainability reporting** according to EPRA standards



## VISION

To create unique shopping experiences by combining leisure and retail via an omnichannel approach



## MISSION

To maximise shareholder returns via the responsible and efficient management of our retail properties, incorporating technology as a key element to then add value for both our retailers and customers



## VALUES

Corporate focus  
**RESPONSIBILITY**

Customer focus  
**QUALITY AND RESPECT**

Market focus  
**INNOVATION**

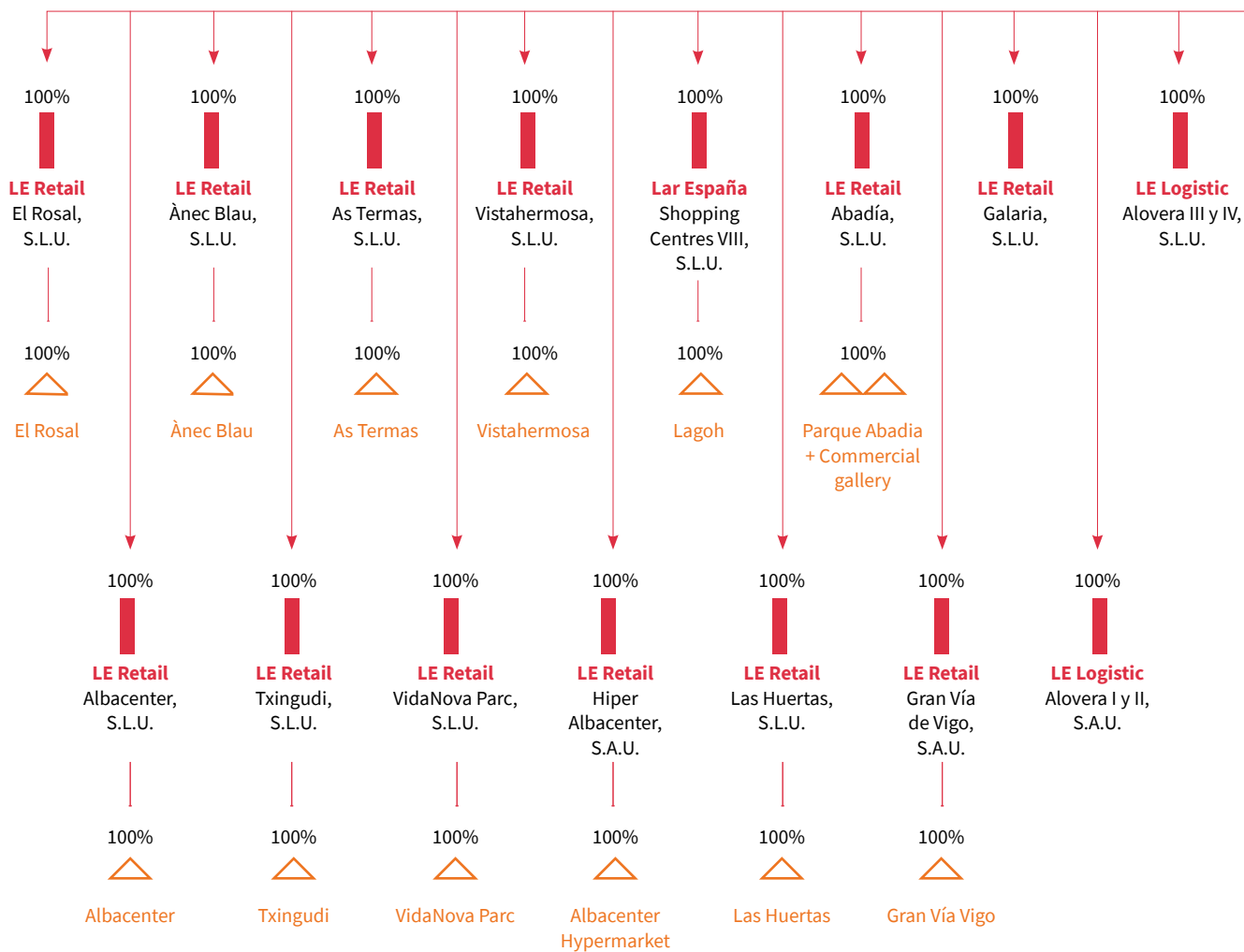
Investor focus  
**TRANSPARENCY AND HONESTY**



## 2.4

### Company chart 31.12.2019

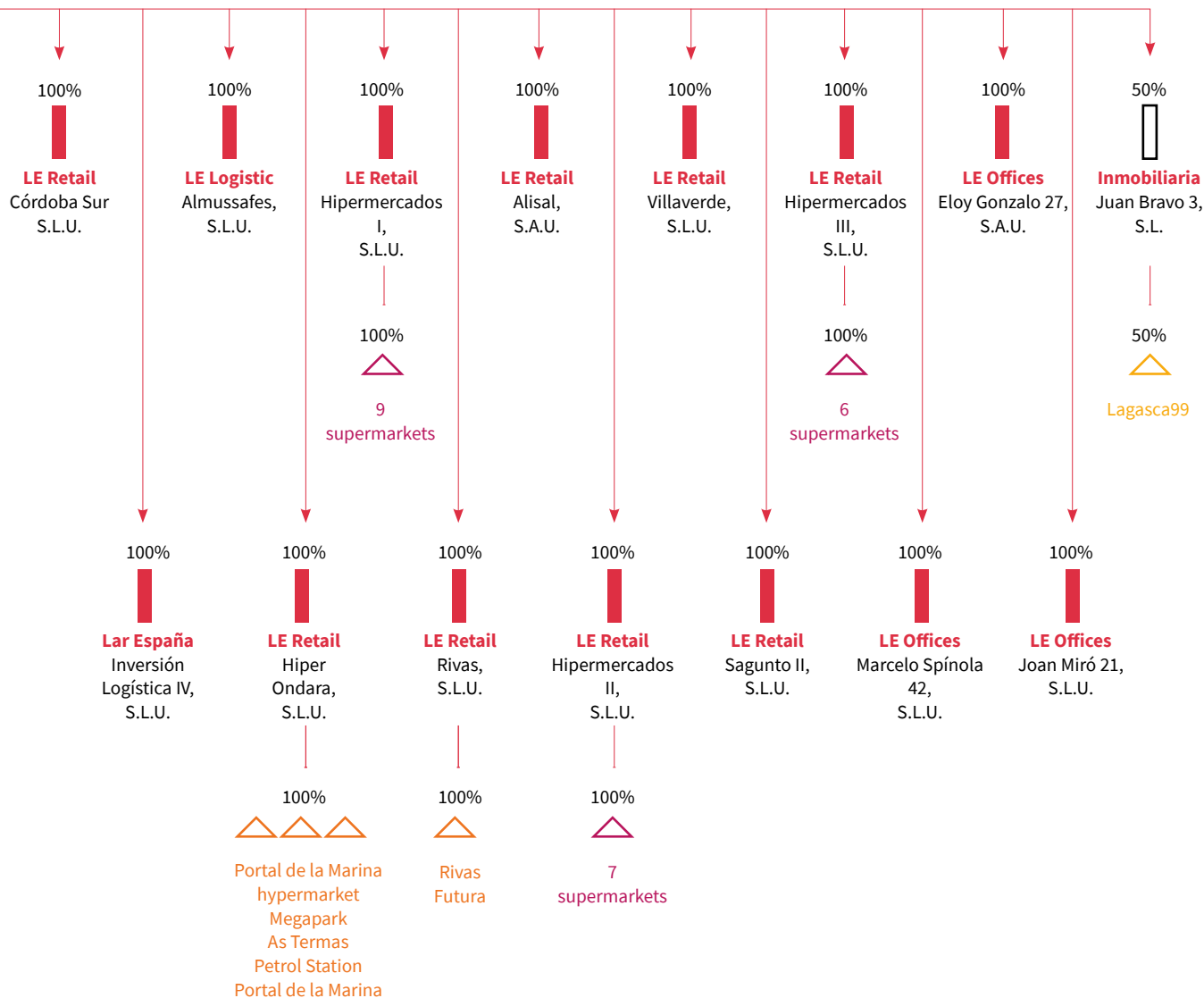
Group scope of accounting/financial consolidation as of 31 December 2019 is as follows:



Company.

Full Consolidation

Equity Method



Asset Class.

 Shopping Centres & Retail Parks
 Retail Units
 Residential

## 2.5

### Main milestones

#### 2019

##### JANUARY.

#### +40% revaluation versus their acquisition price

Lar España received the valuation reports for its assets as at 31.12.2018, in which they were assigned a **total value of €1,535.9 million**, up **40.0%** versus their acquisition price.

#### Registration of Lar España share capital reduction

Lar España reported the registration of a public deed in the Madrid Company Registry, relating to a **share capital reduction via the cancellation of treasury shares** granted on 28 December 2018. The Company reduced its share capital by €3,088,980.00, via the cancellation of 1,544,490 treasury shares, with a par value of €2 per share. Following the reduction, the Company's **share capital** stood at **€186,438,088.00**, equivalent to 93,219,044 shares, with a par value of €2 per share.

#### Sale of Marcelo Spínola office building

Lar España sold an office building located at Calle Cardenal Marcelo Spínola 42 in Madrid, to the INVESCO company known as IRE-RE Espinola, S.L.U. The property comprises a total gross lettable area of approximately 8,875 sqm and was sold for a sum of **€37 million**, equating to a capital gain of **94.7%** compared to the acquisition price.

##### MARCH.

#### End of first share buy-back programme

Lar España announced the **end of its share buy-back programme**. As a result of this programme, the Company acquired a total of 3,091,141 treasury shares, equating to **3.31% of Lar España's current share capital**.

#### New share buy-back programme underway

A new share **buy-back programme** has been launched, with a maximum buy-back limit of **€42 million**. The maximum number of shares that the Company can buy back is **4,660,000**, equating to **5% of share capital**. The buy-back programme has been implemented by JB Capital Markets, S.V., S.A.U., and has a maximum term of **nine months**.



## APRIL.

### Sale of Eloy Gonzalo office building

Lar España sold an office building located at Calle Eloy Gonzalo 27 in Madrid, to the SwissLife company known as CARFEN SPV 2018, SL. The property comprised a total gross lettable area (GLA) of approximately 6,295 sqm and was sold for a sum of **€40 million**, equating to a capital gain of **214.21%** compared to the acquisition price.

### Annual General Shareholders Meeting

The Lar España **Annual General Shareholders Meeting** was held on 25 April 2019, to approve the agreements submitted for their consideration.

## MAY.

### Dividend

Following approval at the Annual General Shareholders Meeting, the shareholder **dividend payment** was distributed, amounting to a total of **€0.80 per share**.

## JUNE.

### Share capital increase to reinvest the Grupo Lar performance fee

The Board of Directors approved a share capital increase – which included the subscription of pre-emptive rights – in the amount of **€6.4 million**, by issuing 621,337 nominal shares. The sole aim of this increase was to enable the **performance fee** accrued by Grupo Lar in 2018 **to be invested in Company shares**.

The Company also reported the public recording of an agreement to reduce its share capital via the cancellation of treasury shares. As a result, Lar España's share capital was reduced by **€6.5 million following the cancellation of 3,252,820 treasury shares**, with a par value of €2 per share.

The Company's resultant share capital stood at **€181,175,122.00**, equating to **90,587,561 nominal shares** with a par value of €2 per share.



## Registration of share capital increase and reduction in the Company Registry

Lar España reported the registration of a public deed in the Madrid Company Registry, relating to a **share capital increase and reduction via the cancellation of treasury shares**. The Company increased its share capital by **€6.4 million**, by issuing 621,337 nominal shares, and reduced it by **€6.5 million** following the retirement of 3,252,820 treasury shares, with a par value of €2 per share, relating to the second share buy-back programme.

**The resultant share capital** following the increase and reduction stood at **€181,175,122.00**, equating to **90,587,561** nominal shares, with a par value of €2 per share.

## EPRA Awards

In September 2019, Lar España was awarded for the fifth year running the **EPRA Gold Award** from the European Public Real Estate Association (EPRA) **in recognition of the quality of the financial information** provided by the company. Lar España was also awarded for the second time with the most prestigious recognition from **EPRA, the Gold Award, related to the information about Corporate Social Responsibility**.

## DECEMBER.

### End of second share buy-back programme

Lar España reported the **end** of its **share buy-back programme**, which allowed the Company to acquire a total of **4,660,000 treasury shares**, equating to 3.31% of Lar España's current share capital.

### Public recording of share capital reduction

Lar España reported the public recording of an agreement to reduce its share capital by **€5,907,662 via the cancellation of 2,953,831 treasury shares**. Following the reduction, the Company's share capital stood at **€175,267,460**, equivalent to **87,633,730 nominal shares**, with a par value of €2 per share.

### New financing for Rivas Futura and VidaNova Parc Retail Parks

Lar España refinanced the loans relating to Rivas Futura and VidaNova Parc Retail Parks, by signing two new financing agreements with BBVA, amounting to **€34.5 million and €28 million** respectively, both of which include a **5-year term and bullet repayment**.

**These transactions will allow the Company to improve both the cost and maturity of its debt.**







**2020**

**JANUARY.**

### **New share buy-back programme**

A new share **buy-back programme** has been launched, with a maximum buy-back limit of **€45 million**. The maximum number of shares that the Company can buy back is **4,500,000**, equating to 5% of share capital. The buy-back programme has been implemented by JB Capital Markets, S.V., S.A.U., and has a maximum term of **nine months**.

### **Registration of share capital reduction in the Company Registry**

Lar España reported the registration of a public deed in the Madrid Company Registry, relating to a **share capital reduction via the cancellation of treasury shares** granted on 20 December 2019. The Company reduced its share capital by €5,907,662, via the cancellation of **2,953,831 treasury shares**, with a par value of €2 per share. Following the reduction, **the Company's share capital stood at €175,267,460**, equivalent to **87,633,730 shares**, with a par value of €2 per share.

## 2.6

### Grupo Lar, Lar España's Manager

**Lar España Real Estate SOCIMI, S.A.** is exclusively managed by **Grupo Lar**, a seasoned, family owned, Spanish private real estate developer, investor and asset manager with more than 50 years of experience, working both national and internationally.

In February 2018, Lar España entered into an agreement with Grupo Lar in order to **novate the investment management** agreement until 2021.



Investment Management  
Agreement



## I. Grupo Lar's competitive advantages



### 1. Stable ownership & governance

The **Pereda Family** owns 100%.

**Strong Corporate Governance** regulations. 4 out of 10 Independent Directors. Grupo Lar has highly regarded individuals in the Real Estate and/or Financial landscape.



### 2. Strong management team

**274 employees** in **6 countries** with on-going training programmes in each country and talent selection processes in order to build on middle management capabilities.

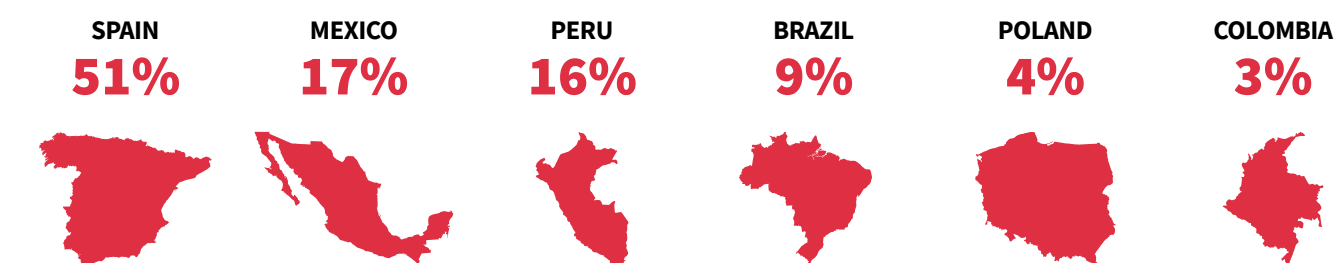
**Large experience and knowledge** of the Spanish real estate market.



### 3. Geographical diversification

**Internacional presence:** the Company portfolio is spread across **6 countries** in Europe and the Americas.

### Weighting of each country in the Grupo Lar's portfolio



Strong management team with **large experience and knowledge** of the Spanish real estate market



4.  
Product diversification

Grupo Lar is a developer, investor and asset manager in **shopping centres, offices, residential, industrial and logistics.**



5.  
Reliable manager and partner of third party funds

**Co-investor and operational partner** for Institutional Investors and Hedge-Funds.

Grupo Lar has a unique track record of successfully leveraging on **JVs and Alliances with tier 1 Investor and Corporations**, in order to maximise the return on investment for its partner.



6.  
Strong balance sheet

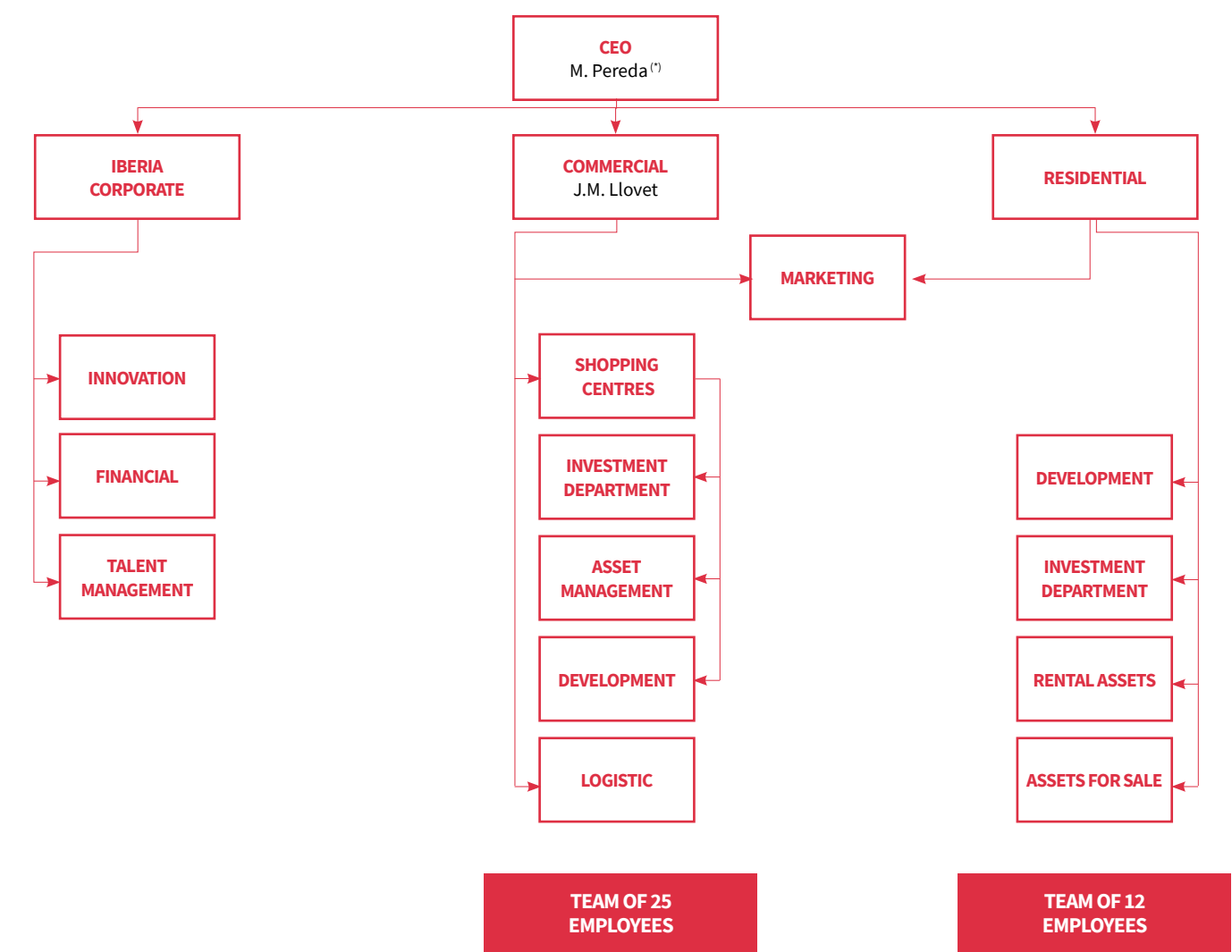
It boasts a **solid financial position** and the ability to adapt to different property cycles thanks to the **diversity of its assets and their locations.**

% GAV managed by Grupo Lar at 31 December 2019





Below we detail the **management team**, which is involved in the day-to-day running of Lar España:



(\*) Grupo Lar Inversiones Inmobiliarias Board Member



## Proven partner in Alliances/JVs

One of the key differentiating values of Grupo Lar is its proven experience of establishing **alliances with prestigious international investors**, such as Green Oak, Grosvenor, Goldman Sachs, Henderson Global Investors and Ivanhoe Cambridge, among others.



## Long term successful Joint Ventures

- Grupo Lar has successfully partnered with the **Real Estate funds** of highly regarded international institutions.
- **50-50% JV With Grosvenor**, from 2000 to 2008, to develop, invest and manage office, shopping and business centres in Spain (6 industrial parks, 6 office buildings and 13 shopping centres).

- Grupo Lar and **Whitehall (Goldman Sachs)** set up an alliance (1998-02) to invest in shopping Centres and offices.
- Group Lar and **Centerbridge** have created a Joint Venture in the year 2019 with the objective to develop and to create a **portfolio of logistic ships grade A** in Spain, with an expected volume is of **€250 million**. Centerbridge is a private investment firm that has invested over \$8 trillion in the real estate sector in North America and Europe.

## Alliances and JVs to invest in different assets and locations

### Germany:

In 2007, Grupo Lar invested in Office and residential business for La Caixa Private Banking Clients.

### Spain:

#### Shopping Centres:

JV with Invanhoé Cambridge, Eroski, Vastned Retail, Acciona Inmobiliaria, GreenOak, Sonae Inmobiliaria, GE Capital, Henderson and Rockspring.

#### Residential:

More than 3,850 dwellings under alliances with Banco Sabadell, Bankia, AXA RE and Catalunya Caixa, and Real Estate developers.

### LatAm:

Strategic Alliances and JVs with Grupo Acción in México; RB Capital, Mero do Brasil and Concima en Brasil; and Cosapi in Peru.

Grupo Lar's extensive experience and in-depth knowledge are clearly emulated in **Gentalia**, the largest retail property manager in Spain and in which Grupo Lar owns 100% of the capital.

Gentalia's business covers the areas of **consultancy, asset management, letting and shopping centre and retail park management**. Gentalia carries out these activities for the vast majority of Lar España's retail portfolio.

As well as exemplary management, having its own team enables it to win the loyalty of a large number of retailers. It also optimises the operating costs of the shopping centres via the establishment of economies of scale.

Gentalia's portfolio currently comprises **34 shopping centres** and **5 projects** of varying types, operating throughout Spain. This equates to a gross lettable area of **1,304,200 sqm**, providing the company with access to up-to-date knowledge and constant contact with the tenants of over 2,600 retail units, including all the **prestigious retailers on the market**.

Gentalia



I.

## Grupo Lar fees as Lar España's Manager in 2019

On 19 February 2018 Lar España signed an agreement with its managing company, Grupo Lar, with the aim of **renewing the terms of the investment management contract or Investment Manager Agreement (IMA)** signed by both parties on 12 February 2014.

Among the most important modifications, the structure of commissions corresponding to the Management Company stands out (fixed commission or base fee and variable commission or performance fee) modified with the aim of **improving the cost structure of Lar España and strengthening the existing alignment between the interests of the Investment Manager and the the Company's shareholders.**



### Base fee (Fixed fees)

According to the **management contract**, the base fee payable by Lar España is calculated on the basis of an annual amount equivalent to the higher of:

- **€2 million**
- The sum of **(a) 1.00% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which is up to and including **€1,000 million**, and **(b) 0.75% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which is in **excess of €1,000 million**.

As a result, the fixed fees entered in the Global Consolidated Income Statement for Lar España at 31 December 2019 total **9,877 thousand Euros**.

Base Fee	Thousands of euros
<b>EPRA NAV 31.12.18</b>	<b>1,036,683</b>
Gross fee	10,275
Grupo Lar expenses incurred by Lar España	(163)
Fees indirectly paid in subsidiary companies <sup>(*)</sup>	(235)
<b>BASE FEE</b>	<b>9,877</b>

(\*) Lagasca99 fees



## Performance fee (Variable fees)

Grupo Lar has the right to a **Performance Fee** that is paid to the manager **depending on the profitability obtained by Lar España shareholders**.

In this respect, the annual profitability of shareholders is defined in the contract as the sum of the change to EPRA NAV of the Group during the period, less net funds obtained from the issue of shares during the period, plus the dividends distributed during said period.

According to the management contract, the **performance fee** to be drawn by the Investment Manager will be **linked to both the EPRA NAV and the market capitalisation of the Company**, and subject to an overall cap equivalent to 3% of the EPRA NAV of the Company as of 31 December of the preceding year.

The amount of this remuneration will be accrued by the Management Company from the moment that:

- **Annual EPRA NAV Increase** (net of capital increase and shareholders distributions) up to **10%**:  
**16%** of the amount beyond the 10% of annual increase
- **Annual increase of the market capitalization** (net of capital increase and shareholders distributions) up to **10%**:  
**4%** of the amount beyond the 10% of annual increase





The annual increase of **EPRA NAV** is then calculated:

<b>EPRA NAV Evolution</b>	<b>Thousands of euros</b>
EPRA NAV 31.12.18	1,036,683
EPRA NAV 31.12.19	1,003,760
<b>Gross difference</b>	<b>(32,923)</b>
2018 Dividend paid in 2019	75,000
Capital Increase	(6,425)
Capital Reductions	46,425
<b>Net annual increase</b>	<b>82,077</b>
<b>INCREASE % 31.12.18 - 31.12.19</b>	<b>7.92%</b>
>10%	0.00%
Return above 10%	-
<b>PERFORMANCE FEE</b>	<b>-</b>

Therefore, **no performance fee will be paid based on the change in EPRA NAV.**

The Company's **market capitalisation evolution** is also displayed in the following table:

<b>Market Capitalization Evolution</b>	<b>Thousands of euros</b>
EPRA NAV 31.12.18 <sup>(*)</sup>	735,731
EPRA NAV 31.12.19 <sup>(*)</sup>	648,621
<b>Gross difference</b>	<b>(87,110)</b>
2018 Dividend paid in 2019	75,000
Capital Increase	(6,425)
Capital Reductions	46,425
<b>Net annual increase</b>	<b>27,890</b>
<b>EVOLUTION % 31.12.18 - 31.12.19</b>	<b>3.79%</b>
>10%	0.00%
Return above 10%	-
<b>PERFORMANCE FEE</b>	<b>-</b>

(\*) Calculated taken into account the average closing price of the last 20 sessions.

**Market capitalization annual increase** has not exceed 10%. Indeed, **not amount has been accrued** linked to this concept.

Therefore, the sum of **9,877 thousand Euros** that results from adding the base fee to the performance fee is entered in the Consolidated Income of Financial Position at 31 December 2019 under the heading "Other Expenses". See section 6 "Financial and EPRA information".

Fixed and variable fees have been taken into account in the EPRA Cost Ratio calculation. See section 6 "Financial and EPRA information".



A photograph of the Albacenter shopping centre. The main image shows a large, white, 3D logo consisting of a stylized 'a' and the word 'albacenter' in lowercase letters, mounted on a light-colored wall. Above the wall is a wooden ceiling with a long, narrow skylight. In the foreground, there are green bushes. To the right, a vertical wooden sign lists several retail brands: PRIMARK, H&M, Bershka, Stradivari, Pull & Bear, Leffies, Sprinier, and JD Sports.

# albacenter

## 2.7

### Innovation and technology

It is crucial for Lar España to learn constantly about which experiences its **retail users** are looking for. To that end, the company has rolled out a series of technology-driven initiatives designed to generate essential customer information. That feedback in turn allows Lar España to take decisions tailored for the latest trends and create solutions in response to identified needs.

In that manner the various **technological innovation** projects constitute **a tool and advantage when it comes to improving the retail user experience**. The projects are mainly articulated around gaining a better understanding of user behaviour and profiles.

In addition, Lar España is aware of the importance of innovation and the application of emerging technology in the current environment. It is unwaveringly committed to innovating across the board. It is similarly committed **to making its properties more energy-efficient and sustainable**. Not to mention attracting **the finest talent** in order to adapt to its customers, shareholders and other stakeholders' needs.

All of these initiatives are framed by the **technology, engagement and sustainability - TES - project**, Lar España's unique response to prevailing sector trends and needs: innovatively leveraging **technology, experience and sustainability** to optimise the overall customer journey. This ambitious project additionally taps the innovation taking place on the PropTech front.

At the sector level, Lar España is participating actively in **the transformation of the real estate sector**, gathering feedback about what its tenants, customers, investors and other stakeholders need and expect, in order to guarantee sustainability and **value creation in the long term, underpinned by the exchange of experiences and search for new innovative solutions**.

Many of the projects rolled out in recent years continued in 2019. **The company also launched new and unique projects**, such as Advertima and GAPS in the customer management field and also a new system for automating the data generated by the shopping centres, providing Lar España with relevant performance metrics with greater control and frequency, all in an effort to boost efficiency.

Thanks to the feedback obtained in 2019, the company did a better job of identifying and targeting the optimal retailer mix; specifically, it increased the percentage of food service players **and shopping centre revenue increased by 4%** from 2018. Lar España also continued to work on fine-tuning its omni-channel proposition in 2019, reaching out to end users by means of different communication channels that are helping the shopping centres to compete in the on-line business. The figures - visits to the website - evidence Lar España's enhanced online visibility and profile within the sector; **that enhanced positioning in turn benefits its stakeholders**.

## TES project

Lar España is spearheading the sector's digital transformation in Spain and creating value under the scope of its **TES project** (Technology, Engagement & Sustainability).



### T. Technology

Asses and quantify the **visitors experience** at our shopping centres and optimise the management of the shopping centres and client relationship

- E-commerce
- Seeketing
- Geoblink
- Social Media
- Wi-Fi
- Omnichannelling
- Digital Reporting
- SEO Positioning



### E. Engagement

Provide a **unique value-add offering** by transforming shopping centres into experience-led destinations

- Optimal retail offering
- High-quality and bespoke services
- Attractive Food & Beverage areas
- Increased leisure and entertainment offering
- Inviting, vibrant and urban spaces



### S. Sustainability

**Strategic positioning** of each and every one of our properties, considering aspects such as the environment, sustainability, accessibility and society

- Sustainability certifications
- Responsible management
- Commitment to the environment
- Active listeners
- Ethical practices and Integrity
- Transparency

The TES project has **two main objectives**. Firstly, to position Lar España as the **leading player in the digital transformation of the retail segment**, by creating new and more efficient ways of interacting with external and internal customers. Secondly, **to create shared value** in order to lead economic and social progress, have a real impact on the world and make a difference in people's quality of living and socio-economic development.

## TECHNOLOGY

Technological innovation is a key component of Lar España's business development. In 2019, the company rolled out a series of digital tools in two main areas: portfolio information management (**Lar Experience**); and asset management (**Advertima, Mallcomm, Dotgis and GAPS**). These new tools, combined with the projects already in place (**Geoblink, Seeketing, tucentro.com and Digital Reporting**) are helping Lar España understand how its shopping centres are performing and take more informed decisions. Below is a description of each of these tools and the value they add for Lar España.

### Advertima

Advertima is a combination of **facial recognition sensors** which are distributed around the shopping centre; the sensors are capable of identifying individuals to gather pseudonymised data about their unique visits, demographic profiles and the time spent in the centre. Lagoh, in Seville, is the first shopping centre to have been equipped with this technology, which is currently being tested there.

The feedback it generated makes it possible to know which stores or promotions are generating the most footfall and **learn more about user profiles and conduct**. In this manner, Lar España expects to be able to fine-tune its offering and strategy in response to the data gathered and better understand the dynamics in its shopping centres in order to enhance the customer experience.

### Mallcomm

Mallcomm is a platform that enables the creation of a **communication channel** between the retailers and the various levels of management and services within the shopping centres. This system enables management of the retailers' sales indicators, discounts for employees, job offers, events and marketing, critical safety and communication, maintenance and cleaning, as well as feedback collection.

Thanks to this **real-time communication-enhancing tool**, Lar España can manage its shopping centres better. The platform is already operational at the new shopping centre in Seville (Lagoh).

### Dotgis

This solution is a multi-user web application (dashboard) based on a dynamic map which enables Lar España look up all of the **metrics related with the operation of the commercial premises** in its shopping centres, thus creating better overall visibility and deeper understanding of its assets. The result is the ability to analyse, shortly after the data is collected, how the various retailers are performing in each shopping centre or as a whole, thus gaining a deeper understanding of the trends in the various retail segments.

This web platform analyses internal data in order to **optimise resource allocation and generate sales intelligence which is used to define the returns on investment** of the premises comprising the 10 shopping centres being targeted by this software development.





## GAPS

This is a new tool in Lar España's arsenal of instruments for **gathering feedback about customers' opinions and expectations**. The tool adds value to this effort by improving existing processes, facilitating the interpretation of the results and increasing the impact of sales initiatives.

Although Grupo Lar has already implemented its own system for gathering customer feedback, GAPS will enhance that system thanks to the firm's know-how and analytical system, Improve, by means of the following methodology:



The goal is to generate a dashboard of real-time perception trackers by means of monthly surveys at the shopping centres involving a significant online **data collection, analysis and reporting effort**. That information will help Lar España develop and manage its business strategy.

## Lar Experience

This is a dynamic web tool which showcases **Lar España's vision for its shopping centres**. The web contents show the centres' design and architectural concepts and the future plans for the properties, with the aim of engaging its stakeholders in Lar España's vision for the future of its assets and keeping them abreast of any reforms and upgrades underway.

It also sets out the **fundamental design principles that have been and are being applied in the refurbishments** undertaken in order to create user-centric spaces with unique design features in its shopping centres, which prioritise accessibility, top quality materials, the presence of natural light and the use of the latest design techniques.





Geoblink

The main aim of this project is to implement a **location intelligence solution** to give the company insight into the main social and economic characteristics of its customers, as well as the key demographic traits in the catchment areas of each of the shopping centres owned by Lar España.

It gathers data from mobile phone lines nationwide that enables it **to analyse user routes, behaviour and profiles in real time**. It thus generates data for existing and prospective customers with the goal of searching for success factors.

In 2019, the Geoblink project focused on **four main lines** of initiative which facilitated decision-making by Lar España:



<i><b>Actions</b></i>	<i><b>Objectives</b></i>	<i><b>Possible applications</b></i>
Define the zones of the area with the highest family spending	Identify within the zone of influence the areas with the best purchasing power	Reorient communication campaigns focusing on areas of greatest interest
Calculate penetration using internal data and visits to the area	Understand the behaviour of each target area	Readjust the degree of penetration in the area of influence according to a specific target, limiting age and sex
Define the flows of the main target	Limit the age ranges of the target and see their origin and routes in the area of influence	Better understand the behaviour of the target for better decision-making in the communication of the shopping centre
Find out where the residents of the area go	Identify places of interest for residents of the area of influence	Detect if an event has had enough convening power to vary those behaviors

## Seeketing

Lar España is developing a multi-channel solution that integrates the information generated via its shopping centre channels, enabling it to then cross reference and analyse the data with the aim of generating value for direct and indirect customers. The **Seeketing** system uses nodes or beacons (antennae) that are installed in the shopping centre (hardware) combined with powerful **marketing intelligence** software in order to better understand user habits.

This tool has already been implemented at the Albacenter, Ànec Blau, As Termas, El Rosal and Portal de la Marina shopping centres. Its key objectives include:

1. Developing proximity marketing initiatives to **drive foot-fall and customer satisfaction**.
2. **Enhancing** shopping centre **management** by means of advanced data analytics.
3. Tracking the shopping centres' **unique visitors**.
4. Better understanding traffic by store and region and **visit frequency and length patterns**.

Those sensors tell us whether we are getting an **optimal rent at each of our units** and enable us to measure the impact of the promotional campaigns undertaken at our shopping centres. They also enable us to compare occupancy costs and identify the scope for boosting returns at certain stores.

## Digital Reporting

In July 2018, Lar España implemented a new internal management tool in order to **analyse potential online shoppers** which translated, in 2019, into deep consumer profile knowledge. The aim is to help the asset managers to identify key trends and design customer-targeted and tailored marketing strategies. To do this it uses three complementary sources of information:



### ANALYTICS

Patterns in traffic (total and by channel) on the websites of Lar España's.



### VISIBILITY

SEO performance analysis based on different measurement parameters (SEO, keywords, URLs, etc.).



### SOCIAL MEDIA

Social media analytics and insights based on Lar España's shopping centres and the company's general objectives.

Tucentro.com

Lar España, as a pioneer in the integration of the offline and online shopping channels, has launched an additional sales channel for its shopping centres, tucentro.com, through which customers can shop in its offline stores from an online platform.

The alliance entered into with Ebay in 2018 with the aim of facilitating shopping over the platform continued in 2019. The goals of this corporate e-commerce endeavour are:

- Providing a **multi-channel shopping platform**, enhancing its customers' shopping experience.
- **Adding value** to the company's properties and **differentiating** them from the competition.
- Transforming the perceived risk posed by e-commerce into a **new business opportunity**, creating a new source of revenue.
- Providing retailers with a **new e-commerce outlet** for the sale of their products.

SEO Positioning

SEO positioning refers to the visibility of a website in search results across the various search engines. Lar España **works continuously and specifically on improving its SEO positioning** by designing and adapting elements of its websites to be smarter and more effective with the ultimate goal of:

- Improving its shopping centre websites' positioning in search engine results.
- Analysing and selecting the best keywords for positioning purposes.
- Improve positioning of the URLs, website content and maps, among others.
- Defining and tracking the right KPIs.
- Creating corporate websites (to provide information) that are compatible with the transactional websites (e-commerce)

2,309,007  
total number of  
sessions

1,655,046  
users

6,057,266  
websites views

## Employee training

Lastly on the technology front, Lar España believes the skills of its employees and the people working at its management firm, Grupo Lar, are of vital importance. Framed by its goal of engaging its professionals in delivery of the company's **objectives on the innovation front**, it has rolled out an **Executive Digital Transformation Programme** and sessions at the Valley Digital Business School.



## EXPERIENCE

Lar España, in addition to prioritising technological innovation, seeks to **enhance the customer experience** in each of its shopping centres. To that end, in 2019, it continued to fine-tune and reinforce its **Customer Journey** project and foster initiatives targeted at its users and other stakeholder groups.

### Customer Journey

In 2019, the Company completed implementation of its Customer Journey project at all of its shopping centres. Thanks to this project, the Company has managed to identify the specific characteristics of each centre, as well as analysing the market environment, **detecting new opportunities and creating a better customer experience**.

By mapping out the Customer Journey, the Company has identified its users' 'ideal experience', based on a research project designed to establish a unique strategy. Following that field work, and having drawn the key conclusions, Lar España, **driven by its commitment to providing an excellent customer-centric experience**, has made improvements to its properties with a view to closing in on its users' ideal experience.

For example, thanks to this project, the company detected a shortfall of products and leisure targeted at older users. It accordingly organised a series of seminars and workshops titled "Afternoons for the over-60s" at the El Rosal shopping centre.

For full comprehension of the environment that influences the centre users' experience, a study template has been created to address three areas of influence: **the city, the shopping centre and the users**.

This initiative, one of the cornerstones of the TES project, is essentially a research programme to **learn about the customer's 'journey'** through our shopping centres, from when they plan their trip to the centre to the moment they leave our premises, flagging all of the stops along the way, including the key 'pains and gains' during that journey. Lar España has divided the process into four phases: **comprehension, observation, definition and consolidation**.

The objectives set for each phase are outlined below:



#### Phase 1. UNDERSTAND

Obtain a clear understanding and alignment among stakeholders of the challenge that must be overcome during the project, in order to understand the work context



#### Phase 2. OBSERVE

Carry out an in-depth study to identify the Shopping Centre house archetypes and prioritise them in order to map out the experience of the most significant ones



#### Phase 3. DEFINE

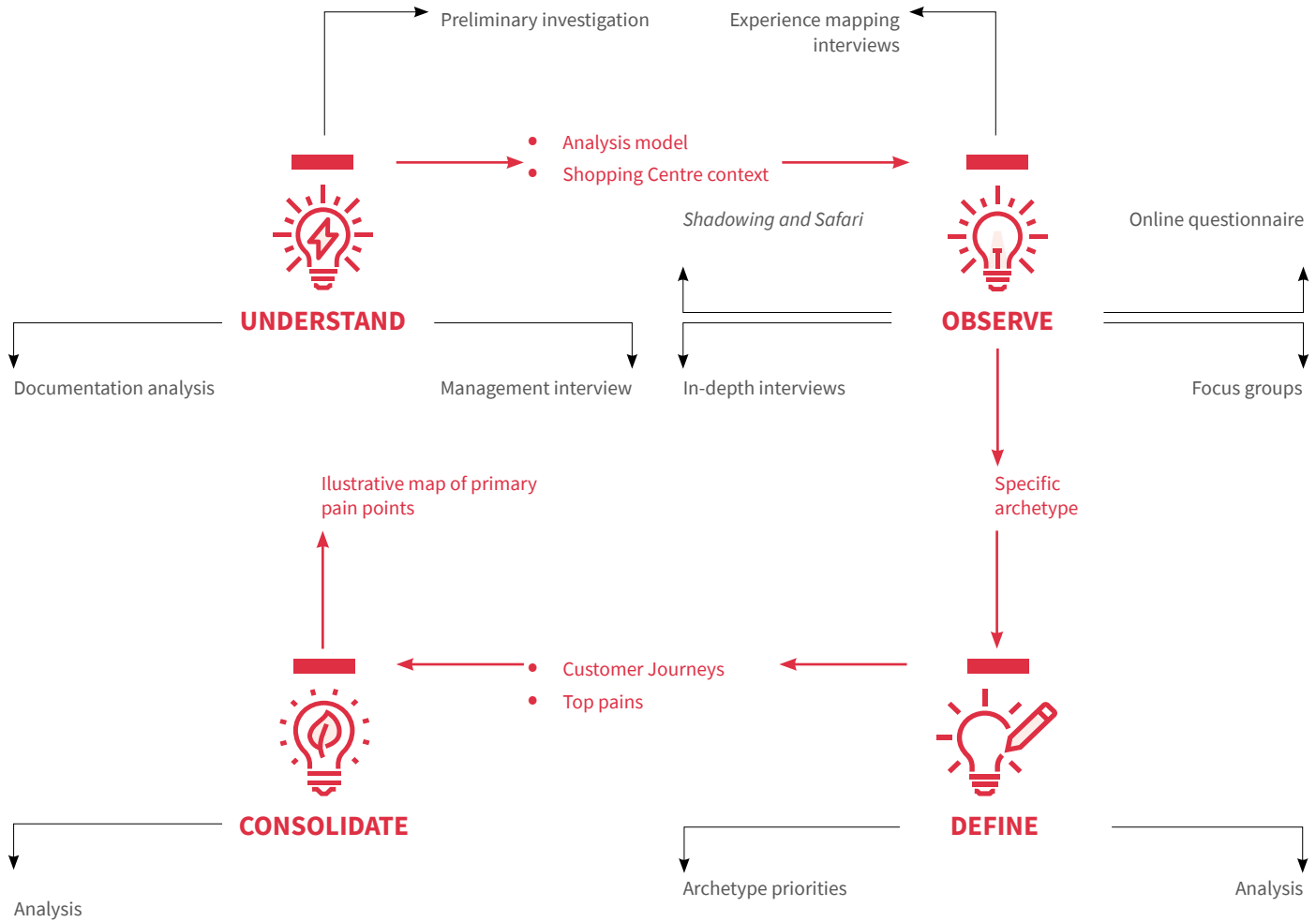
Identify and evaluate areas of opportunity (Top Pain points) in order to reach a better understanding of customer experience at the Centre



#### Phase 4. CONSOLIDATE

Reach comprehensive conclusions that allow a global view of the satisfaction at the Group's Centres, based on previous analysis from different Centres

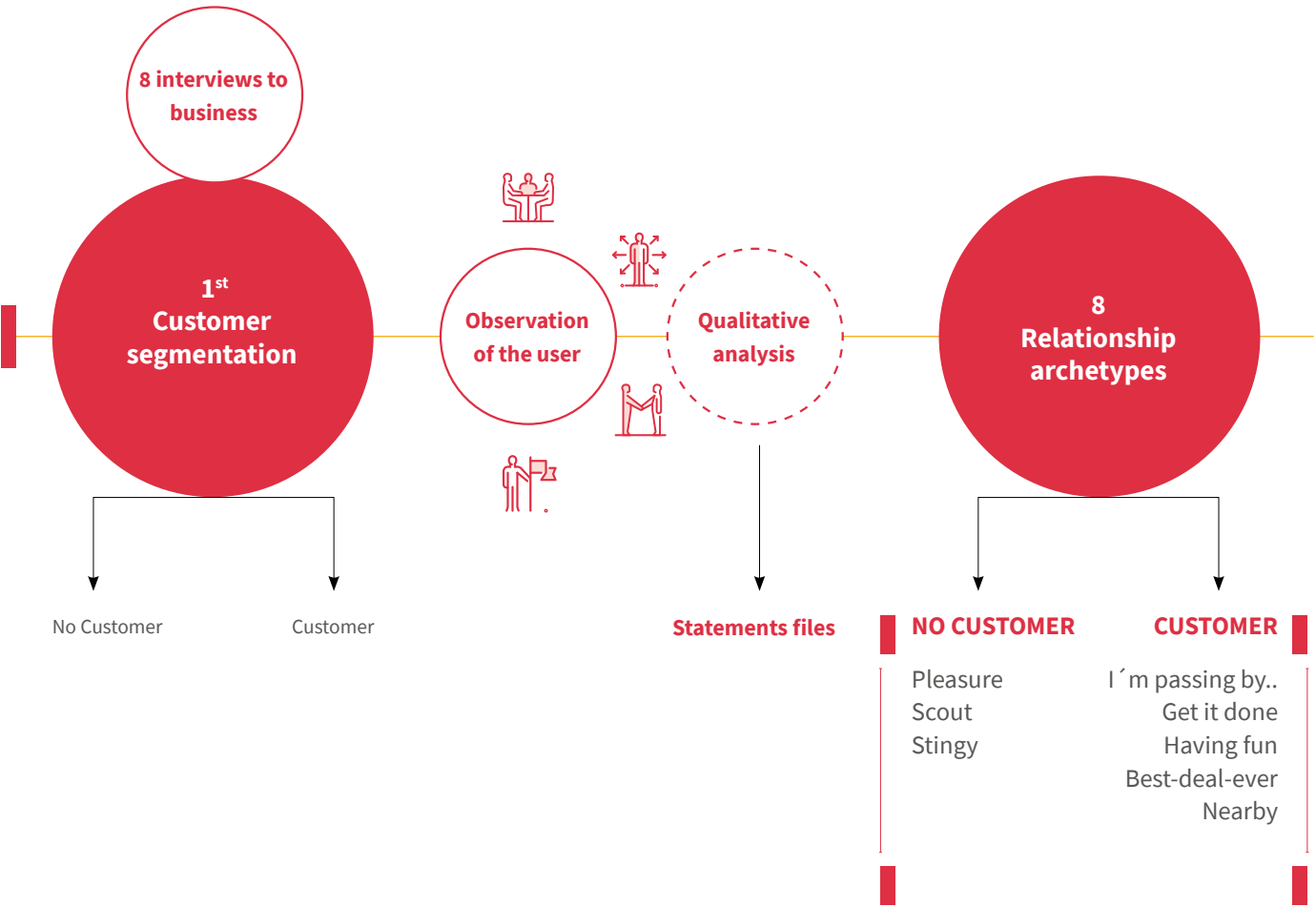




That methodology has enabled customer classification along a series of archetypes:

Methodology from the segmentation to the archetype

Work process carried out for the construction of archetypes. Starting from the client segments defined in the Understand phase, different **observation activities** have been carried out that have allowed the development of archetype hypotheses and their subsequent validation, which has made possible the definition of client and non-client archetypes and the points of contact that this has with the complex.



