

SONAE SIERRA

2017

ECONOMIC,  
ENVIRONMENTAL  
AND SOCIAL REPORT



THE PARTNER OF CHOICE

## About this report

We have long recognised that our long term business viability is dependent upon a healthy reserve of natural resources, social cooperation and financial capital. Indeed, we believe that the economic, environmental and social dimensions of our business performance are inextricably linked. For this reason, this annual report provides a fully integrated account of our business strategy and operational performance in 2017, demonstrating the alignment between our core business goals and our sustainability goals.

In order to develop a fully integrated report, we drew heavily upon the International Integrated Reporting Council's (IIRC) Framework on Integrated Reporting. As such, the performance and future outlook section in this report focuses on the most material value creation aspects of our economic, social and environmental performance as they relate to our financial stakeholders, investors and our integrated business and sustainability strategies.

In keeping with our long-standing commitment to apply the most robust sustainability reporting guidelines, this report has also been developed in accordance with the 'Core' requirements of the Global Reporting Initiative's Reporting Standards and the Construction and Real Estate Sector Disclosure (CRESD). The Sustainability Statements on [page 61](#) of this report provides a more in-depth account of our social and environmental performance according to the topics identified by our materiality study.

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CENTRO COLOMBO  
Lisbon, Portugal



## Who we are

We are the partner of choice. Sonae Sierra is an international retail real estate company dedicated to serving the needs of investors. We develop and invest in sustainable retail assets and provide investment, development and property management services for clients in geographies as diverse as Europe, South America, North Africa and Asia, while creating shared value for our business and society.

Passionate about bringing innovation and excitement to the retail real estate industry since 1989, Sonae Sierra has been interpreting trends and spearheading a movement that has defined the retail real estate assets of the future. We add value to our investors, clients and other stakeholders by putting our unique know-how at their disposal through the development of outstanding projects and the delivery of professional services covering the complete retail real estate lifecycle, leveraged by the successful track record with our own projects.

CENTRO VASCO DA GAMA  
Lisbon, Portugal



# A conversation with our CEO

Fernando Guedes Oliveira

2017 was a very good year for Sonae Sierra in both operational and financial terms. Furthermore, we increased our exposure to developments and amplified the scale and geographical reach of our services business.

**Q: How would you describe Sonae Sierra's operational performance over 2017? Did the year turn out as you expected?**

**A:** 2017 was a very good year for Sonae Sierra in both operational and financial terms. We recorded a net profit of €110.0 million and our direct net profit reached €64.6 million, up 14% compared to the previous year. Across our managed portfolio, sales increased by 9.4% and rents in our investment portfolio were up by 8.2%, with the Iberian and Brazilian portfolio delivering growth above expectations. Contrary to what we anticipated, there was a substantial decrease in yields, mainly in Iberia, with the effect that the open market value (OMV) of the European portfolio grew by 3.7%. This result was bolstered by favourable market conditions in our core markets of Portugal and Spain; and the surprisingly positive turnabout of the economic situation in Brazil.

On the developments front, we commenced the construction of Jardín Plaza Cúcuta in Colombia, a €52 million investment in partnership with local operator Central Control. We have high expectations for this 43,000m<sup>2</sup> shopping centre which will serve a catchment area of more than 880,000 residents. Leveraging the advantage of our partnership approach, we also forged a joint venture with Italian construction company Impresa Pizzarotti & C. S.p.A. to create a new shopping centre and retail park area in Parma, Italy, an important market for our Developments business.

With regards to our services business, we continued to reap the benefits of our impressive track record and our strong client focus, winning 183 new contracts covering development and property management services with a combined value of €22.4 million. Our Investment Management business was extremely active in pursuit of investment and value creation opportunities: nineteen acquisitions were completed in Iberia; sixteen on behalf of the ORES Socimi, two for the Iberia Coop fund and another directly in a joint venture with AXA Investment Managers – Real Assets. What is more, we also proceeded with expansion and refurbishment works in multiple shopping centres, including our flagship destinations in Portugal – Centro Vasco da Gama, NorteShopping and Centro Colombo.

Last but not least, we have finished the year in a strong financial position, with our EBIT up by 9% to €104.8 million, and our costs carefully controlled.

**Q: To what extent was the Company able to meet its strategic objectives?**

**A:** Sonae Sierra's strategy is to decrease our exposure to operational assets so that we can release capital both for reinvestment in developments and for the payment of dividends to shareholders. Parallel to this we seek to increase the scope, depth and geographical diversification of our retail real estate services.

In 2017 we succeeded in increasing our exposure to developments. By the end of the year we had seven projects under development across Portugal, Colombia, Germany, Italy, Morocco, Romania and Spain, in addition to two expansion projects (NorteShopping and Centro Colombo). We also amplified the scale and geographical reach of our services business with new mandates in North Africa and the Baltics covering the full suite of Development and Property Management services.

However, the implementation of the third axis of our strategy – recycling capital – was not achieved at the pace that we intended. Due to complexities around the joint ownership of individual assets and investors' perceptions of the value differential between core and less core assets, we were unable to proceed with the sale of the Core Plus Venture portfolio (which was created as an offshoot from the Sierra Fund) in its entirety as we had planned. We are now proceeding to sell this fund on an asset-by-asset basis to generate maximum value, but which takes more time. Notwithstanding, we have already concluded sales for five assets as of February 2018 and we are confident that the remainder of the sales will be initiated through the course of the year.



## A conversation with our CEO (continued)

**Q: How are trends in consumer behaviour and the knock-on effect that this is having on retailer's expansion strategies affecting Sonae Sierra's own strategy? Are you confident that physical retail will remain relevant in the longer term?**

**A:** Above all, digital technology and the consequent shift in consumer behaviour brings far more opportunities than threats to a business like ours. It is true that tenants are being more selective about their physical presence – they are favouring larger stores where they can display the same products that they offer online or display products in innovative ways – and this is redefining physical retail. But it is clear that physical retail has a very important role to play. Indeed, over the past few years, we have even seen many major on-line retailers like Amazon establish a physical presence, highlighting the trend towards omni-channel retailing, which seeks to offer consumers an integrated digital and physical shopping experience.

In this context, shopping centres need to focus on securing the best locations; offering the greatest convenience; supporting digital services and not least of all providing entertainment to deliver both a complementary and differentiated experience from e-commerce. The quality of our assets and our long-standing focus on creating unique experiences for shopping centre visitors have put us in a strong position to extract value from these changes in retail dynamics.

Beyond this, I foresee that by more deeply exploiting digital trends, physical retail destinations could take on wider functions, potentially serving as logistics centres or even housing small-scale industrial units with the advent of 3D printing. We are therefore still very confident in pursuing a strategy which is fully retail-orientated, and whilst we are prepared to embrace mixed-use concepts and are enhancing our competencies to support this, we will only pursue mixed-use opportunities which include retail as a core component.

**Q: At the end of 2017 we saw some very significant consolidation activity in the shopping centre sector. Will these events have an impact on Sonae Sierra's business?**

**A:** The recent mergers between high quality operators, developers and investors are positive for the industry as a whole. They also underline the validity of Sonae Sierra's strategy: our ability to unlock development and investment opportunities through a partnership approach offers us a competitive advantage in a tight market, whilst our focus on expansion into Latin America and Africa highlights our differentiation in terms of geographical presence.

What is more, they prove that consolidation continues in Europe, and we are attentive to the fact that another of our key markets is likely to follow the same path. The Brazilian shopping centre market is currently very fragmented with a significant volume of ownership among family businesses and private investments. In Brazil we will actively look for opportunities to exploit consolidation through acquisition activity as and when the market conditions are ripe to do so.

**Q: In the wider global context, the movement to combat climate change is continuing to gain momentum and we have seen pledges from leading institutional investors and banks to divest from fossil fuels and/or support the transition to a low carbon economy. Has Sonae Sierra felt any new pressures on this front?**

**A:** Not yet, but we are already very well prepared for this. Over the years we have fully embedded sustainability into our business; it is now an integral part of the way we work. Sonae Sierra has a number of sustainability objectives that are clear and measurable, and we report publicly on our progress on an annual basis. By the end of 2017 we fully achieved 67% of our sustainability targets and improved our performance across most of our key performance indicators, achieving several of our long term objectives. The strength of our approach is recognised by the market, and we have achieved high rankings in the Global Real Estate Sustainability Benchmark (GRESB) since its outset.

Nonetheless, we have had to change the way we address sustainability aspects in line with the shift in our business strategy. As we reduce our ownership stake in the assets we develop and operate, we are no longer able to assume full responsibility for sustainability improvements. Instead, we are focusing on selling sustainability services to our partners and clients, both for the projects and assets in which we hold a minority stake in and those which we manage on behalf of third parties. In 2017 we were able to avoid operating costs of €24.5 million across the assets which we manage, due to energy, water and waste management measures implemented since 2002. This enables us to deliver added value to clients and tenants, and demonstrates the strong business case for them to invest in eco-efficient technology and behavioural practices.

**Q: Moving forwards, what are your strategic priorities for 2018?**

**A:** We have several priorities for each of our different businesses.

On the developments side, we will aim to increase our development pipeline by seeking new opportunities in the regions where we are currently active – most notably in Colombia – and undertaking further research in markets where we may look to make investments in the future, with a priority focus on South America and Africa. Across our current development portfolio, securing the right partner for the development of the mixed-use scheme in Nuremberg, Germany, will be a major priority for the first half of the year.

With regards to capital recycling, we are confident that with favourable market conditions we will successfully realise our objectives. This will encompass both the sale and acquisition of assets, with the preparatory work accomplished in 2017 standing us in good stead to activate opportunities in the coming year.

In 2017 we carried out a deep assessment of opportunities to grow our retail real estate services business. Taking forward the learnings of this project, in 2018 we will aim to enlarge our services platform so that we can access new types of clients.

## A conversation with our CEO (continued)

Our strategy on this front will be two-fold: our Investment Management business will seek to create a new investment vehicle where we can act as a minority shareholder and investment manager; whilst our Property Management and Development Services business will seek growth through partnerships.

Ensuring that we build and retain the skills we need to deliver these objectives is an ongoing challenge, and one which we are addressing through significant internal projects like the Sierra Academy, an immersive, interdisciplinary learning programme which we launched in 2017, initially focusing on our Property Management business.

**Q: What external factors are most likely to influence your ability to deliver these ambitions? Are you optimistic about the coming year?**

**A:** We are particularly attentive to political stability and macroeconomic indicators – including interest rates and inflation – in the countries where Sonae Sierra is operating.

In Europe, we don't expect any major political instability. Whilst, we are closely following the situation in Spain following the Catalan Parliament's declaration of independence in October 2017 and the tense elections which took place at the end of the year, we are yet to see an adverse impact on valuations or consumer behaviour outside of the Catalan region.

In Brazil, where inflation has decreased significantly and the economic outlook has much improved, we remain cautious as we await the Presidential elections next October. We will continue to focus on extracting value from existing assets and hold new development activity on standby until we are assured that the future political direction is supportive to investment. Presidential elections will also be held in Colombia in 2018, where the political situation is positive, following the FARC ceasefire, but still fragile. However, we are confident that conditions in this country will continue to improve and that we will be able to grow our activity at a pace that is in line with our expectations for emerging markets.

From a macroeconomic perspective, the outlook for 2018 is favourable. With the global economy now growing at its fastest pace since 2010 and investment and trade growth picking up, GDP is forecast to grow between 3.1% and 3.9%. Inflation is expected to be moderate and we anticipate that interest rates, even if they do rise, will remain low. In this context, investment and leasing markets will remain stable, and investor appetite for real estate will stay strong.

Altogether, this means that we enter 2018 on an optimistic footing with favourable conditions in place to execute our strategy.

GLI ORSI  
Biella, Italy



# The year at a glance

## KEY ACHIEVEMENTS

### Investment Management

- Acquired Área Sur in Jerez de la Frontera in Spain in a 15/85 joint venture with AXA Investment Managers – Real Assets.
- Acquired the Albufeira Retail Park and Continente Hypermarket adjacent to AlgarveShopping through the Iberia Coop, an investment fund with CBRE Global Investment Partners in which Sonae Sierra holds a 10% share.
- Acquired MaiaShopping and GuimarãesShopping from the Sierra Fund through a 20/80 partnership with Ocidental; with Sonae Sierra retaining asset and property management services for the two shopping centres.
- Sierra Portugal Fund sold AlbufeiraShopping and C.C. Continente de Portimão to Portuguese fund manager Square Asset Management, with Sonae Sierra retaining property management services.
- Completed 16 acquisitions with a combined total value of €173.8 million on behalf of the ORES Socimi, a listed investment vehicle sponsored by Sonae Sierra and Bankinter Group in which we are the operating partner and owner of a 3.75% interest.
- Commenced the construction of the McArthurGlen Designer Outlet Málaga adjacent to Plaza Mayor shopping centre, a 50/50 joint venture between the Sierra Fund and McArthurGlen.
- Concluded expansions at AlgarveShopping and Centro Vasco da Gama, the refurbishment in CascaisShopping and commenced the repositioning of the entire upper level of GranCasa.

### Developments

- Agreed a joint venture partnership with Italian construction company Impresa Pizzarotti & C. S.p.A to build the Parma Shopping District in Italy, consisting of a shopping centre and retail park area.
- Commenced the construction of Jardín Plaza Cúcuta in Colombia, a €52 million investment in partnership with local operator Central Control.
- Completed the acquisition of the land for the construction of phase two of Zenata Shopping Centre in Casablanca, Morocco.

### Property Management

- Increased tenant sales by 8.1%, compared to 2016, at our shopping centres under management and rental income by 7.7% across our investment portfolio (excluding Brazil).
- Signed 26 new contracts for property management services totalling more than €11.8 million across seven geographies, and initiated the management contract of the CityLife Shopping District in Milan.
- Achieved a tenant satisfaction index of 5 out of 6 in Portugal and Spain.
- Increased the eco-efficiency of our owned European portfolio, achieving a 2.1% improvement in electricity efficiency and a 3.4% improvement in water efficiency.

### Development Services

- Signed 157 new development services contracts totalling €10.5 million.
- Strengthened our presence in North Africa with new contracts in Morocco and Algeria and entered the Baltic region for the first time with a new services contract in Estonia.
- Secured project management, design and architectural services for the Centro Colombo office tower and shopping centre expansion in Lisbon.

