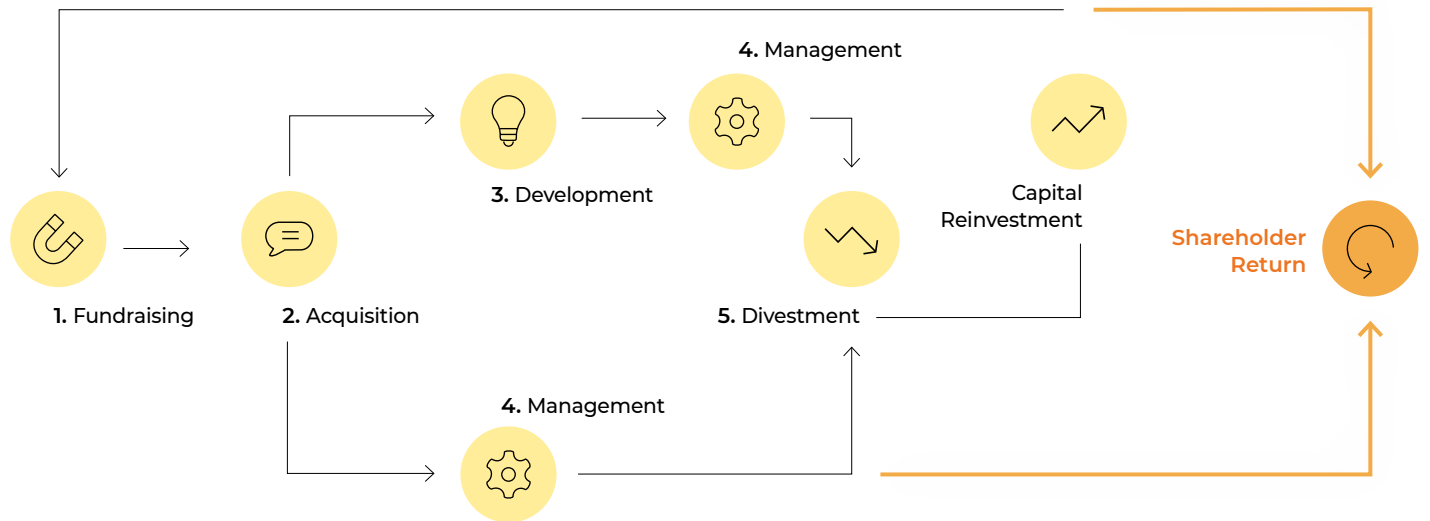




# 1.1 Business model



**1** 

The investment and **real estate management process begins** at the level, where investment decisions are made and **financing** obtained through:


- > Financial Markets (IPO and share capital increases).
- > Bank Financing.
- > Alternative Financing (Bonds)

**2** 


Once an in-depth analysis of the investment opportunity and its future returns has been carried out, a **decision to purchase** is then made.

**3** 

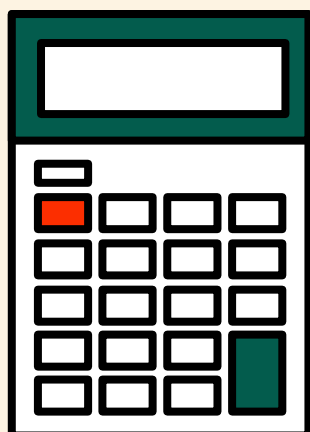
In the property **development, construction and refurbishment phases**, we pay special attention to reducing negative environmental and social repercussions.

**4** 

We look at the deal from an **active management** point of view, analysing the most efficient way to conserve the properties paying particular attention to aspects such as sustainability, innovation, accessibility, ensuring value creation for all of our stakeholders.

**5** 

We sell our properties at the optimal moment, after **maximising their value creation**, and ensuring that returns have been achieved in line with those approved in the acquisition process.





Shopping Centre  
Ànec Blau (Barcelona)

## 1.2 Corporate strategy and positioning

### Who are we?

**Lar España Real Estate SOCIMI, S.A.**, (hereinafter Lar España) is a SOCIMI (Listed Real Estate Investment Company) that has been listed on the Madrid Stock Exchange since 5 March 2014.

It was founded at an **ideal juncture in the Spanish property cycle**, when real estate prices had just bottomed out at record lows and the real estate market was entering a new cycle. Lar España also ushered in a change of trend for the Stock Market, as it was not only **the first Spanish SOCIMI to be floated**, but it was also the very first listing to take place following a three-year dearth, and the first listing of a real estate company in seven years.

The objective set out for the Company when it was first created was to invest in the Spanish real estate market under a long-term asset management plan. A plan, aimed at generating **high returns for its shareholders**, via the payment of considerable annual dividends, and creating value by increasing the Company's EPRA NAV/NTA.

Lar España is exclusively managed by **Grupo Lar**, a real estate company whose extensive experience in the sector is of particular note. It boasts a large team of professionals that actively manage and work to diversify the portfolio in order to maximise its operational efficiency, as well as each asset's yield.

The Group's **investment strategy** focus is now entirely on **retail** properties, after a disinvestment process of the considered as non-strategic assets:

- **Shopping centres and retail parks:** Retail unit and retail warehouse lettings. Its strategy is focused on identifying assets that are poorly managed and that **have strong upside potential**, especially centres where there is an opportunity for repositioning or extending them.

During 2018 and 2019, Lar España carried out the divestment of logistics and offices assets, to focus the investment strategy on retail assets.

Lar España also made an unprecedented investment in the residential sector through a joint venture with PIMCO, taking a 50% stake in luxury housing development Lagasca99. **All apartments delivery in this new complex were completed and delivered in 2020.**

The Company's investment policy is mainly focused on:

- Strategic assets, **shopping centres and retail parks**, with strong growth potential.
- Investment opportunities in **dominant retail assets in their catchment area** that offer significant upside via management, avoiding the segments where there is greater competition.
- **Risk diversification**, expanding in Spain and primarily investing and developing in retail spaces.

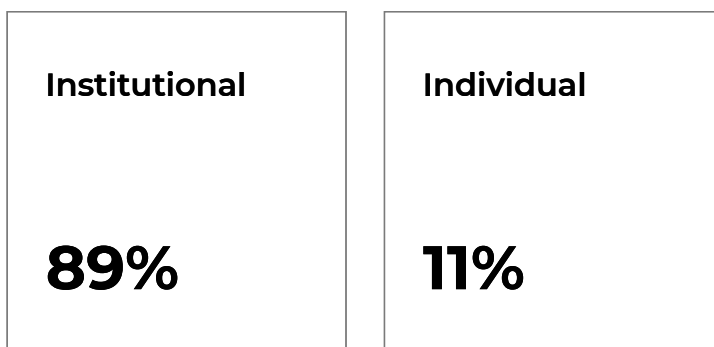
The Company's pipeline remains solid, allowing it to continue to comfortably meet its forecast investment targets.

### 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.**

Furthermore, it is conscious of its role within its activity, endeavouring 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, while providing financial return for investors.

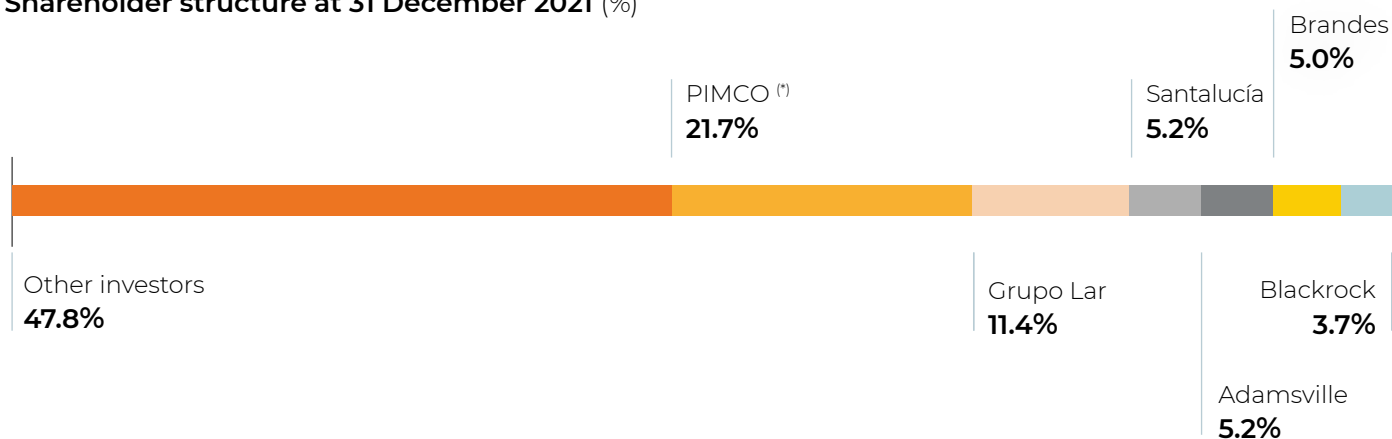
To Lar España, **corporate investment and environmental engagement** are much more than just hoops we need to jump through; they are vital to our future success. Our approach keeps us alert to new opportunities – like advances in energy efficiency, digital innovation and collaborative relationships with suppliers at the top of their fields. Thus, the Company remains committed to **creating shared value**, keeping a fluid communication with its stakeholders and investing in projects that champion sustainability in all its forms and working continuously to improve our assets' performance.



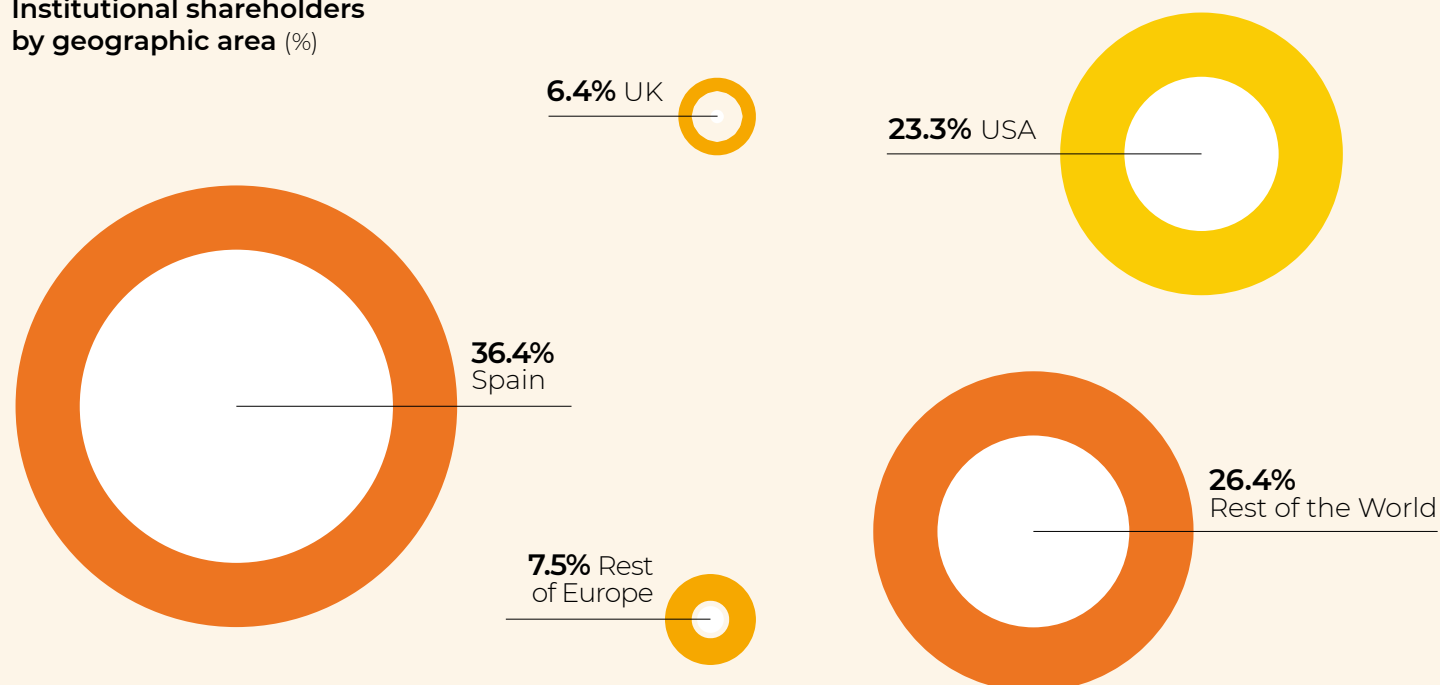
**Shareholder structure**

Lar España's shareholders include some of the most important investment and financial groups in the world.

**Shareholder structure at 31 December 2021 (%)**



**Institutional shareholders by geographic area (%)**



(\*) On 28 January 2022, PIMCO Bravo II Fund L.P. sold its total stake in Lar España to Castellana Properties SOCIMI, S.A.

## Organisational structure

The **Board of Directors** is Lar España's main governing body, whose role is to supervise the management of the Company with the common aim of championing social interest.

It is also Lar España's internal ruling structure and possesses the most far-reaching powers in terms of the running of the Company, except for those matters that require approval from the Annual General Shareholders Meeting.

At 31 of December 2021, the **Board of Directors** comprised 7 members, **5 of whom are independent and 2 of whom are proprietary**, from PIMCO and Grupo Lar.

All of the members of the Board of Directors hold or have held senior executive positions in listed companies in the financial and real estate sectors. (See the information provided in section 2 – **ESG**).

