The REIT for the
new retail world

Climated-related risk report

TCFD analysis

December 2023

Translation of information originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version shall prevail

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Climate change risks and opportunities management strategy

The REIT for the new retail world

Lar España shares the sentiment that the companies must actively participate in the fight against climate change, something that has demonstrated since its public listing in 2014 through the development of multiple initiatives that have contribute to reducing its environmental impact. In this regard, in 2022, the Company began working on its climate risk analysis by conducting a comprehensive mapping of the situation of its portfolio to have information on the potential impacts of climate change on each of its assets, defining in turn strategic and specific adaptation measures to mitigate such effects.

This report describes Lar España's process, incorporating their management into its strategic development. While developing this process – which covers the analysis, management and disclosure of climate change risks – the Company followed the standards set by the Task Force on Climate-Related Financial Disclosures (TCFD). This report is further complemented by the internal estimation of the economic quantification of the identified climate risks.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Task Force on Climate-Related Financial Disclosures (TCFD) is an international organisation created by the Financial Stability Board to develop recommendations aimed at improving climate change-related financial reporting. More and more companies are opting to implement the TCFD's guidelines, using them to inform their risk management strategy, and are now choosing to disclose information on climate change in accordance with the four pillars set out by the TCFD initiative:

- Governance: The organisation's governance around climate-related risks and opportunities.
- Strategy: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.
- Risk management: The processes used by the company to identify, assess and manage climate-related risks.
- Metrics and targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

1 Governance

Governance

A The role of the Board of Directors and its Committees in monitoring climate-related risks and opportunities

The Board of Directors is responsible for strategic coordination, defining and administering Lar España's management guidelines, deciding on matters of strategic relevance, and entrusting the day-to-day management of the company to the management team and the Manager. ESG considerations and proper risk management form an essential and intrinsic part of Lar España's overall strategy.

In carrying out these primary duties, the Board has, in addition to its other powers, the non-delegable authority to set out the Company's general policies and strategies, which as far as ESG matters are concerned, include, but are not limited to, determining :

- The Company's strategic or business plan
- The Corporate Governance Policy
- The environmental and social Sustainability Policy
- The Risk Control and Management Policy (for all types of financial and non-financial risks, including for example those related with the environment, the climate, the sustainability and tax risks), as well as overseeing the internal reporting and capital system.

Lar España's Integrated Risk Management System is designed to ensure risks are correctly and systematically identified, assessed, managed and controlled in order to help the Company meet its long-term targets and successfully implement its strategies.

The Board thus annually reviews, updates and approves the Lar España risk map, and adopts as many decisions as are necessary to ensure that the Company's risks, including climate-related risks, are managed in the most effective manner, with a particular focus in recent years on all risks associated with the environment and the climate.

Assisting the Board in carrying out its work are two key committees: the Audit and Control Committee and the Appointments, Remuneration and Sustainability Committee.

General Shareholders' Meeting

↑

Board of Directors

↑ ↑

Audit and Control Committee | **Appointments, Remuneration and Sustainability Committee**

LAR ESPAÑA MANAGEMENT TEAM

Mr. Jon Armentia	Mrs. Susana Guerrero	Mr. Hernán San Pedro	Mr. Jose Ignacio Domínguez
Corporate Director & CFO	General Counsel	Director of Investor Relations and Corporate Communications	Internal Audit Director

ESG Committee

- C-level staff members of Lar España
- Those responsable for direct management of assets

In addition to its Sustainability and Corporate Governance Policies, Lar España has also produced an ESG Master Plan, first approved in 2017 and periodically updated, which sets out the various courses of action it plans to take to achieve its ESG targets. This plan is structured around four basic pillars (environment, corporate governance, social capital and assets), with courses of action for adopting best practices in ESG for each.

Governance

A The role of the Board of Directors and its Committees in monitoring climate-related risks and opportunities

From a material perspective, Lar España's principles, commitments, and strategic objectives related to ESG are outlined in the Company's Sustainability and Corporate Governance Policies, which, as previously mentioned, are permanently approved and monitored by the Board of Directors.

The objective pursued through them, as indicated by the Corporate Governance Policy, is to help Lar España achieve the highest levels of competitiveness, generate trust and transparency for national and foreign shareholders and investors, improve internal control and sustainability practices in environmental, social, and governance matters, commit to providing relevant information on the implementation and evolution of sustainability practices, and ensure the proper segregation of functions, duties, and responsibilities, from a perspective of maximum professionalism and rigor. All of this is carried out under the umbrella of the demanding risk control and management system implemented by the Company.

The responsibilities of the Audit and Control Committee include:

- Overseeing the Company's financial and non-financial (sustainability) reporting and submitting this data to the Board prior to its being approved and made public.
- With regards to overseeing the management and control of risks: (i) oversee and evaluate the efficiency of the control and management systems for financial and non-financial risks (including climate-related risks), particularly ensuring that the main risks are properly identified, managed and disclosed; (ii) oversee responsibility for internal risk control and management; and (iii) with regard to the risk management and control policy, identify or determine, as a minimum: (a) the various types of risk that the Company faces, including, among the financial or economic risks, contingent liabilities and other off-balance sheet risks; (b) a model for the control and management of risk, based on different levels; (c) the level of risk that the Company considers to be acceptable; (d) the measures in place to mitigate the impact of identified risk events should they occur; and (e) the internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risk.
- Overseeing, reviewing and developing all matters relating to the Company's corporate governance and its shareholder and stakeholder communication and relations policies.

All of this is detailed in the Regulation available on Lar España's website.

The responsibilities of the Appointments, Remuneration and Sustainability Committee, meanwhile, include advising the Board on matters involving the remuneration of directors and senior executives, such as by suggesting targets (including ESG-related targets), and in relation to environmental and social sustainability, it has been specifically tasked with:

- Supervising the Company's environmental and social practices to ensure that they are in alignment with the established strategy and report to the Boards of Directors.
- Regularly evaluating and reviewing the Company's environmental and social sustainability policy to ensure it fulfils its purpose of promoting the corporate interest and taking account, as appropriate, of the legitimate interests of other stakeholders, and assessing the Company's levels of compliance with the policy.
- Monitoring and evaluating the Company's relations with its various stakeholders.

All of this is detailed in the Regulation available on Lar España's website.

Coordination between the two Committees as a way of ensuring that the Board operates as effectively as possible is achieved through a Board Member participating on both Committees, as well as the reports that each of the Chairmen of the Committees make at all plenary sessions of the Board.

