Lar España Commitment to ESG

October 2020
What does ESG mean at Lar España?

The company is committed to an inclusive dialogue with stakeholders, a responsible management of assets and the creation of wealth within the communities of operation.
ESG at Lar España

Lar España’s core ESG principles to build Shared Value:

Creating shared value for our stakeholders

Environment
Corporate Governance
Social Capital
Assets

Lar España is currently in the process of implementing its ESG Master Plan.
Innovation to create shared value

Lar España encourages sustainable certifications, responsible management of assets and improvements in their ecological impact (environmental mitigation) while always safeguarding the economic viability and financial returns on its investments.

Lar España is committed to having a positive social impact in their communities. Implementing all necessary measures to ensure accessibility to all customers, engaging with local organizations and creating shared value are some of the priorities.

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

Governance  Wealth creation in communities  Accessibility  Responsible management  Active listening

INNOVATION
RESPONSIBLE MANAGEMENT
Main achievements in 2019

**ENVIRONMENTAL**

**GHG EMISSIONS (GREENHOUSE GAS)**

- **62.9%** Scope 2 GHG emissions
- **45.9%** GHG emission intensity
- **14.1%** Scope 1 GHG emissions

**ENERGY CONSUMPTION**

- **6.2%** Electricity consumption
- **3.9%** Gas consumption
- **5.9%** Energy intensity (LfL in kWh)

**ASSET ANALYSIS BY CLIMATE ZONE**

For the first time, we have analyzed energy and water consumption and emissions by climate zone, using Köppen-Geiger’s climate classification for the Iberian Peninsula.
Main achievements in 2019

**WATER CONSUMPTION**

- **0.1%** Water consumption (Lfl in m³)

**Waste Management**

- **+ 19.3%** Waste recycled (Lfl in tonnes)
- **+ 945,000 kg** of recycled cardboard and paper
- **+ 288,000 kg** of recycled plastic
- **1,000 kg** of recycled lamps and fluorescents
- **+ 84,000 kg** of recycled wood
Environmental

Certified assets

100% Shopping Centres Certified
Ongoing projects

Data automation at the Shopping Centers

The goal is to automate data collection on the use of natural resources in our shopping centers to:

- Improve the accuracy of information
- Optimize efficiency across all sectors
- Time saving processes
- Standardizing periodically reports

Scopes of action

- GHG Emissions
- Footfall and Sales
- Air Quality
- Water
- Waste Management
- Energy

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 and register its carbon footprint in 2020, based on the 2019 emissions data.

Ministerio para la Transición Ecológica (MITECO)
Ongoing projects

Energy Efficiency Plan
To seek out opportunities to reduce our energy consumption and associated costs

Waste Management Plan
Including actions to optimize the collection, transport and treatment of waste

To set our medium and long-term strategic goals

The data collection will be part of the strategic plan in which the steps require to implement all measures will be furthered explained. The main goal is including Energy Efficiency & Waste Management as part of the business strategy.
TOWARDS
A BETTER TOMORROW
Lar España prioritizes business ties within their communities, therefore most of the 436 suppliers are local firms. As Lar España operates national wide, the generation of wealth and economic activity increase is reflected throughout the country.

In 2019, Lar España purchased over €162 million of goods and services from its suppliers.
Main achievements in 2019

- **+21,600** Direct jobs generated during 2019
- **8.4%** of the indirect labor force at Lar España have a disability
- **+54,000 Kg** Of food received and distributed
- **+39,000 Kg** Donated clothes
- **+€923,000** Earmarked to community collaborations, sponsorships and initiatives
- **+360** Days of social initiatives
- **+25** Partnerships with NGOs and charities
In response to the health crisis and with the aim of ensuring the opening of centers, Lar España has designed and carried out a specific action protocol. It complies with all health and safety requirements and it is to be implemented in all centers. It includes:

- **Specific cleaning** and disinfection against COVID-19
- **Limited capacity**
- **Continuous communication** to customers through posters, social media, light box
- **Click&Collect** or **Click&Car** installation services
- **Hygienic modules** and spaces with gel dispenser
**Social**

**Initiatives at our shopping centers & retail parks COVID-19**

**Collaboration with the Military Emergencies Unit**

The As Termas shopping center collaborated with Military Emergencies Unit offering the shopping centre’s facilities to the unit to set up a temporary base in Lugo.

**Collaborations:**
- Red Cross and Lugo City council
- Lugo University Hospital’s human welfare services
- Platform Coronavirus Makers Lugo

**Charitable Donation to the Casa de la Caridad shelter in O Berbés**

To this shelter, which provides support to people at risk of social exclusion, Gran Vía de Vigo has done a charitable shop, buying all the products that the shelter needs at its Carrefour supermarket in order to donate them. Besides Gran Vía de Vigo shopping center has joined the initiative launched by Carrefour, by reserving parking spaces for the sole use of healthcare professionals.

**Shopping for families at risk of exclusion**

Portal de la Marina in collaboration with Ondara Town Council (Social Welfare and Mayor’s Office) has been made the custom purchase for families of Ondara in difficult situation.

**Hope Museum in Lagoh**

Lagoh has created the first ever Hope Museum, where the exhibits are literally priceless: collaboration with Andalusian research into tackling COVID-19. For every exhibit uploaded, Lagoh will donate €1 to the Andalusia Regional Government’s Progress and Health Foundation for its research into finding an effective treatment for COVID-19.

**Preparation of Albergue Peregrinos (Pilgrims hostel)**

Care for homeless people was included in the municipal contingency plan for the situation caused by the COVID-19 health crisis. Besides El Rosal is collaborating on a project to raise awareness regarding the use of face masks among children.
Social

Initiatives at our shopping centers & retail parks COVID-19

**Disinfection of vehicles**

Ever since the start of the crisis, supermarket and pharmacy staff have been working on the front line, and as such we wanted to offer them something in return by way of complementary services. For example in Anec Blau Shopping center, the car washing facilities offer free vehicle disinfection for them.