 Chairman


 Member

 Director

 Independent Director

 Audit and Control Committee

 Proprietary Director

 Appointments, Remuneration and Sustainability Committee



Mr. José Luis Del Valle



Mr. Alec Emmott



Mr. Roger Maxwell Cooke



Ms. Isabel Aguilera



Ms. Leticia Iglesias



Mr. Miguel Pereda



Mr. Laurent Luccioni (\*)



Mr. Juan Gómez-Acebo

Secretary of the Board (Non-Director)



Ms. Susana Guerrero

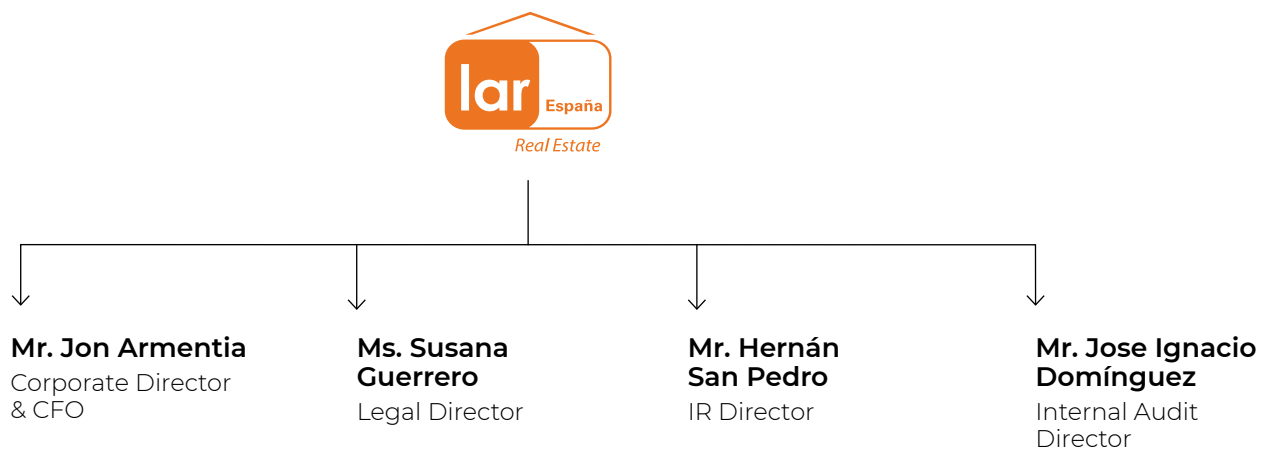
Vice-secretary of the Board (Non-Director)

(\*) On 28 January 2022, Mr. Laurent Luccioni submitted his resignation as a member of the Board of Directors following the sale by PIMCO of his total stake in Lar España.

Lar España also features a **Management Team** that runs Lar España and is comprised of four people (three men and one woman) that benefit from extensive experience in the real estate sector, as well as an expert knowledge of the market.

100% is covered by a Collective Agreement, and the absenteeism rate in 2021 stood at 0%.

Its structure is detailed below:





**Mr. Jon Armentia**  
Corporate Director & CFO

**Mr. Jon Armentia** is the Corporate Director & CFO of the Company. He joined Lar España in 2014.

Mr. Jon Armentia was appointed CFO of Grupo Lar in 2006, covering the area of retail properties. Previously he worked in Deloitte (formerly Arthur Andersen) for four years.

Mr. Jon Armentia has a Bachelors Degree in Business Management and Administration from Universidad de Navarra and a General Management Program (PDG) from IESE and has over 20 years of experience in audit, finance and real estate, in which he has participated in several Committees and Boards of Directors.

**Ms. Susana Guerrero** is the Legal Manager and Vice-secretary of the Board of Directors of the Company. She joined Lar España in November 2014.

Previously she worked as a corporate and M&A lawyer at Uría Menéndez for 10 years and boasts extensive experience in corporate governance, serving as Secretary of the Board of Directors at companies across a range of different sectors. Furthermore, she is currently Deputy Director of the ESADE Center for Corporate Governance and head of its opinion and public debate area.

Ms. Susana Guerrero studied Law at the Complutense University in Madrid and has an LLM in Business Law from Instituto de Empresa (IE).



**Ms. Susana Guerrero**  
Legal Director

**Mr. Hernán San Pedro** is the Head of IR of the Company. He joined Lar España in January 2016.

Previously he worked at Grupo Sacyr Vallehermoso as Head of IR, Skandia-Old Mutual Group and Banco Santander.

Mr. Hernán San Pedro studied Law at Universidad San Pablo CEU (Madrid), holds an MTA from Escuela Europea de Negocios and has over 30 years of experience in different positions in the financial, insurance, construction and real estate sectors.



**Mr. Hernán San Pedro**  
IR Director



**Mr. Jose Ignacio Domínguez**  
Internal Audit Director

**Mr. Jose Ignacio Domínguez** is the Internal Audit Director of Lar España and joined the Company in September 2021.

He is an Executive with extensive international professional experience in several fields of private listed multinational companies, related to Finance, Internal Audit, Risk Management & Compliance and Corporate Governance. Previously, Jose Ignacio has worked, among others, in companies such as Price Waterhouse Coopers, Fomento de Construcciones y Contratas, or the more recent, Grupo Ezentis.

Graduated in Economics and Business Administration from the Complutense University of Madrid and the San Pablo CEU University College. Postgraduate Master from the IESE Business School. Member of the Official Register of Accounts Auditors of Spain, (ROAC). CRMA certified by the Global Institute of Internal Auditors (IIA).



## 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	Indicator	LAR ESPAÑA 2020	LAR ESPAÑA 2021
Diversity	Diversity-Emp	Percentage of direct employees	Men: 67% Women: 33%	Men: 75% Women: 25%
	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% <i>* In 2021, a new male employee was hired, which represents a hiring rate of 25%</i>
Health and safety	H&S-Emp	Injury rate (IR), lost day rate (LDR), accident severity rate (ASR), absence rate (AR) and work-related deaths for all employees	<b>IR</b> Men: 0 Women: 0 <b>LDR</b> Men: 0 Women: 0 <b>ASR</b> Men: 0 Women: 0 <b>AR</b> Men: 0 Women: 0 <b>Number of deaths due to accident or illness at work</b> Men: 0 Women: 0	<b>IR</b> Men: 0 Women: 0 <b>LDR</b> Men: 0 Women: 0 <b>ASR</b> Men: 0 Women: 0 <b>AR</b> Men: 0 Women: 0 <b>Number of deaths due to accident or illness at work</b> Men: 0 Women: 0
	H&S-Asset	Number of assets	14 out of 14 (**)	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	120 hours	27 hours
	Emp-Dev	Percentage of direct employees	100%	100%

Verified by the external auditor, see Appendix 5.4. Independent Assurance Report

Diversity-Emp: Employee diversity by gender at 31 December 2020 and 2021.

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 2020 and 2021.

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 2020 and 2021.

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 4 employees, and only one of them is a woman.

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



Shopping Centre  
Lagoh (Seville)

Lar España continues to be the leader SOCIMI in terms of **financial and sustainability/ESG reporting** according to **EPRA** standards.

### Vision

To provide our customers with unique shopping experiences by combining leisure and retail through an omnichannel approach.

### Mission

To lead the industry based on the size of our portfolio, the quality of our assets and our management.

### Values

Corporate focus  
**Responsibility**

Customer focus  
**Quality And Respect**

Market focus  
**Innovation**

Investor focus  
**Transparency and Honesty**

### International standards

Lar España aims to comply with the highest international standards of transparency, comparability and commitment.

Hence, it is a member of the **European Public Real Estate Association (EPRA)**, the leading international association in the sector, which aims to provide comparable financial information between publicly listed Real Estate companies.

On September 2021, Lar España was awarded for the **seventh year running** with the **Gold Award from the European Public Real Estate Association (EPRA)** in recognition of the quality of the financial information provided by the Company. Lar España was also awarded for the **fourth consecutive year** with the most prestigious recognition from EPRA, the **Gold Award**, related to the information about **ESG**.

This highlights the international recognition of the information reported by Lar España and made available to its shareholders.





Retail Park  
Megapark (Vizcaya)

We would particularly note that all of the EPRA indicators in relation to ESG/Sustainability included in this report have been verified by an independent third-party. The independent third-party review can be found in Annex 5.4.



Lar España also collaborates with MSCI-IPD<sup>(\*)</sup> and forms part of its annual real estate index, **(IPD Spain Annual Property Index)**, which provides additional information and visibility of the real estate sector.

Thanks to our numerous good governance, sustainability and social engagement initiatives, we were awarded a **BBB rating** in the MSCI international index<sup>(\*)</sup>. This recognition is a testament to the Company's many advances in this area and our commitment to aligning our strategy with international ESG standards.

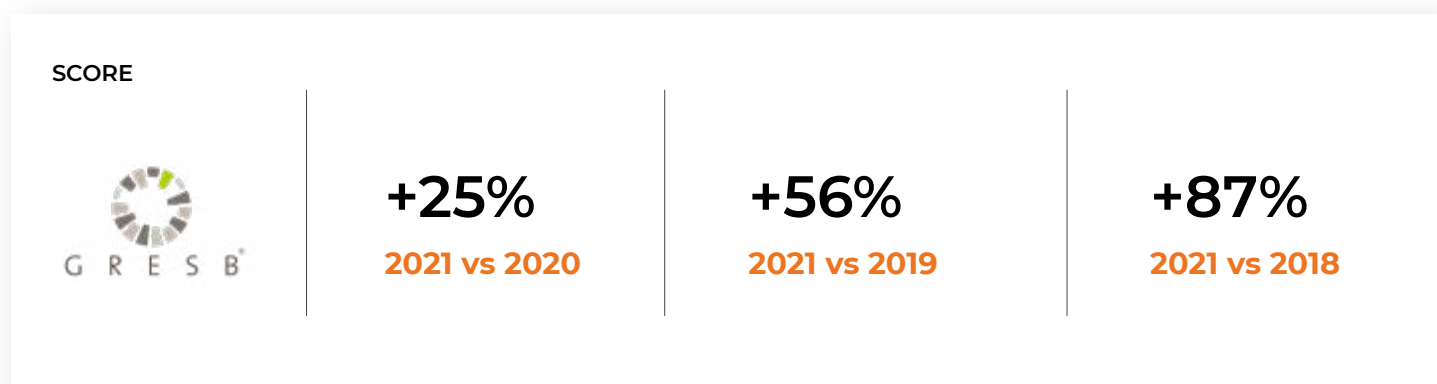


During 2021, Lar España has taken part, for the **fourth** year running, in **GRESB (Global Sustainability Real Estate Benchmark)** assessment process, which has become the benchmark for assessing commitment to environmental, social and governance (ESG) issues in the real estate sector. The score obtained represents an **increase of 25% compared to the previous year**, and an **increase of over 50%** compared to its rating in 2019 and **almost 90%** compared to the first year Lar España took part in this index in 2018.



FTSE4Good

Additionally, during 2021, **it kept Lar España as a constituent on its FTSE4Good index**, based on the results it obtained in the independent assessment of its ESG criteria by FTSE Russell. This confirms Lar España's fulfilment of the requirements for being an index constituent, having demonstrated its strong environmental, social and governance practices.



*(\*) The use by Lar España of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names here in, do not constitute a sponsorship, endorsement, recommendation, or promotion of Lar España by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.*

**The index is designed to identify Spanish companies with leading ESG corporate responsibility practices**, which are used as a benchmark by a wide range of investors and market participants when evaluating responsible investments.

This has been achieved thanks to the fulfillment by Lar España of the requirements to become a component of the index, evidencing the good practices carried out by the Company in environmental, social and governance matters.



Lar España has **successfully issued two unsecured senior green bonds, amounting to a total of EUR 700 million**. As part of this issue, ISS-ESG conducted an **independent review of the Company's sustainability strategy**, based on the 2021 Green Bond Principles issued by the ICMA (International Capital Markets Association).

**The rating agency Fitch also assigned an investment grade or BBB rating** to both Lar España and its green bond issuances. The issuances were led by Morgan Stanley Europe, acting as global coordinator and advising on the sustainable structure of the matter.

In 2021, ISS-ESG conducted an **independent review of the Company's sustainability strategy**.

The bonds were ultimately placed with qualified investors and **are listed on the Euro MTF market of the Luxembourg Stock Exchange**.

Lar España has used the funds to refinance all or part of a selection of real estate assets, in order to **reduce carbon emissions by ensuring that these assets are environmentally friendly**.



Further proof of the Company's commitment to transparency can be found in the results obtained in the **Informe Reporta** – a study analysing the quality of the information provided to stakeholders by Spanish listed companies. The study looks at four key areas: **relevance, transparency, accesibility and the Company's commitment to providing such information**.

**Lar España ranked 24th out of 116 companies**, 11% higher than it achieved for the information published in 2020 in the general ranking, which then increased to 17% for the financial and real estate sector scoring, where it ranked 5th out of 25 companies, thanks to the quality of its financial and non-financial information.

The Company therefore continues to **perform above the average for the IBEX35 companies** in Informe Reporta and is very close to the **Top 10 companies** in this index.

## IBEX Gender Equality Index

Lar España has been included as one of the 30 companies that form part of the **IBEX Gender Equality index, as a sign of the Company's commitment to diversity issues.**



In 2020 Lar España **joined the United Nations Global Compact and signed the letter of commitment, thus showing its clear intention to align its sustainability/ ESG strategy with the United Nations 2030 Agenda.**

In 2021, the Company went a step further by developing an **Action Plan** and identifying relevant issues and their contribution to the SDGs.

As a result of this analysis, **three strategic priorities and six goals** were identified, associated with the corporate and operational functions of the value chain of Lar España and its stakeholders.

Thus, the Company **identified the most relevant SDGs for its activity.** Implementing these lines of activity will **align the strategy and management model with the achievement of the eight defined SDGs and their corresponding targets** (see Section 2. ESG).

To ensure the correct implementation of the SDGs, the company raises awareness and promotes the **adoption of the 2030 Agenda in the governance of the Company and in the definition of corporate policies.** It also monitors the actions carried out within the company's activity to contribute to each of the SDGs identified.