### Brazil

- Increased like-for-like tenant sales by 6.4% and rental income by 4.0%, compared with 2016.
- Commenced works for the full-scale refurbishment of Shopping Plaza Sul.
- Completed the sale of land adjacent to Uberlândia Shopping for a mixed-use project including a residential and office component, and prepared master plans for the sale of similar land adjacent to Parque D. Pedro Shopping and Passeio das Águas Shopping.
- Increased the eco-efficiency of our owned portfolio, achieving 3.2% improvement in electricity efficiency, 2.0% improvement in water efficiency and a 4.4% increase in the recycling rate.



## The year at a glance (continued)

### AWARDS

- Named Best Retail Developer at the SEE Real Estate Awards.
- ParkLake named Best Retail Project of the Year at the SEE Real Estate Awards, and Building of the Year SEE by the CEEQA (Central Eastern Europe Quality Awards).
- Named Best Retail Development and Developer across the CEE and SEE Region for ParkLake at the CIJ HOF (Hall of Fame) Awards.
- Received the MSCI European Property Investment Award for Best Performing Specialist Fund in the Portuguese market.
- Sonae Sierra, Union Investment and Z1Media awarded by the Property Marketing Award 2017 in the "retail" category at Expo Real for "First Store by Alexa".
- Received a silver award for "Mall Activation Platform", and the Emerging Technology Award and a Special Distinction Innovation for "Consumer Knowledge Model" at the 2017 ICSC Solal Marketing Awards.
- Sonae Sierra Brasil received bronze awards for "Team Management" (Improving our Work) and "Expansion and Revitalization" (Parque D. Pedro Shopping) in the ABRASCE Awards (Brazilian Council of Shopping Centres).
- Bright project short-listed for the EU Sustainable Energy Awards, an initiative promoted by the European Commission's Sustainable Energy Week.

**PARKLAKE**  
Bucharest, Romania



## The year at a glance (continued)

### KEY PERFORMANCE INDICATORS

# 110.0

Consolidated net profit  
(€ million)



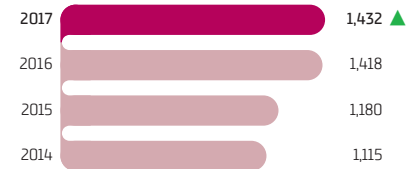
# 104.8

EBIT  
(€ million)



# 1,432

Real estate NAV  
(€ million)



# 7,365

OMV of owned assets  
(€ million)



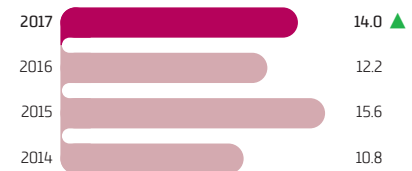
# 2.398

GLA under management  
(million m<sup>2</sup>)



# 14.0

Development ratio  
(%)



# 96.0

Average occupancy rate  
(% by GLA, across our owned portfolio)



# 4.7

Tenant satisfaction index at owned portfolio  
(scale of 1 ('not satisfied') to 5 ('very satisfied'))



# 30.8

Average hours of training per employee



#### Performance trend

▲ Improved    
 ■ No change    
 ▼ Worsened

## The year at a glance (continued)

### KEY PERFORMANCE INDICATORS (CONTINUED)

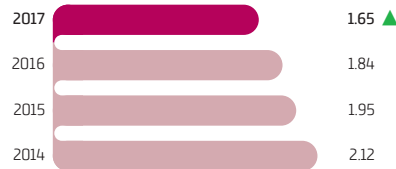
# 4.6

Number of non-conformities per hour of reference SPO<sup>1</sup>



# 1.65

Level 3, 4 and 5 accidents rate, of our owned portfolio<sup>2</sup>



# 0.017

Greenhouse gas (GHG) emissions of our owned portfolio and corporate offices (tCO<sub>2</sub>e/m<sup>2</sup> GLA)<sup>3</sup>



# 388

Electricity efficiency (excluding tenants) of our owned portfolio (kWh/m<sup>2</sup> mall and toilet area)



# 3.3

Water efficiency (excluding tenants) of our owned portfolio (litres/visit)



# 64

Total waste recycled as a proportion of waste produced (% by weight, across our owned portfolio)



#### Performance trend

▲ Improved    ■ No change    ▼ Worsened

<sup>1</sup> Safety, Health and Environment Preventive Observations (SPO) are a form of safe behaviour audit undertaken at our shopping centres in operation. For further details, please see [page 85](#).

<sup>2</sup> Number of accidents of level 3, 4 and 5 among tenants, service suppliers and visitors per million visits. Level 3, 4 and 5 accidents are defined as those resulting in medical assistance, lost workdays/life disruption and fatality/permanent disability, respectively.

<sup>3</sup> Data from 2014-2016 has been restated to reflect Scope 2 emissions associated with the updated emission factor for chilled water consumption at Centro Colombo that was outdated.

## Our company

Sonae Sierra is an international specialist in the retail real estate sector. Incorporated in Portugal in 1989, Sonae SGPS (Portugal) and Grosvenor Group Limited (United Kingdom) each control 50% of the Company.

Our vision is to develop and service vibrant retail-centred properties. We identify market opportunities, partner with real estate investors and deliver retail real estate services covering the full property lifecycle. This allows us to implement our know-how and international experience to develop innovative products that create value for our clients and other stakeholders.

With more than 27 years of experience in the creation, development and management of retail real estate assets and a highly distinguished track record, we are able to provide best in class services for investors and clients. We aim to be the partner of choice by developing long term and reliable relationships with all our stakeholders, driven by a clear emphasis on trust, efficiency and flexibility. We share our proven track record to best serve our clients' interests and provide the right advice for investors, while delivering outstanding shared value leveraged by a sustainability driven strategy. Our strong partnership policy allows us to quickly gain in depth knowledge of new markets, unlocking further business opportunities.

Our vision is underpinned by a set of core values and principles regarding our business, culture, responsibility towards our staff, the environment, local communities and independence from political power.

PASSEIO DAS ÁGUAS SHOPPING  
Goiânia, Brazil

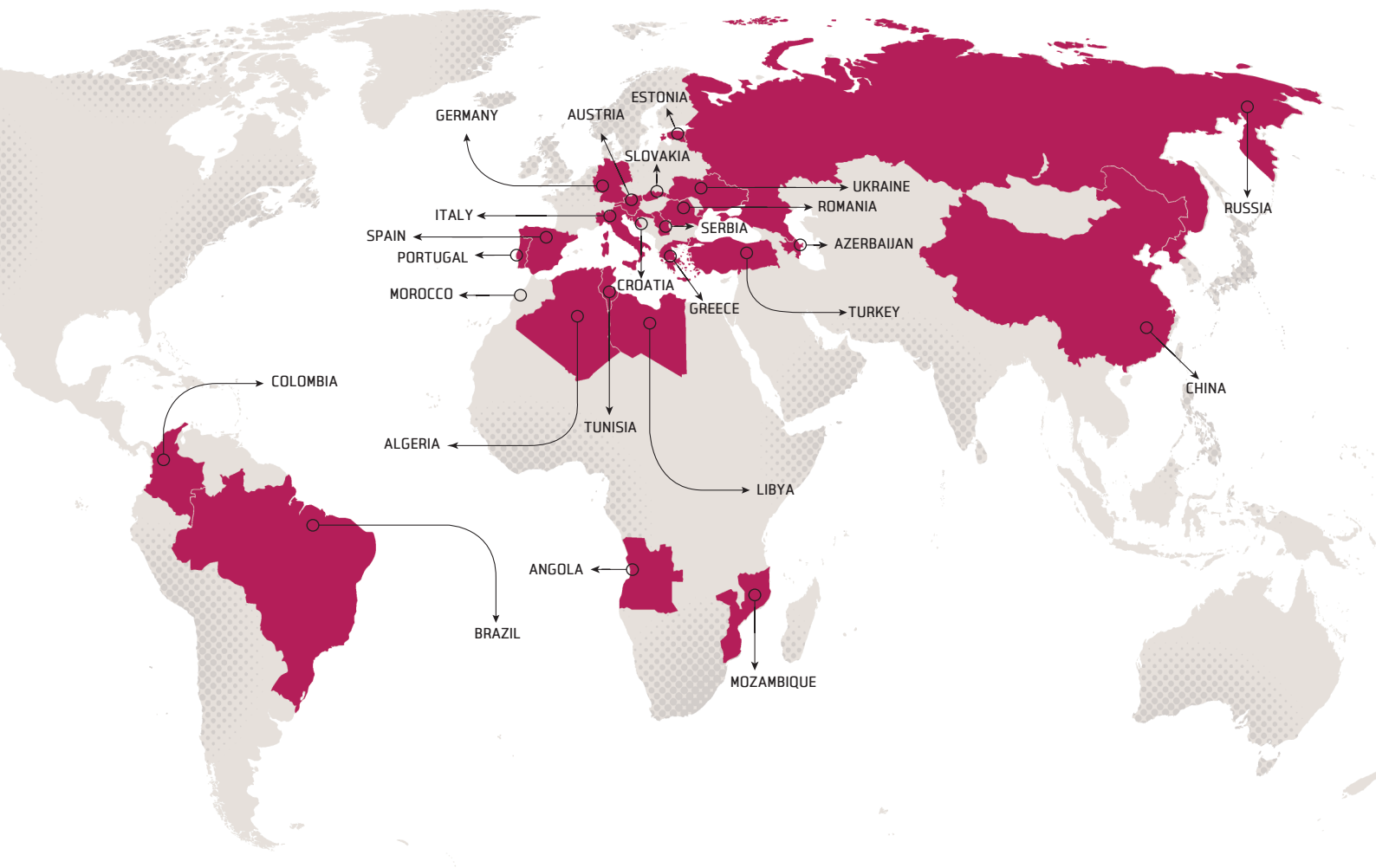


## Our company (continued)

### WHERE WE OPERATE

Our strong partnership policy, with both international investors and local partners, provides the financial backing and market intelligence necessary to successfully expand our business in new geographies.

Sonae Sierra operates from corporate offices in 12 countries. Our experience providing services to clients spans over more than 23 countries. During 2017, this included countries such as: Portugal, Algeria, Brazil, Colombia, Estonia, Germany, Greece, Italy, Morocco, Romania, Russia, Slovakia, Spain, Tunisia and Turkey.



## Our company (continued)

### KEY FACTS AS OF 31 DECEMBER 2017

# 48

shopping centres owned with an OMV of €7,365 million

# 79

shopping centres managed and/or leased

# 2.398

million m<sup>2</sup> total managed GLA

# 14

projects under development

# 4

funds under management

# €417

million

rents received at owned shopping centres

# 438

million

visits made to managed shopping centres

# €5,617

million

tenant sales at managed shopping centres

# 1,061

direct employees

# 82

past and current service clients and partners covering 23 countries

For further information about our performance in the countries where we operate, please see the Performance by Country report on our [website](#).



## Our company (continued)

### OUR PARTNERSHIPS AND KEY CLIENTS

Our business, quite simply, would not be what it is today without our past or current partners (P) and service clients (C). By partnering with them, we can ensure we have financial strength, the ability to quickly gain an in-depth knowledge of markets and create new opportunities. Some of our key partners and service clients are presented below.

- ALGERIA**
- C Ardis
  - C Dahli
  - C Immobis
  - C Prombati

- AZERBAIJAN**
- C Baghlan Group

- BRAZIL**
- P Marco Zero
  - P Família Sé
  - C Tivoli EP
  - C Credit Suisse HG

- COLOMBIA**
- P Central Control

- FINLAND**
- P Keva
  - P Ilmarinen

- FRANCE**
- P AEW Europe
  - P AXA Investment Managers – Real Assets
  - P CNP Assurance
  - P CDC
  - P Foncière Euris

- GERMANY**
- P Deka Immobilien
  - P & C Union Investment
  - P Otto Family
  - P DWS
  - C Aachener Grundvermögen
  - C BHG Gewerbe
  - C Commerzbank

- GREECE**
- P Charagionis Group

- IRELAND**
- P Caelum Development

- ITALY**
- P Coimpredil
  - P Impresa Pizzarotti & C. S.p.A.
  - C Veneto Banca
  - C Europa Capital Partners
  - C Immobiliare Ametista
  - C Generali Real Estate

- MOROCCO**
- P & C Groupe CDG
  - P & C Marjane
  - P & C SAZ
  - C Actif Invest
  - C Facenor
  - C Foncière Chellah
  - C ONCF

- PORTUGAL**
- P Bensaúde Group
  - P Estevão Neves
  - P Ocidental
  - P Sonae RP
  - P Sonae MC
  - P & C CGD
  - C Millennium BCP
  - C GIL
  - C Square Asset Management
  - C The Edge Group

- RUSSIA**
- C RosEvro Development

- SLOVAKIA**
- C J&T Real Estate

- SPAIN**
- P Armórica
  - P Bankinter Group
  - P Eroski Group
  - P Iberdrola Inmobiliaria
  - C Clásica Urbana
  - C Grupo Soluciones

- SWITZERLAND**
- P Partners Group

- THE NETHERLANDS**
- P ING Developments
  - P APG Investments
  - P MAB Development
  - P & C Redevco

- TUNISIA**
- P Mabrouk
  - C Copit

- TURKEY**
- C Endülüs Gayrimenkul
  - C Ildem Kooperatif
  - C Krem Turizm
  - C Özdemir Boru Profil
  - C Şölen

We share our proven track record to best serve our clients' interests and provide the right advice for investors, while delivering outstanding shared value leveraged by a sustainability driven strategy.

