

4.3 Environmental initiatives

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

Lar España continues to make proactive progress on the commitments assumed under the scope of its **Corporate Social Responsibility policies**, specifically including those assumed along the environmental dimension. Lar España is committed to the use of tools for rating and certifying its assets in order to vouch for their sustainability. Note that **100% of the shopping centres owned by Lar España are now BREEAM® certified**. BREEAM® (Building Research Establishment Environmental Assessment Methodology) is the world's foremost environmental assessment method and rating system for buildings.

In its property developments (both its shopping centres and its residential development - Lagasca99), the company is applying all of its know-how and the latest technology to develop **sustainable, environmentally- and user-friendly buildings**. Indeed, it is specifically designing and planning the projects in order to obtain the prestigious BREEAM® sustainability seal. Lagasca99 has obtained "Very Good" New Construction BREEAM® certification for the design phase.

In September 2018, Lar España obtained the **EPRA Gold Award** for the information provided in its **Corporate Social Responsibility and Sustainability Report**. That accolade represents a new milestone in its transparency effort, improving upon its achievements in 2017: the EPRA Silver Award and EPRA Most Improved Award. Lar España is currently in the process of implementing its **CSR Master Plan, which is articulated around the most stringent sustainability standards** (general and sector-specific), the recommendations made by the securities market regulator, its stakeholders' legitimate expectations, the United Nations Sustainable Development Goals (SDGs) and the priorities for the business for the years to come.



In 2018, Lar España participated for the first time in the Global Real Estate Sustainability Benchmark (**GRESB**) assessment, which in the last five years has emerged as a benchmark framework for assessments of performance along environmental, social and governance (ESG) aspects in the real estate sector. In 2017, 850 property companies and real estate investment funds from 62 countries, which between them represented USD 3.7 trillion of assets under management, participated in this assessment. More than 70 institutional investors, including pension funds and insurance companies (representing over USD 18 trillion in institutional capital) use GRESB data and analytical tools to engage with investment managers to enhance and protect shareholder value.



Submission to this assessment evidences Lar España's commitment to transparency and is framed by the company's ongoing effort to improve continuously in the CSR arena.

Indeed, the **CSR Master Plan** articulates the targets and programmes devised to enable Lar España to continuously enhance its real estate activities.



Environmental Performance

A) Environmental initiatives in the shopping centres

Lar España has implemented a series of activities at its shopping centres with the goal of **enhancing their environmental performance** and raising user awareness in order to engage them in this effort. Specifically, it has taken the following measures:



Electricity

Negotiation of capacity charges and rates.

Lighting: light sensors and LED technology.

HVAC: Free-cooling technology.

Process systematisation: BMS and SCADA.

Power generation: installation of photovoltaic solar panels



Gas/Gasoil

Boilers: Replacement of burners, utilization of waste heat from other installations, use of thermal plates, use of ecological fuels, etc.

Solar thermal panels: Installation of solar thermal panels for the production of hot water (hot water and hot water for heating).



Water

Irrigation systems: Control of water consumption for gardening, efficient irrigation systems, use of autochthonous plants (have fewer needs), wastewater reuse purified, etc.

Toilets and common areas: Reduction of working pressure of the pumps, replacement of fluxor cartridges, taps with presence sensors, installation of counters in different areas, etc.