↳ 9 corporate actions & 13 operational actions

**+50%**

Provide a robust framework

**+30%**

Correct negative impacts

**+17%**

Promote positive impacts



Shopping Centre  
Gran Vía de Vigo (Vigo)



## 1.3 Key figures 2021

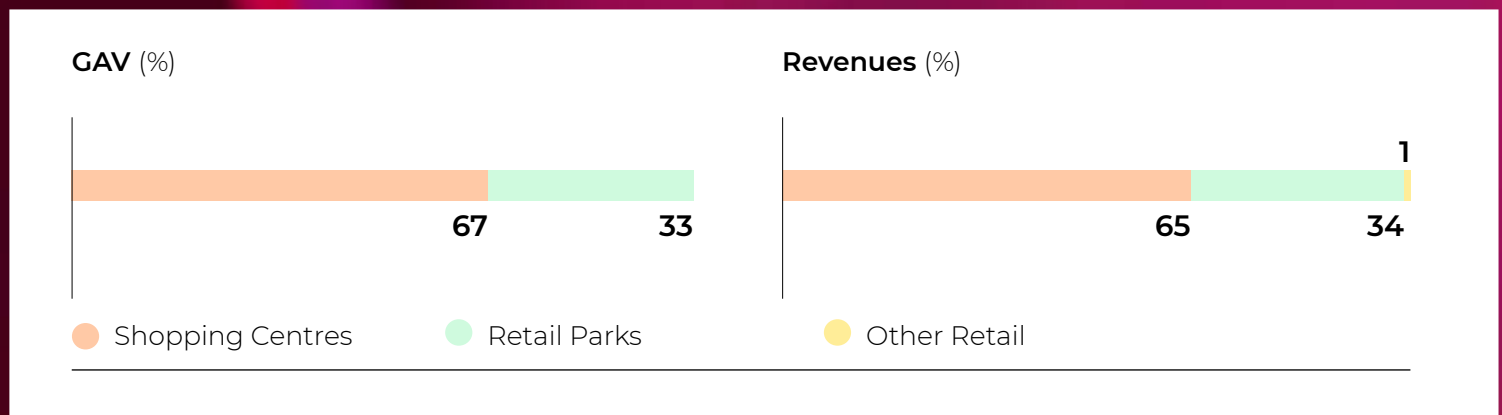
### Portfolio Information

<b>GAV <sup>(1)</sup></b>  <b>1,424</b> Million €	<b>Assets</b>  <b>14</b>	<b>WAULT</b>  <b>2.7</b> years
<b>GLA</b>  <b>551,326</b> sqm	<b>Gross Annual Rent</b>  <b>94.3</b> Million €	

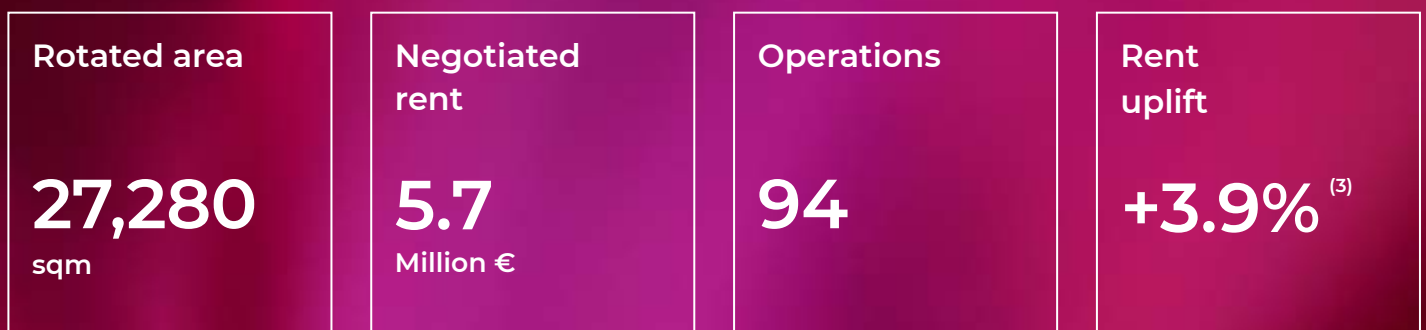
### Financial Information

<b>Rental Income <sup>(2)</sup></b>  <b>79.1</b> Million €	<b>EPRA Earnings</b>  <b>23.9</b> Million € (0.28 €/share)	<b>EBITDA</b>  <b>50.7</b> Million €	<b>Profit</b>  <b>25.8</b> Million €
<b>EPRA Net Asset Value</b>  <b>869.5</b> Million € (10.41 €/share) <sup>(3)</sup>	<b>Financial Debt</b>  <b>892.7</b> Million €	<b>Net LTV</b>  <b>40.7%</b>	
<b>Average Cost of Debt</b>  <b>1.9%</b> <sup>(4)</sup>	<b>Dividend</b>  <b>30.0</b> Million € (0.36 €/share)	<p>(1) Information based on valuations carried out by independent valuers on 31 December 2021. / (2) Revenues and Other income. / (3) When analyzing the evolution of this measure it is important to take into account the dividend paid in Q2 2021 (0.31 €/share). / (4) After the upcoming maturity that have taken place in February 2022 in relation to the issuance of the Company's first bond of €140M, the average pro forma cost of the debt would be reduced to 1.8%.</p>	

Operating Results



→ Leasing Activity



→ Sustainability/ESG

**BREEAM certified**

- › 93% portfolio certified
- › 100% Shopping Centres certified

**Consumption performance**

43.0 kWh/sqm

of energy consumption

(-0.1% vs 2020 LfL)

**Emissions**

517 Ton eq CO<sub>2</sub>

of scope emissions 1, 2 & 3

(-20.5% vs 2020 LfL)

**Society**

+ 16,000

jobs generated

8.6%

of indirect jobs are done by persons with disabilities

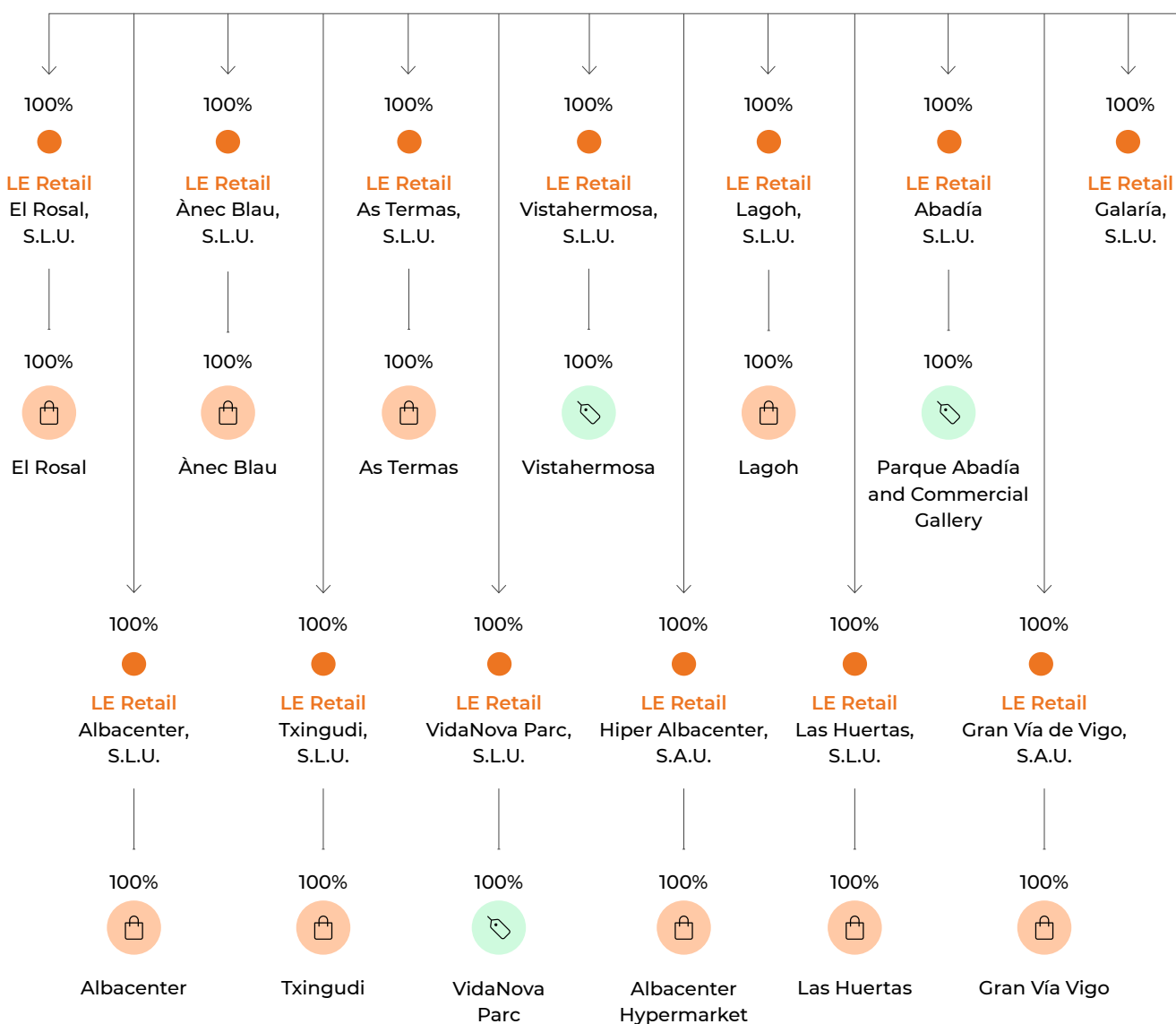
**Accesibility**

6 assets certified in AENOR Universal Accesibility

(1) Ratio calculated according to EPRA recommendations. / (2) Like for Like, excluding 22 Supermarkets portfolio divested in Q1 2021. / (3) Excluding 4 non-comparable operations.

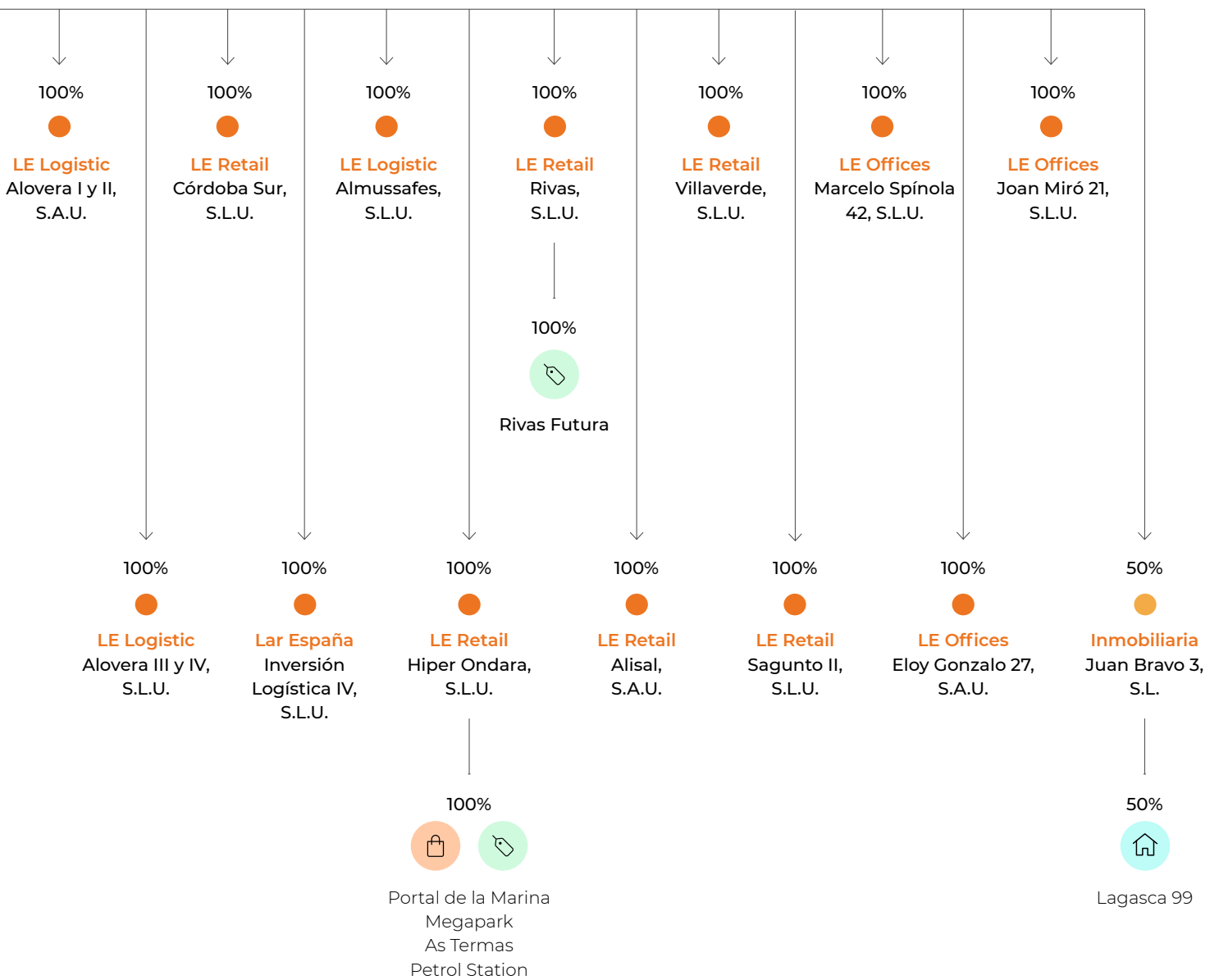
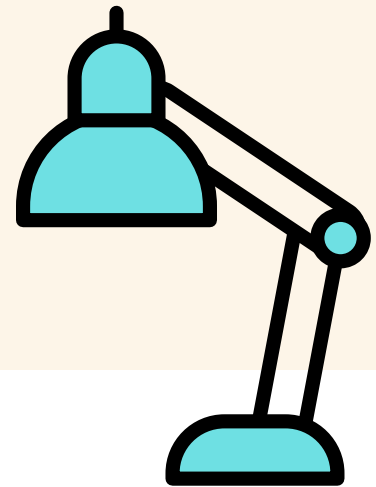
## 1.4 Company chart 31.12.2021

Group scope of **accounting/financial consolidation** as of 31 December 2021 is as follows:



### Company

● Full Consolidation    ● Equity Method



Asset Class

Shopping Centres

Retail Parks

Residential

## 1.5 Grupo Lar, Lar España's Manager

**Lar España Real Estate SOCIMI, S.A.** is exclusively managed by **Grupo Lar**, a seasoned, family owned, Spanish private real estate developer, investor and asset manager with more than 50 years of experience, working both national and internationally.

In February 2018, Lar España entered into an agreement with Grupo Lar in **order to novate the investment management** agreement until 31 December 2021.

Afterwards, on 8 June 2021, the Company's Board of Directors approved the main terms and conditions for the **renewal of the management agreement** entered into by the Company and Grupo Lar, which was due to expire on 1 January 2022 (the Investment Management Agreement or "IMA").

The terms and conditions for the renewal of the IMA have been agreed taking account of the **experience accumulated to date and the good relationship between the Company and the Manager**, on the understanding that these changes **benefit the Company** and improve the **alignment of interests**.

Among the most important modifications, the structure of commissions corresponding to the Management Company stands out (fixed commission or base fee and variable commission or performance fee) modified with the aim of improving **the cost structure of Lar España and strengthening the existing alignment between the interests of the Investment Manager and the the Company's shareholders**.



## I. Grupo Lar's competitive advantages

### 1. Stable ownership & governance

The **Pereda Family** owns 100%.

Application of advanced **corporate governance** measures. The Company has highly experienced professionals from the world of real estate and finance.

### 2. Strong management team

**248 employees** in **6 countries** with on-going training programmes in each country and talent selection processes in order to build on middle management capabilities.