- UAE**
- P & C Al Futtaim

- UNITED KINGDOM**
- P Aberdeen Property Investors
  - P Grosvenor Group
  - P McArthurGlen
  - P Rockspring
  - P Schroders Investment Management
  - C Scottish Widows
  - C Doughty Hanson

- USA**
- P AIG
  - P CBRE Global Investors
  - P CBRE Global Investment Partners
  - P Madison International Realty
  - P TIAA-CREF
  - P TH Real Estate

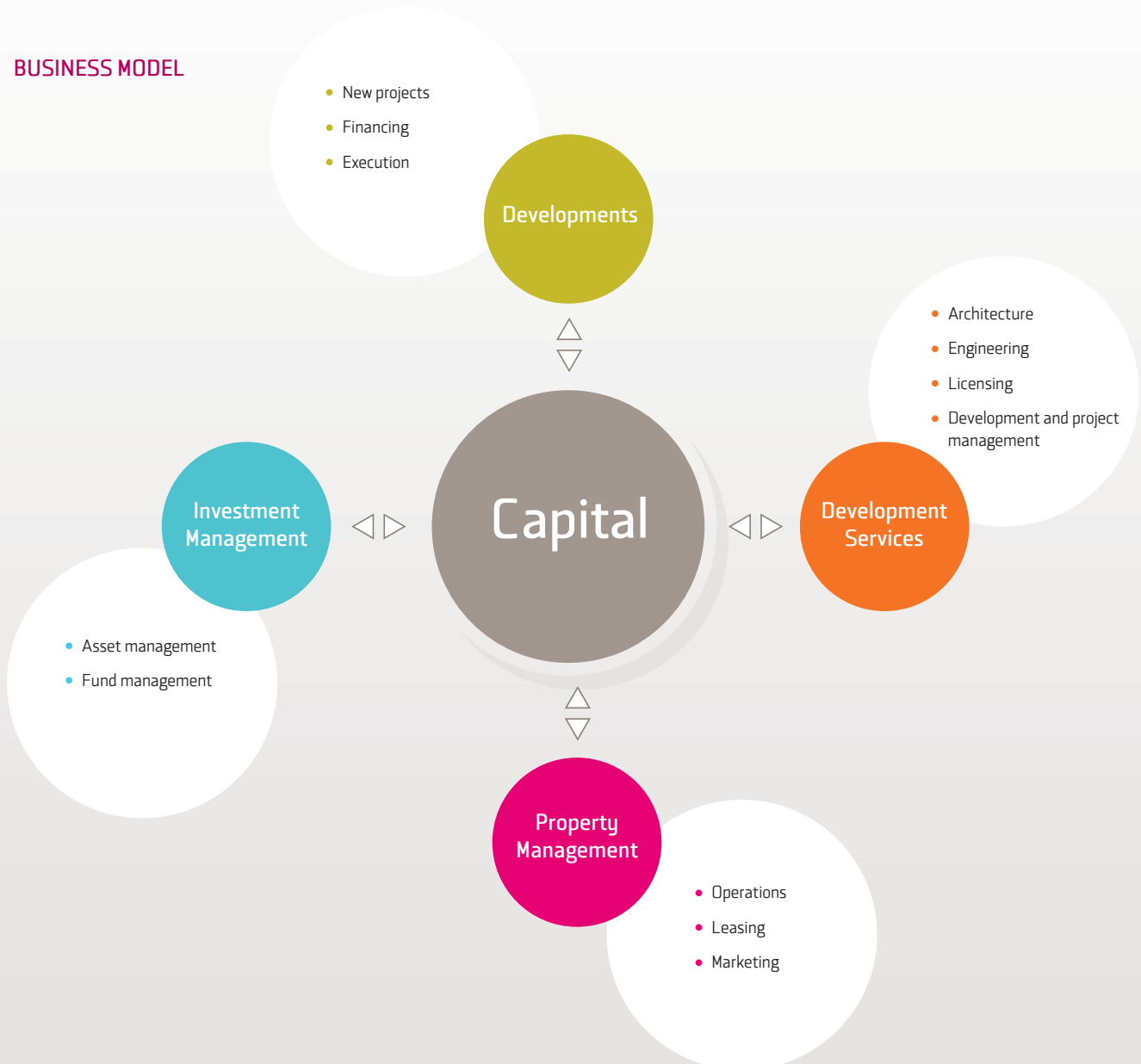
# Our Business Model and Strategy

Our business model supports our vision. It is underpinned by our business and sustainability strategies that aim to deliver sustainable financial returns in the short, medium and long term, while creating shared value for society and the environment.

With more than 27 years of experience, the combination of our know-how, our commitment to innovation and our long term approach has enabled us to create a unique business model that embraces investment management, developments, property management, and development services. Financed by a prudent combination of equity and debt, our capital is employed in a geographically diverse portfolio ranging from greenfield sites to acquisitions with development and/or expansion potential.

Our track record, the quality of our services and our ability to create financial and social value for stakeholders throughout the entire retail real estate asset lifecycle constitute a competitive advantage, and have enabled our business to expand across multiple countries and win more than 175 industry awards.

## BUSINESS MODEL





## Our Business Model and Strategy (continued)

### ORGANISATIONAL STRUCTURE

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Sonae Sierra is organised into five autonomous businesses: Investment Management, Developments, Property Management, Development Services and Brazil.

#### Investment Management

**Investment Management** manages a portfolio of real estate funds and operating assets across Europe. It offers first class investment services to select investors. The business identifies and implements value creation opportunities across its portfolio of assets and acquires operating assets or development projects, including the ones developed by Sonae Sierra's Developments business, in partnership with institutional investors to create further value and allow Sonae Sierra to undertake and finance other development projects. Building relations with key partners, Investment Management also retains positions in existing assets with a medium to long term horizon, and maximises indirect returns by channelling services to other businesses such as Property Management.

The Investment Management business creates shared value by generating returns for investors in our Funds; enabling expansions by recycling capital and, consequently, stimulating investment in developing regions as well as urban regeneration in mature markets.

#### Developments

**Developments** sources and delivers real estate developments on behalf of Sonae Sierra and other co-investors. The business is responsible for delivering services related to the financing and execution of new Sonae Sierra projects. Its preferred investment style is to partner with another investor on a 50/50 basis for each project, aiming to sell its stake to a third party after completion (preferably through Investment Management) in order to finance new developments.

The Developments business creates socio-economic value in the regions where it operates by sourcing from mostly locally-based suppliers; creating direct and indirect employment and strengthening the development and construction skills base. It engages with partners and suppliers to ensure the effective adoption and implementation of high standards of quality and sustainability. It also fosters creative and pioneering approaches that are adapted to local communities' needs, which can include the provision of infrastructure for public benefit. In keeping with Sonae Sierra's corporate values, the business designs projects that are respectful of local values and culture and support long term environmental, economic and social sustainability.

#### Property Management

**Property Management** provides operations, leasing and marketing services. With a client-centric approach, Property Management aims to align its interests with a diverse range of investor clients in order to maximise revenues, margins and assets' long term values. The business prides itself on maintaining strong relationships with tenants, guaranteeing effective and efficient standard operating procedures, and on piloting innovative concepts to engage and entice consumers.

The Property Management business creates shared value by generating sales for tenants; supporting job creation among local communities and adopting safety-conscious and eco-efficient management practices. Programmes such as Mall Activation and Rising Store (see [page 38](#)) effectively foster entrepreneurship and unlock opportunities for small-scale and local businesses in our shopping centres.

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## Our Business Model and Strategy (continued)

### ORGANISATIONAL STRUCTURE (CONTINUED)

#### Development Services

**Development Services** provides real estate development solutions to clients worldwide. The business applies its expertise to provide a wide package of development services encompassing licensing, architecture, engineering, development coordination and project management, adhering to its core principles of innovation and client focus.

Whilst Development Services predominantly focuses on creating value for its clients, its activities also generate socio-economic value by stimulating the market for sub-contractors, specialists and supplies, thereby indirectly supporting employment creation; skills development and sustainability awareness in the regions where it operates.

#### Brazil

**Sonae Sierra Brasil** is listed on the BM&F BOVESPA (the Brazilian Stock Exchange) with a 33% free float; the remainder is a 50/50 partnership between Sonae Sierra and the German investor Alexander Otto. Sonae Sierra Brasil's business operates autonomously and is focused on investing, developing and managing shopping centres in Brazil. By doing so, it creates value for clients and local communities in this country by following the same approach as Sonae Sierra's international Investment Management, Development and Property Management businesses.

GRANCASA  
Zaragoza, Spain



## Our Business Model and Strategy (continued)

### THE OPERATING CONTEXT

The sustained success of our business model is contingent on the continuous availability of a range of resources and relationships covering financial, manufactured, intellectual, human, social and natural capital. Our Company, through its specific activities, both relies and impacts upon the quantity and quality of these 'capitals' in different ways. Furthermore, their availability is by no means static.

We have identified key global trends which have significant implications for our business, affecting all six capitals. We continue to anticipate the evolution of these trends and align our strategies to these trends accordingly.



- 1 **Short term economic recovery, persistent medium term risks:** global economic activity maintained momentum through 2017. Whilst conditions faltered in the US and the UK, China and Japan saw higher growth than expected and recovery in the Eurozone continued to strengthen, and in Brazil there was a positive turnaround in the economic situation in spite of ongoing political challenges. Nonetheless, medium term growth could be challenged by output gaps, demographic factors and weak productivity, whilst tightening monetary policy and a shift towards protectionism pose risks.

*By pursuing growth on a capital light basis and maintaining prudent loan-to-value ratios, we are reducing our exposure to macro-economic risks. By exploiting opportunities to deliver services in a range of mature and emerging markets through our Development Services, Investment Management and Property Management businesses and Sonae Sierra Brasil, we are hedging ourselves against the potential impact of local and global political and economic challenges.*



- 2 **Urbanisation and the globalisation of the retail market:** with rapid urbanisation underway across developing countries, major retailers are continuing to expand their international presence. However, at the same time they are changing their tact in mature markets by realigning their strategies in an increasingly virtual world, cutting back on their overall physical footprint in order to concentrate efforts on a smaller number of high profile stores in prime locations.

*We are increasing our exposure to new development opportunities in emerging markets and urban regeneration schemes in mature markets, with a focus on projects which offer prime locations. Our Development Services business continues to expand its international presence, serving clients across 11 countries in 4 continents.*



- 3 **Digital technology revolutionises retail:** a retail revolution has set forth with the evolution of new, digitally-enabled consumption patterns. On-line retailing is well-embedded, and the widespread use of smartphones means that digitally-equipped, savvy and connected consumers are able to discuss, browse, compare and purchase products anytime, anywhere. This heralds both exciting opportunities and complex challenges for retail owners and managers. Shopping centres have become destinations of experience; places to be, not just to purchase. Hence, they are under more pressure to attract and retain customers; offer a diverse tenant mix and provide compelling experiences.

*Sonae Sierra has always positioned itself at the forefront of innovation in the shopping centre sector. By engaging with retailers and consumers and exploring the latest technology, our Property Management business is already pioneering new concepts such as Mall Premium and Food Markets that align with our vision of the future shopping centre – a living structure with multipurpose retail spaces where consumers and brands interact in a digital ecosystem.*

## Our Business Model and Strategy (continued)

### THE OPERATING CONTEXT (CONTINUED)



- 4 Real estate becomes a service:** just as digital technology has dramatically altered consumer behaviour, so it is ushering in significant changes in the way that buildings are owned, leased and operated. In the office market, the rise of companies that provide shared workplaces, technology and business services suggests how the sector is shifting towards a client-focused model. The boundaries between traditional asset classes are merging and physical space is increasingly becoming mixed-use. This adds to the importance of intellectual capital; using customer insights and data to apply skilled asset and property management to increase the quality and productivity of space.

*We have already shifted the core focus of our own company from asset owner to client-focused real estate services provider, and through our Development Services, Property Management and Investment Management businesses we offer a suite of services across all stages of the real estate lifecycle. We are increasingly focused on developing and servicing retail-centred properties, which may include fully mixed-use developments or retail centres which include a mixed offering. Through programmes like Mall Activation we are generating additional revenues for shopping centre owners by re-thinking the potential of the physical space beyond the leasing of shop units.*



- 5 Green investment to combat climate change:** in November 2017, the Bonn Climate Change Conference (COP 23) made significant progress toward clear and comprehensive implementation guidelines for the Paris Agreement, which aims to keep global temperature rise below 2 degrees Celsius above pre-industrial levels. This sends a clear signal to investors and businesses that they need to continue to enable a low-carbon economic model to become widespread. In this context, there are a growing number of commitments from leading global investors and international banks to divest from fossil fuels and/or invest in ways to combat climate change. This in turn adds pressure on carbon intensive sectors – including real estate – to demonstrate to investors that they are taking concrete action to reduce their climate change impacts. The Global Real Estate Sustainability Benchmark (GRESB) has revealed this year that a higher score in its benchmark corresponds with a higher return for European non-listed funds, highlighting the importance of environmental performance measurement.

*Sonae Sierra was an early pioneer in the development and operation of more environmentally-sustainable shopping centres and has been acknowledged as such through high rankings in external benchmarks and the receipt of prestigious international awards. Indeed, we have managed and reported on our own operational shopping centres' environmental performance since the year 2000. This means that Sonae Sierra is in a unique position to support our clients in reducing their climate change impact and making their assets more attractive to investors.*



- 6 Talent management in a digital age:** digital technology is fundamentally disrupting the workplace. It is changing the nature of jobs and the skills that companies need, and it places greater emphasis on the need to identify, hire and retain the right people, make the right decisions about outsourcing, and engage and up-skill existing staff to adapt to new ways of working. Leading companies are exploiting the use of cognitive technologies to support recruitment and are developing compelling employee value propositions. There is also a focus on nurturing dynamic and collaborative team cultures where staff feel empowered to use their creative abilities. Studies have shown that people are more motivated and productive when their wellbeing is enhanced and when the corporate culture aligns with their own values<sup>4</sup>, highlighting the ongoing relevance of employee wellness and social responsibility strategies.

*Sonae Sierra has an ambition to become a beacon for professional development and promote health and wellbeing among employees. The launch of the Sierra Academy in 2017 was a key milestone for us. Through intensive courses led by Sonae Sierra colleagues, we are unlocking our people's potential and promoting cross-team and interdisciplinary learning.*

<sup>4</sup> For example, see World Green Business Council's 'Building the Business Case: Health, Wellbeing and Productivity in Green Offices' (2016) and Global Tolerance, 'Values Revolution' report (2015).

## Our Business Model and Strategy (continued)

### HOW WE CREATE VALUE

Within the context of these key trends, our over-arching objective is to grow our business through a combination of increasing our exposure to developments and expanding the provision of professional services.

We have a robust business strategy which supports our vision to develop and service vibrant retail-centred properties, and is aligned with the specific goals of each of Sonae Sierra's businesses.

Our sustainability strategy supports our business strategy through its focus on creating shared value across all six capitals; from sustaining the resources and relationships which we are dependent upon, to safeguarding our continued capacity to do business in the short, medium and long term.

Both strategies are underpinned by our approach to risk management.



## Our Business Model and Strategy (continued)

### OUR BUSINESS STRATEGY – PILLARS TO DELIVER SUSTAINABLE FINANCIAL RETURNS

#### Increase development exposure

We aim to increase our exposure to developments in Europe and emerging markets. This will be achieved through a combination of acquiring exposure to new development opportunities and reducing our exposure to investment properties. We will also shift from a shopping centre focus to exploring urban regeneration and mixed-use development opportunities that are retail-centred. We will reduce the financial capital invested over the long term through our capital light strategy and investors will be invited to share the risk and return.