Environmental actions

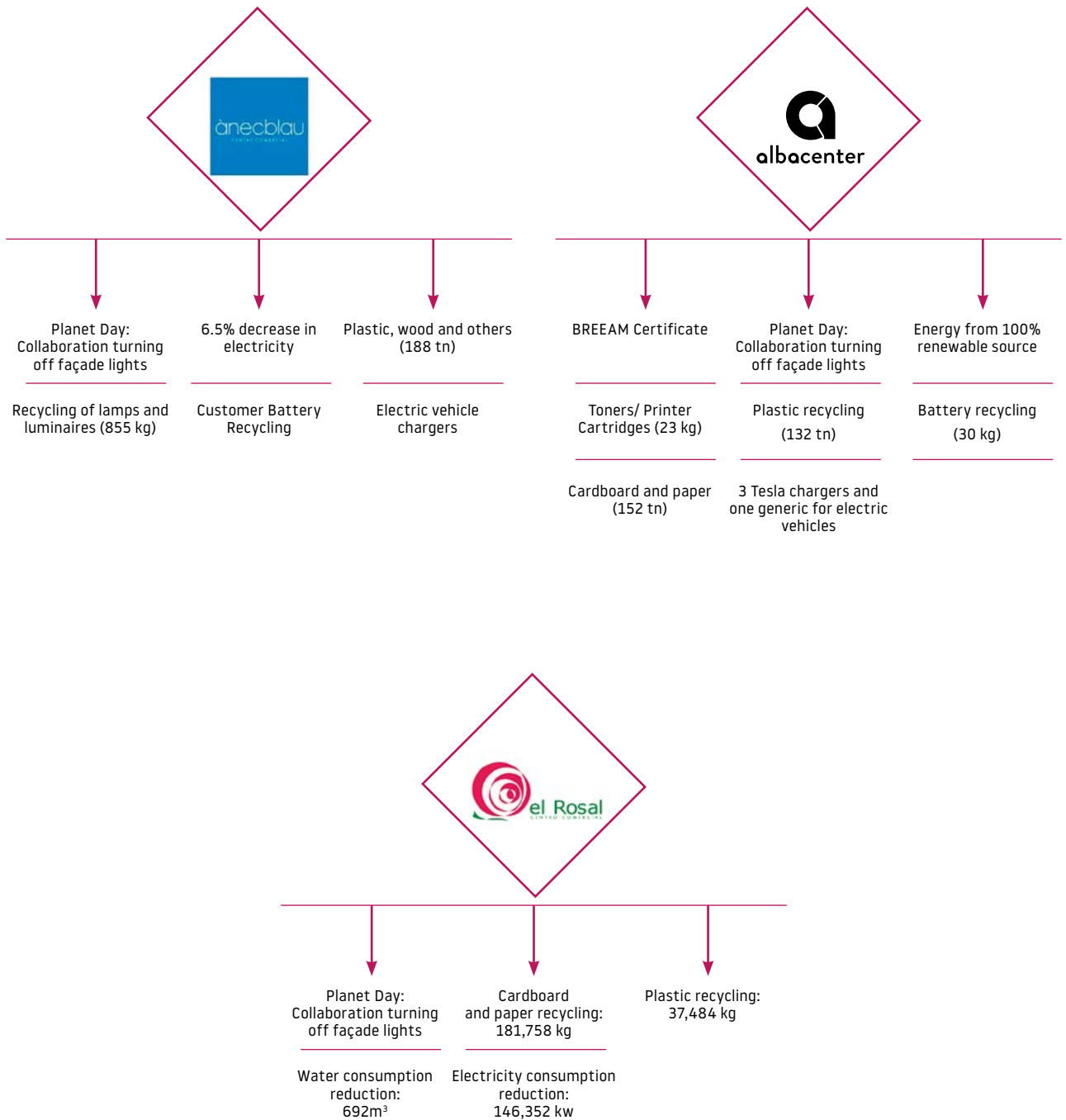
Encouraging the use of public transport, municipal bicycles and parking.

Trigeneration: an absorption system is incorporated into the process (of heat) that allows to obtain refrigeration from a heat source (heat from cogeneration). During the winter the heat is used for DHW and heating, and in summer, it allows to generate refrigeration for air conditioning.

Reduction of electricity consumption.

Reduction of water consumption.