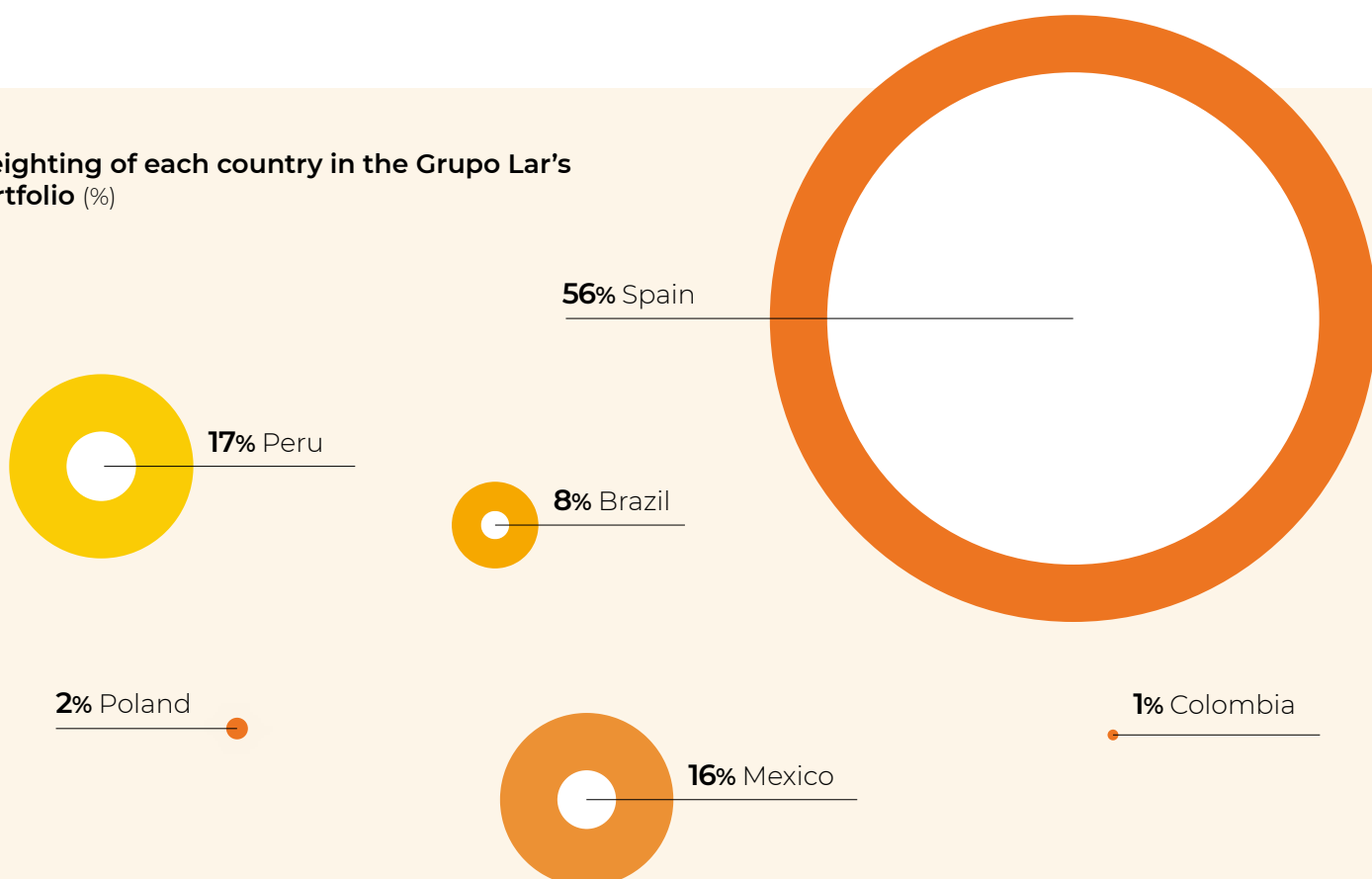
Large **experience and knowledge** of the Spanish real estate market.

### 3. Geographical diversification

**Internacional presence:** the Company portfolio is spread across **6 countries** in Europe and the Americas.

Strong management team with **large experience and knowledge** of the Spanish real estate market.

### Weighting of each country in the Grupo Lar's portfolio (%)



It boasts a **solid financial position** and the ability to adapt to different property cycles thanks to the **diversity of its assets and their locations.**

**4. Product diversification**

Grupo Lar is a **developer, investor and asset manager** in shopping centres, offices, residential, industrial and logistics.

**5. Reliable manager and partner of third-party funds**

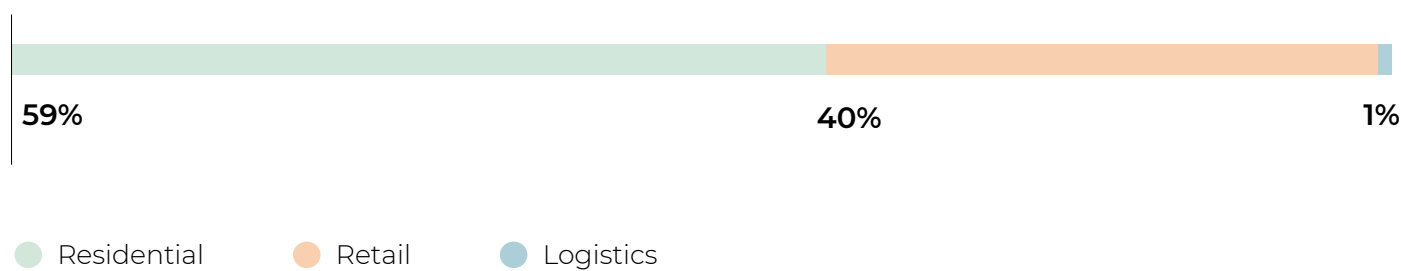
**Co-investor and operational partner** for Institutional Investors and Hedge Funds. Grupo Lar has a unique track record of successfully leveraging on **JVs and Alliances with tier 1 Investor and Corporations**, in order to maximise the return on investment for its partner.

**6. Strong balance sheet**

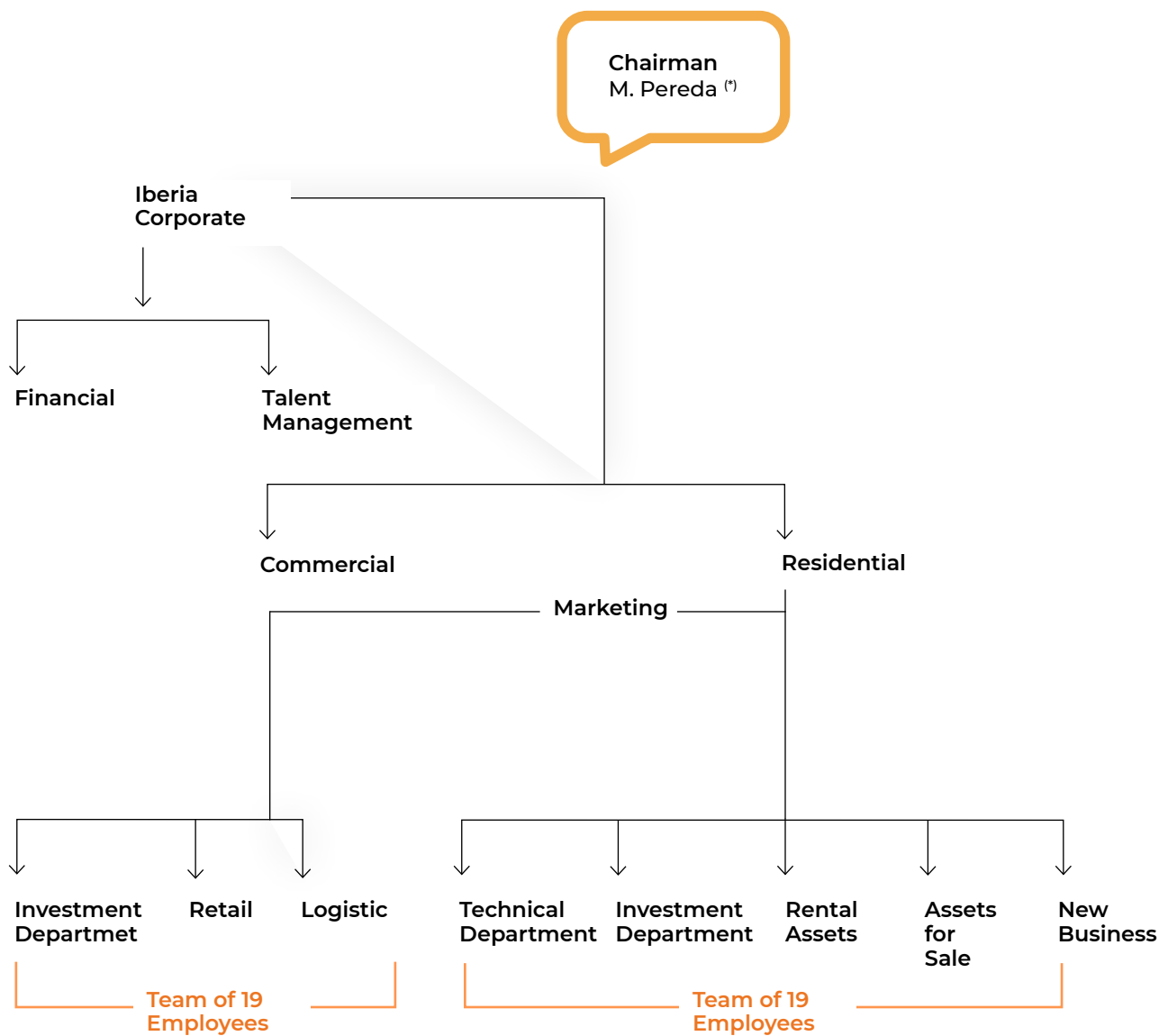
It boasts a **solid financial position** and the ability to adapt to different property cycles thanks to the **diversity of its assets and their locations.**



% GAV managed by Grupo Lar at 31 December 2021 (%)



Below we detail the management team, which is involved in the day-to-day running of Lar España:



(\*) Grupo Lar Inversiones Inmobiliarias Board Member.



## Proven partner in Alliances/JVs

One of the key differentiating values of Grupo Lar is its proven experience of establishing alliances with **prestigious international investors**, such as Green Oak, Grosvenor, Goldman Sachs, Henderson Global Investors and Ivanhoe Cambridge, among others.



THE BAUPOST GROUP



Goldman Sachs

## Long term successful Joint Ventures

- Grupo Lar has successfully partnered with the **Real Estate funds** of highly regarded international institutions.
- **50-50% JV with Grosvenor**, from 2000 to 2008, to develop, invest and manage office, shopping and business centres in Spain (6 industrial parks, 6 office buildings and 13 shopping centres).
- Grupo Lar and **Whitehall (Goldman Sachs)** set up an alliance (1998-2002) to invest in shopping centres and offices.
- Group Lar and **Centerbridge** have created a Joint Venture in the year 2019 with the objective to develop and to create a **portfolio of logistic ships grade A** in Spain, with an expected volume of **€250 million**. Centerbridge is a private investment firm that has invested over \$8 trillion in the real estate sector in North America and Europe.

Last year, Grupo Lar entered into a **partnership with the French firm Primonial** to create a new rental housing platform, which will develop and manage a portfolio of 5,000 homes in the biggest cities across Spain, backed by a **€400 million** investment.

## Alliances and JVs to invest in different assets and locations

### Germany:

In 2007, Grupo Lar invested in Office and residential business for La Caixa Private Banking Clients.

### Spain:

- Shopping Centres:  
JV with Invanhoé Cambridge, Eroski, Vastned Retail, Acciona Inmobiliaria, GreenOak, Sonae Inmobiliaria, GE Capital, Henderson and Rockspring.
- Residential:  
In 2020, partnership with Primonial to manage a portfolio of 5,000 homes. On the other hand, has managed more than 3,850 dwellings under alliances with Banco Sabadell, Bankia, AXA RE and Catalunya Caixa, and real estate developers.

### LatAm:

Strategic Alliances and JVs with Grupo Acción in México; RB Capital, Mero do Brasil and Concima en Brasil; and Cosapi in Peru.

As well as 3,850 homes in partnership with Banco Sabadell, Bankia, AXA Re, Catalunya Caixa and real estate developers.



Grupo Lar's extensive experience and in-depth knowledge are clearly emulated in **Gentalia**, the largest retail property manager in Spain and in which Grupo Lar owns 100% of the capital.

With over 20 years of experience, Gentalia's business covers the areas of **consultancy, asset management, letting and shopping centre and retail park management, having positioned itself as one of the most solid, active and innovative companies.** Gentalia carries out these activities for the vast majority of Lar España's retail portfolio.



As well as exemplary management, having its **own team** enables it to win the loyalty of a large number of retailers. It also optimises the operating costs of the shopping centres via the establishment of economies of scale.

Gentalia's portfolio currently comprises **29 shopping centres and 5 projects** of varying types, operating throughout Spain. This equates to a gross lettable area of **1,020,000 sqm**, providing the Company with access to up-to-date knowledge and constant contact with the tenants of over 1,900 retail units, including all the **prestigious retailers on the market.**





## II. Grupo Lar fees as Lar España's Manager in 2021

On 19 February 2018<sup>(\*)</sup> Lar España signed an agreement with its managing company, Grupo Lar, with the aim of **renewing the terms of the investment management contract or Investment Management Agreement (IMA)** signed by both parties on 12 February 2014.

Among the most important modifications, the structure of commissions corresponding to the Management Company stands out (fixed commission or base fee and variable commission or performance fee) modified with the aim of improving **the cost structure of Lar España and strengthening the existing alignment between the interests of the Investment Manager and the Company's shareholders.**

### Base fee (Fixed fees)

According to the **management contract**, the base fee payable by Lar España is calculated on the basis of an annual amount equivalent to the higher of:

- **€2 million.**
- The sum of **(a) 1.00% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which is up to and including **€1,000 million, and (b) 0.75% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which **is in excess of €1,000 million.**

As a result, the fixed fees entered in the Global Consolidated Income Statement for Lar España at 31 December 2021 total **8,609 thousand Euros.**

Base Fee	Thousands of Euros
EPRA NAV/NTA 31.12.20	881,376
Gross fee	8,814
Grupo Lar expenses incurred by Lar España	(205)
<b>BASE FEE</b>	<b>8,609</b>

*(\*) In June 2021, the Company renewed the management agreement with Grupo Lar, whose conditions will be valid from January 1, 2022 until **December 31, 2026.***



### Performance fee (Variable fees)

Likewise, Grupo Lar has the right to a **Performance Fee** that is paid to the manager depending on the **profitability obtained by Lar España shareholders**.

In this respect, the annual profitability of shareholders is defined in the contract as the sum of the change to EPRA NAV/NTA of the Group during the period, less net funds obtained from the issue of shares during the period, plus the dividends distributed during said period.

