

## SECOND PARTY OPINION (SPO)

---

Sustainability Quality of the Issuer and Green Bond Framework

Lar España  
2 July 2021

### VERIFICATION PARAMETERS

---

Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green Bonds</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• Green Bond Principles (GBPs), as administered by the International Capital Market Association (ICMA)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Lar España Green Bond Framework (as of July 2021)</li><li>• Lar España Asset Pool (as of July 2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as Lar España's Green Bond Framework (July 2021) remains unchanged</li></ul>

## CONTENTS

Scope of work .....	3
ISS ESG ASSESSMENT SUMMARY .....	3
ISS ESG SPO ASSESSMENT .....	4
PART I: GREEN BOND LINK TO LAR ESPAÑA'S SUSTAINABILITY STRATEGY .....	4
A. ASSESSMENT OF LAR ESPAÑA'S INDICATIVE SUSTAINABILITY PROFILE .....	4
B. CONSISTENCY OF GREEN BOND WITH LAR ESPAÑA'S SUSTAINABILITY STRATEGY .....	6
PART II: ALIGNMENT WITH GBPs .....	8
PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE .....	11
A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs .....	11
B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL .....	12
ANNEX 1: Methodology .....	15
ANNEX 2: Quality management processes .....	16
About ISS ESG SPO .....	17

## Scope of work

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

1. Green Bonds link to Lar España’s sustainability strategy – drawing on Lar España’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Lar España’s Green Bond Framework (July 2021 version) – benchmarked against the International Capital Market Association's (ICMA) GBPs.
3. The eligibility criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b>  <b>Green Bonds link to issuer’s sustainability strategy</b>	<p>Lar España is a fully integrated developer, owner and operator of retail assets, that focuses on creating sustainable income and strong capital growth for shareholders through an intensive and professionalized management of its assets following an omnichannel strategy.</p> <p>The Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is described by the issuer.</p>	<b>Consistent with issuer’s sustainability strategy</b>
<b>Part 2:</b>  <b>Alignment with GBPs</b>	<p>The issuer has defined a formal concept for its Green Bonds regarding Use of Proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs.</p>	<b>Aligned</b>
<b>Part 3:</b>  <b>Sustainability quality of the eligibility criteria</b>	<p>The overall sustainability quality of the eligibility criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bond will (re-)finance eligible asset categories which include Green Buildings and solar power projects (PV roof systems).</p> <p>Those Use of Proceeds categories have a significant contribution to SDG 7 ‘Affordable and clean energy’, 11 ‘Sustainable cities and communities’ and 13 ‘Climate Action’. The environmental and social risks associated to the Use of Proceeds categories are well managed.</p>	<b>Positive</b>

<sup>1</sup> ISS ESG’s evaluation is based on the Lar España’s Green Bond Framework (July 2021 version), on the analysed Asset Pool and eligibility criteria as received in May 2021, and on the ISS ESG Indicative Corporate Assessment applicable at the SPO delivery date. ISS ESG underwent a controversy screening of the asset pool on July 2<sup>nd</sup>, 2021.

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND LINK TO LAR ESPAÑA'S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF LAR ESPAÑA'S INDICATIVE SUSTAINABILITY PROFILE

***Methodological note:** Please note that Lar España is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the 'Real Estate' sector, based primarily on publicly available information. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating, but considers ISS ESG Research's methodology.*

**Industry classification:** Real Estate

#### *Key Issues of the industry*

1. Green building considerations
2. Climate protection, energy efficiency and renewables
3. Environmental and social aspects in site selection
4. Worker safety and accident prevention
5. Health and well-being of occupants

#### *Indicative ESG risk and performance assessment*

Lar España is a real estate company focused on the acquisition, development and management of retail properties. As at 2020, the company's portfolio included 14 shopping centers and retail parks throughout Spain covering approximately 550 thousand sqm.

Recognizing that buildings account for a comparably large share of man-made CO2 emissions, Lar España discloses GHG inventories that include downstream-leased assets' (scope 3) emissions for their fully owned properties. GHG emission and energy intensities decreased in recent years. Yet, clear GHG emissions and energy consumption reduction targets that would lead to further decreases are not defined.

