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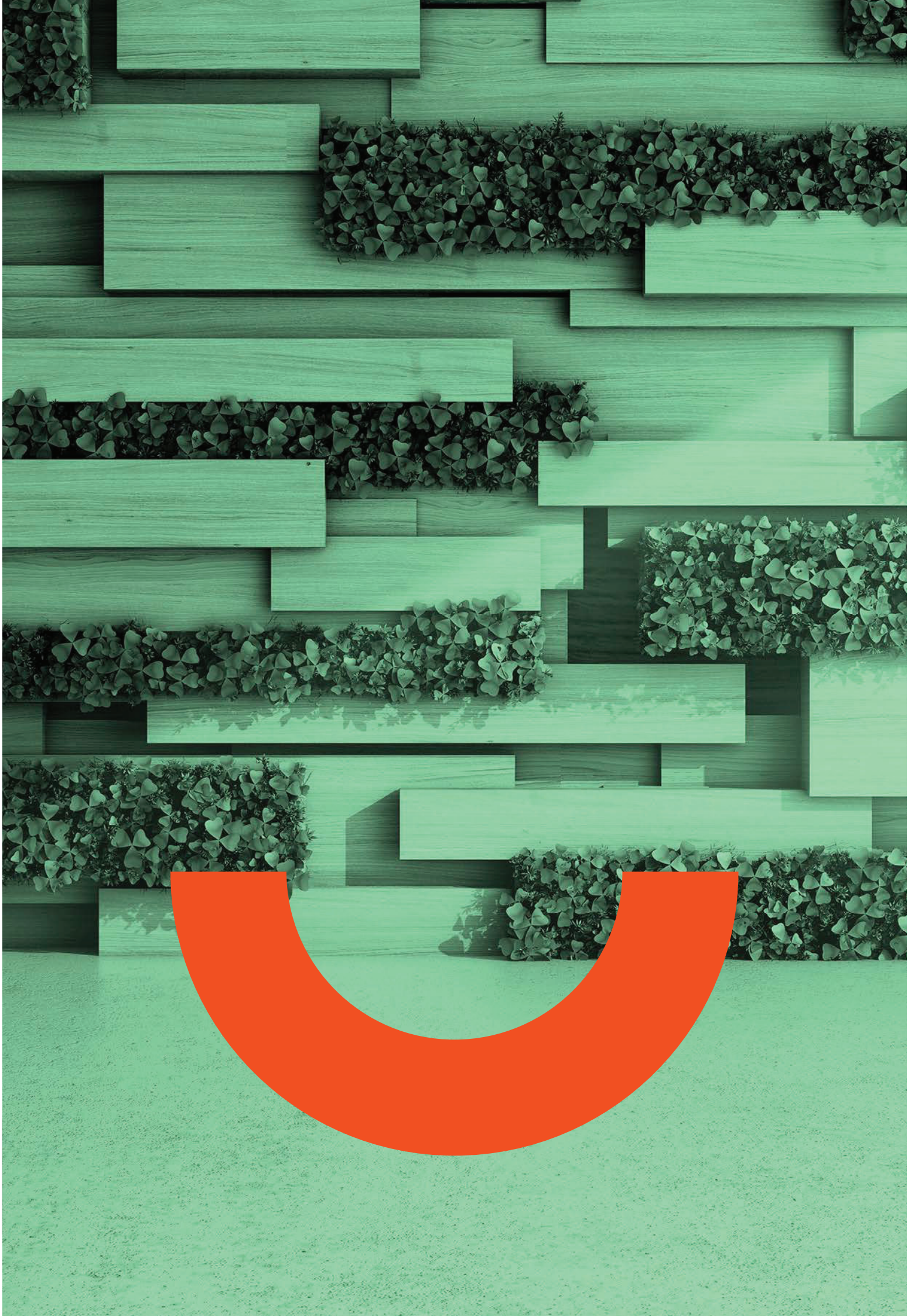
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Doing business better and creating shared value

Environmental, Social and Corporate Governance

Approach and Policies

Lar España endeavours to carry out its operations and decision-making in an **ethical, responsible and sustainable manner** in order to make a positive contribution to society and the environment.

With this in mind, and in order to achieve its objectives, the company has laid down its core principles, commitments, goals, strategy and values in a **Sustainability/ESG Policy**.

With a focus on creating shared value and furthering socio-economic progress while generating a return for investors in a sustainable fashion, the company created the **ESG Master Plan**.

Responsible business model

Lar España's business model is based on the guiding principles, commitments, objectives and lines of action of the **United Nations Global Compact**, the principles of the Organisation for Economic Co-operation and Development (OECD), the contents of the United Nations Universal Declaration of Human Rights, and the International Labour Organisation (ILO) Declaration.

SUSTAINABLE DEVELOPMENT GOALS

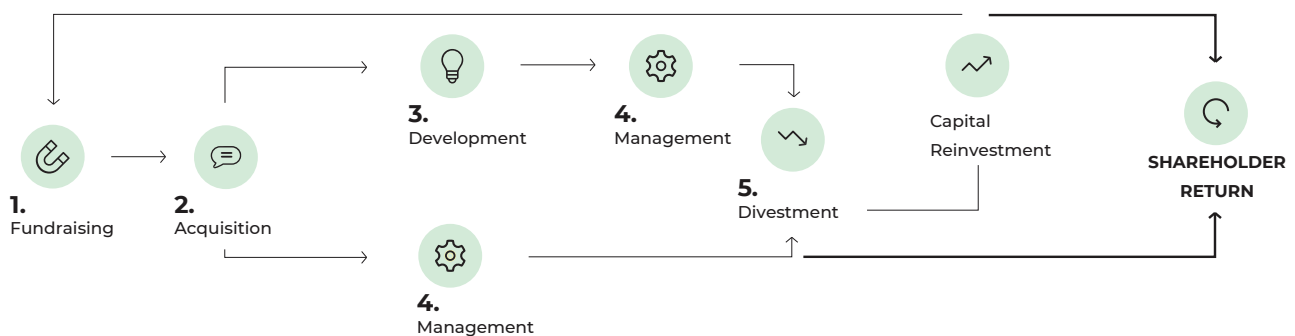
Priority SDGs

Lar España is committed to embedding the **Sustainable Development Goals (SDGs)** across the company. The company performed a study in which it identified and prioritised the following SDGs as the areas in which it can make the biggest difference.



Phases

Lar España has designed a procedure with the aim of improving the company's performance in sustainability, thus creating value for all stakeholders.



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 social 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's Principles



Lar España relies on four strategic cornerstones in its bid to **build shared value**:

Environment

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

Socio-economic impact

Lar España has a considerable impact on the economy, creating jobs directly and indirectly in the wider region, and specifically in the communities where its properties are located. In 2020, through its business activities, it provided over **17,000 jobs**. This is lower than the prior year due to the completion of the Lagoh shopping centre development in Seville, which opened in September 2019.

Responsible investment

Framed by its desire to create a responsible business, Lar España's goal is to invest in sustainable assets. In 2020, **100% of the shopping centres** over which the company has full managerial control were BREEAM certified.

Climate change resilience and mitigation

In 2020 Lar España reduced GHG emissions (scope 1+2) across its entire property portfolio by **18.9%**, mainly through the signing of renewable energy supply contracts.

In 2020 it also added the calculation of scope 3 emissions, which include electricity and thermal energy billed to tenants, achieving a like-for-like reduction in scope 1+2+3 GHG emissions of **18.6%**.

**Lar España
generates 17,000
jobs through its
business activities**



Corporate governance

Lar España places great importance on underpinning the company with pillars that allow it to do business responsibly. With this in mind, it always strives to encourage **good governance, actions, ethics and transparency** in the company, with proper **risk management**.

One of the foundations of favourable business development is a solid **good governance** structure, understood as the suite of **rules, principles and procedures that regulate the structure and functioning of the governing bodies** in a company, establishing relationships between the different members and determining the **rules for decision-making**. Good governance in the company fosters **stability, growth and transparency**.

Such transparency is exemplified by the efforts made to **report on non-financial aspects** in Lar España's 2020 Annual Report.

The company also works on values such as **ethics**, resolving and responding to complaints and claims that may occur. As a result of this commitment, the Company has established a Complaints Channel providing a solution and response to complaints and claims that may occur.

In terms of **risk management**, the company carried out an environmental and social due diligence (ESDD) in respect of the various stages of the business model. This analysis covers significant risks and their possible consequences.

Since 2015 Lar España has had an **Integrated Risk Management System** with the aim of ensuring a reasonable level of assurance regarding the company's ability to achieve its strategic and operating objectives.

ESG Committee

Taking a top-down approach to foster sustainability involving various departments, in 2020 the company set up the ESG Committee, comprising senior managers from several areas tasked with supporting Lar España's commitment to:

- Environmental initiatives
- Health and safety at our properties
- Corporate social responsibility measures
- Sustainability measures
- Other matters of public order

In 2020 three committee meetings were held with **clear objectives and open dialogue** between all members.

Social capital

Lar España is aware of the importance of people in the company's activities and bears in mind all the elements involved in the company and their role:

- **Partners.** Financial background checks, references and cross-checks with the Office of Foreign Assets Control for all **partners** and potential vendors.
- **Supply chain.** Fair, objective and transparent tendering processes which factor in ESG criteria
- **Customers.** A communication channel is in place to strengthen the ESG Master Plan with quality surveys.
- **Employees.** Work-life and equal opportunities policies, training courses, talent retention programmes, among other initiatives.



Assets

Sustainability strategy

Sustainability plays a pivotal role in our business model, with the company having a specific **Sustainability/ESG Policy as well as the ESG Master Plan**. True to its philosophy of continuous development, identifying new opportunities and launching numerous initiatives to offer the best service, in 2020 the company, among other actions, rolled out a data automation system to facilitate more precise and dynamic reporting.

100% of the real estate assets over which Lar España has full management autonomy have implemented **environmental and/or social sustainability initiatives**.

The company has also received **various accolades** such as the GRESB assessment, the EPRA Gold Award, and inclusion on the FTSE4Good index.

Sustainability certification

BREEAM is a certification scheme that assesses a building's sustainability based on analysis of 10 categories (management, health and well-being, energy, transport, water, materials, water, land use, pollution and innovation). **100% of the shopping centres owned by Lar España and 60% of eligible retail parks** have this certification.

In 2020, following the asset disposals and inaugurations during 2019, the 14 (*) assets owned by Lar España are potentially BREEAM certifiable, with **86%** currently certified.

(*) It does not take into account the portfolio of 22 supermarkets divested during 2021.

Innovation in the service of enhanced environmental management

Investment, planning, monitoring and mitigation. Lar España invests in **innovative solutions** to improve its analytical capacity and environmental management, allowing the company to establish plans and actions to reduce its environmental impact and be more sustainable.

Creation of shared value

The actions described above, in tandem with the importance placed by Lar España on **fluid, constant dialogue with stakeholders**, translate into the creation of shared value of enormous worth to the company.

By understanding that corporate investment and commitment to the environment are necessities, rather than obligations, the company is able to transform many areas into opportunities.

The commitments undertaken by the company can be summarised as follows:

- Continue the efforts to **improve each and every day**, for **instance increasing the disclosure of information**, having added scope 3 emissions to the Carbon Footprint calculation this year.
- **Tenders and studies** to offer the best services.
- **Incorporation of digital management tools** to facilitate procedures and provide more dynamic values.
- **Energy efficiency measures.**



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

4 QUALITY EDUCATION



5 GENDER EQUALITY



7 AFFORDABLE AND CLEAN ENERGY



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



3.1 Corporate Governance at Lar España

Since Lar España's creation in 2014, corporate governance has been a top priority, promoting the adoption of best practices in the composition and functioning of its governing bodies, and addressing the growing demands of regulators, investors and shareholders.

Lar España's commitments are reflected in its **Corporate Governance Policy**, which was approved in 2016, updated in 2018 and **revised in 2020**. This policy constitutes the company's frame of reference for all corporate governance matters. The policy was drawn up in accordance with prevailing applicable legislation and with the recommendations laid down in the Good Governance Code for listed companies approved by the Spanish National Securities Market Commission (CNMV). The general principles enshrined therein apply to the entire organisation.

Lar España has rolled out an **Action Plan** that ensures compliance with prevailing regulations and puts the company on a par with the main Spanish and international benchmarks with regard to corporate governance.

Some of the **initiatives undertaken in 2020** under the Corporate Governance Action Plan were as follows:

- Adapting the company's regulations, policies and practices to the **CNMV's new Good Governance Code**, including its recommendations on ESG.
- Reviewing and extending the **training plan** for Board members.
- Reviewing and updating the **skills matrix** for the Board of Directors.
- Developing a tool for the automation of **environmental indicators**.
- Identifying and mitigating the main **climate change risks**, continuously assessing updated risks that reflect both existing and future environments and **updating the risk/control matrix**.

Lar España's commitment to following best practices in the field of corporate governance is reflected in its alignment with the CNMV's Good Governance Code. Thus, in 2020 the **company complied fully** with 91.11% of the applicable recommendations set down in the Code, and partially with the rest (8.9%) of applicable recommendations.

The Action Plan is articulated around the following **objectives**:

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

Improving the activities, selection, remuneration and training of directors in terms of **management and transparency**.

Making progress on evaluating and improving the performance of the Board of Directors.



Our commitment to sustainability



As part of its commitment to **sustainable business growth**, Lar España has in place a **Sustainability/ESG Policy** that sets down the core principles and values that should provide the basis for managing and running Lar España and its investees in order to **create a business model that will generate long-term value**, satisfy the needs and expectations of its stakeholders and generate socially responsible externalities. **This policy was updated in the last quarter of 2020.**

Lar España's Board of Directors is the body tasked with **supervising the company's sustainability policies and strategies**. Its duties are delegated to the Appointments and Remuneration Committee, which is responsible for policy supervision and compliance, monitoring of corporate social responsibility strategy and practices and assessing the level of compliance before reporting to the Board of Directors.

The sector in which Lar España operates is central to some of the most pressing issues facing society at large: urban development, the availability of housing solutions, the design of sustainable cities, responses to demographic shifts and resource scarcity. Therefore, the company not only has a policy in place but has also developed an **ESG Master Plan** articulated around the most stringent general and sector-specific standards in order to comply with the main objectives defined in its Sustainability/ESG Policy.

In 2020 Lar España set up an **ESG Committee** comprising the heads of various company departments involved in sustainability issues for the purpose of laying down a common sustainability strategy. This committee met three times in 2020.

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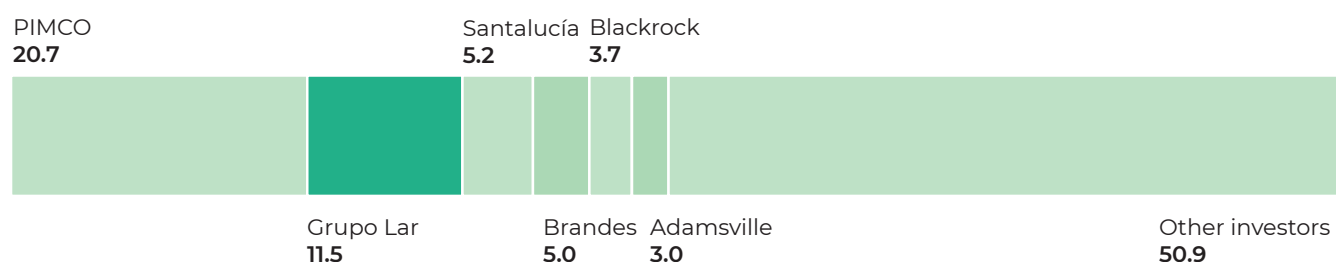
Governing bodies

Annual General Meeting

The Annual General Meeting is Lar España's **highest decision-making and control body**, embodying the shareholders' right to take part in essential company decisions that fall within their purview.

Shareholder structure at 31 December 2020

(%)



Share Capital at 31 December 2020

175,267,460

Share
Capital (€)

67.6%

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 and how the meeting should be run. An amendment to this procedure will be proposed at the 2021 Ordinary General Shareholders Meeting, to include the latest recommendations from the Good Governance Code and adapt the procedure to the Corporate Governance best practices, as well as making other technical improvements.

The General Meeting represents all of the company's shareholders and its duties include: approving the management and running of the company, approving the annual accounts, **establishing the number of seats** on the Board of Directors between the minimum and maximum number stipulated in the by-laws, **appointing and removing Directors, appointing** company liquidators, approving share capital increases and reductions, issuing bonds and other marketable securities, approving transformations, mergers, spin-offs and assigning the company's assets and liabilities, among others.

In 2020, Lar España held its Annual General Meeting on 17 March. The main agenda items addressed were as follows:

- 1** Approval of the individual **annual accounts** of the company and the consolidated annual accounts of the company and its subsidiaries for 2019.
- 2** Ratification of the company's individual and group **management reports** for 2019.
- 3** Approval of the **Board of Directors' management** and activities during 2019.
- 4** Approval of the proposed allocation of profits and **dividend** distribution for 2019.
- 5** Re-election of the company's **statutory auditor**.
- 6** **Re-election of** Mr José Luis del Valle Doblado, Alec Emmott and Roger Maxwell Cooke as independent directors for a three-year period, and of Mr. Miguel Pereda Espeso as proprietary director for a three-year period.
- 7** **Waiver of the prohibitions** contained in article 229 of the Spanish Companies Act pursuant to the provisions of article 230 of the aforementioned law in relation to the director Mr. Miguel Pereda Espeso.
- 8** **Delegation of powers** to enter into and execute all resolutions adopted by the General Shareholders' Meeting, to place them on public record, interpret, remedy, complement, implement or register them.
- 9** Advisory vote on the **Annual Report on Director Remuneration** for 2019.
- 10** Note for the record on the amendment to the **Board of Directors' Regulations** and to the **Regulations of the Audit and Control Committee**.
- 11** Note for the record on the approval of the **Regulations of the Appointments and Remuneration Committee**.

Ongoing dialogue with shareholders, investors and proxy advisors

Lar España has a **Policy for Information, Communication, Contacts and Involvement with shareholders, investors and proxy advisors**. This policy was approved in 2017 and updated in 2018 and 2020. Its purpose is to generate trust and transparency vis-à-vis Spanish and international shareholders and investors. It outlines the analytical procedures and develops the main tools, channels and reporting mechanisms vis-à-vis shareholders, investors, proxy advisors and other stakeholders.