The performance fee to be drawn by the Investment Manager **will be linked to both the EPRA NAV/NTA and the market capitalisation of the Company**, and subject to an overall cap equivalent to 3% of the EPRA NAV/NTA of the Company as of 31 December of the preceding year.

The amount of this remuneration will be accrued by the Management Company from the moment that:

- **Annual EPRA NAV/NTA increase** (net of capital increase and shareholders distributions) over **10%** → **16%** of the amount beyond the 10% of annual increase.
- **Annual increase of the market capitalization** (net of capital increase and shareholders distributions) over **10%** → **4%** of the amount beyond the 10% of annual increase.

The Company's **EPRA NAV/NTA** variation is calculated as follows:

EPRA NAV/NTA Evolution	Thousands of Euros
EPRA NAV/NTA 31.12.20	881,376
EPRA NAV/NTA 31.12.21 (*)	869,635
<b>Gross difference</b>	<b>(11,741)</b>
2020 Dividend paid in 2021	27,500
Share capital reductions	20,763
<b>Net difference</b>	<b>36,522</b>
<b>INCREASE % 31.12.20 - 31.12.21</b>	<b>4.14%</b>
Return above 10%	<b>0.00%</b>
<b>PERFORMANCE FEE</b>	<b>-</b>

(\*) Pre performance Fee figure.

Therefore, **no performance fee will be paid based on the change in EPRA NAV/NTA**.

The Company's market capitalization evolution is also displayed in the following table:

Market Capitalization Evolution	Thousands of Euros
Market capitalization 31.12.20 <sup>(*)</sup>	420,949
Market capitalization 31.12.21 <sup>(*)</sup>	418,130
<b>Gross difference</b>	<b>(2,819)</b>
2020 Dividend paid in 2021	27,500
Share capital reductions	20,763
<b>Net difference</b>	<b>45,445</b>
<b>INCREASE % 31.12.20 - 31.12.21</b>	<b>10.80%</b>
Return above 10%	<b>0.80%</b>
<b>PERFORMANCE FEE</b>	<b>134</b>

Therefore, **134 thousand Euros** has been accrued linked to this concept, in accordance with the 2021 annual increase in market capitalization.

To conclude, the sum of **8,743 thousand Euros** that results from adding the base fee to the performance fee is entered in the Global dated Income Statement at 31 December 2021 under the heading "Other Costs". See section 4. "Financial and EPRA information".

Fixed and variable fees have been taken into account in the EPRA Cost Ratios calculation (section 4. "Financial and EPRA information").

*(\*) Calculated according to the average closing price of the last 20 sessions.*





Shopping Centre  
Ànc Blau (Barcelona)

## 1.6 Market context

### 1. A year of economic recovery in the wake of the pandemic

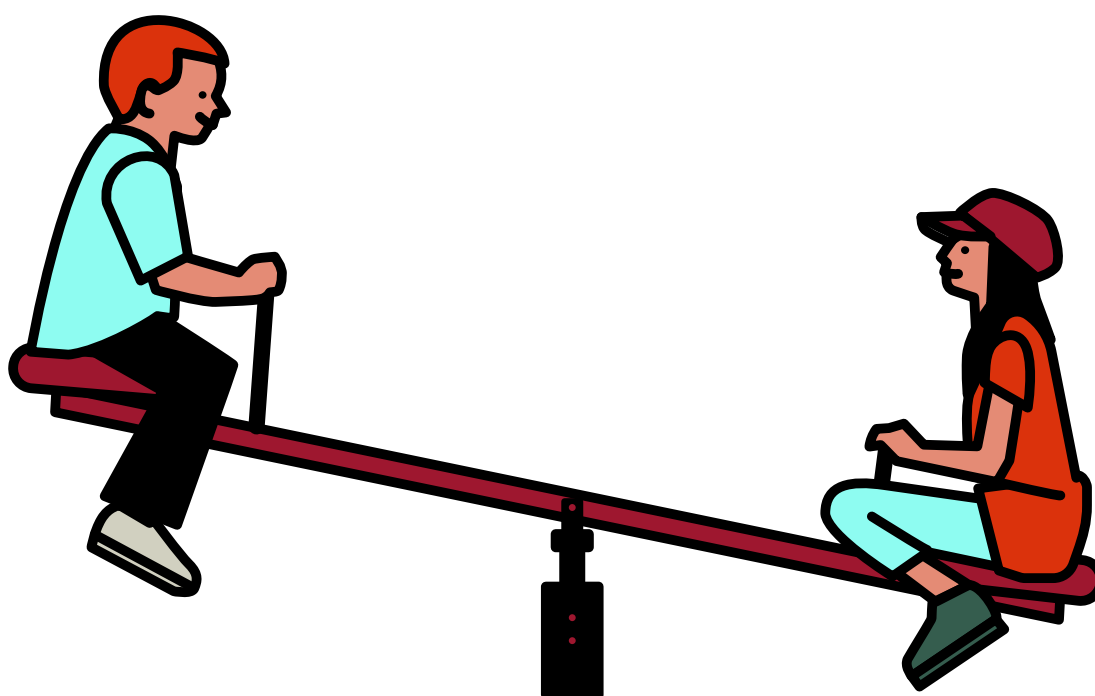
#### Growth and GDP

Improving qualitative indicators, along with rising employment levels have fuelled a sharp upturn in economic growth. Strong consumption levels were underpinned by the **gradual recovery in the labour market** and the resulting uptick in household income. The gradual easing of uncertainty regarding the pandemic and the economic climate has also helped families become a little less cautious in terms of saving and given an **extra boost to household spending**.

The Spanish economy made a strong recovery in 2021 following the setbacks inflicted by COVID-19 in 2020.

According to data released by the Bank of Spain, in 2021 **GDP grew by 5.1%<sup>(\*)</sup>** year-on-year, largely thanks to household consumption. The reduction in the number of registered COVID-19 cases – thanks to the **rollout of the vaccine programme** – spurred high levels of growth in activity during the second half of the year, despite the fact that the restrictions implemented as a result of the sixth wave dampened initial growth forecasts.

Nonetheless, **uncertainty remains high** and next year's economic outlook is still very dependent on rising inflation, supply chain tensions and the consequences of the war in Ukraine.



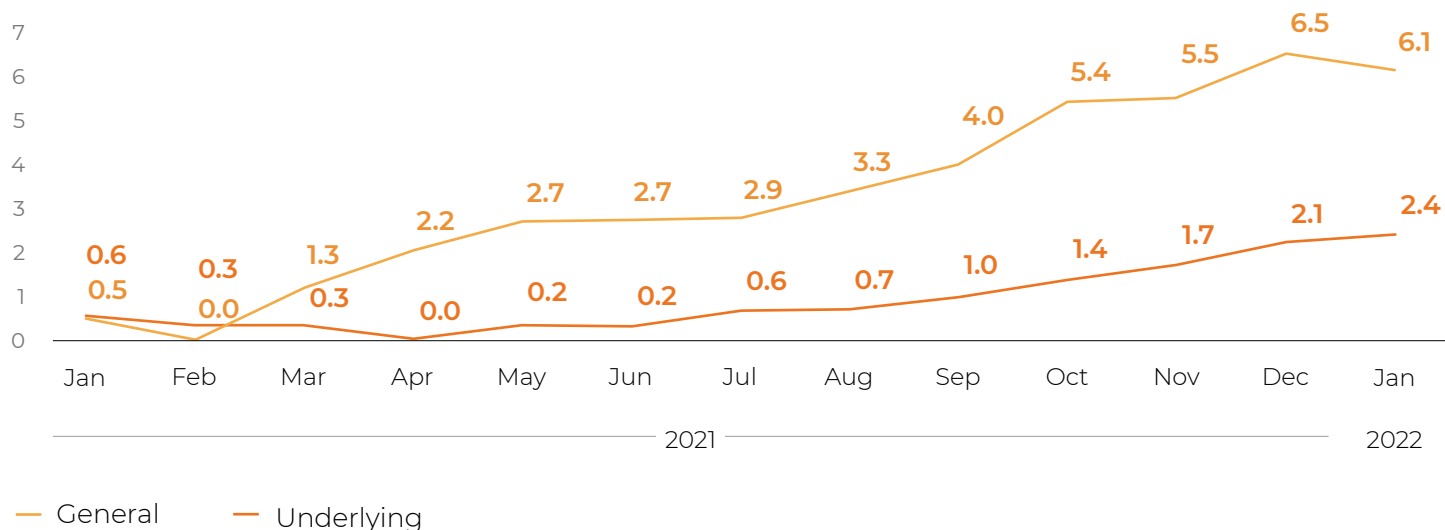
<sup>(\*)</sup> Source: National Statistics Institute (INE).

### Inflation

Inflation has **risen sharply** in recent months, largely as a result of soaring energy prices. Although this was initially thought to be a passing trend caused by

supply chain issues, the **CPI** posted a **6.5% increase in December** to take **average inflation** for 2021 up to **3.1%**, its highest rate in 10 years.

#### Annual CPI rate (%)



Source: National Statistics Institute (INE).

### Employment

The job market ended the year on a **positive note**. **Unemployment** fell in 2021 as the economy recovered, reaching **13.3% at year-end<sup>(\*)</sup>** (vs. 16.1% at year-end 2020). Meanwhile, the number of **employed persons** was up by 840,700, equating to a **4.4% year-on-year increase**.

Following the jobs lost due to the pandemic in 2020, we expect **employment levels to rise over the next few years**. Spain's Chamber of Commerce forecasts an increase of circa **4.9% for 2022** – largely dependent on the Government and businesses using the European Next Generation funds to correctly implement the structural reforms required if the labour market is to absorb the existing supply of available workforce.

(\*) Source: National Statistics Institute (INE).





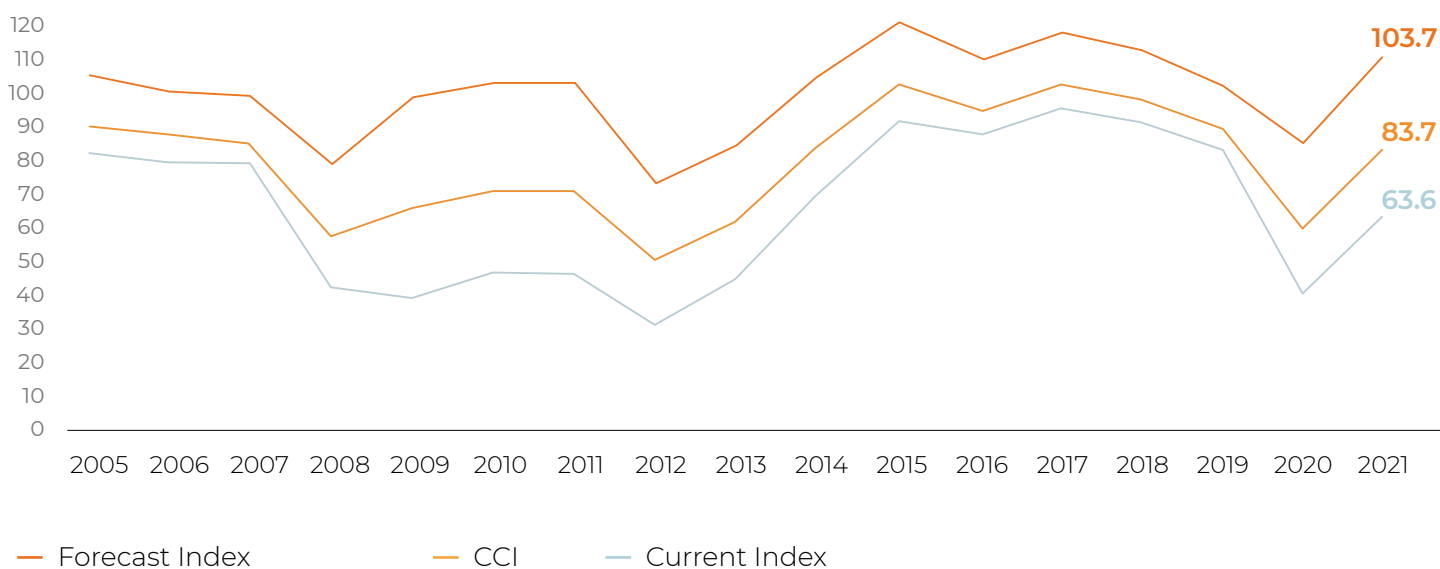
### Consumer Confidence Index

The annual average CIS **Consumer Confidence Index (CCI)** stood at **83.7 points** in 2021, 23.7 points above the figure for 2020, but still short of all the figures recorded between 2014 and 2019. **Despite the figure for Q4 registering a negative trend** on the back of growing uncertainty, the overall CCI trend was positive in 2021, rising by a total of 25.6 points over the course of the year (+45.9%).

In addition, the score in terms of the current situation rose 37 points in 2021 and climbed 14.2 points in terms of expectations.

Regarding consumption forecasts, these remain very closely linked with the war in Ukraine, inflation and energy prices.

**Consumer Confidence Index, Current Index and Forecast Index evolution (%)**



Source: Centre for Sociological Research.

## Tourism

Tourism regained its role as one of Spain's key economic drivers in 2021, with its **contribution to GDP climbing from 5.5% to 7.4%**. According to the INE, the number of international tourists visiting Spain **increased by 64.4%** compared to 2020, although this total is still down by 62.7% compared to 2019.

International tourists spent a total of €34,816 million in Spain during 2021, which was **up by 76%** compared to 2020. **The average tourist expense** grew by 7% year-on-year to €1,118, with the average daily spend also up by 2.7%, to €137.

*Source: National Statistics Institute (INE) and exceltur.org.*



## 2. Investment buoyant despite pandemic woes

**Investment** in Spain returned to **pre-pandemic levels** at the end of 2021. Total investment in Spanish real estate hit over **€12,100 million** at the end of the year, up by 57% on the figure for 2020, with investment figures bouncing back, especially in the distribution and office sectors.