#### Expand professional services

We have affected a paradigm shift in our business model to become an outward-looking, client-focused company. Within this model, we will intensify our focus on providing retail real estate services to clients. When executed alongside our disciplined approach to the use of capital, service provision allows us to maximise returns, enter new markets and build new relationships. This in turn enables us to optimise the resources of the company under market fluctuations and improve know-how on markets, partners and projects.

#### Capital recycling

Capital recycling transverses both pillars of our strategy. Within the context of increasing investor demand for retail assets in European markets, but ongoing constraints in accessing debt to support business growth, capital recycling acts as an enabler to our future growth by releasing capital to finance new developments, reducing our exposure to investment risks, and protecting future returns by securing management contracts. This will be achieved by selling new projects after completion, preferably through Investment Management, which will keep a minority position; and reducing our investment in our core portfolio to a minority position through which we can ensure a foothold to provide services.

## Our Business Model and Strategy (continued)

### OUR SUSTAINABILITY STRATEGY – THREE PRIORITIES TO CREATE SHARED VALUE

Our core sustainability activities are organised under three focus areas that aim to create shared value for our business, investors, the environment and society. With this strategy, we aim to protect the long term value of our assets by managing operational risks and increasing resource efficiencies; to deliver an outstanding service and experience to investors, partners, service clients, tenants and visitors; to reduce our corporate office impacts; and attract and retain talented people in our Company.



#### Further references:

For more information, please see [page 62](#) and the sustainability section of our [website](#).

## Our Business Model and Strategy (continued)

### RISK MANAGEMENT

Effective risk management underpins both our business and sustainability strategy. We cannot create value without risk taking and, in this context, managing risk constitutes a competitive advantage for organisations like ours.

Risk is understood as the chance of something happening, measured in terms of likelihood and impact, which may adversely affect the achievement of our strategic objectives and ongoing ability to create value. Risk management is a structured and disciplined approach through which we proactively identify, assess and manage the uncertainties that we face. It enables us to increase the efficiency of our operations and the effectiveness of our strategy and processes.

Our risk management process is supported by an international methodology, Enterprise Risk Management – Integrated Framework, which is issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Using this framework, we identify and evaluate risks and manage and monitor risk actions through a range of different touch points across our business.

Our Risk Management Working Group supports this process by promoting a culture of robust risk management throughout our Company and disseminating knowledge and experience based on best practice industry standards.

#### Sonae Sierra's risk matrix

As at 31 December 2017, we had completed a corporate risk classification using our risk matrix and identified seven key risks that have either a high likelihood of occurrence or a critical impact on the Company' activities (as shown in the darker quadrants).

#### IMPACT

|                 |   |  |   |
|-----------------|---|--|---|
| Low impact      | 0 risks   | 0 risks  | <ul style="list-style-type: none"> <li>Political, legal and regulatory risks</li> <li>Corporate Ethics</li> <li>Environmental risks</li> </ul>                |
| High impact     | <ul style="list-style-type: none"> <li>E-Commerce</li> </ul>  | <ul style="list-style-type: none"> <li>Counterparty risks</li> <li>Loss of anchor tenants</li> <li>Sustainability of rents</li> <li>Increase in interest rates</li> <li>Physical obsolescence of assets</li> <li>Change in FX Rates</li> </ul> | <ul style="list-style-type: none"> <li>People Integrity</li> <li>Property Integrity</li> <li>Key Personnel Retention</li> </ul>                               |
| Critical impact | <ul style="list-style-type: none"> <li>Competition</li> </ul> | <ul style="list-style-type: none"> <li>Inability to find and fund projects</li> <li>Project licensing and execution</li> </ul>   | <ul style="list-style-type: none"> <li>Lack of access to bank debt</li> <li>Loss of management of core assets</li> <li>Increase in property yields</li> </ul> |
|                 | High Every 2 to 3 years                                       | Medium Every 5 years   | Low Once in a decade  |

#### LIKELIHOOD



## Our Business Model and Strategy (continued)

### RISK MANAGEMENT (CONTINUED)

The tables below provide a summary of our key risks and the steps we are taking to effectively manage them.

#### Key risks

| Risk   | Monitoring and mitigating activities   |
|--|--|
| <p><b>Competition:</b> The operation and the value of the Company's properties are at risk from excessive levels of offer of retail space in their market area. In the course of doing business, Sonae Sierra competes with several players, namely in the development and property segment.</p>   | <p>The approval process for new retail real estate assets must include a detailed analysis of the present and future competitive position of the project. Market studies should include a long term perspective on the competition for the asset. These studies support the marketing and capital investment decisions on those assets.</p> <p>The Company undertakes hold/sell analysis for each asset under operation. This analysis takes into consideration long term views on the competitive situation of the asset.</p> |
| <p><b>Inability to find and fund projects:</b> The long term sustainability of the company requires that it continues to find development opportunities.</p> <p>The company must then ensure that the adequate level of financial and human resources are allocated to such objective. Furthermore, Sonae Sierra must guarantee that it has the required financial resources available when an opportunity arises.</p>   | <p>Sonae Sierra only acquires land plots after they are licensed for the project, and aims to have a partner to share risk. The Company has an objective of keeping long term and opening relationships with a number of different banks in order to diversify the sources of funding.</p>   |
| <p><b>Project licensing and execution:</b> The main risk associated with the Developments business relates to the selection of projects. Retail real estate projects require a relatively long timeframe for completion and there is considerable difficulty in changing a project mid-way through development. This means that the initial decision very much commits the Company to a particular course of action.</p> | <p>All developments are approved by the Board of Directors via an Investment Proposal (IP). Every IP has the signed commitment of all related parties which validate their project assumptions. We use a ledger to support the control of development costs and if cost overrun is expected to exceed 10% of the initial budget it needs to be approved by the Board of Directors.</p>   |
| <p><b>Lack of access to bank debt:</b> The Company owns or co-owns properties in operation for which it has rolling financial loans. The reimbursement of these loans is very dependent on the asset performance. A poor performance could mean that Sonae Sierra would not be able to accomplish its financial obligations. Alternatively, the Company can negotiate the refinancing of the asset.</p>                  | <p>Sonae Sierra develops regular contacts with banks to follow-up the evolution of its financings.</p> <p>Furthermore, the Company systematically researches the market to improve its understanding of market dynamics and help the long term management of its financing.</p> <p>The Company can negotiate the financing profiles, ensuring that the "refinancing curve" is not too stressed.</p>  |
| <p><b>Loss of management of core assets:</b> The company owns or co-owns a number of assets which have more relevance on its portfolio (core assets). Sonae Sierra has management contracts in these assets that, apart from being an income source, dictates its reputation in the market.</p>  | <p>In the event of an asset sale, Sonae Sierra's capital recycling strategy seeks to reduce our investment in our core portfolio while maintaining a minority position through which we can negotiate clauses to provide the possibility to remain as Asset Manager. This minority position provides a further foothold to support the provision of additional services related to property management and development activity.</p>   |

## Our Business Model and Strategy (continued)

### RISK MANAGEMENT (CONTINUED)

| Risk   | Monitoring and mitigating activities   |
|--|--|
| <p><b>Increase in property yields:</b> The Company owns or co-owns properties in operation with a total value in excess of €7 billion. The value of these properties is highly influenced by market yields. Increases in yields mean that, everything else being equal, the value of properties falls. Additionally, the Company's developments are expected to be sold in 2-3 years of completion with Sonae Sierra holding a minority position. These sales incur the risk of occurring below investment cost, due to fluctuation of market yields.</p> <p><b>E-commerce:</b> Sonae Sierra's business is based on physical retail chains that take up space in its shopping centres. The appearance of e-commerce may alter some tenants' appetite for physical space, with consequences for the tenant mix.</p> | <p>The Company orders an independent valuation of its portfolio at least twice a year. This regular process of mark-to-market improves the understanding by the Company of the underlying dynamics of the property markets and helps the long term management of the portfolio.</p> <p>The Company selects new markets to invest taking into consideration its medium term potential for yield compression (among other factors). It also negotiates mechanisms with the banks to guarantee that it has room to pay its obligations in case of a sudden drop in an asset's value.</p> <p>Sonae Sierra's Market Intelligence team analyses the online shopping trend in order to understand its evolution.</p> <p>The Company has developed a range of online promotion tools and digital projects which embrace opportunities associated with e-commerce and are described in more detail on <a href="#">pages 38</a> and <a href="#">43</a> of this report.</p> |

CASCAISHOPPING  
Lisbon, Portugal



# The wider context

A supportive macroeconomic environment in Sonae Sierra's core markets gave rise to positive outcomes in 2017.

The Eurozone economy expanded at its fastest pace since 2007, with GDP growth of 2.5%. Notable gains were made in Portugal, Germany and Italy, and in Spain growth remained robust in spite of the uncertainty wrought by the Catalonia referendum. In Brazil we saw steady improvement through the year as inflation was brought under control and interest rates decreased, supporting an upturn in domestic consumption and investment activity. In this context, we delivered net results above expectations; maintained our margin and secured new finance under favourable conditions whilst reducing the total interest paid on our loans.

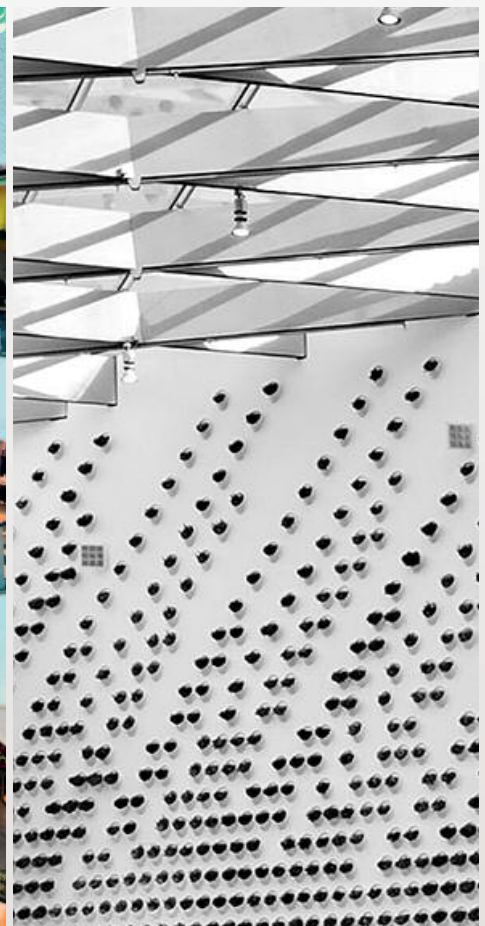
## GROWTH IN SALES, RENTS AND ASSET VALUES IN IBERIA EXCEEDS EXPECTATIONS

In Europe, tenant sales grew by 8.0%, largely driven by strong performance in Iberia, where sales were up by 7.5% in Portugal and 14.2% in Spain. This in turn drove a 7.7% increase in rental income across the continent as a whole, meaning that we achieved real rental growth – above the recuperation of previously discounted rents – for the first time since the pre-crisis years.

The Portuguese economy was particularly buoyant. GDP increased by 2.6%, mainly driven by investment and exports, and unemployment shrunk to 9.2%, its lowest level since 2008. The positive impact on public and private finances has resulted in Portugal's credit rating being raised from junk status to investment grade firstly by S&P and more recently by Fitch Ratings, signalling a boost to foreign investment in the country.

In Spain, GDP increased by 3.1%, spurred on by growth in private consumption and strong levels of employment creation combined with low inflation. Economic performance across the country as a whole remained stable in spite of the political tensions caused by the Catalan bid for independence, with adverse impacts so far being contained within the Catalan region itself.

HOFGARTEN SOLINGEN  
Solingen, Germany



## The wider context (continued)

Against this backdrop, there has been a renewed push from the occupier side of the market, reflected in the fact that at the end of 2017, Sonae Sierra's occupancy rates were up to 99.1% in Portugal (compared with 98.5% at year-end 2016) and 94.4% in Spain (93.6% in 2016). Moreover, investor appetite has remained strong across the Iberian Peninsula. Asset values have increased and yields have contracted, with this trend now reaching non-prime as well as prime assets. With 66% of its operational assets located in Portugal and Spain, Sonae Sierra's open market value (OMV) in Europe reached €1,656 million, up by 3.7% over 2016.

### POSITIVE PERFORMANCE IN BRAZIL BOOSTED BY ECONOMIC RECOVERY

Following two years of negative growth, the Brazilian economy started to pick up, initially in the agricultural sector and then spreading to other major industry segments. By the end of the year, GDP was up by 1.1% and inflation significantly reduced, allowing for real incomes to rise and interest rates to fall. This has fuelled impressive growth in consumption, with the effect that sales across Sonae Sierra's shopping centres were up by an average 6.4% and rental income increased by 3.6%.

We maintained our productivity in gross lettable area (GLA), and reduced vacancy rates in our major Brazilian assets. Three regional shopping centres which we inaugurated in the years immediately preceding the recession are performing below the portfolio average in terms of occupancy as their maturity time has been lengthened by the downturn, but we are seeing positive signs of progress in these locations too. Manaus Shopping in Manaus is the one centre which has bucked this trend, having made a very impressive recovery in spite of the Amazonas region bearing the brunt of a particularly heavy recession. Reflecting this performance, and due to the fact that investors perceived Sonae Sierra Brasil's shares to be undervalued, our share price increased by 50% during 2017.

On the other hand, yields across all real estate sectors have not contracted in spite of the positive evolution in inflation and interest rates, meaning that our asset values are yet to recover. This is because the economic gains have been made in spite of the country's delicate political situation. President Temer is pushing through fiscal reforms intended to restore investor confidence and rein in an untenable level of public debt, but popular opposition to these policies coupled with allegations of corruption against a large part of the political class mean that political continuity may not be guaranteed through the upcoming Presidential elections.

Nonetheless, GDP is expected to grow by around 2.4% in 2018, with the positive global economic outlook boosting export growth in this commodities-based economy. If internal reforms are effectively implemented, recovery is likely to be sustained and investment activity will increase, heralding a positive impact on shopping centre valuations and opening up opportunities for acquisition activities.

**"Favourable macroeconomic conditions in Europe, coupled with recovery in Brazil, helped us to deliver very positive operational and non-operational results. We are confident that current trends in our core markets will continue into the coming year, opening up new opportunities for us to grow our business."**

Edmundo Figueiredo  
Chief Financial Officer



### SUCCESSFUL RE-FINANCING REINFORCES SOLID CORE FINANCIAL POSITION

2017 saw positive developments with regards to Sonae Sierra's non-operational indicators. We were able to decrease the overall interest rate paid on our loans meaning our average cost of debt now stands at 3.8%, (3.1% excluding Brazil), compared to the 4% registered in 2016.

