Green Bond Allocation Report
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Introduction
Lar España is aware of the role that plays with its activity, committing to contribute in an ethical, responsible and sustainable way.

✓ 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 and an omnichannel strategy.

✓ As of 2023, Lar España owns a high quality, multiproduct portfolio of 14 shopping centres and retail parks, with a gross asset value (GAV) close to €1.5 Bn and more than 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, its assets have consistently high occupancy and have outperformed the Spanish market.
Once again, Lar España is well prepared for major uncertainties

Lar España is aware of its impact on society, and therefore it strives 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 the communities of operation.

The Company 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 shareholders and investors as well as for the environment in which the Company operates.

Company’s ESG strategy is grounded on the following core principles:

- **Environment**
  - Guarantee continuous improvement in environmental management, urban biodiversity, mitigation and adaptation to climate change, responsible use of resources, circular economy, well-being of customers, users, partners and employees.

- **Social Capital**
  - Commitment to have a positive social impact in the commercial relations and communities, measures to ensure accessibility and safe and healthy environment, to all customers and engaging with local organizations.

- **Corporate Governance**
  - Transparency, ethics and regulatory compliance, tax responsibility, sustainability commitments, promotion of the 2030 Agenda, and thereby guaranteeing good governance both in terms of the company and our governing bodies.

- **Assets**
  - Analysis of trends and national and international practices, monitoring of specific ESG-related operational targets and compliance with sustainability policies and the related risks, as well as risk management (especially non-financial risks).
In July and November 2021 Lar España issued two unsecured green bonds for a total amount of €700 million.

In accordance with the International Capital Markets Association (ICMA) Green Bond Principles, the rating agency Fitch assigned an investment grade or BBB rating to both Lar España and its green bond issue, ratified in July 2022.

**July Issuance**
- €400 Mn Nominal amount
- 1.75% Interest rate
- More than 4x Over subscription
- 2026 Maturity
- Senior unsecured green bond
- ISIN code: XS2363989273

**November Issuance**
- €300 Mn Nominal amount
- 1.84% Interest rate
- c. 5x Over subscription
- 2028 Maturity
- Senior unsecured green bond
- ISIN code: XS2403391886
During the first six months of 2023, Lar España has repurchased part of the bonds issued in 2021 for a total amount of €118.6 million, with the aim of reducing its leverage, registering a positive effect on the income statement and to generate a return on the Company’s available cash resources.

The first buy-back was completed in January for a total of €110 million: €98 million of the first bond issued in July 2021 in the amount of €400 million and maturing in 2026, and €12 million of the second bond issued in November 2021 in the amount of €300 million and maturing in 2028.

Subsequently, partial repurchases of the first bond maturing in 2026 were made during H1 2023, for a total amount of €8.6 million.

Thus, in July 2023, the outstanding amount of the bonds stands at €581.4 million.
2 Green Bond Framework
In July 2021, Lar España published its Green Bond framework, which is aligned with the Green Bond Principles (GBP) 2021 administered by ICMA\(^1\). 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.

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Lar España commissioned ISS ESG to assist with its Green Bond Framework by assessing three core elements to determine the sustainability quality of the instrument:

- Green Bonds link to Lar España’s sustainability strategy – drawing on Lar España’s overall sustainability profile and issuance-specific Use of Proceeds categories.
- Lar España’s Green Bond Framework (July 2021 version) – benchmarked against the International Capital Market Association’s (ICMA) GBPs.
- The eligibility criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs).

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\(^1\) [https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf)
As set out in the Green Framework, the net proceeds of Green Finance Instruments will be exclusively used to finance and/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”).

1. **Use of Proceeds:** An amount equivalent to the net proceeds from Green Bonds issued 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”).

2. **Process Evaluation and Selection:** Lar España has set up a Green Bond 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.

3. **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.

4. **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.
## Use of proceeds

The assets that comply with the categories below will form the **Green Asset Pool**. Assets will be recognized 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.