Governance

B The role of senior management and the ESG Committee in assessing and managing climate-related risks and opportunities

The Company's senior management team is made up of four members who report directly to the Board of Directors. As might be expected, each member of senior management has duties relating to ESG and is directly involved in the Company's risk management, reporting regularly to both the Committees and the Board on the matters and areas that they are most directly responsible for, and actively collaborating on the Company's financial and non-financial reporting.

Mr. Jon Armentia (Corporate Director and CFO): among his other duties, he is responsible for all the Company's financial affairs, and for setting the strategy for sustainability and climate criteria, as well as its monitoring and evaluation.

Mrs. Susana Guerrero (General Counsel, Vice Secretary of the Board and Secretary of the Committees): among her other duties, she is responsible for the Company's legal affairs and for defining and promoting best practices in corporate governance.

Mr. Hernán San Pedro (Director of Investor Relations and Corporate Communications): he is responsible for communications and investor and stakeholder relations.

Mr. Jose Ignacio Domínguez (Director of Internal Audit): as part of his duties, he oversees the data collection process for non-financial reporting and verifies the accuracy of this data and reviews the Company's Risk Map.

Lar España offers its staff variable remuneration linked to ESG targets. Earnings are tied to the achievement of ESG goals, such as the percentage of the Company's portfolio with sustainability certificates, its score on international ratings, or the performance of its properties in terms of consumption and emissions.

Furthermore, both the management team and the members of the Board receive periodic and specific training on climate risks and sustainability matters.

At the operational level, the main areas responsible for managing ESG aspects are::

ESG Committee

C-level staff members of Lar España	Those responsable for direct management of assets

To ensure greater coordination while implementing projects and in the management of sustainability issues, in 2020 the Company set up the ESG Committee, an operational body managed by the Corporate and Finance Department, on which sits a diverse senior management team made up of the heads of various departments involved in asset management. In this way, it enhances ESG issues at all levels of management, thus ensuring the monitoring and evaluation of technical, operational and financial aspects.

In said committee, employees of Lar España and officials who are not part of its staff participate, belonging to associated companies such as Grupo Lar and Gentalia, both suppliers of Lar España responsible for the daily management of assets and the implementation of its sustainability strategy on them. Climate issues, among other matters, are discussed in meetings, and the Corporate and Financial Department decides on matters that are brought to the Nomination, Remuneration, and Sustainability Committee, this body being the one to elevate some of these issues to the Board for monitoring and supervision, depending on their criticality.

Technical Department	Finance and Corporate Department	Asset Management	Property Management

Governance

Stakeholder Communication

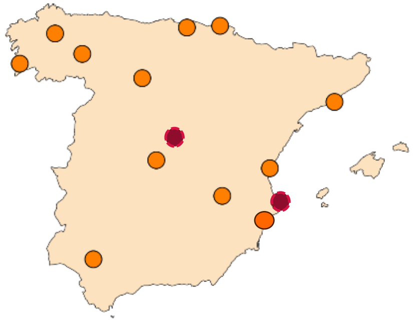
- To ensure the proper implementation of the ESG Master Plan and the full integration of these objectives into the Company's overall strategy, the Company has worked on specific action plans such as the Decarbonization Plan, the Waste Management Plan, and the Energy Efficiency Plan, launching projects aimed at achieving the set objectives and adapting to increasing demands.
- All matters relating to the Company's ESG and risk management are published in detail in both its Annual Report and Annual Corporate Governance Report, in line with international reporting standards. A wide range of financial and non-financial information is therefore made available to stakeholders.
- The Committees, meanwhile, provide information on all the actions that they have taken over the course of the year by means of (i) the operating reports for each Committee, which the Company publishes alongside its Notice of General Shareholders' Meeting; and (ii) the reports that the Committees' Chairmen themselves prepare during the General Shareholders' Meeting, as well as the Annual Corporate Governance Report, published in February at the same time as the Company's annual results.
- Throughout the, year and coinciding with the publication of its results and business updates, Lar España releases a quarterly report (part of its ESG progress update) on climate issues and the achievements it has made in this regard.
- Lar España's Director of Investor Communications and Relations is in charge of media relations and social media, through which stakeholders are kept informed. The company also holds roadshows with investors, at which it provides a much more detailed account of its strategic achievements. In addition, Lar España is listed on a number of different international benchmarking indexes, which evaluate the company's performance on these matters and allow comparison with its competitors.
- In order to define, evaluate and improve the main instruments, channels and mechanisms through which the Company makes information available to its stakeholders as part of its communication and information strategy, and in so doing, demonstrates its commitment to them, Lar España has developed a Policy for Communication of Information, Contacts and Involvement with shareholders, institutional investors, asset managers, proxy advisors and other interest groups.
- Internally, there are two main conduits for information allowing coordination between technical work teams. These are the ESG Committee and the follow-up meetings held with management personnel or asset management teams to communicate the company's climate strategy and objectives.
- Lar España is currently working on its external communication processes for tenants, end customers and suppliers.

2 Strategy

The Company's strategy regarding risks associated with climate change is structured through the initial identification conducted, the analysis of the impact that these identified risks have on the Company, the study of its resilience, and the internal financial estimation of what it could entail for Lar España according to each applied scenario.

Strategy

A Risks and opportunities identified in the short, medium and long term



The analysis of the climate-related physical and transition risks evaluated the 14(*) shopping centres and retail parks belonging to Lar España during the period 2022-2023 across the Iberian Peninsula, where all of the Company's properties are located.

As part of this analysis, the following scenarios and time horizons were considered, allowing the Company to explore and gain an understanding of how different combinations of climate change risk might affect its business performance, strategy and financial results.

Physical risks
Scenarios

RCP 2.6 IEA CPS

The scenario involving the lowest emissions. In this future, GHG emissions remain stable, after which point levels begin declining, before becoming negative in 2100.

RCP 4.5

Described by the IPCC as an intermediate scenario.

GHG emissions peak around 2040 before declining.

RCP 8.5

The worst-case of the reasonable scenarios, widely used for climate risk assessment and stress testing.

Transition risks
Scenarios

SSP1 (Net zero) IEA NZE 2050

The only IPCC scenario that meets the target set by the Paris Agreement and attempts to limit global warming to a 1.5°C increase by 2100.

SSP5 (Business as usual)

This is the most pessimistic scenario in terms of greenhouse gas emissions. Current emissions would triple by 2075, leading to an average temperature increase of 4.4°C by 2100.