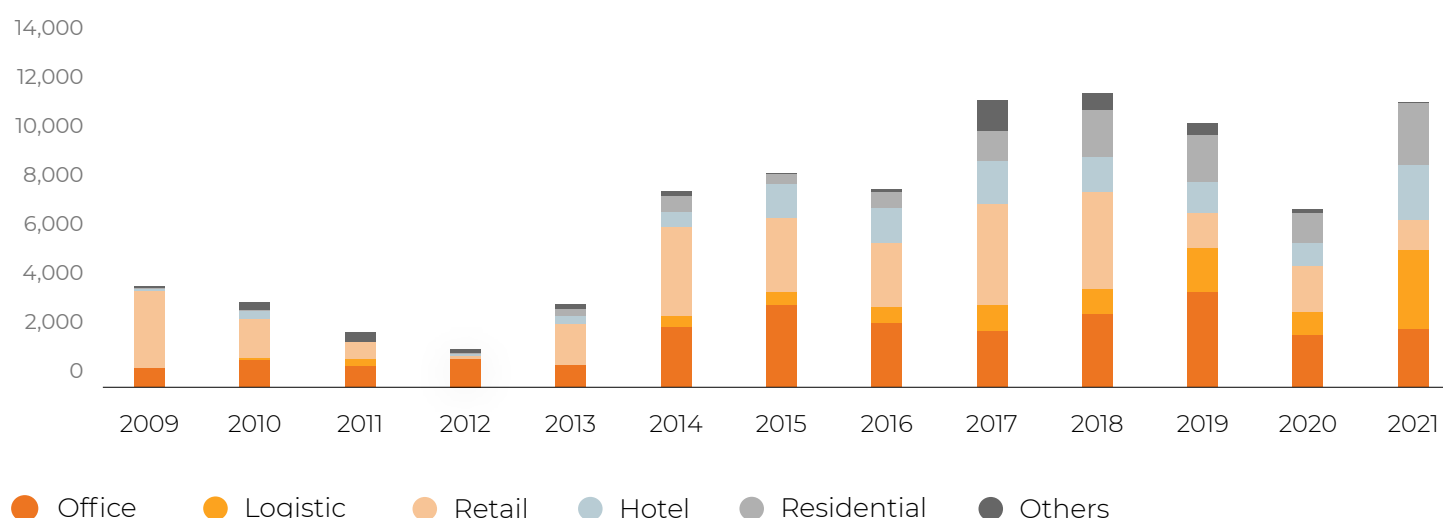
**Commercial investment** (offices, retail and logistics) rose to over **€7,300 million**, clearly demonstrating the Spanish real estate sector’s return to form. The **office** segment remains a bastion of the sector, seeing over €2,500 million invested, up by almost **50% versus 2020** and driven primarily by higher take-up in Barcelona.

**Swelling logistics demand** took investment in this sector up to €3,478 million, resulting in the **sharpest growth for the last five years**. Investor appetite is expected to tick up particularly for quality portfolios with long-term leases. However, the sector will become **ever more discerning in terms of the impact that sustainability and efficiency** have on these assets.

As for the **retail sector**, it was hit hard by the widespread economic downturn last year, and this has been reflected in investment levels, which reached **€1,328 million** – approximately **half of the previous year’s** investment volume – following the uptick seen in Q4. Despite the muted level of activity in the market, the investor focus has been centred on food retail (supermarkets and hypermarkets) and retail parks, subsectors that investors view as safe alternatives in terms of generating income.

The **food retail** segment has continued its **upward trend**, posting its second best ever figure. **Retail parks** will continue to attract **investor attention** as appetite in food retail eases slightly. Moreover, the recovery in this segment has been noticeably quicker to take hold, increasing the investment potential of these assets and gradually attracting institutional investors.

Investment volume by sector (€Mn)



Source: Cushman and Wakefield.

**Shopping centres** have managed to overcome pandemic-induced adversities **without suffering any major structural changes**. **Opportunistic investment** has been the dominating force in this segment, although transaction volume is expected to increase over the next two years now that the market has stabilised and **uncertainty is gradually waning**. The **trends** that have taken hold during the pandemic – despite the rise in e-commerce – are the same trends that were already taking shape before the onset of COVID-19: **enhancing the user experience and diversifying the leisure offering**.

The **high street** segment remains a firm fixture on the investor radar, with the market remaining extremely liquid. However, the price mismatch in terms of buyer and seller expectations is in no way proving conducive to deals being closed. **Interest** is focused on **prime areas**, while the lower level of resilience of secondary areas is being penalised.

**Shopping centres** have managed to overcome pandemic-induced adversities **without suffering any major structural changes**.

### Investor profile

Spain's highly liquid market continues to make it the number one choice for investors looking to deploy capital in southern Europe. **International investors accounted for 80%** of the total investment in Spain in 2021, further entrenching their dominant position in the market.

2021 was a major year for **investment funds**, which stumped up **80% of all retail investment**, while private investors and SOCIMIS/REITs accounted for the rest.



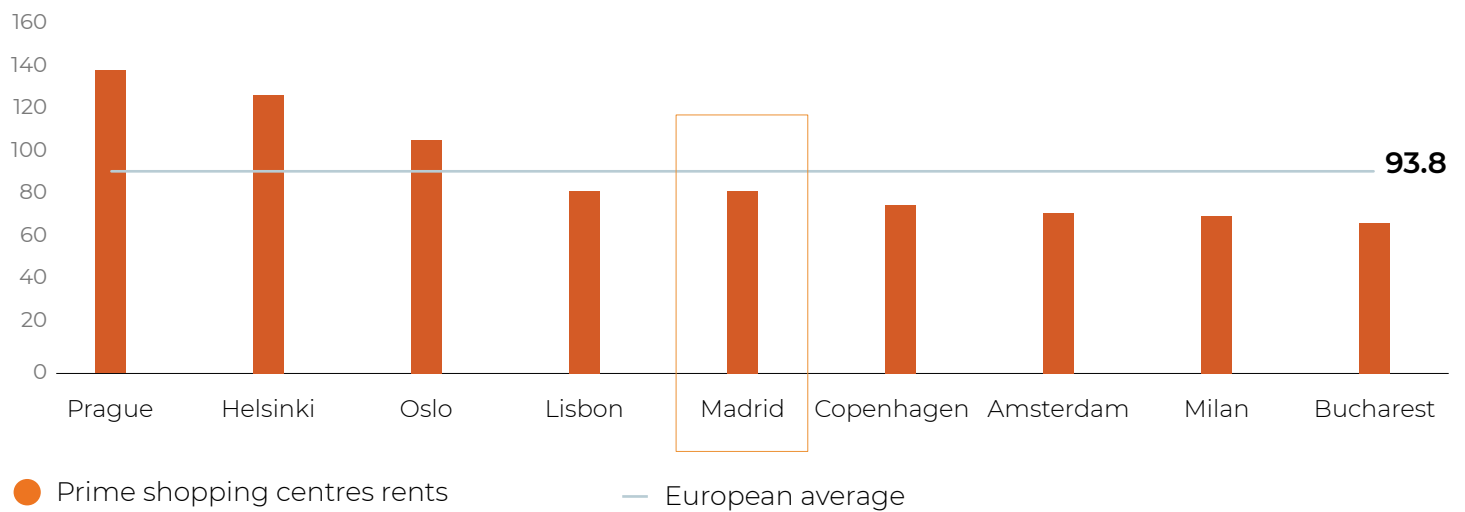
### 3. Retail market

#### Prime rents

The unprecedented situation seen in 2020 changed the legal and contractual outlook of the retail sector, with landlords and tenants having to reach agreements that would minimise the negative impact of the enforced closures and capacity restrictions for both parties.

Over the course of 2021, some landlords extended the stepped rents renegotiated in 2020 to the end of the year to guarantee occupancy, while others opted to end these special conditions once activity levels at their centres justified returning to 2019's rental levels.

Prime shopping centres rents (€/sqm/month)



Source: Cushman and Wakefield.

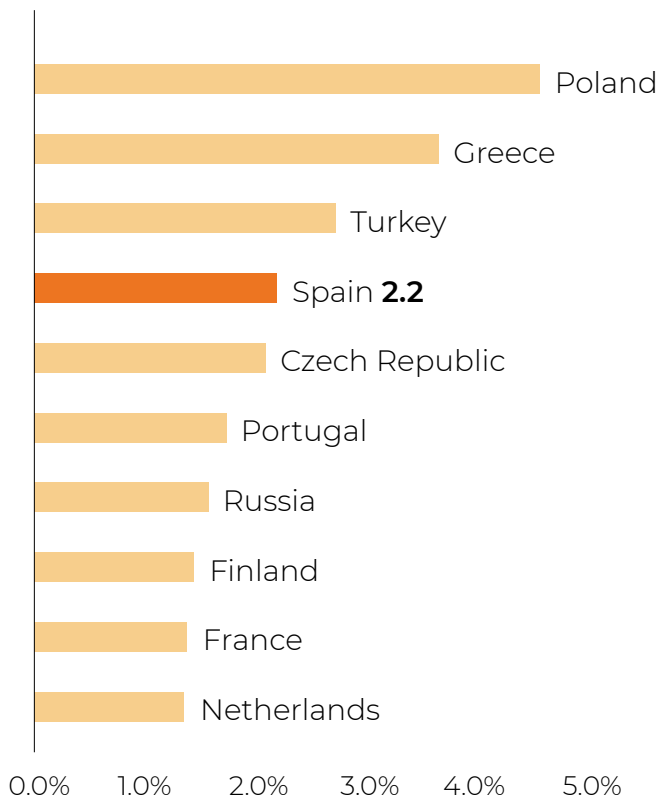
**Prime rents** remained unchanged at shopping centres throughout 2021, standing at **€90 per sqm/month at year-end**. Prime rents at retail parks stood at **€17.5 per sqm/month** at the end of 2021, meaning levels at both shopping centres and retail parks **remained unchanged** year-on-year.

#### Prime rents Q4 2021



Source: JLL

Shopping centres rents growth  
(% p.a. 2021-2025) Top 10 Europe



Source: JLL Research.

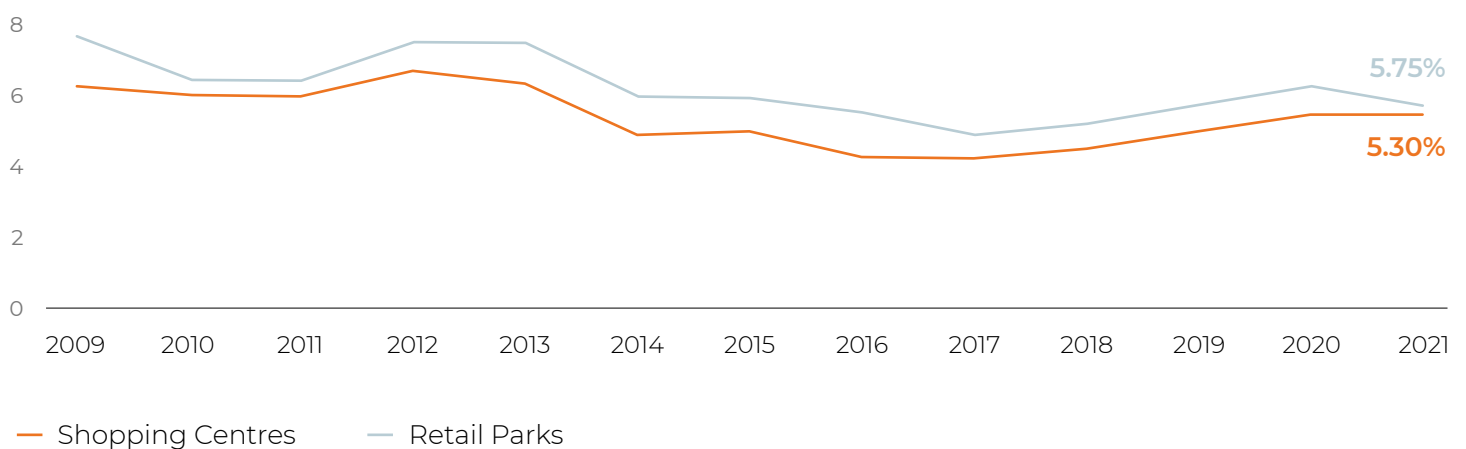
Prime yields

**Yields across Europe’s prime shopping centres started to trend upwards** right from the very start of 2021. In Spain, prime retail yields remained stable in 2021, given the market’s ongoing uncertainty and the fact that rents remained unchanged, primarily in the shopping centre and high street segments (mainly in the fashion sector).

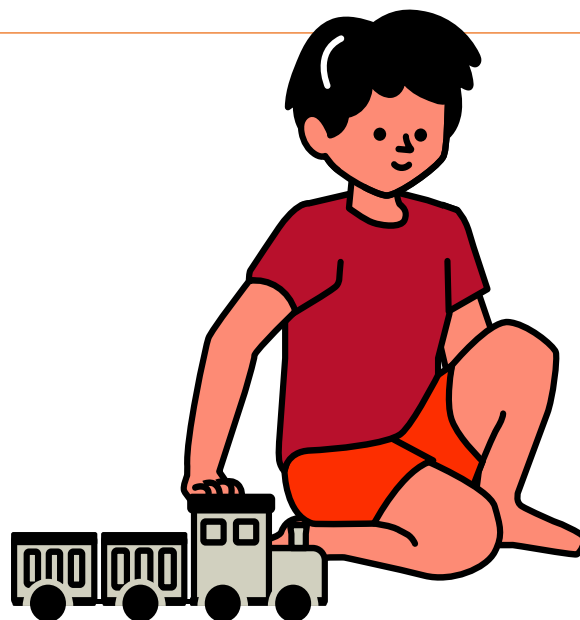
Forecasts suggest that in 2022 prime shopping centre and retail park yields will remain flat, with the narrowing seen in retail park yields being less pronounced.

By the end of December, **prime high street yields had reached 3.45%**, while **the figure for shopping centres stood at 5.30%**. For **retail parks**, the prime yield stood at **5.75%** at the end of the year, meaning that **yields have remained stable** across all three asset classes year-on-year.

Prime yields Spain (%)



Source: Cushman and Wakefield and JLL.



**Stock**

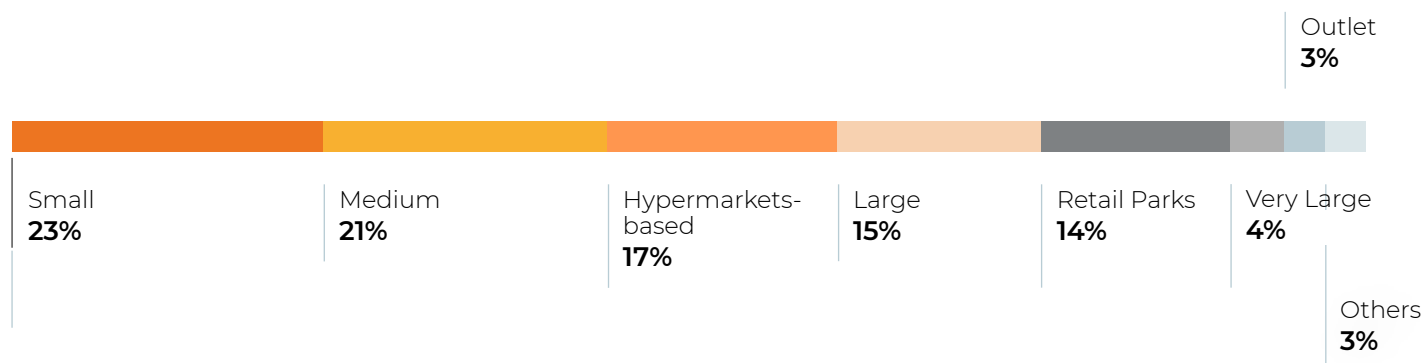
The current supply of traditional **retail space in Spain now stands at over 16 million sqm**. This figure includes shopping centres, outlet complexes, leisure centres, retail parks and hypermarkets with shopping arcades.