<table>
<thead>
<tr>
<th>Company</th>
<th>NACE</th>
<th>Eligible Category</th>
<th>Eligibility Criteria and Example Projects</th>
<th>Aligned SDG Target with the Eligible Category</th>
</tr>
</thead>
</table>
| Lar España REAL ESTATE SOCIMI, S.A | 7020 | Green Buildings | New or existing commercial buildings owned and managed by Lar España that have obtained or will obtain the below certifications:  
- Building Research Establishment Environmental Assessment Method (BREEAM): *Outstanding, Excellent or Very Good.*  
  *As of June 2023, 100% of the company’s assets are BREEAM-certified, 98% of them with an “Excellent” or “Very Good” rating.*  
- Other equivalent internationally and/or nationally recognized certifications (e.g.: ISO 14001) | 9.4 Upgrade infrastructure and Retrofit 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. |
| | | Renewable Energy | New or existing investments in or expenditures on the acquisition, development, construction and/or installation of renewable energy such as solar photovoltaic (PV) technology. | 7.2 Increase substantially the share of renewable energy in the global energy mix. On site solar energy projects. |
Eligibility Criteria

Lar España has a Green Bond Committee (hereinafter “the Committee”) to oversee the project evaluation and selection process and ensure selected projects comply with the Company’s corporate responsibility strategy and with the eligibility criteria.

The Committee is chaired by the CFO and furthermore composed of representatives from each of Lar España's Technical, Asset Management, Corporate, ESG and Financing teams, and meet more than 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).
• 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.

Management of Proceeds

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.
3 Reporting
All proceeds from the Green Bonds issued have been fully allocated to the Eligible Green Assets categories and have been fully used for refinancing purposes.

**Eligible Green Assets Portfolio value as at 30 June 2023**

Total Market Value of the Eligible assets €1,437 Mn(*)

Certified by independent appraisers.

**Green Funding:** The outstanding amount after the buy-backs carried out in 2023 stands at:

| July Issuance | ISIN code: XS2363989273 | 22/07/2026 | €293.4 Mn | Unsecured |
| November Issuance | ISIN code: XS2403391886 | 03/11/2028 | €288.0 Mn | Unsecured |
| | | | €581.4 Mn |

Thus, the market value of the assets considered eligible exceeds the outstanding amount of the bonds issued in 2021.

(* ) This amount includes the value of Rivas Futura and Vistahermosa retail parks for a total amount of 128.0 million euros that were divested in July 2023.

(**) Outstanding amount of bonds after buy-backs in 2023.
Eligibility Criteria and Example Projects:
New or existing commercial buildings owned and managed by Lar España that have obtained or will obtain the below certifications:

Building Research Establishment Environmental Assessment Method (BREEAM)

Excellent or Very Good

All proceeds from the Green Bonds issued have been fully allocated to the Eligible Green Assets categories and have been fully used for refinancing purposes.
Process of Evaluation and Selection

The ESG Committee drives management of ESG skills in the Company’s various departments. The Committee is chaired by the CFO and it comprises a cross-functional upper management team with various departments involved in managing assets who work to lay down a common strategy in all of them: the whole ESG team, Asset Managers, Property managers, Corporate and Finance Teams and the Technical department. The open and active dialogue between all its members has played a pivotal role in establishing guidelines and key projects, as well as in overseeing and monitoring other issues and proposals.

It takes responsibility for the following issues:

- Undertaking environmental initiatives with a direct positive impact.
- Promoting asset health and safety.
- Implementing social responsibility measures.
- Addressing other matters of public order.

The ESG Committee held 3 meetings in 2022, all based on open dialogue among members and clear guidelines for overseeing and monitoring the ESG strategies and practices followed during the year, in addition to proposing the launch of new initiatives.

In addition, the Committee apart from monitoring the ongoing projects and evaluating the next actions to be implemented in the portfolio, constantly monitors compliance with the requirements established in the Green Bond Framework and, in the case of new additions to the portfolio financed with the bonds, will analyze the characteristics of the assets and their alignment with the requirements established in the bond issuance.