We highlight the following actions carried out in 2018 in our main shopping centres:





Planet Day:
Collaboration turning
off façade lights (81 kw)

Water
consumption reduction:
12.9%

Plastic recycling:
27,500 kg
(+6.5% vs 2017)

Cardboard and paper
recycling: 208,600 kg
(+9.5% vs 2017)

Customer
Battery Recycling:
500kg
(+3.5% vs 2017)

Selective collection
of more than 47,700 kg
of other waste
(+9% vs 2017)

New renewal system
focused on efficiency
energy: LED lighting
and air curtains



Water
consumption reduction:
452m³

Electricity
consumption reduction:
446,748 kw

Cardboard
and paper recycling:
107 Tn

Plastic recycling:
5 Tn



Planet Day:
Collaboration turning
off façade lights

Electricity
consumption reduction:
32,622 kw

Water
consumption reduction:
568 m³

Cardboard
and paper recycling:
204,360 kg

Recycling of 700 Kg
of used clothing

Wood recycling:
9,640 kg

Plastic recycling:
5,994 kg

B) Environmental initiatives in office buildings

The main initiatives undertaken at Lar España's office properties in 2018 were aimed at **reducing power consumption and enhancing energy efficiency**.

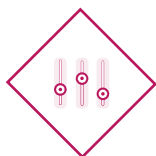
Egeo Building	Situation	Divestment 17/01/2018
	Environmental Initiatives	Obtaining BREEAM Certification (Part 1 - Building) rating GOOD In process: BREEAM Certification (Part 2 - In Use)
Eloy Gonzalo Building	Environmental Initiatives	Air-conditioning: Completion of renovation work on air-conditioning and insulation installations and putting into use in 2018.
		Obtaining BREEAM Certification (Part 1 - Building) rating VERY GOOD. Obtaining energy rating A
Marcelo Spínola Building	Situation	Divestment 30/01/2019
	Environmental Initiatives	Obtaining BREEAM Certification (Part 1 - Building) rating VERY GOOD Two charging points have been installed for electric vehicles.
Joan Miró Building	Situation	Divestment 28/12/2018
	Environmental Initiatives	HVAC: Refurbishing process including the improvement of HVAC and insulations



C) Environmental Initiatives in residential buildings

The Lagasca99 residential property, construction of which began in 2016 and was completed in 2018, is **BREEAM®-certified**, thereby guaranteeing more stringent sustainability standards in the construction, operation and maintenance of this property along with the reduction of its environmental footprint.

The following measures have been taken to **reduce its environmental impact**:



An envelope designed to deliver higher insulation performance standards than are required in Spain's Building Code.



LED lighting.



Homes to be fitted with class A or A+ household appliances.



Home automation systems to maximise energy efficiency in the common areas and housing units.



Individual heating system with independent thermostats.

Indoor Air Quality measurement

Lar España, as part of its commitment to improving the well-being of society, has initiated a systematic process of **measuring air quality inside its assets**. To date, the following buildings have been evaluated:

- **Shopping centres:** Albacenter; Anec Blau; A Termas; Gran Vía de Vigo; Las Huertas and Portal de la Marina
- **Offices:** Cardenal Marcelo Spínola and Eloy Gonzalo

Indoor air quality has a direct impact on quality of living: it is estimated that city dwellers spend between 58% and 78% of their time inside contaminated interiors.

The indoor air quality problem has been exacerbated in recent years by the construction of increasingly hermetically sealed buildings, making it harder to recycle the air inside and, often times, resulting in poorer quality air indoors than outdoors.

Indoor air can contain mould, pollen, bacteria or a range of volatile organic compounds that are bad for our health and accentuate the respiratory problems suffered by people with allergies. In addition, many of the materials used widely in the construction industry have harmful health effects, making it vital to measure indoor air quality regularly and roll out measures for improving it.

The measurements carried out by Lar España pave the way for a forward-looking action plan to **offset the majority of the ramifications of poor indoor air quality for health and wellbeing**.



Methodology

With the goal of compiling and reporting on the information needed to comply with the **EPRA Sustainability Performance Measures**, Lar España has used the following sources of information and made the following assumptions:

All properties

In 2018, **the criterion by which annual consumption is imputed to the surfaces of Shopping Centres has been revised**. Common outdoor spaces have been excluded, such as: landscaped areas, passable roofs, uncovered car parks, etc. Although these spaces consume electrical energy in their lighting and irrigation water, they do not constitute constructed surfaces nor are they rentable surfaces. This has led in some assets to a review of the consumption intensities per square metre allocated in 2017 with respect to this 2018 report.