We were able to refinance all of the assets which we intended to, refinancing € 729 million on a 100% basis. This is important not only for our own financial management but also demonstrates the added value created for the assets' co-investors. Most of the assets refinanced are located in Portugal and Spain, highlighting once again the supportive impact of the improved macroeconomic conditions in these countries.

The actual valuation of the underlying assets has increased through the course of the year, so in spite of having increased our debts we have maintained a very prudent Loan-to-Value ratio (LTV) at 30.2%. What is more, we have taken the opportunity to extend the length of our debt maturities and spread them effectively, and we have decreased the interest rate in spite of having increased the loans overall for each of the shopping centres that we have refinanced.

The strength of our core financial position stands us in good stead to progress with all three axes of our strategy, as it enables us to pursue capital light investments in new developments, assets and funds and finance the growth of our services business without having to rely exclusively on bank debt.

## The wider context (continued)

### **FAVOURABLE MARKET OUTLOOK, NOTWITHSTANDING SOME UNCERTAINTIES AND CHALLENGES**

Within Europe, our core markets of Portugal and Spain offer good prospects for 2018.

Foreign investment in Portugal is set to maintain traction and the ongoing expansion in tourism and export industries will create new jobs and bolster consumer spend. The general government deficit and the structural balance are expected to remain stable. In Spain, internal demand and exports have been driving forces for growth and net employment is expected to rise, spurred on by the expansion of the professional services and technology sectors. Market reactions to the events in Catalonia have so far been subdued, but there is a risk that a protracted political crisis over the region's future could impact on investment activity across the country as a whole. If Spain is able to remain united, then it is likely that economic progress will continue apace, creating a context that is supportive to Sonae Sierra's operations in Iberia as a whole and that will enable us to proceed with our capital recycling objectives and fund activities.

We do not expect any major changes in Italy and Germany. In Romania, where private consumption is yet to tally with GDP growth, we anticipate that retail sales will continue to grow and hence we continue to bet on investment through developments in this market. Notwithstanding this, the reluctance of European banks to expose themselves to development activity in this country means that obtaining access to finance at reasonable rates is a challenge.

In Brazil as in Colombia, Presidential elections in 2018 could change the financial and economic policies being pursued in these countries. In Colombia, stable levels of inflation, the creation of structures for investment and a banking system that can finance local operations have generated a context that is supportive to foreign investment, and we are hopeful that these conditions will be maintained. In Brazil, where we have a much more significant presence with ten operational shopping centres and 481,429 m<sup>2</sup> of GLA under management, a combination of economic and political stability would enable us to initiate our plans for further expansion, whilst a move in the opposite direction may limit our focus to containing costs and extracting additional value from our existing assets.

Within North Africa and the Levant we are particularly positive about the outlook for Morocco, and expect to gradually increase the scale and scope of services in this country. Turkey is a substantial market which is difficult to enter through investments, but where we have an opportunity to expand our services business we will pursue it.

At a global level, we are faced with the challenge of increasing regulation. Whilst we emphatically support the principles of regulation to control critical financial, security and ethical risks, the regulatory environment has regrettably become too complex and expensive, and we are yet to be assured that it is achieving its intended outcomes. Most significantly for our business, regulation creates obstacles to entry into new markets and causes delays to investments. Nonetheless, we strongly believe that it is of utmost importance that we guarantee compliance with all applicable regulations, and on this basis we are taking a cautious approach to investments in emerging markets, investing only where we are convinced that the long term gains will outweigh the short term costs.

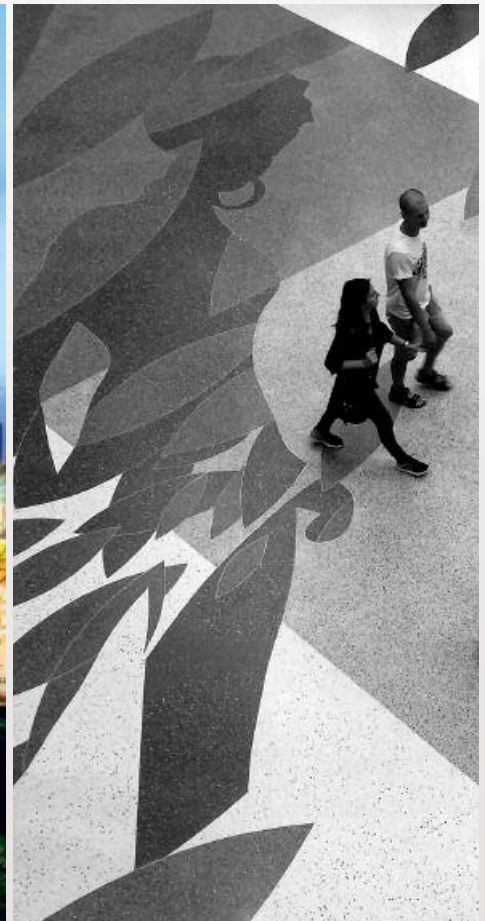
# Our performance

2017 was a very active year for our Developments business. We began construction works for our new shopping centre in Cúcuta, Colombia; we entered a joint venture to develop a new retail complex in Parma, Italy, and we proceeded with the preparation of our projects in Casablanca in Morocco and Nuremberg in Germany.

Likewise, our Investment Management business commenced construction of the McArthurGlen Designer Outlet Málaga adjacent to Plaza Mayor shopping centre, a 50/50 joint venture between the Sierra Fund and McArthurGlen.

Reflecting back on a highlight from 2016, the inauguration of ParkLake in Bucharest, we were particularly proud to receive three international awards in its honour and a BREEAM Excellent Certification for Design, a confirmation of the quality of our architectural design and development management approach.

PARKLAKE  
Bucharest, Romania



## Our performance (continued)

### CONSTRUCTION UNDERWAY AT CÚCUTA IN COLOMBIA

In November 2017 Sonae Sierra and local partner Central Control commenced the construction of Jardín Plaza Cúcuta in Cúcuta, the sixth largest city in Colombia which is located next to the Venezuelan border. Comprising a total investment of €52 million and encompassing a gross lettable area (GLA) of 43,000m<sup>2</sup>, Jardín Plaza Cúcuta will be the largest shopping centre in the city when it opens at the end of 2018. The centre will boast 180 retail units representing local, national and international brands and is expected to generate employment for around 4,500 people through its construction and operational phase combined. With a strategic location above the city's east ring road, it will offer 1,800 parking spaces and serve a catchment area of over 880,000. Cúcuta's population has grown significantly over the last few years, and other important projects include the expansion of its airport and the opening of new hotels. Its location adjacent to the Venezuelan border has also boosted the local economy. It is therefore an additional advantage that the 12 hectare site in which Jardín Plaza Cúcuta is located is owned by the development partners, facilitating a possible expansion in the future.

The development of Jardín Plaza Cúcuta represents an important, strategic project for Sonae Sierra. Not only does this 50/50 joint venture enable us to increase our exposure to developments and emerging markets; it also signals our entry into a market which offers good prospects for future shopping centre projects and we are already actively assessing two other opportunities in major Colombian cities.

### NEW JOINT VENTURE DEVELOPMENT AGREED IN ITALY

Another highlight for our Developments business in 2017 was the agreement of a joint venture partnership with Italian construction company Impresa Pizzarotti & C. S.p.A to build the Parma Shopping District which consists of a shopping centre and a retail park area. This project comprises a €210 million investment in the Municipality of Parma in the Emilia Romagna region of Northern Italy, and includes the development of the retail destinations as part of the Parma Urban District regeneration scheme. In its entirety, the Parma Urban District will involve the conversion of a 330,000m<sup>2</sup> former industrial site into a shopping and entertainment hub located six kilometres from Parma's city centre. The shopping centre and retail park area will offer a combined total of 74,300m<sup>2</sup> of GLA and house around 170 units including operators such as Primark, Inditex and Conad supermarket. They will serve a catchment area of over 700,000 residents within 45 minutes' travel time. The necessary licences and finance for the project have already been secured and construction is expected to start in the first quarter of 2018, with the opening of the shopping centre and retail park scheduled for autumn 2019.

**"Our new joint venture development in Parma, Italy, demonstrates the advantage of our partnership approach."**

Ana Guedes Oliveira  
Director, Developments



The opportunity to co-develop the scheme was secured through a combination of adept market research and our strong partnership culture. Our joint venture approach to developments enables us to control risk and the project benefits from having two partners who together can deliver even better results. Our track record of successful partnerships is known to the market and offers us a competitive advantage, especially vis-à-vis larger competitors. Going forward we will continue to seek opportunities to develop shopping centres through joint venture partnerships in Italy, which we believe is one mature market that is currently underserved in terms of retail GLA.

### PLOUGHING AHEAD WITH PROJECTS IN GERMANY AND MOROCCO

We have continued to prepare our project for the redevelopment of an industrial site in Nuremberg, Germany, which will encompass a mixed-use scheme with a strong retail component. Due to the complexity of the 250,000m<sup>2</sup> historic building on the site, we have revised our initial project to accommodate various possible uses and the demands of potential occupiers. Whilst the regeneration element of this project makes it much more challenging than a greenfield development, we have great expectations for the ultimate transformation of the existing building and the creation of a new, independent structure for residential or other uses, capitalising on the benefits of the excellent location offered by the site. Our main priority for the first half of 2018 will be to secure a partner so that we can proceed with the final planning stages and commence construction works.

At the end of 2017 we completed the acquisition of the land for the construction of Zenata Shopping Centre in Casablanca, Morocco, together with our joint venture partners Marjane, Al Futtaim and Société d'Aménagement de Zenata (Groupe CDG). The acquisition has unfortunately taken longer than expected, meaning that we were not able to commence construction in 2017 as initially intended, but we are confident that we will be able to begin works early in 2018.

## Our performance (continued)

### CASE STUDY:

# Jardín Plaza Cúcuta: a unique destination which celebrates the natural environment and traditional culture of north-east Colombia

A distinctive facet of Sonae Sierra's development approach is our ability to draw inspiration from local culture in order to create inspiring architectural projects, creating places where visitors can enjoy deeper experiences and a sense of belonging. At Jardín Plaza Cúcuta, our first development in Colombia, we will offer residents a unique shopping and entertainment venue that also acts as a catalyst for local economic development.

Jardín Plaza Cúcuta will be an open-air shopping centre inspired by local ecology that immerses visitors in the textures and colours of the tropical environment. It will encompass nature-based architectural concepts, including plants and water features, whilst celebrating the culture of traditional markets, handicrafts, costume and local celebrations. What is more, Jardín Plaza Cúcuta will implement Sonae Sierra's Safety, Health and Environment Development Standards and target ISO 14001 and OHSAS 18001 environmental and safety and health management certification for its construction works. The site will include green areas for community enjoyment; pedestrian and cycling paths and play areas. It will retain 30 ancient indigenous trees and provide a habitat for 7,000 newly-planted trees along with a large variety of plant species.

Not only is this approach better for the environment but research suggests that customers are likely to visit more, shop more and stay longer in retail centres which offer natural surroundings and greenery. The strong interest generated by Jardín Plaza Cúcuta confirms the strength of this approach, and makes us all the more confident about the future success of this exciting new destination.

GLA – 43,000m<sup>2</sup>

Open Date – end of 2018

Shops – 180

Developers – Sonae Sierra and Central Control





## Our performance (continued)

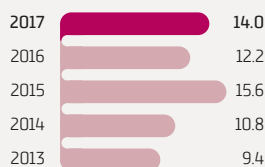
### BUILDING A DEVELOPMENT PIPELINE WITH A FOCUS ON EXCELLENT LOCATIONS

In 2018 we will continue to analyse new potential projects to add to our development pipeline. In keeping with our strategy, we will balance risk by focusing on redevelopment and mixed-use projects in mature markets in Europe whilst seeking greenfield opportunities within emerging markets.

Securing the best locations for future projects has become ever more critical. On the one hand, this is driven by the behaviour of retail operators, who are curbing their expansion plans to concentrate on establishing fewer, larger stores in key locations. On the other hand, the consolidation of the shopping centre sector in mature markets, most recently evidenced through the merger of major players, emphasises the importance of location as a potential advantage in an increasingly competitive marketplace.

These same trends also highlight the need to be increasingly flexible in terms of planning and design; indeed, our recent experience of developing ParkLake in Romania has shown that greater flexibility is key to success. As the retail sector evolves at an accelerated pace, we must be able to provide solutions to accommodate requests from tenants, investors and other stakeholders, whilst ensuring that we can provide original, compelling experiences to entice visitors on an ongoing basis. In emerging markets, accessing deeper market knowledge through partnership with a local operator is critical, particularly as it is unviable for us to maintain a strong local presence in countries where we have not yet fully established operations. In Romania, where we have already completed our first development and in Colombia, where we have a project under construction, we have gained good insights into the market and are now much better placed to pursue future development activity.

Development ratio (%)



Through the application of our Safety, Health and Environment Development Standards (SHEDS), we continue to work towards high sustainability standards as part of the property development process. When we are working with smaller investors and clients, particularly in emerging markets, it can be more challenging to sell the benefits of our sustainability approach. Consequently, we are now focusing on critical issues to minimise environmental and safety risks, and we seek to secure support from joint venture partners to share the costs of implementing the necessary sustainability measures as early on as possible through the shareholder agreement. This approach has been applied successfully on our development projects underway in Morocco and Colombia.

“The Investment Management business beat its budget for the year; completed a number of acquisitions on behalf of its investor clients and made headway with some important expansion projects.”



Pedro Caupers  
Director, Investment Management

### CONSTRUCTION BEGINS ON A NEW RETAIL DESTINATION IN MÁLAGA

Finally, 2017 saw us commence the construction of the McArthurGlen Designer Outlet Málaga adjacent to Plaza Mayor shopping centre. A 50/50 joint venture with leading designer outlet investor and developer McArthurGlen, this €140 million project will deliver 30,000m<sup>2</sup> of retail space in two phases dedicated to luxury and designer trademarks offering products at discounted prices. The Designer Outlet will be the first retail destination of its kind in Southern Spain, and it is generating significant interest among prospective tenants, customers, the local community and media. What is more, the project leasing team has already secured an excellent tenant mix and very favourable rental terms, all of which bodes very well for the first phase of inauguration in the first quarter of 2019.