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

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

Ongoing dialogue, accessibility and timeliness of information.

Strict, timely compliance, in due form, **with all legally stipulated communication and reporting obligations**.

Equal treatment of all shareholders' rights for purposes of the recognition and exercise of these rights.

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








Commitment to encouraging informed shareholder participation and exercise of their rights at the Annual General Meeting.

Board of Directors

The Board of Directors is the **management body** tasked with the running of the company, except for those matters reserved for the Annual General Meeting.

Composition

The composition of the Board of Directors in 2020 was the same as in the two previous years. At the Annual General Meeting held on 17 March 2020, Mr. Jose Luis del Valle Doblado was re-elected as Chairman of the Board, Messrs Alec Emmott and Roger Maxwell Cooke were re-elected as independent directors and Mr. Miguel Pereda Espeso was re-elected as proprietary director. Mr. Laurent Luccioni was re-elected as proprietary director based on the proportion of equity represented.

						
Mr. José Luis del Valle	Mr. Alec Emmott	Mr. Roger Maxwell Cooke	Ms. Isabel Aguilera	Ms. Leticia Iglesias	Mr. Miguel Pereda	Mr. Laurent Luccioni
Chairman and Director	Director	Director	Director	Director	Director	Director
05.02.2014	05.02.2014	05.02.2014	29.05.2017	16.10.2018	05.02.2014	29.05.2017



Legend

Name of Director
Position on the Board
Date of first appointment

Type of Directorship

 Independent  Proprietary

Other Posts

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



Competency Matrix

	Sector (commercial): Real estate/ Retail/ Valuations	Sector (technical): Architecture/ Urban Planning/ Engineering	IT	Finance	Audits/ Risks	International markets	Other Boards	Investors/ stakeholders knowledge	Team and talent management	ESG	Executive Mangement/ CEO Duties
Mr. José Luis del Valle (Chairman)		●		●	●	●	●	●		●	●
Mr. Alex Emmott	●					●	●	●		●	●
Mr. Roger Maxwell Cooke	●					●			●	●	●
Ms. Isabel Aguilera		●	●	●		●	●		●		●
Ms. Leticia Iglesias				●	●	●	●	●	●		●
Mr. Miguel Pereda	●			●		●		●	●	●	●
Mr. Laurent Luccioni	●			●		●	●	●			●

This matrix very concisely sums up the areas of expertise the Board considers most pertinent to Company management and notes the most relevant aspects of each Director's profile. The matrix does not set out all the areas in which Board members are competent, only those areas previously defined as essential in which each Director can be considered expert.



In 2020, **28.6%** of the company's directors were female. The Board of Directors of Lar España has set itself a target **of at least 40% of the board membership** being female by 2022.

At the end of 2020, in keeping with a strategy aimed at promoting diversity, the board approved a new version of the Regulations of the Appointments and Remuneration Committee which, among other things, amended article 5 on the duties of the committee with respect to **encouraging and promoting diversity**, pursuant to the new wording of Recommendation 14 of the Good Governance Code published in June 2020 regarding the need to strengthen long-term gender diversity on boards of directors and encourage companies to increase the number of female senior executives.

The Board of Directors is made up of 7 directors, of which 5 are independent and 2 proprietary.

The professional background of each board member is described below.



Mr. José Luis del Valle

Chairman of the Board and independent director

Mr. José Luis del Valle has a broad track record in the banking and energy sector. From 1988 to 2002, he held various positions in Banco Santander, one of Spain's largest financial institutions. In 1999 he was appointed Director General and Chief Financial Officer of the bank (1999-2002). Subsequently, he was Director of Strategy and Development of Iberdrola, one of the main Spanish energy companies (2002-2008), Director General of Scottish Power (2007-2008), Director of Iberdrola Strategy and Studies (2008-2010) and Adviser to the Chairman of the wind turbine manufacturer Gamesa (2011-2012). At present he is Chairman of the Board of WiZink Bank, Director of the Insurer Group and Director of the Institute of Directors and Administrators.

Mr. José Luis is a Mining Engineer from Universidad Politécnica (Madrid, Spain), number one of his class, 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. Emmott has a wide career in the listed and unlisted real estate sector in Europe, and is based in Paris. He served as CEO of Société Foncière Lyonnaise (SFL) from 1997 to 2007 and subsequently as senior advisor to SFL until 2012.

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



Mr. Roger Maxwell Cooke
Independent Director

Mr. Cooke is an experienced professional with more than 30 years of experience in the real estate sector. Mr. Cooke joined Cushman & Wakefield in 1980 in London where he had a role in drafting valuation standards (Red Book). Since 1995 until the end of 2013, he served as Chief Executive Officer of Cushman & Wakefield Spain, leading the company to attain a leading position in the sector.

In the 2017 New Year's honours' list, Mr. Cooke was awarded an MBE for his services to British businesses in Spain and to Anglo-Spanish trade and investment.

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

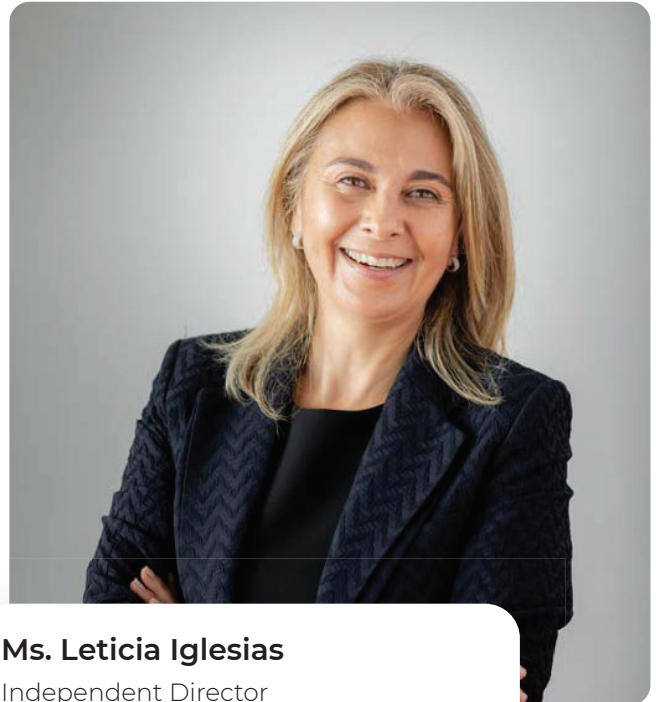


Ms. Isabel Aguilera

Independent Director

Mrs. Isabel Aguilera Navarro developed her professional career at various companies across several sectors. She served as President for Spain and Portugal at General Electric, General Manager for Spain and Portugal at Google, Chief Operating Officer at NH Hoteles Group, CEO for Spain, Italy and Portugal at Dell Computer Corporation and member of the board of directors at different companies such as Indra Sistemas, Banco Mare Nostrum, Aegon Spain, Laureate Inc., Egasa Group and HPS (Hightech Payment Systems). Mrs. Isabel is currently a member of the Board of Directors at Cemex Group, Oryzon Genomics, Clínica Baviera and Making Science.

Mrs. Isabel has a degree in Architecture and Urbanism from the Escuela Técnica Superior de Arquitectura of Seville, a master's degree in Commercial and Marketing Management from IE, and completed the General Management Programme at IESE and the Executive Management of Leading Companies and Institutions Programme at San Telmo Institute. Mrs. Isabel is currently Associate Professor at ESADE and Strategy and Innovation Consultant.



Ms. Leticia Iglesias

Independent Director

Mrs Leticia Iglesias has a wide experience in both the regulation and supervision of securities markets and in financial services. She started her professional career in 1987, in the audit division of Arthur Andersen. Then from 1989 to 2007 she further developed her career in the Securities Exchange Commission of Spain. From 2007 to 2013 she was CEO of the Spanish Institute of Chartered Accountants (ICJCE). Additionally from 2013 to 2017 she was an independent member of the Board of Directors at BMN, member of the Executive Committee, Chair of the Global Risk Committee and member of the Audit Committee. From 2017 to 2018, she was an independent member of Board of Directors at Abanca Services and Chair of the Audit and Risk Committee. Since May 2018, she has been an independent member of the Board of Directors of Abanca Bank, Chair of the Audit and Compliance Committee, member of the Global Risk Committee and member of the Comprehensive Risk Committee. Since April 2019 is Independent Director and Chair of the Audit and Control Committee at AENA SME, S.A. and, on October 22nd, she became an Independent Director and member of the Audit Committee of ACERINOX S.A.

Ms. Leticia has a degree in Economics and Business Studies from Universidad Pontificia Comillas (ICADE) and is member of the Official Registry of Auditors of Spain (ROAC), PRODIS Foundation Special Employment Center Patron, as well as ICADE Business Club Board member.



Mr. Miguel Pereda

Proprietary Director (Grupo Lar)

Miguel Pereda Espeso has more than 25 years of experience in the real estate sector. He is Co-Chairman 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.

Miguel 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.

He 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 Breakthrough programme for Senior Executives at the IMD, has a masters in tax from ICADE and participated in the Real Estate Management Programme at Harvard University.



Mr. Laurent Luccioni

Proprietary Director (PIMCO)

Laurent Luccioni has more than 18 years of experience in the investment and financial services sector. He 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, he was the European CEO for MGPA, the Macquarie-backed private equity real estate investment advisory company. Additionally, he worked with Cherokee Investment Partners in London.

Laurent currently sits on the Board of Directors for Carmila SAS.

He 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

As the highest decision-making body, the Board of Directors' **duties** include the oversight of company management with the goal of upholding the organisation's corporate interest. The board has two delegated committees endowed with supervisory and control powers: the Audit and Control Committee and the Appointments and Remuneration Committee.

The **Board of Directors' Regulations** set down all the powers of the board and its committees. In 2020, the Board approved several amendments to the Regulations to bring them into line with the partial revision of the CNMV's Good Governance Code for Listed Companies. These updates refer to corporate policies that the company must put into place, among others, certain provisions for the removal or resignation of directors, the composition of the Audit and Control Committee and the powers vested in the Audit and Control Committee and the Appointments and Remuneration Committee.

The Board of Directors is vested with the broadest powers and authority to **manage, direct, administer and represent the company**. However, its everyday management is delegated to the management team under the supervision of the committees and the board.

The board met **11 times** in 2020. All of the directors attended 10 of the meetings in person, and specific voting instructions were given by proxy in one instance at the other meeting.

Lar España offers training programmes and continuing education on topics in which the directors have expressed interest.

Selection of directors

Lar España has a **Director Selection Policy** that was approved by the Board of Directors in 2016, the purpose of which is to **promote diversity in terms of knowledge, experience and gender**. The policy was revised on 15 December 2020, underscoring the importance of promoting diversity within the board and establishing a **female board membership target of 40% by 2022**.

In December 2020, during the latest review of the Regulations of the Appointments and Remuneration Committee and the Board of Directors' Regulations, amendments were made to aspects of the committee functions related to **fostering and promoting diversity in terms of gender, age, professional experience, skills, inter-personal abilities, industry knowledge and international experience**.

The Appointments and Remuneration Committee, through the Board's skills matrix, concluded that the composition of the Board was adequate. The matrix is expected to be reviewed again next year.

Board remuneration

Lar España has a **Board Remuneration Policy** which was approved in 2018, replacing the Remuneration Policy approved in 2015. As part of the remuneration system provided for in the company by-laws, this policy establishes the remuneration of Lar España's directors in their capacity as such.

The policy complies with corporate governance best practices and regulations. The aspects considered while drafting it included **relevance for the company, its financial position, its idiosyncrasies** as an externally managed listed real estate investment company (SOCIMI), market standards for other Spanish SOCIMIs and Real Estate Investment Trusts (REITs) in the rest of Europe, and the specific dedication of the company's directors.

The current Remuneration Policy is based on the following principles:

- Independent criteria
- Attraction and retention of the best professionals
- Long-term sustainability
- Transparency
- Clarity and customisation
- Fair and proportionate compensation
- Involvement of the Appointments and Remuneration Committee
- Approval of the remuneration cap by the shareholders at the Annual General Meeting and delegation to the Board

Remuneration of the Board of Directors in 2020 (*)

- **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** – €15,000 per annum
- **Board members who sit on any of the committees** – €15,000 per annum

In addition, in the context of the crisis triggered by the COVID-19 pandemic, the Committee reviewed the remuneration of the members of the Board and agreed to propose a temporary reduction in board member remuneration. The Board of Directors duly considered the proposal put forth by the Appointments and Remuneration Committee and, at its meeting on 17 June 2020, unanimously approved **a temporary reduction of 20% in the remuneration of the independent directors, including that of the Board Secretary (non-director) as of the second quarter of 2020.**

More detailed information about the directors' remuneration regime can be found in **the 2020 Annual Report on Director Remuneration**, which is available on the company's corporate website.

More detailed information about Lar España's governance system can also be found in the **2020 Annual Corporate Governance Report**, which is available on the company's corporate website.

(*) All directors' remuneration is fixed. 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 shall earn an additional €7,500 per annum (making a total of €22,500 per annum) and the Chair of the Appointments and Remuneration Committee, an additional €2,000 (making a total of €17,000 per annum).



Board performance evaluation

In accordance with the provisions of the CNMV's Good Governance Code, the Spanish Companies Act and the board regulations, Lar España conducts an annual performance evaluation of the Board of Directors and its committees. On completion, if necessary, an **Action Plan** is adopted to correct deficiencies in areas such as quality and efficiency of operation, diverse composition, chairperson's performance, etc.

The **evaluation process** undertaken in 2020 was carried out internally without the support of an external consultant. The evaluation was conducted by the Chairman of the Board in collaboration with the Appointments and Remuneration Committee, assisted by the Board Secretary and Vice-secretary.

First, each board member answered an evaluation questionnaire with questions on:

- Quality and efficiency of operation of the Board of Directors
- Operation and composition of the committees
- Boardroom diversity in terms of composition and skills
- Performance of the Chairman of the Board of Directors
- Performance and contribution of each director and the Council Secretariat

Once the responses were received, they were consolidated and analysed, and submitted to the Appointments and Remuneration Committee in order to draft the report which the board subsequently reviewed and approved.

The conclusions of the evaluation were that the board and its committees have worked efficiently during 2020 and that significant improvements have been made in **implementing the action plan** set out in the 2018 evaluation report. As a result, the board approved a new action plan for 2020 and 2021 which comprises the following actions:

- Review of the succession plan
- Review of crisis protocols
- Improvements to the training plan for board members
- Adaptation to the new Good Governance Code and to ESG recommendations
- Faster submission of documents to the Board of Directors by the different committees
- Holding of Audit and Control Committee meetings further in advance of board meetings

Officer evaluation

As part of its corporate governance system and in keeping with best practices, Lar España also has an **officer evaluation system** with a specific procedure approved in 2016. Senior officer evaluations **serve to enhance individual and collective performance** and establish the foundations of the remuneration system, a key element that greatly influences their behaviour. Through a formal process, criteria were established for measuring their **internal efficiency in performing their duties and managing their teams**.

The Appointments and Remuneration Committee is tasked with ensuring that the evaluation procedure is conducted correctly, analysing the resulting conclusions and verifying the degree of achievement of the targets for 2020.



Shopping Centre
Portal de la Marina (Alicante)

Board committees



The company has two committees created by the Board of Directors to support it in its duties and enhance 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 47 of the CNMV's Technical Guide 3/2017.

- Ms. Leticia Iglesias - Chair
- Mr. José Luis del Valle
- Ms. Isabel Aguilera

The directors who sit on the committee **are particularly well qualified for the job** as they are professionals with long-standing track records who have held senior management positions outside of the company in jobs related to the duties vested in this committee. They stand out for their knowledge and experience in accounting and auditing, both of which have been factored into their appointments, in accordance with best practices.

Powers and activities

The Board of Directors approved the **Regulations of the Audit and Control 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 operation stipulated in the CNMV's Technical Guide 3/2017. These **Regulations were updated on 15 December 2020**.

The Audit and Control Committee met **10 times** in 2020. The main responsibilities of the Audit and Control Committee include **overseeing the process of preparing economic financial and non-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**.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee is made up of four directors:

- Mr. Roger Maxwell Cooke- Chair
- Mr. Alec Emmott
- Mr. Miguel Pereda Espeso
- Mr. Laurent Luccioni

The company's Appointments and Remuneration Committee and Audit and Control Committee are made up of different members in order to ensure their **independence from each other and to have as many external directors** as possible sitting on the committees.

The Board of Directors' Regulations provide that, pursuant to Recommendation 47, **the majority of members should be independent**. Lar España is firmly committed to complying with this requirement as soon as any vacancies arise. Consequently, the board regulations have not been amended in this respect. Nevertheless, **independence is guaranteed** as there are no executive directors, and the chairman, who is independent, has the casting vote.

Powers and activities

The Regulations of the Appointments and Remuneration Committee were approved in 2019 to implement article 15 of the board regulations, which incorporated basic aspects of the composition, duties and running of the committee set down in the CNMV's Technical Guide 1/2019. These regulations were **updated on 15 December 2020**.

In 2020 the Appointments and Remuneration Committee met **9 times**. The duties vested in this committee include **appointing, evaluating and removing directors and officers**, setting director and officer remuneration, and supervising and promoting **corporate governance and sustainability practices**.

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 interest.

The Committee's **sustainability** functions were also strengthened in 2020. An amendment to the Articles of Association will be put forward at the 2021 Ordinary General Shareholders' Meeting, which among other matters aims to expressly include Sustainability in its name. If approved, the committee will be renamed "**Appointments, Remuneration and Sustainability**".

3.1.3 Business ethics



Ethics and compliance are core values for Lar España and the proper conduct of its business activities. To that end, the company has developed a range of policies and procedures to ensure an ethical performance and articulate the commitments acquired 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 February 2015 applies to and is binding for all members of the Board of Directors, 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 on behalf of Lar España and its subsidiaries.

Failure to comply with the Code's provisions could derive in the application of disciplinary measures in accordance with current regulations, notwithstanding other administrative or criminal liability which might apply to each specific case, including termination of the contractual relationship.