Field work - Key figures

Below we can see the number of **activities carried out in the field, during two weeks** in the different areas of interest in MegaPark shopping centre and being faithful to the established profile of clients and non-clients.



**2 Focus Group**  
No customers



**18**  
Interviews depth no customers



**1 Focus Group**  
Customers



**15**  
Interviews depth customers



**3**  
Shadowing  
Megapark



**21**  
Interviews in situ no customers



**3**  
Safaris  
Artea/Max Center/  
Bilbao Center



**22**  
Interviews in situ customers

## Hola Familia

“*Hola Familia*” [Hello Family] is a project that Lar España embarked on in 2016 with the aim of **creating a comfortable, welcoming, humane and cheerful space** in which parents can breast or bottle-feed their babies and toddlers during their visits to our shopping centres.

A Hello Family club was opened in As Termas shopping centre in February 2019 and in Gran Vía shopping centre in Vigo in March 2019, inaugurated with a presentation on first aid for children and adults. The club, along with the new breast-feeding rooms, are designed to demonstrate that **Lar España’s shopping centres are keeping families’ needs in mind.**

## Partners and Friends

Partners & Friends is an event organised by Lar España to create an opportunity for **shopping centre professionals to meet and engage with each other.** The third edition of the Partners&Friends event took place in the NuBel restaurant in the Reina Sofía Museum in Madrid in June 2019. A number of company executives participated in the event, giving a range of talks about current topics, such as **asset transformation and innovation in the shopping centre segment.**

The event was attended by professionals from more than 80 retail brands, notably including Grupo Restalia, Grupo Vips, Leroy Merlin, Carrefour, Yelmo Cines, Urban Planet, Kiabi, MediaMarkt, IKEA and Decathlon.

## Club de los Disfrutones

A new initiative in 2019 was the introduction of a **loyalty programme** in order to reward customers as a function of their commitment to the shopping centre, while creating an active **community of ambassadors.** Club members are given access to exclusive content from the participating brands, underpinned by a fun approach.

The “*Club de los Disfrutones*” [the Fun-Lovers Club] has its own section in the shopping centres’ websites and in February 2020, the Company launched an associated app which will give users **access to store discounts, coupons and exclusive services.** Club members will get special privileges and services.







## SUSTAINABILITY

The third cornerstone underpinning Lar España's innovation thrust is the design and implementation of policies that foster **sustainable development** in the real estate sector. Under the scope of that sustainability effort, the company performs **technical audits** at its shopping centres in order to continue to improve in this arena and promote sustainable and **environmental management projects**.

### Project Wonderful

Lar España champions innovation via **entrepreneurship** by means of a project named **Wonderful**, a cycle of events conducted simultaneously across its shopping centres with the aim of **fostering and promoting the most enterprising and innovative ideas** for solutions that create tangible benefits for shopping centres and society as a whole. This initiative is sponsored by Sabadell BStartUp, IBM, El Economista, Indra and the Francisco de Vitoria University.

The third edition took place in 2019, with over **150 start-ups and entrepreneurs competing and as many as 18 projects winning prizes**. The final phase of the project took place on 9 July 2019, which is when the runner-up and winners were announced. The prize ceremony was also used to analyse and debate **retail sector trends and the sector's technology readiness and adoption**.

This year Lar España wanted to do something new, so it has given Timpers, the firm that won the competition, **a physical space in one of its shopping centres** for implementation of its business model, additionally providing it with a team of advisors and marketing specialists to help it achieve its objectives.

### The key characteristics of Wonderful scheme are:

#### 11 SHOPPING CENTRES

- Megapark
- Gran Vía
- Portal de la Marina
- El Rosal
- Ànec Blau
- As Termas
- Albacenter
- Parque Abadía
- Rivas Futura
- VidaNova Parc
- Vistahermosa

#### 2 CATEGORIES

1. Innovative businesses
2. Innovative solutions

#### JURY

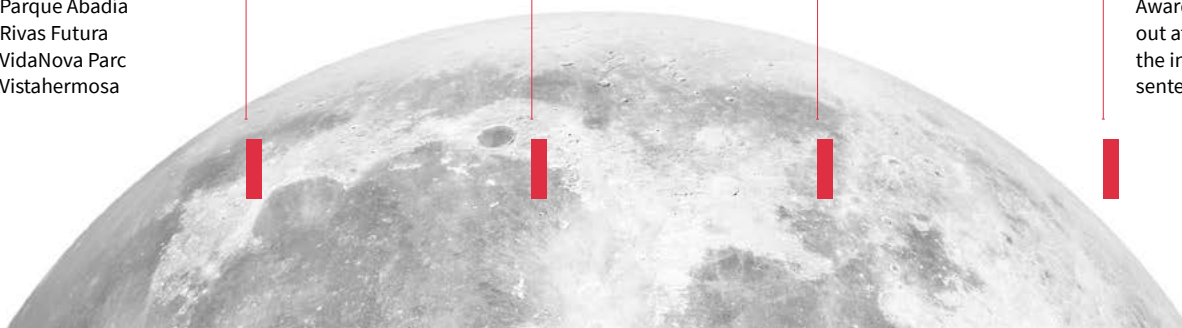
The shopping centre managers and owners, city councillors and collaborating institutions

#### PRIZE

Presentation of the project to the investor network in search of local investors

#### WONDERFUL SUMMIT FINAL EVENT

A seminar devoted to innovation which analysed trends in the retail sector and how the sector is adapting to emerging technology. The Wonderful Awards were handed out at this event for the initiatives presented.





## Too Good to Go

Lar España and Too Good to Go have signed an agreement, with effect from 2020, under which the restaurant operators in its shopping centres will join that platform to shore up **the effort to prevent food waste**. Too Good to Waste consists of offering Magic Bags, filled with a surprise bag of the delicious, perfectly edible food that stores and restaurants have to throw out at the end of the day. **It is a responsible and smart environmentally-friendly solution.**

## Environmental management

Lar España is committed to addressing the problems that could affect the communities in which it does business. To that end, it works actively to help **preserve the environment**, looking inwards by setting strategic targets and issuing corporate policies and looking outside the firm by educating society about its values and **searching tirelessly for smarter and more efficient ways to develop and operate its real estate assets in order to reduce their environmental impact**.

In 2019, Lar España took new steps to step up the quality of the environmental management of its properties. Specifically it allied with two firms, Big2Cloud and MSIN, in order to develop a **customised tool** for integration into the company's environmental management system.

The project consists of **implementing a digital platform** which will automatically collect data about the portfolio assets' electricity, water and gas consumption, waste generation and air flows and quality. The overriding objective is to generate **more reliable, regular and comparable data**, while minimising the scope for human error by forging ahead with the digital transformation strategy. This platform will allow asset managers **to fine-tune the operation**

**of their centres and control consumption better**, thanks to real-time data, all with the ultimate aim of reducing costs and boosting efficiency across the portfolio.

An added advantage is that the new tool will enable evaluation of a range of projects and initiatives under study at the centres using solid effectiveness and returns criteria. More uniform data reporting will enable more meaningful comparisons and analysis over time, paving the way for informed measures that reduce the shopping centres' environmental impact.

At the heart of Lar España's innovation on the environmental front lies its retail property portfolio. This strategic focus translates into initiatives in the areas of **energy efficiency, water management, air quality, solar energy and sustainability certificates**.



## Technical and customer service/care audits at the Company's shopping centres

Lar España, as part of its strategy for improving the management of its shopping centres, continues to perform **technical and customer service/care audits at most of its shopping centres**. The goal is to make sure that the know-how, experience and investments applied across the entire value chain foster the healthy management of Lar España's shopping centres.

### Technical audits

The goal of carrying out these audits is to ensure that Lar España's shopping centres meet all applicable technical requirements in terms of active and passive fire protection and evacuation systems.

In 2018, the Gran Vía, Ànec Blau, Portal de la Marina, El Rosal and Vistahermosa shopping centres were audited. Those audits all **generated technical status reports which identified deficiencies, proposed technical solutions and made recommendations** for adapting for local legislation. Actions were taken in 2019 to remedy the shortcomings detected in those reports.

In addition, in 2019, a technical audit was carried out at the Portal de la Marina shopping centre and an update was carried out in 2018 at the El Rosal shopping centre.

### Customer service and care audits

The purpose of these audits is to obtain indicators related with the **quality of the services** offered to shopping centre users, framed by the commitment to providing an **excellent customer experience**.

By means of the generation of a 'mystery customer' report with qualitative and quantitative indicators, the company generates feedback which helps maintain the highlights of our customer service offering, recognise best practices, identify opportunities and areas for improvement in every phase and implement corrective action as necessary.

The **audits yielded an average result of 94%**, which is up 3.2 points year-on-year, with all of the shopping centres posting a better performance than in 2018. The best performer remains As Termas, with an overall score of 97.8%, 2.9 percentage points better than the year before. The company's objective for the years ahead is for all of its shopping centres to improve on their current scores.






The mystery customer reports help us to **strengthen customer confidence and the level of engagement** of each and every one of our employees










Results of the customer service and care audits:

							
	2018	2019	2018	2019	2018	2019	2018
<b>ACCESS</b>	<b>82.5%</b>	<b>-</b>	<b>87.8%</b>	<b>96.2%</b>	<b>93.0%</b>	<b>97.3%</b>	<b>88.7%</b>
WEB	69.2%	-	80.8%	100.0%	97.0%	100.0%	83.3%
OUTSIDE	95.8%	-	94.8%	92.3%	89.1%	94.7%	94.1%
<b>PARKING</b>	<b>87.6%</b>	<b>-</b>	<b>88.2%</b>	<b>92.5%</b>	<b>86.2%</b>	<b>89.6%</b>	<b>87.2%</b>
<b>INSIDE</b>	<b>91.7%</b>	<b>-</b>	<b>95.1%</b>	<b>95.4%</b>	<b>94.7%</b>	<b>97.5%</b>	<b>74.3%</b>
GENERAL	89.6%	-	95.5%	95.5%	98.0%	98.4%	-
SHOPS	97.6%	-	98.5%	96.3%	98.6%	95.6%	99.4%
DINING AREA	95.0%	-	100.0%	95.8%	94.6%	100.0%	90.1%
CINEMAS	91.1%	-	97.9%	84.4%	97.9%	100.0%	-
WC	87.1%	-	96.0%	90.9%	89.5%	93.8%	83.1%
SPECIALITY LEASING	100.0%	-	96.7%	100.0%	90.0%	100.0%	-
REST AREAS	95.8%	-	91.7%	100.0%	87.5%	100.0%	100.0%
CHILDREN´S AREA	100.0%	-	88.9%	100.0%	86.1%	100.0%	0.0%
OTHERS SERVICES	66.7%	-	64.7%	100.0%	70.6%	77.2%	0.0%
<b>STAFF</b>	<b>96.9%</b>	<b>-</b>	<b>97.8%</b>	<b>97.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>75.0%</b>
GENERAL STAFF	94.6%	-	100.0%	100.0%	100.0%	100.0%	66.7%
INFORMATION STAFF	97.2%	-	94.4%	100.0%	100.0%	100.0%	-
SECURITY STAFF	100.0%	-	96.7%	100.0%	100.0%	100.0%	100.0%
CLEANING STAFF	96.0%	-	100.0%	90.0%	100.0%	100.0%	100.0%
SATISFACTION	75.0%	-	83.3%	75.0%	91.7%	93.8%	75.0%
RECOMMENDATION RATE	7.7	-	8.5	8.8	9.2	9.0	7.2
NPS	0.0%	-	50.0%	75.0%	100.0%	100.0%	(12.5%)
<b>OVERALL RESULT</b>	<b>90.9%</b>	<b>-</b>	<b>93.9%</b>	<b>95.4%</b>	<b>94.2%</b>	<b>96.9%</b>	<b>77.1%</b>

(\*) The Net Promoter Score is an indicator that tracks customer loyalty. It is calculated based on the responses provided to the following question: "How likely are you to recommend the shopping centre to your friends and families?"; responses can range between 0 and 10, 0 being "under no circumstances" and 10 meaning "absolutely". It is the result of subtracting from the percentage of scores of 9 or 10 ("promoters"), the percentage of scores between 0 and 6 ("detractors"), which yields a figure between -100 and 100, the higher the better. A NPS of 50 or higher is considered an excellent result.



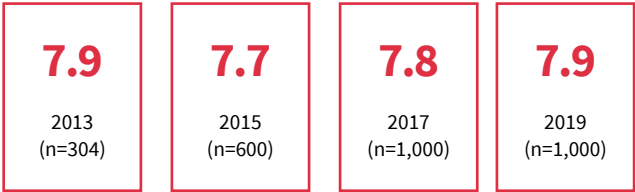
									
2019	2018	2019	2018	2019	2018	2019	2018	2019	
95.4%	82.1%	93.5%	95.8%	100%	82.2%	81.1%	87.4%	93.9%	
95.4%	71.8%	100.0%	94.9%	100.0%	69.2%	69.2%	80.9%	94.1%	
97.2%	92.5%	87.0%	96.8%	100.0%	94.9%	92.9%	94.0%	94.0%	
82.5%	88.1%	91.1%	85.2%	93.2%	91.6%	89.9%	87.7%	89.9%	
85.2%	94.7%	97.0%	96.0%	98.0%	91.6%	97.5%	91.2%	95.1%	
-	96.7%	96.8%	97.4%	97.7%	89.7%	96.7%	94.5%	97.0%	
100.0%	98.6%	100.0%	99.0%	98.5%	98.0%	97.1%	98.5%	97.9%	
100.0%	99.6%	98.9%	97.9%	100.0%	95.4%	100.0%	96.1%	99.1%	
-	-	-	91.1%	100.0%	95.8%	93.8%	94.8%	94.5%	
80.6%	82.9%	88.9%	93.7%	95.6%	93.5%	95.5%	89.4%	90.9%	
-	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	97.8%	100.0%	
-	95.2%	100.0%	97.9%	100.0%	89.6%	100.0%	94.0%	100.0%	
-	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	82.1%	100.0%	
80.0%	45.1%	82.1%	66.7%	85.7%	55.9%	100.0%	52.8%	87.5%	
69.6%	98.4%	95.8%	95.8%	99.0%	99.3%	96.5%	94.7%	93.1%	
47.5%	97.9%	87.5%	95.8%	96.9%	97.9%	93.8%	93.3%	87.6%	
-	97.2%	100.0%	88.9%	100.0%	100.0%	95.8%	96.3%	99.2%	
90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.5%	98.3%	
90.0%	100.0%	-	100.0%	100.0%	100.0%	100.0%	99.4%	96.0%	
75.0%	95.8%	100.0%	83.3%	93.8%	91.7%	93.8%	85.1%	88.6%	
7.8	9.0	9.0	8.7	9.5	9.0	9.5	8.5	8.9	
0.0%	83.3%	75.0%	66.7%	100.0%	66.7%	100.0%	50.6%	75.0%	
83.6%	93.1%	95.9%	94.9%	97.8%	91.4%	94.6%	90.8%	94.0%	

Because the Ànec Blau shopping centre is in the process of being fully refurbished, it will be audited when the work has been completed.

On the basis of the results obtained in 2018, action was taken in 2019 at the portfolio assets which were audited with the aim of working on the areas for improvement flagged by the centres' users. For example, at the **Portal de la Marina shopping centre**, USB charging stations were put in and at the **Gran Vía de Vigo shopping centre**, the website glitches detected by customers were fixed.

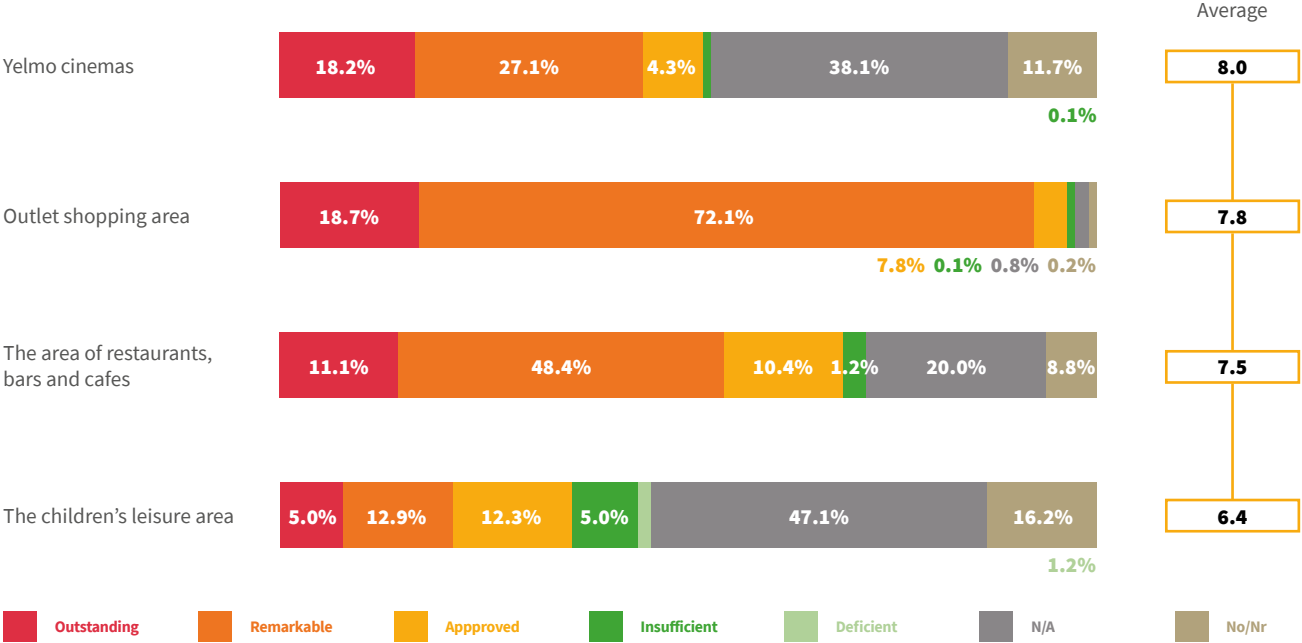
It is worth singling out the audit performed at the **Megapark shopping centre** as it is Lar España's one of the biggest asset: in 2019, the company conducted a service and quality audit there. **Overall user satisfaction improved slightly year-on-year**, to 7.9 out of 10.

General satisfaction evolution



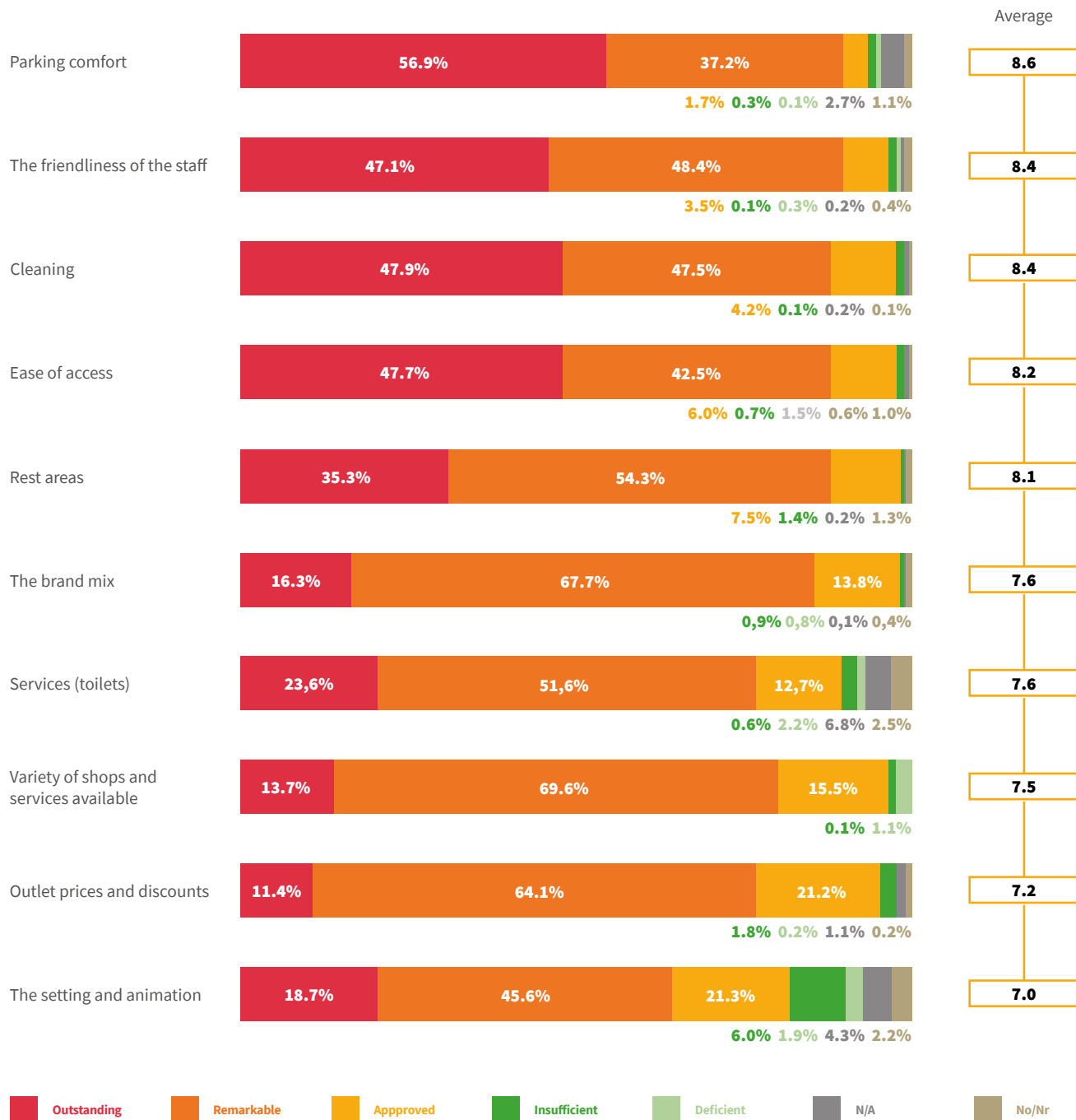
**Audits have been carried out by SGS, world leader in inspection, verification, testing and certification, with an extensive track record in shopping centres**

The Megapark shopping centre has 4 differentiated areas which were tested for customer satisfaction purposes. The best score, 8 out of 10, was obtained by the cinema area. The outlet area, however, was the best rated by the majority of people polled, with 72.1% rating the area as 'very good' and 18.7% rating it as 'excellent'.



The audit also revealed which areas the shopping centre could improve on in its users' opinion. Specifically, users would most like to see better protection against the weather outside, something Lar España is working on as part of its effort to **continuously improve overall user satisfaction**.

Lastly in terms of the results of this shopping centre's survey, the aspects best rated by users included the ease of parking and access, staff friendliness and the shopping centre's overall cleanliness.







# 3

## Good Governance

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**3.1** Lar España and its Corporate Governance

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**3.2** Governing Bodies

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**3.3** Business ethics

*p.110*

**3.4** End-to-End Risk Management and Control

*p.112*





*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.*

## 3.1

### Lar España and its Corporate Governance

Corporate governance has been a priority at Lar España since it was created in 2014, addressing a **key concern** for companies, regulators, investors and shareholders by pledging to guarantee that the **company's governing bodies** are adequately integrated and functioning as intended.

In keeping with that pledge and in response to growing demand for disclosures about corporate governance practices, Lar España has rolled out an **Action Plan** which enables it to comply with prevailing regulations and position it in line with best practice in this field at a national and international level.

More specifically, the action plan is articulated around the following **objectives**:



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



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



Furthering the process of evaluating and improving the Board's performance.



Update of the rules of operation of the Board of Directors and the Committees in keeping with the recommendations contained in Technical Guide 1/2019 published by the CNMV, Spain's securities market regulator.



Assessment of the board's and senior executive team's performance with the assistance of an external advisor.



Formulation of a matrix of the board's capabilities and expertise.



Continual assessment of risks, updated for the prevailing environment and business outlook.



Advances in the environmental information management system, particularly the automated data collection aspect, in order to enhance control over the assets' CSR and sustainability measures and performance.



## Corporate Governance Policy

Lar España approved its Corporate Governance Policy in 2016, which was updated in 2018, so establishing **the framework for governance** at the firm and the cornerstone for articulating a dedicated Action Plan. The goal of the policy is to help maximize the firm's competitiveness, foster transparency and earn the trust of its shareholders, investors and other stakeholders, while improving internal control and corporate responsibility.

The policy was drawn up in keeping with prevailing applicable legislation and enshrines the recommendations laid down in the **Good Governance Code** for listed companies (hereinafter, the Governance Code) approved by Spain's securities market regulator, the CNMV (hereinafter, the CNMV).

It is split into a series of general principles that are embedded across the entire organisation:

1.

To maximise, on a sustained basis, the Company's economic value, in keeping with the legitimate social interest.

2.

To establish **the mechanisms and instruments needed** to ensure that the Company identifies, analyses and adopts, as required, the best prevailing practices, standards and recommendations in the corporate governance field.

3.

To guarantee **equal treatment of all shareholders**, duly protecting and facilitating the exercise of their rights.

4.

To promote **adequate transparency and disclosure** vis-a-vis the market, so that the Company reports to its various stakeholders in a clear, comprehensive, simple, orderly and comprehensible manner.

5.

To oversee the safeguards in place to ensure the **honourability, suitability, solvency, skills, experience, qualification, training, availability and commitment** to their duties of the directors and senior officers.

6.

To ensure the existence of appropriate director selection procedures so as to guarantee reasonable boardroom **balance and diversity**.

7.

To establish the appropriate mechanisms for circumscribing the duties and responsibilities of the directors and enabling the **discovery and resolution of potential conflicts of interest** between the directors and the Company.

8.

To ensure a **director remuneration policy** based on the principles of transparency, moderation, compensation for dedication and correlation with the Company's performance.

9.

To ensure the **quality and effectiveness of the work performed by the Board of Directors, its members and its Committees** by means of an annual evaluation, attempting to this end to rely on the support and assistance of independent external advisors.

10.

To facilitate the **directors' ongoing learning** so as to ensure familiarity with the Company's business and its corporate governance rules by means of an annual training and education program.

## Corporate Social Responsibility Policy

Lar España, framed by its commitment to **sustainable business development and the creation of shared, long-term value**, has a dedicated **Corporate Responsibility Policy** which sets down the fundamental principles and values underpinning the running and management of Lar España and its investees with a view to generating a business model capable of contributing to long-term value creation, satisfying the needs and expectations of its stakeholders and generating socially-responsible externalities.

The **Appointments and Remuneration Committee is responsible for supervising that policy**, monitoring corporate responsibility strategy and practices and evaluating the level of policy compliance before reporting to the Board of Directors.

In 2019, that **Committee monitored and supervised the policy and the approved Action Plan**, driving its implementation. It also fostered new initiatives which are described in more detail in the Corporate Social Responsibility section of this report.

In 2019, Lar España rolled out **an environmental data automation and management plan for its assets**. That system will enable it to track, much faster than before, how its assets are performing and take informed decisions, thus improving governance of its sustainability and corporate social responsibility efforts. The information being collected thanks to the new system is, moreover, aligned with the **performance measures contained in the EPRA sBPR** which the company uses in its annual report for disclosure purposes.

The objective of the Corporate Social Responsibility Policy is to generate a business model:



That generates a business model capable of contributing to longterm value creation



That satisfies the needs and expectations of its stakeholders



That generates socially-responsible externalities





## 3.2

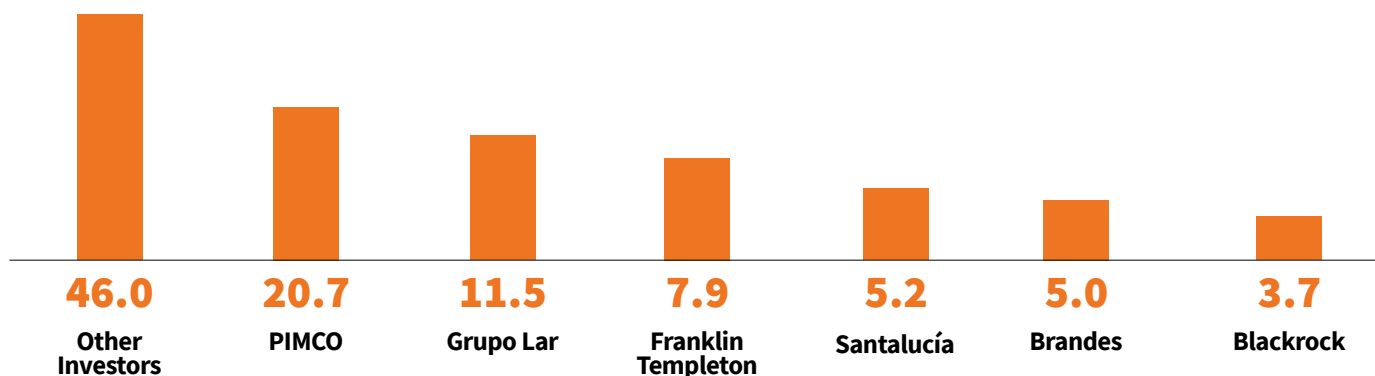
### Governing Bodies

#### Annual General Meeting

The general meeting is Lar España's **highest decision-making and control body**; it is the vehicle around which shareholders' right to intervene in the company's essential decisions, within their purview, is articulated.

#### Shareholder Structure

*Shareholder structure at 31 December 2019 (%)*



*Share Capital at 31 December 2019*

**175,267,460**

Share Capital (€)

**67.7%**

Free Float

**87,633,730**

Number of Shares

## Functioning and activities

The **General Meeting Regulations**, which were passed in 2016 and amended in 2017, set down the shareholders' powers in general meeting and how meetings should unfold.

The shareholders' powers include discharging the directors' performance, approving the annual financial statements, **setting the number of directors** within the floor and ceiling stipulated in the Bylaws, **appointing and removing directors**, ratifying capital increases and decreases, approving the issuance of notes and other marketable securities and signing off

on transformations, mergers, spin-offs or the assignment of all of the company's assets and liabilities, among others.

The General Meeting, duly convened and called to order, represents all of the company's shareholders.

In 2019, Lar España held its Annual General Meeting on 25 April. The main agenda items addressed:

### Annual General Meeting, 25 April 2019

1.

Approval of the individual annual accounts of the Company and of the consolidated annual accounts of the Company and its subsidiaries for financial year 2018.

2.

Ratification of the Company's individual and Group management reports for 2018.

3.

Approval of the Board of Directors' management and activities during financial year 2018.

4.

Approval of the proposed allocation of profits and the dividend distribution for financial year 2018.

5.

Re-election of the Company's statutory auditor.

6.

Ratification of the appointment and re-election of Ms. Leticia Iglesias Herraiz as independent director of the Company, for the statutory period of three years.

7.

Approval of a share capital increase in the nominal amount of €1,242,674 for the issuance of shares to be subscribed by the Investment Manager as performance fee pursuant to the provisions of the Investment Manager Agreement, excluding pre-emption rights and authorising the Board of Directors to implement the resolution.

8.

Approval of delegation of powers to formalize and implement all resolutions adopted by the Ordinary General Shareholders Meeting, to place them on public record, interpret, remedy, complement, implement or register them.

9.

Advisory vote on and approval of the annual report on director remuneration for 2018.

## Policy on communication and contact with Shareholders, Institutional Investors and Proxy Advisors

Lar España has a policy on communication and contact with shareholders, institutional investors and proxy advisors, approved in 2017 and reviewed during 2018, **with the aim of generating confidence and transparency vis-a-vis Spanish and international shareholders and investors.** It outlines the analytical procedures and develops the main tools, channels and reporting mechanisms vis-a-vis shareholders, investors, proxy advisors and other stakeholders.

The policy specifically addresses recommendation no. 4 of the Governance Code. It was later amended to factor in the requirements introduced by Directive 2017/828 as regards the encouragement of longterm shareholder engagement.

It is articulated around the following principles governing communication with stakeholders:

**Veracity and transparency** of all information provided and equal **treatment** of all recipients.

**Strict compliance**, in time and manner, with the **Company's legally-stipulated communication** and reporting obligations.

**Protection of the legitimate rights and interests of all shareholders.**



**Continuous dialogue, accessibility and speed of information provision.**

**Equal treatment** in acknowledging the rights of all shareholders and facilitating their exercise.

**Commitment to encouraging and facilitating informed shareholder participation** in general meetings and the exercise of shareholder rights.



## Board of Directors

### Composition

The Board of Directors is the **management body** with sovereignty over the company's management, except in relation to the matters reserved to the shareholders in general meeting.



**There were no changes in the composition of Lar España's Board of Directors in 2019.** The Company remains firmly committed to boardroom diversity in terms of knowledge, experience and gender. This commitment has been materialised in the updates carried out of its Board of Directors policy and the Director Selection and Appointment Policy, and the approval of a new policy of the Appointments and Remuneration Regulations in 2018 and 2019. The Company's shareholders **ratified the appointment of Ms. Leticia Iglesias Herraiz as independent director at the AGM on 25 April 2019.**

<b>Mr. JOSÉ LUIS DEL VALLE</b> Chairman and Director 05.02.2014	<b>Mr. ALEC EMMOTT</b> Director 05.02.2014	 <b>Mr. ROGER MAXWELL COOKE</b> Director 05.02.2014	<b>Ms. ISABEL AGUILERA</b> Director 29.05.2017	 <b>Ms. LETICIA IGLESIAS</b> Director 16.10.2018	<b>Mr. MIGUEL PEREDA</b> Director 05.02.2014	<b>Mr. LAURENT LUCCIONI</b> Director 29.05.2017
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#### LEGEND

Name of Director  
Position on the Board  
Date of first appointment

#### TYPE OF DIRECTORSHIP

 Proprietary  
 Independent

#### OTHER POSTS

 Chair of the Audit and Control Committee  
 Chair of the Appointments and Remuneration Committee

Diversity is one of the targets pursued in our corporate governance policy: specifically, the goal of having at least 30% of its Board members be female by 2020. In 2019, **28.6%** of the Company's directors were female, which puts it very close to meeting this target.

Lar España's Board of Directors is made up of 7 directors: 5 are independent and 2 proprietary.



The professional profiles of the company's directors are summarised below:



## Mr. José Luis del Valle

Chairman of the Board and independent director

Mr. José Luis del Valle has extensive experience in the banking and energy sector. From 1988 to 2002 he held various positions with Banco Santander, one of the most relevant financial entities in Spain. In 1999 he was appointed Senior Executive Vice President and CFO of the bank (1999-2002). Subsequently he was Chief Strategy and Development Officer of Iberdrola, one of the main Spanish energy companies (2002-2008), Chief Executive Officer of Scottish Power (2007-2008), Chief Strategy and Research Officer of Iberdrola (2008-2010) and Advisor to the Chairman of the aerogenerator manufacturer Gamesa (2011-2012). Currently, Mr. del Valle is WiZink Bank Administration Board Chairman; Director of Abengoa, S.A., which provides innovative technological solutions for sustainable development; Director of the insurance group Ocaso and Director of the Instituto de Consejeros-Administradores.

Mr. José Luis del Valle is a Mining Engineer from Universidad Politécnica (Madrid, Spain), number one of his promotion, Master of Science and Nuclear Engineer from the Massachusetts Institute of Technology (Cambridge, USA). Furthermore, Mr. del Valle holds an MBA with High Distinction from Harvard Business School (Boston, USA).



## Mr. Alec Emmott

Independent director

Mr. Alec Emmott has a broad professional in real estate listed and unlisted in Europe, and resides in Paris. He worked as CEO (CEO) of Société Foncière Lyonnaise (SFL) between 1997 to 2007, and subsequently as an executive senior advisor to SFL until 2012.

He is currently the Director of Europroperty Consulting, and since 2011, he is a Director of CeGeREAL S.A. (on behalf of Europroperty Consulting). He is also member of the advisory committee of Weinberg Real Estate Partners (WREP I and II). He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. He has an MA from Trinity College (Cambridge, United Kingdom).



## Mr. Roger Maxwell Cooke

Independent director

Mr. Roger Maxwell Cooke MBE is a professional with more than 30 years of experience in real estate. In 1980 he joined the London office of Cushman & Wakefield, where he participated in the drafting of the valuation standards (Red Book). From 1995 until the end of 2013 he held the position of CEO of Cushman & Wakefield Spain, placing the company in a leading position in the sector.

In 2017, Mr. Roger was awarded by Queen Elizabeth II with an MBE for his services to British companies in Spain and to Anglo-Spanish trade and investment.

Mr. Roger Maxwell holds a degree in Urban Estate Surveying from Trent Polytechnic University (Nottingham, United Kingdom) and is currently a member of the Royal Institution of Chartered Surveyors (FRICS). Until May 2016, he chaired the British Chamber of Commerce in Spain. Also, since September 2017, Mr. Roger Maxwell is Chairman of the Editorial Board of Iberian Property and since January 2020 is Chairman of RICS in Spain.



## Ms. Isabel Aguilera

Independent director

Mrs. Isabel Aguilera has developed her professional career in different companies in various sectors and has been President of Spain and Portugal of General Electric, General Director in Spain and Portugal of Google, Chief Operating Officer of the NH Hoteles Group, Chief Executive Officer for Spain, Italy and Portugal from Dell Computer Corporation. She has also been part of the Board of Directors of various companies such as Indra Sistemas, Mare Nostrum Bank, Aegon Spain, Laureate Inc or Egasa Group. Mrs. Isabel Aguilera is currently a director of Grupo Cemex, Banca Farmafactoring, Oryzon Genomics, HPS (Hightech Payment Systems) and Making Science.

Mrs. Isabel has a degree in Architecture, Building and Urban Planning from the Higher Technical School of Architecture in Seville, has completed the Master's Degree in Commercial Management and Marketing at IE, the IESE General Management Program and the Program for Senior Business Management and Leading Institutions of the San Telmo Institute. She is currently an Associate Professor at ESADE and a Strategy and Innovation Consultant.



## Ms. Leticia Iglesias

Independent director

Mrs. Leticia Iglesias has extensive experience in regulation and supervision of securities markets and financial services. She began his career in 1987 in the Audit Division of Arthur Andersen. Between 1989 and 2007, he developed his professional career in the National Securities Market Commission (CNMV). From 2007 to 2013 he was CEO at the Sworn Account Census Institute of Spain (ICJCE). Also, between 2013 and 2017 she was an independent director of the Board of Directors of Banco Mare Nostrum (BMN), as well as a member of the Executive Committee, President of the Global Risk Commission and a member of the Audit Committee. During 2017 and 2018 he served as an independent director at Abanca Servicios Financieros, EFC, as well as Chairman of the Joint Audit and Risk Committee. Since May 2018 she has been a member of the Board of Directors of Abanca Corporación Bancaria, Chairman of the Audit and Compliance Committee and a member of the Comprehensive Risk Committee. Since April 2019, she is Independent Director and Chairman of the Audit Committee of AENA SME, S.A.

Mrs. Leticia has a degree in Economics and Business Administration from the Universidad Pontificia de Comillas (ICADE). He is a member of the Official Registry of Auditors of Spain (ROAC), Patron of Fundación PRODIS Special Employment Center as well as a member of the Board of Directors of the ICADE Business Club.



## Mr. Miguel Pereda

Proprietary director (Grupo Lar)

Mr. Miguel Pereda Espeso has more than 25 years of experience in the real estate sector. He is director and shareholder of Grupo Lar Inversiones Inmobiliarias, S.A., and before this, he was Chief Executive Officer of Lar Grosvenor for 6 years. In 2015, he was appointed Eminent Member of the Royal Institution of Chartered Surveyors (RICS) in London.

Mr. Miguel Pereda also is the chairman of Villamagna, S.A., a company belonging to the Grosvenor Group, and he is also chairman of the Altamira Lar foundation.

Mr. Pereda has a degree in business administration from the Universidad Complutense (Madrid, Spain), and an MBA from the Instituto de Empresa (IE). He participated in the Break-through programme for Senior Executives at the IMD, has a Master in tax from ICADE and participated in the Real Estate Management Programme at Harvard University.



## Mr. Laurent Luccioni

Proprietary director (PIMCO)

Mr. Laurent Luccioni has more than 20 years of experience in the investment and financial services sector.

Mr. Luccioni is currently Senior Advisor at PIMCO in Europe. Until the end of 2019 held the position of managing director and portfolio manager at PIMCO's London Office, where he oversaw the European commercial real estate team. Prior to joining PIMCO in 2013, Mr. Luccioni was the European CEO for MGPA, the Macquarie-backed private equity real estate investment advisory company. Additionally, Mr. Luccioni worked with Cherokee Investment Partners in London. Mr. Luccioni currently sits on the Board of Directors for Carmila SAS.

Mr. Laurent Luccioni holds an MBA from Kellogg School of Management at Northwestern University, and a doctorate in civil and environmental engineering from the University of California, Berkeley.



## Powers and activities

In its capacity as the **highest governance body**, Board's duties include supervising the company's management with the goal of upholding the organisation's corporate interest. The Board has two steering committees, endowed with supervisory and control powers: the Audit and Control Committee and the Appointments and Remuneration Committee, in keeping with the company's internal corporate governance rules, applicable legislation and best practices in the field.

The **Board Regulations** set down all of its powers and duties, specifically empowering this body to ratify resolutions concerning any and all matters that are not specifically reserved to the shareholders in general meeting under the company's Bylaws, as well as, other improvements in corporate governance.

In 2019, the Board Regulations were updated to incorporate the basic aspects related to the composition, duties and modus operandi of the Appointments and Compensation Committee stipulated in CNMV Technical Guide 1/2019

The Board of Directors is vested with the broadest powers to **manage, direct, administer and represent** the Company. However, its everyday management is delegated in the company's management bodies and executive team supervised by the Committees and the Board.

The Board met **seventeen times** in 2019. On three occasions, it approved resolutions using the procedure for voting by written correspondence, without meeting face-to-face. All of the directors attended 16 of the meetings in person; specific voting instructions were given by proxy at the other meeting.

## Director Selection Policy

Lar España has a director **selection and appointment policy** which was approved by the Board of Directors on 20 January 2016. It is designed to **foster boardroom diversity in terms of knowledge and skills, experience and gender**.

The policy, which was revised and re-approved by the Board on 20 December 2018, emphasises this diversity goal by specifically setting the target that female directors account for **30% of all Board seats by 2020**.

The Board Regulations were amended on 27 December 2017 to specify the Board's duty to ensure that the company's director selection procedures foster **diversity in terms of gender, professional backgrounds and skills** and are unbiased so as to prevent discrimination on any grounds. The Board's remit now specifically includes working to facilitate the selection of female directors and establishing a diversity policy or diversity guidelines to this end. In December 2019 it was once again modified, amongst other reasons, to prioritise the need for the board member selection process to: favour **diversity in areas relating to professional training and experience, age, disability and gender**; remove any hidden bias that could lead to any kind of discrimination; and, in particular, to facilitate the selection of female Board Members in order to achieve a balanced number of men and women on the Board.





Shopping Centre | Lagooh (Seville)

## Director Remuneration Policy

**Lar España Remuneration Policy** was approved by the General Shareholders Meeting in 2018, previously introduced in 2015. The current policy determines how much the directors of Lar España are paid in their capacity as such within the scope of the remuneration regime provided for in the Bylaws.

The policy factors in prevailing corporate governance rules and recommendations. It was written taking into account specific aspects such as the **relevance of the Company, its financial situation, its unique characteristics** as a listed and externally managed real estate investment trust (REITs, known as SOCIMIs in Spain), the benchmarks set by other SOCIMIs in Spain and REITs in Europe and the specific level of dedication of the Company's directors.

The current Remuneration Policy is articulated around the following criteria:

- Guaranteeing independence
- Attraction and retention of best professionals
- Long-term sustainability
- Transparency
- Clarity and customisation
- Fair and proportionate compensation
- Involvement of the Appointments and Remuneration Committee
- Approval of remuneration cap by Shareholders in General Meeting and delegation of execution in Board

## 2019 Board of Directors Remuneration <sup>(\*)</sup>

### CHAIRMAN OF THE BOARD

€125,000 per annum

### INDEPENDENT DIRECTORS

€70,000 per annum

### PROPRIETARY DIRECTORS

Not remunerated

### DIRECTORS WHO SIT ON THE BOARD OF INVESTEES

Up to €15,000 per annum

### BOARD MEMBERS WHO SIT ON EITHER OF ITS COMMITTEES

€15,000 per annum <sup>(\*\*)</sup>

*(\*) There is no variable remuneration and there are no additional compensation concepts. The cap on total remuneration is set at €530,000 per annum.*

*(\*\*) The Chair of the Audit and Control Committee will earn an additional 7,500 euros annually (a total of 22,500 euros annually) and the Chair of the Appointments and Remuneration Committee an additional 2,000 euros (a total of 17,000 euros annually).*

More detailed information about the director remuneration regime can be found in the **2019 Annual Director Remuneration Report**, which is available on the Company's corporate website (<http://www.larespana.com>).

More detailed information about Lar España's governance system can be also found in the **2019 Annual Corporate Governance Report**, which is available on the Company's corporate website.



## Board performance evaluation

Both the CNMV's Corporate Governance Code and article 529 nonies of the Corporate Enterprises Act echo the **growing importance ascribed to evaluation of the Board, its members and its committees**. Against this backdrop, Lar España has a specific procedure for carrying out these assessments.

Article 18 of the Board Regulations states that the Board must conduct an annual evaluation of its performance, adopting, where necessary, an action plan to correct weaknesses detected in areas such as how it operates, boardroom diversity, the performance of its chair, etc.

**An external consultant was hired to evaluate the Board's performance in 2019. The following matters were analysed:**

- The structure and modus operandi of the Board of Directors of Lar España;
- Perceptions and assessments of each of the directors, the chairpersons of the Board and its committees and the Company's Secretary;
- Perceptions of the most significant investors and proxy advisors;
- Corporate governance practice benchmarking vis-a-vis comparable companies.









The **phases comprising the evaluation process** were the following:



#### Phase 1. Document and inter- view analysis

The members of the Board received an interview script and **individually assessed** the questions to be covered during the interview.

- Composition and diversity of director profiles
- Quality and effectiveness of the work performed
- Performance of the Board's chairman
- Performance and contribution by each member
- Composition and modus operandi of the committees



#### Phase 2 Analysis and processing of information

**Each member of the Board was interviewed personally** by the external consultant and the conclusions of that exercise were included in a document titled "Interview Analysis".

The most important investors and proxy advisors filled out surveys, which the **external consultant synthesised** into a document titled "Perception Analysis".



#### Phase 3 Final report

**The main conclusions were drawn and included** in the "Board and Board Committee Operations Evaluation Report, 2019".

The Appointments and Remuneration Committee and the Board of Directors were also apprised of the process undertaken and conclusions reached.



#### Phase 4 Action plan

Once the results of the assessment were notified to the members of the Board, **the areas for improvement were identified** and an **action plan was designed** to address and remedy the shortcomings identified.

Formulation and Board approval of this action plan has enabled Lar España to further develop and fine-tune its corporate governance model. To date, most of the objectives set out in the **Action Plan have already been implemented**.

The evaluation indicated that the Board and its committees **worked efficiently in 2019**. The areas for improvement identified include the following:

- Formulation of a matrix of the Board's powers.
- Implementation of the CNMV's Technical Guide on Appointments Committees.
- Assessment of the advisability of appointing a Vice-Chairperson.
- Setting the target of having over 50% of the members of the Appointments and Remuneration Committee be independent directors.

By year-end 2019, the company **had already approved the matrix summing up the capabilities** the Board deems most relevant for managing the company. The matrix identifies each director's key areas of expertise. The matrix flags the areas in which each of the directors has expertise, as follows:

<i>Expertise</i>	<i>Directors with expertise in the defined area</i>
<b>Sector: Real estate / Retail / Appraisals</b>	4 directors
<b>Sector: Architecture / Planning / Engineering</b>	2 directors
<b>IT</b>	1 director
<b>Finance</b>	5 directors
<b>Audit / Risk management</b>	2 directors
<b>International market</b>	7 directors
<b>Other expertise</b>	5 directors
<b>Investor / stakeholder knowledge</b>	5 directors
<b>Team and talent management</b>	4 directors
<b>ESG</b>	4 directors
<b>Chief executive duties / CEO</b>	7 directors

## Officer evaluation

In keeping with best practices, the company's corporate governance system includes an **officer evaluation system** following a specific procedure that was approved in 2016. This system is critically important as the company's senior executives are responsible for everyday decision-making at the organisation and for strategic lines of initiative and their execution, all of which has a direct impact on the company's earnings.