Based on the bills paid by Lar España, the Company reports on its energy and water consumption; the electricity, gas and other fuel consumption figures exclude the utilities contracted directly by its tenants. None of Lar España's assets use district heating and cooling.



Retail

The owner does not supply HVAC services in this instance, although it does supply warm water for use in the tenant's HVAC systems.

In calculating CO₂ consumption and emission intensity performance measures, the consumption for paid by the owner is allocated to the common parts area of the shopping centres. In addition, the GHG emissions ratio and energy and water consumption intensities are calculated per visitor and year.

$$\text{Water consumption intensity} = \frac{\text{Consumption paid by the owner}}{\text{Communal areas}}$$

$$\text{Energy intensity} = \frac{\text{Consumption paid by the owner}}{\text{Communal areas}}$$

$$\text{CO}_2 \text{ emissions intensity} = \frac{\text{Emissions generated by the consumption paid by the owner}}{\text{Communal areas}}$$



Offices

The owner pays for all of the water consumed in the buildings. Water consumption intensity is calculated by dividing total consumption by the common parts area.

$$\text{Water consumption intensity} = \frac{\text{Consumption paid by the owner}}{\text{Communal areas (ZCE)}}$$

The owner supplies the tenants with heating, ventilation and air conditioning (HVAC) services. To calculate energy consumption and CO₂ emission intensity, the total energy consumption paid for by the owner is allocated to the sum of the floor area of the common areas of the building and the lettable floor areas, measured using the standard prescribed by the Spanish Office Association (AEO, 2014).

$$\text{Energy intensity} = \frac{\text{Consumption paid by the owner}}{\text{Sup. elem.com.(ZCE)+Sup.elem.priv.(MI)}}$$

$$\text{CO}_2 \text{ emissions intensity} = \frac{\text{Emissions generated by the consumption paid by the owner}}{\text{Sup.elem.com.(ZCE)+Sup.elem.priv.(MI)}}$$

The GHG emissions and energy and water consumption ratios are also calculated per job and year.

2018 environmental performance scope

With the aim of comparing in a proportional way the consumption for the years 2017 and 2018, in the following tables are not include the assets acquired during 2018:

- Abadía retail park
- Rivas Futura retail park
- Cardenal Marcelo Spínola office building
- Two new lots at the Megapark shopping centre

The consumption for the year 2018 including those assets is the following:

- **Electric consumption:** 21.863.357 kWh
- **Fuel consumption:** 1.936.433 kWh
- **Water consumption:** 122.162 m³
- **Waste generation:** 2.122,8 toneladas
- **Equivalent CO2 emissions:** 2.057.372 kg eq CO₂

Regarding BREEAM certifications, including those assets, the total of **BREEAM certified** buildings is 11.

a) Assets 100% owned by Lar España

In its two wholly-owned and fully operative office buildings and six wholly-owned shopping centres, **Lar España can report on the energy and water consumption** it contracts and pays for in its capacity as owner. Note that it does not yet have information about the consumption directly contracted by its tenants.

c) Lar España properties in planning or under construction

The following ongoing **developments are excluded** from Lar España's environmental performance reporting effort: Lagoh **shopping centre** (Seville), VidaNova Parc **retail park** (Sagunto) and the Lagasca99 **residential development** (Madrid).

b) Assets co-owned by Lar España

In the case of the properties jointly owned by the Company (four shopping centres: Las Huertas, Txingudi, As Termas and Megapark) **Lar España does not have full autonomy to introduce and apply its sustainability policies**. However, it Lar España influences the adoption of sustainability and energy efficiency measures at these properties.

d) Lar España assets managed by the tenants

Assets in where it **tenants directly contract their utilities are excluded from Lar España's environmental performance** reporting effort. They also directly manage their waste collection and recycling.



OPERATIONAL LIMITS AND COVERAGE

At the corporate level, Lar España leases two floors of an office building that is not part of its property portfolio (it shares its offices with the Management Company's employees). Therefore, the environmental policies outlined in this report can only be applied to a limited extent.

In this instance the data are reported as a corporate expense and are therefore excluded from the Company's environmental performance calculations.