Lar España is responsible for conducting its business activities in accordance with prevailing legislation, conducting itself ethically and complying with the **principles laid down in the Code of Conduct**:

- Legal compliance
- Ethical and professional integrity
- Conflict of interest
- Record of transactions and preparation of financial information
- Internal control, anti-money laundering and crime prevention
- Asset protection
- Information usage and security
- Securities markets and confidential, relevant insider information
- Personal data protection
- Equal opportunity and non-discrimination
- Corporate social responsibility
- Stakeholder relations

Whistleblowing 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.

Before the meetings of the Audit and Control Committee, the internal auditor informs the committee members if any complaints have been received through the channel. In 2020, the company **received no complaints through the channel**.

Crime Prevention Model

Guided by its **commitment to strict compliance with prevailing legislation** and the prevention of illicit practices that could harm the company's reputation, Lar España has defined and adopted an **Organisational and Management Crime Prevention Model** 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 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 (ICOFR) system which are deemed preventative in terms of mitigating the probability of the commission of crime. These include controls 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 Crime Prevention Model have also been specifically tasked with ensuring its correct functioning and enforcement.

Anti-money Laundering Model

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). Therefore, Lar España drew up an **Anti-Money Laundering Manual**, which was approved by the Board of Directors in February 2018, as required under Spanish Law 10/2010, of 28 April 2010, on anti-money laundering and counter-terrorist financing measures.

The manual, which has been developed in keeping with **best practices** and based on the advances observed in the sector, the analysis of the risk profile inherent to the company's activities and operations, constitutes the basic document of this management system. The manual describes the preventative policies and procedures adopted and the organisation model, along with the associated attribution of duties and responsibilities to implement them. Additionally, **training and information sessions** are held periodically for all related parties of Lar España and its management company (Grupo Lar), to ensure compliance with the related legislation.

3.1.4 Integrated risk management and control

In 2015 Lar España implemented an integrated **risk management system to ensure that risks are identified, evaluated, managed and controlled correctly and systematically, thereby helping to fulfil the Company's strategies and objectives.**

The integrated risk management system works on a comprehensive and ongoing basis, and risk management is further consolidated at corporate level by business unit, subsidiary and support area.

Risk Control and Management policy

Lar España approved its **Risk Control and Management Policy** in 2015 setting down the components and activities that make up the risk management process, and defining the organisational approach and the responsibility assignment model needed in an integrated risk management system, as well as the **methodology for risk identification, evaluation, prioritisation and management.**

Enterprise Risk Management (ERM) - System

Lar España's ERM system has been implemented at the corporate level and designed to mitigate all the risks, including 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** regarding the company's **ability to achieve its strategic and operating objectives.**

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 an ongoing, dynamic process that encompasses the following steps:



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

Risk Management Bodies

The ERM (Enterprise Risk Management) system affects and involves all of the organisation's staff. Due to the specific characteristics of Lar España, certain activities are carried out by specialist service providers which assist with significant processes such as:

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

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

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	Supervising and evaluating the effectiveness of the company's financial and non-financial risk management and control systems and, where appropriate, the group (including operational, technological, legal, corporate, environmental, political and reputational or corruption-related) and, in particular, reviewing them so that the main risks are properly identified, managed and disclosed.	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 risks that could potentially affect the company. The risks listed below have been prioritised by Lar España in the wake of this risk mapping exercise, updated annually; in 2020, it managed and monitored these risks adequately and this process will be run on an annual basis in subsequent years:

Main strategic risks

- Outbreaks, epidemics and pandemics
- Political situation and socio-economic factors
- Regulatory changes/legal uncertainty
- Climate change and environmental sustainability

Main operational risks

- Value of buildings
- Health safety of employees, collaborators, clients and visitors at shopping centres and retail parks
- Loss of internal talent
- Cybersecurity and information security
- Modifications to contractual obligations
- Client solvency and credit risk
- Reliance on Investment/Asset Manager

Main financial risks

- Market risk
- Compliance with debt covenants

Main regulatory risks

- Management of requirements of the SOCIMI regime.

The risk monitoring process consists in continuously monitoring the internal and external variables that can help to anticipate or foresee these and other relevant risks for Lar España. Lar España's **commitment to environmental issues** is worthy of mention. This is evidenced by the fact that when preparing the Risk Map, the risks related to adapting to climate change were among the main risks considered.

Response and mitigation plan

The specific characteristics of Lar España and the sector in which it operates make it of paramount importance to correctly monitor and update the various risks to which the organisation is exposed, including tax risks.

The level and frequency of monitoring of the risks identified vary according to how critical they are and the level of effectiveness of the controls currently implemented. Thus, **Lar España has defined different scenarios for managing risk:**

- Comprehensive analysis of the risks deemed most critical to achieving an adequate degree of control
- Assessment and surveillance of risks deemed as of medium importance to maintaining adequate control as a function of the real level of risk
- Rationalisation and optimisation of the controls applicable to less critical risks

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

- **Reduction:** this involves 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:** the probability of occurrence or impact of the risk can be adjusted by transferring or sharing a portion of that risk, for example, by arranging insurance.
- **Avoidance:** this involves withdrawing from activities that give rise to risk. In this instance, the response to risk is to do away with a business unit or activity, or to decide not to pursue new activities associated with those risks.
- **Acceptance:** in this case, no action is taken to modify the probability of occurrence or impact of the risk. Risk is assumed at its inherent level as this is deemed appropriate for the activity and the objectives established.

Lar España gives different priorities to the **action plans**, depending on how critical the risks to be mitigated are, the cost/benefit analysis of the proposed courses of action and the resources available. To this end, the **main risks** of the organisation are identified and individual risk files are used to document the risks and **improve risk monitoring**. These files specify the controls in place and the key risk indicators (KRIs) that enable the associated risks to be predicted and/or monitored. In the coming years, the plan is for this **ongoing risk management and monitoring process to continue**.

Note that the **Audit and Control Committee** analyses the effectiveness of the organisation's risk map at least annually, adding, modifying or disregarding risks, as appropriate, as a result of changes in strategic objectives, organisational structure, emerging risks, prevailing legislation, etc.



Lar España strives to build stable, enduring relationships with all stakeholders, to which end it engages in a fluid, constant dialogue with them

3.2 Stakeholder engagement

Introduction

Effective interaction with stakeholders is an element that creates value over the long term. Since 2014, Lar España has been working in a transparent, sustainable manner with the aim of **promoting an active dialogue** with the broad spectrum of stakeholders with whom it interacts.

Thus, Lar España interacts with **financial, social and environmental stakeholders** and has developed a model for engaging with them based on listening to their expectations and providing them with information that satisfies their demands.

Communication with stakeholders is an ongoing process at Lar España. In 2020, the company took a series of steps aimed at **maintaining and enhancing its internal and external relations**. Notable examples of this effort include the creation of the 'Customer Journey' as a tool to understand user needs, the community work carried out at its shopping centres, the investment made in improving accessibility, and a stepped-up level of engagement with investors.

Methodology

Lar España uses a **management model** that provides a clear view of both stakeholders' expectations and its own corporate objectives. This management model comprises the following phases:

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

Identifying the aspects that are of greatest importance to each stakeholder helps Lar España to work towards common objectives by **designing new dedicated communication channels**.





Stakeholder identification

With the goal of aligning strategic and sustainability objectives and stakeholder expectations, Lar España has mapped out the company's internal and external stakeholders. Specifically, it conducted an **initial assessment, which is updated annually**, to track who its stakeholders are and what they expect from Lar España, analysing each group's specific concerns. This analysis looks at four dimensions: governance, product, environment (environmental and social scope) and employment, all of them viewed from an **internal** (employee) and **external** (external stakeholder) **perspective**.

The stakeholder groups thus identified are as follows:

EXTERNAL ENVIRONMENT

 SOCIAL University and research centres Local community Users Tenants and other clients	 ECONOMIC Investment Manager Suppliers Investors Competitors Co-owners	 ENVIRONMENTAL Prescribers Social and environmental organisations Mass media Regulators Industry associations
	INTERNAL ENVIRONMENT EMPLOYEES	

Stakeholder dialogue and responsiveness

Lar España responds actively to its stakeholders based on a clear, transparent model. Having duly identified all its stakeholders, it **establishes communication channels in order to gain an understanding of their expectations**. Those expectations are compiled 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 sets out the **expectations, communication channels, common objectives and responses** formulated by Lar España in accordance with the above methodology, to satisfy all of its stakeholders in a balanced manner in social, economic and environmental dimensions.

Responses to social matters:



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



Responses to economic matters:



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



Responses to environmental matters:



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



"Aware of the impact of its business activities on life in urban areas, Lar España embraces the goal of improving the quality of life of citizens, fostering social and economic progress in Spain and **providing sustainable financial returns for investors**. This approach is reflected in the **creation of shared value** and is enshrined in our Sustainability/ESG policy".

Mr. José Luis del Valle,
Chairman, Lar España

Lar España has worked closely with all stakeholder groups in 2020. The main actions carried out are described below:

3.2.1 Investors

Lar España believes that investor trust must be earned, not only by offering high-quality products, but also by showing an ability to listen. Consequently, investor communication channels are designed to ensure that shareholders and investors have access to information through two-way communication. To facilitate access to that information, Lar España publishes an **Investor Agenda** as well as performance reports on its website.

All channels for communicating and engaging with existing or prospective shareholders are governed by the **Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors, as well as the Board Regulations**.

In 2020, it carried out the following activities with investors:

Lar España is aware that **integrating sustainability into the business model is essential in order to create value** for both stakeholders and shareholders. Consequently, in recent years appropriate measures based on various international standards have been implemented.

Lar España **participates in the annual Global Real Estate Sustainability Benchmark (GRESB)**, the environmental, social and good governance (ESG) benchmark for real estate sector assessment. This benchmark places Lar España among the SOCIMIs that apply **best practices** in these areas, an international trend that reduces risk and fosters impact investing.

Furthermore, it uses the **EPRA SBPR (Sustainability Best Practices Recommendations)** system to report information on a comparable basis. The information is published in this section of the report.

One on Ones

345

Conference Calls

82

Road Shows

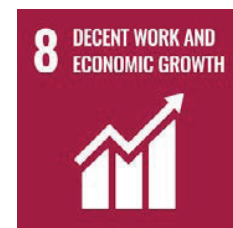
7

Positive changes of the target price

16

Analyst recommendations

11



3.2.2 Suppliers

The supply chain is an essential aspect of Lar España's activities. For this reason, the company intensifies its commitment to **creating shared value** with suppliers through high-quality management and transparency. Lar España and its management company enforce strict controls, entering into agreements only with suppliers of acknowledged solvency, and ensuring the existence of **internal control mechanisms and standards of conduct** for purposes of due diligence.

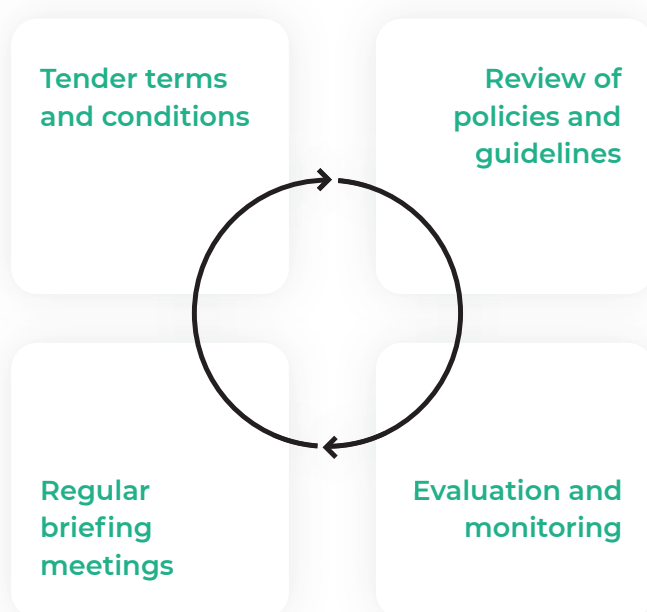
Furthermore, the Company manages its suppliers guided by its **Sustainability/ESG policy**. This policy guides the company in its interactions with suppliers responsibly and transparently, ensuring that suppliers meet their sustainability commitments vis-à-vis Lar España.

In 2020 as a result of the COVID-19 pandemic, Lar España **has redoubled its commitment to suppliers** in order to mitigate as far as possible the negative impact on the supply chain and to make adequate provision for employee safety.

Certification mechanisms

Lar España is aware of the need to work with other organisations that pursue the same goal: **to do business responsibly vis-à-vis all groups, communities and society in general**. Consequently, it undertakes to establish control processes within its suppliers to ensure that they comply with legislation and that their conduct reflects Lar España's values.

As of 2020, all new agreements with suppliers contain new clauses that make compliance with diverse aspects of ESG and CSR compulsory. Compliance with the new ESG and CSR clauses is being monitored to ensure that the conditions set out in the agreements are met.





Lar España purchased over **€71 M** in **products and services from its suppliers**, thereby creating wealth in the communities where it is present

Analyst recommendations

Monthly Lar España carries out systematic evaluations of the fulfillment of the service levels agreed by contract in the main services, maintenance, security and cleaning.

The evaluations take into account aspects related to safety and health at work and the environment. The results of these audits have been completed without qualification.

Local suppliers

Lar España has close links with the communities it serves. For this reason, the overwhelming **majority of its 574 suppliers are local** companies. The fact that Lar España's activities are carried out throughout Spain makes it a creator of economic wealth and a catalyst for the local economies. Construction of the Lagoh shopping centre took place in 2018 and 2019, resulting in non-recurrent increases in total expenditure in each of those years.

In 2020, Lar España purchased over **€71 million** in **goods and services** from its suppliers. The drop in expenditure compared to 2019 reflects the fact that the Lagoh centre was completed and opened during that year.





3.2.3 Customers

For Lar España, **customers and users are essential to the growth of its business**. Consequently, it places **customer communication and satisfaction** at the very core of its priorities, thereby offering service quality that meets their expectations and needs. In 2020, as a result of the crisis triggered by the COVID-19 pandemic, Lar España has endeavoured to continue to provide high-quality services that meet customer expectations.

Communications with customers

Because customers are such an integral part of Lar España's business, **actively listening to them and maintaining a two-way dialogue is something that is fostered**. Through such interaction, Lar España is able to fulfil its customers' needs while also managing to achieve the highest service quality. To this end, several tools are used to promote communications with customers:

- **Protocol to notify** the Property Manager of incidents through a specific email account for "Lar Project incidents", reflecting a commitment to improve communication channels.
- **Direct relationship between the Asset Manager** in charge of each asset and the asset's lessees.
- **Audit of customer services**, through which Lar España strengthens the commitment to excellence of the Customer Journey

Customer health and safety

In order to improve product and service quality, the company endeavours to anticipate the needs and demands of its visitors while **ensuring their health and safety**. Consequently, great emphasis is placed on compliance with basic health and safety regulations through adequate coordination of its business activities, reporting on existing workplace risks and disseminating action protocols to be followed in the event of an emergency.

As mentioned in section 1.2 above, due to the health crisis triggered by COVID-19, Lar España **designed several ad hoc action protocols to ensure that its shopping centres and retail parks would be able to reopen under the best possible conditions** and that they would meet all health and safety requirements. The action protocols address all the matters necessary to ensure worker and visitor safety, and the design and implementation of the protocols has been audited (on a monthly basis) **by SGS, the world leader in process certification**.

Customer satisfaction

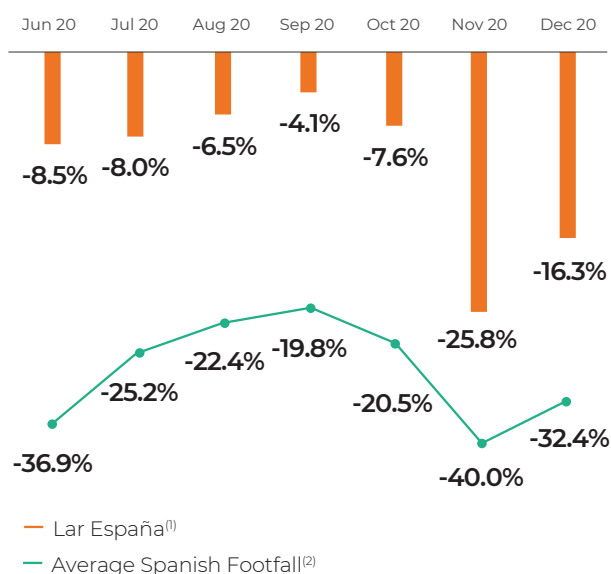
In 2020 the Company completed the Customer Journey for all the centres in its portfolio. This exercise has enabled it to identify categories of customers and, furthermore, gain a better knowledge of the environment in order to **detect new opportunities and provide a better customer experience**.

This Customer Journey made it possible to tap into users' emotions and discover what their ideal experience would be. This process is explained in greater detail in the section on Innovation and Technology in this report..