Senior officer evaluation **permits enhanced individual and collective performance** and establishment of the foundations of the remuneration system which in turn exerts a crucial influence on their behaviour. Formalisation of the evaluation process has set down **the criteria for measuring how effectively these officers are doing their jobs and how well they are managing their teams.**

The Appointments and Remuneration Committee is in charge of ensuring correct implementation of this assessment procedure, analysing the resulting conclusions and checking the degree of implementation of the targets set for 2019.


## Committees


As provided in its Bylaws and its Board Regulations, Lar España has two control committees: the **Audit and Control Committee** and the Appointments and Remuneration Committee, which were set up by the Board of Directors to distribute its duties and enhance its **efficiency and transparency.**

### Audit and Control Committee

The Audit and Control Committee is made up of **three members, all of whom are independent directors**, in keeping with recommendation no. 47 of the CNMV's Technical Guide 3/2017.



 Independent director

 Chair of the Audit and Control Committee

As for the professional background of the directors who sit on this committee, **note that they are particularly qualified for the position**, meaning they are professionals with long-standing track records who have performed management responsibilities outside of the company in jobs related to the duties vested in the Audit and Control Committee. Specifically, they stand out for their knowledge and background in accounting, auditing or both and those skills were factored into their appointments, as required in article 529 quaterdecies of Spain's Companies Act and recommendation no. 39 of the Governance Code.

## Powers and activities

The Board of Directors approved the Regulations governing the Audit Committee of Lar España on 27 December 2017, thereby implementing article 14 of its Board Regulations and incorporating the basic aspects of audit committee composition, duties and organisation stipulated in the CNMV's Technical Guide 3/2017.

Regulations **establish Audit and Control Committee's rules of organisation and operation** with the aim of facilitating optimal performance of its duties, framed by the best practice recommendations and criteria established by the CNMV.

Its main responsibilities include **overseeing the process of preparing economic-financial information, supervising the internal audit**, as well as the relationship with the external auditors, **monitoring compliance with legal requirements and internal corporate governance regulations** (including internal codes of conduct) and **supervising** the effectiveness of risk management systems and, in particular, reviewing them so that **the main risks are properly identified, managed and disclosed**.

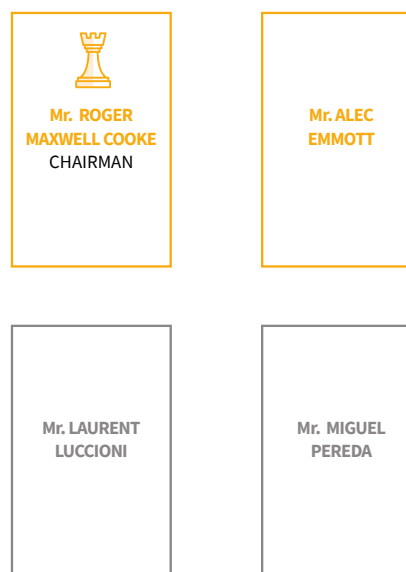
The Audit and Control Committee met **ten times** in 2019.



The **Audit and Control Committee's Regulations were updated in 2019** to introduce the basic aspects related to committee composition, duties and modus operandi stipulated in CNMV Technical Guide 1/2019.


## Appointments and Remuneration Committee

The Appointments and Remuneration Committee is made up of four directors. The Board Regulations stipulate, in line with CNMV recommendation no 47, that the majority of committee members be independent directors. Lar España is firmly committed to fulfilling this recommendation as soon as any vacancies arise, which is why it has not amended the Board Regulations in this respect. Against this backdrop, it is worth noting that the Company has opted to structure the Appointments and Remuneration Committee and the Audit and Control Committee differently **in order to ensure their independence from each other and have as many external directors** sitting on the two committees as possible.

In any case, the independence of the board is guaranteed since there are no executive directors, and the Chairman – who is independent – has the casting vote.



 Proprietary director  
 Independent director

 Chair of the Appointments and Remuneration Committee

### Powers and activities

The duties vested in the Appointments and Remuneration Committee include **appointing, evaluating and removing directors and officers**; director and officer remuneration; and **compliance with corporate governance and corporate social responsibility rules and regulations**.

Its powers specifically include that of verifying compliance once a year. It strives to make sure the candidates put forward are sufficiently honourable, suitable, solvent, competent, experienced, qualified, trained, available and committed to their duties, that the candidate selection process results in adequate balance in the boardroom as a whole, **enriches the decision-making process and helps prevent**

**conflicts of interest** such that the common interest always prevails over individual interests.

The Appointments and Remuneration Committee met **six times** in 2019.

In 2019, this committee promoted the approval of a regulation for its own operation and submitted it to the Board of Directors for approval in order to implement article 15 of the Board Regulations, specifying the basis aspects of the committee's composition, duties and modus operandi, as set out in CNMV Technical Guide 1/2019.







Shopping Centre | Lagoh (Seville)



### 3.3

## Business ethics

**Ethics and compliance** are core values for Lar España and provide a correct guidance for its business activities. To that end, the company has developed a range of policies and procedures to ensure ethical job performance and business activities and materialisation of the commitments assumed under the principles set down in the company's body of internal rules and regulations.

#### Code of Conduct

The **Code of Conduct**, approved by the Board of Directors in 2014 to **complement the Internal Securities Markets Code of Conduct, applies and is binding upon all the members** of the Board of Directors, the senior officers, the management team of Grupo Lar, executives and employees of the investees and third parties who have professional dealings with Lar España. It establishes guidelines governing the conduct of anyone acting in the name of Lar España and its subsidiaries. Failure to comply with the Code's provisions constitutes an infraction and may derive in the application of disciplinary measures.

Lar España is responsible for carrying out its activities in accordance with prevailing legislation, conducting itself ethically and complying with the principles laid down in the Code of Conduct, specifically including abiding by the law, demonstrating ethical and professional integrity and correctly handling potential conflicts of interest and incidents of corruption.

#### Whistle-Blowing Channel

Framed by a commitment to **analysing and responding to queries and complaints** arising in relation to the company's in-house governance rules, Lar España has set up a whistle-blowing channel, which has its own operating rules and is governed by the **principles of good faith, confidentiality and protection**. It has also set up an **Ethics Committee** which is tasked with the duties deriving from implementation of this channel.



### White-Collar Crime Prevention Model

Framed by **its commitment to strict compliance with prevailing legislation and the prevention of illicit practices** which could harm company's reputation, Lar España has defined and adopted an Organisational and Management Model for the Prevention of Crime with the following characteristics:

1. It is articulated around the various processes and activities of Lar España.
2. For each process and activity, it identifies the criminal risk to which exposure is greatest.
3. For each risk factor identified, it associates one or more internal controls that mitigate or in some way eliminate or diminish the probability that any criminal risk will materialise.
4. It includes controls which belong to the Internal Control over Financial Reporting (ICFR) system which are deemed preventative in terms of mitigating the probability of the commission of crime. Those controls notably include those associated with the management of Lar España's financial resources.
5. The internal controls that mitigate or in some way eliminate or diminish the probability that any criminal risk will materialise are, for the large part, officially enshrined in internal policies and rules.

The Board of Directors is the body ultimately responsible for the effective implementation of the model. The Audit and Control Committee and the person responsible for oversight of the model have also been specifically tasked its correct functioning and enforcement.

### Anti-Money Laundering Manual

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" for its acronym in Spanish). Against this backdrop, Lar España has drawn up an **Anti-Money Laundering Manual**, which was formally approved by the Board of Directors in 2016, as required under Spanish Law 10/2010, of 28 April 2010, on anti-money laundering and counter-terrorist financing measures.

The Company has attempted to emulate best prevailing practices in this effort, **prioritising ethical and transparent conduct and the abolishment of any form of fraudulent or illicit activity**. In addition, the Manual dictates the exchange of information with all parties related to Lar España and its management company (Grupo Lar) in order to detect potentially suspicious transactions.

## 3.4

### End-to-End Risk Management and Control

Lar España implemented its **enterprise risk management (ERM)** system in 2015 in order to facilitate delivery of its strategic targets by ensuring that all risks to their delivery are duly and systematically **identified, evaluated, managed and controlled**. The ERM system manages company's risks end to end and continuously; it encompasses each business unit and subsidiary, as well as every corporate support areas.

#### Risk Control and Management Policy

Lar España approved its **Risk Control and Management Policy** in 2015, setting down the principles and procedures for the correct assessment, control and mitigation of risks. The emanating end-to-end ERM system establishes a policy for identifying, evaluating, prioritising and managing risks effectively and efficiently, factoring in the organisation's specific circumstances and the economic and regulatory environments prevailing in its operating markets.

#### Enterprise Risk Management (ERM) System

**Lar España's ERM system** has been implemented at the corporate level and designed to mitigate all the risks, include tax-related risks, to which the company is exposed on account of its business activities.

The ERM system's mission is to **ensure a reasonable level of assurance with respect to the company's ability to achieve its strategic and operating targets**. The system is aligned with the key guidelines established in the "Enterprise Risk Management - Integrated Framework. Committee of Sponsoring Organizations of the Treadway Commission (COSO)" report.



Lar España views risk management as a continuous and dynamic process which encompasses the following steps:



Management, under the supervision of the internal audit function, establishes risk management priorities and the measures to be implemented, ensuring that the processes are performed and working as intended.



Risk Management Bodies

The ERM system affects and involves all of the organisation’s staff. Due to the specific characteristics of Lar España, certain risk management activities are performed by specialist service providers which assist with significant processes such as:

- Investment and asset management, performed primarily by Grupo Lar.
- Preparation of the organisation’s financial, accounting and tax information.
- Half-yearly asset appraisals.

However, Lar España follows detailed processes for **supervising the third parties responsible for these outsourced services** to ensure that these suppliers perform the activities contemplated in the ERM model.

The main participants in the ERM model are:

Risk management

Governance bodies	Responsibility	Competencies
Process manager or owner	Direct management of everyday operations.	Risk identification, analysis, assessment and mitigation.
Risk officer	Analysing and consolidating the risk information collected by the process owners.	Compiling risk files, identifying new events, gathering information and preparing action and monitoring plans as required.
Audit and Control Committee	Monitoring application of the Risk Control and Management Policy defined by the board of Directors.	Identifying risk, establishing risk tolerance thresholds and identifying adequate risk mitigation measures, IT systems and controls.  Reporting to the Board of Directors on its activities over the course of the year and monitoring application of the Risk Control and Management Policy. Analysing, at least once a year, the continued validity of the risk map and adding, modifying or eliminating risks as a result of changes at the organisation or in its business environment.
Board of Directors	Approval of the Risk Control and Management Policy.	Ultimate responsibility for identification of the main risks facing the company and for supervision of its internal control systems.



## Risk map

Lar España has an **updated Risk Map** illustrating the universe of risks that could affect the Company. The risks listed below have been prioritised by Lar España in the wake of this risk mapping exercise, updated annually; in 2019, it managed and monitored these risks adequately, and this process will be run on an annual basis in subsequent years:

### Main risks:

- |  |  |
|--|--|
| ■ Compliance with the requirements of the SOCIMI regime.   | ■ Retention of internal talent.  |
| ■ Sale-purchase of real estate assets, planning, information and execution.  | ■ Increased competition, both for competitive actions and for a greater proliferation of alternative products. |
| ■ Loss of value of real estate, mainly as a result of variations that may affect the economic cycle in general, or the real estate sector in particular.         | ■ Market situation that may adversely affect the materialization of investment / divestment opportunities.     |
| ■ Political situation and socio-economic factors (political instability, change in the economic cycle, in consumption patterns, increasing digitalization, etc). | ■ Regulations and regulatory changes.  |
| ■ Investment / Asset Manager unit.   | ■ Confidentiality.   |
| ■ Cybersecurity and privacy management.  | ■ Technological infrastructure.  |

The risk monitoring process consists of tracking all internal and external variables that could help anticipate or foresee the materialisation of these or other risks of relevance to the Lar España. Finally, it should be noted that Lar España is committed to **environmental issues**, as shown by the fact that among the main risks considered for drawing up the **Risk Map**, those relating to **adaptation to climate** change have also been taken into account.

## Response and monitoring plans

The specific characteristics of Lar España and its business sector make it of tantamount importance to **correctly monitor and update the various risks** to which the company is exposed, including tax risks.

The level and frequency applied to monitoring the risks identified varies as a function of the perceived importance or criticality of these risk factors and the level of effectiveness of the controls currently in place. Accordingly, **Lar España has defined different scenarios for managing its risks:**

- a) Exhaustive analysis of the risks deemed highly critical to achieving an adequate level of control.
- b) Assessment and surveillance of risks deemed of medium importance to achieving adequate control as a function of the real level of risk.
- c) Rationalisation and optimisation of the controls applied to risks of relatively less importance.

Based on these levels, Lar España has established **four kinds of strategies** in relation to the level of risk assumed in each instance:

- **Reduction:** this implies undertaking response activities designed to reduce the probability of occurrence or impact of the risk, or both simultaneously. This may entail the introduction of new controls or the improvement of existing ones.
- **Sharing:** risk's probability of occurrence or impact can be reduced by transferring or sharing a portion of that risk (e.g., via insurance policies).
- **Avoidance:** this implies withdrawal from the risk-generating activities. In this instance, the risk response may be to get out of a given business unit or line and/or decide not to pursue new business activities associated with such risks.
- **Acceptance:** in this instance no action is taken to modify the risk's probability or impact; risk is assumed at its inherent level as this is deemed appropriate for the activity and established objectives.

Lar España prioritises action plans depending on how critical the risks being mitigated are, the cost/benefit analysis of the proposed course of action and available resources. To this end, the organisation's **most significant risks** have been identified; work has begun on documenting those risks in individual risk files **in order to enable enhanced monitoring**. The files specify the controls in place and the key indicators (KRIs) that enable anticipation and/or monitoring of the associated risks. The plan is to further advance this **risk management and monitoring process in the years to come**.

Note that the **Audit and Control Committee** has been tasked with analysing the effectiveness of the organisation's risk map **at least annually** and adding, modifying or disregarding risks as warranted as a result of changes in the company's strategic objectives, organisational structure, legislative environment, etc.

# 4

## CSR

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### **4.1 Stakeholder Engagement**

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### **4.2 Community work**

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### **4.3 Environmental initiatives**

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### **4.4 Accesibility**

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### **4.5 Outlook**

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***Creating value via Corporate Social Responsibility*** is one of the cornerstones of Lar España's strategy. The company ensures it ***actively listens*** to its stakeholders, ***responsibly manages*** its assets and ***creates wealth*** in the communities that it operates in.

## CSR Introduction

### Corporate Social Responsibility

**Corporate social responsibility** permeates all of Lar España's operations and decision-making to ensure it goes about its business in an ethical, responsible and sustainable manner, making a positive contribution to society and the environment.

#### Approach and Policies

Lar España knows that its business activities have the scope to impact urban life and thus embraces the opportunity to improve the people's quality of living by **sparkling socio-economic progress** in Spain and **generating financial returns for investors in a sustainable manner**.

Its approach is framed by the desire to **create shared value**, as is set down in its Corporate Social Responsibility (CSR) Policy. In addition, Lar España is executing a Master CSR Plan so that these objectives materialise and the company engages more actively with its various stakeholders, framed by the most stringent general and sector-specific sustainability targets.

#### Responsible business model

Lar España's business model seeks to have a **positive impact on the environment and society**, while generating financial returns and alleviating environmental and social pressures deriving from its business activities.

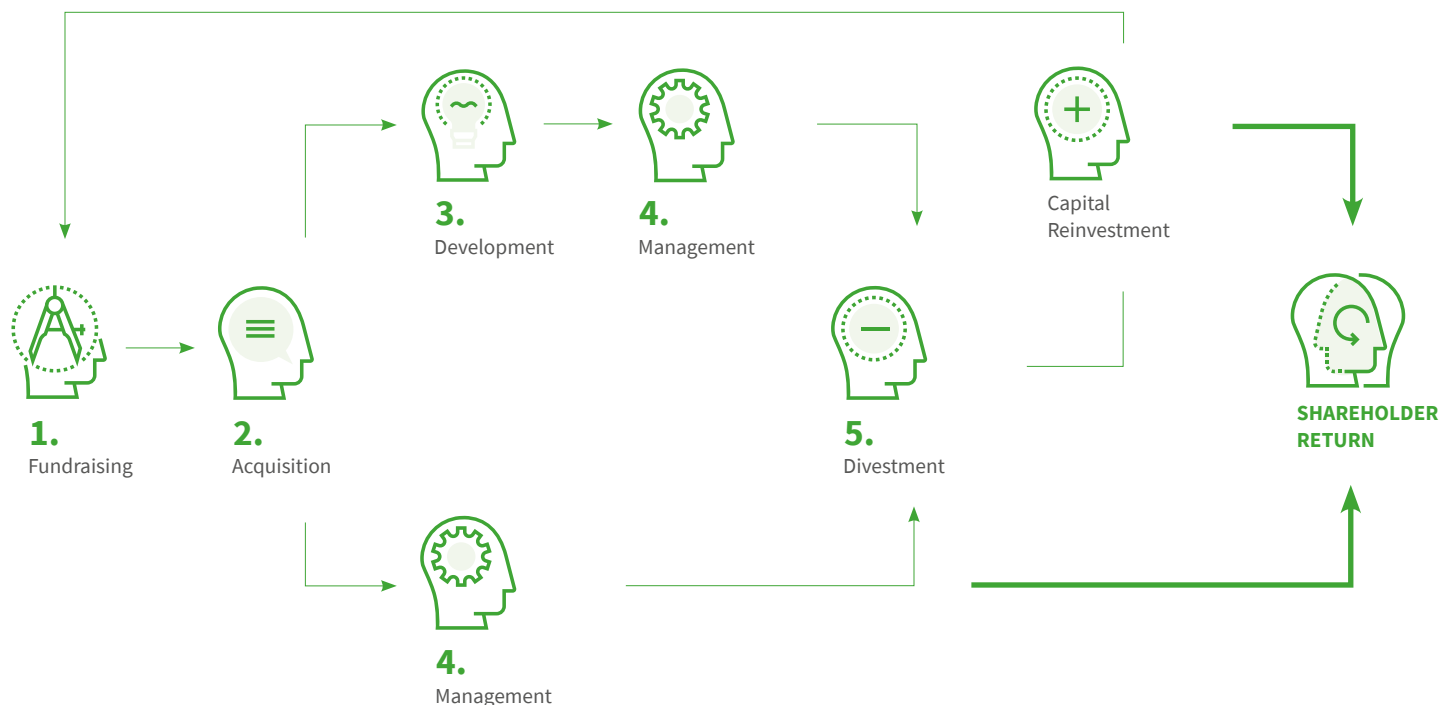
Its objective is to **create shared value** at every phase of its business chain such that it helps tackle social and environmental challenges. **'Doing business better'** not only generates returns for investors, it also adds real value for the society in which the organisation operates.

In order to create shared value, Lar España has committed to embedding **the Sustainable Development Goals (SDGs)** across the company. Due to the nature of the sector Lar España operates in and its business activities, it has identified and prioritised the following SDGs as the areas in which it can make the biggest difference:

#### Priority SDG for Lar España



Lar España creates jobs, as well as having a **broadier positive impact, in the vicinity** of each of its shopping centres and retail parks. On the environmental front, Lar España runs recycling campaigns at its centres, where it is also working to reduce emissions through facility enhancement. It is working towards the goal of having all of its establishments BREEAM-certified.



## 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 development and improvement of sustainable and more efficient shopping centres. 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.



Lar España is a direct and indirect creator of employment through its activity with more than **21,684 jobs**

## Principles

Lar España relies on **four strategic cornerstones in its bid to build shared value** that translates into economic and social progress while generating a financial return for its shareholders and investors.

### A

#### Environment

Lar's business activities (planning and building) have a direct impact on its physical surroundings, which in turn are what enable the company to generate a financial return and build value:

- **Socio-economic impact:** Lar España creates jobs directly and indirectly through its business activities; it is responsible for **over 21,600 jobs**.
- **Responsible investment:** Framed by its desire to create a responsible business, Lar España's goal is to invest in sustainable assets. In 2019, the company lifted the number of assets over which it has full managerial control that are **BREEAM certified to 100%**.
- **Climate change resilience and mitigation:** In 2019 **Lar España reduced CO<sub>2</sub> emissions across its entire property portfolio by 45.9%**, mainly through the signing of renewable energy supply contracts.

### B

#### Corporate Governance

Corporate governance plays a pivotal role in Lar España's strategy for **doing business responsibly and creating shared value**. Governance is a cornerstone of the sustainable development strategy, CSR policy and related action plans and is similarly important to ensuring their effective implementation.

- **Good governance.** Awareness-raising activities targeted at the governing bodies addressing social and environmental issues and the initiatives undertaken to tackle them.
- **Ethics.** Resolution of and response to complaints and claims received in 2019, including labour-related lawsuits
- **Transparency.** Reporting on non-financial aspects in Lar España's 2019 Integrated Report.
- **Risk management.** Performance of environmental and social due diligence in respect of the various stages of the business model. In addition, the company has identified the universe of material risks and their potential consequences, including those related with climate change.

## C

### Social Capital

Execution of the CSR strategy relies to a significant extent on the social capital existing at the organisation, defined as that which will generate cohesion within the firm and enable Lar España to deliver its objectives while **conducting itself responsibly and ethically visa- vis its surroundings and stakeholders**. It is worth noting that talent is the basis of the economic model and value created by the organisation.

- **Partners.** Promoting transparency via financial background checks, references and cross-checks for monitoring foreign assets owned by partners and potential vendors.
- **Supply chain.** By means of fair, objective and transparent tendering processes which factor in CSR criteria.
- **Customers.** A communication channel is being designed to engage customers in the CSR Master Plan. Annual surveys are carried out to assess user satisfaction with the quality of the services received.
- **Employees.** Work-life and equal opportunities policies, training courses, talent retention programmes, among other initiatives.





## D

### Assets

- **Sustainability strategy.** **100%** of the real estate assets over which Lar España has full management autonomy have implemented environmental and/or social sustainability initiatives. **73%** of the portfolio has undergone energy audits. The assets newly acquired in 2019 that have yet to be subjected to an energy audit will be audited in the course of 2020.
- **Sustainability certification.** **100%** of the shopping centres over which Lar España has full managerial control are BREEAM® certified as year-end 2019. The company is working on obtaining certification for the newly acquired assets not yet BREEAM certified in 2020.
- **Innovation in the service of enhanced environmental management.** Investment in innovation. Collaboration with research and training centres. Use of ICT, management programmes, innovative filters, among other initiatives.

Additionally, group-wide, value creation is framed by:

- **Environmental and social innovation** applied to each phase of the business model.
- Maintenance of **open and ongoing dialogue** with the key stakeholders.

Lar España takes climate change mitigation into consideration, and to this end develops an emission reduction strategy based on four main lines:

- Calculation of the carbon footprint to identify its most relevant impacts.
- Emissions associated with building materials reduction.
- Establishment of energy efficiency measures during the use phase.
- Incorporation of digital energy consumption information management tools.



## 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



**CREATING SHARED VALUE FOR OUR  
SHAREHOLDERS AND INVESTORS AS  
WELL AS FOR THE ENVIRONMENT WE  
OPERATE IN**



## 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

## 4.1 Stakeholder Engagement



The sector in which Lar España operates is central to some of the **most important issues facing society at large**: urban development; the availability of living solutions; the design of sustainable cities; responses to demographic shifts; and resource scarcity. Lar España works to transparently and proactively to foster meaningful dialogue with the broad spectrum of stakeholders with which it engages.

It interacts with **economic, social and environmental stakeholders** and, by listening to their expectations and providing them with information that satisfies their demands, Lar España has built up a model for engaging with them.

Stakeholder communication is constant at Lar España. In 2019, the company **took a series of actions with a view to maintaining and enhancing its internal and external relations**. Good examples of that effort include the completion of its Customer Journey project carried out to understand user needs; the community work carried out at its shopping centres; the investments made in improving accessibility; and more intense investor engagement.



Lar España strives to build **stable and long-lasting relationships with its stakeholders**, to which end it attempts to engage in open and constant dialogue with them.

To manage relations with its stakeholders in a coordinated manner with a view to identifying opportunities that align corporate objectives and external expectations, the company uses a structured **stakeholder management model**, articulated around several phases:

- 1) Stakeholder identification
- 2) Alignment of internal and external expectations
- 3) Definition of shared strategic objectives
- 4) Responsive to stakeholder expectations
- 5) Review of the communication channels

Identification of the aspects of greatest importance to each of the stakeholders, which helps Lar España to work towards common objectives by **designing new dedicated communication channels**.

## I. Stakeholder identification

With the goal of aligning strategic and sustainability objectives and stakeholders' legitimate interests, Lar España maps out the company's internal and external stakeholders. Specifically, it conducted an **initial assessment which it updates annually** to track who its stakeholders are and what they expect from Lar España, analysing each group's specific concerns. That analysis looks at four dimensions: governance, product, environment/community and employment, all of which from an internal (employees) and external (external stakeholders) perspective.

The stakeholder groups so identified are:



II.

## Stakeholder dialogue and responsiveness

Lar España responds actively to its stakeholders based on a clear and transparent model. Having duly identified all its stakeholders, it **establishes communication channels in order to understand their expectations**. Those expectations are collected and aligned with Lar España's objectives, such that the company's resulting actions take into account as many interests as possible and result in **equilibrium vis-a-vis the various segments of society and the environment**.

The table below, in keeping with the above methodology, sets out the expectations, communication channels, common objectives and responses formulated by Lar España to satisfy all of its stakeholders in a balanced manner along social, economic and environmental dimensions:

### Responses to social matters:

<i>Stakeholders groups</i>	<i>Communication/engagement channels</i>	<i>Expectations expressed by stakeholders</i>	<i>Shared objectives</i>	<i>Action/Response to stakeholders</i>
<b>Employees</b> (Employees of Lar España and the Manager, Grupo Lar)	<ul style="list-style-type: none"> <li>Open internal communication through personal contacts</li> <li>Whistle-Blowing Channel</li> <li>Career development monitoring meetings</li> </ul>	<ul style="list-style-type: none"> <li>Equal opportunities and non-discrimination</li> <li>Career development</li> <li>Safe and healthy environment</li> <li>Work-life balance</li> <li>Transparent remuneration policy</li> <li>Ethics, integrity and compliance</li> </ul>	<ul style="list-style-type: none"> <li>Talent retention</li> <li>Equality and non-discrimination</li> <li>Employee skill training</li> <li>Ethics-driven work climate</li> </ul>	<ul style="list-style-type: none"> <li>Employee training</li> <li>Remuneration policy based on duties and responsibilities</li> <li>Promotion of an ethics-driven work climate</li> </ul>
<b>Local community</b> (Citizens, companies, organisations, municipal authorities)	<ul style="list-style-type: none"> <li>Meetings with local organisations ahead of planning</li> <li>Opinion surveys at the shopping centres</li> <li>Deployment of technology to learn about local habits and preferences</li> </ul>	<ul style="list-style-type: none"> <li>Support for cultural activities</li> <li>Management of the indirect impact on local businesses</li> <li>Fostering of local employment</li> <li>Creation of shared value</li> </ul>	<ul style="list-style-type: none"> <li>Integration of assets in local culture and customs</li> <li>Creation of jobs locally</li> <li>Creation of companies locally</li> </ul>	<ul style="list-style-type: none"> <li>Asset planning with local culture and customs in mind</li> <li>Fostering of local start-ups and open innovation</li> <li>Purchasing from local suppliers</li> </ul>
<b>Users</b> (Customers, visitors)	<ul style="list-style-type: none"> <li>Opinion surveys</li> <li>Feedback channels at the shopping centres</li> <li>Satisfaction and quality audits</li> </ul>	<ul style="list-style-type: none"> <li>New experiences and services</li> <li>Connectivity and Accessibility</li> <li>Safe and healthy environment</li> <li>Modern and well-designed facilities</li> <li>Publicity of partner events and offers</li> </ul>	<ul style="list-style-type: none"> <li>Centres that offer unique experiences</li> <li>Attractive centres</li> <li>Accessible and adapted shopping centres</li> <li>Safe and comfortable venues</li> </ul>	<ul style="list-style-type: none"> <li>Digital tools for learning about trends and offering the best possible experience</li> <li>Universal Accessibility Certification being deployed across portfolio</li> <li>Hiring of persons with disabilities at shopping centres</li> <li>Use of design and architectural talent at centres</li> </ul>



## Responses to economic matters:

<i>Stakeholders groups</i>	<i>Communication/engagement channels</i>	<i>Expectations expressed by stakeholders</i>	<i>Shared objectives</i>	<i>Action/Response to stakeholders</i>
<b>Investment community &amp; management company</b> (Shareholders, banks, analysts, regulators, management company, funds)	<ul style="list-style-type: none"> <li>One-on-one meetings</li> <li>Conference calls</li> <li>Roadshows</li> <li>Promotion of and participation in events</li> <li>Dedicated shareholder tab on the corporate website</li> <li>Annual General Meeting</li> <li>Whistle-blowing channel</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance and transparency</li> <li>Business ethics and compliance</li> <li>Risk management</li> <li>Return on investment and share price monitoring</li> <li>Anti-corruption and anti-money laundering</li> <li>ESG / CSR strategy</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with best practices in corporate governance</li> <li>Regulatory compliance</li> <li>Annual profitability</li> <li>Continual improvement of ESG performance</li> </ul>	<ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors</li> <li>Risk management and control</li> <li>Reports: Annual; corporate governance; director remuneration</li> <li>Portfolio appraisals published</li> </ul>
<b>Suppliers</b> (Asset managers, services, products, IT, innovation)	<ul style="list-style-type: none"> <li>Meetings with suppliers</li> <li>Contract monitoring meetings</li> <li>Attendance at supplier fairs</li> <li>Website contact details</li> </ul>	<ul style="list-style-type: none"> <li>Transparent business relations</li> <li>Long-term and safety-focused vision</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of long-term relationships with suppliers</li> <li>Continuous improvement of the shopping centres</li> <li>Technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>Long-term contracts with suppliers</li> <li>Tendering based on transparent criteria</li> </ul>
<b>Partners</b> (Tenants, shopping centre employees, maintenance, safety, cleaning staff)	<ul style="list-style-type: none"> <li>Digital communication platforms</li> <li>Attendance at sector events by the various brands</li> <li>Contract monitoring meetings</li> </ul>	<ul style="list-style-type: none"> <li>Transparent business relations</li> <li>Nimble asset management</li> <li>Partner coordination and balancing</li> <li>Optimal operation of centres</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of sales growth strategies</li> <li>Centres run optimally</li> </ul>	<ul style="list-style-type: none"> <li>Digital tools for learning about customer trends</li> <li>Digital tool for asset manager-partner communication</li> <li>Web-based platform for showcasing centres to partners</li> </ul>
<b>Competitors</b> (REITs, investment funds, managers, developers)	<ul style="list-style-type: none"> <li>Promotion of sector events</li> <li>Participation in fairs and sector events</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance and transparency</li> <li>Promotion of sector image</li> <li>Fair competition and compliance</li> <li>Stable employment and training</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of sector reputation</li> <li>Talent attraction</li> <li>Promotion of sector employee training</li> </ul>	<ul style="list-style-type: none"> <li>Company and Grupo Lar employee training</li> <li>Social media campaigns highlighting sector contributions</li> </ul>

### Responses to environmental matters:

<i>Stakeholders groups</i>	<i>Communication/engagement channels</i>	<i>Expectations expressed by stakeholders</i>	<i>Shared objectives</i>	<i>Action/Response to stakeholders</i>
<b>Community and environmental organisations</b> (NGOs, charities, local organisations, sector associations)	<ul style="list-style-type: none"> <li>• Creation of events to get the community involved in life at the shopping centres</li> <li>• Surveys and information requests</li> <li>• Website contact details</li> </ul>	<ul style="list-style-type: none"> <li>• Developments with a low environmental impact</li> <li>• Standardised CSR report</li> <li>• Impact management and damage redress</li> <li>• Cooperation with other firms for the promotion of knowledge sharing</li> </ul>	<ul style="list-style-type: none"> <li>• Best practices in environmental design</li> <li>• Standardised reporting frameworks (GRI / EPRA)</li> </ul>	<ul style="list-style-type: none"> <li>• Independent certification</li> <li>• Verification of information by independent third parties</li> <li>• Integrated annual report with sustainability information</li> </ul>
<b>Regulators</b> (Control bodies)	<ul style="list-style-type: none"> <li>• Requests for feedback at the planning stages for compliance purposes</li> <li>• Diligent planning documentation and approval</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Governance and Transparency</li> <li>• Standardised CSR report</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with regulations</li> <li>• Compliance with procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Analysis of and strict compliance with environmental legislation</li> <li>• Internal systems for the collection of environmental information</li> </ul>
<b>Authorities</b> (European Union, Spanish government at state, regional and local levels)	<ul style="list-style-type: none"> <li>• Engagement with governments via sector forums</li> <li>• Two-way communication with respect to sector expectations and possible partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Urban longevity</li> <li>• Property refurbishment and conservation</li> <li>• Environmental impact assessment</li> <li>• Climate change mitigation</li> <li>• Management of impact on biodiversity and nature</li> </ul>	<ul style="list-style-type: none"> <li>• Local environment enhancement</li> <li>• Satisfaction of local needs</li> <li>• Projects aligned with international and national Climate Change plans and other environmental aspects</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of the environmental impact of our property developments using internal benchmarks</li> <li>• Sustainability strategy that goes beyond prevailing legislation</li> </ul>



Lar España engaged with all of its stakeholders in 2019. The following initiatives stand out:

## Investors

The communication channels in place are designed to ensure that shareholders and investors have access to two-way information. To facilitate access to that information, Lar España publishes an **Investor Agenda** and performance reports on its website.

All channels for communicating and engaging with existing or prospective shareholders of Lar España are governed by the **Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors**, as well as the Board Regulations. In 2019, it conducted the following activities with investors:

In order to reinforce transparency standards on ESG reporting, **Lar España participates in the GRESB Real Estate Assessment**. That ESG benchmark and reporting framework for listed property companies ranks Lar España as one of the best-performing REITs. Use of that tool to benchmark its ESG performance reduces risk and fosters impact investing.

It also applies the **EPRA Sustainability Best Practices Recommendations (sBPR)** to report comparable information. That information is published in the Corporate Social Responsibility section of this report.



**385**  
One on Ones



**91**  
Conference Calls



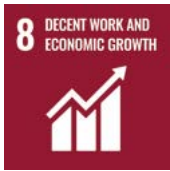
**22**  
Road Shows



**32**  
Market impacts



**12**  
Analyst recommendations



## Suppliers

Lar España works continuously on enhancing its relations with **suppliers**, a group of stakeholders of vital importance for the business. As a result, Lar España and its Management Company apply stringent controls so as to only collaborate with suppliers of renowned solvency, making sure that they have **internal control mechanisms and codes of conduct** that guarantee due diligence.

### Economic impact

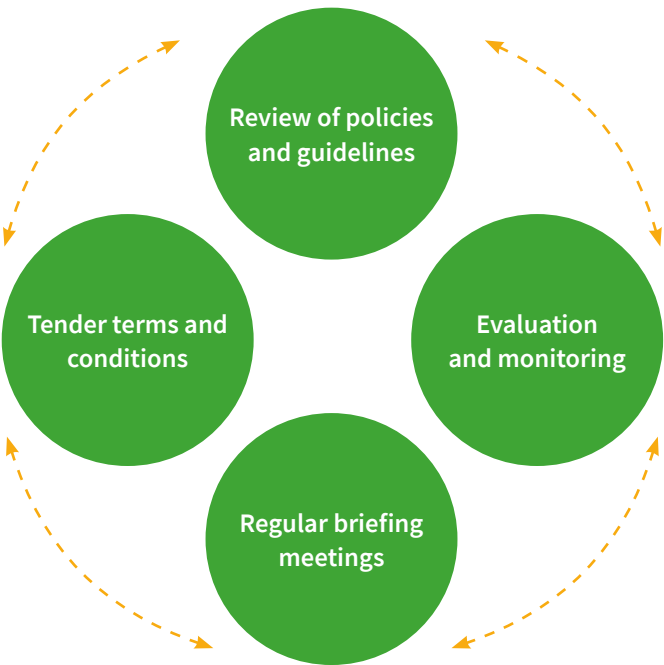
Lar España has strong ties with its business communities. The fact that **the majority of its 436 suppliers** are local firms reflects this bond. Lar España does business all over Spain, so that it generates wealth and sparks economic activity nationwide. In 2019, Lar España purchased **over €162 million** of goods and services from its suppliers.



Lar España purchased over €162 M of products and services from its suppliers, so **generating wealth in its business communities**

### Supplier certification mechanisms

Lar España is aware of the need to work with other organisations that pursue similar goals to it: **doing business responsibly for all groups, communities and society in general**. To that end, it strives to establish supplier controls in order to ensure they comply with prevailing regulations and conduct themselves in line with the values embraced by Lar España.





## Users and Customers

The process of **actively listening to and engaging in two-way communication with its customers** has been and remains essential to the company's business development. It uses several tools designed to foster the communication process:

- An **incident reporting protocol** with the asset managers in the form of a dedicated e-mail inbox, framed by the company's commitment to enhancing its communication and feedback channels.
- **Direct dialogue between the asset manager** assigned to each property and its tenants.
- **Customer service and audits** which Lar España uses as part of its committed effort to providing an excellent customer experience.

**With the aim of providing higher quality products and services**, the company attempts to anticipate its customers' needs **and demands, while ensuring the health and safe-**

**ty of those that visit its centres.** As a result, it pays special attention to compliance with basic health and safety regulations by duly coordinating its business activities, providing information about safety risks at work centres and correctly distributing the emergency evacuation protocols.

In 2019, the company completed implementation of its Customer Journey project **across its portfolio of shopping centres.** That project has enabled it to identify its customer archetypes and better understand its communities, which is in turn helping it to detect new opportunities and create a better customer experience. Thanks to its Customer Journey project, the company has been able to tap into its users' feelings and emotions to map out their 'ideal experience'. For further details about that project, readers are referred to the Innovation and Technology section of this report.

As a result of that effort, the company was able to post the following metrics in 2019:

Footfall 2019

**64.5 Million of visits**

**+1.9%<sup>(1)</sup>**  
vs 2018

**-1.9%**

Average Spanish Footfall <sup>(2)</sup>

Sales 2019

**815.2 <sup>(3)</sup> Million €**

**+4.4% <sup>(1)(4)</sup> / +2.1% <sup>(1)(5)</sup>**  
vs 2018

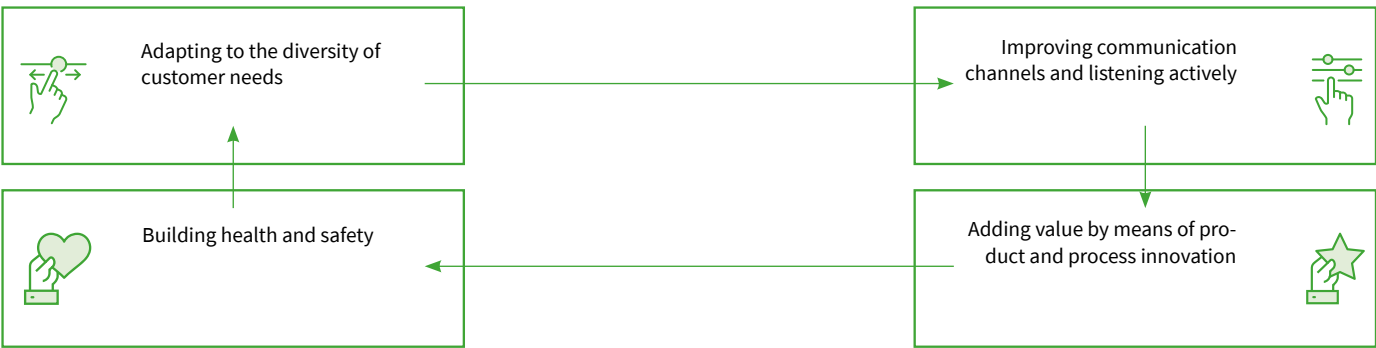
**+2.1%**

Big Surfaces Spain Sales Index <sup>(6)</sup>



(1) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project and either Albacenter's data due to the division of the hypermarket into four retail units/ (2) Shoppertrak Index / (3) Declared Sales / (4) Total Sales / (5) Comparable Sales / (6) National Statistics Institute (INE)

Lar España’s **philosophy for maximising customer satisfaction** is the following:



### Local Community and Society



Lar España’s business activities directly generate economic, business and social benefits for multiple players, including thousands of direct and indirect jobs. Its activities have a **considerable impact on the economy and employment in Spain in general** and in the communities in which its properties are located in particular. Specifically, in 2019, Lar España’s portfolio is estimated to have generated **21,684 direct jobs**.

In maximising the value of its assets, city and citizens are an inseparable whole and end-to-end refurbishment and operation of the portfolio implicitly implies specific consideration of and engagement with the local populations where the company operates, looking out for their sustained progress.

Lar España’s portfolio assets generate social impacts that **transform and build shared value** in the communities in which they are located:



Lar España generates **21,684 direct jobs** between the centres already open and those under construction





## 8.4% of the indirect jobs at Lar España's shopping centres are done by persons with disabilities.

Lar España, as part of its attempt to have a positive impact on society, paid special attention in 2019 to improving **the integration of persons with disabilities into its shopping centres' workforces**. Lar España was able to pursue that goal thanks to the fact that it owns its properties outright.

Lar España's shopping centres are being adapted to high universal accessibility standards for all manner of disabilities and that is in turn making it possible for the shopping centres to fill vacancies from a pool of candidates with a broad range of backgrounds and different abilities. Lar España worked specifically with its asset managers to cover vacancies with persons of different abilities.

Thanks to that effort, **8.4% of the indirect jobs created at Lar España's shopping centres are being done by people with disabilities**. Spanish legislation on the rights of persons with disabilities and their integration, which does not apply directly to Lar España, stipulates that people with different abilities must account for at least 2% of companies with more than 50 employees.

Lar España has fostered a specific hiring policy at the shopping centres it operates. Lar España plans to continue to **actively pursue that workplace and social integration effort as part of its broader community commitment**.



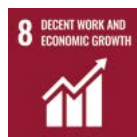
## Lar España and its commitment to the 2030 Agenda

Lar España believes it has a duty to contribute to delivery of the United Nations Sustainable Development Goals (SDGs) and 2030 Agenda. In 2019, underpinned by the methodology recommended by the UN Global Compact for companies striving to help deliver the SDGs, Lar España analysed **which of the goals warrant its priority attention, in line with its business activities**. Further on in this section, the rest of the SDGs are related with the actions being undertaken in the pursuit of sustainable and balanced development.

Lar España's business in 2019 centred almost exclusively on the retail property business, specifically operation of its 10 shopping centres, four business parks and 22 supermarkets. **In light of its core business, the company is prioritising the following SDGs:**



Lar España is firmly **committed to driving gender equality** at the Company. For example, it is targeting female board representation of at least 30%. It also factors gender considerations into its shopping centre designs.



Lar España's business operations enable the creation of local jobs at all of its centres. Its partners and the asset managers themselves employ people from the immediate vicinity and also **purchase goods and services from local suppliers**.



Lar España is working to achieve **BREEAM certification** at all of its centres. In parallel, it fosters sustainable mobility via access to public transport and the placement of electric vehicle charging stations in its centres.



Lar España carries out **recycling and used-clothing collection** drives at its centres to foster a circular economy culture and best practices at its shopping centres and business parks.



Lar España is working to **reduce the emissions** from its shopping centres by upgrading its facilities, particularly its HVAC and lighting systems. It is also introducing technology at its centres in order to track and reduce energy usage.



Lar España is working with its stakeholders towards delivery of shared objectives. Its shopping centres conduct **numerous community initiatives**. And the company actively gathers feedback about what each of its stakeholder groups needs. In that manner, it is fostering the pursuit of joint initiatives in support of sustainable development.

Below is a map of the initiatives undertaken at Lar España and their impacts on each SDG:



- Funding provided for projects organised by CODESPA and other foundations.
- Collection of clothing, footwear and toys.
- Donation of retail space to NGOs at all of its shopping centres (Red Cross, UNICEF, Save the children, ACNUR, etc.).
- Collection of school materials: Back-to-school drives for the neediest.



- Food collection drives.
- Campaigns with food banks.
- Collaboration with NGOs.
- Collaboration with Action Against Hunger: restaurant vouchers donated by employees. The full amount raised went to food.



- Donation of space for the installation of a blood donation bus.
- Collaboration with the Spanish cancer society and mental health and Down Syndrome associations.
- Collaboration with PROVIDA to collect products for mothers and children.
- Sponsorship of basketball, football teams, karate, etc.
- Collaboration with sports and fitness entities.
- Raising awareness of healthy lifestyle habits among shopping centre visitors to healthier lifestyles. Commitment to optimising air quality.



- Talent programme (sponsorships) in collaboration with the Altamira Foundation.
- Collaboration with the Norte Joven Foundation.
- Promotion of educational/awareness events with local communities in the environmental, social and labour arenas.



- Company promotion of gender diversity and equality.
- Target of having female boardroom representation of at least 30%.



- Collaboration with AUARA.
- Water savings policies at the shopping centres.
- Water-saving awareness campaigns in collaboration with AQUONA.
- Efficient watering systems.
- Reuse of treated wastewater.
- Indigenous plants.
- Taps fitted with presence detectors.



- CSR plan addressing energy consumption and use of clean energy.
- Increase in energy efficiency and promotion of renewable sources (e.g., solar panels).



- Job creation in local communities, thus contributing to local development.



- BREEAM certification and ESG reporting in accordance with the EPRA sBPR.
- Innovation designed to reduce the environmental impact of the company's buildings.





- Collaboration with NGOs.
- Hiring of persons with disabilities at the shopping centres



- Reduction in plastic consumption



- Participation in the Urban Land Institute.
- Electric vehicle charging stations.
- Reduction in water and electricity consumption (e.g. LED technology).
- Satisfaction of local community needs.
- Encouragement of public transport: use of municipal bikes.
- Tri-generation (CCHP): generates heat in winter and cold air in summer.



- Agreement between the Lagoh shopping centre and Seville University's research unit for the monitoring of the central lake and the associated biodiversity.



- Waste management policy.



- Participation in civilian associations.
- Corporate code of ethics.



- Emissions policy at the shopping centres.
- Installation of solar panels.
- Encouragement of public transport, electric vehicle charging points, etc.



- Internal communication of objectives, which are included in the CSR plan.
- Deployment of CSR policies at the company.

## 4.2

### Community Work

Lar España's **solid community engagement** effort seeks to reinforce social and economic vitality in the areas in which it operates. In 2019, it carried out a broad range of activities and initiatives in order to work and collaborate with its local communities, notable among which:



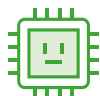
**Over 360 days** worth of community and environmental initiatives at our shopping centres



**Over 25 NGOs** and charities collaborated with



**Over €923,000** earmarked to community collaborations, sponsorships and initiatives



**Over 39,000kg** of clothing donated



**Over 54,000kg** of food collected in drives



## Community work undertaken in 2019



### AS TERMAS

#### Authorities and civil society

##### **Collaboration with the Lugo municipal authorities:**

- Sports council: sponsorship of charity races “Corre con Nós”.
- Donation of sweets for the Christmas parade.
- Advertising contribution for the institutional campaign run under the slogan “I’m from Lugo”.

##### **Regional government:**

- Regional health department: free loan of a unit for the installation of a blood donation bus.

##### **Lugo school network:**

Environmentally-themed drawing competition and prize ceremony.

##### **Project Wonderful:**

Fostering and promoting the most enterprising and innovative ideas.

##### **Collaboration with local entities:**

Breogán Basketball Club, Lugo Sports Club, Lugo Paddle Tennis Club, Lugo Motorcyclists Club, Dance School, Municipal Conservatory.