In order to make its property portfolio more energy efficient, the company has implemented several measures involving upgrades of HVAC systems, installation of LED lighting, as well as the use of renewable electricity through the installation of solar panels at few properties. Lar España has also implemented measures to reduce the water use in buildings (e.g., efficient water systems, reuse of treated wastewater, fitting of low-consumption devices). The company follows a systematic approach to address energy efficiency of buildings through the implementation of energy efficiency guidelines. Furthermore, to promote environmental awareness among tenants, Lar España has established green lease agreements in a few properties, and it is committed to eventually include these in all new agreements. Overall, risks related to energy and resource efficiency are adequately addressed by the company. Regarding environmental and social aspects in site selection, the company conducts environmental and biodiversity impact assessments for specific projects. These include information regarding mitigation measures designed to reduce the undesirable impacts of the company's activity

on biodiversity, as well as some measures for the reduction of negative impacts from construction (e.g. noise, vibration). Furthermore, there is a general commitment regarding customer access to public transport and access to alternative forms of transportation (e.g. cycling networks, walkable communities).

Tenant and customer health is addressed through the implementation of measures to reduce exposure to biological factors in light of the COVID-19 pandemic in all properties (e.g., ultraviolet and nebulization disinfection) and measures to reduce tenant exposure to physical, biological and chemical factors at some properties. With regards to tenant and customer well-being, Lar España commits to improve air quality. The company has developed safety guidelines for some properties that cover relevant aspect such as e.g. fire protection and disaster management. In terms of health and safety of employees and contractors, the company only discloses the accident-related data of own employees for two years, thus a trend cannot be calculated.

### *Sustainability impact of products and services portfolio*

- **Social impact of the product portfolio:**

Lar España does not appear to be involved in projects that would contribute significantly to relevant social SDG objectives such as ensuring health and delivering education (e.g., management of healthcare or educational facilities). The company's project portfolio of retail properties is therefore considered to have no net positive or negative social impact.

- **Environmental impact of the product portfolio:**

As at 2020, approximately 85% of the company's portfolio by floor area is certified to the comprehensive green building standard BREEAM. Furthermore, Lar España aims to have all portfolio assets BREEAM certified in 2021. The company's assets therefore have a significant positive environmental impact.

### *Controversy Assessment*

- **Controversy at issuer level**

The analyst in charge of producing this report conducted a high-level controversy assessment based on publicly available information. The assessment did not reveal any controversy that can be directly attributed to the issuer.

- **Controversy risks at industry level**

Based on a review of controversies in the period of 1 January 2019 – 7 May 2021, the greatest risk reported against companies operating in the Real Estate industry relate to activities that may have adverse impacts on human rights and the environment. This is closely followed by activities related to business malpractice and labor rights. The top three issues that have been reported against companies within the industry are as follows: alleged failure to respect consumer rights, failure to prevent bribery and failure to prevent money laundering. This is closely followed by the alleged failure to assess environmental impacts, failure to respect the right not to be subjected to torture/ inhumane treatment and failure to respect the right to safe and healthy working conditions.

## B. CONSISTENCY OF GREEN BOND WITH LAR ESPAÑA'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

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

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

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

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

In 2021, work has been directed towards rolling out the following action plans with a view to significantly enhance Lar España's performance on the environmental front: implementation of an energy-efficiency plan; implementation of a waste management plan; and start-up of an automated platform for shopping centers.

### *Rationale for issuance*

The issuance of a Green Bond is clearly in line with the issuer's sustainability objectives, specifically in terms of its environmental objectives. With the proceeds from a Green Bond issuance, Lar España can further invest in Green buildings projects that are in line with the recently developed energy-efficiency plan and waste management plan, and ultimately contribute to achieving SDG 11 'Sustainable cities and communities'.

*Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Real Estate sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
<b>Green Buildings</b>	✓	✓	Contribution to a material objective
<b>Solar power projects (PV roof systems)</b>	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is described by the issuer.*

## PART II: ALIGNMENT WITH GBPs

### 1. Use of Proceeds

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

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

#### Eligibility Criteria

GBP Eligible Categories	Eligibility Criteria and Example Projects
<b>Green Buildings</b>	New or existing commercial buildings owned and managed by Lar España that have obtained or will obtain the below certifications <sup>2</sup> : <ul style="list-style-type: none"> <li>▪ Building Research Establishment Environmental Assessment Method (<b>BREEAM</b>): Outstanding, Excellent or Very Good;</li> <li>▪ Other equivalent internationally and/or nationally recognized certifications.</li> </ul>
<b>Renewable Energy</b>	New or existing investments in or expenditures on the acquisition, development, construction and/or installation of renewable energy such as solar photovoltaic (PV) technology.