**Nine new shopping centres** opened their doors over the course of 2021, adding over 250,000 sqm of additional GLA to the market. **Retail and leisure parks** accounted for **40%** of new GLA. Overall, Spain’s current stock of shopping centres and retail parks, as at 2021 year-end, stands at **572 properties and 16 million lettable sqm**.

Although during in the first nine months of 2021 new retail units were not opened at the same rate as they were in 2019, many retailers are redefining their concepts and restructuring their store networks. This has sparked activity in the market, with some brands picking back up where they left off with their expansion strategies, albeit more conservatively so, while others are reducing the number of stores they occupy to bolster their online channels.

Looking ahead, **13 new retail and/or leisure projects** are due to open this year, representing a GLA of around 250,000 sqm, while expansion works at two existing centres are expected to add a further 62,000 sqm of GLA.

**Distribution of current stock by property type (\*) (%)**



(\*) According to the classification by the Spanish Shopping Centre Association (AECC): Very large (>79,999 sqm) Large (40,000-79,999 sqm) Average (20,000-39,999 sqm) Small (5,000-19,999 sqm).

Source: Asociación Española de Centros Comerciales (AECC).

**Footfall**

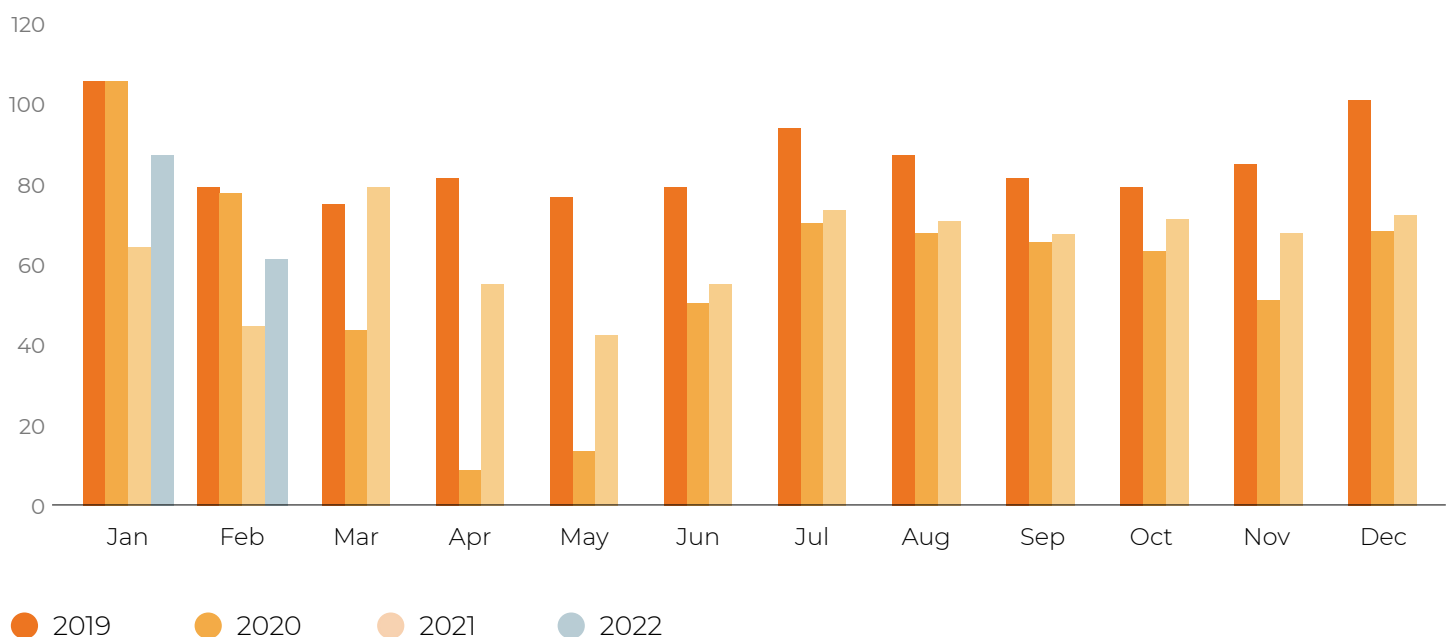
During Q1 2021, shopping centre performance was affected both in terms of visitor numbers and sales volumes by the restrictions implemented in the various regions, which even included enforced closures of some businesses (for example restaurants and leisure establishments in some autonomous regions).

Following the **drop in footfall in 2020 (-33.7%** according to the ShopperTrak index), 2021 showed clear signs of recovery, ending the year **14.5% up** on 2020.

The recovery in the shopping centre sector has been visibly quicker than in other retail segments. A trend that has consolidated over the last few quarters, increasing the investment potential of these assets and gradually attracting institutional investors.

Below is a breakdown of the **year-on-year percentage change each month for visits** to retail properties in Spain during the past four years, including the first two months of 2022, according to the leading ShopperTrak index:

**ShopperTrak index monthly evolution** (millions of visitors)



Source: Savills Aguirre Newman.



## Sales

Q2 2021 was particularly **positive** in terms of **shopping centre sales, which rose 76.4%**, a far better figure than the decline in sales in 2020 (-51.7%). However, it still remains below the 2019 level.

Out-of-town **shopping centres and retail parks** fared **better than prime high-street hubs in terms of both footfall and sales**, since many consumers, reluctant to risk public transport, felt more comfortable shopping in destinations with ample free parking.

In the second half of the year **shopping centre sales** recovered pre-pandemic levels. Some sectors even **recovered 2019 sales levels** in 2021, with Homeware and Sports regaining pre-pandemic levels throughout all of 2021.

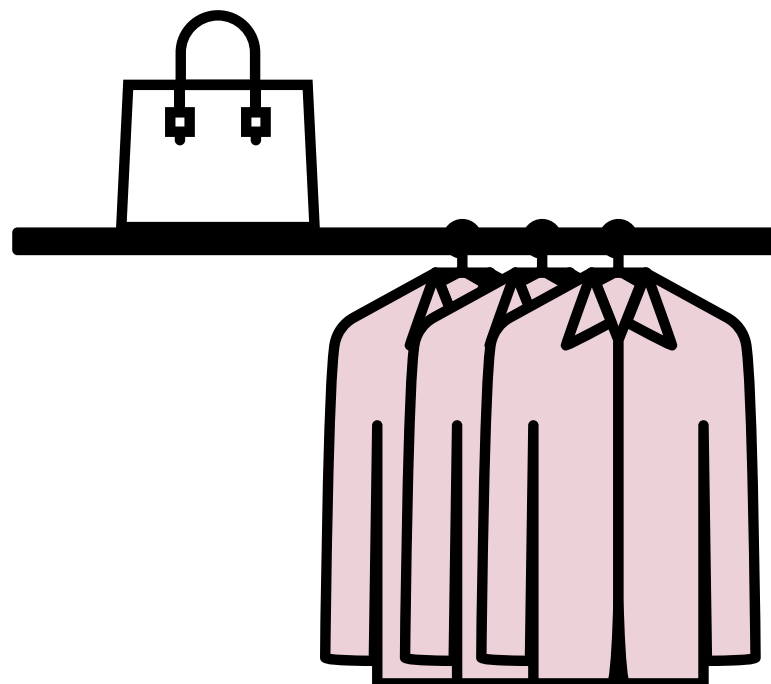
However, the **rate of recovery** has been quicker in terms of shopping centre sales than it has been in terms of footfall, signalling a shift in consumer behaviour, with consumers preferring to make less trips to centres, but increasing their average spend per visit.

## Retailers reinventing themselves

In recent years, retailers have picked up and run with various **new, innovative concepts** that enhance the in-store customer experience, with a strong emphasis on **omnichannel models** that create a fusion between online and brick-and-mortar stores.

The retail sector is currently undergoing some important **structural changes** which is making us rethink the way retail spaces are traditionally understood. Following the situation sparked by the COVID-19 pandemic, the success of properties will largely depend on their quality, size and the concept that they offer.

Beyond having a negative connotation, **repositioning shopping centres is a way of modernising and updating what they offer** by carrying out an in-depth analysis of the alternative uses that strengthen a centre's retail offering and enhance the asset as a destination for consumers.



### ESG: more than just a passing trend

The new study released by JLL Valuation Advisory “Valuing Retail in its Global Journey to Net Zero Carbon” shows how as a result of the COVID-19 pandemic, investors are increasingly taking account of **climate and sustainability-related issues** in their real estate investment decisions. The **growing awareness and importance** of ESG factors for stakeholders means that all assets – including retail properties – will be affected by the challenges posed by sustainability in the long term.

The way in which landlords and investors respond to these challenges has a direct impact on the value of their properties. A significant factor to take into consideration when identifying ways to drive value in any **retail strategy is to ensure that it generates a positive social impact** for both stakeholders and the environment. These companies must decide where they are going to invest their capital to meet their **ESG objectives while still remaining profitable** – carefully planning investment decisions so as to anticipate environmental and climate-related concerns can generate savings for companies.

We started 2022 clear on what needs to be done to create a sustainable world and with a greater understanding of the implications that this has for those involved in shaping the built environment. The real estate sector, responsible for almost 40% of the world’s carbon emissions, will play a key role in the fight against climate change.



As such, the sector is becoming ever more environmentally aware, as highlighted in the report published by the Urban Land Institute (ULI) and PwC **regarding trends in the European real estate market** in which it underlines **sustainability as the real estate sector’s main priority** despite the current situation it is facing.

All change and progress must also contribute to improving **sustainability and reducing the carbon footprint**, something that has become one of consumers’ primary concerns and a challenge that has been taken on by society as a whole. Data from the latest CGS report on business and sustainability highlight this trend: **68%** of those surveyed **believe the sustainability** of a product/service is a major factor when deciding whether to buy a product or not and **47%** would be **prepared to pay a premium for sustainable products**. Brands and retail spaces are not just valued for what they offer, but also for their sustainability credentials and their contribution to society in the areas in which they operate.

**Sustainability will be synonymous with quality** and efficient properties will set the **benchmark over the coming years**, marking the start of the **sector's long-term transition towards competitive and sustainable development**, understanding 'sustainable' to mean more balanced and responsible economic growth from an economic, social and environmental point of view.

Investors and owners must find ways to make far-reaching **sustainable changes** to their retail properties, for example, obtaining **environmental certifications**, including green clauses in **supplier contracts and tenant leases**, increasing monitoring at properties and installing solar panels, rainwater collections systems and electrical vehicle charging points. All these improvements must be made with **cost optimisation** and transparency in mind.

**Sustainability will be synonymous with quality** and efficient properties will set the **benchmark over the coming years**, marking the start of the **sector's long-term transition towards competitive and sustainable development**, understanding 'sustainable' to mean more balanced and responsible economic growth from an economic, social and environmental point of view.

*Source: JLL Valuation Advisory report 'Valuing Retail in its Global Journey to Net Zero Carbon'.*



## Omnichannel strategy

Before the onset of the COVID-19 pandemic, the retail sector had already started to adapt to new consumer trends via **digital transformation strategies**. However, the arrival of the pandemic forced companies to accelerate their transformation processes. According to a report by ESADE, **74% of retail companies invested in and rolled out digital transformations** during the first few months of the pandemic.

As a result of new trends and technological advances, retail is faced with a new paradigm in which the **phygital** concept – the combination of physical space and the digital environment – is taking on an ever more important role.

The unprecedented situation of 2020 sparked a wave of change in consumer habits and highlighted the need to accelerate the transition towards online sales, but to also adopt other strategies to meet new needs. The return to normality has shown that the **physical store will remain a key** sales channel in Spain.

Fundamental aspects of the new digital environment such as **technology and the omnichannel model** must be combined with other areas related to security and reliability that are key for the end customer. Consumers require a **bespoke and consistent** level of customer care across all sales channels, meaning that the shopping experience starts before the customer has even set foot in the door of a store.

Stores are set to become **experience destinations** offering the latest in contactless shopping technology, **integrating the online channel with specific spaces** for purchasing or collecting orders. Within this new climate, shopping centres and retail parks are **excellently placed** to take advantage of the opportunities offered by this transformation,

given that they benefit from large retail spaces and a high number of visitors, as well as professional management teams who can **tailor the spaces to ensure that they meet the market's new needs**.

One of the objectives will be to turn **shopping centres into multiuse spaces** that don't just offer visitors the opportunity to shop, but instead offer a whole host of daily uses. Medical clinics, offices, co-working spaces, advisory firms and academies can all already be found in these spaces and are soon to become an increasingly common feature.

In response to this new demand, we should also be prepared for the **emergence of new concepts and activities designed to grab consumer attention**, with brands opting for formats such as Click & Collect and "marketplaces" that could see shopping centres and retail parks repurposed as last-mile delivery hubs.

## Outlook for the coming years

Economic recovery and increased consumption will have a **positive impact on retail footfall and sales**, resulting in continued growth for the sector. Shopping centres have enjoyed a flurry of new store openings and will continue to do so, albeit at a slightly more moderate pace.

**The future looks brighter as the economy and consumption bounce back**, with yields set to ease for more resilient and prime properties, which could in turn widen the gap between prime and secondary locations.

## 1.7. Digital culture & Innovation

2021 saw further development of new trends in the retail industry, in which the physical store concept continues to play a key role, a point that evidences the evolution towards a hybrid omnichannel model that combines the physical and online channels.

The Company is **committed to innovating across the board, as well as to making its properties more efficient and sustainable** and to attracting the finest talent, which has enabled it to adapt to the changing needs of the market, ensuring that it has the **ability to meet the needs and expectations** of its main stakeholders.

At an industry level, the company is participating actively in the transformation of the real estate sector, gathering feedback about what its tenants, customers, investors and other stakeholders need and expect, in order to **guarantee sustainability/ ESG and value creation in the long term**, through the exchange of experiences and search for new innovative solutions.