#### NGOs and charities

**Retail space donated to 10 NGOs** for 90 days: Raiolas Foundation, Children’s Villages, ACNUR, Aladina Foundation, Red Cross, ALCER, UNICEF and Action Against Hunger.

Collaboration with the advertising campaign for **World Pink Ribbon Day**.

Help with **fund-raising and toy collection** for the child cancer unit of Lugo Hospital.

**Food collection drive for the Lugo Food Bank:** 1,200 kilograms collected.

Food collection drive for the **Lugo Animal Shelter:** 1,260 kilograms collected.



## ÀNEC BLAU

### Authorities and civil society

#### **Project Wonderful:**

Fostering and promoting the most enterprising and innovative ideas.

**Sponsorship of Canal Olímpic** (€3,800).

**Sponsorship of ISTEA** (autism association) in the form of a charity race (€200).

**Sponsorship of the Castelldefels beach handball tournament** (€150).

#### **Collaboration with the town council:**

- Assistance with organisation of carnival celebrations (€100).
- Sponsorship of the Baix Llobregat business association (€300).
- Sponsorship of city charity races (€12,000).

#### **Giving back to the city:**

- Collaboration with institutions in the area for the provision of workshops advertised at Ànec Blau.
- All year round reading room.

### NGOs and charities

**Donation of retail space for charity purposes** to the ISTEA Association during the 'Blue Party' inaugurating Summer Quack.

**Winter clothing collection drive** for the Red Cross in Castelldefels.

Participation in the Dragon Boat **charity championship** organised at Canal Olímpic.

**Food collection** drive for animal shelter: 350 kilograms.

Monthly **animal care awareness and adoption** sessions: 20 animals adopted.

**Used clothing collection:** 21 tonnes.

Retail **space donated to 8 NGOs** (Red Cross, Josep Carreras Foundation, ACNUR, Salva 1 Huella, ISTEA, AHUCE Foundation, SOS Children's Villages, Neurofibromatosis Awareness).

**Charity events taking up 41 days of the year.**



## EL ROSAL

### Authorities and civil society

#### **Project Wonderful:**

Fostering and promoting the most enterprising and innovative ideas.

#### **Sponsorship of the local basketball team.**

#### **Collaborations with the Golf Club.**

**Collaboration with dance schools:** Coppelia and Creative Dance Studio.

#### **Collaboration with the town council:**

- Free loan of space for the citizen card machine.

**'Our Heroes' initiative,** in collaboration with the national police, the civil guard, ONCE and the Red Cross.

#### **Multiple charity collaborations:**

- Blood donation drives at the shopping centre in February and September.
- Virgen de la Encina High School: collaboration with the 'IESVE Mechanics' educational project.
- Collaboration with the 'We Safe' project: creation of a citizen safety app.
- Celebration of Pride Week: LGTBI exhibition.

### NGOs and charities

#### **Retail space loaned to 7 NGOs and 1 brotherhood.**

Premises loaned to artists for exhibitions.

Drives organised in conjunction with the **Food Bank** (loan of retail space and Smoothie Bike event).

Collaboration with the Red Cross on a **back-to-school drive to collect school materials.**

Collaboration with ADISBIER on a drive to collect toys and food.

Co-working space loaned for workshops organised by ADISBIER (an association which works with the disabled).

Agreement with ALFAEM under which its therapists can visit the HypeStation twice a month.





## ALBACENTER

## Authorities and civil society

**Project Wonderful:**

Fostering and promoting the most enterprising and innovative ideas.

Collaboration with the **Spanish Cancer Society - AECC - on World Cancer Awareness Day.**

Collaboration with entities on environmental, social, labour awareness campaigns, etc.

Collaboration with sports/fitness firms and clubs sending teams to the Tokyo Olympics (Junior Trampoline champion for Spain).

Collaboration with the third edition of charitable pilates event to raise money for **AFANION.**

Collaboration on the presentation of a book called 'Things that Happen Humans' to raise money for **AFEPA, the Parkinson's association.**

Presentation of the **'13 Women Project'** in collaboration with Concilia Albacete, a work-life balance focused non-profit.

## NGOs and charities

Collaboration with the **José Carreras Foundation** in support of bone marrow donations.

Customer service station and cleaning service outsourced to **EULEN**, a centre which hires people with special needs.

Collaboration with the **Spanish Cancer Society, AECC: charity tables.**

Collaboration with volunteers from the **Spanish Parkinson's Federation.**

Awareness and fund-raising campaign for children with leukaemia (Aladina Foundation).

Collaboration with Concilia: children's activities with donations for the Women's Institute aimed at facilitating female empowerment and workplace integration.

Awareness workshop and fund-raising event for **AMAC (women with cancer).**

**Retail space loaned to 15 NGOs/associations and 2 foundations.**

**Charity events taking up 202 days of the year.**

**Collaboration with the town council:**

Collaboration with the environmental education programme.



## LAS HUERTAS

### Authorities and civil society

Common areas loaned to the **Red Cross**.

Collaboration campaign with **San Pedro Cultural**.

Space in the car park donated to set up a **blood donation unit**.

**Awareness campaign about the rational consumption of water** promoted by Carrefour Property at all its centres, targeted at customers, retailers and employees alike.

Space loaned to the **Spanish Heart Foundation**.

Water tasting initiative conducted with **AQUONA**.

Collaboration with **WWF's global initiative, Earth Hour**.

Collaboration on the Act for Food campaign championed by Carrefour.

Celebration of the Women's International Handball Tournament in Palencia (Warriors of Spain).

Collaboration with the nationwide campaign to collect food for the **Food Bank Federation**.

Collaboration with the Spanish Cancer Society - **AECC** - on No Tobacco Day.

Space donated to Palencia's Mental Health Association (**FEASFES**).

Space donated to **Ayuda en Acción**.

Rollout of a special campaign - **REuse, REcycle, RESpect - to mark World Environment Day**.

Sponsorship of the charity race organised by the neighbourhood association.

Event organised to mark European Mobility Week.

Event organised to mark World Cleanup Day.

Space donated for **World Breastfeeding Week events**.

Space donated for the collection of food for dogs and cats for the **Palencia animal shelter**.

Space donated to **WWF**.

Space donated to the toy collection drive.



PORTAL DE LA MARINA

Authorities and civil society

- Sponsorship of sporting activities:**
- Peu La Marina Tour.
  - La Marina Cycling Tour.
  - Collaboration with Gayá Campus.

**Project Wonderful event** , with the presentation of 17 projects.

**Sponsorship of the Raquel Payá race**, in collaboration with a special needs school in Denia.

Collaboration with a **children’s centre in Denia** that organises excursions for students.

NGOs and charities

Space loaned to the **Red Cross and ACNUR**.

**Blood donation marathon** with the Alicante regional transfusion centre.

**Sponsorship of the Tronquet Rally** by bringing material to NGOs and foundations along the rally route (Africa).

Collaboration with **Amunt Contra el Càncer**, charity races to raise money for cancer awareness in Denia, Ondara and Benidoleig.



## GRAN VÍA DE VIGO

### Authorities and civil society

#### Collaboration with Vigo city council:

- Participation in the city's Christmas parade with a float. Parade before 150,000 people.
- Collaboration on street lighting in the vicinity of Gran Vía.

**Project Wonderful** in collaboration with Vigo city council. 18 projects.

- **Christmas street lighting:** collaboration with the paediatric unit of Álvaro Cunqueiro Hospital, to mark World Children's Day (20 November).

**Blood donation drive:** ADOS (Axencia Doazón Órganos y Sangre) - Galicia regional govt. - SERGAS.

**Sponsorship of the Barbeira Season Festival in collaboration with the regional government of Galicia - Xacobeo 2021:** direct involvement in the festival (plastic-free).

**Sponsorship of the Vigo half marathon.**

**Charity Carnival:** €1,200 donated to 3 associations.

**Sundays at Gran Vía in support of the Vigo Food Bank:** 3 events. Food donations by way of admission. Over 1,100 kilograms.

**Cooking demonstrations:** 5 organised in support of the Vigo Food Bank. Food donations by way of admission. Over 600 kilograms.

**Charity World Puddle Jumping:** €1,100 donated.

**Charity model casting for a magazine front cover:** €700 donated to 4 associations.  
Silent Party - charity event in support of AECC - in collaboration with Vigo authorities. €1,100 donated.

**Charity Smoothie Bike event:** 200 kilograms of fruit and vegetables donated to the Vigo Food Bank.

**GVV Scholarship - Esdemga - Vigo University:** €3,000.

### NGOs and charities

#### Retail space loaned to 30 NGOs and associations.

Collaboration with two **food bank drives** organised by the Food Bank in collaboration with Carrefour. More than 1,100 kg accomplished.

Collaboration with the Red Cross and the Carrefour Charity Foundation on a **back-to-school drive to collect school materials**.

Collaboration on a **Christmas toy collection drive:** over 2,000 toys collected.

Food collection in support of **animal shelters:** +1,100 kilograms of pet food donated.

**Awareness campaigns:** exhibitions by ASPACE and APAMP (work with people with cerebral palsy).

**Animal shelter associations.** Domestic violence. Breast cancer.



MEGAPARK

Authorities and civil society

Collaboration with **WWF's global initiative, Earth Hour.**

**Third edition of the Project Wonderful awards.**

**Back to school drive:** free healthy habits activities.

Sponsorship of the Jose Luis de Ugarte Sailing Club's 29th Trophy Regatta.

Second edition of the MegaPark & Fashion Outlet Job Fair.

**Toys and presents donated** for the children admitted to the paediatric ward of the Cruces Teaching Hospital.



TXINGUDI

NGOs and charities

**Shopping arcade area loaned to:**

- Red Cross
- Josep Carreras Foundation
- AECC
- ACNUR
- Save the Children
- PROVIDA

Collaboration with the Irun town council, **giving out food vouchers.**





## ABADÍA

NGOs and charities

### Retail space donated to:

- Josep Carreras Foundation.
- Save the Children
- ONCE Foundation (for the blind)
- ACNUR
- Red Cross
- ASPACE Toledo
- Médecins Sans Frontières

**Collaboration with Caritas:** Fourth Women's Festival.

**Collaboration with the Marsodeto Federation:** 43th charity walk for persons with disabilities in Toledo.

**Collaboration with Remar:** World AIDS Day.

**Collaboration with independent officials from Toledo city council:** presents for sick children hospitalised in Toledo.



## VIDANOVA PARC

Authorities and civil society

**Collaboration with the Fallera de Sagunto Board.**

### Sponsorship of sporting activities.

- Saguntino Athletics and Football Club.
- Sagunto Port Basketball Club.

**Project Wonderful event.**



#### R.P. VISTAHERMOSA

Authorities and civil society

**Project Wonderful**, event with the presentation of 8 projects.



#### R.P. RIVAS FUTURA

Authorities and civil society

**Project Wonderful**, event with the presentation of 12 projects.

**Pet-friendly park**, with participation of 15 premises.



#### LAGOH

Authorities and civil society

**Breast cancer awareness drive**: photocall and pink ball pool with photo opps in exchange for a €1 donation. The money raised, €538 in two days, was donated to the Spanish Cancer Society.

**Movember**: to raise awareness about prostate and testicle cancer and male depression, the Lagoh centre featured a moustache on its façade and all of its bathroom mirrors (male and female) for one week, encouraging shoppers to publish photos with the moustaches for virality.

**Blue Chair (Gancho Foundation)**: Lagoh donated retail space during the Christmas season to the Gancho Foundation, which is trying to raise money to improve local paediatric hospital facilities so that relatives accompanying their children can rest more comfortably.

**Andex**: also during the Christmas season, Lagoh loaned space to an association of parents with children with cancer to help raise awareness and funds for research.

**Pink Ribbon Gala**: Sponsorship of the Pink Ribbon Gala to raise awareness about breast cancer.



## Activities implemented by the Company

### Norte Joven Association



Assistance provided to this association's programme for the provision of scholarships, training and food to students by means of:

- Monthly charity lunches
- Assistance from Lar España employees to help the Foundation's youth members prepare for job interviews
- Regular financial donations
- Employment (administrative tasks) for Norte Joven students via 6-month long internships

### Action Against Hunger Foundation



- Lar España employees donated restaurant cheques. The total sum was earmarked entirely to therapeutic foods by this NGO, which tackles the causes and effects of hunger around the world.

### Aladina Foundation



- Christmas raffle to raise money for this charity.



## Collaboration agreement with AUARA

Lar España, framed by its commitment to society, has entered into a new agreement with **AUARA**, which earmarks 100% of its dividends to the **development of drinking water projects for the neediest**, raising money by selling uniquely designed and sustainable products. To date, they have brought safe drinking water and sanitation to more than 42,000 people, provided more than 34 million litres of water in developing countries and developed 70 infrastructures in 16 countries.

Lar España wants to help it do so, which is why from April 2019 it will install the company's water vending machines

in its shopping centres. All of the money collected from the sale of those products will be used to fund drinking water projects. The company will also place stickers on its doors to encourage its customers to feel involved by making them see they are buying more than just water.

The agreement places Lar España **at the forefront of a charitable initiative that fosters sustainable packaging while raising awareness** about the lack of drinking water in many places.





### Sustainability performance measures - Social

Below are the EPRA social sustainability performance measures for Lar España. They cover areas of great significance for the company such as **diversity, training, employee turnover, health and safety and community impact**.

Area of Impact	EPRA: Sustainability performance measures - Social		
	Code EPRA sBPR	Unit of measurement	Lar España 2019
Diversity	Diversity-Emp	Percentage of direct employees	Men: 67%; Women: 33%
Training and performance	Emp-Training	Average hours of training per direct employee	61 hours
	Emp-Dev	Percentage of direct employees	100%
Rotation	Emp-Turnover	Number and percentage of direct employees	0; 0%
Health and safety	H&S-Emp	Percentage of direct employees	0% across all categories
	H&S-Asset	Number of assets	16 out of 16
Local impact assessment	Compty-Eng	Percentage of assets	100% (16 out of 16)

Diversity-Emp: Percentage of male and female employees as of 31/12/2019.

Emp-Training: Average training hours in 2019.

Emp-Dev: Percentage of total employees who received regular performance and career development reviews during the reporting period.

Emp-Turnover: Total number and rate of new employee hires and employee turnover (employees who leave the organisation voluntarily or due to dismissal) during the reporting period.

H&S-Emp: Injury rate (IR); lost day rate (LDR); accident severity rate (ASR); absenteeism rate (AR) and work-related fatalities.

H&S-Asset: Proportion of assets controlled by the company for which health and safety impacts have been reviewed or assessed for compliance or improvement.

Compty-Eng: Percentage of assets under operational control that have implemented local community engagement, impact assessments and/or development programmes.



## 4.3 Environmental initiatives



Building projects have a significant impact on their natural surroundings. The building certifications Lar España is in the process of obtaining provide a roadmap for minimising their impact in the short, medium and long term. In parallel, the company safeguards the economic viability of and financial returns on its investments, while striving to boost aspects that benefit society.

Lar España continues to make active progress on the commitments assumed under the scope of its **Corporate Social Responsibility (CSR)** policies, specifically including those assumed along the environmental dimension.

Lar España is working on different aspects of environmental sustainability with the goal of reducing its impact, contributing to the development of a sustainable economy and adapting appropriately to the impacts of climate change. In 2019, Lar España participated in the **Global Real Estate Sustainability Benchmark (GRESB)** assessment, which in recent years has emerged as a benchmark framework for assessments of performance along environmental, social and governance (ESG) aspects in the real estate sector. In addition, aware of the importance of using technology astutely in this effort, Lar España has been rolling out energy efficiency measures to reduce its emissions and contribute to the effort to mitigate climate change.



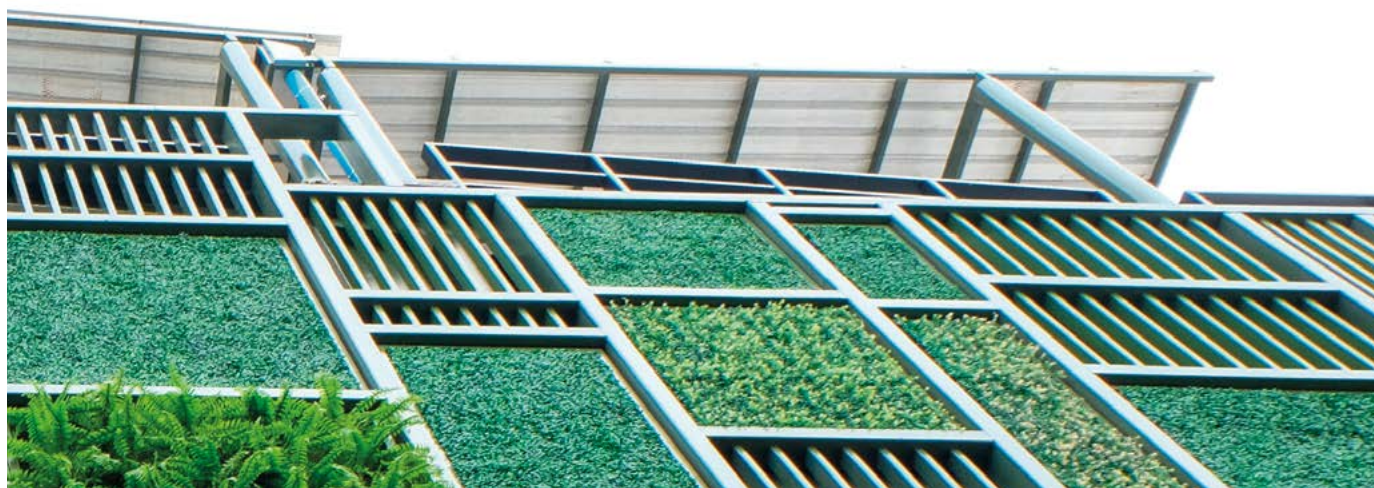


In its property developments (both its shopping centres and its residential development - Lagasca99), the company is applying all of its know-how and the **latest technology to develop sustainable, environmentally and user-friendly buildings.**

In September 2019, Lar España obtained the **EPRA Gold Award** for the second year running for the quality of the disclosures provided about its **CSR and sustainability work.** That accolade represents a new milestone in the company's transparency effort. Lar España is currently in the process of implementing its **CSR Master Plan, which is articulated around the most stringent sustainability standards** (general and sector-specific), the recommendations made by the securities market regulator, its stakeholders' legitimate expectations, the **United Nations Sustainable Development Goals (SDGs)** and the priorities for the business for the years to come.

The **CSR Master Plan** defines the goals and methods that are allowing Lar España to continually improve its real estate business

Lar España is committed to using tools for rating and certifying its assets in order to improve the sustainability performance of its overall investment portfolio. 100% of the shopping centres owned by Lar España and operated since last year boast **BREEAM-In-Use** certification. The newly acquired assets that are not yet certified are being analysed for the purpose of planning their certification under that standard. The company's new shopping centre and leisure complex in Seville, Lagoh, is pursuing **BREEAM New Construction** certification with a performance rating of "Very Good". Its residential development, Lagasca99, is being developed in accordance with sustainability criteria designed to obtain **BREEAM New Homes** certification, similarly with a rating of "Very Good".





## I. Climate Change Commitment

Lar España is working actively to roll out **climate change mitigation measures**, including initiatives undertaken at its shopping centres, retail parks and residential buildings.

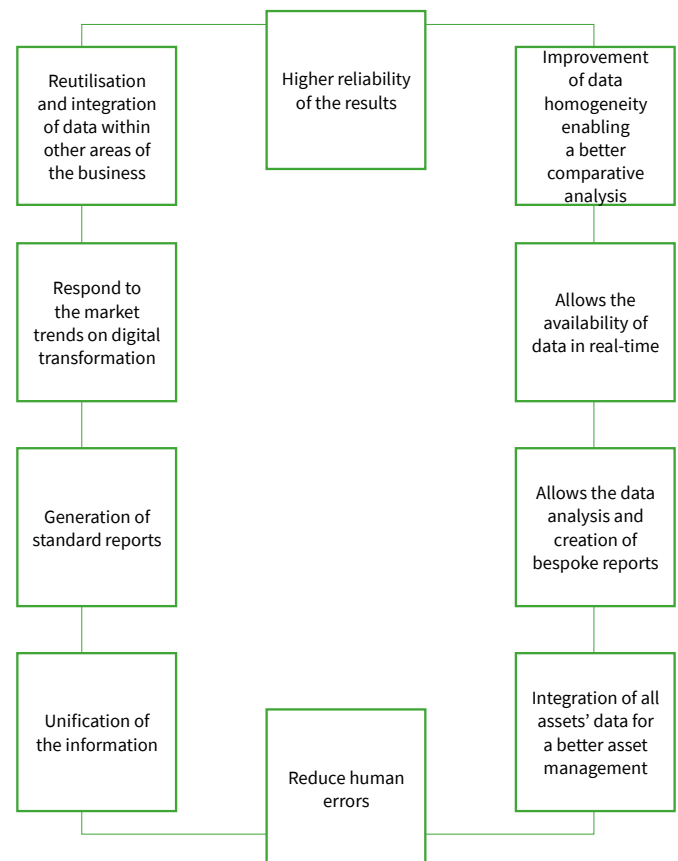
Most notably, it has deployed a **carbon footprint calculation** system which encompasses all of its activities. The main goal is to leverage sound methodology to define a greenhouse gas reduction plan, targeting the aspects that yield the highest potential savings per unit of capital invested. The GHG reduction plan will enable the company align its operations with the emissions-cutting objectives contained in the most favourable scenarios modelled by the Intergovernmental Panel on Climate Change (IPCC). The idea is to create an emissions reduction plan, aligned with the IPCC's work, which is effective at controlling the risks associated with climate change, most especially the so-called transition risks, such as price changes, material availability and regulatory and technological changes.

In parallel with and complementary to the carbon footprint calculation model, the company is currently working to on a **data automation system** for the collection and management of data from all of Lar España's centres. The data collection system will enable the company to track developments in its carbon footprint in a simple and nimble manner and pave the way for much faster response and decision times. The company's Environmental Information Management System is described in further detail next.

## II. Environmental Information Management System

Under the scope of an alliance with Big2Cloud (a consultancy focused on smart data and managed technology services specialised in the retail sector) and MSIN (a firm with 18 years' experience implementing systems, maintaining infrastructure and digitalising business processes) the company is working to **automate the collection of data tracking the assets' electricity, water and gas consumption, solid and liquid waste generation and air quality**.

The goal of the alliance is to deliver the following objectives:





**The project will run for 1 year.** Following the consultancy phase, yielding conclusions about the state of the existing systems and data collection effort at the centres, work will begin on developing the tool and gradually starting to connect up the various centres. Collaboration on the design of the reporting side of the development and establishment of the targeted KPIs.

The project will enable the company to import all data regarding the floor areas, visits, etc., paving the way for more accurate analytics.

To achieve those objectives, the initiative has been structured into **3 phases:**

Consultancy phase to diagnose each shopping centre's requirements and data.	Each centre visited to inspect the facilities and take note of the requirements
	Itemisation of hardware and software requirements
	Drafting of an action plan based on the data collected and estimation of the time needed to develop the solution
	Drafting of a final report for presentation to Lar España for approval
Already executed ✓	
Start-up of project.	Installation or creation of data capture platform
	Acquisition and installation of data reception hardware
	Creation of connections between the centres and Lar España to enable the automated dispatch of data
	Determination of the information dashboards, KPIs and report formats to be developed
In progress	Creation of a data warehouse within the hardware and extraction, transformation and loading (ETL) to ensure the information uploaded is verified, normalised and presented in a single language
	Purchases of licences for the visualisation of dashboards and dynamic tables
	Creation of the visualisations
	Testing of all technology layers. Implementation, drafting of the final report and end client training
System maintenance.	After the implementation of the program and adjustments according to the needs of Lar España's assets, the maintenance service will be launched, which consists of:
	<ul style="list-style-type: none"> <li>• System updates</li> </ul>
Pending	<ul style="list-style-type: none"> <li>• Operating settings and visualizations</li> </ul>
	<ul style="list-style-type: none"> <li>• Creation of new tables and reports</li> </ul>

## Main environmental actions

We highlight the following actions carried out in 2019 in our main shopping centers:



### AS TERMAS

- 108 tonnes of board recycled.
- 5 tonnes of plastic recycled.
- 118 kilograms of plastic collected.
- 3,230 kilograms of wood recycled.
- Energy savings of 25%.
- Collaboration with WWF's global initiative, Earth Hour.



### ÀNEC BLAU

- Collaboration with WWF's global initiative, Earth Hour.
- Water consumption down 23.99% and electricity consumption cut by 11.5%.
- Plastic, wood and other items recycled (141.89 tonnes).
- Bulbs and light fittings recycled (169 kilograms).
- Customer batteries recycled.
- Electric vehicle chargers.



### EL ROSAL

- Collaboration with WWF's global initiative, Earth Hour.
- Board/paper recycled: 175,433 kilograms.
- Plastic recycled: 42,038 kilograms.
- Water savings: 548m³.
- Electricity savings: 59,629 kW.



**Over 945,000 kg recycled cardboard and paper**

**Over 288,000 kg of recycled plastic**



ALBACENTER

- BREEAM certification.
- Collaboration with WWF's global initiative, Earth Hour.
- Electricity savings of 1.25%. 100% of energy consumed certified from renewable sources.
- 116,020 kilograms of board and paper recycled.
- 132,820 kilograms of plastic recycled.
- 127 kilograms of batteries recycled.
- 111 kilograms of fluorescent bulbs recycled.
- 122 kilograms of printer toners / cartridges recycled.
- 3 Tesla and 1 generic electric vehicle charging stations.



PORTAL DE LA MARINA

- Collaboration with WWF's global initiative, Earth Hour.
- The centre only used green energy in 2019.
- Water savings: 2,010m³.
- Used clothing recycled: 1,873 kilograms.
- Board and paper recycled: 161,000 kilograms.
- Plastic recycled: 760 kilograms.
- Wood recycled: 4,100 kilograms.



GRAN VÍA DE VIGO

- Collaboration with WWF's global initiative, Earth Hour.
- Water savings: 2.2%.
- Plastic recycled: over 37,000 kilograms.
- Board and paper recycled: over 218,000 kilograms
- Batteries and bulbs recycled: over 470 kilograms
- Other waste sorted: over 41,000 kilograms.
- 2 Tesla and 1 universal electric vehicle chargers.
- Dedicated environmentally responsible area: recycling of used batteries and bulbs (including fluorescent lights) and container for collecting used clothing for Caritas.

1,000 kg of recycled lamps and fluorescents



Over 84,000 kg of recycled wood



MEGAPARK

- Collaboration with WWF's global initiative, Earth Hour



ABADÍA

- Partnership with CW: World Environment Day.



VIDANOVA PARC

- Free electric vehicle chargers.
- Board and paper recycled: 87,780 kilograms.
- CSR recycled: 1,470 kilograms.



R.P. VISTAHERMOSA

- Collaboration with WWF's global initiative, Earth Hour.
- Water savings: 3,894m³.
- Board and paper recycled: 48,900 kilograms.



R.P. RIVAS FUTURA

- Water savings: 570m³.
- Board and paper recycled: 31,160 kilograms.
- Wood recycled: 5,760 kilograms.







## I. Environmental performance

Lar España continued to improve its environmental performance in 2019. It made significant progress with respect to prior years on the scope and methodology used and on the **classification of the assets by climate zones and asset categories within the retail spectrum**. Those advances are helping Lar España to monitor its assets' performance in terms of energy and water consumption, waste generation and GHG emissions.

### Methodology

With the goal of identifying, gathering and standardising to the extent possible the information needed to comply with the EPRA Sustainability Performance Measures, Lar España has used the **following sources of information and made the following assumptions**:

- **Floor areas considered:** For the purpose of calculating energy consumption and emissions intensities, **the assets' common parts areas are included**. The following are excluded: lettable areas and outdoors common parts areas (gardens, walkable rooftops, open-air car parks, etc.) as they are not strictly part of the developed floor areas.
- **Verification:** Total energy consumption is verified based on metered consumption and the documentary support **in the form of the invoices paid by Lar España to the power utilities; the nature of the renewable energy purchased by the landlord is also certified**. Similarly, the water consumption meter records are cross-checked against the invoices paid to the water suppliers. Lastly, **waste management** is verified by means of the corresponding recycling certificates.

- **Energy consumption:** The company reports the **total electric energy it consumes, distinguishing that generated from renewable sources**, in absolute and relative terms. It reports the energy generated from photovoltaic panels. It reports the energy consumed that derived from non-renewable fossil fuels (natural gas and diesel). None of Lar España's assets use district heating & cooling systems (DH&C-Abs). 100% of the data provided in the energy consumption chapter stems from metering and has been verified.

- **GHG emissions: Greenhouse gas emissions** were calculated in 2018 and 2019 by multiplying electricity consumption (kWh) by the corresponding emission factor, provided by the Spanish Ministry of Ecological Transition.

#### 2018<sup>(1)</sup>

0.331 kg CO<sub>2</sub> e / kWh of electricity

0.252 kg CO<sub>2</sub> e / kWh of gas

#### 2019<sup>(2)(3)</sup>

0.29025 kg CO<sub>2</sub> e / kWh of electricity

0.22535 kg CO<sub>2</sub> e / kWh of gas

0.26676 kg CO<sub>2</sub> e / kWh of diesel C

- **Water consumption:** The landlord does not provide HVAC services in its shopping centres or retail parks; however, in some instances, it does supply warm water for use in the tenants' HVAC systems and that water constitutes a substantial part of the centres' water consumption.

(1) [https://energia.gob.es/desarrollo/EficienciaEnergetica/RITE/Reconocidos/Reconocidos/Otros%20documentos/Factores\\_emision\\_CO2.pdf](https://energia.gob.es/desarrollo/EficienciaEnergetica/RITE/Reconocidos/Reconocidos/Otros%20documentos/Factores_emision_CO2.pdf) / (2) [https://www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores\\_emision\\_tcm30-479095.pdf](https://www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf) / (3) In 2019, the Spanish Ministry of Ecological Transition is proposing certain electric energy conversion factors specific for each supplier which have yet to be updated. As a result, the company has decided to use the electric energy conversion factor published by the International Energy Agency (IAE) for Spain for 2019. For fuels (natural gas and diesel C), the Ministry's updated factors, which remain in effect for 2019.

In 2019, the company additionally reports the consumption of sub-metered water billed to tenants, albeit only for absolute consumption purposes. Here the criterion is the same as the one used in last year's report: "water paid for by the landlord" rather than "water obtained by the landlord", which the company will be in a position to use from 2020. As a result, the comparison between 2018 and 2019 is 'like-for-like'. **100% of the data provided stems from metering and has been verified.**

- **Energy consumption and GHG emission intensity:** The energy consumption intensity is reported divided by common areas (sqm) and year. The ration of GHG emissions is reported divided by common areas and year, as well as every 1,000 visitors and year.

Intensity, energy consumption	=	<div>Landlord-obtained energy</div> <div>Common parts area</div>
Intensity, GHG emissions (a)	=	<div>GHG emissions from the landord-obtained energy</div> <div>Common parts area</div>
Intensity, GHG Emissions (b)	=	<div>GHG emissions from the landord-obtained energy</div> <div>1000 visitors</div>

The water consumption intensity indicator is calculated by dividing the annual volume of "water obtained by the landlord" in litres (including that billed on to tenants) by total centre visitors. As explained above, and for **the purposes of the comparison between 2018 and 2019 only**, this year's report continues to use the criterion of dividing the "water paid for by the landlord" by the number of visitors" rather than the criteria to be implemented from 2020: "water obtained by the landlord"/no. of visitors".

Intensity, water consumption

=

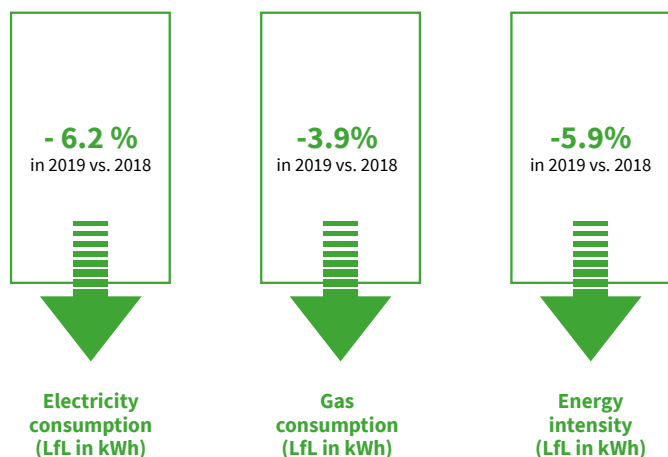
Landlord-obtained water consumption

Number of visitors

- **Waste management:** Lar España is currently in the process of drafting its **Waste Management Master Plan** with the overriding purpose of embedding circular economy processes at the company. It is standardising its waste generation information in order to enable more accurate analysis. In the instances in which it does not yet have verifiable data about urban solid waste generation, the figures are estimated on the basis of the weighted average generation/recycling ratio for Lar España's portfolio. That implies the use of data estimates representing 34.18% of the total; those estimates are used to assess the waste generated in absolute terms in 2019 (Waste-Abs). For like-for-like comparative purposes only, we report on the performance of 8 out of the 15 assets, the same eight out of 12 that were reported on in 2018, using the same methodology as in 2018. **As the information continues to be standardised, more assets will join the comparison.**

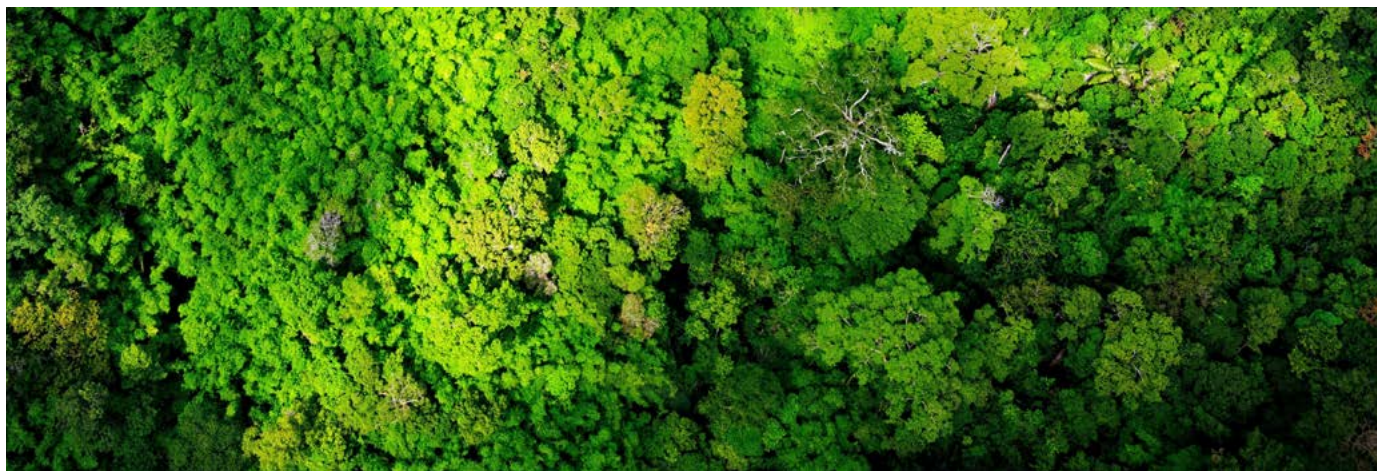
## Energy consumption

In 2019, the like-for-like data point to a **6.2% decline** in electric energy consumption and a **3.9% decline** in fuel consumption (natural gas and diesel).



It is important to highlight that in Spain, 2019 was the year with the third highest average daily maximum temperatures in the series, which dates back to 1965; temperatures were higher only in 2015 and 2017. On the other hand, the daily minimum temperatures were only 0.3°C higher than average, so that the daily variation in temperature was 0.9°C larger than usual. That context makes the **reduction in consumption all the more noteworthy and points to better building performances than implied by the percentages reported.**

The energy efficiency audits undertaken between 2016 and 2018 have led to the **implementation of energy efficiency measures that have required little investment yet proven highly effective in reducing consumption:** fine-tuning of the building management systems, fine-tuning of thermostats, implementation of protocols for switching on as a function of outside conditions and occupancy parameters, to mention just a few of the actions that have translated into reduce energy consumption even in adverse weather conditions. **Energy consumption intensity per square metre declined by 5.9%.**



Energy consumption figures for 2019:

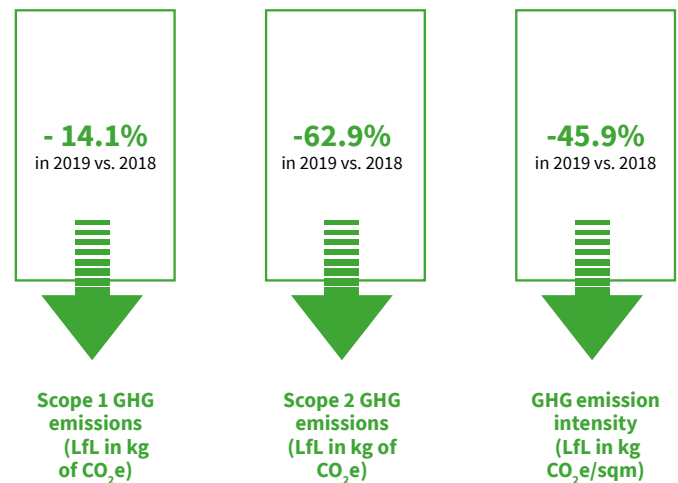
Area of Impact				EPRA Sustainability Performance Measures				LAR ESPAÑA ASSETS						TOTAL LAR ESPAÑA RETAIL						TOTAL LAR ESPAÑA OFFICES		
EPRA code		Unit of measurement	Indicator	ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)			ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)			ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)						
				2018	2019	2018	2019	Like-for-like change (%)	2018	2019	2018	2019	Like-for-like change (%)	2018	2019	Like-for-like change (%)						
Elec-Abs, Elec-LfL	kWh	Electricity	Consumption of electricity from non-renewable sources	4,732,263	2,185,663	2,593,609	1,098,185	-57.7%	3,553,614	2,168,261	2,593,609	1,098,185	-57.7%	608,102	17,402	-						
			Consumption of electricity from renewable sources	17,351,296	19,384,909	17,351,196	17,617,049	1.5%	17,351,196	19,384,909	17,351,196	17,617,049	1.5%	0	0	-						
			% of common areas electricity consumption from renewable sources	79%	90%	87%	94%	7.1%	83%	90%	87%	94%	7.1%	0%	0%	-						
			Consumption sub-metered to tenants	No data			No data			No data			No data									
			Electricity generated and dispatched to the grid	220,202	237,327	229,202	237,327	3.5%	229,202	237,327	229,202	237,327	3.5%	0	0	-						
			Total landlord electricity consumption	22,083,559	21,570,572	19,944,805	18,715,234	-6.2%	20,904,810	21,553,170	19,944,805	18,715,234	-6.2%	608,102	17,402	-						
EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption	Not applicable. None of Lar España's assets have district heating & cooling systems (DH&C-Abs)																		
Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord fuel consumption	1,936,433	2,099,787	1,813,015	1,742,098	-3.9%	1,900,262	2,098,015	1,813,015	1,742,098	-3.9%	0	1,773	-						
Energy -Int	kWh/sqm/year	Building energy intensity per square metre		43.6	33.1	40.5	38.1	-5.9%	42.5	33.5	40.5	38.1	-5.9%	42.2	27.1	-						
Number of assets within boundary				12 out of 12	16 out of 16	10 out of 12	10 out of 16	-	10 out of 10	15 out of 15	10 out of 10	10 out of 15	-	2 out of 2	1 out of 1	-						
Proportion of disclosed data estimated				0.0%	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%	0.0%	-	0.0%	0.0%	-						

Below is a description of the **measures being taken at Lar España's buildings** with the aim of enhancing their energy management and reducing consumption:

- **Negotiation** of contracted capacity, tariffs and green energy contracts.
- **Lighting:** light and presence sensors and LED technology.
- **HVAC:** free-cooling systems and energy audits to fine-tune performance.
- **Process systematisation:** Building management systems (BMS) and Scada.
- **Production of electricity** from renewable energy systems; installation of photovoltaic solar panels; solar collectors for heating sanitary water; geothermal HVAC.
- **Electronic thermostats** in gas boilers.
- **Tri-generation** for hot water, heating and air conditioning.

### GHG Emissions (Greenhouse Gas)

**One of the manager's biggest achievements in 2019 was the fact that over 90% of the energy consumed by Lar España's assets was generated from renewable sources.** That milestone, coupled with a drop in the consumption of fossil fuels (natural gas and diesel) of nearly 4%, **contributed to a 45.9% year-on-year reduction in GHG emissions across Lar España's portfolio.**



In addition, continuing its policy of purchasing energy of certified renewable origin, Lar España is ensuring that its GHG emissions drop year after year. In 2019, **one of the highest-consuming assets, MegaPark, entered into an agreement under which 100% of the energy it consumes will be certified as renewable.** In addition, at the Lagoh shopping centre in Seville, **35% of the energy consumed is clean**, specifically geothermal, driving growth of 7% in the consumption of energy generated using that technology.





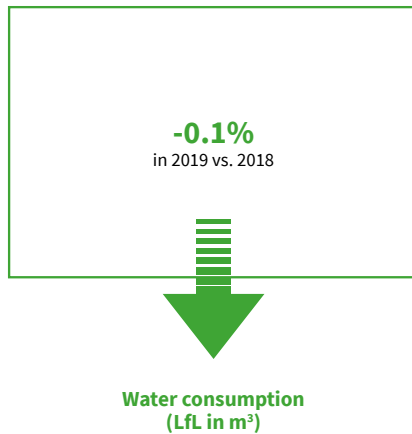
## GHG emissions figures for 2019:

Area of Impact	EPRA Sustainability Performance Measures				TOTAL LAR ESPAÑA ASSETS					TOTAL LAR ESPAÑA RETAIL					TOTAL LAR ESPAÑA OFFICES		
	EPRA code	Unit of mea- surement	Indicator	ABSOLUTE MEASURES (Abs)		CHANGE (LfL)			ABSOLUTE MEASURES (Abs)		CHANGE (LfL)			ABSOLUTE MEASURES (Abs)		CHANGE (LfL)	
				2018	2019	2018	2019	Like- for-like change (%)	2018	2019	2018	2019	Like- for-like change (%)	2018	2019	Like- for-like change (%)	
Greenhouse gas emission allowances	GHG-Dir-Abs, GHG-Dir-LfL	kg eq CO <sub>2</sub>	Direct emissions	Scope 1 (fuel)	487,981	476,297	456,880	392,582	-14.1%	478,866	475,897	456,880	395,235	-13.5%	0	400	-
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions	Scope 2 (elec- tricity)	1,566,379	634,389	858,485	318,748	-62.9%	895,511	629,338	858,485	318,748	-62.9%	201,282	5,051	-
			Indirect emissions	Scope 3	No data	No data	No data	No data	No data	No data	No data	No data	No data	No data	No data	No data	-
			Total	Scope 1 + 2	2,054,360	1,110,686	1,315,364	711,330	-45.9%	1,374,377	1,105,235	1,315,364	713,983	-45.7%	201,282	5,451	-
	GHG-Int	kg eq CO <sub>2</sub> /sqm/year	GHG emissions intensity per square metre	3.7	1.6	2.5	1.3	-45.9%	2.6	1.6	2.5	1.3	-45.7%	No data	0.6	-	
		kg eq CO <sub>2</sub> /1000 pers./year	Emission intensity per 1,000 visitors in the retail segment and per employee in office segment	38.5	15.4	24.7	14.5	-41.2%	25.8	15.3	24.7	14.6	-40.9%	227.0	5.2	-	
	Number of assets within boundary				12 out of 12	16 out of 16	10 out of 12	10 out of 16	-	10 out of 10	15 out of 15	10 out of 10	10 out of 15	2 out of 2	1 out of 1	-	
	Proportion of disclosed data estimated				1.00%	0.00%	1.00%	0.00%	-	0.00%	0.00%	0.00%	0.00%	36.00%	0.00%	-	



### Water consumption

As already noted, 2019 was not an easy year weather-wise. Nevertheless, water consumption was flat (Water-LfL), declining a slight **0.1% on comparative terms between 2018 and 2019**. As the 2019 numbers include consumption metered and billed on to tenants for the first time, the figures show a very significant and artificial increase in consumption in absolute terms (Water-Abs), attributable to the change in methodology. Turning to water consumption intensity (Water-Int), the numbers reveal growth on a like-for-like basis of 8.7% (litres/visitor/year), correlated with the weather conditions and occupancy figures in 2019 compared to 2018.



### Water consumption figures for 2019:

Area of Impact	EPRA Sustainability Performance Measures			TOTAL LAR ESPAÑA ASSETS					TOTAL LAR ESPAÑA RETAIL					TOTAL LAR ESPAÑA OFFICES		
	EPRA code	Unit of measurement	Indicator	ABSOLUTE MEASURES (Abs)		CHANGE (LfL)			ABSOLUTE MEASURES (Abs)		CHANGE (LfL)			ABSOLUTE MEASURES (Abs)		CHANGE (LfL)
				2018	2019	2018	2019	Like-for-like change (%)	2018	2019	2018	2019	Like-for-like change (%)	2018	2019	Like-for-like change (%)
Water	Water-Abs, Water-LfL	m³	Water consumption in common parts areas	122,162	219,565	106,563	106,420	-0.1%	117,134	106,420	106,563	106,420	-0.1%	4,176	145	-
			Consumption sub-metered to tenants	No data	81,419	No data	55,158	-	No data	81,419	No data	55,158	-	No data	No data	-
	Water-Int	Litres/ person/ year	Water consumption intensity per visitor in the retail segment and per employee in office segment	2.3	3.0	2.0	2.2	8.7%	2.2	1.5	2.0	1.5	-26.2%	4,709	1,649	-
	Number of assets within boundary			12 out of 12	16 out of 16	10 out of 12	10 out of 16	-	10 out of 10	15 out of 15	10 out of 10	10 out of 15	-	2 out of 2	1 out of 1	-
	Proportion of disclosed data estimated			0.0%	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%	0.0%	-	0.0%	0.0%	-

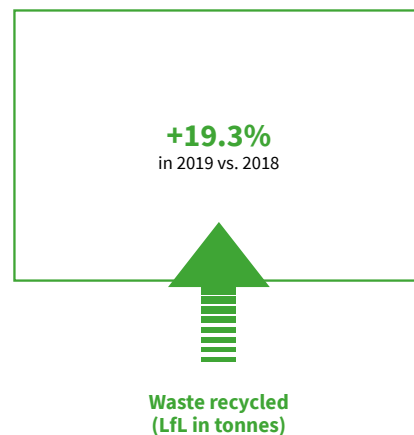


Lar España is implementing a number of initiatives at its properties in an attempt to reduce water consumption. Specifically, it has taken the following measures:

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

### Waste management

**Waste generation increased by 19.8% in 2019; in tandem the volume recycled increased by 19.3%**, so that the like-for-like recycling percentage was flat at around 55%. Lar España is currently in the process of drafting its Waste Management Master Plan with the overriding purpose of **embedding circular economy processes at the company**. That Master plan, coupled with the Big2Cloud tool being developed, will enable more concerted action with respect to the treatment of the waste generated at the asset level. For now, we are disclosing absolute waste generation volumes and the volume that lends itself to recovery on the basis of estimates. Implementation of the Master Plan is expected to generate detailed information about the various waste transformation, recovery and elimination pathways.