Physical risks were assessed on a scenario-by-scenario basis using the databases described in the chapter on *Climate Risk Management*.

Time horizons		
Short term	Medium term	Long term
Up to 2030	From 2030 to 2050	From 2050 onwards

For the transition risks, their potential financial impact on each type of asset was assessed by calculating the difference between the trajectories of the Net Zero and Business-as-Usual scenarios, the divergence between the two allowing the asset's exposure to risk to be determined.

(*) In red, the commercial parks of Rivas Futura (Madrid) and Vistahermosa (Alicante), divested in July 2023.

Strategy

A Risks and opportunities identified in the short, medium and long term

Based on this analysis, seven physical risks (chronic and acute) and six transitional risks (market, regulatory, technological and reputational) have been identified which could potentially lead to an increase in costs, a decrease in revenue and/or a depreciation in property values (see Appendix). Once exposure, vulnerability and capacity to adapt had all been taken into account by the risk assessment model, this resulted in a mostly low residual risk.

Primary climatic physical scenarios according to the outcomes of global climate models presented by the Intergovernmental Panel on Climate Change (IPCC), in accordance with their Representative Concentration Pathways (RCPs), which provide a range of greenhouse gas emission and concentration conditions as potential outcomes based on radiation intensity for 2100.

Physical risks	RCP 2.6		RCP 4.5		RCP 8.5	
	2030	2050	2030	2050	2030	2050
Increase in operational costs due to intensive climate control	Low	Low	Low	Medium	Low	Medium
Disruption in construction and renovation activities due to high temperatures that hinder work progress	Insignificant	Insignificant	Low	Low	Low	Low
Increase in operational costs due to maintaining green areas under high temperatures and drought conditions	Insignificant	Insignificant	Low	Low	Low	Low
Elevated maintenance costs due to more frequent asset deterioration (due to heavy rainfall, etc.)	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant
Rise in insurance premiums due to increased frequency of catastrophes (fires, floods, etc.)	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant
Asset damage/deterioration	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant
Business interruptions due to difficulties in providing essential water-related services	Low	Low	Low	Low	Low	Low

Difference in trajectory between an optimistic Net Zero scenario, aligning with the Paris Agreement to limit global warming to 1.5°C by 2100, characterized by strong international cooperation and prioritization of sustainable development for the environment, society, and economy, contrasted with a pessimistic scenario featuring tripled greenhouse gas emissions by 2075 and a 4.4°C increase in average temperature by 2100, driven by intensive use of fossil fuels, high economic growth, and rapid technological progress

Transition risks	SSP1 (Net zero) // IEA NZE 2050 vs SSP5 (Business as usual) // IEA CPS	
	2030	2050
Decrease in rental income due to asset non adaptation	Low	Medium
Depreciation of asset value and difficulties accessing financing	Low	Medium
Rise in costs related to emission rights and energy prices	Medium	Medium
Increase in costs associated with regulatory requirements and transparency	Low	Low
Rising raw material costs	Low	Low
Increase in costs associated with transitioning to lower emission technology and early obsolescence	Medium	Medium

Insignificant | Low | Medium | High | Very high

Strategy

A Risks and opportunities identified in the short, medium and long term

- Conversely, climate change also presents the real estate sector with **considerable opportunities**. According to market studies on this sector, 74% of organizations are willing to pay a premium for space that meets sustainability criteria.
- **Certifications such as BREEAM and energy efficiency improvements** are increasingly associated with increases in property values, higher rents, and optimal and efficient cost management, which has a positive impact on the Company's business model and financial results. In Europe, environmentally rated buildings can command price premiums of up to 29%, demonstrating that sustainability has become an increasingly important factor in businesses' operating and valuation models.
- **Investments in sustainable initiatives targeting** consumers, such as charging stations for electric vehicles, will also help ensure that current levels of footfall at our properties are maintained, or even increased, by offering a sustainable alternative to online commerce and an opportunity to contribute to the social development of local communities. In terms of access to financing and grants, the NextGenEU Recovery Plan offers an excellent opportunity to move forward with upgrades to our property portfolio. The growing demand for sustainable retail units and buildings, the national scarcity of BREEAM-certified properties, and investments in green technologies, suggest a positive future outlook given the Company's market-leading position in Spain.
- In light of all this, the Company has identified the following potential opportunities arising from climate change that Lar España specifically could benefit from:

Short term	Local energy generation and storage Increase footfall and service diversification
Medium term	Exploration and use of innovative building materials and technologies to increase energy efficiency and lower costs Greater appeal among prospective tenants thanks to improved performance and reputation
Long term	Attracting capital through asset adaptation and decarbonization Increased asset resilience

100% of Lar España's portfolio is BREEAM-certified

Other certifications:

ISO 14001

ISO 45001

Strategy

B Impact of risks and opportunities on the Company's business, strategy and financial planning

Lar España sees taking climate matters into consideration as an opportunity to make advances in **innovation and technology and improve the operational performance of its properties**. The result of this is modernised, energy-efficient buildings that lead to savings in operating costs. There are also advantages when it comes to regulatory compliance, as well as adapting properties to mitigate the impact that any future extreme weather events might have on their viability or value. In this way, both the criteria analysed by investors and the interests of operators and end customers are taken into account.

To ensure that climate risks are incorporated into the company's strategy and financial planning as explicitly as possible, an asset-level analysis was carried out to determine the size of each **climate risk's economic impact under the different scenarios and across the different time horizons**, providing a more detailed analysis and allowing for more detailed subsequent monitoring and management of the risks identified.

To this end, **exposure factors** affecting the Company's current costs were identified, allowing the impact of potential risks to be quantified in relation to the situation currently. The maximum impacts of each individual risk were aggregated to provide an overview of the potential effects of climate change on each property. This ability to compare properties and risks means that the Company's financial strategy and planning can be adapted, prioritising certain mitigation and adaptation measures based on their potential cost—benefit ratio.

Given that, for Lar España, **a risk is considered financially material when it accounts for more than 10% of total revenues**, the aggregate impact of all the risks assessed, consolidated for all assets, would in no case exceed this materiality threshold.

The company continues to analyze its values year by year to identify possible deviations and improvements in sustainable management through its comprehensive approach. An example is the continuous monitoring it carries out through its automated platform, evaluating the performance of each asset through the recording and analysis of emissions, consumption, and waste generation data.

