



Assets
in action!



Lar España Green Bond Framework

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www.larespana.com

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1. Introduction

Founded in 2014, Lar España is a listed real estate investment company and the leading retail player in Spain, holding a number one position in the Spanish market by owned gross leasable area (GLA). The company is a fully integrated developer, owner and operator of retail assets, that focuses on creating sustainable income and strong capital growth for shareholders through an intensive and professionalized management of its assets through an omnichannel strategy.

As of 2020, Lar España owns a high quality, multiproduct portfolio of 14 shopping centres and retail parks, with a gross asset value (GAV) of €1.4 Bn and 550k sqm GLA. Lar España's properties are flagship assets, dominant in their catchment areas and very modern, either newly developed or recently refurbished. Due to its optimal tenant mix and presence of blue-chip brands, our assets have consistently high occupancy and have outperformed the Spanish market throughout 16 consecutive quarters.

2. Sustainability

Our Vision

Lar España is aware of our impact on society, and therefore we strive to improve people's quality of life, bolster socioeconomic progress in Spain and deliver a sustainable financial return for our investors by managing our assets responsibly and creating wealth within our communities of operation.

The sector in which we operate embodies some of the most important issues facing today's society: urban development, housing stock availability, designing sustainable cities, responding to demographic changes and resource scarcity. This is why Lar España works transparently and proactively to promote active dialogue with a broad range of stakeholders on economic, social and environmental aspects, and in doing so, creates shared value for our shareholders and investors as well as for the environment in which we operate.

Lar España's ESG strategy is grounded on the following core principles:

- **Environment/Assets:** encouragement of **sustainable certifications, responsible management** of assets and improvements in their **ecological impact** (environmental mitigation) while always safeguarding the **economic viability** and financial returns on investments.
- **Social Capital:** commitment to have a **positive social impact** in our communities by implementing all necessary measures to ensure accessibility to all customers and engaging with local organizations.
- **Corporate Governance:** **transparency, ethics and regulatory compliance**, thereby guaranteeing good governance both in terms of the company and our governing bodies.

Lar España's Commitment to the United Nations Sustainable Development Goals

Lar España recognises its collective responsibility to achieve and promote the Sustainable Development Goals (SDGs), and has aligned its sustainability strategy with the United Nations 2030 Agenda, which represents the international commitment to addressing the social, economic and environmental challenges of globalisation.

In addition to our commitment to the Sustainable Development Goals, we are also members of the United Nations Global Compact. This demonstrates Lar España's commitment to aligning its operations with Ten Universally Accepted Principles in the areas of human rights, labour standards, environment and the fight against corruption, and to take action in support of the objectives of the United Nations currently set out in the Sustainable Development Goals (SDGs).

Lar España's sustainability strategy is closely aligned to the following "priority SDGs" as we believe that these are the areas in which we can make the biggest difference:

- SDG 5 Gender equality: Firmly committed to driving gender equality at the company, establishing female board representation of at least 30%, with the aim of raising this to 40% by 2022
- SDG 8 Decent work and economic growth: Enabling the creation of local jobs at all of our centres
- SDG 12 Responsible consumption and production: Carrying out recycling and used-clothing collection drives at our centres to foster a circular economy culture
- SDG 11 Sustainable cities and communities: Fostering sustainable mobility via access to public transport and the installation of electric vehicle charging stations in our centres
- SDG 13 Climate action: Working to reduce the emissions from shopping centres by upgrading facilities, particularly our HVAC and lighting systems, and also installing technology at our centres in order to track and reduce energy usage more frequently and with greater control
- SDG 17 Partnerships for the goals: Working with our stakeholders towards delivery of shared objectives and actively gathering feedback about what each of our stakeholder groups needs

BREEAM Certification

Lar España remains committed to participating in assessment and certification schemes to guarantee that the operation of all our properties is as sustainable as possible. For this reason, we have continued to work on the plan for the renewal of certifications obtained in previous years and on the improvement of qualifications in centres already certified.

