

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.

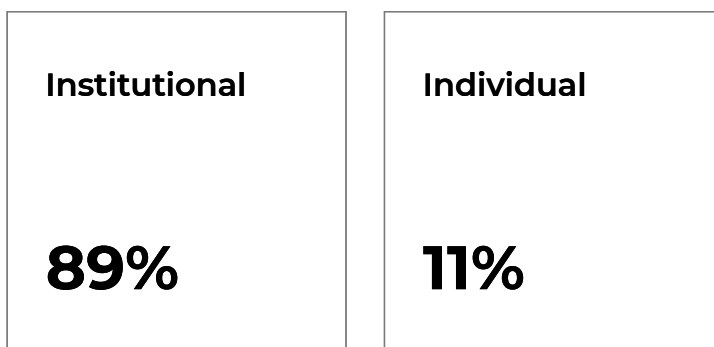
The Company's pipeline remains solid, allowing it to continue to comfortably meet its forecast investment targets.

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.

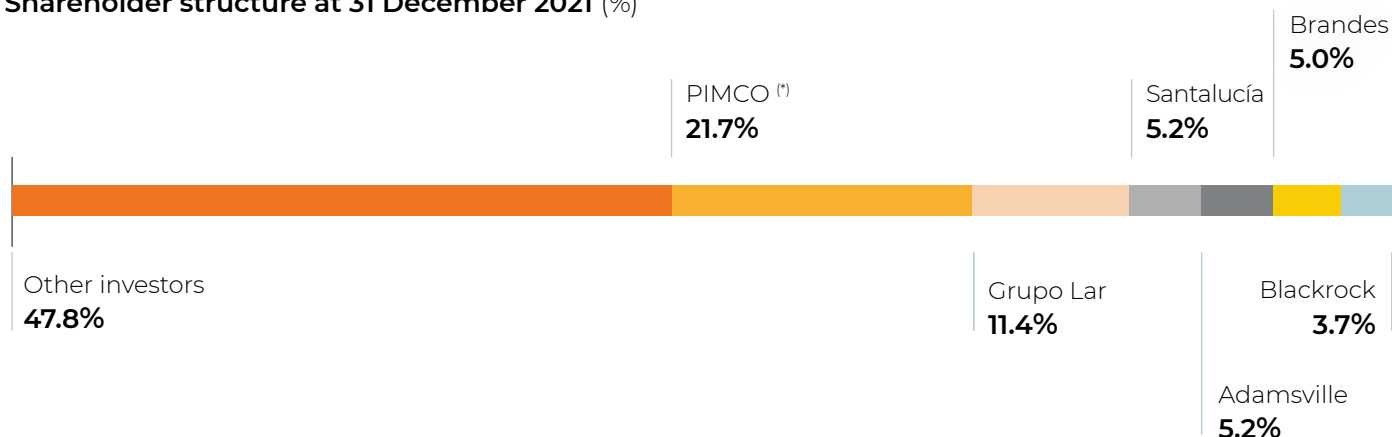
To Lar España, **corporate investment and environmental engagement** are much more than just hoops we need to jump through; they are vital to our future success. Our approach keeps us alert to new opportunities – like advances in energy efficiency, digital innovation and collaborative relationships with 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.