Strategy

B Impact of risks and opportunities on the Company's business, strategy and financial planning

Priority lines of action identified by this analysis include:

- **Adapting properties via investment in new technologies or advances in innovation**, improve energy efficiency, obtain sustainable certifications, etc., all of which increase property values, liquidity on the market and investor interest.
- **Reducing operating costs** by improving energy efficiency and achieving reductions in the consumption of resources. This makes the asset less dependent and brings down operating costs.
- Bringing property and company-wide performance on sustainability into line with the **decarbonization strategies and goals of tenants**. The result of this would be that the quality of the Company's assets would continue to increase, consolidating their position as the model to emulate, and increasing occupier interest from retailers.
- Ensuring **proper management of climate change risks and opportunities by defining strategies and objectives**, such as, for example, a Decarbonization Plan, which would position Lar España as the example to follow when it comes to the identification and management of climate issues, attracting more investors, and resulting in a more resilient portfolio ready for the potential impacts of climate change.

Aligned actions

- ✓ In 2023, the Company aimed to take an additional step and conducted **energy audits** with the objective of assessing the condition of assets in terms of consumption and emissions specifically and developing individualized action plans.
- ✓ This represents a continuation of the **Corporate Energy Efficiency and Waste Management Plans** developed in 2019, which have led to operational efficiency improvements in recent years and the attainment of certifications such as BREEAM and ISO 14001.
- ✓ Within the context of drafting the Business Plans for each asset, investment plans for the next four years are included, addressing the **replacement of obsolete equipment** and the **installation of sustainable solutions**.
- ✓ **Specific action plans** are developed to align with international objectives, such as the Paris Agreement. For instance, the company updates and monitors its **Decarbonization Plan**, reviewed by the Nomination, Remuneration, and Sustainability Committee and the Board of Directors.
- ✓ In the case of **new acquisitions,** a comprehensive environmental Due Diligence is conducted to assess performance, identify and quantify necessary investments to ensure the asset complies with the Company's standards, and analyze potential risks.

This comprehensive and proactive approach demonstrates Lar España's ongoing commitment to sustainability and responsible management of its Real Estate assets.

You can obtain more information about the strategy and progress made in ESG through the [Annual Report](#) as well as the [Quarterly Reports](#) made available to stakeholders.

Strategy

C Resilience of the strategy given different climate scenarios, including a scenario of 2°C or lower

The exposure of the Company's property portfolio to climate change risks is limited, having been reduced thanks to the adaptation and mitigation measures that Lar España has adopted in recent years and its robust governance model and strategy. Given the inherent uncertainty of risk analysis and the climate models that underpin it, the Company monitors and updates risks annually, and keeps track of their impact on both the performance of its properties and that of the Company as a whole.

Company strategy is thus based on analyzing risk for a range of scenarios, including a Net Zero scenario (1.5°C in 2050), and taking into account the government's "pathway to decarbonization" for the commercial real estate sector in Spain.

In addition, through the green bonds issued in 2021, the Company has committed to using the funds obtained from these bonds to finance or refinance a select group of assets in accordance with specific criteria to cultivate its transition to the low-carbon and climate change-resilient economy (Green Asset Pool).

3 Management of climate-related risks

Risk management

A Procedures for identifying and assessing climate-related risks

Given that they are fundamental to ensuring that the Company evaluates and considers climate-related risks while implementing its business strategy, the processes Lar España has adopted for identifying, evaluating and managing these risks are described below.

- As part of the continual risk monitoring and review that is a core component of the Company's strategic management, Lar España identifies and evaluates climate-related risks, including both physical and transition risks, in line with emerging regulatory requirements.
- As an initial step in the process of identifying potential risks, sectoral risks were explored, taking into account the Company's specific characteristics, its business model, its geographic presence and the type of assets it holds. Based on the inherent risks that had been identified as relevant, the following risk evaluation model and the terminology described in it were used, with each risk receiving a score from 0 to 4 following the same approach as was used during the global risk analysis:

Inherent risk

Exposure × **Vulnerability** × **Adaptation** = **Residual risk**

Internal estimation for financial quantification across different scenarios and time horizons

- **Exposure:** Exposure to adverse weather conditions, and changing policies, technologies and markets, based on the projections for the different risk factors for each scenario and time horizon, while taking into account the property's geographical location and business model.
- **Vulnerability:** Vulnerability refers to an asset's propensity to be adversely affected by risks, taking into account its susceptibility and sensitivity to impacts.
- **Adaptation:** Correction factor based on the company's ability to evaluate residual risks, its adaptation measures and response capacity.
- **Residual risk:** Level of remaining risk with the potential to financially impact the Company after mitigation and adaptation measures have been taken.

- For prioritizing risks, in addition to the financial materiality analyzed as described in the strategy chapter, it has been carried out through the evaluation model described, asset-level maps of exposure, vulnerability, adaptability capacity, and financial impact. This requires combining knowledge of potential risk with an understanding of the economic factors of each asset (including net operating income, tenant composition, and the variability and type of expenses). This evaluation has enabled anticipation and preparation for risks and opportunities associated with a changing climate through the design of specific measures, among which stand out:

Risk management

A Procedures for identifying and assessing climate-related risks

Identification and assessment of physical risks

Analysing risk exposure has allowed the projections for each climate indicator to be evaluated under different climate scenarios and across different time horizons in order to understand any changes between past and future periods. For the climate modelling, spatial databases such as the ESGF, CMIP, CORDEX, CATNAT and Aqueduct databases were used in order to ensure objectivity. Based on the exposure results for each indicator, **the probability of associated risks occurring, and the potential magnitude of these risks can be estimated** based on the geographic location of each property.

For the **vulnerability analysis**, a property's susceptibility to the impacts of climate change in the event of a risk occurring was assessed based on the characteristics of the property that were relevant to the risks identified. Thanks to the Company's work on sustainability and the quality standards it requires of its properties, the results of this analysis found a **low to medium level of vulnerability.**

The idea of **adaptive capacity** came into play when looking at specific adaptation and mitigation measures that would allow the Company's perceived risk to be reduced. As part of this, extensive consultations of the various parts of the company involved in asset management were carried out, based on which the inherent criticality and residual criticality were assessed in order to determine the effectiveness of internal control. By also taking into account the awareness, knowledge and monitoring capabilities of those responsible for asset management that allow them to tackle different risks, adding adaptive capacity to the equation serves to correct the results of risk evaluations based on external and quantitative sources, meaning risks are reduced by between 22% and 59%.