Waste generation figures for 2019:

Area of Impact	EPRA Sustainability Performance Measures			TOTAL LAR ESPAÑA ASSETS					TOTAL LAR ESPAÑA RETAIL					TOTAL LAR ESPAÑA OFFICES		
	EPRA code	Unit of measurement	Indicator	ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)			ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)			ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)
				2018	2019	2018	2019	Like-for-like-change (%)	2018	2019	2018	2019	Like-for-like-change (%)	2018	2019	Like-for-like-change (%)
Waste	Waste-Abs, Waste-Lfl	Tonnes	Waste generation	2,122.8	4,589.8	2,107.9	2,524.6	19.8%	2,107.9	3,145.3	2,107.9	2,524.6	19.8%	14.90	No data	-
		Tonnes	Waste recycled	1,159.9	1,541.2	1,159.2	1,383.5	19.3%	1,159.2	1,541.2	1,159.2	1,383.5	19.3%	No data	No data	-
		%	Waste to landfills	45%	66%	45%	45%	0%	45%	51%	45%	45%	0%	No data	No data	-
		%	Waste recycled	55%	34%	55%	55%	0%	55%	49%	55%	55%	0%	12.0%	No data	-
		No.	Number of assets within boundary	8 out of 14	11 out of 16	8 out of 14	8 out of 16	-	8 out of 10	8 out of 15	8 out of 10	8 out of 15	-	0 out of 1		
		%	Proportion of disclosed data estimated	0.0%	34.2%	0.0%	0.0%	-	0.0%	34.2%	0.0%	38.5%	-	0.0%	0.0%	-



Certifications

In 2018, of the **12 assets owned by Lar España that were potentially BREEAM certifiable, 11 (92%)** were certified. Following the asset disposals, acquisitions and inaugurations during the year, of the 16 assets owned by Lar España that are **potentially BREEAM certifiable in 2019, 12 were certified (75%)**. Two of the recently opened assets are in the course of obtaining certification; after two years in service they will be apt for BREEAM In Use certification.

Lastly, the procedure is underway for certifying another two recently-acquired assets.



BREEAM-certified buildings

Certification figures for 2019:

Area of Impact				TOTAL LAR ESPAÑA ASSETS					TOTAL LAR ESPAÑA RETAIL					TOTAL LAR ESPAÑA OFFICES		
EPRA Sustainability Performance Measures				ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)			ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)			ABSOLUTE MEASURES (Abs)		CHANGE (Lfl)
	EPRA code	Unit of measurement	Indicator													
				2018	2019	2018	2019	Like-for-like change (%)	2018	2019	2018	2019	Like-for-like change (%)	2018	2019	Like-for-like change (%)
Certifications	Cert-Tot	Number	Number of assets within boundary	12 out of 12	16 out of 16	10 out of 12	10 out of 16	-	12 out of 12	15 out of 15	10 out of 12	10 out of 15	-	2 out of 2	1 out of 1	-
		sqm	BREEAM certification	393,826	396,311	388,024	387,525	0%	388,024	387,525	388,024	387,525	0%	5,803	8,786	-
		%	Percentage of assets with BREEAM certifications	92%	75%	100%	100%	0%	83%	67%	100%	100%	0%	50%	100%	-







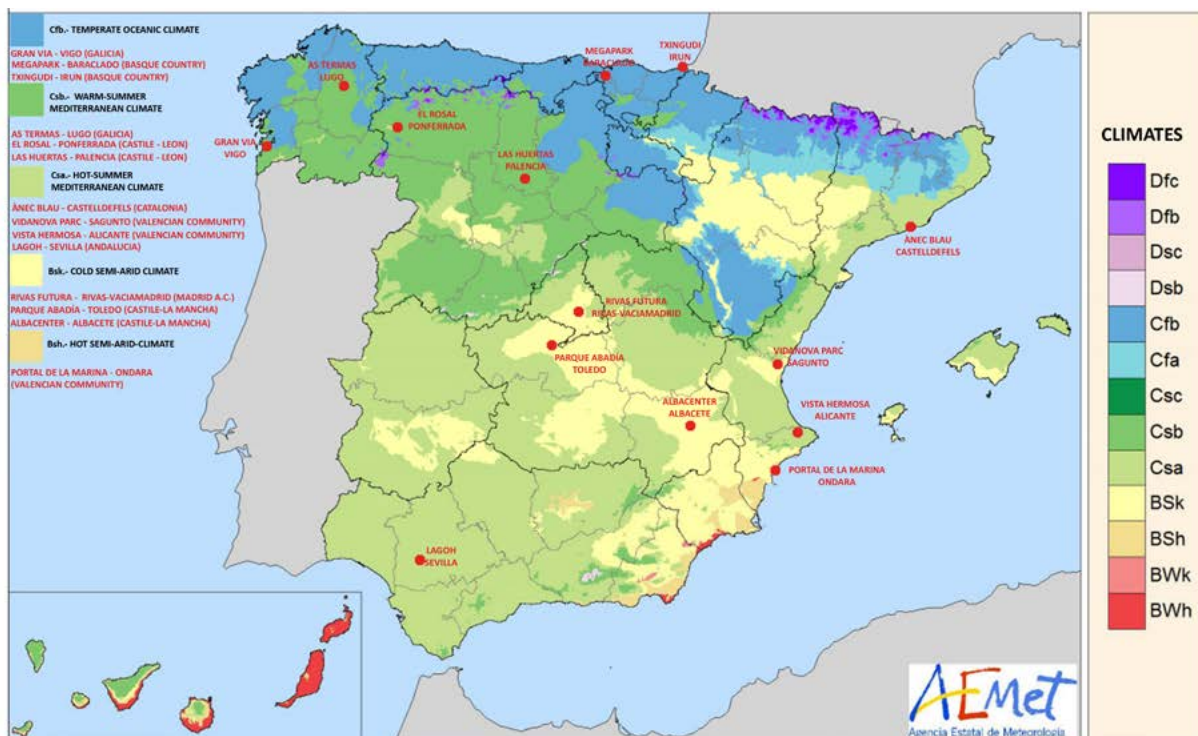
### Asset analysis by climate zone

For the first time this year, we analyse energy and water consumption and emissions by climate zone, using Köppen-Geiger's climate classification for the Iberian Peninsula (as published by the national meteorology agency, AEMET).

The analysis conducted reveals a **correlation between energy consumption intensity per sqm in the more arid, continental climates**: Csb (temperate - dry) and Bsk (arid - dry), where the readings are above the average (33.5 kWh/sqm/year), relative to energy consumption intensity in the maritime climates: Cfb (Atlantic) and Csa (Mediterranean).

As for water consumption, water consumption intensity per visitor is below the average at the assets located in wetter climates (Cfb), whereas the readings in the continental and Mediterranean climates were above the 2019 average (3.04 litres/visitor/year), using the new methodology slated for 2020. The Bsk climate (arid - dry) is an outlier: water consumption intensity is lower than anticipated; the explanation is found in the analysis performed by asset type.

### AEMET - KÖPPEN CLIMATE CLASSIFICATION (1981-2010)



Area of Impact	EPRA Sustainability Performance Measures INFORMATION BY CLIMATE ZONE				Cfb	Csb	Csa	Bsk
	EPRA code	Unit of measure- ment	Indicator	2019	Partial climate zone	Partial climate zone	Partial climate zone	Partial climate zone
Energy	Energy-Int		Building energy inten- sity per square metre	33.5	31.7	49.2	25.9	33.8
			Building ener- gy intensity per visitor	0.33	0.34	0.52	0.29	0.29
GHG emissions	GHG-Int	kg eq CO <sub>2</sub> / sqm/year	GHG emissions intensity per square metre	1.6	1.3	2.7	0.4	2.5
		kg eq CO <sub>2</sub> / 1000 pers. / year	Emissions intensity per 1,000 visitors	15.31	14.51	28.92	4.86	17.35
Water		litres/person/ year	Water con- sumption intensity per visitor	3.04	2.27	3.67	4.44	2.39

### Analysis by asset type

The analysis is rounded out by **looking at the figures by type of asset, distinguishing between the shopping centres**, with large indoor areas that need to be heated and cooled, and the retail parks, with much smaller common areas, which are largely outdoors. The analysis reveals, with respect to Lar España's assets, that energy consumption intensity per sqm at the retail parks (12.4 kWh/sqm/year) is less than 25% of that of the shopping centres (52.3 kWh/sqm/year). That proportionality drops even further, to 20%, measured in terms of energy consumption per visitor: 0.1 (kWh/visitor/year) at the retail parks, compared to 0.5 (kWh/visitor/year) at the shopping centres.

The retail parks water consumption intensity (1.47 litres/visitor/year) is virtually one-third of that of the shopping centres (4.24 litres/visitor/year). Therein lies the explanation for the fact that the assets in the Bsk climate zone, where the Abadía (Toledo) and Rivas (Madrid) retail parks are located, report lower water consumption readings than would be expected for assets in a Bsk climate zone.

### Type figures:

Area of Impact		EPRA Sustainability Performance Measures			INFORMATION BY ASSET TYPE	
	EPRA code	Unit of measurement	Indicator	2019	Shopping Centre	Retail Park
<b>Energy</b>	Energy -Int	kWh/sqm/year	Building energy intensity per square metre	33.50	52.30	12.40
		kWh/visitor/year	Building energy intensity per visitor	0.33	0.50	0.10
<b>GHG emissions</b>	GHG-Int	kg CO <sub>2</sub> e/sqm/year	GHG emissions intensity per square metre	1.60	1.97	0.83
		kg CO <sub>2</sub> e/1,000 person/year	Emissions intensity per 1,000 visitors	15.31	21.89	6.69
<b>Water</b>		Litres/person/year	Water consumption intensity per visitor	3.04	4.24	1.47





## Analysis at the corporate level

Below are the energy consumption, GHG emissions, water consumption and waste generation performance measure calculations at the corporate level:

### Type figures

Area of Impact	EPRA Sustainability Performance Measures				
	EPRA code	Unit of measurement	Indicator		Coverage
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Landlord electricity consumption - shared utilities	1 out of 1
				Consumption sub-metered to tenants	
				Electricity generated and dispatched to the grid	
				Total landlord electricity consumption	
	EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption	1 out of 1
	Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord fuel consumption	1 out of 1
	Energy-Int	kWh / sqm / year	Building energy intensity per square metre		1 out of 1
kWh / employee / year		Building energy intensity per employee		1 out of 1	
Greenhouse gas emission allowances	GHG-Dir-Abs, GHG-Dir-LfL	kg eq CO2	Direct emissions	Scope 1	1 out of 1
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions	Scope 2	
			Indirect emissions	Scope 3	
			Total	Scope 1 + 2	
	GHG-Int	kg eq CO <sub>2</sub> /sqm/year	Emissions intensity per square meter		1 out of 1
		kg eq CO <sub>2</sub> / employee / year	Emissions intensity per employee		1 out of 1
Agua	Water-Abs, Water-LfL	m³	Water consumption		1 out of 1
	Water-Int	litres / sqm / year	Water consumption intensity per square metre		1 out of 1
		litres / employee / year	Water consumption intensity per employee		1 out of 1
Residuos	Waste-Abs, Waste-LfL	Ton	Waste generation		0 out of 1
		%	Recycled waste		
		%	Proportion of disclosed data estimated		



Lar España Corp Offices - Contribution by the 3 Lar España employees			TOTAL Lar España Corporate Offices		
2018	2019	Like -for- like change	2018	2019	Like -for- like change
7.049	5.421	-23.10%	147.564	161.337	9,30%
N/A			N/A		
0	0	0.00%	0	0	0,00%
7.049	5.421	-23.10%	147.564	161.337	9,30%
N/A					
0	0	0.00%	0	0	0,00%
99,3	108,6	9.30%	99,3	108,6	9,30%
1.879,80	1.807,10	-3.90%	1.879,80	1.807,10	-3,90%
0	0	0.00%	0	0	0,00%
2.333	1.574	-32.60%	42.831	46.828	9,30%
N/A			N/A		
2.333	1.574	-32.60%	42.831	46.828	9,30%
32,9	31,5	-4.10%	28,8	31,5	9,30%
622,2	524,5	-15.70%	545,6	524,5	-3,90%
34	26	-22.70%	702	771	9,80%
0,5	0,4	-23.90%	0,5	0,5	9,80%
8,9	8,6	-3.40%	8,9	8,6	-3,40%
out of 1	No data	No data	-	No data	-
	No data	No data	-	No data	-

## Limits and coverage

The analysis covers all of the assets that were under Lar España's management in 2019. With respect to the boundary, it is important to note the following: The only asset falling within the office category (office building Cardenal Marcelo Spínola, 42) was sold on January 31, 2019. The disclosures include the environmental performance of the new Lagoh shopping centre in Seville during the three months in which it was open in 2019; the asset newly opened in 2018 (VidaNova Parc) and the assets acquired in 2019 (Rivas Futura and Parque Abadía). The latter assets are included in the environmental performance coverage for 2019 in the absolute measures (Abs). However, the like-for-like measures and tables, comparing the assets' performance between 2018 and 2019, only include the assets that were fully operational in 2018, were included in the 2018 annual report and remained under Lar España's management in 2019.

New this year is the **disclosure of the environmental performance measures by climate zones**. To do so the company relied on Köppen–Geiger's climate classification for the Iberian Peninsula, as published by the Spanish government's meteorological agency. In addition, to analyse the assets' performance as function of their starkly differing architectural characteristics, the assets have been classified this year into two categories: **shopping centres and retail parks**.

By ownership regime, we distinguish between:

### a) Properties 100%-owned by Lar España

Lar España reports on the energy and water consumption in its capacity as the owner of **10 shopping centres and retail parks, fully operational and fully owned**. This report does not include the energy consumption that is purchased directly by the tenants as the company does not yet meter their consumption. It continues to work, however, on obtaining that data.

### b) Properties co-owned by Lar España

The environmental performance of the assets co-owned by Lar España (5 shopping centres and retail parks: Las Huertas, Txingudi, the two centres in Abadía and Rivas Futura), in which Lar España does not have full authority to introduce and apply its sustainability policies, due to the existence of jointly-owned areas, is reported on in the same manner as outlined above. Lar España does, however, **directly influence the adoption of sustainability and energy efficiency measures** at these properties.

### c) Lar España properties in planning or under construction

Lar España includes the environmental performance of the **retail properties inaugurated in 2019** - the Lagoh shopping centre in Palmas Altas (Seville) and the shopping centre and leisure park VidaNova Parc (Sagunto) - in this report. **The report does not include the residential development, Lagasca99 (Madrid), completed in 2019 and fully sold, as it is not an asset under operation.**

### d) Corporate office

At the corporate level, Lar España leases **two storeys of an office building** that is not part of its property portfolio (it shares its offices with the Management Company's employees). Therefore, the environmental policies outlined in this report can only be applied to a limited extent. In this instance the data are reported as a corporate expense and are therefore excluded from the Company's environmental performance calculations.

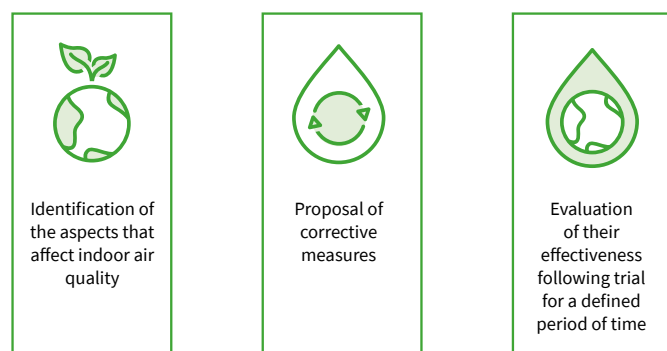


## Indoor air quality: Anlysis and Control

Based on estimates published by the US Environmental Protection Agency (EPA), concentrations of air pollutants can be as much as 10 to 100 times higher indoors than outdoors. Indeed, improving indoor air quality, particularly in large cities and urban areas, is a priority line of initiative for the World Health Organization (WHO).

Lar España is striving to enhance the experience and quality it offers at its centres in every respect, to which end it rolled out an initiative in 2019 **to analyse, control and improve air quality where needed.**

Specifically by means of an indoor air control system which enables it to track contamination levels and reduce them via different strategies. **The procedure followed by Lar España** to implement its air quality improvement strategies was the following:



Retail buildings can be home to a large quantity of pollutants that affect indoor air quality. When analysing indoor air quality, the following parameters, at a minimum, need to be considered:

- Suspended particles (e.g. PM10 and PM2.5)
- Ozone
- Volatile organic compounds (COVs)
- Carbon monoxide
- Nitrogen oxide (NOx)
- Formaldehyde
- Asbestos
- Tobacco smoke
- Micro organisms
- Odour levels
- Relative temperature and humidity

Together with an expert outside firm, Aire Limpio (which means 'clean air'), Lar España conducted a study in 2019 of new air filtering technology in order to evaluate whether the new systems were viable for use in its centres. The two air purification technologies it is looking at are active polarisation and photocatalysis, each of which is effective at tackling different aspects, as detailed below:

### ACTIVE POLARISATION (SIPAP)

#### Reduction in power consumption

Treatment of suspended particles (which are already being filtered by the conventional systems Lar España is currently using in its centres)

### PHOTOCATALYSIS (SFEG)

#### Air purification system which also breaks down pollutants

Treatment of micro organisms, VOCs and NOx



Following the procedure outlined above, Lar España is planning to implement one of these systems in a section of the Abadía retail park in order to analyse the results after a two-month trial. During that period the company will analyse the new filtering system being tested against the traditional system which will continue to function in the rest of the centre. The method stipulates the **analysis of the air quality before and after filtering in both instances** in order to test the elimination of compounds and resulting air quality; electricity consumption will also be tracked. The result will be comparative information along two dimensions: **improvement of filtered air quality at the centres and energy savings.**



In addition to improving indoor air quality, use of these systems **saves money in terms of building maintenance.** There are two main reasons for the maintenance savings:

- 1. Lower-maintenance filters
- 2. A more energy-efficient ventilation system via reduced resistance to air on account of its morphology.

Thanks to those aspects **the total annual cost of the system would be an estimated 20% cheaper** than the current air purification system.

The analysis will enable the company to understand its impact at the centre where it will be trialled and more precisely assess its implementation at other centres, generating the following benefits:









## 4.4 Accessibility



In 2019, Lar España continued to work hard to improve and adapt all of its shopping centres in an attempt to enhance how everyone experiences its facilities. The company's aim is to **obtain AENOR's universal accessibility seal** at all shopping centres not undergoing refurbishment in 2020. It will pursue the seal at the centres being done up as soon as the ongoing work is finished.

In recent years, Lar España has been working on obtaining ISO 21542 certification (accessibility and usability of the built environment) and on meeting the UNE-EN 170001 standard (universal accessibility), thus demonstrating its **commitment to inclusion**.



Lar España is firmly committed to **fostering social integration**: it is working to achieve and maintain high accessibility standards through designs conceived of for and by people

During 2019 the following activities were carried out:

### 100% of the portfolio audited in Universal Accessibility

The 15 shopping centers and parks that constitute the Lar España portfolio have been audited by ILUNION in Universal Accessibility.

### 67% of the portfolio in process of certification in UNE-EN170001

Currently, Lar España is in process and processing to obtain the AENOR Universal Accessibility seal in **10 of the 15 assets**: El Rosal, Gran Vía de Vigo, Rivas Futura, Abadía Gallery, Abadía Park, Albacenter, Ànec Blau, As Termas, Megapark, Portal de la Marina, Vistahermosa. The figure of the consultant has been hired to guide everything indicated in the IL-UNION report, making practical adjustments to achieve the objective.

### 13% of certified assets

In 2019, the **Aenor Universal Accessibility certificate for the Vistahermosa retail park** has been obtained, which adds to the one already achieved during 2018 for the VidaNova Parc retail park. This demonstrates Lar España's commitment to accessibility that allows adequate and comfortable access of all people to their shopping centers and parks, considering existing problems.

### €834,000 of investment in accessibility improvement in 2019.

During 2019, Lar España has continued to develop the **work plan** carried out in 2017, where priorities were established and the way to intervene in buildings was **to make them more profitable, healthy, safe and efficient**.

The result has been to differentiate between **urgent, necessary and recommended measures** in order to undertake in the centers where Lar España is the majority owner of carrying out the maximum urgent and necessary measures. In 2019 Lar España has provisioned and invested in accessibility a total amount of **€834,000** for different centers, which is added to the €113,000 invested during the years 2017 and 2018, since the accessibility plan and audits in this area began.

In addition, within the accessibility plan, the figure contemplated within the business plan to continue the improvement of all centers amounts to **€332,000**. The programming of these investments within the business plan shows the

ability to continue adding value to the assets and to establish the conditions for the continued increase in visitors to the centers.

The data relating to the investment of Lar España were the result of the diagnosis made in collaboration with **ILUNION Technology and Accessibility**, the **ONCE Group and AENOR** (Spanish Association for Standardization and Certification whose accessibility audits reflect the compliance status of current regulations and propose the necessary actions to obtain **Universal Accessibility certifications**. These audits will report three levels of action:



1.

Lowering risks for building users where there are existing accessibility deficiencies in the buildings.



2.

Compliance with current regulations in the buildings under construction and in the buildings in use by adopting reasonable adjustments that allow these regulations to be met (TBC and other regulations).



3.

Evaluate the possibilities and costs of being certified via the Universal Accessibility Standards a step that would require reaching excellence in this regard.

## 4.5 Outlook

To achieve its goal of continuing to create shared value, Lar España is **firmly committed to continually adopting best practices** in corporate social responsibility (CSR) and environmental, social and governance ESG (Environmental, Social & Governance) matters.

That commitment will materialise in specific actions planned for 2020:

### GRESB

2019 GRESB assessment: **for the second year in a row, Lar España participated in the Global Real Estate Sustainability Benchmark (GRESB) assessment**, which has emerged as the yardstick for measuring progress on ESG matters in the real estate sector.

- In 2019, Lar España obtained an **improvement of 20% over the prior-year score**, in the GRESB evaluation.
- Management then analysed the company's performance in 2019 compared to the year before, identifying a series of key areas for improvement.
- A number of meetings were held with EY, who came up with an action plan for 2020.
- The company expects to post a significant improvement in 2020 thanks to a wide-ranging universe of projects: **energy-efficiency plan; waste management plan; and an automated data collection plan for the shopping centres.**

### EPRA

**For the fifth year running**, in September 2019, Lar España received the **EPRA Gold Award** in acknowledgement of the quality of the financial information reported by the company.

In addition, for the second year in a row, Lar España received EPRA's most prestigious accolade, the **Gold Award**, for the **corporate social responsibility** reports provided to its investors, evidencing international recognition for the quality of the reports Lar España makes available to all of its stakeholders.

In association with EY, Lar España is currently working on an internal analysis in order to expand on the areas for improvement identified by EPRA and updates to be introduced into our upcoming suite of reports.





## ESG Benchmarking study

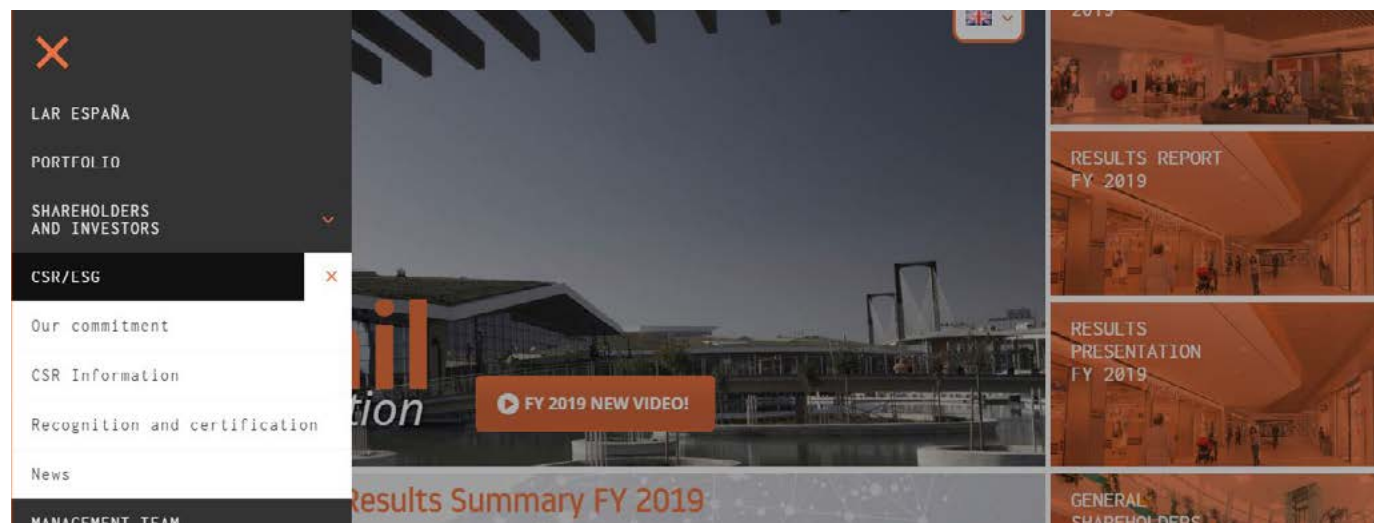
In July and August, Lar España participated in an ESG report benchmarking study along with another 13 real estate firms. The main objective was to measure the general panorama in the real estate sector and identify ways in which **Lar España can improve its reporting effort**. Lar España drew the following conclusions:

- The non-financial information reported is quite complete and in line with that reported by its peers.
- There is room for improvement in the quality of its CSR reporting, particularly in relation to environmental aspects.
- Having externalised management to Grupo Lar, there are not many company initiatives to highlight, particularly initiatives related with employees.
- It is necessary to create a CSR section on your website (already created in 2019).

## Sustainable Development Goals

Lar España has adopted a firm stance on the sustainable development goals (SDGs) and is working to follow the recommendations contained in the UN Global Compact in this respect:

- **Identification of the SDGs** which are particularly relevant to Lar España.
- The universe of activities and initiatives which Lar España is carrying out in support of each SDG **and in order to integrate them into the company**.
- Lar España's 2019 Annual Report will be the first to present its **commitment to the SDGs and its progress towards contributing to their delivery**, providing examples of the activities carried out during the year.





### BREEAM certification

Lar España is committed to **participating in green building assessments and certifications** to guarantee that all of its buildings are operated as sustainably as possible.

- **100% of its shopping centres** are BREEAM certified with ratings of “Good” or “Very good”.
- The certifications obtained will begin to come due for renewal in December 2020 (each is valid for three years). **Lar España has a dedicated certification renewal plan.**
- Following a recommendation by LKS, the company has devised a certification plan for its retail parks.
- The company’s developments have been designed and built in accordance with the specific BREEAM certification quality and sustainability criteria.
- The Lagoh shopping centre currently boasts a provisional BREEAM rating of “Very good” for its green construction. The company expects to receive full certification in March 2020.

### Accessibility

Lar España is firmly committed to integration and is working to achieve and maintain **high accessibility standards via people-centred design.**

- Lar España’s end goal is to earn the universal accessibility seal at each and every one of its centres.
- In association with ILUNION and AENOR, accessibility audits have been conducted at each property in the portfolio in order to **identify urgent and necessary actions.**
- In December 2018, VidaNova Parc became the first property to receive the universal accessibility seal. The hope is to have that same seal in place at the Vistahermosa retail park by the end of 2019. **The goal is to have all of the properties certified in 2020**, except for those currently undergoing refurbishment.
- All of the refurbishment projects **are being conducted in accordance with the most stringent standards and best practices in the accessibility field.**
- The Lagoh shopping centre will launch its AENOR certification process in January 2020.



### Data automation at the shopping centres

The goal is to **automate the collection of data tracking resource consumption at the shopping centres** (water, energy, waste generation and GHG emissions) to feed a dynamic dashboard designed to facilitate data analysis and generate customisable asset management reports. The result will be **more reliable data**, eliminating human errors, and **more frequent and standardised reports, so saving time**. That will in turn enable the company to take corrective action to optimise efficiency across the portfolio assets and evaluate with far greater objectivity the investments and initiatives to be rolled out.

In 2019, the company completed the consultancy phase, analysing each shopping centre's needs in terms of system implementation and customisation. At the time of publishing this report, work had begun on the **development phase, based on the conclusions drawn from the consultancy work**. As a result, Lar España expects to have an automated system for the collection of operating data for all of its shopping centres in place by the end of 2020.

### Implementation of an Energy Efficiency Plan

The goal is to identify opportunities for **reducing energy consumption and the associated costs** and to use that information to develop a strategic action plan which, in addition to establishing the roadmap for implementing the identified measures in line with the business strategy, will pave the way for **integration of energy efficiency into Lar España's business culture**.

### Implementation of a Waste Management Plan

This plan includes **actions for enhancing the collection, transportation and treatment of waste** thanks to internal and external analysis so as to establish a roadmap for achieving for the goals set in this area.

### Indoor Air Quality Plan

**Measures for improving indoor air quality and temperature control:** the health and wellbeing of its visitors is a cornerstone of Lar España's business model.

- A study is underway with a view to establishing a partnership with a firm called "Aire Limpio" (which means 'clean air') in order to improve indoor air quality across the portfolio.
- A pilot test at the Abadía retail park has already been conducted.
- **Temperature policy:** all of Lar España's properties comply with Spain's building heating regulations (RITE for its acronym in Spanish).



### Carbon footprint analysis

Lar España is aware of the need to **reduce the greenhouse gases (GHG)** generated by its activities and is firmly committed to climate change mitigation. To that end, Lar España is planning to calculate its carbon footprint in 2020, based on the 2019 emissions data. Lar España wants to become **carbon neutral (zero net CO2 emissions)**.

### Sustainable mobility

Lar España is strategically committed to fostering sustainability mobility in the cities in which it operates. **The key measures it implements** at its shopping centres, in association with the local communities, are:

- Electric vehicle charging stations
- Shared transport (car-sharing, scooters, motorbikes, etc.)
- Bike lanes
- Enhanced pedestrian access to the shopping centres
- Enhanced pedestrian access from commuter stations to the shopping centres
- Campaigns encouraging the use of public transport
- Bus stops
- Taxi stations
- Bicycle parking
- Scooter parking
- Motorbike parking
- Parking spaces designated for families and emergency vehicles located close to the main entrances
- Guided parking
- Vertical mobility: fitting of elevators

### Green clauses in leases

Lar España extends its CSR commitments to its suppliers and tenants:

- Lar España applies rigorous selection policies and only works with renowned suppliers that can certify the existence of **internal monitoring processes** and codes of conduct to ensure compliance with due diligence requirements along the value chain

In 2019, the company began to include new clauses in its contracts which stipulate compliance with certain ESG and CSR criteria (at present, 91.43% of all lease agreements at Lagoh include a BREEAM appendix).

- In 2020, the company will organise a tender for the cleaning, security and maintenance services provided at all of its centres. All of the new agreements have already been drafted to add clauses that require compliance with CSR and ESG criteria.







# 5

## Portfolio

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### 5.1 Portfolio description

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### 5.2 Real estate valuation

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### 5.3 Additional information

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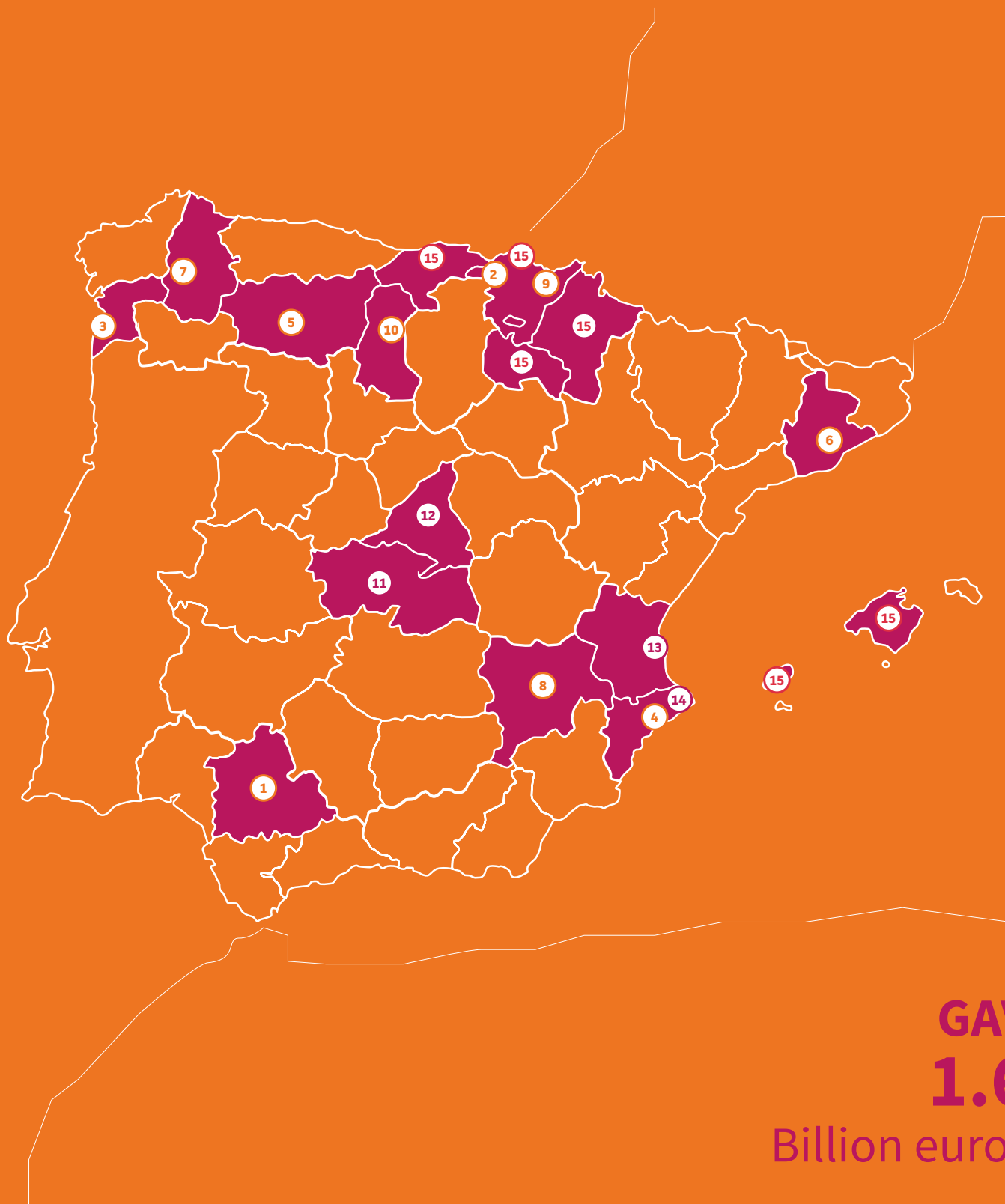


*At YE 2019, Lar España's portfolio reached a **total value** of **€1,552 million**, equating to a **13% annual value uplift**.*

**Shopping Centre** | Portal de la Marina (Alicante)

## 5.1

### Portfolio description







## Shopping Centres

1. Lagoh (Seville)
2. Megapark + Megapark Leisure Area (Vizcaya)
3. Gran Vía (Vigo)
4. Portal de la Marina + Hypermarket (Alicante)
5. El Rosal (León)
6. Ànec Blau (Barcelona)
7. As Termas + Petrol Station (Lugo)
8. Albacenter + Hypermarket and Retail Units (Albacete)
9. Txingudi (Guipúzcoa)
10. Las Huertas (Palencia)



## Retail Parks

11. Parque Abadía and Commercial Gallery (Toledo)
12. Rivas Futura (Madrid)
13. VidaNova Parc (Valencia)
14. Vistahermosa (Alicante)



## Other Retail

15. Supermarkets Portfolio (22 units) (Cantabria, País Vasco, La Rioja, Navarra and Balears)



## Lagoh Shopping Centre



Seville



### LOCATION & PROFILE

Shopping and leisure complex launched 26 September 2019, featuring 200 retail units already let to occupiers (99% physical occupancy rate) and open for business.

Thanks to an excellent location just 4 km from central Seville and within easy reach of adjacent towns and villages, its primary catchment area packs in over 2.5 million people.

Substantial infrastructure investment in the surrounding area has improved access and eased traffic flow, as well as enhancing the entrance routes to the shopping centre.

In the final quarter of 2019, 2.6 million visits were made to Lagoh, with total sales reaching €44.6 million.

### INVESTMENT RATIONALE

Lagoh offers a shopping and leisure experience unique in Andalusia, combining an unrivalled retail and dining offer, extensive green space, a natural lake and a choice of entertainment to suit all tastes.

Notable operators include Victoria's Secret, Hollister, H&M, the Inditex Group, Mango, Mercadona, Primark, among others.

It also boasts a superb range of leisure and dining brands, such as Yelmo Cines, Urban Planet, Pause & Play, Muerde la Pasta, Five Guys, La Campana, Grupo Vips, TGB and 100 Montaditos.

A sustainability trailblazer, Lagoh is powered by a system designed to harness renewable energy sources. A rainwater harvesting system is under development, while a network of solar panels provides low-carbon electricity and geothermal technology is used to generate heat, among others.

### ASSET CHARACTERISTICS

Property Name	Lagoh
Property Type	Shopping Centre
Location	Seville
Ownership (%)	100%
Year of Construction	2019
GLA	69,720 sqm
Purchase Date	1 March 2016
Acquisition Price	€38.5 million
Market Value <sup>(*)</sup>	€312.0 million
Price/sqm	N/A
Value/sqm	€4,475 per sqm
No. of Tenants	149
WAULT	5.3 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	1.3%
EPRA Net Initial Yield	5.1%

(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



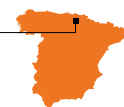


## Megapark + Megapark Leisure Area Shopping Centre



**MegaPark**  
MANAGEMENT

Bilbao



### LOCATION & PROFILE

The shopping centre is located in the Basque Country's largest retail hub.

It offers the only outlet centre on the Cantabrian coast (Fashion Outlet), and therefore has virtually no direct competition within its main catchment area, which encompasses parts of the Basque Country, Cantabria, Castilla and León and La Rioja.

Its primary catchment area is home to around 1.85 million people, representing 88% of the centre's customers. It enjoys a superb location and easy access from the A-8 motorway.

It enjoys a superb location and easy access from the A-8 motorway.

Total sales at the end of the year reached €115.1 million.

Footfall 2019: 11.8 million visits. (+9.0% vs 2018 Fashion Outlet Area)

### INVESTMENT RATIONALE

Some of the biggest international warehouse brands can be found here, such as Decathlon, Conforama, Media Markt, C.O. El Corte Inglés and Forum Sport.

Fashion Outlet offers a range of exclusive international brands, including Adidas and Reebok, Nike, Skechers, Levis, Puma, Guess, Geox, Pepe Jeans, Calvin Klein and Tommy Hilfiger. An adjoining hypermarket, also owned by Lar España, is occupied by Mercadona (Spain's leading distribution company).

It is the only outlet centre within a 400km radius.

The centre is currently in the second phase of a comprehensive redesign covering the entire customer journey, with the aim of creating a unique visitor experience.

The leisure and dining zone has attracted leading operators such as Muerde La Pasta, Burger King, Ribs, Tagliatella, Foodo and Juguetos. This zone also offers an 11-screen cinema, operated by Yelmo, which draws in more than 400,000 filmgoers every year.

### ASSET CHARACTERISTICS

Property Name	Megapark
Property Type	Shopping Centre
Location	Barakaldo (Bilbao)
Ownership (%)	100%
Year of Construction	2007
GLA	82,341 sqm
Purchase Date	19 October 2015/ 27 October 2017
Acquisition Price	€178.7 million
Market Value (*)	€217.3 million
Price/sqm	€2,143 per sqm
Value/sqm	€2,639 per sqm
No. of Tenants	81
WAULT	3.1 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	7.0% (**)
EPRA Net Initial Yield	5.4%

(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.

(\*\*) The property is undergoing significant refurbishments meaning that some units are being vacated temporarily.



## Gran Vía Shopping Centre



Vigo



### LOCATION & PROFILE

Shopping centre located in Vigo, the largest city in Pontevedra and the most populated city in the autonomous region of Galicia.

It boasts an urban location and can be accessed on foot from any point of the city. It can also be easily reached by car and public transport, and features 1,740 parking spaces.

Its main catchment area is home to almost 300,000 people, living within 10 minutes of the centre.

Footfall 2019: 7.3 million visits (+4.2% vs. 2018)

Total sales at the end of the year reached: €109.7 million (+5.2% vs. 2018).

### INVESTMENT RATIONALE

Dominant shopping centre in its region thanks to its retail mix, premium quality and size.

Wide retail offering, home to leading retailers such as Zara, Massimo Dutti, H&M, Bimba y Lola, Tous, Pepe Jeans, C&A and Carrefour, with 99% physique occupancy at the end of 2019.

### ASSET CHARACTERISTICS

Property Name	Gran Vía de Vigo
Property Type	Shopping Centre
Location	Vigo
Ownership (%)	100%
Year of Construction	2006
GLA	41,453 sqm
Purchase Date	15 September 2016
Acquisition Price	€141.0 million
Market Value (*)	€166.9 million
Price/sqm	€3,401 per sqm
Value/sqm	€4,026 per sqm
No. of Tenants	121
WAULT	1.8 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	1.5%
EPRA Net Initial Yield	5.4%

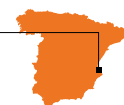
(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



## Portal de la Marina and Hypermarket Shopping Centre



Alicante



### LOCATION & PROFILE

Leading shopping centre in the heart of Marina Alta, the go-to shopping destination for the populations of Denia, Gandía and Calpe, all major tourist hubs.

Its catchment area contains more than 320,000 people, and it enjoys direct access from the AP-7 motorway from Valencia and Aliante, toll-free since 1 January 2020.

Total sales at the end of the year reached €95.2 million (+2.8% vs. 2018).

Footfall reached 3.6 million visits in 2019.

### INVESTMENT RATIONALE

Thanks to high population density in the surrounding area and its bustling tourist economy, it is able to offer a compelling retail mix carefully pitched at local customers and domestic and international tourists alike.

Renovations were carried out over the course of 2019 to give the centre a more up-to-date look and improve the food court area. This work marked the completion of a project begun in 2018.

Strategic acquisition of the hypermarket to gain full control of the adjacent shopping centre.

It offers an extensive range of retailers, including big-name brands such as C&A, Zara, Lefties, Guess, Cortefiel, Pull & Bear, Massimo Dutti among others, while the flagship leisure attraction is a cinema operated by Cines Mediterráneo.

### ASSET CHARACTERISTICS

Property Name	Portal de la Marina
Property Type	Shopping Centre
Location	Alicante
Ownership (%)	100%
Year of Construction	2008
GLA	40,334 sqm
Purchase Date	30 October 2014/ 30 March 2016/ 9 June 2015
Acquisition Price	€89.2 million
Market Value (*)	€126.4 million
Price/sqm	€2,221 per sqm
Value/sqm	€3,134 per sqm
No. of Tenants	117
WAULT	2.2 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	4.4%
EPRA Net Initial Yield	5.7%

(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.





## El Rosal Shopping Centre



León



### LOCATION & PROFILE

Leading shopping centre — the largest in the entire province of León — located in Ponferrada. Its primary catchment area is home to over 200,000 people.

The centre benefits from excellent transport links and direct access from the A-6 motorway.

Total sales at the end of the year reached €99.4 million (+2.4% vs. 2018).

Thanks to its commanding location, it attracts a great deal of footfall, with 5.4 million visits recorded in 2019.

### INVESTMENT RATIONALE

As well as a superlative retail mix, the centre offers visitors a range of leisure options and a wide variety of services. Among its operators are household names like Carrefour, Zara, H&M, Group Cortefiel, Mango and Toys R Us, to name a few.

A comprehensive redesign has been carried out to give a fresh look to the seating areas, dining area, terrace and customer service point, all with a view to enhancing visitor comfort.

### ASSET CHARACTERISTICS

Property Name	El Rosal
Property Type	Shopping Centre
Location	León
Ownership (%)	100%
Year of Construction	2007
GLA	51,152 sqm
Purchase Date	7 July 2015
Acquisition Price	€87.5 million
Market Value (*)	€110.9 million
Price/sqm	€1,715 per sqm
Value/sqm	€2,168 per sqm
No. of Tenants	114
WAULT	2.5 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	4.3%
EPRA Net Initial Yield	5.9%

(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



## Ànec Blau Shopping Centre



Barcelona



### LOCATION & PROFILE

Located in Casteldefells, Catalonia's premier tourist destination. Just 18 km south of Barcelona, reached via the C-32 motorway.

The shopping centre is nestled in an exclusive enclave just 10 minutes from El Prat airport.

Its main catchment area is home to 400,000 people.

Total sales at the end of the year reached €58.3 million.

Footfall 2019: 4.8 million visits, despite the closure of two entrances due to the refurbishment of the restaurant area.

### INVESTMENT RATIONALE

Medium-sized shopping centre and the top shopping destination in its catchment area.

The centre boasts such prestigious operators as Zara, Massimo Dutti, Pull & Bear, Levis, H&M and Mercadona (Spain's leading distribution company; this unit was recently extended and remodelled in line with its new retail concept).

A full-scale refurbishment project is underway, incorporating a new food court, leisure area and outdoor garden.

The shopping centre already has a new, completely redeveloped fashion court, home to the largest Zara store found in any Catalan shopping centre. This has helped consolidate Ànec Blau's position as a standout destination for fashion, leisure and dining.

### ASSET CHARACTERISTICS

Property Name	Ànec Blau
Property Type	Shopping Centre
Location	Barcelona
Ownership (%)	100%
Year of Construction	2006
GLA	29,032 sqm
Purchase Date	31 July 2014
Acquisition Price	€80.0 million
Market Value <sup>(*)</sup>	€102.1 million
Price/sqm	€2,797 per sqm
Value/sqm	€3,517 per sqm
No. of Tenants	88
WAULT	4.2 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	(**)
EPRA Net Initial Yield	(**)

(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.

(\*\*) The property is undergoing significant refurbishments meaning that some units are being vacated temporarily.





## As Termas + Petrol Station Shopping Centre



Lugo



### LOCATION & PROFILE

Situated in northeast Spain on the northern edge of Lugo, the provincial capital with a population of 350,000.

It is the leading shopping centre in the region, with a large primary catchment area (over 200,000 people).

It enjoys a high-profile setting and easy road access from the N-VI, N-640 and A-6.

The centre benefits from 2,200 parking spaces and a petrol station.

Total sales at the end of the year reached €61.7 million (+6.2% vs. 2018).

Footfall 2019: 3.7 million visits.

### INVESTMENT RATIONALE

Medium-sized shopping centre and the top shopping destination in its catchment area.

As an investment opportunity, it offers a highly appealing balance between current return and value uplift potential.

The centre's physical occupancy rate stands at 97%, with major brands such as Media Markt, Zara, C&A, Mango, Sfera, H&M, Stradivarius and Aki Bricolage all represented.

### ASSET CHARACTERISTICS

Property Name	As Termas
Property Type	Shopping Centre
Location	Lugo
Ownership (%) <sup>(*)</sup>	100%
Year of Construction	2005
GLA	35,127 sqm
Purchase Date	15 April 2015/ 28 July 2015
Acquisition Price	€68.8 million
Market Value <sup>(**)</sup>	€88.1 million
Price/sqm	€1,959 per sqm
Value/sqm	€2,508 per sqm
No. of Tenants	76
WAULT	2.2 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	3.9%
EPRA Net Initial Yield	6.1%

(\*) Lar España owns 100% of the shopping arcade.

(\*\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



## Albacenter, Hypermarket and Retail Units Shopping Centre



Albacete



### LOCATION & PROFILE

Located in the heart of Albacete, Albacenter is the leading shopping centre in the province.

Opened in 1996, it was extended in 2004 and refurbished in 2008. In 2018, it was given a complete revamp and work was undertaken to improve access. During 2019, the space formerly occupied by the hypermarket was renovated and divided into four retail units.

More than 278,000 people live within the centre's catchment area.

An urban shopping centre, it is easily reached from the A-31 motorway and offers 1,223 parking spaces.

Total sales at the end of the year reached €34.1 million (+7.1% vs. 2018).

Footfall 2019: 4.4 million visitors to the shopping centre.

### INVESTMENT RATIONALE

Medium-sized shopping centre and the top shopping destination in its catchment area.

The shopping centre boasts big-name fashion retailers such as H&M, Springfield, Pull & Bear, Bershka and more.

During 2019, a renovation project was carried out to divide the hypermarket unit into four individual retail units. The main objective was to provide the centre with an attractive food and leisure offering, with Mercadona and Flipa Jump entering into two of the units.