In this context, Lar España has continued to work on **projects that are a tool to gain a better understanding of user behaviours and profiles and to improve their experience**. The various technology initiatives that have been implemented provide essential information on customer habits, enabling the Company to make decisions tailored to the latest trends and to create new opportunities that respond to these needs.






### TES project

Lar España continues to spearhead digital transformation in the industry in Spain, creating value through the **technology, engagement and sustainability - TES** - project, its unique response to prevailing sector trends and needs: **innovatively leveraging technology**, experience and

sustainability to optimise the customer journey. This ambitious project additionally taps the innovation taking place on the PropTech front.

Area	Mechanisms
<b>Technology (T)</b>	
Assess and quantify the visitors experience and optimise the management of the assets and customer relationships..	<ul style="list-style-type: none"> <li>› E-commerce</li> <li>› Seeketing</li> <li>› Social media</li> <li>› WiFi</li> <li>› Omnichannelling</li> <li>› SEO positioning</li> </ul>
<b>Experience (E)</b>	
Provide a unique added-value offering by transforming shopping centres and retail parks into experience-led destinations, responding to current consumer needs.	<ul style="list-style-type: none"> <li>› Optimal retail offering</li> <li>› High-quality and bespoke services</li> <li>› Attractive Food &amp; Beverage areas</li> <li>› Inviting, vibrant and urban spaces</li> </ul>
<b>Sustainability/ESG (S)</b>	
Implement measures aimed at reducing the impact of each property on the environment, as well as making a positive impact on society by creating shared value.	<ul style="list-style-type: none"> <li>› Sustainability certifications</li> <li>› Responsible management</li> <li>› Commitment to the environment</li> <li>› Active listeners</li> <li>› Ethics and integrity</li> <li>› Transparency</li> </ul>

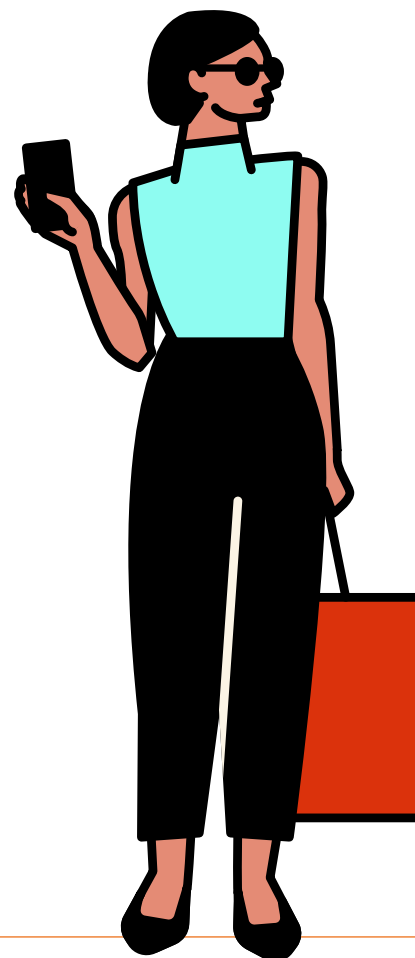
### ↳ Main objectives of the TES project

<p><b>1</b> </p> <p>Position <b>Lar España as the leading player in the digital transformation of the retail</b> segment, by creating new and more efficient ways of digitally interacting with external and internal customers.</p>	<p><b>2</b> </p> <p>Create shared value in order to lead economic and social progress, have a real impact on society and <b>make a difference in people's quality of living and socio-economic development.</b></p>	<p><b>3</b> </p> <p>Contribute to sustainability by deploying <b>technologies that foster a more efficient management of the assets</b> and exercise greater control over the properties' environmental impact.</p>
---	---	--

## Technological

Technological innovation remains a key component of Lar España's business development, **creating tools** that help the Company to understand how its assets are performing and to make more informed decisions. The Company was already one step ahead of the transformation of the industry and **has continued to roll out digital initiatives** in two key areas: portfolio information management and asset management.

Below is a description of each of these tools and the value they generate for the company:



### › Click & Shop

#### Description

Omnichannel sales platform launched in November 2020 for the following shopping centres: El Rosal, Lagoh, Portal de la Marina, Ànec Blau, Albacenter, Gran Vía de Vigo and As Termas.

#### Objectives

- › Offer customers discounted products from a range of brands with a choice of the following sales channels: the brand's own website, the shopping centre store or via telephone (including WhatsApp).
- › Better understand customers through their shopping preference, offering a **digitalised service** that fits their needs and provides retailers with a new channel, both

for footfall and online traffic, with the aim of increasing their sales.

In this respect, the company has adapted to the digital transformation of the market by taking the centre's offering beyond the physical environment, constituting a new communication channel for retailers and positioning the asset as a catalyst for footfall/traffic and sales.

#### Achievements

**Over 100 businesses** have signed up since launch, offering **more than 1,000 products** and **receiving upwards of 40,000 visits**.

## › Mallcomm

### Description

A 360° platform that enables the **creation of a communication channel between the retailers and the various levels of management and services** within the shopping centres: store employees, management, etc. This system enables management of the retailers' sales indicators, discounts for employees, job offers, events and marketing, safety, critical communication, maintenance and cleaning, as well as the option of obtaining feedback.

### Objectives

- › Improve management of the assets through a real-time tool that **enhances communication and facilitates administration.**

### Achievements

The platform has been **rolled out in 7** portfolio shopping centres.

## › Seeketing

### Description

This platform integrates the information generated via the shopping centre channels, enabling the company to then cross-reference and analyse the data with the aim of **generating value for customers**. The system uses nodes or beacons (antennae) that are installed in the shopping centre combined with powerful marketing intelligence software in order to better understand user habits.

### Objectives

- › Develop proximity marketing initiatives to **drive footfall and customer satisfaction.**
- › **Enhance shopping centre management** by means of advanced data analytics.
- › Track the shopping centres' **unique visitors.**
- › Gain a better understanding of footfall by store, area, **frequency of visit and dwell time.**

### Achievements

In 2021 the Company performed proximity marketing initiatives that affected users identified via WiFi networks, obtaining **very positive results** in relation to converting impacted users and participating users.

## › Dotgis

### Description

This is a multi-user web application (dashboard) based on a dynamic map which enables the Grupo Lar and Lar España teams to look up all of the **metrics related to the operation of the commercial premises in their assets**, thus creating better overall visibility and a deeper understanding. The result is the ability to analyse, shortly after the data is collected, how the various retailers are performing in each asset or as a whole, using different KPIs, thus gaining a deeper understanding of the trends in the various retail segments.

### Objectives

- › Analyse internal data in order to **optimise resource allocation and generate sales intelligence** which is used to define the returns on investment of the premises comprising the shopping centres where this tool is implemented.



## › SEO positioning

Description	Objectives
<p>SEO positioning refers to the visibility of a website in organic search results across the various search engines. Lar España is working to <b>design and adapt elements of its websites</b> to be smarter and more effective.</p>	<ul style="list-style-type: none"> <li>› Improve asset websites' positioning in search engine results.</li> <li>› Create corporate websites (to provide information) that are compatible with the transactional websites (e-commerce).</li> </ul>
<h3>Achievements</h3>	

**1,878,053**

Total number of sessions

**4,778,490**

Websites views

**1,379,182**

Users

## › Sales through WhatsApp

Description	Objectives	Achievements
<p>In early 2021 the company launched a <b>new sales and personal advisory service available to shoppers at the Lagoh shopping centre through WhatsApp</b>. This is in addition to the face-to-face offering, <b>taking one more step towards an omnichannel experience and a 360° service</b>. The system not only helps to enhance the shopping experience but also serves to consolidate new relationship models between the firms present at the shopping centres and visitors.</p>	<ul style="list-style-type: none"> <li>› Offer the <b>best possible experience</b> to shopping centre visitors through both the offline and the online channels.</li> </ul>	<p>This step forward allows retailers to offer personal assistance, harnessing their knowledge and <b>increasing in-store sales</b>. From the customer's perspective, they can obtain exact information on the desired product and its in-store availability, all without having to go to the premises first.</p>



## Experience

Lar España, in addition to prioritising technological innovation, **seeks to enhance the customer experience** in each of its shopping centres.

Projects like the “Club Disfrutones” foster interaction with local communities and promote numerous initiatives for customers and other stakeholders.



### › Disfrutones app

Description	Objectives
Application related to the Disfrutones loyalty club, giving members access to <b>shopping centre discounts, prize draws, services and the latest news, at any time and directly through their mobile phones</b> . Signing up is free and can be done through any of the available channels.	› Generate customer loyalty and increase footfall, resulting in higher sales in the asset's commercial premises, as well as better understanding consumer preferences and profiles. The application adds another communication channel and represents a key facet in the creation of a <b>digital community</b> .

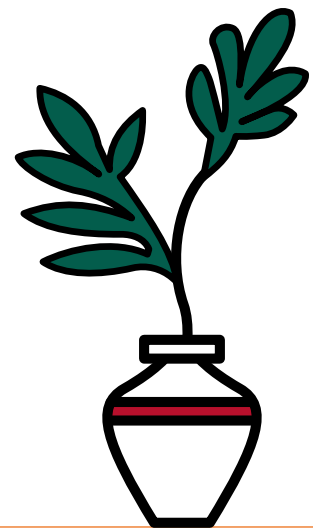
#### Achievements

It is currently **available** in the following shopping centres: **El Rosal, Lagoh, Portal de la Marina, Ànec Blau, Albacenter, Gran Vía de Vigo and As Termas**.

### › Lagoh Collect

#### Description

This shopping pick-up service **improves the customer experience** and can be requested by all visitors at either of the two Lagoh Collect points. The pertinent staff pick up the purchases from any of the stores in the centre on the day the service is requested and the products are taken to the Lagoh Collect points in the car park, where they can be collected by the customers at their convenience once they finish their shopping.



## › Retailers Customer Journey

### Description

Analysis programme focused on understanding the **experience of retailers**, with the main aim of redefining the company's relationship with them, strengthening collaborations through the offering of new services and the creation of added value.

### Stages of the project

- › **Discover:** one-to-one interviews with retailers and the company's main stakeholders to identify the principal insights and create different categories.
- › **Ideas:** workshop with the project leaders to devise solutions for improvements in the areas detected.
- › **Describe:** design of an action plan to reduce possible points of dissatisfaction and create new points of contact and value propositions for each retailer category.

## › Buyer Persona study

### Description

The Buyer Persona study was undertaken to better understand customers and **adapt the communication channels to expected demand**, consisting of detecting communication drivers that encourage users to visit the asset.

## › Amazon Lockers

### Description

This is a self-service package delivery offering by the online retailer, Amazon. **In 2021 Lar España installed Amazon Locker in various assets**, allowing customers to pick up their Amazon packages at their convenience.

These lockers are located in accessible areas close to the stores and the orders can be collected through a unique collection code entered on the locker touchscreen. This system is currently available in the following shopping centres: Ànec Blau, Rivas futura, As Termas, Lagoh, Vistahermosa, Vidanova, El Rosal and Gran Vía de Vigo, and it will soon be available in Albacenter and Portal de la Marina.

## Sustainability

The third cornerstone underpinning Lar España's innovation thrust is the design and implementation of **policies that foster sustainable development** in the real estate sector. Lar España's strategy is focused on improving energy efficiency, reusing water, analysing air quality, promoting photovoltaic energy projects, and obtaining sustainability certifications for its assets.

In this context, 2021 saw **further development of sustainable projects and environmental management**, making progress in the implementation and use of the automated data collection platform. The platform provides regular data via a dynamic dashboard on the use of resources at the shopping centres and retail parks (energy and water), as well as steps to mitigate their environmental impact (waste management and control of emissions).

### › Data automation at the shopping centres

#### Description

The data automation platform has been up and running since 1 January 2021, **enabling the data to be monitored, analysed and compared against previous periods**. Lar España is also working on energy efficiency audits and the **implementation of a remote submetering system** to provide up-to-date information on the status of each of the assets. **Action plans** will be drawn up to this effect, to be rolled out in each of the portfolio assets with a view to improving their performance and monitoring them through the application.

#### Objectives

- › Continue to be a touchstone in the industry and for society as a whole, going beyond the purely financial benefits provided by **better energy management and performance**.

#### Achievements

**Greater reliability** in the data obtained, **increasing the frequency and homogeneity of the data collection**, which has allowed for the optimisation of processes and resources. In addition, the departments involved have been given greater analytical power and the capacity to react when implementing the necessary corrective measures.

### › Renewable energy

#### Description

The Company has completed a **comprehensive study of its portfolio** in collaboration with KPMG aimed at analysing and identifying the most promising strategies to implement, reviewing and negotiating contracts, and monitoring and studying the progress made to install photovoltaic panels across the portfolio's assets.

#### Next steps

- › In the coming months the different installation options in each of the assets will be analysed.

## › Sustainable mobility

### Description

Sustainable mobility is a concept devised to **curb the environmental and social problems associated with urban mobility** for the general public. Lar España is focusing its efforts in this area because it is considered an added-value factor for the portfolio assets. On this front, the different alternatives in each of the assets are being studied in order to implement a range of sustainable mobility solutions.

### Main projects

- › Electric vehicle charging stations.
- › Shared mobility.
- › Enhanced pedestrian access.
- › Campaigns encouraging the use of public transport, bus stops and taxi ranks.
- › Bicycle, scooter and motorbike access and parking, designated parking spaces for families and emergency vehicles located close to the main entrances, and parking guidance systems.

### Achievements

Of the 14 assets in Lar España's portfolio, 13 have electric vehicle charging stations; i.e. **almost 100% of the portfolio offers electric charging facilities** at 31 December 2021. In total, there are **155 electric vehicle charging stations** installed across Lar España's assets, with a further 75 pending installation, which will bring the total to 230.

## › Air quality

### Description

The **health and wellbeing of visitors** is a cornerstone of the company's business model. The actions carried out to this end in 2020 included studies of new technologies to improve air quality in the assets and monitor data. **We continued to make progress in this area in 2021 via a range of different initiatives.**

### Actions in 2021

- › Roll-out of new data software to enhance the monitoring of indoor air quality and increase the responsiveness of the teams involved in asset management. It is also aimed at **optimising the operational management of the HVAC equipment**, thus improving energy efficiency in the buildings.
- › Integration of the air quality results of Lar España's assets into the data automation platform, bringing all the **ESG information** of the portfolio assets together in one application.

### Achievements

This new technology **enables the simultaneous analysis** of different data related to indoor air quality, outdoor weather conditions, HVAC electricity consumption and footfall.

Moreover, all of Lar España's properties comply with the **temperature policy** set forth in the building heating regulations (RITE) and indoor air quality audits.



Air quality control at the Ànec Blau shopping centre (Barcelona)