Based on the work performed, the results obtained for 2020 were as follows:

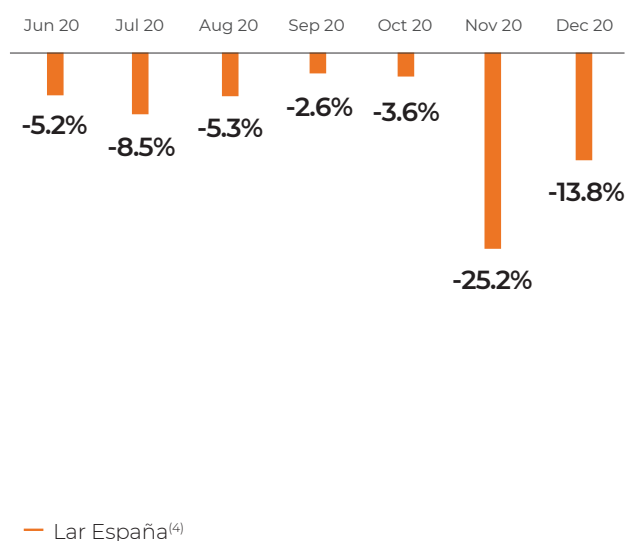
Footfall 2020 63.9 Million of visits

Footfall indicator in our shopping centres LfL since reopening 2020 vs same period in 2019:



Sales 2020 696.1⁽³⁾ Million €

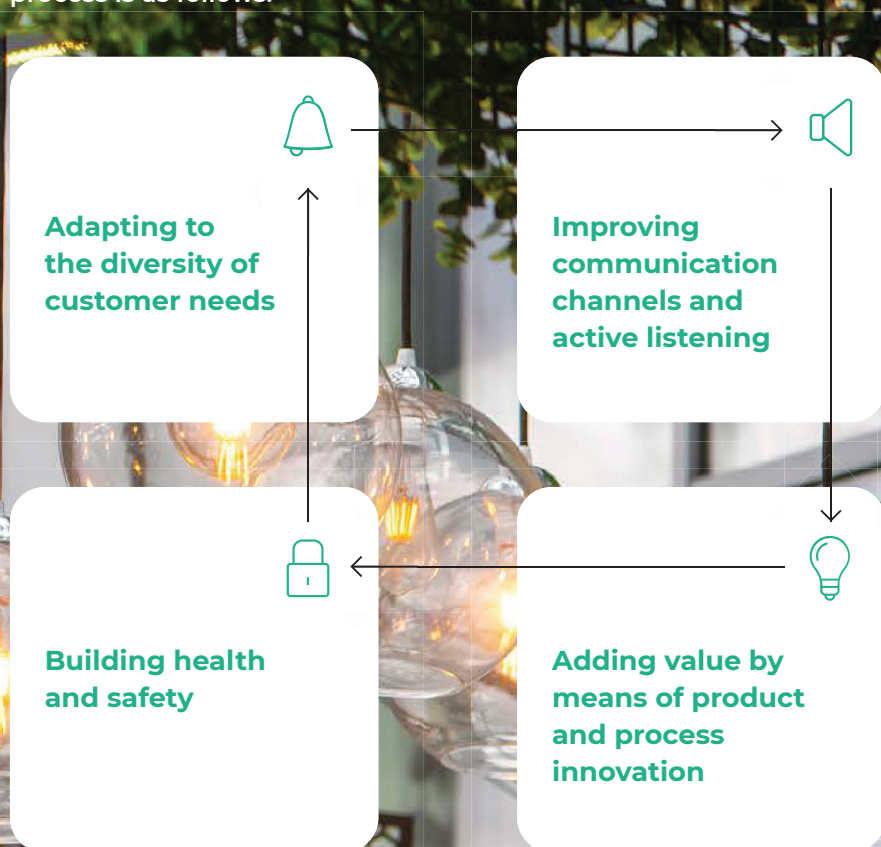
Sales performance LfL since reopening 2020 vs same period in 2019:



(1) Like for Like 2020 vs 2019 (excluding Lagoh, Ànec Blau and Megapark Leisure Area because is going through a comprehensive refurbishment project); accumulated figures at 31 December 2020: **-21.9%** Lar España footfall and **-33.7%** ShopperTrak Index / (2) ShopperTrak Index / (3) Declared sales / (4) Like for Like 2020 vs 2019 (excluding Lagoh, Ànec Blau and Megapark Leisure Area because is going through a comprehensive refurbishment project); accumulated figures at 31 December 2020 of total sales: **-19.9%**.



Lar España's view of the customer satisfaction process is as follows:







3.2.4 Employees

Lar España is an externally managed company. Its sole designated asset manager is Grupo Lar Inversiones Inmobiliarias. Lar's management team currently comprises three people, two men and one woman, all of whom have extensive experience in the real estate sector.

Lar's impact on employment

Lar España's activities have a **notable impact on the local economy** and, in general, **on regional employment**, specifically in the communities where the assets are located.

During 2020, it is estimated that **over 17,000 jobs** were created by the assets in Lar España's portfolio.

Employees with disabilities and Universal Accessibility

In 2020, seeking to create a positive impact on society within its communities, Lar España has paid particular attention to increasing the **integration of people with disabilities** at its work centres. This approach is made possible by the fact that the company owns a 100% stake in most of its assets.

Thus, Lar España's centres are being **adapted to attain the high standards required under universal accessibility** for people with every type of disability. This means that jobs at the centres can subsequently be filled very easily from among a broad range of profiles and people of different abilities. To this end, Lar España has earned **ISO 170001** accessibility certification for **five of its centres**, working together with its asset managers to fill the positions with people of different abilities.

In this context, the company has fostered a **policy of hiring people with disabilities** through the managers of the assets it operates. Lar España will continue to actively channel its efforts into labour and social integration in order to contribute to the communities of which it forms part.

Consequently, **9.1% of indirect jobs at Lar España's centres are filled by people with disabilities above 33%.** In Spain, the General Law on the Rights of Persons with Disabilities and their Social Inclusion stipulates that at least 2% of the workforce of companies with more than 50 employees must be employees with disabilities. Although this law does not apply to Lar España, the company amply exceeds the figure stipulated by law.

9.1% of the indirect jobs at Lar España's shopping centres are done by persons with disabilities above 33%.



Performance indicators

The main **corporate social indicators** in accordance with EPRA standards, which specify matters of relevance to the Company such as diversity, training, employee turnover, health and safety measures and local impact, are as follows:

Area of impact	EPRA: Sustainability Performance Measures (Social)			
	EPRA sBPR code	Unit of measurement	LAR ESPAÑA 2019	LAR ESPAÑA 2020
Diversity	Diversity-Emp	Percentage of direct employees	Men: 67% Women: 33%	Men: 67% Women: 33%
	Diversity-pay	Percentage of direct employees	N/A ^(*)	N/A ^(*)
Rotation	Emp-Turnover	Number and percentage of direct employees	Men: 0% Women: 0%	Men: 0% Women: 0%
Health and safety	H & S-Emp	Injury rate (IR), accident severity rate (ASR), absence rate (AR) and work-related deaths for all employees	IR Men: 0 Women: 0 ASR Men: 0 Women: 0 AR Men: 0 Women: 0 Number of deaths due to accident or illness at work Men: 0 Women: 0	IR Men: 0 Women: 0 ASR Men: 0 Women: 0 AR Men: 0 Women: 0 Number of deaths due to accident or illness at work Men: 0 Women: 0
	H&S-Asset	Number of assets	16 out of 16	14 out of 14 ^(**)
	H&S-Comp	Number of incidents	No non-compliance with safety and health regulations has been detected.	No non-compliance with safety and health regulations has been detected.
Training and Performance	Emp-Training	Average hours of training of direct employees	61 hours	120 hours
	Emp-Dev	Percentage of direct employees	100%	100%

Diversity-Emp: Employee diversity by gender at 31 December 2019 and 2020.

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 years ended 31 December 2019 and 2020.

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.

Emp-Training: Average annual training hours per employee in 2019 and 2020.

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

() This indicator is not applicable for Lar España as it has only 3 employees.*

*(**) It does not take into account the portfolio of 22 supermarkets divested during 2021.*

3.2.5 Society

Lar España aims to contribute to human, economic and environmental development, geared towards fostering sustainable development and social progress in the communities where it operates.

Local communities

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.

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.

Details of the local impact EPRA indicator performance are as follows:



Area of impact	EPRA: Sustainability Performance Measures (Social)			
	EPRA sBPR code	Unit of measurement	Lar España 2019	Lar España 2020
Local impact assessment	Compty-Eng	% of assets	100% (16 of 16)	100% (15 of 15)



Lar España uses channels such as pre-project meetings with local organisations, opinion surveys in the shopping centres and technological tools to facilitate a good flow of information between the company and the local community. These information channels allow Lar España to create local employment and integrate the projects with the local culture and customs.

Social action

Lar España's **solid community engagement** effort seeks to reinforce social and economic vitality in the areas in which the SOCIMI operates. In 2020, it carried out a broad range of activities and initiatives in order to work and collaborate with its local communities, notably:

- **Over 180 days'** worth of community and environmental initiatives at our shopping centres.
- **Over 25 NGOs and foundations** collaborated with.
- **Over €503,700** earmarked for community collaborations, sponsorships and initiatives.
- **Over 12,000 kg** of clothing donated.
- **Over 270,000 kg** of food collected in drives.

The impact of COVID-19 has prevented the company from undertaking the same number of initiatives and collaborations as prior years due to the closure of centres and the restrictions imposed. Nevertheless, the company continues to work on new initiatives within the current situation.

[See Appendix – Association and sponsorship actions](#)



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:

- **Charity lunches**, adapting the format in 2020 in light of the healthcare crisis, facilitating an office delivery service in order to continue the collaboration.
- Assistance from Lar España employees to help the association's members prepare for **job interviews**.
- Regular financial **donations**.
- Employment (administrative tasks) for Norte Joven students via **6-month long internships**.

Collaboration with Aladina Foundation



The Aladina Foundation is a Spanish non-profit organisation which aims to help and support children of all ages with cancer, and their families.

Lar España and the Altamira Lar Foundation are undertaking an ambitious project to **completely refurbish the paediatric haematology and oncology rooms of Hospital Virgen del Rocío (Seville)**, a leading centre in Spain for children's oncology. The project is called "A new unit full of colour and fun for children of all ages with cancer in Seville".

Collaboration with Cáritas



Lar España Real Estate, as part of its firm commitment to help local communities with the health crisis triggered by COVID-19, reached an agreement with Cáritas to support a project helping the most vulnerable families hit hard by the pandemic.

The overriding objective of the project is to **improve the living conditions of the communities in the catchment areas** of Lar España's main assets, engaging the centres' teams and employees in the actions carried out.

Donations totalled **€150,000**, which will be funnelled through the following shopping centres and retail parks: Albacenter, Portal de la Marina, Áncel Blau, Megapark Barakaldo, As Termas, Las Huertas, El Rosal, Txingudi, Lagoh and Gran Vía de Vigo. This initiative developed with Cáritas is on top of other charitable and social support campaigns championed by Lar España's shopping centres and retail parks during the state of emergency, helping the communities most in need with donations of food, sanitary material, technology, children's food vouchers, etc.

Collaboration with AUARA



Lar España, framed by its commitment to society, entered into an agreement with AUARA, which earmarks 100% of its dividends for the development of **drinking water projects for those most in need**, 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 installed 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 also placed 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.



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 2020 the company decided to join the United Nations Global Compact, signing the letter of commitment and aligning its sustainability strategy with the United Nations 2030 Agenda. This demonstrates its steadfast intention to align its activities with the 10 principles universally accepted in the areas of human rights, labour legislation, the environment and anti-corruption, as well as adopting measures to support the objectives of the United Nations set out in the Sustainable Development Goals (SDGs). Apart from working on priority SDGs, the company has promoted the dissemination and awareness of the SDGs through corporate policies.

Lar España's business in 2020 centred almost exclusively on the retail sector, currently operating 9 shopping centres, 5 retail parks and 22 supermarkets. **In light of its core business, the company has prioritised the following SDGs**, monitoring the actions taken to measure the contribution to each:



- **5 Gender equality:** Lar España is firmly committed to driving gender equality at the company. For example, it has established female board representation of at least 30%, with the aim of raising this to 40% by 2022. It also factors gender considerations into its shopping centre designs.



- **8 Decent work and economic growth:** 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.



- **11 Sustainable cities and communities:** Lar España is working to achieve BREEAM certification for all of its shopping centres and retail parks. In parallel, it fosters sustainable mobility via access to public transport and the installation of electric vehicle charging stations in its centres.



- **12 Responsible production and consumption:** Lar España carries out recycling and used-clothing collection drives at its centres to foster a circular economy culture and best practices

- **13 Climate action:** 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 installing technology at its centres in order to track and reduce energy usage more frequently with greater control.



- **17 Partnerships for the goals:** 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 this respect, it is fostering the pursuit of joint initiatives in support of sustainable development.

Lar España's contribution to the Sustainable Development Goals:



SDG 1 No Poverty:

- Collaboration with Cáritas to offer help with the negative impacts caused by the COVID crisis.
- Collection of clothing, footwear and toys.
- Free loan of space to NGOs at shopping centres (Cruz Roja, UNICEF, Save the children, ACNUR, etc.).
- Drive to collect basic goods for the O Berbés "Casa Caridad" NGO.



SDG 2 Zero Hunger:

- Food collection drives, including. Campaigns with Banco de Alimentos. Highlights include As Termas' 10,655kg food drive for the Lugo food bank and the donation of 256,500kg by Albacenter.
- Collaboration with NGOs.



SDG 3 Good Health and Well-being:

- Various projects to encourage blood donation, such as the El Rosal centre's "Donar es de cine" campaign and the "#etsimprescindible" blood donation campaign by the Ànec Blau centre with Cruz Roja and the Castelldefels municipal council.
- Support for associations to improve the life of people with Down's Syndrome via initiatives such as the hosting of the Vigo Down Association "El Viaje de mi Vida" exhibition and the collaboration with the Toledo Down association: charitable sale of items to raise funds.
- Collaboration with PROVIDA to collect products for mothers and children.
- Sponsorship of basketball, football, karate, padel teams etc.
- Collaboration with sports and fitness entities.
- Raising awareness of healthy lifestyle habits, such as dance.



SDG 4 Quality Education:

- Talent programme (sponsorships) in collaboration with the Altamira Foundation.
- Collaboration with the Norte Joven Association for the provision of scholarships, training and food to students.
- Promotion of educational/ awareness events with local communities in the environmental, social and labour arenas.



SDG 5 Gender Equality:

- Company promotion of gender diversity and equality.
- Target of having female boardroom representation of at least 40% by 2022.



SDG 6 Industry, Innovation and Infrastructure:

- Collaboration with AUARA.
- Water-saving 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.



SDG 7 Affordable and Clean Energy:

- ESG plan addressing energy consumption and use of clean energy.
- Lar España consumes renewable photovoltaic energy and possesses the pertinent certified guarantees of origin.
- Development of an Energy Efficiency Plan to be apply by the Company.



SDG 8 Decent Work and Economic Growth:

- Job creation in local communities, thus contributing to local development.
- Application of new ESG and CSR clauses in new supplier contracts.



SDG 9 Industry, Innovation and Infrastructure:

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



SDG 10 Reduced Inequalities:

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



SDG 11 Sustainable Cities and Communities:

- Participation in the Urban Land Institute.
- Electric vehicle charging stations.
- Positive impact on local communities through the company's business activity.
- Encouragement of public transport: use of municipal bikes.
- Increase in the number of centres with UNE-170001 Universal Accessibility certification.



SDG 12 Responsible Production and Consumption:

- Implementation of the Waste Management Master Plan with the overriding purpose of embedding circular economy processes at the company.



SDG 13 Climate Action:

- Emissions policy at the shopping centres.
- Use of renewable energy (photovoltaic).
- Encouragement of public transport, electric vehicle charging points, etc.
- Increase in emissions reporting to Scope 3.
- Lar España is the only Spanish real estate investment trust (SOCIMI) that has officially registered its carbon footprint with Spain's Ministry of Ecological Transition.



SDG 14 Life Below Water:

- Reduction in plastic consumption.



SDG 15 Life on Land:

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



SDG 16 Peace, Justice and Strong Institutions:

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



SDG 17 Partnerships for the Goals:

- Internal communication of objectives, which are included in the CSR plan.
- Deployment of CSR policies at the company.
- Methodology for the correct communication with each stakeholder group.

Lar España is firmly committed to ensuring that its assets are understandable, usable and practical environments for everyone, regardless of their ability



3.2.6 Accessibility

In 2020, 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 and secure certification over the coming years for the remaining assets in the portfolio in which Lar España is a majority owner, in the following years.

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**.

During 2020 the following activities were carried out:

100% of the portfolio audited in Universal Accessibility

The 14 shopping centres and retail parks that make up the Lar España portfolio have been audited by ILUNION in terms of Universal Accessibility.

50% of the portfolio in the process of certification in UNE-EN170001

Lar España is in the process of obtaining the AENOR seal of Universal Accessibility in **7 of the 14 Shopping Centres and Retail Parks (*)** in the coming years: Gran Vía de Vigo, Rivas Futura, Parque Abadía, Albacenter, Ànec Blau, Megapark and Portal de la Marina.

33% of assets already hold certification

In 2020, the company secured **AENOR's Universal Accessibility certificate for the Lagoh, El Rosal and As Termas** centres, which joined **VidaNova Parc** which was certified in 2018 and **Vistahermosa** which secured the seal in 2019.

() It does not take into account the portfolio of 22 supermarkets divested during 2021.*

This demonstrates Lar España's commitment to accessibility and facilitating adequate and convenient access for everyone at its shopping centres and retail parks by taking into consideration existing problems.

The goal of Lar España is to ensure equal opportunity so that everyone can access and enjoy all its centres, regardless of the individual's abilities. To that end the company has set itself the goal of securing **AENOR's Universal Accessibility certificate** for the rest of its assets in the next periods.

Investment of €128,000 to improve accessibility in 2020

In 2020 and in line with its **commitment to fostering accessibility at its centres**, Lar España has continued to develop the **work plan** carried out in 2017, in which priorities were set, as was the way to intervene in buildings to make them **more profitable, healthy, safe and efficient**.

The result has been to differentiate between **urgent, necessary and recommended** measures so as to undertake the most pressing and urgent actions at the centres where Lar España is the majority owner. The investment made in 2020 comes in addition to the €834,000 invested in 2019 and the €113,000 in 2018 and 2017, when the accessibility plan was first drafted.

In addition, within the accessibility plan, the figure envisaged in the business plan to continue with the improvements at the assets in 2021 amounts to approximately **€315,000** for all centres in the portfolio, a sum testament to the company's ability to continue adding value to its assets, as well as to increasing footfall.

The data relating to Lar España's investment stemmed from the diagnosis conducted in conjunction with **ILUNION Technology and Accessibility**, the **ONCE Group** and **AENOR** (Spanish Association for Standardisation and

Certification) whose accessibility audits reflect the compliance status of current regulations and propose the necessary actions to obtain **Universal Accessibility certification**. 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. Evaluation of the possibilities and costs of being certified via the Universal Accessibility Standards a step that would require reaching excellence in this regard.