### ASSET CHARACTERISTICS

Property Name	Albacenter
Property Type	Shopping Centre
Location	Albacete
Ownership (%)	100%
Year of Construction	1996
GLA	26,352 sqm
Purchase Date	30 July 2014/ 19 December 2014
Acquisition Price	€39.9 million
Market Value <sup>(*)</sup>	€63.7 million
Price/sqm	€1,431 per sqm
Value/sqm	€2,417 per sqm
No. of Tenants	58
WAULT	3.2 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	6.1%
EPRA Net Initial Yield	5.5%

(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



## Txingudi Shopping Centre



Guipúzcoa



### LOCATION & PROFILE

Situated very close to the French border, this shopping centre holds a very secure position within its catchment area thanks to its strategic location.

Its catchment area contains more than 100,000 people; 25% of customers travel from France, and the average spend per person is relatively high.

Not far from San Sebastián airport (EAS), the centre is within easy reach of the French border and enjoys direct travel links with cities including Irún and San Sebastián itself.

Total sales for 2019 set a new all-time record, coming in at a total of €22.2 million (up 7.7% on 2018).

Footfall 2019: 3.6 million visits.

### INVESTMENT RATIONALE

The centre's location close to the border means it attracts substantial flows from France, with French shoppers drawn in by the range of stores on offer and the chance to take advantage of price differentials.

Its anchor tenants include H&M, Kiabi, Mango, Springfield, Punto Roma, Gocco and Douglas, to name but a few.

In terms of property management, there is significant opportunity to reduce non-recoverable costs, improve the occupancy rate and introduce a wider tenant mix.

### ASSET CHARACTERISTICS

Property Name	Txingudi
Property Type	Shopping Centre
Location	Irún (Guipúzcoa)
Ownership (%) (*)	100%
Year of Construction	1997
GLA	10,712 sqm
Purchase Date	24 March 2014
Acquisition Price	€27.7 million
Market Value (**)	€36.5 million
Price/sqm	€2,735 per sqm
Value/sqm	€3,407 per sqm
No. of Tenants	51
WAULT	2.5 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	1.6%
EPRA Net Initial Yield	6.9%

(\*) Lar España owns 100% of the shopping arcade.

(\*\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.





## Las Huertas Shopping Centre



Palencia



### LOCATION & PROFILE

Located in Palencia, in the autonomous region of Castile and León in northeast Spain.

More than 81,000 people live within the centre's direct catchment area.

The immediate vicinity contains a blend of residential and commercial uses, and as a result 35% of visitors arrive on foot. The centre enjoys a good location, with easy access to the city centre via the A-67 motorway (the main road link between Palencia and Valladolid).

Total sales at the end of the year reached €8.8 million.

Footfall 2019: 2.1 million visits.

### INVESTMENT RATIONALE

Las Huertas is Palencia's only shopping centre; a Carrefour hypermarket provides a strong anchor.

It boasts an appealing range of stores centred around mass-market brands, including prestigious multinational and regional retailers such as Springfield, Deichman, Time Road and Sprinter.

### ASSET CHARACTERISTICS

Property Name	Las Huertas
Property Type	Shopping Centre
Location	Palencia
Ownership (%) <sup>(*)</sup>	100%
Year of Construction	1989
GLA	6,267 sqm
Purchase Date	24 March 2014
Acquisition Price	€11.7 million
Market Value <sup>(**)</sup>	€11.6 million
Price/sqm	€1,867 per sqm
Value/sqm	€1.848 per sqm
No. of Tenants	27
WAULT	1.4 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	11.0%
EPRA Net Initial Yield	7.0%

(\*) Lar España owns 100% of the shopping arcade.

(\*\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



## Parque Abadía and Commercial Gallery Retail Park



Toledo



### LOCATION & PROFILE

Retail park located in Toledo, the most popular in its catchment and the largest in Castilla-La Mancha.

Easily accessed and the go-to retail park in the region, attracting people from Toledo and the surrounding provinces.

Its catchment area is home to over 300,000 people who live within just half an hour's drive of the retail park, which is located on the Madrid-Toledo motorway, ten minutes from the capital.

Footfall 2019: 6.7 million visits (+2.9% vs. 2018).

Total sales at the end of the year reached €32.4 million.

### INVESTMENT RATIONALE

Dominant shopping centre in its region thanks to its retail mix, premium quality and size.

Benefits from an excellent location, can be very easily accessed, and boasts first rate design and visibility.

Extensive retail offering, with over 50 stores located throughout the retail park. These are all complemented by the wide variety of products on offer at the Alcampo Hypermarket, Petrol Station and Pharmacy.

Comprises over 50,000 sqm with 2,800 parking spaces (1,200 covered parking spaces).

Strategic acquisition of the retail park's shopping centre in February 2018, giving Lar España full control of the park.

### ASSET CHARACTERISTICS

Property Name	Parque Abadía
Property Type	Retail Park
Location	Toledo
Ownership (%)	81%
Year of Construction	2011
GLA	43,109 sqm
Purchase Date	27 March 2017/ 20 February 2018
Acquisition Price	€77.1 million
Market Value (*)	€87.5 million
Price/sqm	€1,705 per sqm
Value/sqm	€2,030 per sqm
No. of Tenants	57
WAULT	1.7 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	2.3%
EPRA Net Initial Yield	5.9%

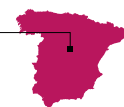




## Rivas Futura Retail Park



Madrid



### LOCATION & PROFILE

The property is located in the municipality of Rivas, just ten minutes from central Madrid, in the metropolitan area's fastest-growing locality in terms of population, urban development and business activity.

It boasts excellent road connections, with easy access to the M-30, M-40, M-45 and M-50 motorways and to Calle de O'Donnell, one of the city's main arterial roads. A metro station (line 9) and numerous bus routes running from Madrid provide further transport options.

It is the third-largest retail complex in Madrid and the ninth-largest in Spain.

Almost 400,000 people live within a 20-minute radius of the site.

Footfall 2019: 2.7 million visitors.

Total sales at the end of the year reached €23.8 million (+10.0% vs. 2018).

### INVESTMENT RATIONALE

The property is highly liquid due to its prime location, prestigious tenants, lease lengths and retail mix.

With an occupancy rate of 99.2% at the end of 2019, which means an increase of 15.7 basic points versus 2018, its extensive retail offering includes big-name brands such as El Corte Inglés, Media Markt, Conforama, Maison du Monde, Kiabi and Norauto.

### ASSET CHARACTERISTICS

Property Name	Rivas Futura
Property Type	Retail Park
Location	Madrid
Ownership (%)	75%
Year of Construction	2006
GLA	36,447 sqm
Purchase Date	6 February 2018
Acquisition Price	€61.6 million
Market Value <sup>(*)</sup>	€67.5 million
Price/sqm	€1,677 per sqm
Value/sqm	€1,852 per sqm
No. of Tenants	27
WAULT	1.8 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	0.5%
EPRA Net Initial Yield	5.7%

(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



## VidaNova Parc Retail Park



Valencia



### LOCATION & PROFILE

The centre boasts a prized location in Sagunto (Valencia), in a rapidly developing area geared towards tourism and industry.

At the end of 2019, 95.7% of the GLA was let and occupied.

In 2019 he received the award for the best Commercial Park awarded by the Spanish Association of Shopping Centres and Retail Parks.

More than 250,000 people live within the centre's catchment area.

It opened its doors for the first time in 2018 and was the largest retail park launched in Spain during that year.

Footfall 2019: 2.2 million visits.

Recorded sales for 2019 came to a total of €35.0 million.

### INVESTMENT RATIONALE

The retail park comprises a supermarket and a retail arcade with fashion and service stores. It also includes a retail park, offering stores that specialise in sports, DIY, decoration, homeware, toys, leisure and entertainment and fashion.

Some of the main tenants at the park include Leroy Merlin, Decathlon, Yelmo Cines, Urban Planet, C&A and Worten.

### ASSET CHARACTERISTICS

Property Name	VidaNova Parc
Property Type	Retail Park
Location	Sagunto (Valencia)
Ownership (%)	98%
Year of Construction	2018
GLA	45,568 sqm
Purchase Date	3 August 2015
Acquisition Price	€14.0 million
Market Value (*)	€55.4 million
Price/sqm	N/A
Value/sqm	€1,216 per sqm
No. of Tenants	32
WAULT	3.6 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	3.7%
EPRA Net Initial Yield	5.9%

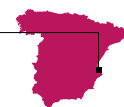
(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



## Vistahermosa Retail Park



Alicante



### LOCATION & PROFILE

Located along one of the three main roads in Alicante.

It boasts a large catchment area, reaching 450,000 people.

Parque Vistahermosa features unique retailers that cannot be found in other shopping centres in Alicante.

Total sales at the end of the year reached €74.8 million (+3.1% vs. 2018).

Footfall growth in 2019: 3.4 million visits (+1.5% vs. 2018).

### INVESTMENT RATIONALE

Some of its main tenants include major anchors such as Leroy Merlin, Alcampo, Media Markt and Urban Planet, Dream Fit, Maison Du Monde and Fifty Factory.

Considerable repositioning potential.

Only urban retail park in Alicante.

### ASSET CHARACTERISTICS

Property Name	Vistahermosa
Property Type	Retail Park
Location	Alicante
Ownership (%)	100%
Year of Construction	2002
GLA	33,763 sqm
Purchase Date	16 June 2016
Acquisition Price	€42.5 million
Market Value <sup>(*)</sup>	€50.5 million
Price/sqm	€1,246 per sqm
Value/sqm	€1,496 per sqm
No. of Tenants	14
WAULT	6.2 years

### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	6.0%
EPRA Net Initial Yield	5.7%

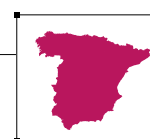
(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.



## Supermarkets Portfolio

### Other Retail

Cantabria, Basque  
Country, La Rioja,  
Navarra and Ba-  
leares



#### LOCATION & PROFILE

Diversified portfolio of 22 supermarkets operated by Eroski, located in northern Spain and the Balearic Islands.

100% occupied with long-term leases.

#### INVESTMENT RATIONALE

Off-market purchase at a very attractive price of a diversified portfolio comprising 22 retail units operated by Eroski, 100% occupied, with long-term leases and stable cash flow.

#### ASSET CHARACTERISTICS

Property Name	Supermarkets Portfolio
Property Type	Retail Warehouses
Location	Cantabria, País Vasco, La Rioja, Navarra y Baleares
Ownership (%)	100%
GLA	27,909 sqm
Purchase Date	27 March 2017
Acquisition Price	€47.6 million
Market Value <sup>(*)</sup>	€54.1 million
Price/sqm	€1,652 per sqm
Value/sqm	€1,938 per sqm
No. of Tenants	27
WAULT	11.3 years

#### KEY PERFORMANCE INDICATORS

EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	7.1%

(\*) The valuations have been made at 31 December 2019 by external independent valuers: JLL or C&W.







## 5.2

### Real estate valuation

#### Introduction

**Lar España** focuses its business activity on the investment in, and management of real estate assets. Hence, the regular monitoring and valuation of its assets is a key process in order to provide correct financial information to all stakeholders. Hence, Lar España has drawn up a **Property Valuation Policy**, which was approved by the Board of Directors in 2015 and updated in 2018.

Lar España recognises that the valuation of the property portfolio is inherently subjective, and may be based on assumptions that may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The company's policy on this subject is designed **to mitigate such risks and increase confidence in the prevalence and credibility of external valuations**, and will be reviewed by the Board on a regular basis.

In accordance with Lar España's IPO prospectus, the Company will **publish an estimate of the Fair Value** all of its real estate assets every six months (at 30 June and 31 December of each year) and every three months for **development assets or assets under fully refurbishment**. The valuation will be undertaken by an independent, external, qualified valuer (Valuer) and who is a Registered Valuer, accredited by the RICS (**Royal Institution of Chartered Surveyors**).

The valuations are in **accordance with RICS standards** (Valuation – Professional Standards 2012) and are arrived at by reference to market evidence of transactions for similar properties.

The valuations carried out as at 31 December must be full valuations, including a physical inspection of each one of the assets. A physical inspection of each one of the properties may not need to be made (at the Valuer's discretion) when carrying out the valuations at 30 June in the absence of material changes to the asset.



## Selection and appointment of the external valuer

Lar España's **Audit and Control Committee** (A&C Committee) is in charge of appointing and overseeing the external Valuers/regulated Valuers instructed to carry out the valuation of the Company's real estate assets.

In order to qualify for selection the Valuers must comply with the following:

- Be a qualified Registered Valuer accredited by RICS (Royal Institution of Chartered Surveyors).
- Be able to demonstrate independence and to declare that there is no conflict of interests.
- Be a firm that has a previous track record of valuing properties for companies similar to Lar España.
- Be affiliated to a reputable international firm.

When deciding on the selection and appointment of the Valuer, the European Public Real Estate Association (EPRA)'s Best Practices Recommendations are followed, ensuring that there is no form of conflict of interest in relation to the firms that value the assets. In order to manage potential conflicts of interest that could arise in relation to any of the real estate assets, Lar España will work with at least two different Valuers.

The **A&C Committee** will also decide on two important points related to the valuation of the assets

- Frequency with which each of the assets should rotate between Valuer.
- Minimum level of professional indemnity insurance to be requested from the Valuers.

In January 2019, Lar España launched a **new call for tenders** aimed at selecting independent property valuers for the period between **2019 and 2021**. After reviewing the various proposals received, and assessing their compliance with the stated requirements, the Audit and Control Committee decided to **retain the current valuers** (JLL and C&W), with some changes to the distribution of assigned assets.

Implementation of the valuation process

The process of completing, approving and publishing Lar España’s property valuations is carried out as follows:



We also include the **valuation certificates issued by the independent external valuers** (JLL and C&W) relating to the valuations of the Lar España portfolio as at 31 December 2019:



**SHOPPING CENTRE**  
Lagoh (Seville)







**LAR ESPAÑA REAL ESTATE SOCIMI, S.A**  
C/ Rosario Pino, 14-16  
28020 Madrid

**JLL Valoraciones, S.A.**  
Paseo de la Castellana, 79 – 3ª planta, 28046 Madrid  
Tel. +34 91-789 11 00 Fax. +34 91-789 12 00

Evan Lester, MRICS  
Teresa Martínez, MRICS  
Valuation Advisory, Spain  
E-mail: [evan.lester@eu.jll.com](mailto:evan.lester@eu.jll.com)  
E-mail: [teresa.martinez@eu.jll.com](mailto:teresa.martinez@eu.jll.com)

**Mr. Jon Armentia**

31<sup>st</sup> December 2019

Dear Sirs,

According to your instructions, we include the **Valuation Certificate** of the freehold interest of various assets located in Spain belonging to the portfolio of properties of **LAR ESPAÑA REAL ESTATE SOCIMI** as at **31<sup>st</sup> December 2019**. This letter should be considered as an annex of the Valuation Report issued by JLL Valoraciones S.A. for accounting purposes and dated 31<sup>st</sup> December 2019.

Considering the characteristics of the assets at valuation date, we are of the opinion that the Net Market Value of the 100% freehold interest of the subject properties as at 31<sup>st</sup> December 2019 is:

Asset	Use	Location	Area (sqm)	Net Market Value (€)	Fair Market Value (€)
As Termas	Shopping Centre	Lugo	35,127	88,090,000	88,090,000
	Shopping Centre		33,127	86,260,000	86,260,000
	Petrol Station		2,000	1,830,000	1,830,000
Gran Vía de Vigo	Shopping Centre	Vigo	41,444	166,890,000	166,890,000
Las Huertas	Retail Gallery	Palencia	6,267	11,580,000	11,580,000
Megapark	Retail Complex	Barakaldo (Bilbao)	81,688	217,336,270	217,336,270
	Retail Park		44,574	164,190,000	164,190,000
	Leisure & Restaurants		18,092	10,566,270	10,566,270
	Outlet		19,022	42,580,000	42,580,000
Portal de la Marina	Shopping Centre	Ondara (Alicante)	40,332	126,400,000	126,400,000
	Shopping Centre		30,408	117,370,000	117,370,000
	Hypermarket		9,924	9,030,000	9,030,000
Txingudi	Retail Gallery	Irún (Guipúzcoa)	10,712	36,520,000	36,520,000
Eroski Portfolio	Supermarkets	Several Cities	27,909	54,120,000	54,120,000



Therefore, in accordance with your instructions, we are of the opinion that the Net Market Value of the 100% freehold interest in the above indicated properties, subject to the comments, qualification and financial data contained within our report dated 31<sup>st</sup> December 2019, and assuming that the properties are free of encumbrances, restrictions or other impediments of an onerous nature which would affect the value, as of the 31<sup>st</sup> of December 2019 is:

**Net Market Value of LAR ESPAÑA REAL ESTATE SOCIMI S.A. Portfolio**

**700,936,270 Euros**

(Seven Hundred Million Nine Hundred Thirty Six Thousand Two Hundred Seventy Euros)

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**Evan Lester, MRICS**  
National Director  
Head of Valuations  
Corporates/Investors

---

**Teresa Martínez, MRICS**  
Associate Director  
Head of Retail Valuations  
Corporates/Investors

For and on behalf of  
**JLL Valoraciones, S.A.**



C/ José Ortega y Gasset, 29 – 6ª planta  
28006 Madrid  
Tel + 34 (91) 781 00 10  
Fax + 34 (91) 781 80 50  
cushmanwakefield.es

Jon Armentia

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A.**

C/Rosario Pino, 14-16 8ª planta  
28020 Madrid

Our Ref: edm3040

07 February 2020

Dear Jon,

As requested, we set out below the summary table from our valuation report dated 7 January 2020, undertaken for financial reporting purposes as at 31 December 2019 in accordance with our Engagement Letter and Standard Terms and Conditions dated March 2019.

PROPERTY		MARKET VALUE (Net of Acquisition Costs) A 31 Decembre 2019	Ownership Lar España %	% Market Value as at 31 Decembre 2019 <sup>(1)</sup>
1	EL ROSAL	110,900,000	100%	110,900,000
2.1	ALBACENTER (EXCL.HYPERMARKET)	44,600,000	100%	44,600,000
2.2	ALBACENTER HYPERMARKET(2)	19,100,000	100%	19,100,000
3	ANECBLAU, CASTELDEFELS	102,063,000	100%	102,063,000
4.1	ABADIA RETAIL PARK (EXCL. GALLERY)(3)	69,100,000	100%	69,100,000
4.2	ABADIA RETAIL GALLERY	18,420,000	100%	18,420,000
5.1	VIDANOVA PARC (EXCL. PETROL STATION)(4)	55,000,000	100%	55,000,000
5.2	VIDANOVA PETROL STATION	445,000	100%	445,000
6	RIVAS FUTURA RETAIL PARK	67,500,000	100%	67,500,000
7	VISTAHERMOSA RETAIL PARK	50,500,000	100%	50,500,000
8	LAGOH, SEVILLA	312,000,000	100%	312,000,000
<b>TOTAL PORTFOLIO</b>		<b>849,628,000</b>	<b>100%</b>	<b>849,628,000</b>

(1) We assume a sale of 100% of the asset in which the proceeds are shared between the joint venture partners in accordance with their percentage ownership share.

(2) We assume the sale of Albacenter Shopping Centre including the former hypermarket area, therefore our reported values are a split of value of the two elements sold as a single property (shopping centre and hypermarket).

(3) We assume the sale of Abadia Retail Park including the retail gallery, therefore our reported values are a split of value of the two elements sold as a single property (retail park and retail gallery).

(4) We assume the sale of Vidanova Retail Park including the petrol station, therefore our reported values are a split of value of the two elements sold as a single property (centre and petrol station).



The opinion stated above totalling € 849,628,000 represents the aggregate of the values attributable to the individual properties and should not be regarded as an opinion of value of the portfolio as a whole in the context of a sale as a single lot.

We point out that the above table of values should be read in conjunction with our full valuation report (of 31 December 2019) and Engagement Letter with its Terms and Conditions, as referred to above, given that our full Basis of Valuation, extent of our enquiries and the assumptions we have made is fully explained therein.

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

Yours faithfully

Signed for and on behalf of Cushman & Wakefield Sucursal en España.

A handwritten signature in black ink, appearing to read 'A. Loughran'.

**Tony Loughran MRICS**

Partner

+34 91 781 38 36

[tony.loughran@eur.cushwake.com](mailto:tony.loughran@eur.cushwake.com)

A handwritten signature in black ink, appearing to read 'R. J. Cardiff'.

**Reno Cardiff MRICS**

Partner

+34 93 272 16 68

[reno.cardiff@eur.cushwake.com](mailto:reno.cardiff@eur.cushwake.com)



The gross value of Lar España's assets stood at **EUR1,551 million** at year-end 2019. The breakdown by asset and the y-o-y comparison with 2018 is detailed below. The **like for like (Lfl) value uplift** compared with year-end 2018 stands at **12.7%**. Thus, the portfolio's value has climbed **54.5% versus the acquisition price**.

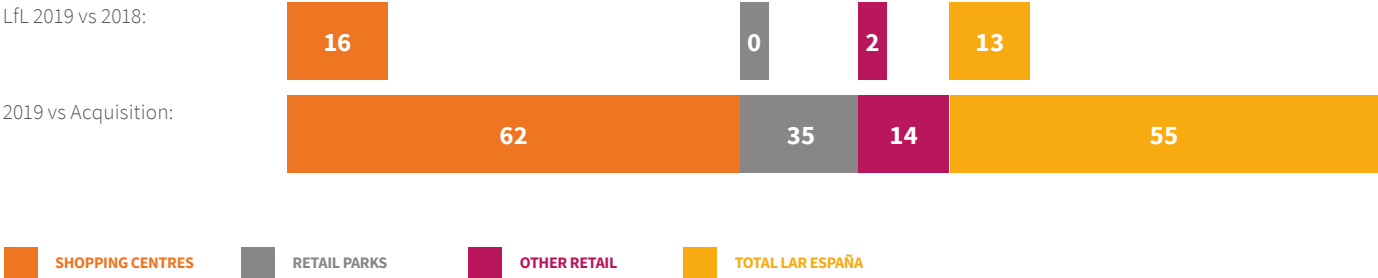
<i>Assets</i>	<i>Valuer</i>	<i>Acquisition price (Thousands of euros)</i>	<i>Market Value 31.12.2018 (Thousands of euros)</i>
Lagoh	C&W	38,500	132,000
Megapark + Megapark leisure area	JLL	178,700	222,200
Gran Via de Vigo	JLL	141,000	173,000
Portal de la Marina + hypermarket	JLL	89,181	129,175
El Rosal	C&W	87,500	110,210
Ànec Blau	C&W	80,000	97,060
As Termas + petrol station	JLL	68,800	87,560
Albacenter + hypermarket	C&W	39,913	60,350
Txingudi	JLL	27,673	37,500
Las Huertas	JLL	11,708	12,600
<b>Total Shopping Centres</b>		<b>762,974</b>	<b>1,061,655</b>
Parque Abadía + commercial gallery	C&W	77,100	83,410
Rivas Futura	C&W	61,600	67,500
VidaNova Parc	C&W	11,600	59,910
Vistahermosa	C&W	42,500	50,540
<b>Total Retail Parks</b>		<b>192,800</b>	<b>261,360</b>
Supermarkets portfolio	JLL	47,600	53,024
<b>Total Others</b>		<b>47,600</b>	<b>53,024</b>
<b>TOTAL LAR ESPAÑA</b>		<b>1,003,374</b>	<b>1,376,039</b>



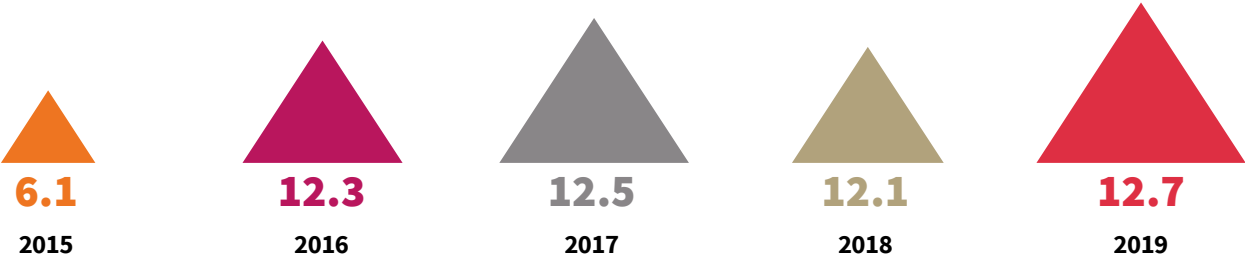
Lar España portfolio's value has climbed **54.5%** versus the acquisition price at 31.12.2019

<i>Market Value 31.12.2019 (Thousands of euros)</i>	<i>€/sqm 31.12.2019</i>	<i>Like for Like revaluation (2019 vs 2018) (%)</i>	<i>Revaluation 2019 vs acquisition price (%)</i>	<i>EPRA NIY 31.12.2019</i>
312,000	4,475	136.4%	710.4%	5.1%
217,336	2,639	(2.2%)	21.6%	5.4%
166,890	4,026	(3.5%)	18.4%	5.4%
126,400	3,134	(2.1%)	41.7%	5.7%
110,900	2,168	0.6%	26.7%	5.9%
102,063	3,515	5.2%	27.6%	(*)
88,090	2,508	0.6%	28.0%	6.1%
63,700	2,417	5.6%	59.6%	5.5%
36,520	3,409	(2.6%)	32.0%	6.9%
11,580	1,848	(8.1%)	(1.1%)	7.0%
<b>1,235,479</b>	<b>3,148</b>	<b>16.4%</b>	<b>61.9%</b>	<b>5.5%</b>
87,520	2,030	4.9%	13.5%	5.9%
67,500	1,852	0.0%	9.6%	5.7%
55,445	1,217	(7.5%)	378.0%	5.9%
50,500	1,496	(0.1%)	18.8%	5.7%
<b>260,965</b>	<b>1,642</b>	<b>(0.2%)</b>	<b>35.4%</b>	<b>5.8%</b>
54,120	1,939	2.1%	13.7%	7.1%
<b>54,120</b>	<b>1,939</b>	<b>2.1%</b>	<b>13.7%</b>	<b>7.1%</b>
<b>1,550,564</b>	<b>2,677</b>	<b>12.7%</b>	<b>54.5%</b>	<b>5.6%</b>

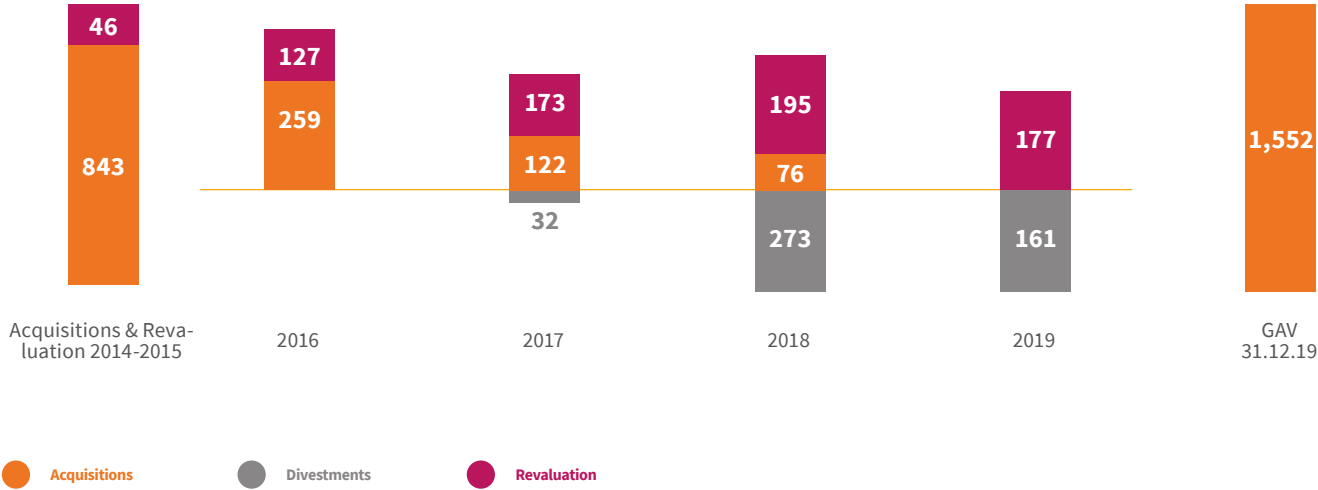
Revaluation by asset class (%)



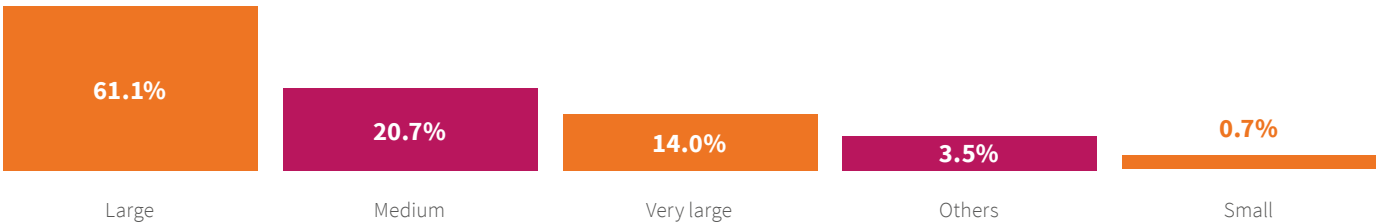
LfL Lar España´s portfolio annual revaluation (%)



GAV reconciliation 31.12.19 (millions of euros)

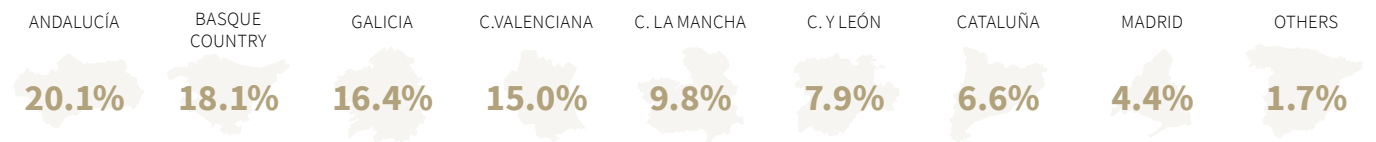


By size<sup>(\*)</sup> (GAV)



(\*) According to Spanish Association of Shopping Centres (AECC):  
 Very Large (>79,999 sqm) / Large (40,000-79,999 sqm) / Medium (20,000-39,999 sqm) / Small (5,000-19,999 sqm)

By geography (GAV)



OTHERS: Balears 0.8% / Cantabria 0.4% / Navarra 0.3% / La Rioja 0.2%

By type (GAV)



**75.1%**  
 of our retail assets are classified as Large or Very Large

## 5.3 Additional Information

### a. Rental Income

**Rental income** reached **81,128 thousand Euros** during 2019 (versus 77,841 thousand Euros in the same period of the year before).

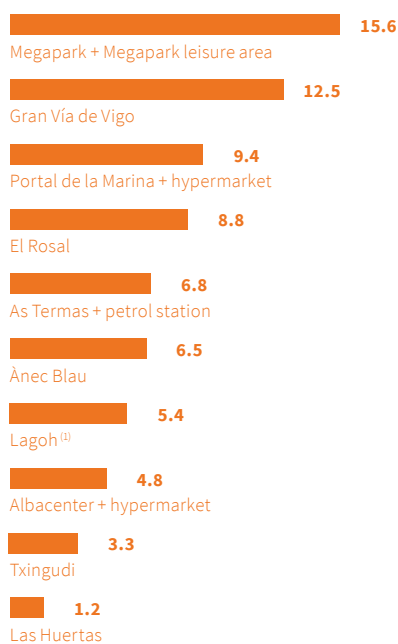
The relative weigh of rental income by line of business at 31 December 2019 is as follows:

*Rental Income by asset class FY 2019. (%)*

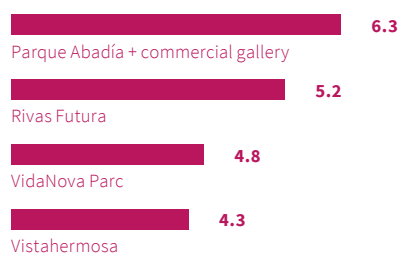


The breakdown of **income per asset type** during 2019 is as follows:

#### *Income by Shopping Centre (%)*



#### *Income by Retail Parks (%)*



#### *Income by Retail Units (%)*



#### *Income by Office Building (%)*



(1) Asset opened at 27 September 2019 / (2) Asset sold at 24 April 2019 / (3) Asset sold at 31 January 2019





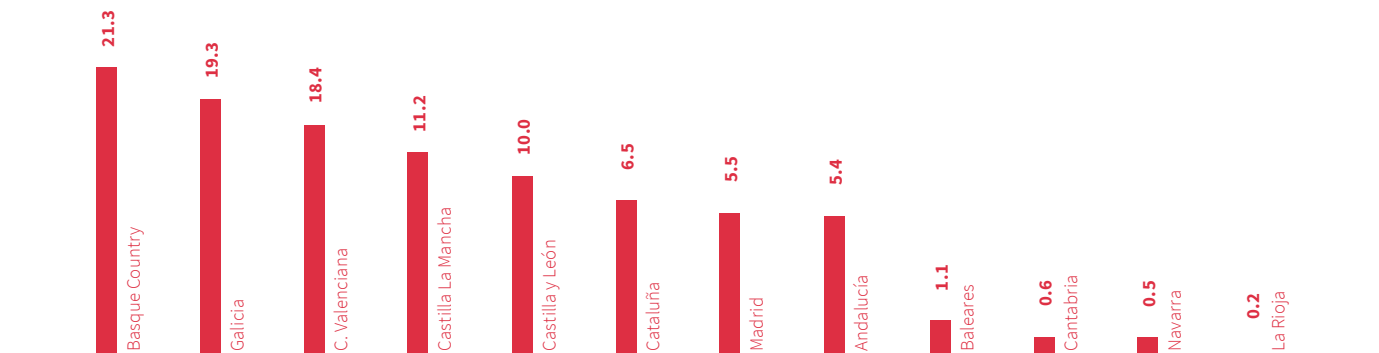
**Rental income +4%**  
vs 2018



In 2019, **21% of rental income** was generated in the Basque Country, with Megapark shopping centre being the shopping centre with the highest rental income

This graph details the **breakdown of rental income per region** for 2019:

*Income per region (%)*





**Like for Like  
evolution**  
**13.9 €/sqm/month**  
at 31.12.2019  
VS.  
**13.8 €/sqm/month**  
at 31.12.2018

b.  
**Gross annualised rents**

The **annualised GRI** (\*) of Lar España is detailed below, as well as the **annualised GRI per occupied sqm** for the year ended 2018 and 2019:

<i>Asset</i>	<i>31.12.2019</i>			<i>31.12.2018</i>		
	<i>Gross Annualised Rents (Thousands of Euros)</i>	<i>GLA Occupied (sqm)</i>	<i>Gross Rent (€/sqm/month)</i>	<i>Gross Annualised Rents (Thousands of Euros)</i>	<i>GLA Occupied (sqm)</i>	<i>Gross Rent (€/sqm/month)</i>
Megapark + Megapark leisure area	13,997	71,365	16.3	12,544	67,896	15.4
Gran Vía	10,105	40,931	20.6	10,184	41,213	20.6
Portal de la Marina + hypermarket	7,986	39,258	17.0	7,936	38,704	17.1
El Rosal	7,743	49,027	13.2	7,477	48,079	13.0
Ànec Blau	(**)	(**)	(**)	5,341	23,940	18.6
As Termas + petrol station	6,095	34,058	14.9	5,924	33,856	14.6
Albacenter + hypermarket	4,352	24,055	15.1	3,643	25,695	11.8
Txingudi	2,760	10,591	21.7	2,688	10,532	21.3
Las Huertas	986	5,792	14.2	1,063	5,671	15.6
<b>TOTAL SHOPPING CENTRES</b>	<b>54,024</b>	<b>275,077</b>	<b>16.4</b>	<b>56,800</b>	<b>295,586</b>	<b>16.0</b>
Parque Abadía + commercial gallery	5,718	42,373	11.2	5,191	40,596	10.7
Rivas Futura	4,403	36,139	10.2	4,205	30,434	11.5
VidaNova Parc	4,072	43,612	7.8	4,226	45,568	7.7
Vistahermosa	3,929	31,056	10.5	3,585	30,352	9.8
<b>TOTAL RETAIL PARKS</b>	<b>18,122</b>	<b>153,180</b>	<b>9.9</b>	<b>17,208</b>	<b>146,950</b>	<b>9.8</b>
Supermarkets portfolio	3,888	27,909	11.6	3,839	27,909	11.5
<b>TOTAL OTHER RETAIL</b>	<b>3,888</b>	<b>27,909</b>	<b>11.6</b>	<b>3,839</b>	<b>27,909</b>	<b>11.5</b>
<b>TOTAL LIKE FOR LIKE</b>	<b>76,034</b>	<b>456,166</b>	<b>13.9</b>	<b>77,846</b>	<b>470,445</b>	<b>13.8</b>

(\*) The annualised GRI is calculated using the EPRA NIY of each asset. Annualised GRI = annualised passing rental income from real estate investments + effect of rent-free periods and temporary rental discounts. See section 6 "EPRA & Financial Information".

(\*\*) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project.



**14.9 €/sqm/month**

Lar España average at 31.12.2019

VS

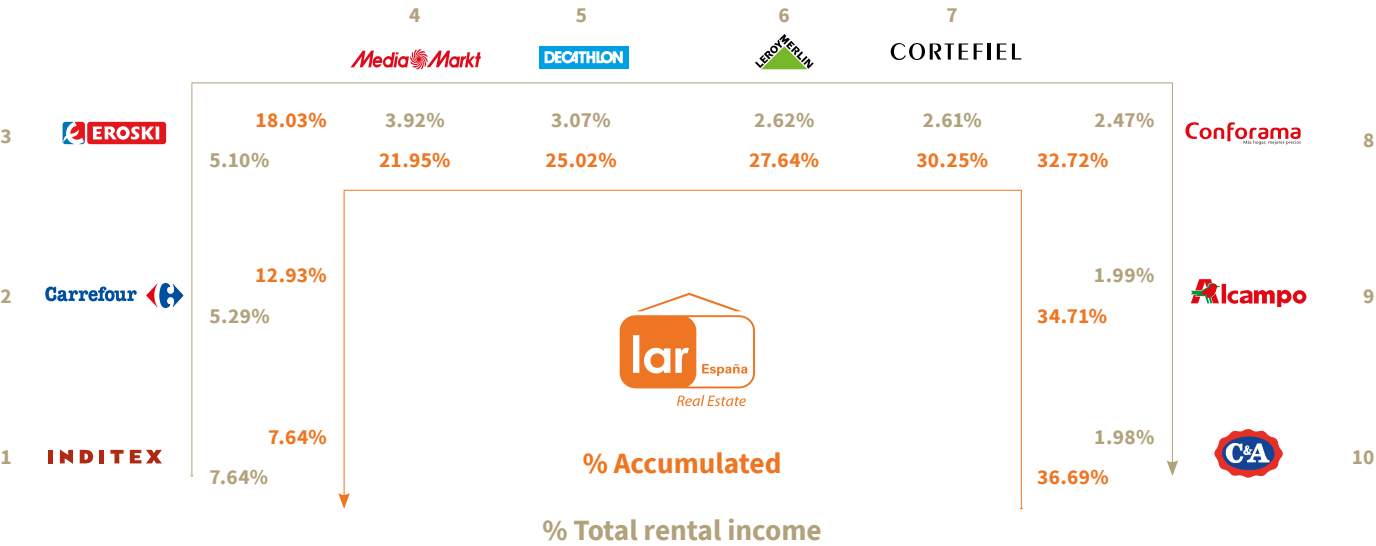
**14.0 €/sqm/month**

Lar España average at 31.12.2018

Asset	31.12.2019			31.12.2018		
	Gross Annualised Rents (Thousands of Euros)	GLA Occupied (sqm)	Gross Rent (€/sqm/month)	Gross Annualised Rents (Thousands of Euros)	GLA Occupied (sqm)	Gross Rent (€/sqm/month)
Lagoh	18,031	69,180	21.7	N/A	N/A	N/A
<b>TOTAL NEW OPERATING PROJECTS</b>	<b>18,031</b>	<b>69,180</b>	<b>21.7</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Eloy Gonzalo	N/A	N/A	N/A	1,686	6,401	21.9
Marcelo Spínola	N/A	N/A	N/A	649	1,905	28.4
<b>TOTAL 2019 DIVESTMENTS</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>2,335</b>	<b>8,306</b>	<b>23.4</b>
<b>TOTAL LAR ESPAÑA</b>	<b>94,065</b>	<b>525,346</b>	<b>14.9</b>	<b>80,181</b>	<b>478,750</b>	<b>14.0</b>

C.  
Top tenants

Below are **the tenants that have generated the highest amounts** of rental income during 2019:









d.  
**Lease expiration and WAULT**

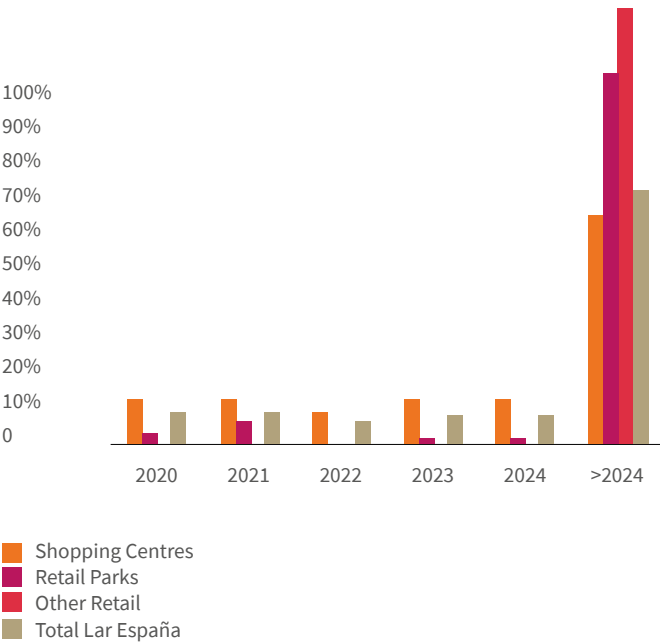
The proactive management carried out by Lar España allows us to have a **solvent and diversified tenant base**.

Renovations have been carried out at the properties occupied by our key tenants, thereby prolonging the lease terms, which allows us to have a significant level of guaranteed minimum rents. During 2019 new long-term lease agreements have been signed with new tenants. We would note that as of 31 December 2019 the **57% of all Lar España's active lease agreements** have lease expiries beyond 2024.

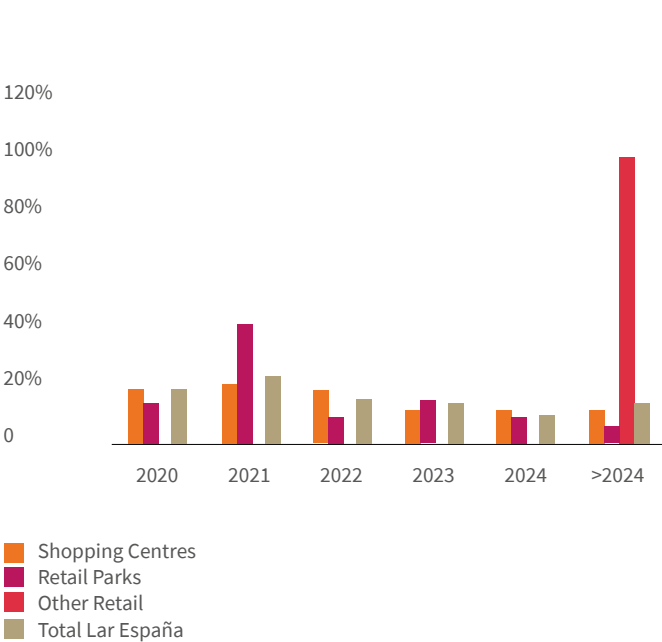


At 31 December 2019, **57% of retailer leases** had expiration dates beyond 2024.

*Annual lease expiration (end of contract) (%)*



*Annual lease expiration (break option) (%)*





**1,030**  
existing contracts

Thus, the **WAULT** (\*) (weighted average unexpired lease term) at 31 December 2019 of Lar España's portfolio was **3.5 years**. Below you will find the detail by asset class:

**3.5**

Lar España

**3.2**

Shopping Centres

**3.1**

Retail Parks

**11.3**

Other Retail

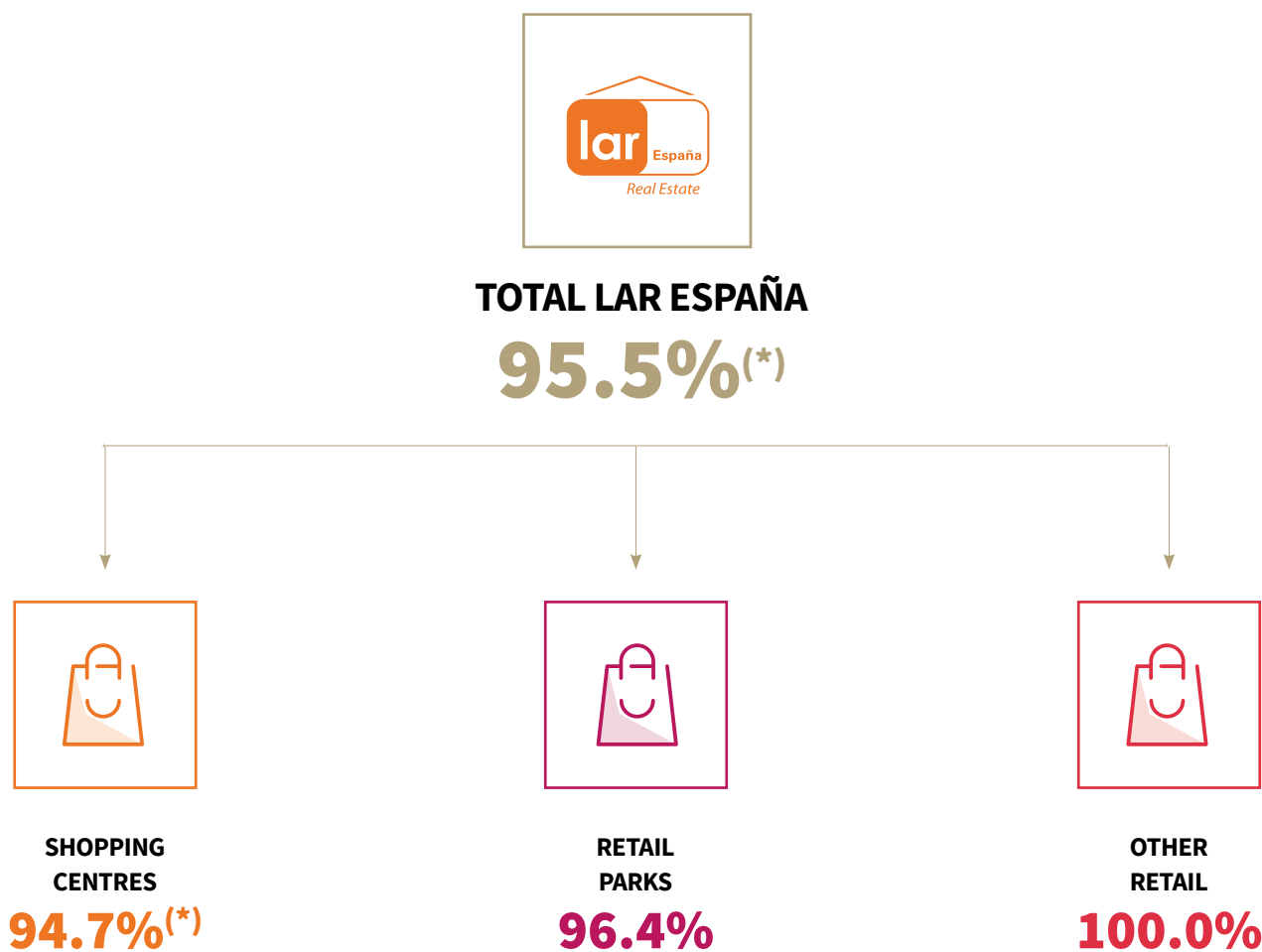


(\*) Calculated as the number of years from the current date to the first break option, weighted by the gross rent for each lease. The WAULT of each asset is detailed in section 5.1 "Portfolio description".

e.