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

**Opinion:** ISS ESG considers the Use of Proceeds description provided by Lar España’s Green Bond Framework as complete and aligned with the Green Bond Principles (GBPs). Environmental benefits are clearly described, and the eligible categories are aligned with the broader sustainability strategy of the issuer.

### 2. Process for Project Evaluation and Selection

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

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

- Reviewing and approving the selection of projects for the Green Asset Pool based on the selection criteria defined in the Use of Proceeds;

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

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

**Opinion:** ISS ESG considers the process for project evaluation and selection description provided by Lar España's Green Bond Framework as aligned with the GBPs. Moreover, the projects selected show alignment with the sustainability strategy of the issuer. It is worth noting that most of the issuer's assets are currently undergoing a renewal of their BREEAM certification (the company plans to have all its assets certificated or re-certificated in 2021). Through an active follow-up of its Green Asset Pool, Lar España is committed to the removal all the projects that do not receive at least a BREEAM Very Good certification.

### 3. Management of Proceeds

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

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

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

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

**Opinion:** ISS ESG finds that Management of Proceeds proposed by Lar España's Green Bond Framework is well aligned with the GBPs. While establishing a Green Bond Register, the company will be able to properly track its proceeds. Moreover, the company has set an allocation period of 24 months (on a best-efforts basis) following the best market practices.

### 4. Reporting

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

#### *Allocation Reporting*

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

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

- The balance of unallocated proceeds.

#### *Impact Reporting*

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

- **Green Buildings:**
  - Number and floor space of Green Buildings meeting the eligibility criteria
  - BREEAM certification level (Outstanding, Excellent or Very good)
- **Renewable Energy:**
  - Total installed capacity (MW)

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

**Opinion:** *ISS ESG finds that the reporting proposed by Lar España’s Green Bond Framework is aligned with the GBPs. The issuer has clearly defined the scope and level to which it will conduct the allocation and impact reporting, reflecting best market practices. Lar España will disclose its Use of Proceeds reporting on an annual basis until full allocation.*

#### **External review**

##### *Second Party Opinion*

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

##### *Verification*

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

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond Asset Pool and using a proprietary methodology, ISS ESG assessed the contribution of the Lar España's Green Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):



Each of the Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings	Significant contribution	
Solar power projects (PV roof systems)	Significant contribution	

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL

### Green Buildings

As a Use of Proceeds category, green buildings have a significant contribution to the SDG 11 'Sustainable cities and communities'. The table below presents the findings of an ISS ESG assessment of the Asset Pool against ISS ESG KPIs.

#### ASSESSMENT AGAINST ISS ESG KPI

##### Energy efficiency prerequisites for Green Buildings

- ✓ All of the assets that will constitute the Green Asset Pool underwent/will undergo an appropriate and detailed selection process that ensures good standards regarding energy efficiency. The company's Energy Efficiency Plan, which focuses on boosting efficiency and retaining green building certifications, applies to the entire portfolio.

##### Site selection

- ✓ All of the sites where the assets are/will be located have environmental due diligence carried out during the site selection process.
- ✓ There is a general commitment from the issuer regarding customer access to public transport and access to alternative forms of transportation (e.g. cycling networks, walkable communities). Moreover, 100% of the assets in the current portfolio are located within 1 km from one or more modalities of public transport.

##### Construction standards

- ✓ All assets that will form the Green Asset Pool will be located in Spain where high labour and health and safety standards are in place (e.g. ILO core conventions).
- ✓ The company has implemented internal policies that favor sustainable procurement regarding building materials when refurbishment is undertaken. In the issuer's current portfolio, more than 75.0% of assets provide for sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).