3.3 Committed to the Environment



Lar España and the Environment

Lar España is mindful of the importance of good environmental management to contribute to a common goal, **the fight against Climate Change.**

To this end, the company has a **Sustainability ESG Policy**, updated in the last quarter of 2020, to channel its commitments to improving people's lives and maximising economic progress, while generating a financial return for investors in a sustainable manner. In line with this Policy, the company has developed an **ESG Master Plan**.

With this all in mind, and to meet the needs of society at large, Lar España integrates aspects such as urban development, the design of sustainable cities, responses to demographic shifts and scarcity of shared resources.

At present Lar España is in the process of rolling out its **ESG Master Plan**, which sets down goals and programmes taking into account general and sector-specific standards, as well as the recommendations of the CNMV and stakeholders, the Sustainable Development Goals (SDGs) and the company's priorities.





Evaluations and Awards

Given that Lar España works on building projects, it concentrates its efforts on mitigating the potential impacts on the environment. The company focuses on establishing a series of measures that include subjecting such projects to **certification processes** in order to guarantee the financial viability and profitability of investments. The company's accolades regarding sustainability include:



GRESB

In 2020 Lar España participated in the Global Real Estate Sustainability Benchmark (GRESB) assessment for the **third year in a row**. In recent years this has emerged as a benchmark framework for evaluating environmental, social and governance (ESG) performance in the real estate sector. This process benchmarked the company's performance against the previous year, **showing a 25% improvement compared to 2019 and a 50% improvement versus 2018**. This process also served to continue identifying and acting on new areas for improvement.



FTSE Russell Global Index

FTSE Russell is an index which measures ESG performance of companies by evaluating information provided to their stakeholders. Companies must meet a variety of environmental, social and governance criteria to be eligible for inclusion.

In 2020 FTSE Russell kept Lar España **on its FTSE4Good index** based on the results of the independent assessment of its ESG criteria. This confirms Lar España meets the requirements to form part of the index, having demonstrated solid environmental, social and governance practices.

EPRA



In 2020 Lar España obtained the **EPRA Gold Award** for the **third year running** for its ESG disclosures and for the sixth year running for its financial reporting. This award recognises the quality of information made available to the main stakeholders. This acknowledgement represents further progress in transparency in this area.



Certifications

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. In 2020 the company continued work on renewing certifications obtained in previous years and improving ratings.



ISO 14001

As Termas shopping centre currently has this certification and the company is endeavouring to get all centres certified.



BREEAM CERTIFICATIONS

100% of the shopping centres owned by Lar España and **60% of eligible retail parks** have this certification.



In 2020, following the asset disposals and inaugurations during 2020, 14 of the 15 assets owned by Lar España are potentially BREEAM certifiable, with 12 currently certified (86%).

BREEAM Certifications

All certifications have been verified by an external auditor (see Appendix 6.3) and are in force or have been arranged during the reference year (2020).



2019					2020			
Shopping centres	Status	Rating	Type	Certified area (sqm)	Status	Rating	Type	Certified area (sqm)
Lagoh	Certified	Very good	Design	104,625	Certified	Very good	New Construction (P) ⁽¹⁾	104,625
Gran Vía de Vigo	Certified	Very good	In Use	77,190	Certified	Excellent	In Use	77,190
Portal de la Marina	Certified	Very good	In Use	51,222	Certified	Very good	In Use	51,222
El Rosal	Certified	Very good	In Use	101,122	Certified	Excellent	In Use	101,122
Ànec Blau	Certified	Very good	In Use	64,195	Certified	Very good	In Use	64,195
As Termas	Certified	Very good	In Use	10,743	Certified	Very good	In Use	10,743
Albacenter	Certified	Very good	In Use	40,194	Certified	Very good	In Use	40,194
Txingudi	Certified	Good	In Use	5,753	Certified	Good	In Use	5,753
Las Huertas	Certified	Good	In Use	2,802	Certified	Good	In Use	2,802



2019					2020			
Retail parks	Status	Rating	Type	Certified area (sqm)	Status	Rating	Type	Certified area (sqm)
Megapark and Megapark leisure area ⁽²⁾	Certified	Very good	In Use	16,841	Certified	Very good	In Use	16,841
Parque Abadía and Commercial Gallery ⁽²⁾	Being processed			2,655	Certified	Very good	In Use	2,655
Rivas Futura	Being processed			39,163	Being processed			39,163
VidaNova Parc	Being processed			874	Being processed			874
Vistahermosa	Certified	Very good	In Use	14,617	Certified	Very good	In Use	14,617



2019					2020			
Offices	Status	Rating	Type	Certified area (sqm)	Status	Rating	Type	Certified area (sqm)
C. Marcelo Spínola	Certified	Very good	New Construction	8,786	N/A	N/A	N/A	N/A

(1) The BREEAM® certification for New Construction is P (Provisional) until the final delivery of the works and installations and D (Definitive) once the process is completed.

(2) Certifications relate to asset areas over which Lar España has operational control.

- Of the 9 shopping centres owned by Lar España, 8 have BREEAM In-Use certification and 1 has BREEAM New Construction provisional certification, which will become BREEAM In-Use certified on 26/09/2021 after 2 full years of operation.
- Of the 5 retail parks, 3 have BREEAM In-Use certification, 1 is in the process of being certified and 1 could not be certified this year as it completed 2 years of operation on 27/09/2020.

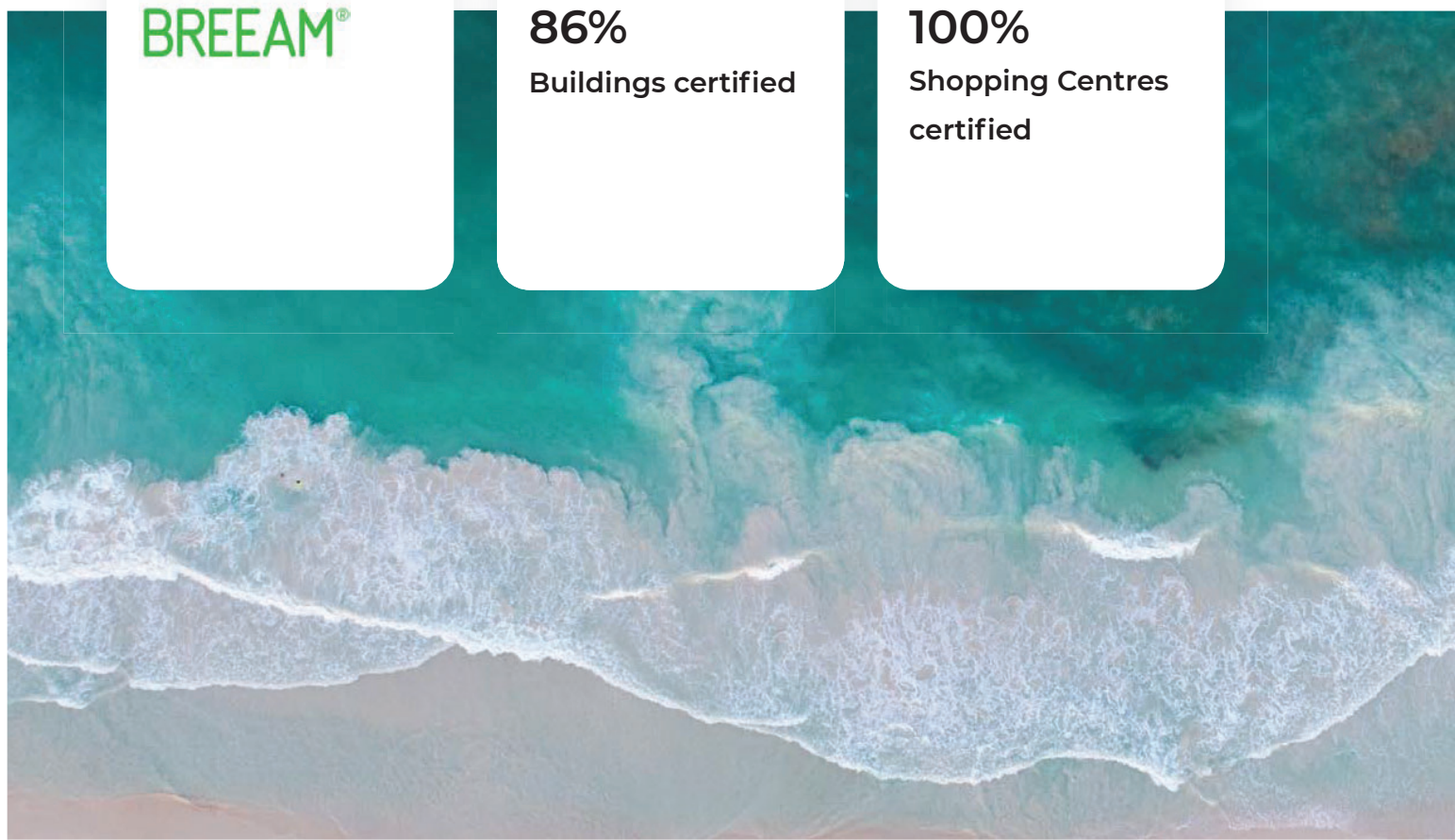


BREEAM-certified buildings

BREEAM®

86%
Buildings certified

100%
Shopping Centres
certified



As part of its **Renewal Plan**, Lar España has already started the certification process for all the retail parks in the portfolio, with the aim of having **all portfolio assets BREEAM certified** in 2021. In addition to renewing its certification, the Megapark retail park improved its rating in the second part of the certification relating to building management, going from “Very Good” to **“Excellent”**.





Overall measures

Certification figures for 2020

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)
				2019	2020	2019	2020	Like for like change (%)	2019	2020	2019	2020	Like for like change (%)	2019	2020	Like for like change (%)
Certification	Cert-Tot	No.	Number of assets within boundary	12 out of 15	12 out of 14	11 out of 14	12 out of 14	-	11 out of 14	12 out of 14	11 out of 14	12 out of 14	-	1 out of 1	-	-
		sqm	BREEAM certification	498,089	491,958	489,303	491,958	0.5%	489,303	491,958	489,303	491,958	0.5%	8,786	0	-
		%	Percentage of assets with BREEAM certification	80%	86%	79%	86%	7.1%	79%	86%	79%	86%	7.1%	100%	100%	-

Verified by the external auditor as per Appendix 6.3.



Application of the precautionary principle

As described in previous sections, the company manages its activity taking into consideration the possible effects on the environment. In this regard, to **minimise the potential impact**, the company is striving to obtain ISO 14001 certification in all its centres, identifying all possible risks and the related action plans.

Environmental performance

Context and impact of the COVID-19 pandemic

Against the global backdrop marked by the COVID-19 pandemic, during the period of strict lockdown decreed by the central government, Lar España **kept open its shopping centres and retail parks** that offer essential services. Subsequently, the company followed the guidelines and restrictions of regional governments in response to the situation in each of the territories under their jurisdiction.

Details of openings and footfall in 2020 versus 2019 are as follows:

Openings (%)



⁽¹⁾ Public holidays or days with leisure and restaurant activity only.



Bear in mind that **restrictions on capacity** have contributed significantly to the drop in number of visitors, particularly in shopping centres and to a lesser degree in retail parks, resulting in a decrease (LfL) of **-21.9%**. However, the inclusion of the Lagoh shopping centre in Lar España's portfolio in 2020 has softened this fall in absolute terms.

In comparable terms, the **impact of the pandemic on the different regions has been uneven** and it has varied significantly by type of asset. While shopping centres have suffered an average drop in visitors of 29.7%, retail parks have shown an average decline of 16.0%.

Limits and coverage

The analysis covers all of the **assets that were under Lar España's management in 2020**.

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), sold on 31 January 2019, is considered for the purpose of including its absolute measures (Abs) in the 2019 vs. 2020 summary table.
- The absolute measures (Abs) also include the environmental performance of the new Lagoh shopping centre during the three months in which it was open in 2019 and the entirety of 2020. However, the like-for-like measures and tables, comparing the assets' performance between 2019 and 2020, only include the assets that were fully operational in 2019 and 2020.

We distinguish between the following ownership regimes:

100% Owned

Properties 100%-owned by Lar España

Lar España reports on the absolute consumption (Abs) of energy and water in its capacity as the owner of **7 shopping centres and 2 retail parks, fully operational and fully owned**.

The like-for-like measures exclude 1 shopping centre (Lagoh) as it was not open during all of 2019.

Information is included on the supply of electricity, thermal energy and water **billed to tenants**. Scope 3 GHG emissions, which are reported for the **first time this year** because there are complete data sets for 2019 and 2020, are deducted from the calculation of energy billed to tenants.

This report does not include consumption of energy 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.

Co-owned

Properties co-owned by Lar España

The environmental performance of the assets **co-owned** by Lar España: 2 shopping centres (Huertas and Txingudi) and 3 retail parks (Megapark, Abadía Parque 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.

Corporate office

Corporate office

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 employees (Grupo Lar). Therefore, the environmental policies outlined in this report can only be applied to a limited extent. In this instance the data is reported as a **corporate expense** and is therefore excluded from the company's environmental performance calculations.

Environmental Information Management System

In 2020 the company completed the development of its **platform for the collection, analysis and dynamic visualisation** of environmental performance indicators. Now it is up and running, the **platform optimises resource management**, improves cost control, sharpens response capabilities in the implementation of corrective measures, and has become an essential tool when developing targeted action plans, allowing Lar España to turn environmental management into one of its main strengths.

This automated information system has been operational since 1 January 2021 and has collected data from previous years for processing and homogenous comparison with future years. The tool was **tailor-made** for the organisation based on the **special characteristics of the assets**, with extensive possibilities for scalability in its analysis capacity.

Unlike other consumption control systems, **it is not limited to capturing information in the customer area of supply companies**, rather, through the ongoing roll-out of remote measurement hardware in all of the company's assets, it can also discern between the facilities' consumption of energy and water based on the different types of use of these utilities. Lastly, it is worth mentioning that the software and data are the exclusive property of Lar España. It is not licenced, which affords the company a **high degree of flexibility** in the management and adjustment of information as per its future needs.





Pollution

Air quality

In keeping with the initiatives carried out in 2019, whereby new air filtering technology was installed (active polarisation and SFEG photocatalysis), the company continued with the following lines of action in 2020:

- **Air quality audits were put out to tender.**
The aim is to build a database for each asset and create methodologies to improve current parameters.
- A **pilot study** was conducted to analyse innovative indoor air treatment systems at Parque Abadía.
- **Temperature policy:** verification that the properties comply with building heating regulations (RITE per the Spanish acronym).
- **Polarisation filters have already been installed** in centres such as Lagoh.





Circular economy and waste prevention and management

Management approach

Lar España has implemented a **Waste Management Master Plan** with the overriding purpose of embedding circular economy processes at the company. This objective has been taken on by senior management and has entailed a change in methodology.

The **aims** during the 2020-2021 implementation phase of the Waste Management Master Plan are:

- **Establish Lar España's boundaries** of control over the waste generated by its activity, implement contractual clauses and determine the responsibilities of people charged with controlling and reporting data on waste.
- Obtain and track **KPIs** to be included in the disclosures on waste management.
- Implement **measures to obtain information** on waste: protocols for measuring and estimating data, guidelines for collection.
- **Brief and train the heads** of the shopping centres in the new protocols, procedures and mechanisms for the control and reporting of information.

In 2020 the company **identified points of generation and types of waste**, collection points in each shopping centre or retail park, and the routes for elimination or recycling.

Verifiable data on waste generation is available for the lion's share of the portfolio, allowing the **proportion of estimated waste to be reduced** from 38.5% in 2019 to **27.7% in 2020** (LfL).

Progress has been made in assessing the exact amount of total waste produced and the **verification of elimination and recovery routes**. This led to a more restrictive definition of the volume of recycled waste, which in 2020 (as opposed to 2019) solely considers certified waste: paper, cardboard and plastics. In the instances in which the company 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 assets, as in 2019.

Since January 2021 the **waste management reporting procedure** has been in place to obtain more accurate data and other types of waste can now be verified and certified, such as metals, glass, electrical and electronic waste.



Waste generated

Waste management is verified by means of the corresponding recycling certificates. **Waste generation decreased in 2020** in correlation to the fall in business activity, footfall and capacity restrictions. A total of 2,788 tonnes were produced in 2020 versus 4,261 tonnes in 2019, down approximately **-34.6%** (LfL).

The change in methodology, as a result of the application of the Waste Management Master Plan, has **restricted the definition of recycled waste**, as explained in the methodology section.

Recycling measures

In light of the new methodology **41.5% of the total waste generated was recycled, compared to 35.3%** in 2019 (calculated under the new system). This represents an improvement of 6.2% versus 2019.

Analysis of the volume of waste generated in absolute terms shows the number of tonnes of recycled waste has diminished by **23.1% (LfL)** due to the substantial reduction in the total amount of waste generated.

-34.6%
Waste
generation
vs 2019

Overall measures

Waste generation figures for 2020

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)
				2019	2020	2019	2020	Like-for-like change (%)	2019	2020	2019	2020	Like-for-like change (%)	2019	2020	Like-for-like change (%)
Waste	Waste-Abs, Waste-Lfl	Tonnes	Waste generation	4,590	4,018	4,261	2,788	-34.6%	4,590	4,018	4,261	2,788	-34.6%	0	0	-
		Tonnes	Waste recycled	1,541	1,416	1,504	1,157	-23.1%	1,541	1,416	1,504	1,157	-23.1%	0	0%	-
		%	Waste to landfills	66.4%	64.8%	64.7%	58.5%	-6.2%	66.4%	64.8%	64.7%	58.5%	-6.2%	0	0%	-
		%	Waste recycled	33.6%	35.2%	35.3%	41.5%	6.2%	33.6%	35.2%	35.3%	41.5%	6.2%	0%	0%	-
		No.	Number of assets within boundary	11 out of 15	11 out of 14	11 out of 14	11 out of 14	-	10 out of 14	12 out of 14	10 out of 14	10 out of 14	-	0 out of 1		
		%	Proportion of disclosed data estimated	38.5%	32.6%	38.5%	27.7%	-10.8%	38.5%	32.6%	38.5%	27.7%	-10.8%	0%	0%	-

Verified by the external auditor as per Appendix 6.3

Sustainable use of resources



Water consumption

Management approach

Despite a lower use of sanitary facilities in the shopping centres' common areas for public use as a result of the pandemic and the decline in footfall, the **consumption of water for facility cleaning services increased** due to the certified cleaning and disinfection protocols put into practice by Lar España from the onset of the pandemic.