In 2020, following the asset disposals and inaugurations during 2019, the 14 assets owned by Lar España are BREEAM certifiable, with 86% currently certified. When analysing the portfolio by retail subtypes, currently, 100% of our shopping centres are BREEAM-certified with a "Good" or "Very Good" rating, and 60% of eligible retail parks have this certification as well. As part of our commitment to sustainability, the process of certifying the rest of the portfolio's retail parks has begun, with the aim of having all of these properties BREEAM-certified by the end of 2021.

Environmental Action Plans

In 2021, work has been directed towards rolling out the following action plans with a view to significantly enhance 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.

Energy Efficiency Plan

In Q4 2020, Lar España finalised its Energy Efficiency Plan, and in doing so, completed its sustainability strategy, thereby aligning the company with national and international sustainability and energy efficiency targets and expectations. The aim is to achieve greater energy efficiency at our properties and secure certificates to support our environmental commitment and strive for global cultural change.

The Energy Efficiency Plan's implementation hinges on a series of measures adopted in previous years that are now incorporated into and aligned with the corporate strategy across all the portfolio's assets. Lar España will therefore continue to lead by example and serve as a benchmark for the sector, as well as for society in general, by seeking more than just the economic benefits of better energy management and efficiency.

In 2020, we decreased our electricity consumption by 16.5% LfL and our fuel consumption by 27.0% LfL.

Waste Management Plan

Lar España has implemented a Waste Management Master Plan with the overriding purpose of embedding circular economy processes across the company.

Following an internal and external assessment carried out in H1 2020, a roadmap for comprehensive waste management was created. Priority areas were identified and the supervisory model which was implemented in January 2021 was established to ensure greater monitoring and supervision of data on waste collection and processing. This data will be incorporated into the new automated platform referenced above.

The waste management plan is proof of Lar España's commitment to protecting the environment across all of its business activities, and its contribution to the sustainable development of the company's assets and of society as a whole. By incorporating waste management and circular economy measures for all of its operations and assets, we are actively participating in the fight against climate change. The prevention of pollution of the natural environment and the sustainable use of resources.

The plan covers aspects ranging from actions needed to optimise the collection, transport and processing of waste, to the design of and participation in initiatives that promote the circular economy in accordance with the principles of reduction and reuse.

In 2020, in light of the new methodology 41.5% of the total waste generated was recycled, compared to 35.3% in 2019 – this represents an improvement of 6.2% vs. 2019. Analysis of the volume of waste generated in absolute terms shows that the number of tonnes of recycled waste diminished by 23.1% (LfL) due to the substantial reduction in the total amount of waste generated.

Shopping Centre Data Automation

Over the course of 2020, Lar España completed the development of its automated platform which analyses data on the consumption of resources (water and energy) at its shopping centres and the mitigation of their environmental impact (waste management and control of GHG emissions), feeding

the information into a dynamic dashboard. This is a customised system that was designed and installed specifically for the company.

The platform, which went live on 1 January 2021, has already been fed with the consumption data for 2020 and prior years. The objective is to collect more frequent and comparable key data in order to increase the analysis capabilities of the departments involved in management, resulting in resource optimisation.

This will allow for tighter control over expenses and sharper response capabilities to implement corrective measures whenever necessary. Thanks to the enhanced data analysis capabilities provided by the platform, action plans can be drafted over the coming months to improve asset performance; this will become an essential tool in order to make progress towards the sustainability goals contained in Lar España's ESG Master Plan. This tool also enables the company to assess the efficiency and cost-effectiveness of the various projects and initiatives planned for the assets.

Carbon Footprint

Lar España registered its carbon footprint for 2018 and 2019 with Spain's Ministry for the Ecological Transition (MITECO), as part of Spain's national strategy (in line with European Union strategy). The process was verified by AENOR, Spain's standardisation and certification body, which reviewed all of the documentation submitted. This registration demonstrates Lar España's commitment to transparency and good sustainability practices, as well as our commitment to a process that will lead to a reduction in our carbon footprint in the coming years.

As part of this process, Lar España submitted its Greenhouse Gas (GHG) Reduction Plan Emissions Reduction Plan as another step towards carbon neutrality, and a further affirmation of the company's commitment to responsible and sustainable business operations. The GHG reduction plan aligns Lar España's operations with the emissions-cutting objectives contained in the most favourable scenarios modelled by the Intergovernmental Panel on Climate Change (IPCC) and further demonstrates its commitment to carbon neutrality, as well as its commitments to responsible and sustainable business activity.