### CAPITAL RECYCLING THROUGH ACQUISITIONS AND DISPOSALS IN IBERIA

The European real estate investment market became increasingly competitive in 2017 due to high volumes of liquidity and historically low interest rates, making commercial property a very attractive asset in terms of risk and return. Due to the scarcity of investment targets, yields were pushed down, driving prices up. Nonetheless, we exceeded our initial expectations by completing one joint acquisition and two on behalf of the Iberia Coop fund, as well as numerous purchases on behalf of the ORES Socimi.

Most importantly, we acquired Área Sur in Jerez de la Frontera in the south of Spain in partnership with AXA Investment Managers – Real Assets. This asset, which encompasses 47,000m<sup>2</sup> of GLA, is one of the largest shopping centres in the Andalusian region and benefits from an advantageous location frequented by a large number of tourists. It offers good upside potential, with a number of value creation opportunities already identified. The centre is held in an 85/15 joint venture, with Sonae Sierra owning the minority stake whilst assuming the role of operating partner and providing property management services.

## Our performance (continued)

Iberia Coop, an investment fund with CBRE Global Investment Partners in which Sonae Sierra holds a 10% share, acquired the Albufeira Retail Park (11,150m<sup>2</sup>) and adjacent Continente Hypermarket premises (16,155m<sup>2</sup>) in the Algarve region of Portugal. The assets are located alongside AlgarveShopping, which was acquired by Iberia Coop from the Sierra Fund in 2016. Through this strategic acquisition, Iberia Coop is now able to control the wider retail offer around AlgarveShopping.

With regards to disposals, we were not able to complete the planned placement of the Core Plus Venture portfolio, an offshoot of the Sierra Fund which is currently owned by Sonae Sierra and APG Investments. This was as much due to complexities of joint venture ownership at asset level as to investors' perceptions of the value differential between core and less core assets. We therefore agreed to sell the 10 assets on an individual or sub-portfolio basis, engaging with joint venture partners at the asset level to promote the sale of their stakes as well. This approach has already borne fruit, with the sale of GuimarãesShopping and MaiaShopping (both in northern Portugal) agreed shortly before the end of the year. Previously held on a 50.1/49.9 basis between Sonae Sierra and APG Investments, these assets will now be held in partnership between Ocidental – Companhia de Seguros and Sonae Sierra. Sonae Sierra will continue to provide asset and property management services for both shopping centres.

Last but not least, at the end of the year we concluded the sale of two assets from the Sierra Portugal Fund, AlbufeiraShopping and C.C. Continente de Portimão (both located in the Algarve in Southern Portugal) to Portuguese fund manager Square Asset Management. Sonae Sierra currently holds a 22.5% stake in the Sierra Portugal Fund, having reduced its participation in 2016. With these transactions, Sonae Sierra will no longer own any share in the two assets, but will continue to provide property management services.

With these disposals, we continue to reduce our ownership stake in operational assets, releasing equity for reinvestment in new developments in mature and emerging markets in line with our capital recycling strategy.

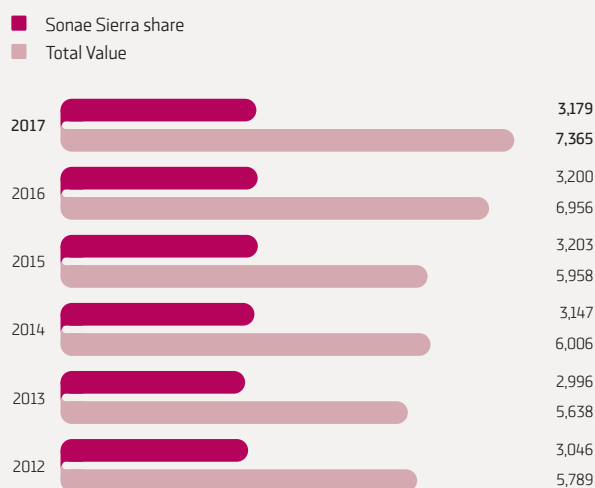
### VERY POSITIVE FUND PERFORMANCE BOLSTERED BY FAVOURABLE MARKET CONDITIONS

Our Funds delivered very good returns in 2017 owing to two main factors. Firstly, the geographical location of the Funds' assets allowed us to benefit from the favourable macroeconomic conditions in Portugal and Spain, where tenant sales growth surpassed our expectations. Secondly, the significant amount of liquidity in the investment market coupled with the scarcity of product has led to substantial reductions in capitalisation rates, leading to an increase in valuations.

With regards to our direct results, four years' worth of retail sales growth, with recovery extending to all assets, has enabled us to eliminate or significantly reduce the temporary discounts which were granted to tenants in order to maintain high occupancy rates during the years of economic crisis. This has enabled us to exceed the target net operating income (NOI) for the Funds, which is now close to pre-crisis levels, and some prime assets within the Funds are already delivering values higher than those recorded pre-crisis.

From an investment standpoint, the yield movement we have seen in Iberia has had a positive impact on our indirect results, with Open Market Value (OMV) up by 3.7% compared to 2016. On the downside, it has contained the Funds' range of potential acquisition targets by limiting opportunities for value creation. The tendency towards yield compression has in fact extended across all our target markets, impacting both super core and core assets. Nonetheless, investors recognise the distinction between these assets and price them accordingly, with a gap between their respective yields.

Open Market Value (OMV) of owned assets (€ million)



With regards to the sustainability performance of our Funds, all maintained their 'Green Star' status in the Global Real Estate Sustainability Benchmark (GRESB): The Sierra Fund was ranked 4<sup>th</sup> in the non-listed European retail sector and 8<sup>th</sup> in European retail overall; the Sierra Portugal Fund was placed 16<sup>th</sup> and 22<sup>nd</sup> in these respective categories, and Iberia Coop 14<sup>th</sup> and 20<sup>th</sup>. Among institutional investors there is a clear drive towards sustainability practices; some of our investment partners have stipulated GRESB participation as a requirement for their investments, whilst others are requesting more detailed reporting of sustainability performance at asset level, which we deliver as part of our asset level Safety, Health and Environment Management Systems.

## Our performance (continued)

### UNLOCKING VALUE THROUGH SIGNIFICANT EXPANSION AND REFURBISHMENT ACTIVITY

Through the course of the year we proceeded with a significant renovation programme to enhance the value of a number of our assets in Iberia.

In Portugal, we concluded the refurbishment of CascaiShopping which enabled us to improve the look and feel of the centre, and completed two small expansions at Centro Vasco da Gama and AlgarveShopping. The expansion of Centro Vasco da Gama in Lisbon allowed for the opening of the largest Zara store in Portugal, which is very well integrated with the existing mall. At AlgarveShopping, where expansion capacity was limited, we enabled all of the Inditex brands to enlarge their stores by increasing the footprint of the upper level.

Also in Portugal, we have important expansion activity underway at our flagship assets in Lisbon and Porto: Centro Colombo and NorteShopping.

At Centro Colombo, we will build a third office block and a new car park, and are presently negotiating with different stakeholders to prepare the expansion of the retail area. The new office building, whilst of lower height, will have double the footprint of Colombo's existing office blocks and more than 30,000m<sup>2</sup> of GLA. Our plans for the shopping centre include the creation of a new fourth floor to house the food court, enabling the release of around 15,000m<sup>2</sup> of additional GLA on the third floor. With the licences for each component in the final stages of approval, we are intent on starting construction works in the first half of 2018.

At NorteShopping we have been focusing on carrying out infrastructure improvements to secure the building permit; obtaining finance and agreeing contracts with main anchors so as to be in a position to go ahead with expansion works in early 2018. The €72 million project will involve adding approximately 15,000m<sup>2</sup> of GLA, making space for a new mall area within the centre's upper level. With its own unique identity, Galeria NorteShopping will house around 20 premium brand stores, including both new brands and the relocated units of luxury brands which are already present in different locations within NorteShopping.

In Spain, we initiated the repositioning of the entire upper level of GranCasa in Zaragoza. The refurbished area, which is scheduled for opening in the second quarter of 2018, is already close to fully let. Overall, the refurbishment will deliver a great improvement to the centre and allow us to inaugurate a distinctly new food court based on the concept that was successfully trialled at ParkLake (Romania) and CascaiShopping (Portugal).

### SUCCESSFUL IMPLEMENTATION OF THE ORES SOCIMI STRATEGY

In December 2016 we created a new real estate investment vehicle, the ORES Socimi, in partnership with Spanish bank Bankinter Group. Following an initial capital raising of €196.6 million, the ORES Socimi was listed on the Mercado Alternativo Bursátil (Alternative Stock Market) of Spain in February 2017. The purpose of the Socimi (the Spanish equivalent of a REIT) is to generate value for its clients through the long term management of retail assets in Spain and Portugal. It plans to invest €400 million in 2017 and 2018 combined, of which €200 million will be funded through equity and the remaining 50% through debt. Sonae Sierra holds 3.75% of the underlying shares and provides asset and property management for the Socimi.

By the beginning of 2018, Sonae Sierra had completed 22 acquisitions with a combined total value of €266.4 million on behalf of the ORES Socimi (16 of which had been finalised in 2017). In keeping with the strategy agreed, we have targeted acquisitions in strong locations (predominantly urban areas), focusing on five asset types (high street retail; supermarkets and hypermarkets; retail parks; stand-alone units and bank branches) with a diversity of well-regarded operators.

Bolstered by the success of the ORES Socimi, over the next two years we will seek to develop other investment vehicles which will allow for Sonae Sierra to hold a minor stake and deliver asset management services in partnership with a dominant investor. Whilst these vehicles are likely to be retail-based, we are open to encompassing other assets types.

We are aware that a number of investors that are looking for new opportunities to invest in real estate are keen to partner with entities which have proven expertise in the ownership and management of different asset classes, and we are already enhancing competencies to match these requirements. We benefit from a broad geographical presence; a history of strong and successful partnership with tenants, investors, financiers and local governments; and a proven track record of developing and managing high quality commercial real estate spanning almost three decades, all of which positions us very well to co-invest and manage other asset classes within the sector. We have the ability to leverage the expertise of our personnel, invest in dedicated training and adjust our platforms to accommodate new investment targets. What is more, our integrated approach to sustainability, which is holding high on many investors' agendas, adds a distinctive competitive advantage and helps us to have a long term positive impact on our industry.

Whilst our track record is strongest in Iberia, we do have ambitions centred on enlarging our presence in Italy and Eastern Europe, taking advantage of our current footprint in Romania and exploring opportunities for the investment management business to be active in these markets either through funds or special investment vehicles.

## Our performance (continued)

### CASE STUDY:

# ORES Socimi: a promising partnership for real estate investment

Having identified an opportunity to create an investment vehicle to serve private banking clients, Bankinter Group and Sonae Sierra launched the ORES Socimi with an objective to acquire and manage retail real estate assets with long term growth potential in Spain and Portugal. Within a month of its launch, the ORES Socimi raised 50% of its funding requirements through equity and was able to pursue investments without relying upon external financing.

Sonae Sierra exploited the networks and market intelligence of both partners to identify over 270 potential target assets. We selected the investments which aligned best with the ORES Socimi's strategy, and having taken the decision to not initially leverage the acquisitions, the ORES Socimi was able to complete acquisitions with flexibility and speed. Indeed, within 12 months of the Socimi's initial capital increase, we were able to complete 22 acquisitions with a combined total value of €266.4 million.

The investments made comply with the criteria of risk diversification and meet the profitability objectives committed to in the vehicle's business plan. All assets currently maintain occupancy rates of 100% and rental contracts with a weighted average unexpired lease term (WAULT) in excess of 34 years. These advantages, combined with the positive macroeconomic outlook for the region, give us confidence that the portfolio will offer stable and attractive returns to clients.

The successful construction of the ORES Socimi's portfolio not only provides testament to the partners' proven retail investment and asset management expertise, but also demonstrates that significant opportunities can be unlocked through our partnership approach.

Launch date – February 2017

Number of assets in Portugal – 13

Number of assets in Spain – 9



## Our performance (continued)

### STRONG PUSH ON CAPITAL RECYCLING AND ACQUISITIONS IN 2018

We concluded 2017 with a positive outlook on the European real estate investment market. Through the year we saw yields contract to historically low levels, and valuations were up to or even above pre-crisis records. We anticipate that capitalization rates are likely to stay flat in Spain (where they have already decreased significantly), but consider that there is still potential for compression in Portugal, Italy and Romania. In this context, we are set to push ahead with our capital recycling strategy. In fact, we completed the sales of four assets (AlbufeiraShopping, C.C. Continente de Portimão, MaiaShopping and GuimarãesShopping) by the end of 2017, and one asset in early 2018 (Serra Shopping), and we will continue to take advantage of the favourable market conditions to prune our Fund portfolios, anticipating sales at very good prices.

Concurrently, we will proceed to exploit acquisition opportunities that have the potential to unlock value through redevelopment; expansion and/or active management strategies, preferably in partnership with well-known and reputable investors. In this endeavour our attention will be focused on Portugal, Spain and Italy. In Italy, where capitalization rates are higher than in Spain, we hope to take advantage of lower prices to access the relatively small pool of stock available in this market. In Spain and Portugal, we will pursue acquisitions on behalf of the ORES Socimi, which intends to deploy a significant amount of capital in the short term. In all cases, we will be very selective in identifying acquisition targets that are priced in such a way as to allow for value creation as well as a good level of return.

“In Europe we delivered robust growth in tenant sales and rents. We rolled out new retail concepts across the assets we manage and enlarged our portfolio with a number of new service contracts.”



João Correia de Sampaio  
Director, Property Management

### TENANT SALES AND RENTS EXCEED EXPECTATIONS

2017 was a very positive year for Sonae Sierra's Property Management business. The performance of our total portfolio under management, which includes retail properties managed on behalf of third parties, both in Europe and new markets, was broadly aligned, with tenant sales up by 8.1% compared to 2016, a 2.6% increase on a like-for-like basis. Rental income across our owned portfolio grew by 7.7%, a 2.6% increase on a like-for-like basis. Occupancy rates stood at 97.1% for the European portfolio as of 31 December 2017.