**Occupancy (in sqm) (\*)**

The gross leasable area (GLA) of Lar España's income producing assets at 31 December 2019 stood at **579,286 sqm**, whilst the average occupancy rate stood at **95.5%**.



(\*) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project.



**95.5% (\*)**  
Occupancy (sqm)



**579,286 sqm**  
Total GLA

The occupancy level (in sqm) at 31 December 2019 is shown below:

Asset	31.12.2019		
	Total GLA (sqm)	Occupied GLA (sqm)	% Occupancy
Lagoh	69,720	69,180	99.2%
Megapark + Megapark leisure area	82,341	71,365	86.7%
Gran Vía Vigo	41,453	40,931	98.7%
Portal de la Marina + hypermarket	40,334	39,257	97.3%
El Rosal	51,152	49,027	95.8%
Ànec Blau	(*)	(*)	(*)
Txingudi	35,127	34,058	97.0%
Las Huertas	26,352	24,055	91.3%
As Termas + petrol station	10,712	10,591	98.9%
Albacenter + hypermarket	6,267	5,792	92.4%
<b>TOTAL SHOPPING CENTRES</b>	<b>363,458</b>	<b>344,256</b>	<b>94.7%</b>
VidaNova Parc	45,568	43,612	95.7%
Parque Abadía + commercial gallery	43,109	42,373	98.3%
Rivas Futura	36,447	36,139	99.2%
Vistahermosa	33,763	31,056	92.0%
<b>TOTAL RETAIL PARKS</b>	<b>158,887</b>	<b>153,180</b>	<b>96.4%</b>
Supermarkets portfolio	27,909	27,909	100.0%
<b>TOTAL OTHER RETAIL</b>	<b>27,909</b>	<b>27,909</b>	<b>100.0%</b>
<b>TOTAL LAR ESPAÑA</b>	<b>550,254</b>	<b>525,345</b>	<b>95.5%</b>

(\*) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project.

f.

**CAPEX<sup>(1)</sup>**

The company has continued revamping its portfolio of assets in order to generate more value, investing more than **€134 million** during 2019.

The breakdown by asset class and the y-o-y comparison with 2018 is detailed below:

	2019		2018	
<i>Retail (Thousands of euros)</i>	<i>CAPEX</i>	<i>%</i>	<i>CAPEX</i>	<i>%</i>
Megapark + Megapark leisure area	2,997	13.1%	6,935	34.4%
Gran Vía Vigo	863	3.8%	1,934	9.6%
Portal de la Marina + hypermarket	2,146	9.4%	2,695	13.3%
El Rosal	2,487	10.9%	1,739	8.6%
Ànec Blau	9,723	42.5%	1,030	5.1%
As Termas + petrol station	1,984	8.7%	2,318	11.5%
Albacer + hypermarket	2,380	10.4%	3,220	16.0%
Txingudi	88	0.4%	195	1.0%
Las Huertas	187	0.8%	121	0.6%
<b>TOTAL SHOPPING CENTRES</b>	<b>22,855</b>	<b>100%</b>	<b>20,187</b>	<b>100%</b>
Parque Abadía + commercial gallery	1,521	93.4%	437	1.4%
Rivas Futura	342	21.0%	274	0.9%
VidaNova Parc	(624)	(38.4%)	29,170	96.4%
Vistahermosa	390	23.9%	375	1.2%
<b>TOTAL RETAIL PARKS</b>	<b>1,629</b>	<b>100%</b>	<b>30,256</b>	<b>100%</b>
Supermarkets portfolio	-	0.0%	-	0.0%
<b>TOTAL OTHER RETAIL</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>
<b>TOTAL RETAIL</b>	<b>24,483</b>	<b>100%</b>	<b>50,443</b>	<b>100%</b>

(1) For the company, CAPEX refers to any investment made to improve or reposition its real estate assets.



	2019		2018	
<i>Offices (Thousands of euros)</i>	<i>CAPEX</i>	<i>%</i>	<i>CAPEX</i>	<i>%</i>
Marcelo Spínola	10	1.9%	170	4.5%
Eloy Gonzalo	546	98.1%	3,589	95.5%
<b>TOTAL</b>	<b>556</b>	<b>100%</b>	<b>3,759</b>	<b>100%</b>
<i>Development (Thousands of euros)</i>	<i>CAPEX</i>	<i>%</i>	<i>CAPEX</i>	<i>%</i>
Lagoh	109,718	100.0%	47,269	100.0%
<b>TOTAL</b>	<b>109,718</b>	<b>100%</b>	<b>47,269</b>	<b>100%</b>

#### CAPEX investment (€ Million)



#### Property related CAPEX (Thousands of euros)









(1) Acquisitions (*)	-
(2) Developments	109,718
(3) Like for like portfolio	25,040
(4) Others	-
<b>CAPEX (1)+(2)+(3)+(4)</b>	<b>134,758</b>

During 2019 the investment in CAPEX was made in the assets fully owned by Lar España, and no investments were made in investee companies or joint ventures such as Lagasca99.

(\*) No acquisitions in 2019

## Refurbishment pipeline

Below, we describe the **main features and progress of all the refurbishment projects** currently underway at our properties:

		Scope	Budget (Million €)	Status	% Executed	GLA (sqm)	Delivery
	<b>Megapark</b>	Image redesign and new leisure area	7.3	<div>Phase 1</div> <div>✓ Executed</div> <div>Phase 2</div> <div>Executing</div>	<div>Phase 1</div> <div>100%</div> <div>Phase 2</div> <div>20%</div>	82,341	<div>Phase 1</div> <div>Outlet + retail park Q4 2018</div> <div>Phase 2</div> <div>Leisure area Q2 2020</div>
	<b>Portal de la Marina</b>	Image redesign and new dining area	3.8	<div>Phase 1</div> <div>✓ Executed</div> <div>Phase 2</div> <div>✓ Executed</div>	<div>Phase 1</div> <div>100%</div> <div>Phase 2</div> <div>100%</div>	40,334	<div>Phase 1</div> <div>Image redesign and entrance improvement Q4 2018</div> <div>Phase 2</div> <div>Dining area improvement Q4 2019</div>
	<b>Gran Vía</b>	Parking image redesign	1.0	Bidding process	Bidding process	41,453	Q2 2020
	<b>El Rosal</b>	Image redesign and new dining area	1.9	<div>Phase 1</div> <div>✓ Executed</div> <div>Phase 2</div> <div>✓ Executed</div>	<div>Phase 1</div> <div>100%</div> <div>Phase 2</div> <div>100%</div>	51,152	Q3 2019
	<b>Ànec Blau</b>	Comprehensive image redesign	16.2	Executing	70%	29,032	Q2 2020
	<b>Rivas Futura</b>	Image redesign	2.0	In project	In project	36,447	Q4 2020
		Improved customer experience and car park waterproofing	2.0	In project	In project		
	<b>Albacenter Hypermarket</b>	Division of the hypermarket into 4 retail units	0.7	✓ Executed	100%	10,982	Executed
		Image redesign	0.6	Executing	10%		Q1 2020
	<b>Parque Abadía</b>	Sidewalks and terraces extension	0.2	✓ Executed	100%	43,109	Q4 2019

## Annual evolution by business unit

### RETAIL

#### LfL key indicators evolution<sup>(\*)</sup>

Lar España continued to implement its strategy to actively manage its portfolio. The performance of the key indicators during 2019 is detailed below:



<sup>(\*)</sup> Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project and either Albocenter's data due to the division of the hypermarket into four retail units.

## Major operative milestones

During 2019, sales declared in the shopping centres totalled **€815.2 million**, supported by the increase in the number of visits (footfall of **64.5 million**)

A total of **52,961 sqm** has been rotated, an increase of **37%** over 2018. A total of **135 operations** have been closed including renewals, relocations and new lettings, with an increase in rents of **9%<sup>(1)</sup>** over the previously signed rents.



**52,961 sqm**  
Rotated



**11%**  
Tenant rotation rate



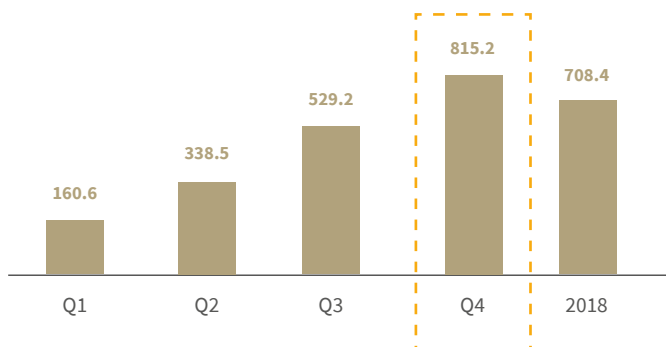
**€9.5 million**  
negotiated rent



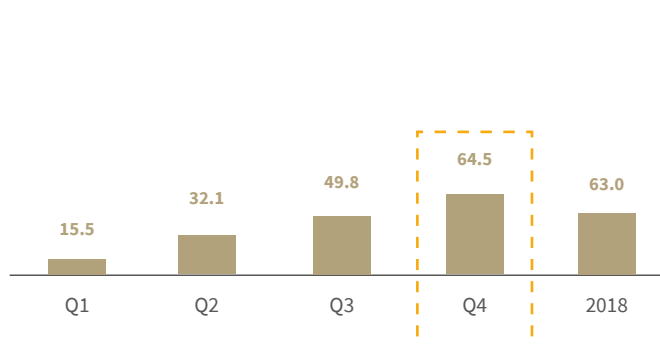
**135**  
Operations

240

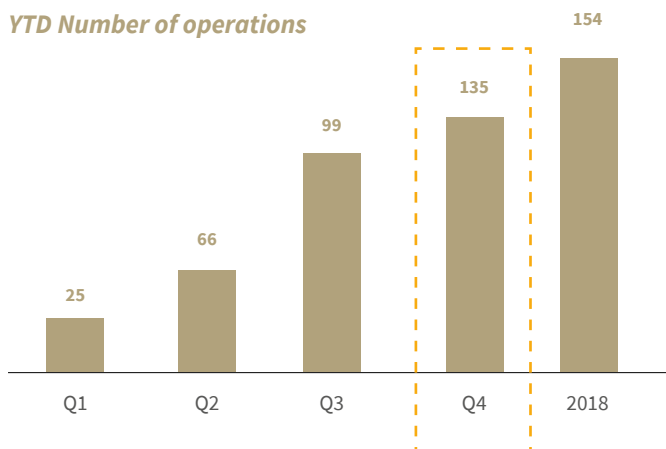
**YTD Declared Sales** (€ Mn)



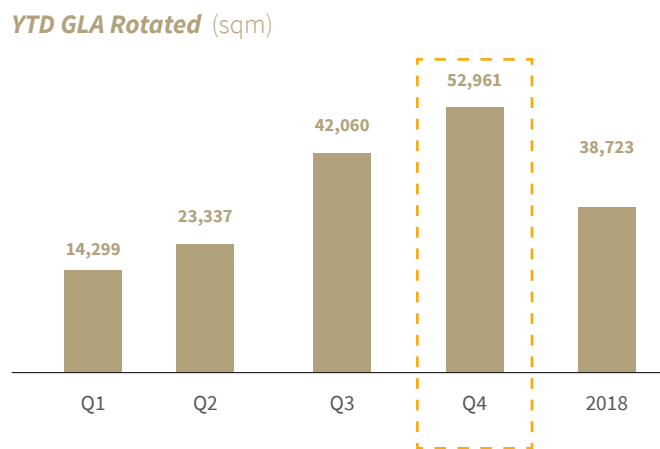
**YTD Footfall** (Mn visits)



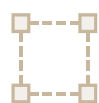
**YTD Number of operations**



**YTD GLA Rotated** (sqm)

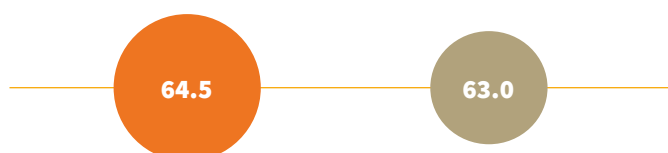


(1) Excluding non-comparable operations



**+9%<sup>(1)</sup>**  
rent uplift

### Footfall (Mn visits)



**+2.4%**  
**+1.9% LfL<sup>(2)</sup>**  
Footfall

**-1.9%**  
**Average**  
**Spanish**  
**Footfall<sup>(3)</sup>**

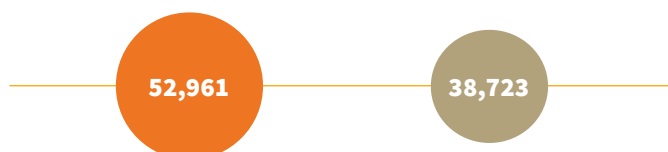
### Declared Sales (€ Mn)



**+15.1%**  
**+4.4% LfL<sup>(2)(4)</sup>**  
Total sales

**+2.1%**  
**Big surfaces**  
**Spain Sales**  
**Index<sup>(5)</sup>**

### GLA Rotated (sqm)



**+2.1% LfL<sup>(2)(4)</sup>**  
Comparable  
sales

● 2019 ● 2018

	Renewals	Relocations and Relettings	New lettings	Total
Number of operations	48	54	33	135
sqm	16,385	17,985	18,591	52,961






(1) Excluding non-comparable operations / (2) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project and either Albacenter's data due to the division of the hypermarket into four retail units / (3) Shoppertrak Index / (4) Declared Sales / (5) National Statistics Institute (INE)



Some of the **key deals** closed in 2019 are detailed below:







**Relocations & Relettings**

 <hr/> Rivas Futura <hr/> 2,900 sqm	 <hr/> Portal de la Marina <hr/> 2,735 sqm	 <hr/> Parque Abadía <hr/> 1,735 sqm
 <hr/> Parque Abadía <hr/> 1,434 sqm	 <hr/> Megapark <hr/> 1,239 sqm	



**Renewals**

 <hr/> Ànec Blau <hr/> 3,355 sqm	 <hr/> Ànec Blau <hr/> 3,118 sqm	 <hr/> Ànec Blau <hr/> 3,050 sqm
 <hr/> Rivas Futura <hr/> 2,433 sqm	 <hr/> El Rosal <hr/> 623 sqm	



## New Lettings



Albacenter

3,200 sqm



Megapark

2,128 sqm



Megapark

1,796 sqm



El Rosal

1,156 sqm



Albacenter

1,182 sqm

2019 saw all remaining units at the Lagoh retail development let, with **40 leases signed** for an area totalling **16,264 sqm**. These lettings combined with the 76 agreements signed in 2018, mean that the shopping centre is now fully occupied



**Lagoh**  
40 lease agreements



**TOTAL 16,264 sqm**  
signed in 2019



## Retail Users Data <sup>(\*)</sup>

In order to **gain a better understanding of our customers' habits**, we are using the **Seeketing** tool in some of our main shopping centres (Albacenter, Ànec Blau, As Termas, El Rosal and Portal de la Marina). This tool provides invaluable information, helping us to make more-informed management decisions for our properties.

Among the data we can extract from this tool, we would highlight the **average customer dwell time**, as well as the **number of visits**. These two figures allow us to work out the total use of the shopping centre, by multiplying the average dwell time registered by the number of visits.

The results obtained in these shopping centres at 31 December 2019 were as follows:

The shopping centres analysed registered **87 minutes** of average customer dwell, remaining at the same level of the year before.

As well as the Seeketing tool, we are also introducing the **"Customer Journey"** project in our properties, a research programme that will allow us to map out the route customers take when they visit our centre, identifying profiles and how they spend their time during their visit.

These tools not only provide a better understanding of customer trends, but also about their biases, contributing with invaluable insights in terms of better managing our shopping centres, creating a unique and stand-out offering, and increasing overall customer satisfaction.

Average dwell time  
**87 min.**

Total use <sup>(\*\*)</sup>  
**1,494,130,572 min.**



<sup>(\*)</sup> Ànec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project.

<sup>(\*\*)</sup> Figure calculated by multiplying the average dwell by the number of visitors in the period.







Effort Rate  
**9.8%**

## Retail Tenant Mix

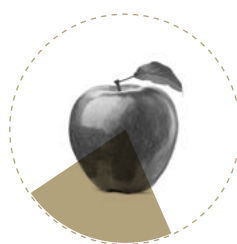
Below we display the **tenant mix** of Lar España's retail portfolio at 31 December 2019 by space let. The fashion, food & beverage, home and leisure and entertainment sectors account for **80%** of the retail offering in Lar España's assets.



**29.3%**  
Fashion



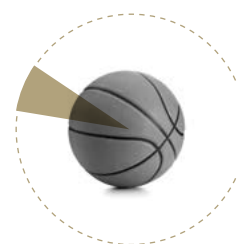
**19.2%**  
Home



**17.9%**  
Food & Beverage



**14.1%**  
Leisure and  
Entertainment



**6.7%**  
Sports and  
Adventure



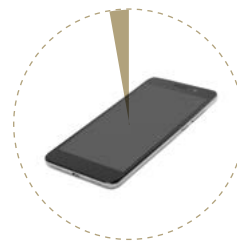
**6.3%**  
Dining



**3.5%**  
Services



**2.7%**  
Health and Beauty



**0.3%**  
Culture,  
Technology  
and Multimedia



## Lagoh: the shopping centre lighting the way to a more sustainable world

On 26 September 2019, the Lagoh shopping centre, enticingly known as Seville's first 'Experience Resort', opened its doors for the very first time. As well as incredible shopping, this retail and family leisure destination offers visitors a **unique blend of adventure and recreation**, incorporating the latest technology to make every visit an experience to remember.

With a catchment area that's home to almost **two million** people, it comprises a gross lettable area of **69,720 sqm** and offers **3,250 parking spaces**, making it the largest shopping centre to open anywhere in Spain in 2019. Lagoh boasts more than 100,000 sqm packed with leisure and entertainment options, including the chance to sample some exclusive experiences offered by top-name brands, many of them launching in Seville for the very first time. It is expected to generate **€17 million in annual revenue** and, thanks to its prime location in a catchment area of 1.9 million people, the centre hopes to attract more than **14 million visitors each year**.

In keeping with Lar España's global mission, TES (Technology, Experience and Sustainability), Lagoh offers a selection of **innovative experiences while showcasing the company's commitment to sustainable design**. Right from the project's inception, it was designed to embody environmental and social principles that would help this new destination make a positive impact on city life in Seville.



**100,000 sqm**  
Leisure and  
Entertainment



**€17 million**  
in annual  
revenue



**1 million**  
visitors in less  
than a month



**4,800**  
new jobs



**69,720 sqm**  
GLA





Today, this approach has positioned Lagoh as a pioneer in environmental and social sustainability, with features such as:



A green roof and vast (6,000 sqm) central lake that adapt the building to the local climate, to keep visitors cool and comfortable without excessive energy consumption.



A design that ensures universal accessibility to both the shopping centre and its immediate surroundings.



Geothermal technology to provide a renewable source of energy, while cutting consumption by 35% compared to conventional systems.



A waste collection point inside the centre, to make recycling a breeze.



Entrances and bike lanes designed to encourage visitors to cycle or use public transport.

Lar España is very aware of the diverse needs of the local population, as demonstrated by Lagoh's unique design, which facilitates universal access and exemplifies best practice in the retail sector. The company has invested **€9.4 million** to ensure smooth integration with the city outside, in the hope of creating a growth hub with benefits for the entire south Seville area.



Furthermore, the centre aspires to make a difference to the lives of local people, creating 1,500 direct jobs, 1,800 indirect jobs and 1,500 jobs during the construction phase, for a total of **4,800 new employment opportunities**.

From the very beginning, aligning the centre with the local culture was a top priority, which is why it features open spaces to encourage social interaction. In a rapidly globalising world, supporting the local area is an essential goal, ensuring that new developments fit perfectly into their urban

contexts. Design highlights include an 11,000-sqm green roof and a 6,000-sqm central lake, **bioclimatic strategies** that help keep the building cool in Seville's scorching summers, making it a pleasant and comfortable place to be at any time of year.

The centre also features a **system for harvesting rainwater** that can be used to irrigate landscaped areas and vegetation; a **network of solar panels** that provide low-carbon electricity; and **geothermal technology** that generates heat by drawing on warmth beneath the ground under visitors' feet.

As a result of all Lar España's efforts, Lagoh has been awarded the **BREEAM Sustainability Certificate** (Building Research Establishment Environmental Assessment Methodology), which marks it out as a national trailblazer in the pursuit of sustainability. This certification scheme assesses a building's sustainability based on an advanced set of tools and processes aimed at evaluating the environmental impact of its design and performance. In 2020, once construction is complete, La España hopes that Lagoh will receive a 'Very Good' rating.

Lagoh offers a **huge variety of experiences** for families and friends to enjoy together, with something for every age group:

- Yelmo Premium Cinema
- Boating on the lake
- Trampoline Park
- Wind Tunnel
- Surf Pool
- Climbing Centre
- Zip Wires
- Gaming

In addition to its commitment to sustainability and offering an unbeatable visitor experience, Lagoh sets a **new standard for the use of cutting-edge technology** in shopping centre design, helping Lar España gain new insights into customer needs so it can tailor the visitor experience based on solid data. Exciting innovations include:

- **Advertima** a sensor system that monitors how visitors use the space, revealing which retailers get the most traffic, how much time people spend in different areas and the level of interest in events and other marketing strategies.

- **Mallcom** a platform that creates a communication channel between retailers and the various levels of shopping centre management and service provision. This system provides a means to manage retailers' sales indicators, potential staff discounts, job offers, events and marketing, security and critical communications, maintenance and cleaning and customer feedback.

These high-tech systems, combined with Lagoh's emphasis on sustainability and user experience, make this new must-visit destination a **leader in environmental management and social impact**. Overall, it marks the beginning of a **new phase in the world of retail**, with a much greater focus on visitor experience, personalisation and the pulling power of big-name brands, while offering a range of leisure opportunities for families and the chance to discover a much more creative and engaging recreational experience.



# 6

## Financial and EPRA information

***p.250***

### **6.1 ICFR**

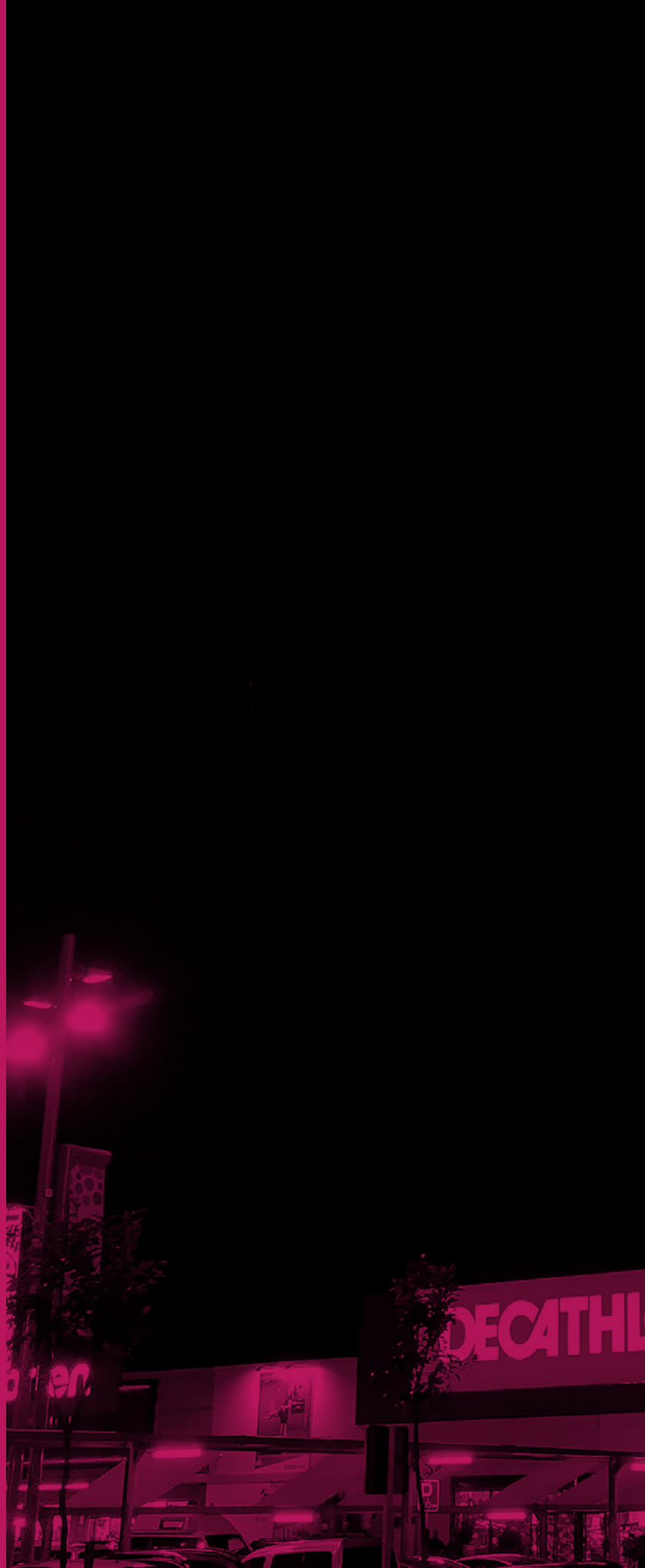
*p.252*

### **6.2 Financial Information**

*p.260*

### **6.3 EPRA Information**

*p.274*







***Net profit in 2019 reached €80.7 million, allowing us to distribute a dividend of €55 million to our shareholders (€0.63/share).***



## 6.1

### Internal Control Over Financial Reporting (ICFR) System

The **Internal control over financial reporting**, (hereinafter, ICFR) system has been designed and configured to provide reasonable assurance as to the reliability of the financial information disclosed to the markets.



In the following table is a summary of the bodies involved in the ICFR, their responsibilities and duties with respect to it:

<i>Body/Party</i>	<i>Responsability</i>	<i>Duties</i>
<b>Board of Directors</b>	Ultimately responsible for the existence and maintenance of a suitable and effective ICFR system	<ul style="list-style-type: none"> <li>• Approving the financial information which the organisation must report periodically in its capacity as a listed entity</li> <li>• Approving the risk control and management policy and the periodic monitoring of the internal information and control systems</li> </ul>
<b>Audit and Control Committee</b>	Supervising the ICFR system (with the support of the internal audit function), control of compliance and reporting to the Board of Directors	<ul style="list-style-type: none"> <li>• Supervising the effectiveness of the internal controls of the Company and its group and of its enterprise risk management systems</li> <li>• Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process</li> <li>• Monitoring the process of drawing up and disclosing regulated financial information</li> </ul>
<b>Corporate &amp; Financial Management</b>	Responsible for the design, implementation and workings of the ICFR system	<ul style="list-style-type: none"> <li>• Defining, proposing and implementing a model for generating financial information</li> <li>• Defining, implementing and documenting the ICFR system</li> <li>• Assisting the Audit and Control Committee in preparing the financial statements and other financial information and selecting the criteria used in the process</li> <li>• Verifying, at least annually, the comprehensiveness and suitability of ICFR documentation and performance</li> <li>• Reporting on developments in terms of ICFR documentation to the Audit and Control Committee and to the Internal Audit Service so they are familiar with and can appraise such developments</li> </ul>
<b>Internal Audit Service</b>	Supporting supervision of the ICFR system, a duty vested in it by the Audit and Control Committee	<ul style="list-style-type: none"> <li>• Supervising the operation of the ICFR system and its general controls and processes</li> <li>• Collaborating on the definition and classification of incidents and on the design of any required action plans, and monitoring the latter</li> <li>• Reporting to the Audit and Control Committee on the incidents detected during the evaluation and oversight process</li> <li>• Assisting Corporate and Financial Management to prepare reports on the status and description of the ICFR system</li> </ul>
<b>Process owners involved in the financial reporting process</b>	Staff with financial reporting responsibilities	<ul style="list-style-type: none"> <li>• Defining, documenting, and updating the internal processes and procedures</li> <li>• Executing the control activities as designed and intended and documenting evidence of their performance for traceability purposes</li> <li>• Reporting to Corporate and Financial Management on any change to their modus operandi or transactions that could trigger the need to update how their processes and controls are defined and documented and on any control shortcomings they may detect</li> <li>• Defining and implementing action plans in response to incidents observed within their sphere of responsibility</li> </ul>

**Corporate & Financial Management**, following the guidelines set by the Board of Directors, ensures the existence of an adequate organisational structure, allocation of roles and accountability and the staggered deployment of sufficient procedures, which are allocated among the parties intervening in the processes.

The Corporate Director & CFO can call on the resources, whether internal or external, he or she needs to manage the different activities of the Company, for assistance and advice. Against this backdrop, Lar España has entered into a **Management Agreement with Grupo Lar** under which the Manager undertakes to devote the staff and resources needed to fulfil its functions, including its **financial reporting** related duties.

**Lar España's ICFR Manual** provides that whenever the services provided by a "service organisation" are part of the Company's financial reporting system, they must be encompassed by the **ICFR evaluation process** either by means of specific and direct assessment of the controls applied by the service organisation or by obtaining an internationally recognised SSAE certificate (Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization) or by carrying out alternative procedures <sup>(1)</sup>.

*(1) The second option is currently being followed through a confirmation from the accounting third party.*





## Training

Corporate & Financial Management, in its capacity as the party responsible for the design, implementation and operation of the ICFR system, is obliged to make sure that all staff involved in preparing the Group's financial statements have received **sufficient and up-to-date training on the International Financial Reporting Standards (IFRS)** and the internal control over financial reporting principles.

Corporate & Financial Management directly checks with the accounting expert engaged to prepare the Company's financial and accounting information that the teams assigned to these activities have the required ICFR-related skills and knowledge.

The Corporate Director & CFO, who is responsible for ICFR, boasts an **extensive background in accounting and financial reporting**, acquired during his years in auditing and financial management work. During the year, the Corporate & Financial Management team is kept informed about any changes affecting the preparation and supervision of financial information. This is done both via subscriptions to information updates and newsletters from external sources, as well as by attending conferences and seminars about specific subjects and technical updates organised **by companies that are experts in financial regulation, accounting and audit**.

Lar España has a relatively small staff which is, however, bolstered by the **assistance provided by external advisers** in certain areas, specifically including, as detailed in other sections, some of the activities related to the financial statement preparation process and the implementation and roll-out of the ICFR system.

Lar España **selects providers to outsource these activities rigorously**. It only works with specialist firms of renowned prestige, that are chosen for their quality and expertise. Corporate and Financial Management ensures that these advisers indeed have the expertise required and continuous learning policies relevant for these areas of expertise.

In addition, the Internal **Audit Plan** prepared by the Internal Audit Service and approved by the **Audit and Control Committee** of Lar España contemplates the training needed by the people involved in these matters.

## Financial reporting risk assesment

The process **identifying financial reporting risks**, including risks of error or fraud, is one of the most important aspects of Lar España's ICFR methodology. This process is documented in an internal methodology guide explaining the ICFR management and assessment process: **"Internal Control over Financial Reporting (ICFR) Manual of Lar España Real Estate SOCIMI"**.

Lar España assess periodically the risks associated with its own financial accounting. Having determined the level of risk associated with each account, the most significant risks were related with the Company processes which generate and control its material financial information. The aim of this association is to identify the processes and business units within the Group, that play the most important role in generating financial information.

Lar España **has documented the most significant processes through descriptions**, flow charts and a risk/control matrix. This documentation identifies and analyses, amongst other things, transaction flows, possible risks of error or fraud in the financial information, as well as **key controls** established in the Company, that adequately mitigate the risks associated with the processes on a timely basis. During 2019, this documentation was **reviewed, updated and completed**, to obtain a more efficient model, adapted to the financial information objectives, and focused on the material processes, from both a **quantitative and qualitative perspective**.



## Control activities

Lar España has documented the **Organisation's General Controls and its most significant processes** (including the period-end closing - providing for a specific review of critical judgements, estimates, valuations and projections -, revenue recognition, asset appraisals and property acquisitions).

In addition to the ICFR supervision process (which is entrusted to the Audit and Control Committee, with the support of the Internal Audit Team), Lar España's ICFR Manual envisages the performance of an **internal evaluation process** each year, with the aim of verifying that the ICFR controls are valid, well-designed and effective for the objectives sought. During 2019, the Corporate and Financial Management team continued with the process to **gradually implement the policies and procedures** included in the ICFR Manual. It also reviewed and updated the documentation relating to the significant processes, with the aim of obtaining a more efficient internal control system, adapted to the financial information objectives, and covering all material processes, from both a quantitative and qualitative perspective.

## Information and communication

**Lar España** has an effective and **duly-approved Accounting Policy Manual** encompassing, in a structured manner, the accounting rules, policies and criteria being applied in general at all of the organization's companies.

The book-keeping process per se is handled at present by an outsourced, prestigious, specialist firm which is working with Lar España on the definition and application of accounting criteria, in keeping with prevailing legislation. This process is being supervised continually by **Corporate & Financial Management**, which is reporting to the **Audit and Control Committee** on the progress made on a regular basis. In addition, accounting experts are being contacted as required to confirm certain approaches taken in order to resolve any questions and avoid any potential conflicts arising from the interpretation of any given accounting standard.

Lastly, the **Board of Directors** approves the financial information which the Company must report periodically in its capacity as a listed entity.

## System monitoring

During the course of 2019, the documentation corresponding to all of the **significant processes was reviewed and updated**. Work was also carried out to **verify the operation of the controls over** the asset valuation processes, the management and registration of the Manager's fees, and in relation to compliance with the SOCIMI framework, amongst others. No significant incidents were found. Management and the Audit and Control Committee received information corresponding to the performance of the activities described.

In addition, Corporate & Financial Management and the Audit and Control Committee **reviewed the financial information submitted to the securities market regulator** (and its timeliness) quarterly.

Lastly, it is worth noting in this respect that Corporate Director & CFO meets regularly with the **internal auditor and other advisors**, to discuss its proposed financial reporting

criteria and review and update activities relating to SCIF. All required steps were taken to implement the provisions contained in the Board Regulations with respect to its own mandate to the Audit and Control Committee, specifically that of:

- Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process and adopting the opportune measures for addressing them, as required.
- Establishing the opportune relationship with the auditor in order to receive feedback on any issues that could jeopardise its independence.

**Internal risk monitoring and management systems information have been reviewed** by the **external auditor** and no inconsistencies or incidences were raised that could affect this.





## 6.2

### Financial Information

#### I. Key Indicators

During 2019 Lar España generated revenues of **81,128 thousand Euros** and a net profit of **80,730 thousand Euros**, being the most relevant figures the following:

##### Revenues

(Thousands of euros)



##### EBITDA

(Thousands of euros)



##### EBIT<sup>(\*)</sup>

(Thousands of euros)



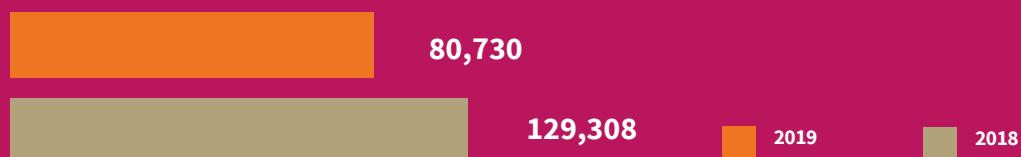
##### EBT<sup>(\*)</sup>

(Thousands of euros)



##### Net Profit<sup>(\*)</sup>

(Thousands of euros)



**81,128**  
Thousands of  
euros  
**Revenues**



**59,260**  
Thousands of  
euros  
**EBITDA**



**+9%**  
**EBITDA**  
vs 2018

<sup>(\*)</sup> For more clarity as regards these figures, see the Consolidated Income of Financial Position.

## Other Financial Indicators

The Group presents the following financial indicators:

**Working capital**  
(Thousands of euros)

196,985

223,524

**Liquidity ratio**  
(%)

3.3

4.3

**Solvency ratio**  
(%)

1.1

1.2

**Net LTV**  
(%)

34

28

**ROE**  
(%)

8.21

13.42

**ROA**  
(%)

4.70

8.03

31.12.2019

31.12.2018

At 31 December 2019, and 31 December 2018, the Group exhibited ratios related to liquidity (working capital and liquidity ratio) with very high values, showing that the Group has sufficient liquidity and a high safety margin to meet its payments.

At 31 December 2019, the **ROE (“Return on Equity”)**, which measures Group’s profitability as a percentage of shareholders equity, amounted to **8.21%** (13.42% at 31 December 2018), whilst the **ROA (“Return on Assets”)**, which measures the efficiency of Group’s total assets regardless of the sources of financing used, i.e. the ability of a company’s assets to generate income, was **4.70%** (8.03% at 31 December 2018).



II.

## Consolidated Financial Statements 31.12.2019 (IFRS)

### LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and subsidiaries

Consolidated Statement of Financial Position at 31 December 2019 <sup>(\*)</sup>

<i>Assets (Thousands of euros)</i>	<b>31/12/2019</b>	<b>31/12/2018</b>
Intangible assets	2	8,556
Investment properties <sup>(**)</sup>	1,449,344	1,363,646
Equity-accounted investees	5,100	4,627
Non-current financial assets	13,149	11,426
Trade and other receivables non-current	3,857	2,733
<b>NON-CURRENT ASSETS</b>	<b>1,471,452</b>	<b>1,390,988</b>
Non-current assets held for sale	103,790	78,081
Trade and other receivables	14,644	13,762
Other current financial assets	189	3,268
Other current assets	2,650	4,176
Cash and cash equivalents	160,527	191,328
<b>CURRENT ASSETS</b>	<b>281,800</b>	<b>290,615</b>
<b>TOTAL ASSETS</b>	<b>1,753,252</b>	<b>1,681,603</b>

<sup>(\*)</sup> These financial statements are an integral part of the 2019 Consolidated Annual Accounts. On February 13 2020 Deloitte issued its unqualified audit report.

<sup>(\*\*)</sup> Investment properties are presented at their fair value at the end of the financial year and are not subject to amortization. Profits or losses due to variation in the fair value of the investment properties are included in the results of the period in which they arise.



**LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and subsidiaries**Consolidated Statement of Financial Position at 31 December 2019 <sup>(\*)</sup>

<b>Equity and liabilities</b> (Thousands of euros)	<b>31/12/2019</b>	<b>31/12/2018</b>
Capital	175,267	186,438
Share premium	475,130	476,301
Other reserves	254,358	220,289
Retained earnings	80,730	129,308
Treasury shares	(762)	(1,228)
Valuation adjustments	(1,943)	(2,610)
<b>EQUITY</b>	<b>982,780</b>	<b>1,008,498</b>
Financial liabilities from issue of bonds and other marketable securities	139,376	139,077
Loans and borrowings	506,641	428,400
Deferred tax liabilities	17,201	19,405
Derivatives	2,846	1,892
Other non-current liabilities	19,593	17,240
<b>NON-CURRENT LIABILITIES</b>	<b>685,657</b>	<b>606,014</b>
Liabilities related to non-current assets held for sale	1,570	810
Financial liabilities from issue of bonds and other marketable securities	3,482	3,482
Loans and borrowings	41,127	6,461
Derivatives	2,393	2,179
Other financial liabilities	3,199	-
Trade and other payables	33,044	54,159
<b>CURRENT LIABILITIES</b>	<b>84,815</b>	<b>67,091</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,753,252</b>	<b>1,681,603</b>

(\*) These financial statements are an integral part of the 2019 Consolidated Annual Accounts. On February 13 2020 Deloitte issued its unqualified audit report.



Revenues  
**81,128 thousand euros**  
**+4% vs 2018**



EBITDA  
**59,260 thousand euros**  
**+9% vs 2018**

### LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and subsidiaries

Consolidated Income of Financial Position at 31 December 2019 <sup>(\*)</sup>

(Thousands of euros)

	2019	2018
Revenues	81,128	77,841
Other income	3,274	3,733
Personnel expenses	(424)	(502)
Amortisation expenses	-	(307)
Other expenses	(25,726)	(55,148)
Changes in the fair value of investment properties	40,037	70,471
Results of disposals of investments properties	1,008	28,541
<b>RESULTS FROM OPERATIONS</b>	<b>99,297</b>	<b>124,629</b>
Financial income	12	27,927
Financial expenses	(20,154)	(17,810)
Share in profit (loss) for the period of equity-accounted companies	473	(899)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>79,628</b>	<b>133,847</b>
Income tax	1,102	(4,539)
<b>PROFIT FOR THE PERIOD</b>	<b>80,730</b>	<b>129,308</b>

(\*) These financial statements are an integral part of the 2019 Consolidated Annual Accounts. On February 13 2020 Deloitte issued its unqualified audit report.



## LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and subsidiaries

Consolidated Cash Flows Position at 31 December 2019 <sup>(\*)</sup>

	2019	2018
<b>A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>16,797</b>	<b>19,102</b>
Profit/(loss) for the period before tax	79,628	133,847
Adjustments	(21,150)	(108,113)
Changes in operating assets and liabilities	(26,247)	6,508
Other cash flows used in operating activities	(15,434)	(13,140)
<b>B) CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(53,114)</b>	<b>139,536</b>
Payments for investments	(134,373)	(161,281)
Proceeds from divestments	81,259	300,817
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>5,613</b>	<b>(16,009)</b>
Payments made and received for equity instruments	(39,551)	6,884
Proceeds from and payments for financial liability instruments	117,764	22,073
Payments for dividends and remuneration on other equity instruments	(72,600)	(44,966)
<b>D) CASH AND CASH EQUIVALENTS IN NON-CURRENT ASSETS HELD FOR SALE</b>	<b>(97)</b>	<b>3,082</b>
<b>E) NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>(30,801)</b>	<b>145,711</b>
<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>191,328</b>	<b>45,617</b>
<b>G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)</b>	<b>160,527</b>	<b>191,328</b>

(\*) These financial statements are an integral part of the 2019 Consolidated Annual Accounts. On February 13 2020 Deloitte issued its unqualified audit report.



**€697.9 million**  
of financial debt

III.

## Financial debt

At 31 December 2019, Lar España's debt stood at **697,888 thousand Euros**, with an **average cost of 2.1%**. The **net LTV ratio** was **34%**, complying with the objective of not exceeding 50%, whilst the **average debt maturity** stood at **4 years**.

(Thousands of euros)

	31/12/2019	31/12/2018
GAV	1,551,564	1,535,863
Full Consolidation Gross Debt (*)	697,888	621,732
Cash (Full Consolidation and Equity Method) (**)	166,720	190,231
Total net debt (*)	531,168	431,501
<b>NET LTV (*)</b>	<b>34%</b>	<b>28%</b>
<b>Cost of debt</b>	<b>2.1%</b>	<b>2.2%</b>
<b>Average maturity period</b>	<b>4.0</b>	<b>5.6</b>

(\*) Full consolidation and equity method figures included.

(\*\*) Only available cash considered.



**4 years**  
Average  
maturity period

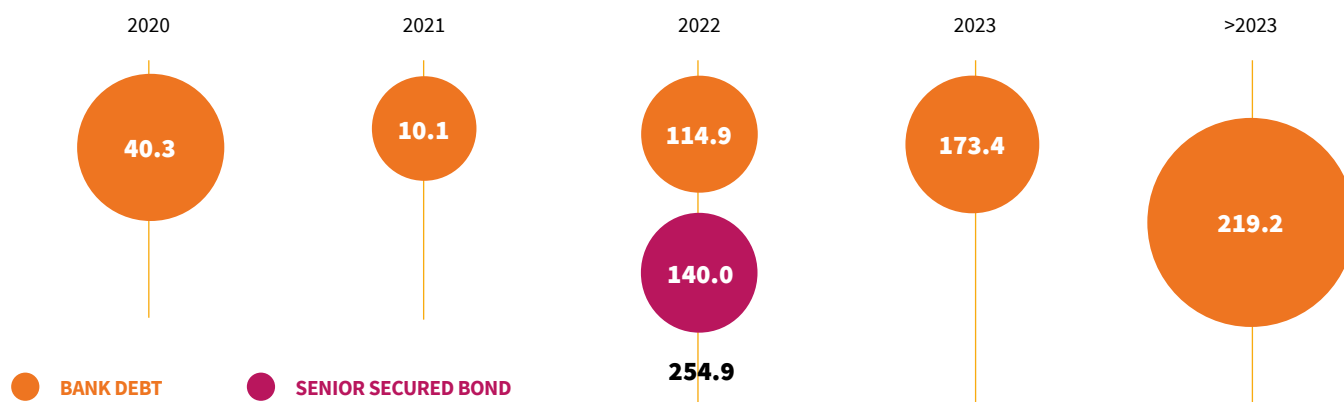


**34%**  
Net LTV



**2.1%**  
Average cost of  
debt

### Back-Loaded Amortisation Profile (€ Million)





#### IV. Shareholder return

The **shareholder rate of return** in 2019 stood at **10.14%**. To calculate the rate of return, we use the growth per share over the financial year, which is the sum of:

- The variation in the Company's EPRA NAV per share.
- Dividend per share distributed during the financial year.

$$\text{Shareholder Rate of Return} = \frac{\text{Growth (NAV+Dividend) per share}}{\text{EPRA NAV per share 31.12.2018}}$$

	€/share
EPRA NAV 31.12.18	11.14
EPRA NAV 31.12.19	11.47
<b>NAV Growth 2019</b>	<b>0.33</b>
2018 Dividend paid in 2019	0.80
<b>Growth (NAV + Dividend)</b>	<b>1.13</b>
<b>SHAREHOLDER RETURN 2019 (%)</b>	<b>10.14%</b>



**Shareholder Rate of Return**  
**10.14%**



V.

## Proposed shareholder remuneration

The Company intends to maintain a dividends policy which takes account of sustainable levels of distributions that reflect the Company's future profit forecasts. **Lar España was formed with the aim of generating high returns for its shareholders through the annual payment of significant dividends** and the creation of value in the form of an increase the EPRA NAV.

According to the last communications made by Lar España, the dividend would be, at least, **5% of 2019's average EPRA NAV**.

2019's average quarterly EPRA NAV amounted to **1,005.9 million Euros**:

EPRA NAV	Million of Euros
Q1	1,040.7
Q2	968.5
Q3	1,010.6
Q4	1,003.8
<b>2019 Average</b>	<b>1,005.9</b>
<b>5% average EPRA NAV</b>	<b>50.3</b>

Therefore, the dividend to be distributed would stand at 50.3 million Euros.

However, **thanks to income generated by the Company in 2019**, it is proposed that a dividend of **55 million Euros** be paid out.

As a result, the amount to be put to the General Shareholders Meeting as the proposed shareholder dividend for the financial year ending 31 December 2019 will be **55 million Euros**, representing a payment **0.63 Euros per share**.

Since February 2020, **Lar España has formed part, once again, of the Ibex Top Dividendo**, a group comprising 25 shares listed on the Ibex 35, the Ibex Medium Cap or the Ibex Small Cap that offer shareholders the highest return in terms of dividends. This has further advanced our aim of generating value for our investors.