Environmental Performance

Lar España's environmental performance in 2018 was calculated on the basis of the **EPRA Sustainability Performance Measures**, bearing in mind the limits, coverage and information-sourcing methodology outlined above.

At the asset level:

Below are the performance calculations:

A. Energy consumption performance

In 2018, overall **electricity and gas consumption** across Lar España's shopping centres (retail) and office buildings **decreased by 3.8% and 3.4%**, respectively, compared to 2017.

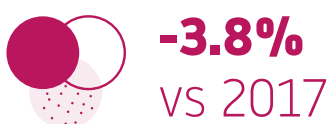
EPRA Sustainability Performance Measures

EPRA code	Unit of measurement	Indicator	TOTAL LAR ESPAÑA ASSETS			TOTAL LAR ESPAÑA RETAIL			TOTAL LAR ESPAÑA OFFICES			
			2017	2018	Like-for-like change	2017	2018	Like-for-like change	2017	2018	Like-for-like change	
Elec-Abs, Elec-LfL	kWh	Electricity	Consumption of electricity from non-renewable sources	3,288,458	3,201,711	-2.6%	2,673,066	2,593,609	-3.0%	615,392	608,102	-1.2%
			Consumption of electricity from renewable sources	18,090,143	17,351,196	-4.1%	18,090,143	17,351,196	-4.1%	No data	No data	No data
			Consumption sub-metered to tenants	No data			No data			No data		
			Electricity generated and dispatched to the grid	261,915	229,202	-12.5%	261,915	229,202	-12.5%	0	0	0.0%
			Total landlord electricity consumption	21,116,686	20,323,705	-3.8%	20,501,294	19,715,603	-3.8%	615,392	608,102	-1.2%
EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption	Not applicable. None of Lar España's assets have district heating & cooling systems (DH&C-Abs)								
Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord fuel consumption	1,877,563	1,813,015	-3.4%	1,659,072	1,813,015	9.3%	218,491	0	-100%
Energy-Int	kWh/sqm/year		Energy intensity in buildings per sqm	41.7	40.2	-3.7%	41.3	40.1	-2.9%	57.9	42.2	-27.1%
Number of assets within boundary				12 out of 12			10 out of 10			2 out of 2		
Proportion of disclosed data estimated				0.00%			0.00%			36.00%		
Cert-tot	Applicable assets			12 out of 12			10 out of 10			2 out of 2		
	%	BREEAM certifications			91.7%			100.0%			50.0%	

(*) The "proportion of disclosed data estimated" was not provided in 2017.

Energy intensity per square metre declined by around 3.7% in 2018, thanks to the efforts made by Lar España during the year to reduce energy consumption across its portfolio.

Electricity consumption in KWh



2017

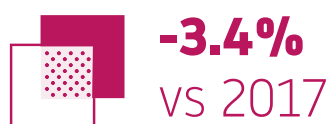


2018



■ Retail ■ Offices

Gas consumption in KWh



2017

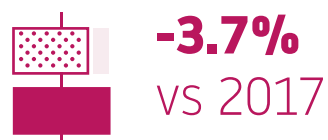


2018



Gas consumption per square metre decreased by 3.7% across Lar España's overall asset portfolio. The decline was observed in its retail assets (-2.9%) and in its office buildings (-27.1%).

Change in energy consumption in kWh/sqm



2017



2018



B. GHG emissions performance

Greenhouse gas emissions are calculated by multiplying electricity and fuel consumption (kWh) by the corresponding emission factor, provided by the Spanish Ministry of Ecological Transition, as shown below:

2017

- 0.051 kg CO₂e / kWh of electricity
- 0.252 kg CO₂e / kWh of gas

2018

- 0.052 kg CO₂e / kWh of electricity
- 0.029 kg CO₂e / kWh of gas

In 2018, Lar España consumed **electricity generated from renewable sources** at eight of its shopping centres (one more property than in 2017). This effort had a positive impact on the reduction in GHG emissions attributable to Lar España's property portfolio in comparison with 2017.