Identification and assessment of transition risks

In order to evaluate the Company's exposure to **transitional risks**, an extensive documentary analysis was carried out involving the review of more than 30 bibliographic sources from industry bodies, scientific articles and Lar España's competitors, as well as existing and forthcoming regulatory requirements, such as the Corporate Sustainability Reporting Directive (CSRD) and the European Taxonomy Regulation. This documentary analysis allowed the short-, medium- and long-term impacts of potential risks (including market, technological, reputational and legal risks) to be determined, making a distinction between the 2030 and 2050 time horizons.

The Company's analysis of transition risks was based on the Cambridge Institute for Sustainability Leadership (CISL) and Carbon Risk Real Estate Monitor (CRREM) frameworks, the latter of which describes net zero-aligned carbon and energy intensity pathways for assets in Spain. Transition risks describe potential changes in the Company's various financial indicators (revenue, OpEx and CapEx) and the expected percentage change between the Net Zero (SSP1) and Business-as-Usual (SSP5) scenarios, allowing exposure to different categories of risk to be evaluated based on defined thresholds.

Internal estimation of financial quantification

According to those risks that pose an impact to the Company and as stipulated by different scenarios and time horizons, indicative values have been obtained for their **estimated financial quantification.**

Each physical and transition risk is supported by portfolio data and exposure indicators, as well as a recognized methodological approach to estimate its quantification.

Therefore, Lar España's corporate and operational projects in this area have the corresponding financial details of potential risks to promote a comprehensive, informed, and efficient decision-making process.

Risk management

B Procedures for the management of climate-related risks

Lar España's Integrated **Risk Management System** is designed to ensure risks are correctly and systematically identified, assessed, managed and controlled in order to help the Company meet its long-term targets and successfully implement its strategies. The System was created as a comprehensive and ongoing management tool that is applied by business area, by subsidiary and by support areas at the corporate level.

In addition to which, Lar España's Risk Control and Management Policy attempts to set out the general framework for the control and management of all types of risks faced by the Company, and allows its strategic objectives to be prioritised and aligned, which can then be fed back into the strategy in order to ensure it continues to match stakeholders' expectations. It also defines the position that Risk Control and Management occupies within the Corporate Governance structure and includes a definition of the roles performed and responsibilities held by the different members of the Organisation who play a part in the control and management of risk.

Management of the specific climate risks identified as part of this analysis will be incorporated into the Company's **risk map, and climate risks will therefore be managed in the same way as all other risks identified at company level**. The objective is to ensure that the climate risks identified are properly assessed, managed and controlled.

The **main groups** with a role in the risk management model are the following:

Risk management

Manager in charge of the running of business units

Responsabilities

- Direct management of day-to-day operations.

Duties

- Risk identification, analysis, evaluation and treatment, to allow each functional area to achieve its current strategic planning objectives.

Internal Auditing Director

Responsabilities

- Assist the Audit and Control Committee in the performance of its duties and in ensuring the correct functioning of the Company's risk management and internal control system. Additionally, the Internal Audit Director's responsibilities include producing risk reports, identifying new events, compiling data, and where necessary, formulating action plans and following up on them.

Duties

- Identifying and evaluating risks, controls, and the processes where risks occur.
- Reviewing action plans and assessing the effectiveness of risk controls and steps taken in response to risks.

Audit and Control Comittee

Responsabilities

- Oversee and evaluate the efficiency of the Company's, and where appropriate the Group's, control and management systems for financial and non-financial risks (including operational, technological, legal, social, environmental, political, reputational and corruption-related risks), particularly ensuring that the main risks are properly identified, managed and disclosed.

Duties

Together with the support of the Internal Audit Director:

- Identifying risks.
- Determining acceptable risk levels.
- Identifying risk mitigation measures and internal control and monitoring systems.
- Informing the Board of Directors about the actions taken throughout the financial year.
- Monitoring the application of the Risk Control and Management Policy.
- At least annually, ensuring that the Risk Map is up to date, and adding, modifying or removing risks as a result of changes at the Company or within its business environment.

The Board of Directors is responsible for approving the Risk Management and Control Policy, identifying the main risks of the Company, and supervising internal control systems

You can obtain more information about the integrated risk management system here.

Risk management

B Procedures for the management of climate-related risks

Adaptation measures

PHYSICAL RISKS

- Increased operational costs due to more **intensive HVAC systems:**
  - Improve thermal insulation of the building envelope.
  - Air destratification.
  - BMS replacement/optimization.
  - Optimisation of the geothermal heating system.
  - Replace AHUs with more efficient units.
  - Install high-efficiency air conditioning and heat pumps.
  - Integrate indoor air quality monitoring as part of HVAC management system.
  - Reduction of radiative heat loads in skylights by means of sunscreens
- **Disruption to construction or renovation** caused by high temperatures, making work more difficult:
  - Move working hours to night/early morning to avoid heat and mechanise work in harsh environmental conditions.
- Increased **operational costs** due to maintaining green areas during periods of high temperature and drought:
  - Install high-efficiency irrigation systems (drip irrigation).
  - Plant drought-tolerant species.
- Higher **maintenance costs** due to increased property deterioration (caused by heavy rainfaill, etc.)
  - Preserve materials such as by waterproofing.
- Increase in **insurance policy** due to more frequent disasters (fires, floods, etc.):
  - Invest in upgrades to facilities and materials.
  - Seek group coverage in combination with other clients.
- **Damage/deterioration** to properties caused by forest fires, floods, heavy rainfall:
  - Improve detection and extinguishing systems.
- **Business interruptions** resulting from an inability to offer basic services reliant on water supply:
  - Seek alternatives to cooling water tower systems for air conditioning equipment in retail units.
  - Install systems for rainwater and greywater collection and reuse.

TRANSITION RISKS

- Drop in **rental income** due to properties' lack of adaptation:
  - Conduct energy efficiency audits with specific energy reduction targets and set out a targeted action plan for each property.
  - Invest in new technologies that allow greater control and automation of properties.
- Depreciation in **property values and problems accessing finance** caused by a lack of adaptation:
  - Gain recognised certifications, such as BREEAM or LEED, and improve ratings.
  - Renew energy efficiency certificates and ensure alignment with national and international requirements.
  - Automate management of energy usage and emissions to allow greater control of the asset.
  - Position the property as an industry leader on sustainability through agreements with institutions, tenants, local companies, etc.
  - Put in place verified management protocols, such as ISO 14001, to ensure proper property maintenance and positioning.
- Increase in **costs associated with emission allowances and energy prices:**
  - Work towards increasing the energy efficiency of the property so as to be less exposed to any variation in the price of the energy purchased.
  - Replace non-renewable energy sources such as gas or diesel which may require emissions to be offset in a regulated market.
  - Put in place a Decarbonization Plan to align properties with Paris Agreement targets.
  - Invest in energy efficiency and on-site renewables to reduce energy dependence.
- Increase in **costs associated with regulatory requirements and transparency:**
  - Take advantage of tax incentives and government programmes aimed at supporting the green transition.
  - Put in place clear reporting procedures that allow the Company to monitor whether or not indicators are being met.
- Rising **cost of raw materials:**
  - Look into the use of more sustainable building materials and recycled materials.
- Increase in costs of transitioning to technology with lower emissions and stranded assets:
  - Join initiatives to develop science-based net zero targets (e.g. SBTi).