Lar España obtains all its water from urban water supply networks, none from wells or surface waters. Since 2019 the company has reported the consumption of sub-metered water billed to tenants, using the criterion "water obtained by the landlord". 100% of the **data provided stems from documented metering and has been verified.**

Methodology

Given the nature of Lar España's activity (shopping centres and retail parks), **footfall** is the key performance indicator and the main denominator in the calculation of water consumption intensity.

Data is collected **automatically** from the ShopperTrak SFTP installed in all of the centres except the Rivas and Vistahermosa retail parks, which have different automatic counting systems. Retail parks with **vehicle counting** systems are harmonised with people counts using conversion factors, which range from 2.2 to 2.3 occupants per vehicle depending on the count controls established by each centre.



The total water consumption is verified based on the amount registered in utility company bills.

The following formula is used to calculate the **intensity** of water consumption:

EPRA indicators officially reported by Lar España.

$$\text{Intensity, water consumption} = \frac{\text{Landlord - obtained water consumption}}{\text{No. of visitors}}$$

The landlord does not provide HVAC services in shopping centres; however, depending on the type of facility, it does supply warm water for use in the tenants' HVAC systems and that water constitutes a substantial portion of the buildings' water consumption.

As this is not the case in all shopping centres and retail parks, it does not make sense to calculate the intensity of water consumption in relation to the common areas sqm: a substantial portion of the water could be consumed by HVAC equipment whose boundary goes beyond common and shared areas.

Performance

Despite the exceptional situation, the company managed to significantly control the consumption of water in 2020. In terms of the volume of water supplied (-24.2%), the indicator is consistent with the lower footfall. But the most important thing is that, **in terms of intensity, the company has been able to control the impact of the pandemic** thanks to initiatives adopted in years past:

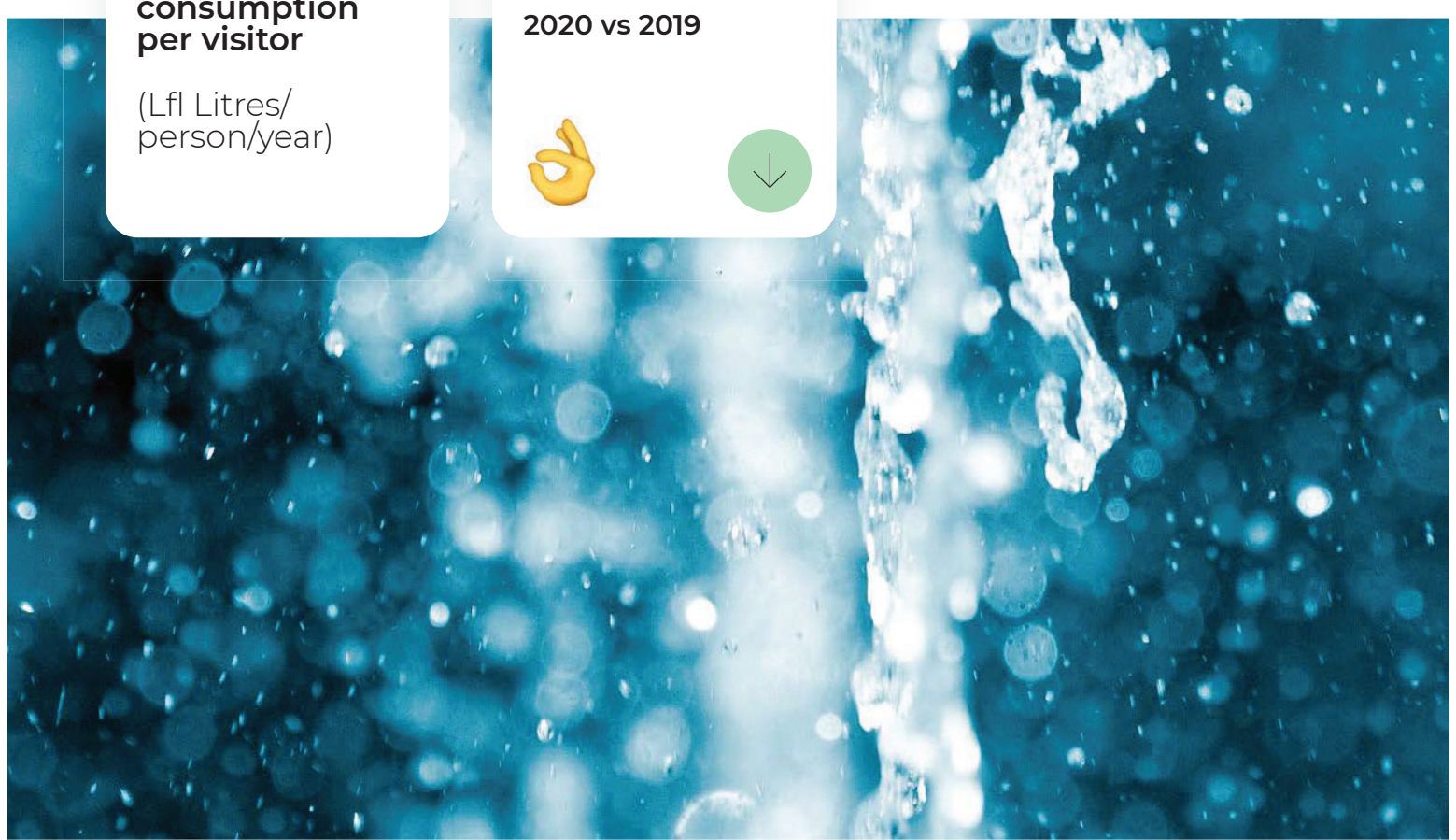
- **Watering:** efficient systems and reuse of treated waste-water.
- **Toilets and common areas:** fitting of low-consumption devices.
- **HVAC:** water filling controls.

and the efficiency measures implemented to deal with the health crisis, registering consumption of 2.4 (litres/visitor), **down 0.6% on 2019.**

Water consumption per visitor

(Lfl Litres/person/year)

-0.6%
2020 vs 2019



Overall measures

Water consumption figures for 2020

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)
				2019	2020	2019	2020	Like-for-like change (%)	2019	2020	2019	2020	Like-for-like change	2019	2020	Like-for-like change
Water	Water-Abs, Water-LfL	m ³	Water consumption in common parts areas (N)	194,721	184,835	178,564	135,341	-24.2%	194,576	184,835	178,564	135,341	-24.2%	145	0	-
			Consumption sub-metered to tenants (O)	85,871	69,644	73,663	50,152	-31.9%	85,726	69,644	73,663	50,152	-31.9%	0	0	-
			Water consumption intensity per visitor in the retail segment and per employee in office segment (P=N-O)	108,851	115,191	104,901	85,190	-18.8%	108,851	115,191	104,901	85,190	-18.8%	145	0	-
	Water-Int	Litres/person/year	Water consumption intensity per visitor (N x 1000/ Svisit)	2.50	2.95	2.38	2.37	-0.6%	2.50	2.95	2.38	2.37	-0.6%	1,649	0.0	-
	Number of assets within boundary			15 out of 15	14 out of 14	15 out of 15	14 out of 14	-	14 out of 14	14 out of 14	14 out of 14	14 out of 14		1 out of 1		-
	Proportion of disclosed data estimated			0%	0%	0%	0%	-	0%	0%	0%	0%		0%	0%	-

Verified by the external auditor as per Appendix 6.3





Direct and indirect energy consumption

Management approach

Energy consumption is one of the most important aspects of Lar España's environmental management. It is measured by considering the intensity of energy consumption, based on the ratio per visitor and year, as requested by EPRA.

Methodology

Given the nature of Lar España's activity (shopping centres and retail parks), **footfall** is the key performance indicator and the main denominator in the calculation of energy consumption intensity

Data is collected **automatically** from the ShopperTrak SFTP installed in all of the centres except the Rivas Futura and Vistahermosa retail parks, which have different automatic counting systems. Retail parks with **vehicle counting** systems are harmonised with people counts using conversion factors, which range from 2.2 to 2.3 occupants per vehicle depending on the count controls established by each centre.

For internal control purposes only, Lar España apportions the intensity of energy consumption in the **common and shared areas of its assets**. The following are excluded: lettable areas and outdoor common areas (gardens, walkable rooftops, open-air car parks, etc.) as they are not strictly part of the developed floor areas, per RD 1020 of 25 June 1993.

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.

Data are provided on the **intensity of energy use referred to sqm of common areas and per visitor**. However, the interpretation of the data requires taking into account the exceptionality of COVID 2019, which distorts the figures.

EPRA indicators officially reported by Lar España:

$$\text{Intensity, energy consumption} = \frac{\text{Landlord-obtained energy}}{\text{No. of visitors}}$$

EPRA indicators provided by Lar España as a control for LfL measures:

$$\text{Intensity, energy consumption} = \frac{\text{Energy used in common areas}}{\text{Common areas (sqm)}}$$

Lar España reports on the total electricity consumed and the renewable photovoltaic energy produced. 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 stems from **documented metering and has been verified**.



Renewable energy

As mentioned previously, Lar España **consumes renewable photovoltaic energy** and possesses the pertinent certified guarantees of origin, distinguishing in its reporting between consumption in absolute and relative terms. These measures are shown in the table below.

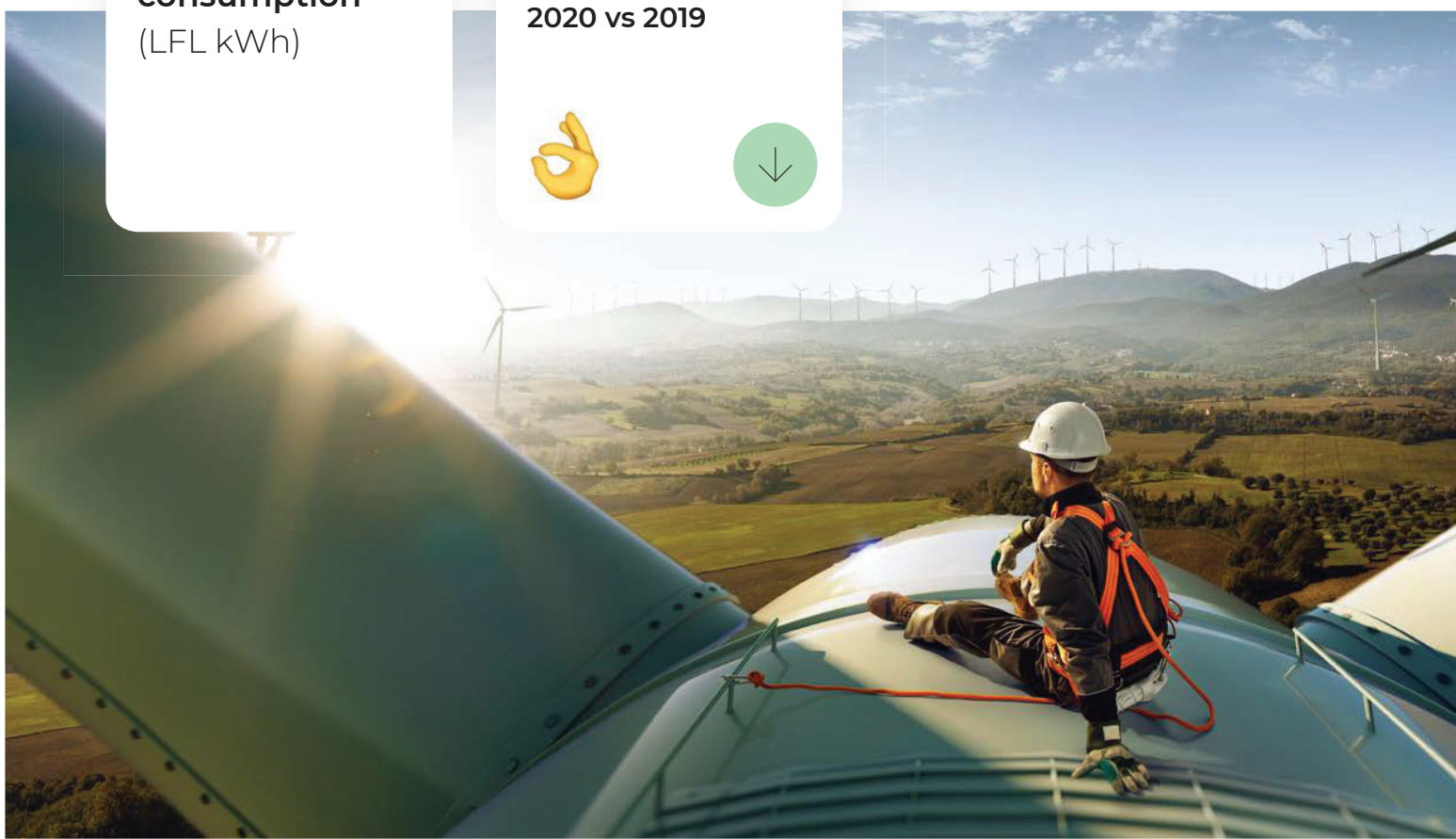
Performance

The company has **significantly reduced the consumption of electricity (-16.5%) and fuel (-27.0%)**.

These percentage decreases are maintained in the energy intensity measure when we apply constant denominators (common areas floor sqm). However, they become increases when applying the denominator Lar España considers to be the most significant for the type of assets it manages; number of visitors/year. This is attributable to the lower footfall seen in 2020 due to the restrictions imposed on capacity, mobility and openings.

Electricity consumption
(LFL kWh)

-16.5%
2020 vs 2019



The change versus prior years correlates to the impact of the pandemic on the activity of the shopping centres and retail parks. During the period when the shopping centres could only partially open to provide access to essential services, they had to maintain the same conditions in respect of **HVAC, lighting, security and services** as in a normal day of operations.

However, if we exclude the days when the centres had to fully close, these differences can be attributed to restrictions on opening hours and capacity.

Energy intensity per visitor, which, given the drop in footfall of almost 21.9%, could have increased by almost 20%, is substantially lower (+7.6%) due to the **successful energy management measures rolled out by Lar España** in all its assets during the health crisis.

Overall measures

Energy consumption figures for 2020

Area of Impact	EPRA Sustainability Performance Measures				TOTAL LAR ESPAÑA ASSETS					
	EPRA code	Unit of measurement	Indicator		ABSOLUTE MEASURES (Abs)		CHANGE (LfL)			
					2019	2020	2019	2020	like for like change (%)	
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Consumption of electricity from non-renewable sources (A)	1,919,202	1,386,377	1,901,800	1,386,377	-27.1%	
				Consumption of electricity from renewable sources (B)	20,854,407	24,539,392	19,373,949	16,238,552	-16.2%	
				% of common areas electricity consumption from renewable sources	91.6%	94.7%	91.1%	92.1%	1.1%	
				Consumption sub-metered to tenants (C)	1,004,534	699,667	1,004,534	699,667	-30.3%	
				Electricity generated and dispatched to the grid	237,327	363,808	237,327	363,808	53.3%	
				Total landlord electricity consumption (D = A+B-C)	21,769,075	25,226,102	20,271,215	16,925,262	-16.5%	
	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 (E)	2,408,692	2,183,748	1,995,031	1,472,879	-26.2%	
				Total fuel consumption sub-metered to tenants (F)	53,203	55,396	53,203	55,396	4.1%	
				Total fuel consumption (G = E-F)	2,355,489	2,128,353	1,941,828	1,417,484	-27.0%	
	Energy-Int	kWh/ sqm / year	Building energy intensity per square metre H = (D+E)/S sqm		37.7	42.7	41.4	34.2	-17.4%	
		kWh/ visit / year	Building energy intensity per visitor I = (A+B+E)/S visit.		0.3	0.4	0.3	0.3	7.6%	
	Number of assets within boundary					15 out of 15	14 out of 14	15 out of 15	14 out of 14	-
	Proportion of disclosed data estimated					0.0%	0.0%	0.0%	0.3%	-

Area of Impact	EPRA Sustainability Performance Measures				TOTAL LAR ESPAÑA RETAIL					TOTAL LAR ESPAÑA OFFICES		
	EPRA code	Unit of measurement	Indicator		ABSOLUTE MEASURES (Abs)		CHANGE (LfL)			ABSOLUTE MEASURES (Abs)		CHANGE (LfL)
					2019	2020	2019	2020	like for like (%)	2019	2020	like for like (%)
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Consumption of electricity from non-renewable sources (A)	1,901,800	1,386,377	1,901,800	1,386,377	-27.1%	17,402	0	-
				Consumption of electricity from renewable sources (B)	20,854,407	24,539,392	19,373,949	16,238,552	-16.2%	0	0	-
				% of common areas electricity consumption from renewable sources	91.6%	94.7%	91.1%	92.1%	1.2%	0.0%	-	-
				Consumption sub-metered to tenants (C)	1,004,534	699,667	1,004,534	699,667	-30.3%	No data		
				Electricity generated and dispatched to the grid	237,327	363,808	237,327	363,808	53.3%	0	0	-
				Total landlord electricity consumption (D = A+B-C)	21,751,673	25,226,102	20,271,215	16,925,262	-16.5%	17,402	0	-
	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 (E)	2,406,919	2,183,748	1,995,031	1,472,879	-26.2%	1,773	0	-
				Total fuel consumption sub-metered to tenants (F)	53,203	55,396	53,203	55,396	4.1%			
				Total fuel consumption (G = E-F)	2,353,716	2,128,353	1,941,828	1,417,484	-27.0%	1,773	0	-
	Energy-Int	kWh/ sqm / year	Building energy intensity per square metre H = (D+E)/S sqm		37.6	42.7	41.4	34.2	-17.4%	27.1	0.0	-
		kWh/ visit / year	Building energy intensity per visitor I = (A+B+E)/S visit.		0.3	0.4	0.3	0.3	7.6%	218.1	0.0	-
	Number of assets within boundary				14 out of 14	14 out of 14	14 out of 14	14 out of 14		1 out of 1		-
	Proportion of disclosed data estimated				0.0%	0.0%	0.0%	0.3%	-	0.0%	0.0%	-



Measures taken to improve energy efficiency

After the implementation of the **Energy Efficiency Master Plan**, approved in the last quarter of 2020, the main **objectives** set, which will be rubber-stamped by the company, are as follows:

- **Foster the application of ESG principles in Lar España's entire portfolio:** progressing in the construction of a **new model for responsible** use of energy resources and water.
- **Improve energy efficiency:** reducing the consumption of energy and water and increasing the efficiency and performance of buildings, without undermining services and quality.
- **Change the energy culture:** by developing good practices in the use of energy and water, imbuing a long-lasting culture throughout the organisation.
- **Contribute to national and international objectives:** aligning action with the collective goals regarding sustainability and **fighting climate change**.
- **Obtain independent accreditations and certifications:** this indirect objective will provide verifiable proof of the company's progress in the above goals.