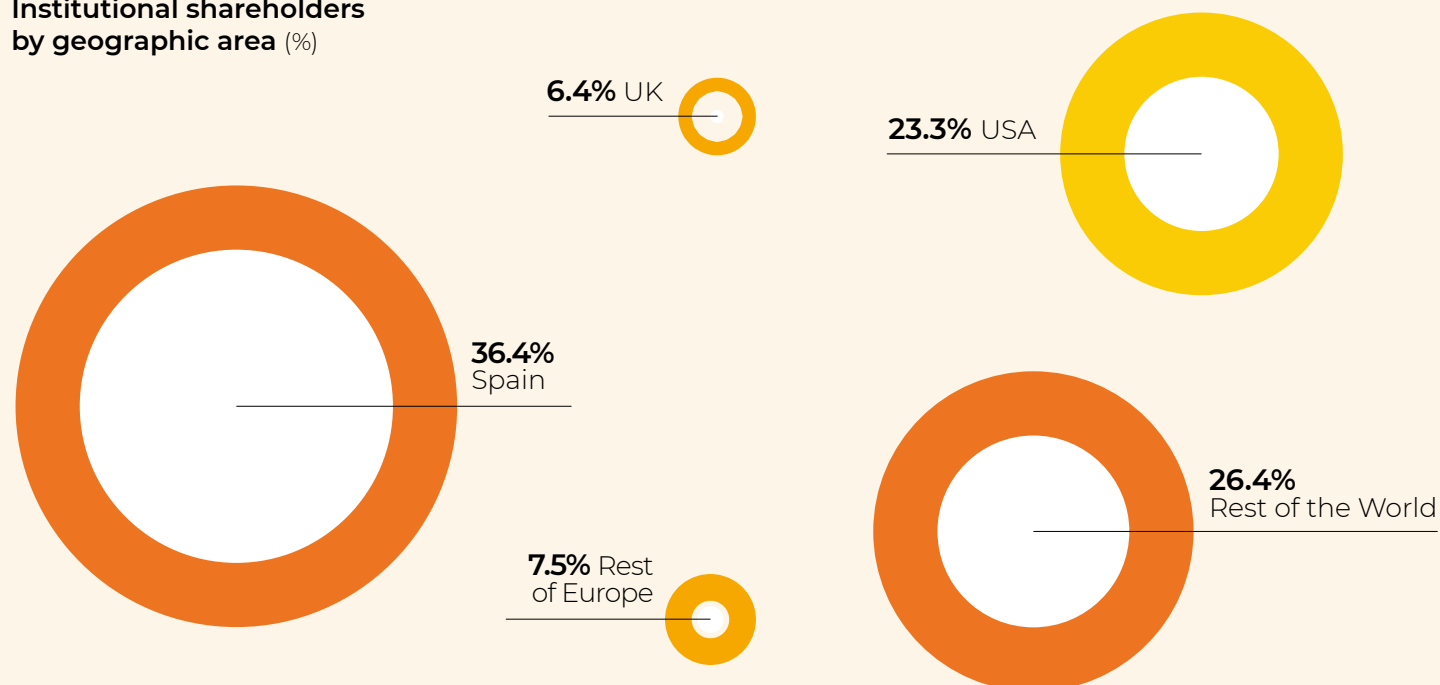
Shareholder structure

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

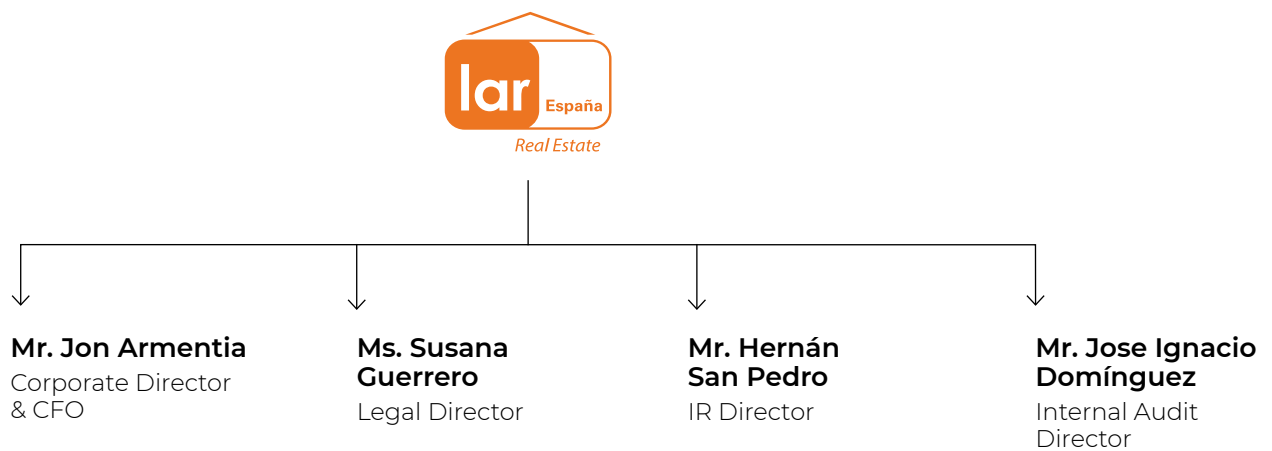
Vice-secretary of the Board (Non-Director)

(*) 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	IR Men: 0 Women: 0 LDR Men: 0 Women: 0 ASR Men: 0 Women: 0 AR Men: 0 Women: 0 Number of deaths due to accident or illness at work Men: 0 Women: 0	IR Men: 0 Women: 0 LDR Men: 0 Women: 0 ASR Men: 0 Women: 0 AR Men: 0 Women: 0 Number of deaths due to accident or illness at work Men: 0 Women: 0
	H&S-Asset	Number of assets	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^(*) 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^(*). 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.

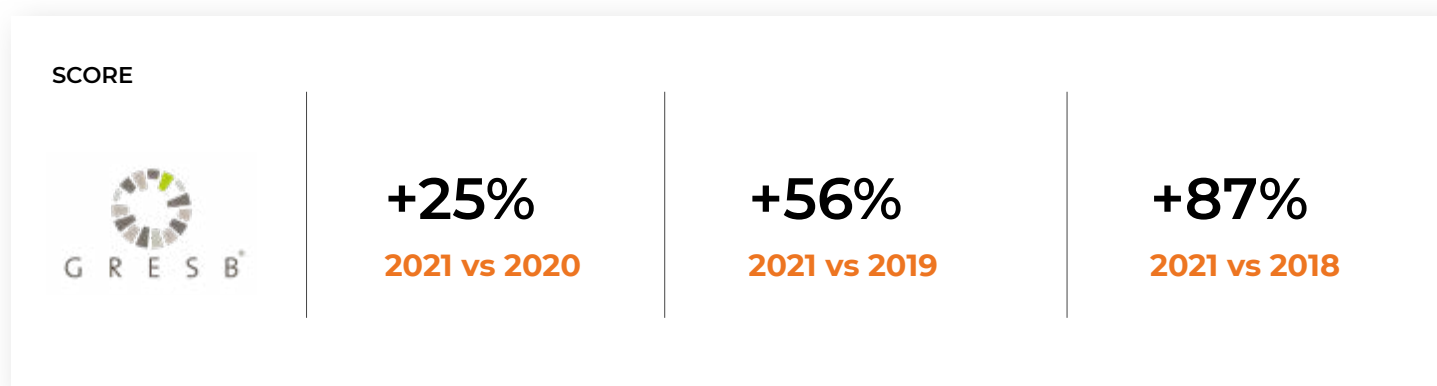


During 2021, Lar España has taken part, for the **fourth** year running, in **GRESB (Global Sustainability Real Estate Benchmark)** assessment process, which has become the benchmark for assessing commitment to environmental, social and governance (ESG) issues in the real estate sector. The score obtained 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.



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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)