EPRA Sustainability Performance Measures

Area of Impact	EPRA code	Unit of measurement	Indicator	TOTAL LAR ESPAÑA ASSETS			TOTAL LAR ESPAÑA RETAIL			TOTAL LAR ESPAÑA OFFICES		
				2017	2018	Like-for-like change	2017	2018	Like-for-like change	2017	2018	Like-for-like change
Greenhouse gas emission allowances	GHG-Dir-Abs, GHG-Dir-LfL	kg CO ₂ e	Direct emissions Scope 1 (fuel)	473,146	456,880	-3.4%	418,086	456,880	9.3%	55,060	0	-100%
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions Scope 2 (electricity)	1,088,479	1,059,766	-2.6%	884,785	858,485	-3.0%	203,695	201,282	-1.2%
			Indirect emissions Scope 3		No data		No data		No data			
			Total Scope 1 + 2	1,561,625	1,516,646	-2.9%	1,302,871	1,315,364	1.0%	258,754	201,282	-22.2%
	GHG-Int	kg CO ₂ e/sqm/year	Greenhouse gas emissions intensity per square metre	2.8	2.8	-2.9%	2.4	2.4	1.0%	0.5	0.4	-22.2%
Number of assets within boundary				12 out of 12			10 out of 10			2 out of 2		
Proportion of disclosed data estimated				4.00%			0.00%			36.00%		

(*) Note: the floor area used to calculate the GHG-Int indicator corresponds to the common parts area for shopping centres and the common parts and private areas for office buildings.

In 2018, Lar España managed to cut its GHG emissions by 2.9%, from 1,562 tonnes of carbon dioxide equivalent to 1,517 tonnes. The reduction in GHG intensity (kg CO₂e/sqm) was the same in percentage terms.

GHG emissions in kg CO₂e/sqm

2017



2018



■ Retail ■ Offices

Change in GHG intensity in kg CO₂e/sqm

2017



2018



 **-2.9%**
vs 2017



C. Water consumption performance

Lar España's properties' total water consumption increased by 0.7% from 2017, which translates into a 1.5 litre increase per square metre.

EPRA Sustainability Performance Measures

Area of Impact	EPRA code	Unit of measurement	Indicator
Water	Water-Abs, Water-LfL	m ³	Water consumption in common parts area
	Water-Int	litres / sqm / year	Water consumption intensity per square metre
		litres/ person / year	Water consumption intensity per visitor in the retail segment and per employee in office segment
Number of assets within boundary			
Proportion of disclosed data estimated			

(*) Note: the floor area used to calculate the Water-Int indicator corresponds to the common parts area for both the shopping centres and the office buildings.

(**) The number of office jobs averaged 887 in 2018 compared to 608 in 2017.

Water consumption in m³

2017



108,526

2018



109,326

■ Retail ■ Offices

Change in water consumption in litres/sqm/year

2017



201.1

2018



202.4

Variation of water consumption in litres/person

2017



2018



TOTAL LAR ESPAÑA ASSETS			TOTAL LAR ESPAÑA RETAIL			TOTAL LAR ESPAÑA OFFICES		
2017	2018	Like-for-like change	2017	2018	Like-for-like change	2017	2018	Like-for-like change
108,526	109,326	0.7%	104,793	105,150	0.3%	3,733	4,176	11.9%
201.0	202.4	0.7%	195.2	195.9	0.3%	1,183	1,324	11.9%
2.0	2.0	1.9%	1.9	2.0	1.5%	6,139	4,709	-23.3%
12 out of 12			10 out of 10			2 out of 2		
1.00%			0.00%			18.00%		



D. Waste management performance

In total, Lar España's properties generated 5.6% more waste in 2018 than in 2017. Thanks to Lar España's waste management, **54.6% of this was recycled, meaning that the total amount of recycled waste rose 1.8% y-o-y.**

Waste management was particularly effective across its retail properties, where there was an **8% y-o-y increase in the amount of materials** incorporated into the circular economy – thus avoiding natural resources going to waste.