Risk management

C

Incorporating climate-related risk identification, evaluation and management processes into the Company's global risk management

Lar España has developed a comprehensive Risk Map, which is updated annually and reviewed by the Audit Committee and the Board of Directors. Of the strategic risks identified for 2023, adaptation to the effects of climate change and environmental sustainability were identified as priority risks. The identification of climate change as a strategic risk has led Lar España to go one step further and identify climate risks under different climate scenarios and across different time horizons.

These climate risks have therefore now become part of the Company's conventional risk management. These risks have been integrated as a natural part of the management and control procedures in line with the Integrated Risk Management System which is designed to ensure risks are correctly and systematically identified, assessed, managed and controlled in order to help the Company meet its targets and successfully implement its strategies.

Lar España's Risk Control and Management Policy sets out the risk management process – reviewed periodically by the Audit Committee – in terms of its components and the tasks involved. The policy also defines the organizational approach and responsibility model needed in an integrated risk management system, and details the methodology for effectively identifying, evaluating, prioritizing and managing risks, with regard for Lar España's particular situation.

As priority risks for Lar España, we find those identified below, always based on the latest annual update of the Risk Map and for which appropriate management and monitoring activities have been carried out during 2023 and subsequent fiscal years.

Main strategic risks

- Political, social and macroeconomic backdrop
- Changing regulatory environment, legal insecurity
- Adaptation to the effects of climate change and environmental sustainability

Main operational risks

- Property values
- Cybersecurity and information security
- Loss of talent

Main financial risks

- Market risk
- Interest rates
- Issues accessing financing/refinancing

Main regulatory risks

- SOCIMI requirements.

As can be seen, Lar España's current risk map lists one of the Company's main strategic risks as *Adaptation to the effects of climate change and environmental sustainability*. As part of the update to the risk map that took place at the start of 2024, some of the specific risks identified by this analysis were added to the map, allowing for the monitoring of the internal and external variables used to help predict the probability of a risk's occurrence.

4 Metrics and targets

Metrics and targets

A Metrics used by Lar España to evaluate climate-related risks and opportunities in accordance with its risk management strategy and processes

The Company's climate risk evaluation has identified and expanded on the potential impacts of a range of possible future scenarios, from the most optimistic to the most critical.

The metrics provided below allow our performance to be monitored objectively across this range of future scenarios. They have proven useful in shaping strategic planning for each property and identifying efficient and effective measures to reduce exposure to risk, based on solid evidence and in line with the Company's sustainability objectives.

Category	Metric	2021	2022(*)
Asset use	Gross lettable area (sqm)	551,326	550,391
Energy	Energy intensity (kWh/sqm/year)	43.01	39.63
	Percentage renewable energy (%)	97.09%	98.60%
	No. assets exceeding energy intensity levels set out in sector's net zero pathway for 2023 (CRREM)	-	3
Emissions	Carbon intensity (kg CO2/sqm/year) Scope 1+2 (**)(***)	0.94	0.57
	No. assets exceeding carbon intensity levels set out in sector's net zero pathway 2023 (CRREM)	-	0
Water	Water consumption in common areas (m3)	123,753	134,096
	Assets with average, high or very high water stress exposure	8	6
Asset management	Percentage of portfolio that is BREEAM-certified (%)	93%	100%
	Frequency of asset maintenance	Ongoing	Ongoing
	Insurance policy coverage	High	High

2022 saw significant improvements across several key metrics, including a notable decrease in energy and carbon intensities – down by 8% and 41%, respectively. All Lar España's properties currently have a carbon intensity substantially lower than the 21.6 kg CO_2e/sqm/year proposed by the CRREM decarbonization pathway for 2023 for shopping centres in Spain, putting it in alignment with net-zero targets (1.5°C by 2050). Moreover, just three properties have an energy intensity higher than the 110.1 kWh/sqm/year proposed by the CRREM energy intensity pathway. The Company's commitment to sourcing energy responsibly was reaffirmed by its embracing of renewable electricity, which now accounts for 98.60%, while investment in on-site generation continues to be explored. Lar España's achievements in this regard have enabled it to reduce transition risks by an average of 34% compared to the wider sector's exposure levels.

Water management has also been a priority for the Company, with reductions in usage in common areas and changes to the portfolio leading to a decrease in the exposure of properties to water stress. Most of the water being supplied comes from urban supply networks.

Finally, continual asset maintenance and a high level of insurance policy coverage reduce the vulnerability of our properties to the risks that have been identified and bolster the long-term resilience of our operations, as evidenced by the fact that every single asset in our portfolio is BREEAM-certified, with most being rated either "Very Good" or "Excellent".

(*) Rivas Futura and Vistahermosa assets are included despite their divestment in July 2023, as they were included in the analysis carried out and in the full 2022 data.

(**) Market-based.

(***) Since 2020, Lar España has been regularly reporting Scope 3 emissions. However, only those related to energy re-billings to tenants are currently included as they are verifiable information. Within Lar España's decarbonization strategy, advancing in the measurement and control of Scope 3 emissions is a priority. Therefore, at this time, they do not constitute a relevant indicator for assessing climate-related risks.

Metrics and targets

B Scope 1, 2 and 3 greenhouse gas (GHG) emissions and their associated risks

Carbon emissions are intrinsically linked to the climate risks identified and managing them is therefore crucial to mitigating such risks. Lar España proactively manages its Scope 1, 2 and 3 emissions in order to enhance its performance in this area and increase its resilience, resulting in significant reductions:

egory	Metric(*)	2021	2022	Variation
Emissions	Scope 1 (kg CO2e)	403,614	266,861	-34%
	Scope 2 (kg CO2e)	182,561	79,264	-57%
	Scope 3 (kg CO2e)	14,202	15,214	7%

- Scope 1 emissions were calculated using the Company's direct consumption of fuel multiplied by the emission factors provided by the Ministry for Ecological Transition and the Demographic Challenge.(**)
- Scope 2 emissions were calculated from the Company's purchased electricity usage using two different methods: market-based and location-based. The same emission factors used to calculate Scope 1 emissions were also used here.