One of Lar España's most notable achievements in 2019 was that over 90% of the energy consumed by Lar España's assets was generated from renewable sources which, alongside a nearly 4% drop in fuel consumption, contributed to a 45.9% year-on-year reduction in GHG emissions across Lar España's portfolio.

In 2020, following a further decline in energy consumption, the company achieved a substantial drop in Scope 1+2 GHG emissions (-18.9%), with LfL Scope 1+2+3 GHG emissions also down by 18.6%

Also in 2020, we voluntarily expanded its emissions reporting by adding Scope 3 (electricity and thermal energy billed to tenants), which represents further progress against our commitment to the collective fight against climate change.

Given the exceptional nature of 2020 due to the Covid-19 crisis and various lockdown measures instigated, and considerable LfL distortion between 2019 and 2020 with reliance on the footfall indicator, data was provided on the emissions intensity relating instead to the common areas sqm in order to have a constant denominator for 2019 and 2020.

Additional actions will be taken with the aim of shrinking the carbon footprint. These include setting up renewable energy installations for own consumption, energy consumption control automation

using a telematics measurement program, implementation of predictive maintenance programmes, gradual replacement of equipment by more efficient machines, and proactive inspection protocols for air conditioning, etc.

Improved Air Quality

One of Lar España's key priorities is to have a positive social impact on the communities in which it does business. The health and well-being of visitors are therefore key components of the company's business model. With this in mind, in 2020 work continued to improve air quality and regulate ambient temperature inside the company's buildings through the following initiatives:

- An invitation to tender was launched for air quality audits, to generate a database for each asset and to create performance methodologies that improve the current parameters.
- A pilot study has been carried out to analyse the effectiveness of innovative indoor air quality treatment systems at Parque Abadía.
- Temperature policy: all of Lar España's properties comply with Spanish regulations on thermal equipment in buildings (RITE).
- Polarisation filters have been installed in certain assets such as Lagoh.

Work is ongoing to study and assess different technology and systems that can bring about greater analysis and control of indoor air quality at the assets in the portfolio.

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 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 by Ilunion in terms of Universal Accessibility
- 33% of the assets already hold certification in UNE-EN170001 (AENOR seal of Universal Accessibility), and 50% of the portfolio is in the process of obtaining the certification
- Investment of €128,000 to improve accessibility in 2020 and a further investment of €315,000 in 2021

Global Sustainability Real Estate Benchmark

For the third year running, Lar España has taken part in the GRESB (Global Sustainability Real Estate Benchmark) assessment process, which has become the benchmark for assessing commitment to environmental, social and governance (ESG) issues in the real estate sector.

The score obtained represents an increase of 25% compared to the previous year, a percentage that rises to 50% if the score is compared to that obtained in 2018. This increase reflects the commitment that Lar España has always maintained to sustainability, to society and with the best practices of good governance.

3. Lar España Green Bond Framework

This Green Bond Framework (the “Framework”) illustrates the alignment between Lar España’s operations and financing on the one hand, and our commitment to the responsible management of assets and the creation of wealth within the communities in which we operate.

The Framework has been developed according to the Green Bond Principles (GBP) 2021¹, administered by ICMA. The Green Bond Principles are a set of voluntary guidelines which recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuing Green Bonds.

In line with the Green Bond Principles, Lar España’s Green Bond Framework is presented through the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework also follows the recommendations of the Principles and the SBG on external review and impact reporting.

a. Use of Proceeds



An amount equivalent to the net proceeds from Green Bonds issued pursuant to this Framework will be allocated to finance or refinance a selected pool of new and existing assets that promote the transition to low-carbon and climate resilient growth and which meet the criteria outlined below (“Green Asset Pool”).

In addition, each category has been identified as aligning with the applicable Sustainable Development Goal (“SDG”).