Lar España has applied the following measures, inter alia, in its building management with the aim of **enhancing the management and reducing the impact of the health crisis** on energy consumption:

- **Negotiation** of contracted power, tariffs and energy contracts.
- **HVAC:** adjustments to optimise free-cooling systems and installation of adequate ventilation per health recommendations.
- **Process systemisation:** adaptation of building management systems (BMS) to the new situation.

The following programmes from prior years were continued:

- **Lighting:** light and presence sensors, continuation of the programme to replace fluorescent and incandescent lights with LED technology.
- Production of electricity from **renewable energy systems**; installation of photovoltaic solar panels that dispatch to the grid in Albacenter, El Rosal and Vidanova Parc; and geothermal HVAC system in Lagoh.
- Roll-out of a **meter network for selective measurement** depending on the use of the utilities: electricity, gas and water.
- Evaluation and formalisation of agreements for the installation of **electric vehicle charging stations** in the car parks of the shopping centres and retail parks.



Shopping Centre
Las Huertas (Palencia)



Climate change

Management approach

Lar España is the only Spanish real estate investment trust (SOCIMI) that has officially registered its carbon footprint with Spain's Ministry of Ecological Transition. As well as the reports filed for 2018 and 2019, the company gave the Ministry its **Greenhouse Gas (GHG) Reduction Plan**. The GHG reduction plan will enable the company to align its operations with the emissions-cutting objectives contained in the most favourable scenarios modelled by the Intergovernmental Panel on Climate Change (IPCC) and **demonstrate its goal of carbon neutrality**, as well as its commitments to responsible and sustainable business activity.

Lar España reports on its environmental indicators annually, including the management of its greenhouse gas emissions, in accordance with the **SBPR (Sustainability Best Practice Recommendations on Reporting) methodology** of the EPRA (European Public Real Estate Association). From 2016 to 2019 this information referred to mandatory Scopes 1 and 2 in the calculation of the carbon footprint, per the Greenhouse Gases Protocol.

In **2020 the company voluntarily expanded this to Scope 3**, starting with the fully verifiable information obtained this year, which represents further progress in the company's commitment to the collective fight against climate change.

The data provided for 2019 was calculated by multiplying electricity consumption (kWh) by the corresponding emission factor given by the International Energy Agency (IEA) for Spain.



Lar España has made further progress in its objective of reducing GHG emissions in 2020

In 2020 we made progress in normalising the calculations considering the conversion coefficients provided by Spain's Ministry of Ecological Transition (MITECO)⁽¹⁾, the body responsible for proposing and executing the national government's policy for combatting climate change, aligned with the European Union.

Lar España used the same calculation methodology and emission coefficients to register its carbon footprint in 2018, 2019 and 2020 (pending registration).

Lar España has made further progress in its objective of reducing GHG emissions in 2020, undertaking the following actions:

- Continuation of the **policy of obtaining electricity from renewable sources with guarantees of origin** in all its strategic assets.
- Study and commissioning of **pilot project solar photovoltaic energy plants for self-supply** in Rivas Futura and Portal de la Marina.
- Conclusion of the **process to set the parameters and install the Lagoh shopping centre's geothermal** heating system. This system can generate potential **energy consumption savings of 35%** with respect to a conventional HVAC system.
- **Technical and economic study** for the implementation of solar photovoltaic energy in all Lar España's strategic assets.

(1) MITECO Factors: https://www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf

Methodology

The KPI for Lar España is the intensity of GHG emissions and the ratio per visitor and year.

Given the exceptional nature of 2020, data is provided on the **emissions intensity** relating to the common areas sqm in order to have a constant denominator for 2019 and 2020, since the footfall indicator distorts the LfL measures considerably between the two years:

EPRA indicators officially reported by Lar España:

$$\text{Intensity, emissions} = \frac{\text{GHG emissions from the landlord - obtained energy}}{1000 \text{ visitors}}$$

EPRA indicators provided by Lar España as a control for LfL measures:

$$\text{Intensity, emissions} = \frac{\text{GHG emissions generated by the energy used in common areas}}{\text{Common areas (sqm)}}$$



Performance

The declines in energy consumption have entailed a huge drop in Scope 1+2 **GHG emissions (-18.9%)**. Moreover, with the 2019 and 2020 data we can report on the Scope 3 emissions which, at present, refer to electricity and thermal energy billed to tenants. LfL Scope 1+2+3 GHG emissions are down **-18.6%**.

Regarding Scope 1+2+3, the data on emission intensity correlates to energy consumption, showing the same distortion whether we use common and shared floor areas or number of visitors as the denominator for the emissions.

Scope 1+2+3 GHG emissions
(LFL kg eq CO₂)

-18.6%
2020 vs 2019



Overall measures

GHG emission figures for 2020

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)
					2019	2020	2019	2020	like for like change (%)	2019	2020	2019	2020	like for like change (%)	2019	2020	like for like change (%)
Greenhouse gas emission allowance	GHG-Dir-Abs, GHG-Dir-LfL	kg eq CO ₂	Direct emissions (J)	Scope 1 (fuel)	436,676	393,273	360,539	261,485	-27.5%	436,277	393,273	360,539	261,485	-27.5%	400	0	-
	Indirect emissions (K)		Scope 2 (electricity)	299,075	269,322	294,024	269,322	-8.4%	294,024	269,322	294,024	269,322	-8.4%	5,051	0	-	
	Indirect emissions (L)		Scope 3	9,683	10,082	9,683	10,082	4.1%	9,683	10,082	9,683	10,082	4.1%	0	0	-	
	GHG emissions (J+K)		Scope 1 + 2	735,752	662,595	654,563	530,807	-18.9%	730,301	662,595	654,563	530,807	-18.9%	5,451	0	-	
	Total GHG emissions (M=J+K+L)		Scope 1 + 2 + 3	745,435	672,677	664,246	540,889	-18.6%	739,984	672,677	664,246	540,889	-18.6%	5,451	0	-	
	GHG-Int	kg eq CO ₂ /sqm / year	GHG emissions intensity per square metre (J+K/S sqm common areas)		1.1	1.0	1.2	1.0	-18.6%	1.2	1.0	1.2	1.0	-18.6%	7.7	0.0	-
		kg eq CO ₂ /1000 pers./ year	Emissions intensity per 1,000 visitors in the retail segment and per employee in office segment (M/ Svisit/1000)		9.5	10.7	8.9	9.5	6.8%	9.5	10.7	8.9	9.5	6.8%	62.0	0.0	-
	Number of assets within boundary				15 out of 15	14 out of 14	15 out of 15	14 out of 14	-	14 out of 14	14 out of 14	14 out of 14	14 out of 14		1 out of 1		-
	Proportion of disclosed data estimated				0%	0%	0%	0%	-	0%	0%	0%	0%		0%	0%	-

Verified by the external auditor as per Appendix 6.3



Protection of biodiversity

Lar España **is aware of the importance of biodiversity** within its commitments to the environment, and in line with its business strategy, so actions are being carried out such as, for example, a study of the biodiversity of Lagoh, through an agreement between Lagoh and the University of Seville (Research Foundation).

By climate zone

Lar España **analyses energy and water consumption and emissions by climate zone**, using Köppen–Geiger's classification for the Iberian Peninsula (as published by the national meteorology agency, AEMET).

AEMET - Köppen climate classification (1981-2010)



Performance

Despite the distortions caused by the lower footfall as a result of the restrictions on opening hours and capacity, **2020 was a particularly hot year**, which impacted on the use required of cooling systems over the course of the year.

The changes in **electricity consumption**, which is closely related to HVAC, show percentage differences in the consumption of electricity in common areas between 2019 and 2020, since the measures are lower than would be expected from an increase in temperature of approximately 1.0°C on the peninsula in 2020. This was basically due to the lower footfall registered.

The following is worthy of note:

- The difference is particularly stark in the northern plateau, a temperate - dry climate (Csb) where electricity consumption is down 16.0%, compared to a 30.1% drop in footfall in assets in that climate zone.
- There is a notable difference in the correlation of consumption and footfall in the Cantabria and Atlantic zones, a temperate - wet climate (Cfb) with declines of 18.8%, and the Mediterranean zone (Csa), down 17.0%, when the footfall in these zones has decreased on average 27.4% and 24.7%, respectively.
- Also worth mentioning is that the southern plateau, an arid - cold climate zone, saw a 13.0% decline in electricity consumption on the back of a 18.6% drop in footfall, although a corrective factor should be applied to this measure due to the higher number of retail parks in this climate zone.

A widespread fall in the **consumption of fuel** used in common and shared areas is seen in all climate zones, down 26.2% on average, in connection with the lower average footfall in 2020 (-23.8%) and the full closure on 5% of the days during lockdown.

This is all compatible with a lower use of heating and greater use of cooling due to the temperature **anomaly on mainland Spain of +1.0°C** indicated by AEMET, despite the decline in footfall seen during the year.

Water consumption of assets located in wet climates (Cfb) is slightly lower than average, whereas the readings in the dry continental and Mediterranean climates were above average (2.37 litres/visitor/year).

The Bsk climate (arid - dry) is a special case, showing a lower water consumption intensity than expected, as this climate zone has three retail parks that distort the average measures, meaning reduced HVAC needs due to the type of asset (retail parks have virtually no HVAC in common areas).

Performance measures by climate zone

Energy performance and water consumption by climate zone

Area of Impact	EPRA Sustainability Performance Measures INFORMATION BY CLIMATE ZONE								
	EPRA code	Unit of measurement	Indicator		2019	2020	Like for like change (%)		
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Landlord-obtained electricity from non-renewable sources (A)	1,901,800	1,386,377	-27.1%	→	
				Landlord-obtained electricity from renewable sources (B)	19,373,949	16,238,552	-16.2%		
				Consumption sub-metered to tenants (C)	1,004,534	699,667	-30.3%		
				Electricity generated from renewable sources and dispatched to the grid	237,327	363,808	53.3%		
				Total landlord electricity consumption (D = A+B+C)	20,271,215	16,925,262	-16.5%		
	EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption	No data				
	Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord-obtained fuel (E)	1,995,031	1,472,879	-26.2%		
				Fuel consumption sub-metered to tenants (F)	53,203	55,396	4.1%		
				Total landlord fuel consumption (G = E-F)	1,941,828	1,417,484	-27.0%		
	Energy-Int	kWh / sqm / year	Intensity of energy used in common areas per sqm H = (D+E)/Sm²		41.4	34.2	-17.4%		
		kWh / visitor / year	Building energy intensity per visitor I = (A+B+E)/S visit.		0.31	0.33	7.6%		
Number of assets within boundary					14 out of 14	14 out of 14			
Proportion of estimated energy data					0.0%	0.3%			
Greenhouse gas emissions	GHG-Dir-Abs, GHG-Dir-LfL	kg eq CO ₂	Direct emissions (J)	Scope 1 (fuel)	360,539	261,485	-27.5%	→	
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions (K)	Scope 2 (electricity)	294,024	269,322	-8.4%		
			Indirect emissions (L)	Scope 3	9,683	10,082	4.1%		
			GHG emissions (J+K)	Scope 1 + 2	654,563	530,807	-18.9%		
			Total GHG emissions (M=J+K+L)	Scope 1 + 2 + 3	664,246	540,889	-18.6%		
	GHG-Int	kg eq CO ₂ / sqm / year	Emissions intensity per square meter (J+K/S m² common areas)		1.2	1.0	-18.6%		
		kg eq CO ₂ /1000 pers./year	Emissions intensity per visitor (M/ Svisit/1000)		8.9	9.5	6.8%		
	Number of assets within boundary					14 out of 14	14 out of 14		
	Proportion of estimated GHG data					0.0%	0.0%		
Water	Water-Abs, Water-LfL	m³	Landlord-obtained water consumption (N)		178,564	135,341	-24.2%	→	
			Consumption sub-metered to tenants (O)		73,663	50,152	-31.9%		
			Water consumption in common and shared areas (P=N-O)		104,901	85,190	-18.8%		
	Water-Int	Litres / person / year	Water consumption intensity per visitor (N x 1000/ Svisit)		2.38	2.37	-0.6%		
	Number of assets within boundary					14 out of 14	14 out of 14		
	Proportion of estimated water data					0%	0%		

	Area of Impact	Cfb			Csb			Csa			Bsk		
		2019	2020	Like for like change (%)	2019	2020	Like for like change (%)	2019	2020	Like for like change (%)	2019	2020	Like for like change (%)
→	Energy	626,671	566,904	-9.5%	490,172	0	-100.0%	0	0		784,957	819,474	4.4%
		7,651,937	6,054,437	-20.9%	4,627,040	4,296,985	-7.1%	3,189,755	2,628,357	-17.6%	3,905,218	3,258,773	-16.6%
		956,108	678,736	-29.0%	0	0		48,426	20,932	-56.8%	0	0	
		0	0		149,248	154,026	3.2%	0	124,909		88,079	84,873	-3.6%
		7,322,500	5,942,606	-18.8%	5,117,212	4,296,985	-16.0%	3,141,329	2,607,426	-17.0%	4,690,175	4,078,246	-13.0%
		No data			No data			No data			No data		
		787,199	542,695	-31.1%	834,119	675,668	-19.0%	14,261	15,558	9.1%	359,452	238,958	-33.5%
		53,203	55,396	4.1%	0	0		0	0		0	0	
		733,996	487,300	-33.6%	834,119	675,668	-19.0%	14,261	15,558	9.1%	359,452	238,958	-33.5%
		42.4	33.9	-20.0%	51.9	43.4	-16.4%	39.6	32.9	-16.9%	33.3	28.5	-14.5%
		0.42	0.46	9.2%	0.53	0.65	21.3%	0.19	0.20	8.3%	0.20	0.21	3.2%
		3 out of 3	3 out of 3		3 out of 3	3 out of 3		4 out of 4	4 out of 4		4 out of 4	4 out of 4	
→	Greenhouse gas emissions	138,522	88,850	-35.9%	152,451	124,389	-18.4%	3,805	4,151	9.1%	65,761	44,094	-32.9%
		125,334	113,381	-9.5%	9,803	0	-100.0%	0	0		158,887	155,941	-1.9%
		9,683	10,082	4.1%	0	0		0	0		0	0	
		263,856	202,231	-23.4%	162,254	124,389	-23.3%	3,805	4,151	9.1%	224,648	200,035	-11.0%
		273,539	212,313	-22.4%	162,254	124,389	-23.3%	3,805	4,151	9.1%	224,648	200,035	-11.0%
		1.4	1.1	-22.4%	1.4	1.1	-23.3%	0.0	0.1	9.1%	1.5	1.3	-11.0%
		12.70	13.62	7.2%	14.54	16.17	11.3%	0.22	0.32	43.2%	8.97	9.64	7.5%
		3 out of 3	3 out of 3		3 out of 3			4 out of 4	4 out of 4		4 out of 4	4 out of 4	
		0.00%	0.00%		0.00%	0.00%		0.00%	0.00%		0.00%	0.00%	
→	Water	41,407	29,472	-28.8%	41,139	31,768	-22.8%	46,990	35,511	-24.4%	49,028	38,590	-21.3%
		15,327	8,814	-42.5%	21,732	14,266	-34.4%	26,805	18,804	-29.8%	9,799	8,267	-15.6%
		26,080	20,658	-20.8%	19,407	17,502	-9.8%	20,185	16,707	-17.2%	39,229	30,323	-22.7%
		192	1.89	-1.7%	3.69	4.13	12.1%	2.72	2.70	-0.8%	1.96	1.86	-5.0%
		3 out of 3	3 out of 3		3 out of 3	3 out of 3		4 out of 4	4 out of 4		4 out of 4	4 out of 4	
		0%	0%		0%	0%		0%	0%		0%	0%	



By asset type

The analysis is rounded out by looking at the figures by type of asset, differentiating 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 (16.6 kWh/sqm/year) is approximately 38% of that of the shopping centres (43.5 kWh/sqm/year).**

That proportionality drops even further, to 15%, measured in terms of energy consumption per visitor: 0.10 (kWh/visitor/year) at the retail parks, compared to 0.66 (kWh/visitor/year) at the shopping centres.

The retail parks' average water consumption in 2020 (1.28 litres/visitor/year) is virtually half of that of the shopping centres (2.73 litres/visitor/year). Therein lies the explanation for the fact that the assets in the Bsk climate zone, where the Parque Abadía (Toledo) and Rivas Futura (Madrid) retail parks are located, report lower water consumption readings than would be expected for assets in a Bsk climate zone (arid-cold).