This same methodology and emission coefficients have been used consistently over the last five years to ensure that this year's emission data can be compared with that of previous years. The Company also discloses its Scope 3 emissions. Currently, only emissions associated with tenant rebilling are taken into account, although Lar España is working on an action plan to expand its measurement and monitoring of Scope 3 emissions.

(*) Since 2020, Lar España has been regularly reporting not only on Scope 1 (direct GHG emissions within the assets) and Scope 2 (indirect emissions resulting from the generation of electricity consumed in the assets), but also on Scope 3 (indirect emissions in the value chain, excluding Scope 2). The verifiable information for Scope 3 so far shows an increase in the values recorded: 2021 vs. 2019 (46.7%), 2021 vs. 2020 (40.9%) and 2022 vs. 2021 (7.1%). This does not indicate an increase in GHG emissions, but rather more accurate identification and verification of data in line with the Company's commitment to making continual improvements in its environmental management.

(**) Ministry responsible for proposing and implementing the Government's policy on the fight against climate change and ensuring alignment with the European Union.

Metrics and targets

C The use of goals and targets as part of the management of climate-related risks and opportunities, and the Company's performance in this regard

Setting goals is a fundamental part of Lar España's management of climate-related risks and opportunities. The Company has therefore established short-, medium- and long-term goals in a wide range of areas relating to portfolio management and the climate risks that affect, or may affect, Lar España.

Goals to work towards over the next 10 years have been set in the following areas:

- Automation and continuous monitoring of asset performance data.
- Approve a Strategic Plan for Decarbonization.
- As part of its development and implementation of a decarbonization strategy, the Company has included an internal carbon price in its forecasts.
- Expansion of the Strategic Waste Management Plan.
- Implementation of a Water Management Plan.
- Install renewable energy sources at all properties (solar power).
- Addition of targets to the Energy Efficiency Plan, to be rolled out on an asset-by-asset basis, with targets set following the energy audits carried out in 2023.
- Update Energy Efficiency Certificates and improve ratings.
- Report on the Company's alignment with the EU Taxonomy.
- Improve the traceability and collection of data on waste (generation, transport and treatment).
- More contact with tenants, customers and suppliers.
- Expansion in measurement of Scope 3 emissions.

One of Lar España's aims is to work more closely with its tenants and clients in order to coordinate sustainability efforts and take advantage of possible synergies, as well as ensure that they are all on the same path in terms of trying to enhance the sustainability performance if its properties. At the same time, the Company is also working towards setting quantitative targets so that objectives are measurable, permitting its performance on climate issues to be evaluated over the short, medium and long term.

Metrics and targets (*)

100 %
BREEAM-Certified portfolio

266.9 Tn CO_2e
Scope 1 emissions
- 33.9% vs 2021

79.3 Tn CO_2e
Scope 2 emissions (**)
- 56.6% vs 2021

98.60 %
Renewable energy
+ 1.5% vs 2021

0.54 kg CO_2e /sqm/year
Carbon intensity (***)
- 41.0% vs 2021

134,096 m^3
Water consumption in common areas
+ 8.4% vs 2021

39.6 kWh/sqm
Energy intensity
-7.9% vs 2021

(*) Data corresponding to the year 2022, including the Rivas Futura and Vistahermosa assets, which were divested in July 2023.

Since 2020, Lar España has been regularly reporting Scope 3 emissions. However, currently only those related to energy re-invoicing to tenants are included as they are verifiable information. Within Lar España's decarbonization strategy, advancing in the measurement and control of Scope 3 emissions is included. Therefore, at this time, they do not constitute a relevant indicator for assessing climate-related risks.

(**) Market-based.

(***) Intensity is calculated considering the surface area of common areas of assets, as consumption is controlled and reported by Lar España for Scopes 1 and 2.

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Appendix

Description of sector-wide transition risks

Potential impact on asset value

Risk	Description	Sources
Drop in rental income due to properties' lack of adaptation	Given that properties with a poor sustainability performance are likely to be more vulnerable and more exposed to higher expenses, it is expected that clients will begin making greater demands of retail units, insisting that leases contain a requirement for ESG compliance, for example. Increasingly, companies are introducing policies that prevent them from leasing retail units in buildings that do not have high sustainability credentials. Currently, rental premiums on properties with a poor sustainability performance have been found to be up to 11% lower. In the future, the shift to greater energy efficiency under the SSP 1 scenario will lead to buildings with non-adapted energy profiles becoming less competitive and suffering from a potential decrease in rental income.	UNEP FI. Managing Transition Risk in Real Estate JRC EU. Energy efficiency, the value of buildings and the payment default risk JLL. Valuing retail in its global journey to Net Zero Carbon JLL. Sustainability and value – Capital Markets: Central London Offices Kim, S. K., & Peiser, R. B. (2020). The implication of the increase in storm frequency and intensity to coastal housing markets Farzanegan, M. R., Feizi, M., & Gholipour, H. F. (2021). Drought and property prices: Empirical evidence from provinces of Iran CRREM. Survey on transition risks in Real Estate CISL. ClimateWise transition risk framework
Depreciation in property values and problems accessing finance caused by a lack of adaptation	A growing number of investors are aligning their portfolios with the Paris Agreement by joining initiatives that commit them to net zero, such as the Net-Zero Asset Owner Alliance (NZAOA), the Science Based Targets Initiative (SBTi) and Climate Action 100+. This will have a profound impact on the market. As a result of this new trend, sustainability and climate change have become crucial factors in investors' investment decisions, since in order to achieve this alignment with net zero, investors will gravitate towards properties with superior sustainability performances. In the coming years, 77% of institutional investors plan to stop purchasing products that do not meet ESG criteria. As a result, properties that have not been upgraded to meet high sustainability standards, and whose performance is not communicated with sufficient transparency, could be considered less attractive and see their value drop by up to 20% (the brown discount), as the price gap between buildings with and without accreditations continues to widen.	UNEP FI. Managing Transition Risk in Real Estate JRC EU. Energy efficiency, the value of buildings and the payment default risk JLL. Valuing retail in its global journey to Net Zero Carbon JLL. Sustainability and value – Capital Markets: Central London Kim, S. K., & Peiser, R. B. (2020). The implication of the increase in storm frequency and intensity to coastal housing markets, Farzanegan, M. R., Feizi, M., & Gholipour, H. F. (2021). Drought and property prices: Empirical evidence from provinces of Iran CRREM. Survey on transition risks in Real Estate Bolton, P., & Kacperczyk, M. (2021). Do investors care about carbon risk? SBTi. Monitoring Report 2022 CRREM. Net-Zero Asset Owner Alliance publish targets for 2025 CISL. ClimateWise transition risk framework