**Dividend  
€55 Mn**

**0.63 € per share**



**5.5%**  
Dividend Yield over NAV  
per share (31.12.19)



**8.9%**  
Dividend Yield over market  
capitalization (31.12.19)



VI.  
Share price information and performance

Detail of shares (€)

	Jan-Dec 2019
Price at the beginning of the period	7.45
Price at the end of the period	7.10
<b>PERFORMANCE DURING THE PERIOD</b>	<b>-4.7%</b>
Maximum price for the period	8.55
Minimum price for the period	6.41
<b>AVERAGE PRICE FOR THE PERIOD</b>	<b>7.46</b>
ADTV (*)	175,033
Market Cap (Euros) 31/12/2019	622,199,483
Number of shares 31/12/2019	87,633,730

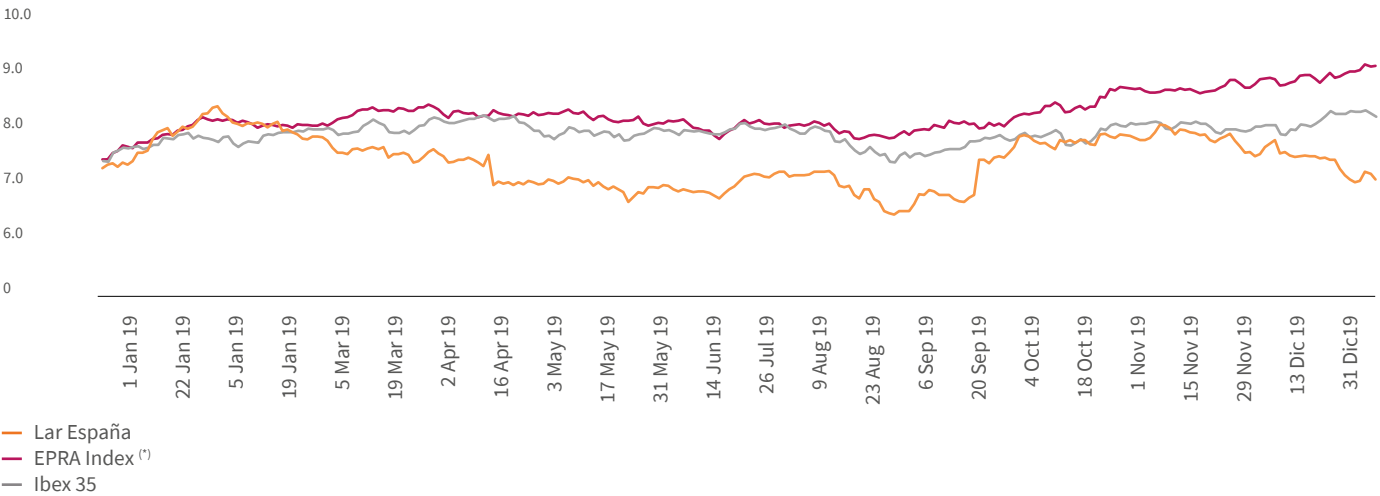
(\*) Average Daily Trading Volumen in number of shares

Share distribution at 31 December 2019



The **share price performance** during 2019 compared with the IBEX 35 and EPRA Index performance can be seen in the following graph:

Lar España share price performance vs Ibex 35 and EPRA Index (January- December 2019)



(\*) Sectorial European reference index.





37.3%<sup>(\*)</sup>  
Potencial Return

Analyst Recommendations

As of the date of this report, Lar España has the coverage of 12 analysts, whose average target price is €9.75.

Broker	Recommendation	Analysis Date	Target Price (Euros)
Kepler Cheuvreux	Hold	21/03/2017	Under Revision
Santander	Hold	15/01/2020	8.90
J.P.Morgan Asset Management	Hold	16/01/2020	7.25
Sabadell	Buy	17/02/2020	9.82
MIRABAUD	Hold	17/02/2020	8.27
JBCapitalMarkets	Buy	17/02/2020	12.70
Ahorro Corporación	Buy	17/02/2020	11.70
intermoney valores sv	Buy	17/02/2020	10.50
GVC Gaesco Beka	Buy	17/02/2020	11.41
bankinter.	Buy	17/02/2020	9.39
fidentiis	Buy	18/02/2020	10.30
KEMPEN & CO	Hold	28/02/2020	7.00

Source: Bloomberg



64%  
Buy



36%  
Hold



0%  
Sell

<sup>(\*)</sup> Taken into account the average target price and the price at the end of the period.



## 2019 Investor Relations Activities

- 
**383**  
 One on Ones
- 
**91**  
 Conference Calls
- 
**22**  
 Road Shows
- 
**32**  
 Distribution list impacts
- 
**12**  
 Coverages (no sell recommendations)

## Communication:

- 
**22,077**  
 Media impacts
- 
**2,700**  
 New followers in LinkedIn & Web
- 
**37**  
 Social media impacts
- 
**11**  
 Changes in Rec-TP
- 
**€23 Mn** Written and digital press advertisement value estimate

## 5 Top Picks

 JB Capital Markets

 Ahorro  
Corporación

**bankinter.**

 GVC Gaesco Beka

**fidentiis**  
EQUITIES S.V. S.A.





## 6.3

### EPRA Information

#### EPRA Awards

- In November 2016, the Reporting & Accounting Committee of EPRA (European Public Real Estate Association<sup>(1)</sup>) updated its Best Practices Recommendations<sup>(2)</sup> document in order to improve the presentation, transparency, comparability and relevance of the released financial information of listed real estate companies in Europe.

Lar España fully supports the principle of standardising the reporting of performance indicators from the perspective of comparability and improving the quality of information provided to investors and other users of the financial information.

For this purpose, we have included an specific chapter with our main economic indicators following EPRA guidelines.

*(1) Not-for-profit association founded in 1999 registered in Belgium which aims to make the financial statements of public real state companies clearer, more transparent and comparable across Europe.*

*(2) "Best Practices Recommendations - BPR" available at [www.epra.com](http://www.epra.com)*

- In **September 2019** Lar España was awarded for the fifth year running the **EPRA Gold Award** from the European Public Real Estate Association (EPRA) in recognition of the quality of the **financial information** released by the company. Lar España was also awarded for the second time with the most prestigious recognition from EPRA, the **Gold Award**, related to the **information about Corporate Social Responsibility**.

This highlights the **international recognition for the information reported by Lar España** and made available to its shareholders.

#### 2015



#### 2016



#### 2017



#### 2018



#### 2019



Key performance indicators described in the Best Practices Recomendations developed by EPRA are shown as follows:

<i>Indicator</i>	<i>Description</i>	<i>Reference</i>	<i>31.12.2019 (Thousands of Euros) / %</i>	<i>31.12.2019 (Euros per share)</i>
<b>EPRA Earnings</b>	Earnings from operational activities.	Page 276	<b>40,419</b>	<b>0.45</b>
<b>EPRA NAV</b>	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Page 277	<b>1,003,760</b>	<b>11.47</b>
<b>EPRA NNAV</b>	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	Page 278	<b>982,780</b>	<b>11.23</b>
<b>EPRA Net Initial Yield (NIY)</b>	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	Page 280	<b>5.6%</b>	-
<b>EPRA "Topped-up" NIY</b>	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).	Page 280	<b>5.9%</b>	-
<b>EPRA Vacancy Rate</b>	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	Page 282	<b>3.5%</b>	-
<b>EPRA Cost Ratio</b>	Administrative & operating costs (including direct vacancy costs) divided by gross rental income.	Page 283	<b>25.9%</b>	-
<b>EPRA Cost Ratio (Excluding direct vacancy costs)</b>	Administrative & operating costs (excluding direct vacancy costs) divided by gross rental income.	Page 283	<b>23.3%</b>	-

## EPRA Earnings

<i>(Thousands of Euros)</i>	<b>2019</b>	<b>2018</b>
<b>EARNINGS PER IFRS INCOME STATEMENT</b>	<b>80,730</b>	<b>129,308</b>
Change in value of investment properties	(40,037)	(97,245) <sup>(*)</sup>
Profits or losses on disposal of investment properties, development properties held for investment and other interests	(1,008)	(28,541)
Tax on profits or losses on disposals	(1,102)	4,539
Negative goodwill (**)	-	307
Changes in fair value of financial instruments and associated close-out costs	1,836	1,024
Acquisition costs on share deals and non-controlling joint venture interests	-	-
Deferred tax in respect of EPRA adjustments	-	-
Adjustments to above in respect of joint ventures	-	-
Non-controlling interests in respect of the above	-	-
<b>EPRA EARNINGS</b>	<b>40,419</b>	<b>9,392</b>
<b>Weighted average number of shares (excluding treasury shares)</b>	<b>89,879,866</b>	<b>93,404,258</b>
<b>EPRA EARNINGS PER SHARE (EUROS)</b>	<b>0.45</b>	<b>0.10</b>
Company specific adjustments (***)	-	19,848
<b>ADJUSTED EPRA EARNINGS</b>	<b>40,419</b>	<b>29,240</b>
<b>ADJUSTED EPRA EARNINGS PER SHARE (EUROS)</b>	<b>0.45</b>	<b>0.31</b>

(\*) 26,774 thousand Euros linked to Lagasga99 residential project included

(\*\*) It corresponds to the amortisation of the right of use on the area on which the leisure area of Megapark is located, which expires in 2056.

(\*\*\*) Corresponds to the part of the performance/divestment fee that the Manager would be obliged to reinvest in Lar España, thus avoiding any real cash outflow from the company.



**Adjusted EPRA Earnings  
per share +45%  
vs 2018**





**EPRA NAV**  
**per share <sup>(\*)</sup>**  
**+10.1%**  
**vs 31.12.2018**

## EPRA NAV

<i>(Thousands of Euros)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>NET ASSET VALUE PER THE FINANCIAL STATEMENTS</b>	<b>982,780</b>	<b>1,008,498</b>
Revaluation of other non-current investments	-	5,146
Fair value of financial instruments	3,779	3,634
Debt fair value	-	-
Deferred tax liabilities	17,201	19,405
<b>EPRA NAV</b>	<b>1,003,760</b>	<b>1,036,683</b>
Number of shares (excluding treasury shares)	87,529,910	93,081,129
<b>EPRA NAV PER SHARE (EUROS)</b>	<b>11.47 <sup>(**)</sup></b>	<b>11.14</b>

*(\*) Including the dividend paid in Q2 2019.*

*(\*\*) When analyzing this measure it is important to take into account the dividend paid in Q2 2019 (0.80€/share).*



## EPRA NNAV

<i>(Thousands of Euros)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>EPRA NAV</b>	<b>1,003,760</b>	<b>1,036,683</b>
Fair value of financial instruments	(3,779)	(3,634)
Debt fair value	-	-
Deferred tax liabilities	(17,201)	(19,405)
<b>EPRA NNAV</b>	<b>982,780</b>	<b>1,013,644</b>
Number of shares (excluding treasury shares)	87,529,910	93,081,129
<b>EPRA NNAV PER SHARE (EUROS)</b>	<b>11.23<sup>(*)</sup></b>	<b>10.89</b>

*(\*) When analyzing this measure it is important to take into account the dividend paid in Q2 2019 (0.80€/share).*



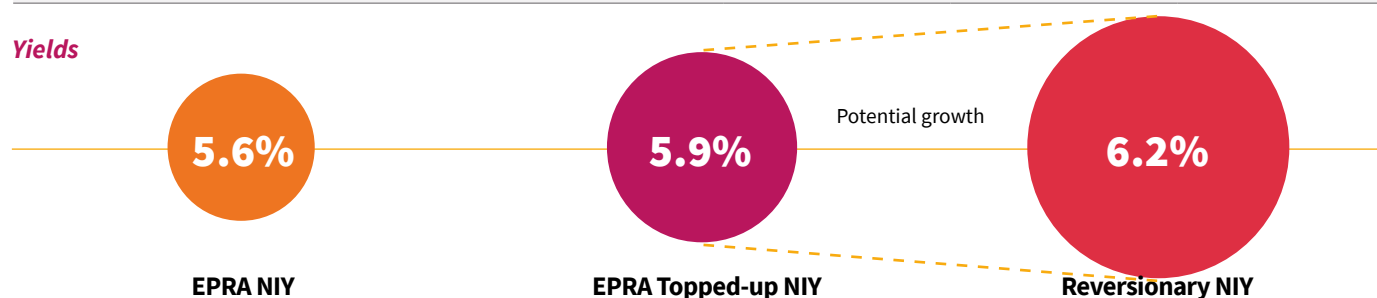




## EPRA NIY y EPRA “topped-up” NIY (31/12/2019)<sup>(\*)</sup>

<b>Assets</b> <i>(Thousands of Euros)</i>	<b>Completed Property Portfolio</b>	<b>Allowance for estimated purchasers costs</b>	<b>Gross up completed property portfolio valuation (A)</b>
Lagoh	312,000	3,354	315,354
Megapark + Megapark leisure area	217,336	2,173	219,510
Gran Vía Vigo	166,890	4,170	171,060
Portal de la Marina + hypermarket	126,400	3,163	129,563
El Rosal	110,900	2,689	113,589
Ànec Blau	102,063	3,215	105,278
As Termas + petrol station	88,090	2,200	90,290
Albacenter + hypermarket	63,700	2,007	65,707
Txingudi	36,520	363	36,882
Las Huertas	11,580	290	11,870
<b>TOTAL SHOPPING CENTRES</b>	<b>1,235,479</b>	<b>23,624</b>	<b>1,259,103</b>
Parque Abadía + commercial gallery	87,520	2,648	90,168
Rivas Futura	67,500	1,451	68,951
VidaNova Parc	55,445	1,192	56,637
Vistahermosa	50,500	1,338	51,838
<b>TOTAL RETAIL PARKS</b>	<b>260,965</b>	<b>6,629</b>	<b>267,594</b>
Supermarkets portfolio	54,120	838	54,958
<b>TOTAL OTHERS</b>	<b>54,120</b>	<b>838</b>	<b>54,958</b>
<b>TOTAL LAR ESPAÑA</b>	<b>1,550,564</b>	<b>31,091</b>	<b>1,581,655</b>

### Yields



<sup>(\*)</sup> Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project.

<i>Annualised cash passing rental income</i>	<i>Property outgoings</i>	<i>Annualised net rents (B)</i>	<i>Notional rent expiration of rent free periods or other lease incentives</i>	<i>Topped-up net annualised rents (C)</i>	<i>EPRA NET INITIAL YIELD (B/A)</i>	<i>EPRA TOPPED-UP NET INITIAL YIELD (C/A)</i>
17,050	(986)	16,063	981	17,045	5.1%	5.4%
13,091	(1,263)	11,828	906	12,735	5.4%	5.8%
9,999	(700)	9,299	106	9,405	5.4%	5.5%
7,914	(574)	7,340	72	7,412	5.7%	5.7%
7,536	(836)	6,701	207	6,908	5.9%	6.1%
(*)	(*)	(*)	(*)	(*)	(*)	(*)
5,868	(342)	5,525	227	5,752	6.1%	6.4%
4,106	(495)	3,611	246	3,857	5.5%	5.9%
2,723	(161)	2,562	36	2,598	6.9%	7.0%
949	(120)	829	36	865	7.0%	7.3%
<b>69,236</b>	<b>(5,477)</b>	<b>63,759</b>	<b>2,818</b>	<b>66,577</b>	<b>5.5%</b>	<b>5.8%</b>
5,636	(355)	5,281	81	5,363	5.9%	5.9%
4,200	(261)	3,939	203	4,142	5.7%	6.0%
3,823	(460)	3,363	249	3,612	5.9%	6.4%
3,636	(670)	2,967	293	3,259	5.7%	6.3%
<b>17,295</b>	<b>(1,745)</b>	<b>15,550</b>	<b>826</b>	<b>16,376</b>	<b>5.8%</b>	<b>6.1%</b>
3,889	(14)	3,875	0	3,875	7.1%	7.1%
<b>3,889</b>	<b>(14)</b>	<b>3,875</b>	<b>0</b>	<b>3,875</b>	<b>7.1%</b>	<b>7.1%</b>
90,420	(7,236)	83,184	3,644	86,828	5.6%	5.9%



**5.6%**  
EPRA NIY



**5.9%**  
EPRA  
Topped-up NIY



**6.2%**  
Reversionary Yield

(\*) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project.



## EPRA Vacancy Rate <sup>(1)</sup>

Assets	ERV (Thousands of Euros)	ERV Vacancy (Thousands of Euros)	EPRA VACANCY RATE %
Lagoh	16,346	208	1.3%
Megapark + Megapark leisure area	14,561	1,014	7.0% <sup>(2)</sup>
Gran Vía Vigo	9,715	146	1.5%
Portal de la Marina + hypermarket	7,896	348	4.4%
El Rosal	8,001	346	4.3%
Ànec Blau	(1)	(1)	(1)
As Termas + petrol station	5,769	226	3.9%
Albacenter + hypermarket	4,554	277	6.1% <sup>(2)</sup>
Txingudi	2,787	44	1.6%
Las Huertas	1,091	120	11.0%
<b>TOTAL SHOPPING CENTRES</b>	<b>70,720</b>	<b>2,729</b>	<b>3.9%</b>
Parque Abadía + commercial gallery	5,680	133	2.3%
Rivas Futura	4,335	23	0.5%
VidaNova Parc	4,248	156	3.7%
Vistahermosa	3,759	227	6.0%
<b>TOTAL RETAIL PARKS</b>	<b>18,022</b>	<b>539</b>	<b>3.0%</b>
Supermarkets portfolio	3,391	0	0.0%
<b>TOTAL OTHERS</b>	<b>3,391</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL LAR ESPAÑA</b>	<b>92,133</b>	<b>3,268</b>	<b>3.5%</b>



**3.5%**  
EPRA Vacancy Rate

(1) Anec Blau's data has not been taken into account because the asset is going through a comprehensive refurbishment project / (2) The property is undergoing significant refurbishments meaning that some units are being vacated temporarily.

## EPRA Cost Ratios

<i>(Thousands of Euros)</i>	<b>2019</b>	<b>2018</b>
Administrative expenses	(424)	(502)
Operating costs net of recoverable income <sup>(1) (2) (3)</sup>	(19,596)	(48,774)
Administrative/operating expenses in associates	-	(1,283)
<b>EPRA Cost (including vacancy cost) (A)</b>	<b>(20,019)</b>	<b>(50,559)</b>
Direct vacancy costs	(2,060)	(2,547)
<b>EPRA Cost (excluding vacancy cost) (B)</b>	<b>(17,959)</b>	<b>(48,012)</b>
Gross Rental Income less ground rent costs-per IFRS	83,304	79,688
Net associated costs (net service charge)	(6,131)	(6,374)
<b>Gross Rental Income (C)</b>	<b>77,173</b>	<b>73,314</b>
<b>EPRA COST RATIO (including direct vacancy costs) A/C <sup>(4)</sup></b>	<b>25.9%</b>	<b>69.0%</b>
<b>EPRA COST RATIO (excluding direct vacancy costs) B/C <sup>(4)</sup></b>	<b>23.3%</b>	<b>65.5%</b>

(1) Maintenance costs totalling 371 thousands of euros are included.

(2) Fixed and variable fee sincluded.

(3) 25,040 thousand euros of capitalised expenditure is not included under this heading (see paragraph 5.3.f CAPEX of this report).

(4) Excluding costs directly related to development projects, as of 31 December 2019, the ratios would be 23.4% and 20.7% respectively.

Considering recurring expenses alone, the **EPRA Cost Ratio – including direct vacancy costs** – would be **21.9%**, while **if we exclude those costs, this ratio would stand at 19.2%**. If additionally, costs directly related to **development projects** are also excluded, these ratios would stand at **19.3% and 16.6%, respectively**.

# 7

## Annex *p.284*

**7.1** About this Annual Report  
*p.286*

**7.2** Independent Review  
*p.290*

**7.3** GRI & EPRA sBPR Index  
*p.292*

**7.4** Glossary  
*p.298*







Shopping Centre | Albacenter (Albacete)

albacenter

## 7.1

### About this Annual Report

#### Report boundary

The information included in the **2019 Annual Report** relates to all of the activities carried out by **Lar España Real Estate SOCIMI, S.A.** and its subsidiaries (together, “the Group”) between 1 January 2019 and 31 December 2019.

The last annual report presented by Lar España corresponded to the period elapsing between 1 January and 31 December 2018. The organisation has not undergone any significant change in its reporting boundary in the interim that would affect the information presented in this report.

The information presented herein refers to **the most significant aspects of Lar España’s financial and non-financial performance** in respect of all the asset classes in its real estate portfolio - shopping centres, offices, residences and logistics centres -, unless specifically indicated to the contrary in the report.

In addition, this report draws from other reports in order to provide more detailed disclosures on specific items; for example, the **Group’s consolidated financial statements** for the year ended 31 December 2019 are referenced in order to reinforce the disclosures detailing the economic dimension.

#### Guidelines and criteria used

Lar España’s 2019 Annual Report was prepared on the basis of the guidelines established in the most updated version of the Best Practices Recommendations report for real estate sector companies issued by the Reporting and Accounting Committee of the **European Public Real Estate Association (EPRA)**.

In addition, for the fourth time, this report follows the **Global Reporting Initiative (GRI)** and the “Best Practices Recommendations” guide of **EPRA Sustainability** published in September 2018 in respect of the non-financial sustainability disclosures provided in the annual report. The purpose has been to cover the essential material aspects, as determined by means of a materiality assessment carried out by Lar España, which took into account the relevance by subject and main stakeholders, reporting at least one indicator for the aspects considered material in respect of Lar España.

In order to give an account of the organisation’s performance in 2019, the following principles were applied, in keeping with the guidelines provided in the GRI Sustainability Reporting Standards with respect to the preparation of sustainability reports:

- The principles for determining **the content of the report**: stakeholder inclusiveness, the sustainability context and completeness.
- The principles for determining the **quality of the report**: balance, comparability, accuracy, timeliness, clarity and reliability.



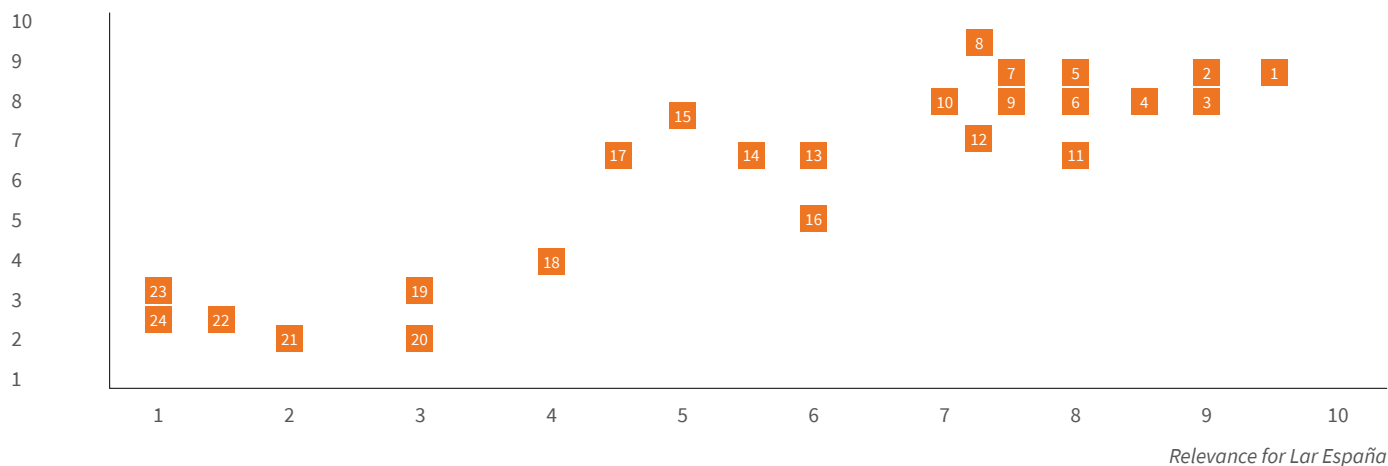
## Materiality assessment

Lar España's 2019 Annual Report aims to identify and report exhaustively on all aspects that reflect the organisation's **significant economic, social or environmental impacts** and on those that enable it to align its corporate strategy with its stakeholders' expectations.

The report has been articulated around the reporting methodology prescribed in the GRI Standards, which involves undertaking a more in-depth analysis of the topics of greatest relevance to the organisation. Starting from the materiality assessment performed in 2016, management identified a series of material aspects that are embedded within the vision, mission and strategic objectives of Lar España. Following in-depth analysis, introspection and consultation with the main stakeholders, the outcome of the materiality assessment is as follows:

### Materiality matrix

Relevance for our stakeholders









- |   |   |  |   |
|---|---|--|---|
| 1.  Good Governance                           | 7.  Responsible Investment                            | 13.  Safe and healthy environment      | 19.  Urban resilience                           |
| 2.  Ethics and compliance                     | 8.  Environmental and social management               | 14.  Modernism and design              | 20.  Refurbishments and conservation            |
| 3.  ESG Risk Management                       | 9.  Interaction with local community and job creation | 15.  New experiences and services      | 21.  Standard CSR reporting                     |
| 4.  Transparency in business relations        | 10.  Retain talent and training                       | 16.  Cooperation with other entities   | 22.  Equal opportunities and non-discrimination |
| 5.  Anti-corruption and anti-money laundering | 11.  Sustainable product marketing                    | 17.  Two-way dialogue with tenants     | 23.  Work-life balance                          |
| 6.  CSR investment                            | 12.  Communication channels with the local community  | 18.  Accessibility and transport links | 24.  Transparent remuneration policy            |

The priority of each one of the aspects in the **materiality matrix** can be determined from its positioning.

Following the methodology of the GRI G4, the material aspects are those that are located in the upper right quadrant in the matrix, which have obtained a score greater than or equal to 6 in both variables analyzed:

- Level of importance of the stakeholders.
- Relevance for the company.

The most relevant environmental and social material aspects for Lar España for each phase of the corporation's business model are shown below. All these aspects are included and developed in the **Corporate Social Responsibility Master Plan**, which establishes short, medium and long term measures and objectives for their implementation.

	 <b>FUNDRAISING</b>	 <b>ACQUISITION</b>	 <b>DEVELOPMENT</b>	 <b>MANAGEMENT</b>	 <b>DIVESTMENT</b>	 <b>BUSINESS SUPPORT (*)</b>
Good Governance	Apply	Apply	Apply	Apply	Apply	Not apply
Ethics and compliance	Apply	Apply	Apply	Apply	Apply	Not apply
ESG Risk Management	Apply	Apply	Apply	Apply	Apply	Not apply
Transparency in business relations	Apply	Apply	Apply	Apply	Apply	Not apply
Anticorruption and antimoney laundering	Apply	Apply	Apply	Apply	Apply	Not apply
CSR investment	Apply	Apply	Apply	Apply	Apply	Apply
Responsible Investment	Apply	Apply	Apply	Apply	Apply	Not apply
Environmental and social management	Apply	Apply	Apply	Apply	Apply	Apply
Interaction with local community	Apply	Apply	Apply	Apply	Apply	Not apply
Retain talent and training	Not apply	Not apply	Not apply	Not apply	Not apply	Apply
Sustainable and marketing	Apply	Apply	Apply	Apply	Apply	Not apply
Communication channels	Apply	Apply	Apply	Apply	Apply	Apply
Safe and healthy environment	Not apply	Apply	Apply	Apply	Not apply	Not apply
Modernism and design	Not apply	Apply	Apply	Apply	Not apply	Not apply
New experiences and services	Not apply	Apply	Apply	Apply	Not apply	Not apply

■ Apply  
■ Not apply

(\*) "Business support" refers to the functions of coordination and development of the different phases of the business model carried out internally by the company, i.e. by the employees.  
 Note: The material aspects presented here have been sorted in descending order according to the variable Importance to Lar España. In those cases where more than one aspect has obtained the same value, the variable Importance of the aspect for stakeholders has been taken into account.

## International standard

As noted above, Lar España's 2019 Annual Report was prepared following the **GRI Sustainability Reporting Standards**.

**EPRA Sustainability's** latest "Best Practices Recommendations" guide has also been taken into account, which deepens into non-financial relevant aspects to the Real Estate sector.

It also factors in the guiding principles for the preparation of integrated reports provided in the International IR Framework developed by the **International Integrated Reporting Council (IIRC)**. Specifically:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

## Independent review

The sustainability information contained in this Annual Report has been reviewed externally by a third party with a limited review scope and based on the GRI Sustainability Reporting Standards (GRI Standards) guide. This guide includes a set of principles and indicators, which can be found in the annex to this report.

## Contact details

Anyone who would like to request additional information about this 2019 Annual Report and its contents may submit their queries to the following addresses:

### GENERAL COMMUNICATION CHANNELS AND CONTACT

Queries, questions, comments or information requests

[info@larespana.com](mailto:info@larespana.com)

+34 91 436 04 37

[larespana.com/contacto/](http://larespana.com/contacto/)

### PRESS

Press office, information on Lar España news and activities

[prensa@larespana.com](mailto:prensa@larespana.com)

+34 91 436 04 37

[larespana.com/prensa/](http://larespana.com/prensa/)

### SHAREHOLDER AND INVESTOR INFORMATION

[info@larespana.com](mailto:info@larespana.com)

+34 91 436 04 37

### BLOWING CHANNEL

[canaldedenuncias@larespana.com](mailto:canaldedenuncias@larespana.com)

## 7.2

### Independent Review



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28003 Madrid

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ey.com

#### INDEPENDENT REVIEW REPORT OF SUSTAINABILITY INDICATORS INCLUDED IN LAR ESPAÑA REAL ESTATE SOCIMI S.A. ANNUAL REPORT 2019

To the management of Lar España Real Estate SOCIMI S.A.

##### Scope of the work

As commissioned by the management of Lar España Real Estate SOCIMI, S.A. (hereinafter, Lar España), we have carried out the review of the sustainability indicators included in the GRI content index included as an Annex in Lar España's Annual Report. This Report was prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards) as stated in section "Guidelines and criteria used".

The boundary determined by Lar España for the preparation of the Report is included in section "Report boundary" in the annex, of the attached Report.

The preparation of the sustainability information, as well as its content, is the responsibility of the management bodies of Lar España. They are also responsible for defining, adapting, and maintaining the management and internal control systems from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

##### Criteria

Our review was carried out based on:

- The Guidelines for reviewing Corporate Responsibility Reports, issued by the Instituto de Censores Jurados de Cuentas de España (ICJCE), and
- Standard ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), with a limited scope of assurance.

##### Applied procedures

Our review consisted in performing inquiries to the management bodies as well as the various business units that have participated in the preparation of the Report, and in applying analytical procedures and sampling review tests as described below:

- Interviews with those in charge of the preparation of the sustainability information in order to understand how sustainability goals and policies are considered, implemented and integrated into Lar España's overall strategy.
- Analysis of the processes for collecting and validating the sustainability information contained in the attached Report.
- Verification of the processes that Lar España has in place to define the material aspects, as well as the participation of stakeholders on those.

- Analysis of the adaptation of the structure and content of the sustainability information as indicated in the GRI Standards Guidelines.
- Test, on a sample basis, of the quantitative and qualitative information of the indicators included in GRI Standards content index, incorporated as an Annex in the Report, as well as its adequate compilation from data supplied by information sources. The review tests have been defined in order to provide assurance levels as described before.
- Checking that the financial information included in the Report has been audited by independent third parties.

These procedures have been applied on the sustainability information included in the Report and in the "GRI & EPRA sBPR Index" included as an Annex in the Report, with the scope defined before.

The scope of this review is considerably lower than a reasonable assurance report. Therefore, the degree of assurance is also less extensive.

This report in no case should be considered an audit report.

##### Independence and quality control

We have met the independence requirements and other ethical requirements of the Code of Ethics for Accounting Practitioners issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies the International Quality Control Standard 1 (NIACC 1) and maintains, therefore, a global quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

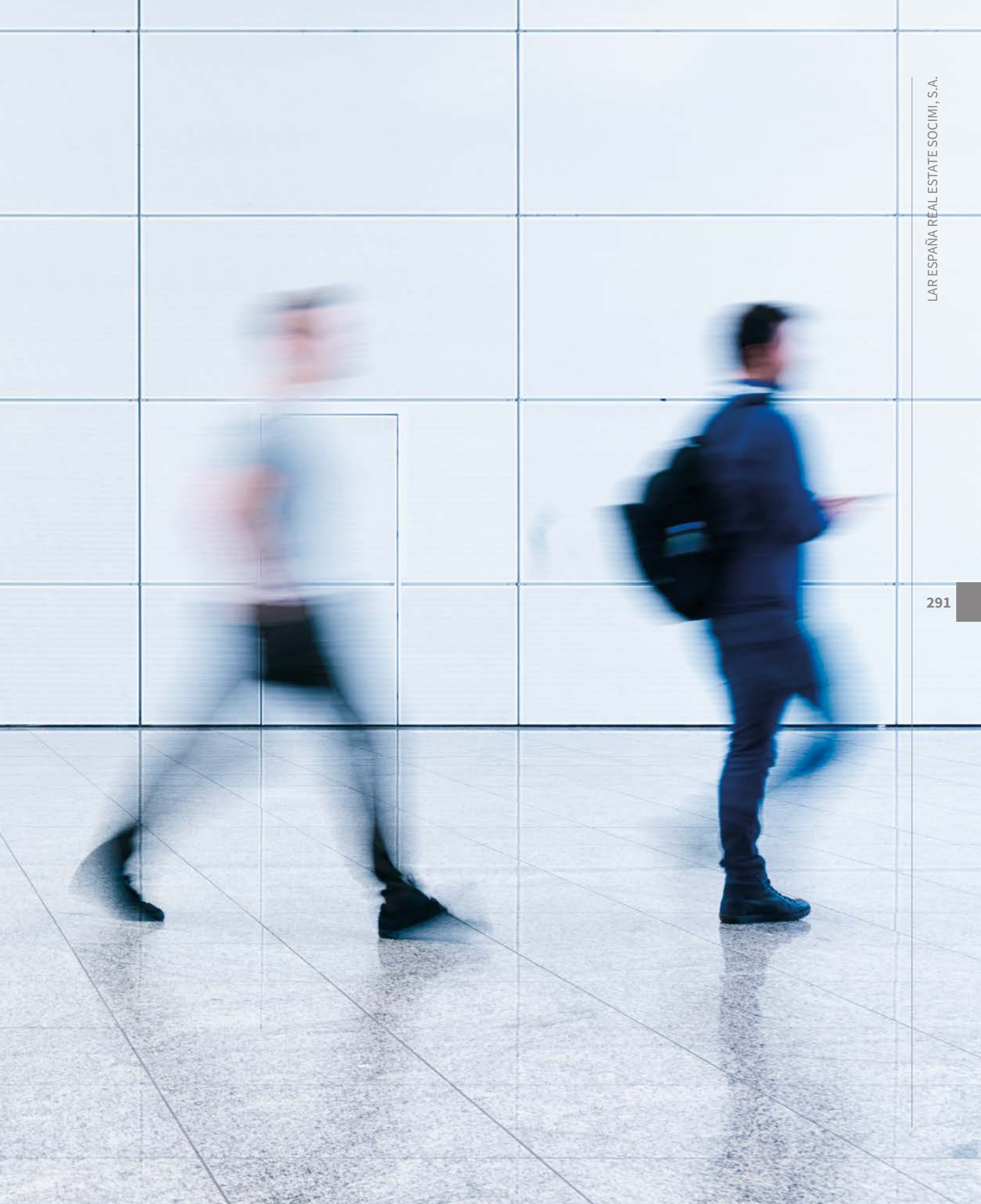
##### Conclusions

As a result of our review, we conclude that no matter came to our attention that would indicate that the sustainability information included in the Report has not been prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines GRI Standards, which includes the reliability of the data, the adequacy of the information presented and the absence of significant deviations and omissions, having reviewed the "GRI & EPRA sBPR Index" included in the Annex.

This report has been prepared solely according to Lar España's interest, in accordance with the terms set out in our engagement letter.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated March 17<sup>th</sup>, 2020. In case of any discrepancy, the Spanish version always prevails.)





## 7.3

### GRI & EPRA sBPR Index

Category	GRI	EPRA sBPR	Indicator	Page/Comments
<b>GENERAL DISCLOSURES</b>				
<b>Organisational Profile</b>	102-1	N/A	Name of the organisation	286
	102-2	N/A	Activities, brands, products, and services	44
	102-3	N/A	Location of the organisation's headquarters	300
	102-4	N/A	Location of operations	196
	102-5	N/A	Ownership and legal form	36
	102-6	N/A	Markets served	23-32
	102-7	N/A	Scale of the organisation	44
	102-8	N/A	Information on employees and other workers	38-41, 53
	102-9	N/A	Description of the organisation's supply chain	120
	102-10	N/A	Significant changes to the organization and its supply chain	6-9
	102-11	N/A	Precautionary principle or approach	113
	102-12	N/A	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses	74-82
	102-13	N/A	Membership of associations	42
<b>Strategy</b>	102-14	N/A	Statement from senior decision-makers	6-9
	102-15	N/A	Key impacts, risks, and opportunities	113-117
<b>Ethic and Integrity</b>	102-16	N/A	Values, principles, standards, and norms of behaviour	110-111
	102-17	N/A	Mechanisms for advice and concerns about ethics	110-111
<b>Governance</b>	102-18	N/A	Description of the organisation's governance structure	90-102
	102-19	N/A	Description of the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	38-39
	102-20	N/A	Indication as to whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics and whether post holders report directly to the highest governance body	40-41
	102-21	N/A	Description of the processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics	126-139
	102-22	Gov-Board	Composition of the highest governance body and its committees	93
	102-23	N/A	Indication as to whether the chair of the highest governance body is also an executive officer in the organisation. If so, a description of his or her function within the organisation's management and the reasons for this arrangement	The President of the Board does not hold an executive position
	102-24	Gov-Select	Description of the nomination and selection processes for the highest governance body and its committees and the criteria used for nominating and selecting highest governance body members	88
	102-25	Gov-Col	Description of the processes for the highest governance body to ensure conflicts of interest are avoided and managed	87

Category	GRI	EPRA sBPR	Indicator	Page/Comments
<b>GENERAL DISCLOSURES</b>				
<b>Governance</b>	102-26	N/A	Description of the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	87
	102-27	N/A	Itemisation of the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	87-88
	102-28	N/A	Description of the processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. Indication as to whether such evaluation is independent or not, and its frequency; and Whether such evaluation is a self-assessment	102-105
	102-29	N/A	Description of the highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities Indication as to the highest governance body's role in the implementation of due diligence processes	113-114
	102-30	N/A	Description of the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental, and social topics	114
	102-31	N/A	Statement of the frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	Annually
	102-32	N/A	Indication of which is the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material topics are covered	Annual report is reviewed by the main board
	102-33	N/A	Description of the process for communicating critical concerns to the highest governance body	110
	102-34	N/A	Total number and nature of critical concerns that were communicated to the highest governance body and mechanism(s) used to address and resolve critical concerns	Information available in Annual Corporate Governance Report on Lar España's website
	102-35	N/A	Description of remuneration policies for the highest governance body and senior executives for the following types of remuneration	100-101
	102-36	N/A	Description of the process for determining remuneration Indication as to whether remuneration consultants are involved in determining remuneration and whether they are independent of management	100-101
	102-37	N/A	Explanation of how stakeholders' views are sought and taken into account regarding remuneration and, if applicable, the results of votes on remuneration policies and proposals	92

<i>Category</i>	<i>GRI</i>	<i>EPRA sBPR</i>	<i>Indicator</i>	<i>Page/Comments</i>
<b>GENERAL DISCLOSURES</b>				
<b>Governance</b>	102-38	N/A	Annual total compensation ratio	N/A
	102-39	N/A	Percentage increase in annual total compensation ratio	N/A
<b>Stakeholder engagement</b>	102-40	N/A	A list of stakeholder groups engaged by the organisation	128, 129, 130
	102-41	N/A	Percentage of total employees covered by collective bargaining agreements	100%
	102-42	N/A	The basis for identification and selection of stakeholders with whom to engage	128, 129, 130
	102-43	N/A	The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	126-139
	102-44	N/A	Key topics and concerns that have been raised through stakeholder engagement, including how the organisation has responded to those key topics and concerns, including through its reporting Specification of the stakeholder groups that raised each of the key topics and concerns	126-139
	102-45	N/A	Entities included in the consolidated financial statements	44-45
<b>Reporting practice</b>	102-46	N/A	Definition of report content and topic Boundaries	286
	102-47	N/A	List of material topics	287
	102-48	N/A	Restatements of information	172
	102-49	N/A	Changes in reporting	182
	102-50	N/A	Reporting period (e.g., the fiscal or calendar year)	286
	102-51	N/A	Date of most recent report, if applicable	25 April 2019
	102-52	N/A	Reporting cycle (annual, biennial, etc.).	Annual
	102-53	N/A	The contact point for questions regarding the report or its contents	300
	102-54	N/A	Claims of reporting in accordance with the GRI Standards	289
	102-55	N/A	GRI content index	292-297
	102-56	N/A	External assurance	290

Category		GRI	EPRA sBPR	Indicator	Page/Comments
<b>GENERAL DISCLOSURES</b>					
<b>Economic Performance</b>	<b>Economic performance</b>	201-1	N/A	Direct economic value generated and distributed	262-267
	<b>Indirect economic impacts</b>	203-1	N/A	Development and impact of infrastructure investments and services supported	262
<b>Environment</b>	<b>Energy</b>	302-1	Elec-Abs	Energy consumption within the organisation	167
		302-1	Elec-Abs	Total electricity consumption	167
		302-1	Elec-LfL	Like-for-like total electricity consumption	167
		302-1	DH&C-Abs	Total district heating & cooling consumption	167
		302-1	DH&C-LfL	Like-for-like total district heating & cooling consumption	167
		302-1	Fuels-Abs	Total fuel consumption	167
		302-1	Fuels-LfL	Like-for-like total fuel consumption	167
		302-3	Energy-Int	Energy intensity	167
		303-4	N/A	Reduced energy usage	167
		303-5	N/A	Reductions in energy requirements of products and services	167
		CRE1	Energy-Int	Building energy intensity	167
	<b>Water</b>	303-1	Water-Abs	Total volume of water withdrawn by source	171
		303-1	Water-LfL	Like for like total water consumption	171
		CRE2	Water-Int	Building water intensity	171
	<b>Emissions</b>	305-1	GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions (Scope 1)	169
			GHG-Dir-LfL	Like-for-like total direct greenhouse gas (GHG) emissions	169
		305-2	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions (Scope 2) (generated off site during combustion of the energy source)	169
		CRE3	GHG-Indir-LfL/GHG-Int	Like-for-like total indirect greenhouse gas (GHG) emissions	169
		305-4	GHG-Int	Greenhouse gas (GHG) emissions intensity	169
		305-5	N/A	Reduction of greenhouse gas (GHG) emissions	169
	<b>Discharges and waste</b>	306-2	Waste-Abs	Total weight of waste by type and disposal method	173
			Waste-LfL	Like-for-like total weight of waste by disposal route	173
	<b>Regulatory compliance</b>	307-1	N/A	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Lar España was not fined or sanctioned for non-compliance with any environmental law or regulation in 2019

Category			GRI	EPRA sBPR	Indicator	Page/Comments
GENERAL DISCLOSURES						
Social Performance	Labour practices and decent work	Occupational health and safety	403-1	N/A	Workers representation in formal joint management-worker health and safety committees	39
			403-2	H&S-Emp	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	154
		Training and education	404-1	Emp-Training	Average hours of training per year per employee by gender, and by employee category	154
			404-2	N/A	Programmes for upgrading employee skills and transition assistance programs	87
			404-3	Emp-Dev	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	154
		Diversity and equal opportunities	405-1	Diversity-Emp	Diversity of governance bodies and employees	154
	Society	Local communities	413-1	Comty-Eng	Percentage of operations with implemented local community engagement, impact assessments and development programmes	154
		Anti-corruption	205-2	N/A	Communication and training on anti-corruption policies and procedures	110-111
			205-3	N/A	Confirmed incidents of corruption and actions taken	No incidents of corruption were confirmed in 2019
		Regulatory compliance	419-1	N/A	Non-compliance with laws and regulations in the social and economic area	The company did not receive any significant fines for non-compliance with laws or regulations in 2019



Category		GRI	EPRA sBPR	Indicator	Page/Comments	
GENERAL DISCLOSURES						
Environmental Performance	Energy	CRE1	Energy-Int	Building energy intensity	180-181	
	Water	CRE2	Water-Int	Building water intensity	180-181	
	Emissions	CRE3	GHG-Int	Greenhouse gas emissions intensity from buildings	180-181	
		CRE4	N/A	Greenhouse gas emissions intensity from new construction and redevelopment activity	164	
	Land degradation, contamination and remediation	CRE5	N/A	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	N/A	
Social Performance	Labour practices and decent work	Product responsibility	CRE6	N/A	Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system	N/A
	Society	Local communities	CRE7	N/A	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project	No persons have been voluntarily and / or involuntarily displaced and/or resettled
	Product responsibility	Product and service labelling	CRE8	Cert-Tot	Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment	174

## 7.4

### Glossary

#### PBT

Profit Before Tax.

#### EBIT

Earnings Before Interest and Tax.

#### EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation.

#### Net profit/(loss)

Profit/(Loss) for the period after tax.

#### ROE (Return on Equity)

Return on equity, calculated by dividing profit for the last 12 months by the company's average equity of the last four quarters.

#### Reversionary Yield

Yield calculated as the ratio between the rental income that would be obtained from leasing the entire area at the market prices estimated by the independent valuers (ERV) and the gross asset value.

#### ROA (Return on Assets)

Return on assets, calculated by dividing profit for the last 12 months by the company's average assets of the last four quarters.

#### Liquidity ratio

The Company's capacity to meet its obligations with liquid assets, calculated as the ratio between the Company's current assets and current liabilities.

#### Solvency ratio

The Company's financial capacity to meet its payments obligations with all the assets and resources available. It is calculated by dividing equity plus non-current liabilities by non-current assets.

#### EPRA

European Public Real Estate Association.

#### EPRA Earnings

Earnings from operational activities.

#### EPRA NAV

Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

#### EPRA NNAV

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

#### EPRA Net Initial Yield (NIY)

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

#### EPRA "topped-up" NIY

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

#### EPRA Vacancy Rate

Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

#### EPRA Cost Ratio

Administrative & operating costs (including direct vacancy costs) divided by gross rental income.

#### EPRA Cost Ratio (excluding direct vacancy costs)

Administrative & operating costs (excluding direct vacancy costs) divided by gross rental income.

#### GAV

Gross Asset Value.

#### GLA

Gross Leasable Area in sqm.

#### WAULT

Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 30 september 2016, until the first break option, weighted by the gross rent of each individual lease contract.

#### Net LTV (Loan to Value)

Ratio that measures the total amount of outstanding principal, discounted available cash, against the value of the assets.

Net LTV = Net debt / GAV.

#### Dividend Yield

Profitability by dividend, that shows, in percentage, the shareholder performance by the dividends. Result of Dividend/ Average quarterly EPRA NAV of the last four quarters of the year.

#### Gross Annualised Rent

Gross annual investment return excluding temporary rental discounts or rent-free periods.

#### Average maturity period (years)

Represents the average maturity term of the company's debt.

#### Reversionary Yield

Yield calculated as the ratio between the rental income that would be obtained from leasing the entire area at the market prices estimated by the independent valuers (ERV) and the gross asset value.

#### GRI (Gross Rental Income)

Gross income for the period.

#### NOI (Net Operating Income)

Gross income discounting costs incurred during the period.

**Shareholder Rate of Return**

Return generated for the shareholders as the sum of the annual EPRA NAV variation and the dividends distributed divided by the company's year-end EPRA NAV value.

**CBD**

Central Business District, the most central, attractive shopping and office locations.

**Prime rent**

The highest basic rents in the best properties in various areas.

**Like for like (Lfl)**

Comparison of one period, with that of the same period the year before, taking into consideration the same number of assets.

**Elec – Abs**

Total electricity consumption.

**Elec – Lfl**

Like for like total electricity consumption.

**Fuels – Abs**

Total fuel consumption.

**Fuels – Abs**

Like for like total fuel consumption.

**Energy – Int**

Building energy intensity.

**GHG – Dir – Abs**

Total direct greenhouse gas (GHG) emissions.

**GHG – Dir – Lfl**

Like for like total direct greenhouse gas (GHG) emissions.

**GHG – Indir – Abs**

Total indirect greenhouse gas (GHG) emissions.

**GHG – Indir – Lfl**

Like for like total indirect greenhouse gas (GHG) emissions.

**GHG – Int**

Greenhouse gas (GHG) intensity from building energy consumption.

**Waste – Abs**

Total weight of waste by disposal route.

**Waste – Lfl**

Like for like total weight of waste by disposal route.

**Water-Int**

Water consumption intensity.

**Cert-Tot**

Total number of certificates.

**Diversity-Emp:**

Employees diversity.

**Emp-Training:**

Employees training.

**Emp-Dev:**

Employees professional development.

**Emp-Turnover:**

Employees turnover.

**H&S-Emp:**

Employees Health & Safety.

**H&S-Asset:**

Assets assessment of Health & Safety.

**Compty-Eng:**

Holding of social events in assets.



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