Eligibility Criteria

GBP Eligible Categories	Eligibility Criteria and Example Projects	SDG Targets
Green Buildings	1) New or existing commercial buildings owned and managed by Lar España	9.4 Upgrade infrastructure and retrofit

¹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

	<p>that have obtained or will obtain the below certifications²:</p> <ul style="list-style-type: none"> • Building Research Establishment Environmental Assessment Method (BREEAM): Outstanding, Excellent or Very Good; • Other equivalent internationally and/or nationally recognized certifications. 	<p>industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> 
Renewable Energy	<p>New or existing investments in or expenditures on the acquisition, development, construction and/or installation of renewable energy such as solar photovoltaic (PV) technology.</p>	<p>7.2 Increase substantially the share of renewable energy in the global energy mix</p> 

Collectively, the assets in the above categories will form the Green Asset Pool. Assets will be recognised at their market value and shall qualify for refinancing without a specific look-back period. Expenditures (if any) shall qualify for refinancing with a maximum three year look-back period before the issuance of the Green Bond.

b. Process Evaluation and Selection

Lar España has set up a Green Bond Committee (“Committee”) to oversee the project evaluation and selection process and ensure selected projects comply with the eligibility criteria defined in the Use of Proceeds section and with Lar España’s corporate responsibility strategy.

The Committee will be chaired by the CFO and furthermore composed of representatives from each of Lar España’s Technical, Asset Management, Corporate and Financing teams, and will meet twice per year. The Green Bond Committee will be responsible for:

- Reviewing and approving the selection of projects for the Green Asset Pool based on the selection criteria defined in the Use of Proceeds;
- Monitoring the Green Asset Pool, throughout the life of the Bond(s);

² A number of assets within Lar España’s portfolio are currently undergoing BREEAM re-certification. The new certificates are expected to be awarded before year-end 2021

- Removing from the Green Asset Pool any projects that no longer meet the eligibility criteria, and replacing them with new projects as soon as feasible;
- Reviewing and validating the annual report for investors and external verification.

c. Management of Proceeds

Lar España's Finance team will establish a Green Bond Register for the purpose of recording the assets and projects in the Green Asset Pool.

It is Lar España's intention to maintain an aggregate amount of assets in the Green Asset Pool that is at least equal to the aggregate net proceeds of all Green Bonds that are concurrently outstanding. However, there may be periods when a sufficient aggregate amount of assets have not yet been allocated to fully cover an amount equal to the net proceeds of all outstanding Lar España Green Bonds, either as the result of changes in the composition of the Green Asset Pool or the issue of additional Lar España Green Bonds. Any such portion of the net proceeds that have not been allocated to the Green Asset Pool will be maintained in cash and cash equivalents.

Lar España is committed on a best efforts basis to ensure the allocation of proceeds within 24 months of a Green Bond issuance.

Payment of principal and interest on the Green Bonds will be made from Lar España's general funds and will not be directly linked to the performance of the Green Asset Pool.

d. Reporting

Within one year from issuance of any Green Bond and annually until full allocation, Lar España will prepare and make readily available information on the allocation of net proceeds to the Green Asset Pool and associated impact metrics. The information will be made available on Lar España's corporate website and/or within its Sustainability Report.

Allocation Reporting

To the extent practicable, the Issuer will provide information such as:

- The total amount of proceeds allocated;
- The share of financing vs refinancing;
- The number of projects and level of certification; and
- The balance of unallocated proceeds.

Impact Reporting

To the extent possible, Lar España plans to report on the environmental impact in aggregate for the Green Bond project categories, together with the aforementioned allocation status in future Green Bond Reports. Examples of possible environmental indicators could include:

- **Green Buildings:**
 - Number and floor space of Green Buildings meeting the eligibility criteria

- BREEAM certification level (Outstanding, Excellent or Very good)
- **Renewable Energy:**
 - Total installed capacity (MW)

In addition, Lar España may provide qualitative descriptions of the outcomes and impacts of selected eligible projects funded. Where relevant, information will be provided on the impact assessment and data reporting methodologies applied by Lar España.

4. External Review

Second Party Opinion

Lar España has appointed ISS-ESG to provide an independent Second Party Opinion report (“SPO”) on this Framework. The SPO will be made publicly available on Lar España’s corporate website at: <https://www.larespana.com/>.

Verification

An independent external party will verify the internal tracking method and allocation of funds, confirming that an amount equivalent to the net proceeds of the Green Bond have been allocated in compliance with all material respects of the eligibility criteria set forth in the Green Bond Framework.

5. Disclaimer

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