#### Rents received at owned shopping centres

|                           | Total rents  |              | % 17/16     |               |
|---------------------------|--------------|--------------|-------------|---------------|
|                           | 2017         | 2016         | Total       | Like-for-like |
| Portugal                  | 201.0        | 188.7        | 6.5%        | 4.6%          |
| Spain                     | 51.7         | 45.2         | 14.3%       | 1.3%          |
| Italy                     | 23.6         | 24.8         | -4.7%       | -4.7%         |
| Germany                   | 43.4         | 43.5         | -0.3%       | -0.3%         |
| Greece & Romania          | 13.0         | 6.7          | 95.1%       | -1.8%         |
| Europe                    | 332.7        | 308.9        | 7.7%        | 2.6%          |
| Brazil (€)                | 84.7         | 76.7         | 10.4%       | 10.9%         |
| Brazil (R\$)              | 304.5        | 294.0        | 3.6%        | 4.0%          |
| <b>Total Sonae Sierra</b> | <b>417.4</b> | <b>385.6</b> | <b>8.2%</b> | <b>4.2%</b>   |

Figures in € million

#### Sales and visits at managed shopping centres

|                           | Sales          |                | % 17/16     |               | Visits       |              | % 17/16     |               |
|---------------------------|----------------|----------------|-------------|---------------|--------------|--------------|-------------|---------------|
|                           | 2017           | 2016           | Total       | Like-for-like | 2017         | 2016         | Total       | Like-for-like |
| Portugal                  | 2,389.5        | 2,222.7        | 7.5%        | 5.1%          | 187.2        | 184.2        | 1.6%        | 1.6%          |
| Spain                     | 584.3          | 511.7          | 14.2%       | 2.3%          | 55.3         | 50.5         | 9.4%        | 0.0%          |
| Italy                     | 309.6          | 315.3          | -1.8%       | -7.4%         | 25.6         | 25.3         | 1.1%        | -6.0%         |
| Germany                   | 717.0          | 728.7          | -1.6%       | -1.6%         | 51.8         | 53.7         | -3.5%       | -3.5%         |
| Greece & Romania          | 131.5          | 48.2           | 172.9%      | 9.1%          | 14.1         | 6.9          | 103.0%      | -0.3%         |
| Europe                    | 4,132.0        | 3,826.5        | 8.0%        | 2.6%          | 333.9        | 320.7        | 4.1%        | 0.0%          |
| New Markets               | 8.8            | 4.2            | 109.6%      | -             | 7.8          | 12.4         | -37.4%      | 3.0%          |
| Brazil (€)                | 1,476.0        | 1,301.3        | 13.4%       | 13.4%         | -            | -            | -           | -             |
| Brazil (R\$)              | 5,302.9        | 4,984.8        | 6.4%        | 6.4%          | 96.4         | 97.1         | -0.7%       | 2.3%          |
| <b>Total Sonae Sierra</b> | <b>5,616.8</b> | <b>5,132.0</b> | <b>9.4%</b> | <b>4.8%</b>   | <b>438.1</b> | <b>430.2</b> | <b>1.8%</b> | <b>0.5%</b>   |

Sales in € million

Visits in million

## Our performance (continued)

These results were mostly driven by the favourable market conditions in Iberia. Indeed, like-for-like sales increased by 5.1% and rents by 4.6% in Portugal, where 23 (59% by value) of the assets in our European investment portfolio are located.

In Spain, sales grew by 2.3% and rents by 1.3% (like-for-like). Sustained economic recovery, with GDP growth in both countries, has led to an increase in private consumption and consumer confidence. What is more, tenant sales across the assets we manage outperformed the national retail index, highlighting not only the quality of the portfolio but also the achievements of our management approach.

Absolute tenant sales and rents grew in Romania, with ParkLake, our flagship asset in Bucharest which was inaugurated in 2016, improving its operational performance on a month-by-month basis. New stores are continuing to open at ParkLake, and we are working with tenants to fine-tune the service offer and marketing approach. Having already generated a very positive impact among visitors, we have high expectations for this centre's performance as it continues to mature.

In Germany and Italy, where we manage a total of 13 assets, performance was not as strong as in Iberia but it was nonetheless in line with our expectations. This was due to several factors. In Germany, we are carrying out refurbishment works at the two shopping centres which we manage in Hamburg, and these are having a temporary impact on traffic and sales. Likewise, a major renewal process at Alexa in Berlin has meant that some shops have been provisionally closed, with some bearing on the overall performance of the centre which is otherwise delivering solid results. In Italy, the opening of a new IKEA shopping centre in Brescia had an impact on the performance of our shopping centre Freccia Rossa, and like-for-like tenant sales were subsequently lower than 2016.

## NEW GLA UNDER MANAGEMENT IN SPAIN, ITALY AND NORTH AFRICA

We added new GLA to our portfolio under management, winning new property management services across Spain, Italy and North Africa.

The most significant of these was Área Sur, a shopping centre of 47,000m<sup>2</sup> in Southern Spain which was acquired by AXA Investment Managers – Real Assets and Sonae Sierra in June 2017, and where we are deploying our effort and skills to improve the operational performance of the asset.

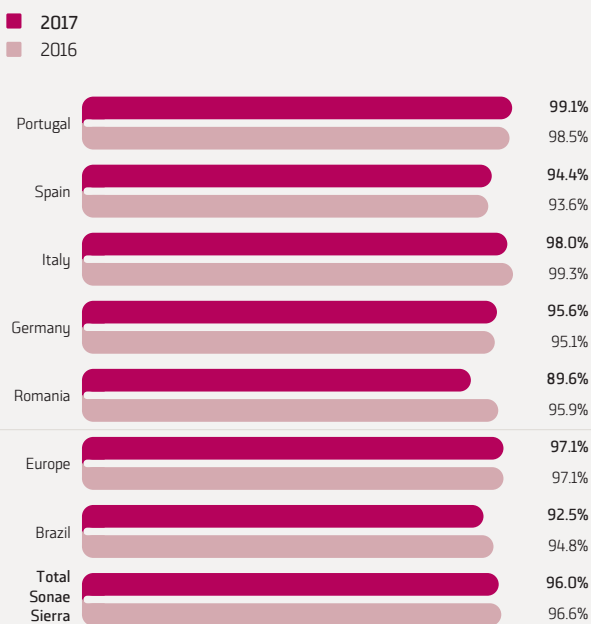
As part of our important contract with Generali Real Estate in Italy, we also took on the management of the CityLife Shopping District in Milan when it opened in November, having completed the leasing for this 32,000m<sup>2</sup> asset. Offering a dynamic ambience and an original and diverse tenant mix, the CityLife Shopping District has generated a significant impact and is already performing very well, with 100,000 visitors welcomed on the first Saturday after its opening.

Besides winning a number of smaller scale leasing and management service agreements, we renewed a contract in Marrakesh for the management of one of the most dominant shopping centres in the city.

### Portfolio under management



### Occupancy rate at owned shopping centres (% by GLA)



The quality of our staff and professional approach; the breadth of our experience and our relentless focus on value creation continue to support our differentiation in the property management sector. Notwithstanding, greater consolidation is making our industry more and more competitive, and we are focusing our efforts on accelerating the growth of our business and increasing our relevance in the markets where we are present.

Specifically, this includes developing and hiring in competencies to increase the scope of our offer and reviewing our management processes in view of increasing efficiencies. As a greater number of real estate owners look to outsource the full scope of property services to one single provider, we ultimately want to ensure that we are in a position to fulfil the breadth of their needs with expertise that spans a wide range of disciplines, geographies and asset types.

## Our performance (continued)

The development of our new training platform, the Sierra Academy, is very important in this regard. By enabling existing employees and new hires to learn about all aspects of our shopping centre management approach, it is supporting us in new markets where the skills and experience that we rely upon are not readily available. What is more, the Academy aims to set a reference standard for know-how and skills in the shopping centre sector, whilst nurturing Sonae Sierra's values and increasing internal networking and knowledge sharing.

As we move into 2018, we have some new property management agreements on the horizon, and we are very diligently exploring potential merger and acquisition opportunities which might allow us to enter new geographies, complement our existing competencies and increase the volume of the business.

### INNOVATIVE RETAIL CONCEPTS AND FRESH TENANT MIXES ENHANCE VISITOR EXPERIENCE

As the retail trends we have already identified continue to play out, we are taking every available opportunity to refresh tenant mixes and introduce new brands, concepts and segments such as wellness, nutrition and artisan stores. Recent studies have suggested that millennials prefer shopping centres to on-line shopping because they favour multisensory experiences and social events, and this tendency is fuelling the rise in pop-up stores; entertainment offers and experiential dining which we are capitalising on across the centres we manage. For example, we continue to promote 'Shop Spots' and 'Flash Stores' as part of our Mall Activation (speciality leasing) programme, which maximises income generation opportunities within the mall and other areas outside of shop units whilst increasing the diversity of the tenant mix. And we have scaled up our leisure and cultural programmes, hosting top artists and providing venues for music festivals.

We are maintaining the momentum of our Innovation Office's Back2Future programme and adapting our leasing, management and marketing strategies to align to evolving consumer needs. We are currently preparing to launch two new Back2Future concepts: Mall Premium, which encompasses a themed area offering luxury experiences and brands, and Food Market, which mixes dining with take-away food and non-food products in a gastronomic setting. These will be introduced into the Portuguese market as part of the NorteShopping refurbishment along with a range of other Back2Future pilot projects such as concierge services and retail lab, which offers retail space with a unique ambience.

At the same time, our Market Intelligence Department has been developing new tools on the retail intelligence front, trialling a new model for customer segmentation analysis and a new product market assessment process in five shopping centres undergoing refurbishment and expansion. These tools enable us, among other things, to gather new and deeper insights about the changing dynamics of consumers' motivations and expectations.

In line with our commitment to sustainability, we also continue to differentiate our shopping centres by fostering social enterprise and supporting entrepreneurs. In 2016 we launched a new initiative, 'Rising Store', as a crowd-sourcing retail contest for start-ups in Portugal. It has been well-received, and some of the contestants from the first edition of Rising Store have already developed prospering businesses as tenants in our centres. We consequently launched the second edition of the contest in Portugal in 2017, and introduced the contest in Spain and at Alexa in Germany.

### A COMPREHENSIVE DIGITAL PROGRAMME TO SUPPORT TENANT SALES

With an ever larger share of purchases being made through digital, hand-held devices, we are continuing to evolve and implement "Go Digital", our medium term plan for digital development in shopping centres which we launched five years ago.

As a part of this project, we have been focusing on improving digital interactions with shopping centre visitors and generating innovative solutions that enable us to communicate more effectively with customers and convert digital traffic into tenant sales. Initiatives include Promotion (formerly PromoFans®, a fully-integrated digital sales platform that is already well established in Portugal and Spain), News (previously our 'What's On' broadcasting guide) and Fashion (developed from our Fashion4Me digital stylist).

During 2017 our digitally-equipped information desks have also proven successful as we enhanced our digital platforms further by strengthening the relevance and entertainment value of our content in relation to promotions, fashion, events and shopping centre features. The purpose of this is to generate added value to visitors that extends beyond their physical visit and strengthens their relationship with the shopping centre brand. In parallel to this, we are continuing to develop our Content Management System, based on open-source technologies but highly customised to our needs, and our Consumer Knowledge Model, our award-winning big data system which aggregates our consumer information and allows us to deliver an ever-more personalized experience for our visitors.

## Our performance (continued)

### CASE STUDY:

## Mall Activation: unlocking brand potential

As new, digitally-enabled consumption patterns evolve, shopping centres are facing increased pressure to attract and retain customers; offer a diverse tenant mix and provide compelling experiences in well-equipped, vibrant venues. In this context, Sonae Sierra has refined its speciality leasing offer through Mall Activation, a suite of services designed to generate income for operators and asset owners through a range of innovative retail concepts which are deployed in the mall or other areas outside of the shop units themselves.

Key concepts include 'Shop Spot', 'Street Markets' and 'Expo Mall', all of which involve retail and brand promotion through the letting of spaces in the mall area. Media partnerships to exploit segmented advertising opportunities in selective locations through modern, digital displays have also enabled us to add to shopping centres' service components with zero capex and opex, plus a fixed and variable income. Flash Stores, a new retail model for temporary store rental, encompasses four unique retail platforms to meet diverse operator needs and enhance the tenant mix.

With Mall Activation, Sonae Sierra has proved that we can generate added value for shopping centre owners equivalent to more than 5% of rental revenue whilst unlocking the potential of brands and new business ideas to the benefit of retailers and entrepreneurs. In 2017 the Mall Activation area registered a positive performance, reaching a growth of more than 6% compared to 2016. About 20% of the revenue comes from the entry of new brands and concepts summing an amount of €3 million in new businesses each year. Just in Iberia, Mall Activation had more than 2,787 active deals and 50 Flash Stores were in operation, from which 34% became tenants with long term contracts.

Ultimately, these formats are building bridges with retailers at different stages in their development and attracting new, loyal customers to shopping centres. Feedback from retailers, business partners and visitors, as well as distinction through the ICSC Solal Marketing Awards, show that Mall Activation is strongly supporting brand activation; creating a constant sense of novelty for visitors and reinforcing the positive role that shopping centres can play at the heart of the communities they serve.





## Our performance (continued)

### ECO-EFFICIENCY INITIATIVES DELIVER VALUE FOR SHOPPING CENTRE OWNERS

Sustainability is integral to our property management approach. All of our teams take responsibility in delivering sustainability targets and we assess the performance of every asset we manage against safety, health and environment key performance indicators. On the whole, our co-investors and clients are very supportive of these endeavours, especially as we can demonstrate value created through reduced operating costs and reputational benefits. In the markets which we have entered more recently and where the external drivers for sustainable property management are not as strong, we are actively engaging our clients to make them more aware of sustainability issues and seeking to demonstrate the business case for a more responsible approach.

In 2017 we fully achieved 74% and partially achieved 11% of our applicable sustainability targets and actions across our own portfolio (Europe and Brazil). We also sustained improvements across our key environmental indicators, increasing electricity efficiency by 2.4% and water efficiency by 2.6%, and achieving an average waste recycling rate of 64%. In total, we avoided €24.5 million in costs as a result of eco-efficiency measures implemented over the last 15 years, and we benefitted from positive media coverage at an estimate advertising equivalent value of €2.1 million on the basis of our sustainability achievements.

Our Bright and Dive programmes continue to enable us to reduce costs and generate added value for co-investors, clients and tenants by allowing us to skillfully identify and implement energy and water efficiency measures.

Since 2013, Project Bright has enabled us to identify 249 energy optimisation measures across 28 shopping centres by applying our energy optimisation modelling software. With a total investment cost of €1.8 million, 185 of these measures enabled us to reduce energy consumption by 10% and save €2.3 million in costs in 2017. What is more, going forwards they will enable us to avoid up to an additional €1.3 million in costs on an annual basis, whilst delivering a reduction in greenhouse gas emissions equivalent to 44% of our shopping centres' 2017 carbon footprint (based on grid average emissions factors). The benefits of our Bright programme received international recognition in 2017 by being the only project from a retail real estate company to be short-listed for the EU Sustainable Energy Awards, an initiative promoted by the European Commission's Sustainable Energy Week.