**Free delivery Cáritas Castelldefels**

During the state of emergency, Mercadona suspended its home-delivery service, however, thanks to an agreement between the management of Anecblau and Mercadona, the supermarket is carrying out a weekly delivery of groceries for the charity Cáritas Castelldefels.

**City Council social services**

Ànec Blau contacted the city council to explore the possibilities of collaborating on various initiatives implemented, including the following:

- **Aid with educational and digital resources**, so that children can keep up with home schooling.
- **Child food grants**, to replace the lack of free school meals.

**No child should miss their birthday**

We don’t want any child to miss out on celebrating their birthday during this difficult time, especially those who are in less fortunate situations. This is why we have decided to give away special birthday packs to four shelters around the city: Fundación Meniños, Asociación de ayuda social Berce, Aldeas Infantiles and Arela Casas de Acogida.

**Donation & Financial support**

Portal de la Marina in collaboration with Ondara Town Council (Social Welfare and Mayor’s Office). Donation of tablets for “Nuestra Señora De La Soledad” care home, to help the elderly stay in touch with their families. Besides in Gran Vía de Vigo, To make COVID-19 patients’ stay in hospital just that little bit better, will donate four tablets for their use. It will donate a further four tablets to the Bicos de Papel Association for children that have also been admitted to this hospital.

Moreover, we want to help those families that need it the most, by donating money to buy healthcare equipment.
During 2019 the following activities were carried out:

- **67%** of the portfolio in process of certification in UNEEN170001.

- Lar España is in process to obtaining the AENOR Universal Accessibility seal in 10 of the 15 assets.

- **13%** of certified assets.

- **€834,000** of investment to improve accessibility in 2019.
Lar España has a rigorous partnership policy and works only with suppliers known to be solvent that have internal monitoring processes in place and a code of conduct to enforce due diligence at all stages.

All new agreements will be updated with clauses establishing social and environmental commitments.

Additionally, suppliers are tracked to comply the conditions established in the contract.

All of the new agreements have already been drafted to add clauses that require compliance with ESG criteria.

**Green Clauses**

**Promotion of sustainable mobility in all our properties and in the cities in which Lar España operates**

- Electric car charging points
- Shared transport (car, scooter, motorcycle..)
- Cycle/walkways
- Improved pedestrian access to shopping centres
- Bus stops
- Taxi ranks
- Bicycle parking
- Motorcycle parking
- Guided parking
- Vertical mobility: installation of lifts

**Sustainable Mobility**
The health and wellbeing of visitors to our properties is a central consideration in our business model. We regard issues such as **optimising the air quality** in our shopping centres as key priorities for property management.

A pilot study at the Abadía retail park has already been completed.

At present, Lagoh has already this type of filters and are fully operating.

**Temperature policy:** All of our properties comply with the Regulation on Thermal Installations in Buildings, (RITE).

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**Air Quality**

**Improvement of filtered air quality**

**Energy savings**
GUARANTEEING GOOD GOVERNANCE
Governance

BoD Composition (7 members, 5 independent)

- José Luis del Valle, Chairman
- Alec Emmott
- Leticia Iglesias
- Miguel Pereda, Grupo Lar
- Laurent Luccioni, PIMCO
- Roger Maxwell Cooke
- Alec Emmott

Experienced and mostly independent Board of Directors (5 of 7 members)

Board & Committees

- General Shareholders Meeting
  - 17 Meetings in 2019
- Board of Directors
  - 3 Members
  - 10 Meetings in 2019
- Audit & Control Committee
  - 4 Members
  - 6 Meetings in 2019
- Appointments & Remuneration Committee

Critical Activities internalized

- Corporate Director & CFO
- Legal Manager
- Investor Relations
- Internal Audit
Main achievements in 2019

6 Milestones

✓ 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.

✓ Continuation of the process to gradually implement the policies and procedures included in the ICFR* Manual, with the aim of obtaining a more efficient internal control system.

Keeping up with the recommendations

(*). The Internal Control Over Financial Reporting System.
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.

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

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

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

Complying with the best practices in the corporate governance field.
Governance

Risk Control and Management Systems

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

1. Identification and assessment of the risks that may affect the organization, evaluating their probability of occurrence and potential impact.
2. Identification of the processes in which these risks are generated and controls performed, determining the relationship between the organization's key risks and processes.
3. Identification of the controls in place for mitigating these risks.
4. Evaluation of the effectiveness of the controls in place to mitigate these risks.
5. Design of action plans in response to the risks identified.

Risks monitoring and reporting

Ongoing evaluation of the suitability and effectiveness of the system in use and benchmarking of best practices and recommendations in risk management.
Lar España has an updated Risk Map illustrating the universe of risks that could affect the Company.

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.
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). Lar España has drawn up an Anti-Money Laundering Manual, which was formally approved by the Board of Directors in 2016, prioritizing ethical and transparent conduct and the abolishment of any form of fraudulent or illicit activity.
ESG global achievements

New ESG Section in Lar España website

Transparency

+20% Improvement vs prior year Score
ESG International recognitions

International standards

Financial and non-financial information included in the Annual Report follow GRI standards and EPRA recommendations

ESG information has been reviewed by an external third party (EY)

Lar España collaborates with the main associations that are the frame of reference for the evaluation of environmental, social and governance (ESG) issues in the real estate sector

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

EPRA Gold Award for ESG Reporting, 3 years in a row

EPRA Gold Award for Financial Reporting, 6 years in a row