##### Water use minimization in buildings

- ✓ The company has implemented internal policies that cover the reduction of water consumptions by metering as much as possible, and, then, optimizing appliances where needed. In the current portfolio, more than 60.0% of assets provide for measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

### Safety of building users

- ✓ The assets comply with all national safety regulations. In all of them, there are emergency exits, fire detection and alarm systems and fixed extinguishing systems using sprinklers (among others). All systems passed the corresponding Regulatory Inspections established by the regulations.

### Sustainability labels / Certificates

- ✓ All assets that will form the Green Asset Pool have received or will receive a BREEAM 'Outstanding', 'Very Good' or 'Excellent' or other equivalent internationally and/or nationally recognized certifications.

## Solar power projects (PV roof systems)

As a Use of Proceeds category, solar power projects (PV roof systems) have a significant contribution to the SDG 7 'Affordable and clean energy' and 13 'Climate Action'. The table below presents the findings of an ISS ESG assessment of the eligibility criteria against ISS ESG KPIs.

### ASSESSMENT AGAINST ISS ESG KPI

#### Supply chain standards

- ✓ The company requires that solar panel providers comply with Spanish regulations, which require high labour and health and safety standards (e.g. ILO core conventions).

#### Environmental aspects of solar power projects

- ✓ As of today, all the PV roof systems assets identified feature a conversion efficiency higher than 20%. The company is committed to requiring a conversion efficiency of at least 15% for future assets financed.
- ✓ All assets that will form the Green Asset Pool will provide for high environmental standards regarding take-back and recycling of solar modules at end-of-life stage as the assets will be located in Spain where the Waste from Electrical and Electronic Equipment (WEEE) has been properly transposed through a Royal Decree.<sup>3</sup>
- ✓ All assets that will form the Green Asset Pool will provide for high standards regarding the reduction or elimination of toxic substances within solar panels as the assets will be located in Spain where the Restriction of hazardous substances in electrical and electronic equipment (RoHS) directive has been transposed through a Royal Decree.<sup>3</sup>

#### Construction standards

- ✓ All assets that will form the Green Asset Pool are/will be located in Spain where high labour and health and safety standards are in place (e.g. ILO core conventions).

<sup>3</sup><https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/prevencion-y-gestion-residuos/flujos/aparatos-electr/Royal-Decree-on-wastes-electronic-electric-equipments.aspx>

## DISCLAIMER

1. Validity of the SPO: As long as Lar España's Green Bond Framework (July 2021) remains unchanged
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing [disclosure@issgovernance.com](mailto:disclosure@issgovernance.com).

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

ISS is an independent company owned by entities affiliated Genstar Capital ("Genstar"). ISS and Genstar have established policies and procedures to restrict the involvement of Genstar and any of Genstar's employees in the content of ISS' reports. Neither Genstar nor their employees are informed of the contents of any of ISS' analyses or reports prior to their publication or dissemination. The issuer that is the subject of this report may be a client of ISS or ICS, or the parent of, or affiliated with, a client of ISS or ICS.

© 2021 | Institutional Shareholder Services and/or its affiliates

## ANNEX 1: Methodology

### ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Lar España’s Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Lar España (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Lar España’s Green Bond contributes to related SDGs.

## ANNEX 2: Quality management processes

### SCOPE

Lar España commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the GBPs and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs
- ISS ESG KPI set:
  - Green Buildings
  - Solar power projects (PV roof systems)

### ISSUER'S RESPONSIBILITY

Lar España's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond to be issued by Lar España based on ISS ESG methodology and in line with the ICMA GBPs.

The engagement with Lar España took place from May to July 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

**Federico Pezzolato**

SPO Business Manager EMEA/APAC

[Federico.Pezzolato@isscorporatesolutions.com](mailto:Federico.Pezzolato@isscorporatesolutions.com)

+44.20.3192.5760

**Miguel Cunha**

SPO Business Manager Americas

[Miguel.Cunha@isscorporatesolutions.com](mailto:Miguel.Cunha@isscorporatesolutions.com)

+1.917.689.8272

For Information about this Green Bond SPO, contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

**Project lead**

Armand Satchian  
Associate  
ESG Consultant

**Project support**

Marine Durrieu  
Associate  
ESG Consultant

**Project supervision**

Viola Lutz  
Associate Director  
Deputy Head of Climate Services