Area of Impact	EPRA Sustainability Performance Measures INFORMATION BY ASSET TYPE						
	EPRA code	Unit of measurement	Indicator		2019	2020	Like for like change (%)
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Landlord-obtained electricity from non-renewable sources (A)	1,901,800	1,386,377	-27.1%
				Landlord-obtained electricity from renewable sources (B)	19,373,949	16,238,552	-16.2%
				Consumption sub-metered to tenants (C)	1,004,534	699,667	-30.3%
				Electricity generated from renewable sources and dispatched to the grid	237,327	363,808	53.3%
				Total landlord electricity consumption (D = A+B+C)	20,271,215	16,925,262	-16.5%
	EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption	No data		
	Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord-obtained fuel (E)	1,995,031	1,472,879	-26.2%
				Fuel consumption sub-metered to tenants (F)	53,203	55,396	4.1%
				Total landlord fuel consumption (G = E-F)	1,941,828	1,417,484	-27.0%
	Energy-Int	kWh / sqm / year	Intensity of energy used in common areas per sqm H = (D+E)/Sm²		41.4	34.2	-17.4%
		kWh / visitor / year	Building energy intensity per visitor I = (A+B+E)/S visit.		0.31	0.33	7.6%
	Number of assets within boundary				14 out of 14	14 out of 14	
	Proportion of estimated energy data				0.0%	0.3%	
Greenhouse gas emissions	GHG-Dir-Abs, GHG-Dir-LfL	kg eq CO ₂	Direct emissions (J)	Scope 1 (fuel)	360,539	261,485	-27.5%
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions (K)	Scope 2 (electricity)	294,024	269,322	-8.4%
			Indirect emissions (L)	Scope 3	9,683	10,082	4.1%
			GHG emissions (J+K)	Scope 1 + 2	654,563	530,807	-18.9%
			Total GHG emissions (M=J+K+L)	Scope 1 + 2 + 3	664,246	540,889	-18.6%
	GHG-Int	kg eq CO ₂ / sqm / year	Emissions intensity per square meter (J+K/S m² common areas)		1.2	1.0	-18.6%
		kg eq CO ₂ /1000 pers./ year	Emissions intensity per visitor (M/ Svisit/1000)		8.86	9.46	6.8%
	Number of assets within boundary				14 out of 14	14 out of 14	
	Proportion of estimated GHG data				0%	0%	
	Water	Water-Abs, Water-LfL	m³	Landlord-obtained water consumption (N)		178,564	135,341
Consumption sub-metered to tenants (O)				73,663	50,152	-31.9%	
Water consumption in common and shared areas (P=N-O)				104,901	85,19	-18.8%	
Water-Int		Litres / person / year	Water consumption intensity per visitor (N x 1000/ Svisit)		2.38	2.37	-0.6%
Number of assets within boundary				14 out of 14	14 out of 14		
Proportion of estimated water data				0%	0%		

Area of Impact	EPRA Sustainability Performance Measures INFORMATION BY ASSET TYPE				SHOPPING CENTRES			RETAIL PARKS		
	EPRA code	Unit of measurement	Indicator		2019	2020	Like for like change	2019	2020	Like for like change
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Landlord-obtained electricity from non-renewable sources (A)	1,116,843	566,904	-49.2%	784,957	819,474	4.4%
				Landlord-obtained electricity from renewable sources (B)	16,618,093	14,120,268	-15.0%	2,755,857	2,118,284	-23.1%
				Consumption sub-metered to tenants (C)	1,004,534	699,667	-30.3%	0	0	
				Electricity generated from renewable sources and dispatched to the grid	237,327	238,899	0.7%	0	124,909	
				Total landlord electricity consumption (D = A+B+C)	16,730,402	13,987,505	-16.4%	3,540,813	2,937,758	-17.0%
	EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption	No data			No data		
	Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord-obtained fuel (E)	1,891,701	1,394,639	-26.3%	103,331	78,240	-24.3%
				Fuel consumption sub-metered to tenants (F)	53,203	55,396	4.1%	0	0	
				Total landlord fuel consumption (G = E-F)	1,838,497	1,339,244	-27.2%	103,331	78,240	-24.3%
	Energy-Int	kWh / sqm / year	Intensity of energy used in common areas per sqm H = (D+E)/Sm²		52.7	43.5	-17.4%	20.1	16.6	-17.2%
		kWh / visitor / year	Building energy intensity per visitor I = (A+B+E)/S visit.		0.56	0.66	18.6%	0.10	0.10	0.5%
	Number of assets within boundary				9 out of 9	9 out of 9		5 out of 5	5 out of 5	
	Proportion of estimated energy data				0.0%	0.0%		0.0%	0.3%	
Greenhouse gas emissions	GHG-Dir-Abs, GHG-Dir-LfL	kg eq CO₂	Direct emissions (J)	Scope 1 (fuel)	341,006	246,797	-27.6%	19,533	14,687	-24.8%
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions (K)	Scope 2 (electricity)	135,138	113,381	-16.1%	158,887	155,941	-1.9%
			Indirect emissions (L)	Scope 3	9,683	10,082	4.1%	0	0	
			GHG emissions (J+K)	Scope 1 + 2	476,144	360,178	-24.4%	178,419	170,628	-4.4%
			Total GHG emissions (M=J+K+L)	Scope 1 + 2 + 3	485,827	370,260	-23.8%	178,419	170,628	-4.4%
	GHG-Int	kg eq CO₂ / sqm / year	Emissions intensity per square meter (J+K/S m² common areas)		1.35	1.02	-24.4%	0.98	0.94	-4.4%
		kg eq CO₂/1000 pers./ year	Emissions intensity per visitor (M/ Svisit/1000)		11.57	15.28	32.0%	4.85	5.64	16.1%
	Number of assets within boundary				9 out of 9	9 out of 9		5 out of 5	5 out of 5	
	Proportion of estimated GHG data				0.0%	0.0%		0.0%	0.0%	
	Water	Water-Abs, Water-LfL	m³	Landlord-obtained water consumption (N)	126,494	96,470	-23.7%	52,069	38,872	-25.3%
Consumption sub-metered to tenants (O)				48,496	30,219	-37.7%	25,167	19,932	-20.8%	
Water consumption in common and shared areas (P=N-O)				77,998	66,25	-15.1%	26,903	18,939	-29.6%	
Water-Int		Litres / person / year	Water consumption intensity per visitor (N x 1000/ Svisit)		2.22	2.73	22.9%	1.42	1.28	-9.3%
Number of assets within boundary				9 out of 9	9 out of 9		5 out of 5	5 out of 5		
Proportion of estimated water data				0%	0%		0%	0%		



Environmental performance figures for the Lar corporate offices

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 employees (Grupo Lar)).

Shown below are the calculations of performance for energy, gas emissions, water and waste. This data is provided as a corporate expense and is **excluded from the calculation of the company's environmental performance.**



Area of Impact	EPRA Sustainability Performance Measures										
	EPRA code	Unit of measurement	Indicator		Coverage	Lar España Corp Offices - Contribution by the 3 Lar España employees			TOTAL Lar España Corporate Offices		
						2019	2020	Change Like for like (%)	2019	2020	Change Like for like (%)
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Lar España electricity consumption + shared utilities	1 of 1	5,421	4,099	-24.4%	161,337	93,879	-41.8%
				Consumption sub-metered to tenants		N/A			N/A		
				Electricity generated and dispatched to the grid		0	0	0.0%	0	0	0.0%
				Total Lar España electricity consumption		5,421	4,099	-24.4%	161,337	93,879	-41.8%
	EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption	1 of 1	Lar España does not use district heating & cooling (DH&C-Abs)					
	Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord fuel consumption	1 of 1	0	0	0.0%	0	0	0.0%
	Energy-Int	kWh / sqm / year	Building energy intensity per square metre		1 of 1	108.6	72.0	-33.7%	108.6	72.0	-33.7%
		kWh / employee / year	Building energy intensity per employee		1 of 1	1,807	1,640	-9.3%	1,807	1,640	-9.3%
Greenhouse gas emissions	GHG-Dir-Abs, GHG-Dir-LfL	kg eq CO ₂	Direct emissions	Scope 1	1 of 1	0	0	0.0%	0	0	0.0%
	Indirect emissions		Scope 2	1,573		820	-47.9%	46,828	18,776	-59.9%	
	Indirect emissions		Scope 3	N/A			N/A				
	Total		Scope 1 + 2	1,573		820	-47.9%	46,828	18,776	-59.9%	
	GHG-Int	kg eq CO ₂ / m ² / año	Emissions intensity per square meter		1 of 1	31.5	14.4	-54.3%	31.5	14.4	-54.3%
		kg eq CO ₂ / empleado/ año	Emissions intensity per employee		1 of 1	524.4	327.9	-37.5%	524.4	327.9	-37.5%
Water	Water-Abs, Water-LfL	m ³	Water consumption		1 of 1	26	14	-45.8%	771	322	-58.3%
	Water-Int	litres / sqm / year	Water consumption intensity per square metre		1 of 1	0.5	0.2	-52.5%	0.5	0.2	-52.5%
		litres / employee / year	Water consumption intensity per employee		1 of 1	8.6	5.6	-34.9%	8.6	5.6	-34.9%
Waste	Waste-Abs, Waste-LfL	Tonnes	Waste generation		0 of 1	No data	No data	-	No data	No data	-
		%	Waste recycled			No data	No data	-	No data	No data	-
		%	Proportion of estimated waste								

3.4 Outlook

Introduction

To achieve its goal of continuing to create shared value, Lar España is **firmly committed to continuing to adopt best practices** in corporate social responsibility (CSR) and environmental, social and governance (ESG) matters.

This commitment is reflected in the numerous actions carried out in 2020.



Global initiatives

GRESB

As indicated in the chapter on environmental initiatives, **Lar España participated in the Global Real Estate Sustainability Benchmark (GRESB) assessment for the third year in a row**. Noteworthy developments include:

- In 2020, Lar España **improved on the previous year's score by 25%**, a percentage that rises to 50% if the score is compared to that obtained in 2018.
- Management analysed the company's performance in 2020 compared to the year before, identifying a series of **key areas for improvement**.
- Looking ahead at 2021, work has been directed at rolling out the following action plans with a view to significantly enhancing our performance on the environmental front: implementation of an **energy-efficiency plan**; implementation of a **waste management plan**; and start-up of an **automated platform for shopping centres**.



EPRA

As described in chapter 2.2, for the **sixth year running**, Lar España received the **EPRA Gold Award** in acknowledgement of the quality of the financial information reported by the company.

In addition, for the **third year in a row**, Lar España received the EPRA's most prestigious accolade, the **Gold Award**, for its **corporate social responsibility** reports for investors. This award represents international recognition for the quality of the reports that Lar España makes available to its stakeholders.

Our main goal for the coming year is to win the **EPRA Gold Award** for financial reporting and for CSR reporting for the seventh and fourth years running, respectively.



FTSE4Good Global Index

In 2020 the global benchmark provider FTSE Russell reaffirmed Lar España's status as a **constituent of the FTSE4Good Index** on the basis of the results of the independent ESG assessment conducted by FTSE Russell. This status is the result of Lar España's having met the requirements for inclusion in the index, evidencing the company's adoption of **environmental, social and governance (ESG) best practices**.

The company's plans for next year include introducing sustainability best practices, reporting on its contribution to the SDGs and improving the quality of reporting to investors so as to remain a constituent of this prestigious index.

Sustainable Development Goals

After identifying the main SDGs that are relevant to its activities and **signing the official Letter of Commitment to the United Nations Global Compact**, Lar España has defined how it plans to achieve its goals.

Following its adhesion to the UN Global Compact, Lar España undertakes to:

- **Report annually** on its progress on ESG matters.
- Continue to design and integrate new strategies **to improve our contribution to the SDGs**.
- Work towards the implementation of the recommendations of the UN Global Compact and the **2030 Agenda**, carrying out initiatives and activities **aimed at integrating the SDGs into the fabric of the company at all levels**.



Environment

BREEAM certification

Lar España is committed to **participating in green building assessments and certifications** to ensure that all of its properties are operated as sustainably as possible.

- **100% of its shopping centres** are BREEAM certified, with ratings of “Excellent”, “Very good” or “Good”.
- In 2020 several certifications came up for renewal. A **certification renewal plan** is underway to ensure that all of the shopping centres in the portfolio are certified in 2021.
- Following a recommendation by LKS, the company has devised a certification plan for its portfolio of retail parks.
- The company’s developments have been designed and built in accordance with **specific BREEAM certification quality and sustainability criteria**.
- The Lagoh shopping centre currently boasts a provisional BREEAM rating of “Very good” for its sustainable construction. **Work is underway to secure full certification**.



Environmental certifications

Bureau Veritas renewed Lar España’s **ISO 14001** certification for the As Termas shopping centre in 2020.

Receiving the ISO certification attests to an **effective environmental management system**, goals and objectives that are established, reviewed and approved by management, the use of environmental procedures and protocols adapted to the business, and an incident and conformity management system, all of which help the company to achieve its strategic objectives.

In upcoming reports our goal is to confirm that **the number of centres earning this certification standard has been expanded**.

Data automation at the shopping centres

Over the course of 2020, the company completed the roll-out of its platform for **dynamic data analysis and visualisation** of resource consumption at its shopping centres and retail parks (water and energy) and the mitigation of their environmental impact (waste management and control of GHG emissions). The data for 2019 and 2020 has already been recorded in this new application, although it only became fully operational on 1 January 2021.

The goal is to obtain more reliable data by eliminating human error, and produce more **frequent and standardised** reporting. This will in turn provide the departments involved with the analytical capabilities they need to **optimise their resources** and react in a more timely manner whenever corrective action is needed.

This will allow us to implement corrective measures aimed at enhancing efficiency at the shopping centres in the portfolio, as well as **evaluating investments and projects for potential implementation far more objectively**.



Implementation of a Waste Management Plan

Following intense internal and external analysis, the **Waste Management Plan** was completed in 2020.

The main **objectives** of the plan are as follows:

- To improve data control and monitoring.
- To prevent pollution and make more sustainable use of resources.
- To promote the circular economy, in accordance with the principles of 'reduce' and 'reuse'.

The **next step will be to optimise** the collection, transport and treatment of the waste generated by the assets.

Implementation of an Energy Efficiency Plan

During the past year, the **Energy Efficiency Plan** has been developed in accordance with the objectives of the global strategy, focusing on boosting efficiency, earning certifications more easily and cutting costs.

The next steps, after the roll-out of the data automation platform, will be to conduct energy efficiency **audits** of assets, these being compulsory every four years, and to **monitor** compliance with energy efficiency objectives and the implementation of measures related to portfolio assets.





Carbon footprint analysis

In 2018 and 2019 Lar España **recorded its carbon footprint Scope 1 (direct) and Scope 2 (indirect) carbon emissions in the emissions databases of the MITECO** (Spanish Ministry for the Ecological Transition). The registration process involved compiling emissions data, completing the Ministry's calculator and drawing up a Reduction and Improvement Plan to be implemented over the coming years. The calculation of emissions was verified by AENOR, an independent third party, under **ISO 14064**. Currently, only 10% of companies record their Scope 3 emissions. Lar España is the first listed SOCIMI recognised by the MITECO.

The next steps will be to continue with the **Reduction Plan**. Under the terms of the plan, the energy consumed by all the assets must be renewable, and emissions must be offset domestically and internationally. Other actions are also planned with the aim of **shrinking the carbon footprint**:

- Setting up **renewable energy installations for own consumption**
- **Energy consumption control automation** using a telematic measurement program and energy consumption breakdowns, which enable us to implement corrective measures while affording greater control and reactivity.
- Implementation of **predictive maintenance programmes**
- Gradual replacement of equipment by more **efficient** machines.
- Proactive **inspection protocols** for air conditioning equipment to avoid coolant leaks (highly polluting).
- Planning of **carbon offset** to compensate for emissions generated once all of the aforementioned actions have been taken.
- Energy supply contracts with **guarantees of origin** to reduce emissions by approximately 12.5%.

Sustainable mobility projects are also currently underway, and the following measures have already been put into place:

- Electric vehicle charging stations.
- Shared mobility and bicycle lanes.
- Enhanced pedestrian access to the shopping centres and in the surrounding areas.
- Campaigns encouraging the use of public transport, bus stops and taxi ranks.
- Bicycle, scooter and motorbike parking, designated parking for families and emergency vehicles located close to the main entrances, and guided parking.
- Vertical mobility: fitting of elevators.



Renewable energy

Lar España has performed a **benchmarking exercise and issued requests for tender** from several photovoltaic panel suppliers, finally settling on POWEN.

The first two photovoltaic pilot schemes, in **Rivas Futura and in Portal de la Marina**, have already been approved.

Next steps will include completing the installations in Rivas and Portal de la Marina, performing a complete portfolio review of the portfolio with KPMG in order to analyse and select the best strategies to implement, review and negotiate contracts, and monitoring and conducting a progress study of the pilot schemes.

Green clauses in leases

As a mark of its commitment to uphold CSR principles among suppliers and tenants, Lar España applies strict standards for associates, working only with renowned suppliers that can certify their **internal monitoring processes and codes of conduct** to ensure compliance with due diligence requirements along the entire value chain.

Environmental and social commitment clauses have been included in the lease agreements at Lagoh, with reference to work on the individual leased premises. **Their inclusion in other contracts is underway** and is being monitored with a view to implementing them in the future.

Suppliers are monitored to ensure compliance with these clauses.





Employees and Society

Accessibility

Lar España is firmly committed to promoting social integration and is working to achieve and maintain **high accessibility standards via people-centred design**. Noteworthy developments include:

- Earning the International Symbol of Accessibility at each and every one of its centres, which is Lar España's **main goal**.
- Currently, **100% of the portfolio has undergone a universal accessibility audit**.
- In the second half of the year the following assets were awarded AENOR Universal Access seals certifying the **UNE 17001 standard**: Lagoh, El Rosal and As Termas, in addition to previously certified assets Vistahermosa and Vidanova Parc. Currently **seven assets** in the portfolio are awaiting UNE 17001 certification.

Commitment to society

As previously discussed, Lar España endeavours to contribute to society by **generating a positive impact**. Consequently, numerous projects involving social initiatives are underway.

Furthermore, in 2020, the harsh conditions imposed by the pandemic required us all, including Lar España, to do our very best in an effort to meet the challenge.

To **improve its social performance and maximise its impact**, the company will continue to forge ahead along the following lines of action:

- Looking for synergies in each asset by forming valuable connections that will have a **positive impact**.
- Monitoring the metrics and impact of COVID-19 derived initiatives and campaigns.
- Continuing to forge relationships with local associations so as to provide help in each community according to its needs.

5 assets
certificated
in Universal
Accessibility

**Improve its social
performance
and maximise its
impact**



Air quality

The company is **committed to improving air quality** and regulating the air temperature. In addition to the advances made in 2020, the company is working on:

- **Optimising HVAC systems** at the shopping centres so as to reduce energy consumption.
- Analysing **new technologies** for treatment of air quality adapted to the requirements of the properties.