EPRA Sustainability Performance Measures

EPRA code	Unit of measurement	Indicator	TOTAL LAR ESPAÑA ASSETS			TOTAL LAR ESPAÑA RETAIL			TOTAL LAR ESPAÑA OFFICES		
			2017	2018	Like-for-like change	2017	2018	Like-for-like change	2017	2018	Like-for-like change
Waste-Abs, Waste-LfL	Tonnes	Waste generation	2,009.3	2,122.8	5.6%	2,009	2,108	4.9%	No data	14.9	-
	%	Waste recycled	52.9%	54.6%	1.8%	45%	52.9%	7.9%	No data	11.9%	-
		Number of assets within boundary	10 out of 15	9 out of 12	-	8 out of 10	8 out of 12	-	0 out of 4	2 out of 2	-
	%	Proportion of disclosed data estimated	0%	0%	-	0%	0%	-	No data	0%	-
Cert-tot		Applicable assets	12 out of 12			10 out of 10			2 out of 2		
	%	BREEAM certifications	64.3%	91.7%	27.4%	80.0%	100.0%	20.0%	25.0%	50.0%	25.0%

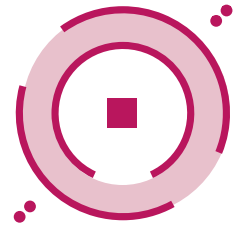


At the corporate level:

Below are the energy consumption, GHG emissions, water consumption and waste generation performance measure calculations at the corporate level:

EPRA Sustainability Performance Measures

Area of Impact	EPRA code	Unit of measurement	Indicator	
Energy	Elec-Abs, Elec-LfL	kWh	Landlord electricity consumption - shared utilities	
			Consumption sub-metered to tenants	
			Electricity generated and dispatched to the grid	
			Total landlord electricity consumption	
	EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption
	Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord fuel consumption
Energy-Int		kWh/m ² / year	Building energy intensity per square metre	
		kWh/ employee / year	Building energy intensity per employee	
Greenhouse gas emission allowances	GHG-Dir-Abs, GHG-Dir-LfL	kg CO ₂ e	Direct emissions	Scope 1
			Indirect emissions	Scope 2
			Indirect emissions	Scope 3
			Total	Scope 1 + 2
	GHG-Int	kg CO ₂ e / m ² / year	GHG emissions intensity per square metre	
Water	Water-Abs, Water-LfL	m ³	Water consumption	
			Water consumption intensity per square metre	
	Water-Int	litres/ employee / Year	Water consumption intensity per employee	
Waste	Waste-Abs, Waste-LfL	Tonnes	Waste generation	
		%	Waste generation	
		%	Proportion of disclosed data estimated	



Coverage	LAR España Corp Offices - Contribution by the 4 LAR España employees			TOTAL Lar España Corporate Offices		
	2017	2018	Like -for- like change	2017	2018	Like -for- like change
	7,585	3,842	-49.3%	149,332	90,170	-39.6%
1 out of 1	N/A			N/A		
	0	0	0,0%	0	0	0.0%
	7,585	3,842	-49.3%	149,332	90,170	-39.6%
1 out of 1	N/A			N/A		
1 out of 1	0	0	0.0%	0	0	0.0%
1 out of 1	108.4	60.7	-44.0%	108.4	60.7	-44.0%
1 out of 1	1,896.3	1,024.7	-46.0%	1,896.3	1,024.7	-46.0%
	0	0	0.0%	0	0	0.0%
1 out of 1	2,511	1,272	-49.3%	49,429	29,846	-39.6%
	N/A			N/A		
	2,511	1,272	-49.3%	49,429	29,846	-39.6%
1 out of 1	35.9	20.1	-44.0%	33.3	20.1	-39.6%
1 out of 1	627.7	339.2	-46.0%	627.7	339.2	-46.0%
1 out of 1	38	30	-21.6%	751	702	-6.5%
1 out of 1	0.5	0.5	-13.4%	0.5	0.5	-13.4%
1 out of 1	9.5	8.0	-16.4%	9.5	8.0	-16.4%
	No data	No data	-	No data	No data	-
0 out of 1	No data	No data	-	No data	No data	-