Potential impact on OPEX

Risk	Description	Sources
Increase in costs associated with emission allowances and energy prices	In 2023, the European Union revealed a new emissions trading system (ETS 2), which expands the current system to cover fuel combustion in additional sectors, including the real estate sector, which is responsible for 40% of global emissions. ETS 2 complements the European Green Deal's other policies to reduce emissions and decarbonise more sectors, and specifically seeks to reduce emissions by 42% by 2030 compared to 2005 levels. Although ETS 2 is an upstream carbon pricing system which regulates fuel suppliers, this could lead to higher energy prices for end consumers, as producers will pass on the additional costs. The extra cost of electricity would be a burden on real estate companies and would likely lead to associated extra costs for heating and/or cooling buildings. At the same time, an increasing number of real estate companies are introducing an internal carbon price to attempt to incentivise reductions in emissions, increasing the flow of capital for retrofits, and offsetting the remainder of the emissions.	Directive (EU) 2023/959 UNEP. Global Status Report for Buildings and Construction 2022 Bolsas y Mercados Españoles. SOCIMIs Un futuro sostenible JLL. Valuing Net Zero & ESG for Officesights IEA. World Energy Outlook 2023 CRREM. Survey on transition risks in Real Estate CDP. Putting a Price on Carbon Report 2021 The World Bank. Carbon Pricing Dashboard
Increase in costs associated with regulatory requirements and transparency	With the regulatory changes being brought in by governments in response to their Paris Agreement commitments, the minimum legal requirements for sustainability will continue to increase. A clear example of this is the new Corporate Sustainability Reporting Directive (CSRD), which will replace the Non-Financial Reporting Directive (NFRD), expanding both its scope and reporting requirements. The new regulation will have an impact on transparency rules, ensuring that investors and other stakeholders have access to the information needed to assess a company's impact on people and the environment, and that investors can evaluate the financial risks and opportunities associated with climate change and other sustainability issues. The EU Taxonomy Regulation is also important in this regard, as it provides the basis for determining which economic activities are sustainable and which are not, creating certainty for companies and investors, and above all, preventing greenwashing. In the real estate sector, sustainability credentials in the form of certifications such as BREEAM and LEED are in ever greater demand, providing greater transparency and more information on which to base investment decisions compared to standard EPC ratings. In addition to the costs associated with ensuring alignment with all these frameworks, and the potential penalties and loss of asset value that failure to comply might entail, failure to meet public expectations could damage the reputation of the entire company.	EU Finance. Corporate sustainability reporting Directive (EU) 2022/2464 JLL. Valuing retail in its global journey to Net Zero Carbon IEA. World Energy Outlook 2023 CRREM. Survey on transition risks in Real Estate

Potential Impact on CAPEX

Risk	Description	Sources
Rising cost of raw materials:	Carbon pricing will increase the cost of the high-carbon raw materials needed for new builds or renovations, such as cement, steel, iron and aluminium. In addition to which, higher tax rates on energy and carbon are also making wooden building materials a more economically attractive option. This is due to both the lower energy cost of manufacturing these materials and the higher value of its biomass by-products, which are used to replace fossil fuels. Rising raw material costs, primarily as a result of carbon pricing, will increase the cost of construction and reduce initial net returns, impacting the profitability of assets.	Directive (EU) 2023/959 UNEP. Global Status Report for Buildings and Construction 2022 Bolsas y Mercados Españoles. SOCIMIs Un futuro sostenible JLL. Valuing Net Zero & ESG for Officesights.pdf IEA. World Energy Outlook 2023 CRREM. Survey on transition risks in Real Estate CDP. Putting a Price on Carbon Report 2021 The World Bank. Carbon Pricing Dashboard
Increase in costs of transitioning to technology with lower emissions and stranded assets	The main driver of decarbonization in properties is energy efficiency improvements and the transition to renewable energies, through such measures as the installation and use of solar panels, heat pumps, thermal insulation, energy-efficient lighting and fixtures, and so on. According to CRREM's 1.5°C scenario for shopping centres in Spain, energy intensity should be 86.2 kWh/sqm/year by 2030 and further improve to 75.0 kWh/sqm/year by 2034, a reduction of 29.5% and 38.6%, respectively, compared to the figure of 122.2 kWh/sqm/year for 2020. Carbon intensity, meanwhile, should not exceed 10.7 $kgCO_2e$/sqm/year in 2030 and drop to 1.5 $kgCO_2e$/sqm/year by 2050, a reduction of 60.8% and 94.5%, respectively, compared to the figure for 2020 of 27.3 $kgCO_2e$/sqm/year. The EU Taxonomy Regulation, and specifically its CapEx Plan for medium-term investment, introduces a framework for investment designed to ensure compliance with the technical screening criteria provided in the regulation's various annexes, and thus increase a company's taxonomy alignment score. Moreover, compliance with industry standards will become a prerequisite for participation in certain schemes (e.g. NZEB, BRREAM, LEED, etc.), and this is another factor that will have to be taken into consideration when making decisions on CapEx investment. According to the Green Building Council's estimates, a carbon-neutral building will be 17% more expensive to build. Given that a large proportion of today's building stock will still be around in 2050, the retrofitting of existing stock will become key, although this will involve higher costs to achieve the best sustainability credentials than with a standard renovation. Currently, just 1% of the European building stock undergoes energy renovations each year, with this figure just 16% for efficiency improvements made in retail properties. Failure to make adaptations will increase the number of stranded assets on the market, especially in properties with energy efficiency ratings of "F" and "G". Corresponding risk premiums will increase significantly, and by 2050, such properties will become difficult to market. Finally, urban planning regulations and changes in consumer behaviour, such as low-emission zones and the switch to electric modes of transport, will require capital expenditure on measures such as electric vehicle charging facilities in order to maintain footfall, long-term tenant occupancy and revenue.	EU Finance. Corporate sustainability reporting Directive (EU) 2022/2464 JLL. Valuing retail in its global journey to Net Zero Carbon IEA. World Energy Outlook 2023 CRREM. Survey on transition risks in Real Estate

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