In H1 2023 the Committee has held 3 meetings. Some of the issues addressed in these meetings included:

- Sustainable mobility.
- Climate risks and decarbonisation.
- Sustainability certifications (e.g.: BREEAM, Universal Accessibility, ISO 14001 and ISO 45001).
- Tracking implementation of green clauses.
- Developing the process to calculate the Company’s Water Footprint and drawing up the new water consumption reduction plan for the portfolio.
ESG Driven

Since 2014, Lar España has been working on the development of an ESG Master Plan to articulate its sustainability strategy. As an example of this, the Company’s first Sustainability/ESG Policy was approved in 2015.

On the other hand, the Company participates in the most important corporate and Real Estate-specific ratings, meeting the highest standards of transparency such as:

In 2020 Lar España joined the United Nations Global Compact and signed the letter of commitment, thus showing its intention to align its strategy with the United Nations 2030 Agenda. Since then, the Company has taken part in the SDG Ambition Accelerator Programme (2022) as well as in the Climate Ambition Accelerator Programme (2023) for setting out quantifiable emissions reduction targets with great insights in CDP and SBTi.

Lar España benefits from a bespoke platform that has been specifically designed to cater for the exact needs of its business and that dynamically displays and tracks the use of resources at its properties (water and energy) and to what extent their environmental impact (waste management and GHG emissions) is being mitigated.

The company have continued to pursue ongoing projects as well as launching new initiatives aimed at consolidating its position as an industry leader in ESG:

Decarbonisation strategy
Waste Management Plan
Sustainable Mobility

Lar España considers assessing the potential climate change risks to which its portfolio could be exposed a crucial part of executing its strategy. Therefore, in 2022, it began studying the climate-related risks of its assets under the framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD), which was created by the Financial Stability Board (FSB).
Lar España continues to demonstrate its **firm commitment to sustainability and the environment**. The Company undertakes sustainable projects and focus the strategy on enhancing energy efficiency, with the aim of reducing the environmental impacts of its business:

Since the bonds issued are unsecured, there are no specific assets that are established as linked to the issues. However, below are the results relating to consumption and emissions recorded in Lar España’s asset portfolio during the year 2022:

<table>
<thead>
<tr>
<th>GHG Emissions</th>
<th>Energy Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1+2+3</td>
<td>Electricity consumption</td>
</tr>
<tr>
<td>Per visitor</td>
<td>-27.8% vs 2015</td>
</tr>
<tr>
<td></td>
<td>Fuel Consumption</td>
</tr>
<tr>
<td>-95.3% vs 2015</td>
<td>-32.3% vs 2021</td>
</tr>
<tr>
<td>(Market-based)</td>
<td>Intensity of Energy</td>
</tr>
<tr>
<td></td>
<td>consumption/visitor</td>
</tr>
<tr>
<td>-45.0% vs 2021</td>
<td>-15.4% vs 2021</td>
</tr>
</tbody>
</table>

**Non-renewable electricity** -55.0% vs 2021

100% of energy consumed by Lar España has guarantees of renewable origin.

Lar España is in the process of registering its carbon footprint for a **fifth consecutive year**, submitting its footprint for 2022 with the Ministry for the Ecological Transition and the Demographic Challenge (MITERD). As part of this process, it will once again receive **independent verification of its calculation** and of the accompanying documentation from Bureau Veritas.

In order to assess 2022 Lar España’s environmental performance, two key factors must be taken into consideration:

- **Footfall 2022 +8.1% vs 2021**
- **High thermal anomalies**
- **EPRA Gold Award** for ESG Reporting, 5 years in a row
- **EPRA Gold Award** for Financial Reporting, 8 years in a row
- **ESG Committee**
  - 3 meetings in 2022 and 3 meetings in H1 2023
  - All based on open dialogue among members and clear guidelines for overseeing and monitoring the ESG strategies and practices followed during the year, in addition to proposing the launch of new initiatives.
  - Environmental initiatives
  - Health and safety in our assets
  - Corporate social responsibility actions
  - Sustainability measures
  - Other public policy matters
Independent Limited Assurance Report
EY has provided limited audit on the elements and data related to the use of the Bonds with the financing green instruments.

With this report, Lar España complies with the commitment assumed in the Green Bond Framework to report on the allocation of the proceeds to refinance a portfolio of 100% BREEAM-certified assets.

The document includes information on the use and allocation of the funds and the impact of the two Green bonds issued till the date.
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