**GHG emissions of our owned portfolio and corporate offices – GHG Protocol scopes 1 and 2, plus business air travel**  
(tCO<sub>2</sub>e/m<sup>2</sup> GLA)



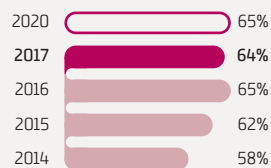
**Electricity efficiency (excluding tenants) of our owned portfolio**  
(kWh/m<sup>2</sup> mall and toilet area)



**Water efficiency (excluding tenants) of our owned portfolio**  
(litres/visit)



**Total waste recycled as a proportion of waste produced**  
(% by weight, across our owned portfolio)



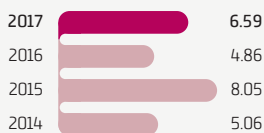
**Proportion of waste that is sent to landfill**  
(% by weight, across our owned portfolio)



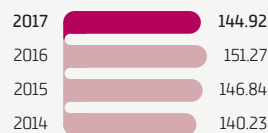
## Our performance (continued)

With regards to safety and health, although we did reduce the number of non-conformities per hour of Safety, Health and Environment Preventive Observation (SPO), suggesting that safety awareness among shopping centre staff has risen, unfortunately we did not meet our target to reduce the number of serious accidents among shopping centre suppliers. We will continue to engage with our suppliers, in particular our cleaning contractors, to promote the adoption of safer behaviour practices (such as the use of non-slippery shoes). More positively, we did reduce the number of level 3, 4 and 5 category accidents among shopping centre visitors, recording 39 less incidents than in 2016, although this was still not quite in line with our target value. Slips, trips and falls are still the most common type of incident, and we will continue to reinforce physical and awareness-raising measures to reduce their occurrence.

### Accidents rate (LWCAFR) among suppliers, of our owned portfolio<sup>5</sup>



### Accidents Severity Rate (ASR) among suppliers, of our owned portfolio<sup>6</sup>



### Level 3, 4 and 5 accidents rate, of our owned portfolio<sup>7</sup>



## SALES AND RENTS UP IN BRAZIL AS RECOVERY SETS IN

In Brazil, the speed at which economic recovery set in through the course of the year enabled us to deliver operational results above expectations. As inflation decreased from a high of 6.3% to 2.8% by the end 2017, so interest rates declined, unemployment started to fall and household consumption increased. With retail sales across the country up by 3.2% compared to the previous year, Sonae Sierra Brasil recorded a 6.4% increase in like-for-like tenant sales and rental growth of 4.0% (all in Reais). Whilst occupancy levels across our portfolio are slightly lagging behind our 2016 performance at an average 92.5%, is still in line with our expectations in light of the heavy recession endured.

**“Sonae Sierra Brasil increased its net profit by 16% (in Euros) and outperformed the sector in terms of sales and rental growth.”**



**José Baeta Tomás**  
Director, Chief Executive Officer,  
Sonae Sierra Brasil

The characteristics of our portfolio in terms of target consumer group, geographical diversity and age have meant that whilst some of our shopping centres have fared better than others over the past three years, on the whole they are now all very well positioned to take advantage of restored consumer confidence and purchasing power. The B/C consumer class, towards which our centres are orientated, was significantly affected by the economic crisis. The fact that they are now rapidly recovering their spending power has meant that our shopping centres' sales are now growing at a higher level than those with a consumer base in the A/B class, whose income has remained relatively consistent.

Whilst the majority of Sonae Sierra Brasil's shopping centres (by number) benefit from prime locations where the local economy has been more resilient, the significant size of our three newest regional shopping centres, which represent 40% of our portfolio GLA, has had a downward bearing on our average occupancy rates. Uberlândia Shopping, Passeio das Águas Shopping and Boulevard Londrina Shopping were inaugurated not long before the economic crisis took hold and have therefore been taking longer to mature in adverse market conditions. However, they are now growing at a faster rate and we are confident that they will contribute much more significantly to our portfolio performance in the near future.

All in all, Sonae Sierra Brasil ended the year with a net profit of €20.7 million (BR\$74.4 million), up 16% compared to 2016, and an EBIT of €21.3 million (BR\$76.5 million), a 14% year-on-year increase (in Euros). The proven resilience of our portfolio and impressive growth in operational results have contributed to a substantive increase in Sonae Sierra Brasil's share price, which has grown by 50% throughout 2017.

<sup>5</sup> The LWCAFR is the number of accidents resulting in one or more lost workdays per million worked hours by our service suppliers.

<sup>6</sup> The ASR is the number of lost workdays of accidents per million worked hours by our service suppliers.

<sup>7</sup> Number of accidents of level 3, 4 and 5 among tenants, service suppliers and visitors per million visits. Level 3, 4 and 5 accidents are defined as those resulting in medical assistance, lost workdays/life disruption and fatality/permanent disability, respectively.

## Our performance (continued)

### CASE STUDY:

## Manauara Shopping: supporting tenants, boosting performance

Against a backdrop of recession in Brazil, and in spite of its particularly acute impact on the industrial city of Manaus, Sonae Sierra's Manauara Shopping outperformed all expectations by increasing footfall, growing sales and segmenting its position as the dominant retail centre in its catchment area.

This was achieved thanks to the effective strategies employed by the centre's management team, which adapted its leasing approach; deployed marketing campaigns and cost reduction strategies; and identified new revenue generation opportunities.

Above all, Sonae Sierra sought to beat the recession by providing strong support to tenants. Manauara Shopping offered more favourable rental terms as a means to sustain high occupancy and a dynamic tenant mix, and launched diverse and eye-catching marketing events, such as the Food Festival and Anatomy Exhibition, the former attracting 25,000 people in just three days. Significant efforts were also made to reinforce the appeal of the tenant mix, ensuring that Manauara Shopping could boast the most varied and high quality range of retail units available in the city.

These factors combined enabled the centre to actually increase its footfall, and changes to the tenant mix generated a R\$2.2 million (over € 612,000) increase on Manauara Shopping's P&L. Year-on-year sales grew by 8.9% in 2017 (8.1% on a like-for-like basis), and as economic conditions started to improve, Manauara Shopping was able to revert to usual rental terms, boosting its performance in 2017. What is more, the management team was able to strengthen its relationships with tenants and cement the reputation of the shopping centre with consumers, retailers and suppliers.

**"In 2017 our business and the shopping centre as a whole achieved great levels of growth, proving that Manauara Shopping has positioned itself as a beacon for excellent entertainment, gastronomy and shopping, with a very good mix"**

Antônio Kizem, owner of Foto Nascimento and Fun Festas

GLA - 47,297 m<sup>2</sup>

Open Date - April 2009

Shops - 234

Parking Spaces - 2,750

Owners - Sonae Sierra Brasil

Developers - Sonae Sierra Brasil

[manuarashopping.com.br](http://manuarashopping.com.br)



## Our performance (continued)

### COST CONTROL GIVES SONAE SIERRA BRASIL A COMPETITIVE EDGE

Sonae Sierra Brasil not only boasts a portfolio of shopping centres which has outperformed the national retail sales index, but is also positioned as one of the leaders in the shopping centre sector for sales and rental growth and margins. There are three main factors driving this positive outcome.

Firstly, the three regional shopping centres which represent nearly 50% of the portfolio's GLA are presenting double-digit growth as they continue to mature. Secondly, some centres, including Manauara Shopping, are performing particularly well due the efforts they have made to attract and retain consumers with a unique ambience, diverse tenant mix and exciting entertainment offer whilst at the same time reducing tenants' occupancy costs. Thirdly, at a corporate level, Sonae Sierra Brasil has undertaken efforts to explore all possible cost reduction opportunities, resulting in the reorganisation and centralisation of some corporate functions and a reduction in the head count in some areas of the business. In particular, by bringing together functions which were previously decentralised at the shopping centre level, such as purchasing, we have been able to make economies of scale and increased our bargaining power in the procurement of key services.

Over the past years the Company has also made sustained efforts to galvanise impetus for eco-efficiency behavioural practices and has steadily proceeded with the upgrade of energy and water consuming equipment. In 2017 we saw our efforts repaid. Thanks to the increased consciousness of our staff and the widespread use of more efficient kit, we were able to reduce our portfolio's energy and water consumption and increase our recycling rate, with Parque D. Pedro and Passeio das Águas Shopping achieving particularly significant improvements in energy efficiency and waste management respectively.

### ENTICING BRAZILIAN CONSUMERS WITH NEW LEISURE CONCEPTS AND SALES CAMPAIGNS

We have continued to make use of consumer behaviour analysis to exploit opportunities to introduce new concepts in our shopping centres, with very positive results. At the same time, we have maintained a strong focus on promoting value for money, running a number of successful sales campaigns through the course of the year.

At Parque D. Pedro Shopping, we opened Brazil's second restaurant of very popular celebrity chef Jamie Oliver, allowing us to benefit from a significant amount of media attention and a very favourable consumer response. This was complemented by the introductions of other exclusive restaurants within our São Paulo shopping centres, which have had a markedly positive impact on footfall.

Following the success of the "Revolutionary Tuesday" January sales campaign in 2016, in September we developed "Dom Desconto", a sales campaign aligned to the annual celebration of the Brazil's Independence Day with the strapline "Independence from High Prices". We registered a 10.6% increase in sales compared to the same time period in 2016, a testament to the impact of the campaign. At the end of the year, we piloted a new approach, yet to be seen in Brazilian shopping centres, by keeping Parque D. Pedro Shopping open for 38 hours over a period of two days to drive up Christmas sales. 286,000 people passed through the mall during this period, and sales were up by 18% compared to 2016.

We maintained our focus on digital innovation, engaging with students through the Summer Job programme promoted by the Centro de Estudos e Sistemas Avançados do Recife (C.E.S.A.R.) to support our response to the challenge of developing a tool to analyse the tastes and motivations of consumers present at any given time within our centres. This has resulted in the design of a tool that can be used in conjunction with our digital sales platforms to develop more targeted advertising. Also on the digital front, we have extended the scope of our personalised digital customer service, #CompraJunto, which enables consumers to locate their desired purchases virtually, speeding up purchasing time and promoting greater enjoyment of the shopping centre's leisure and entertainment offer.

## Our performance (continued)

### MAXIMISING VALUE CREATION ON RETAIL AND LAND ASSETS ACROSS SONAE SIERRA BRASIL

Whilst we would normally expect to see yields decrease as economic conditions improve, this has not yet happened in Brazil due to the compromised financial position of the public sector and persistence of political tensions. Yields have not changed across any segment of the commercial property market, and consequently our asset values have remained stable.

In this context, we have put acquisition and disposal activity on hold, whilst pursuing our approach to maximise value creation from our existing portfolio by focusing on our land-based assets and the selective refurbishment of our shopping centres.

At Parque D. Pedro Shopping we have created a master plan for a 449,000m<sup>2</sup> development and are negotiating with third parties including hotel developers in order to conclude its preparation. At Passeio das Águas Shopping we have likewise designed a master plan for the development of land adjacent to our retail asset as a new neighbourhood and are seeking to agree the sale of the site to a local developer. In both locations, Sonae Sierra Brasil has created the plans as a basis to support a sale to a third party who will take on the development independently.

At Uberlândia Shopping we have already succeeded in selling part of our land holdings to a company which will develop a mixed-use project including a residential and office component. At Franca Shopping we are taking a similar approach with the intention of either entering a joint venture with a developer or selling the land surrounding the asset. In the meantime, our expansion plans for Franca Shopping remain on hold until there is sufficient tenant demand to give them a green light.

Elsewhere, in September we started the phased works of a full-scale refurbishment of Shopping Plaza Sul which we expect to complete in summer 2018. This project will enable us to create around 5,000m<sup>2</sup> of additional GLA whilst improving the quality of the tenant mix by introducing a new anchor, among other stores, and revitalising the look and feel of the asset.

Over the next year we will continue to explore opportunities to extract value from our existing assets, and we are actively assessing several projects which could lead to acquisitions as and when we can be assured of longer term market stability. We anticipate that GDP growth will continue in Brazil in 2018 and that inflation will remain low. If the political situation stabilises, the Company will be in a good position to increase its GLA, with a particular focus on assets with strong value-add potential and locations where it is not currently present. Whilst the Brazilian market remains relatively fragmented and there is a significant amount of retail space that is still unoccupied, we will concentrate our efforts on Mergers & Acquisitions activity, but remain attentive to possible development opportunities that could be pursued as and when the right conditions are present.

“I am very satisfied with the performance of the Development Services business, both in terms of the number of new contracts signed and the level of income secured.”



José Falcão Mena  
Director, Development Services

### BEATING OUR BUDGET WITH MORE THAN 155 NEW DEVELOPMENT SERVICES CONTRACTS SIGNED

In 2017 our Development Services business secured a total of 157 new contracts signed with a combined value of €10.5 million. This marks a 13% increase in comparison with 2016, and exceeds our forecast budget. We continued to pursue our strategy of increasing the number of clients and contracts in our North African markets, whilst reinforcing our development services business in Europe.

In North Africa, notable highlights included a new contract to design a shopping centre under construction in Rabat, Morocco, and fulfilling our comprehensive mandates for two major development projects in Alger and Tizi Ouzou whilst securing a third project of this kind in Oran, all in Algeria. At the end of the year we began work on the second phase of the Zenata Shopping Centre project in Casablanca, where we have responsibility for development management and the entire architectural project. The Zenata Shopping Centre project also includes a sustainability contract focused on identifying some BREEAM requirements which can be incorporated into the shopping centre design in order to improve its quality.

In Europe, we were particularly pleased to secure our first win in the Baltic region with a contract to provide design services in Estonia. In Portugal, our most significant current project is the new Centro Colombo office tower and shopping centre expansion, where we are taking responsibility for architectural design and project management.

Whilst the market for development services is becoming more competitive, particularly in Western Europe, our integrated approach to retail real estate services, along with our proven passion for innovation and our track record of developing our own successful retail destinations continue to play to our advantage. Having been recognized primarily as a developer/investor in the past, we are now acclaimed by the market as an experienced service provider as well.

## Our performance (continued)

### CASE STUDY:

# CityLife Shopping District: Contributing our retail design expertise to an iconic Italian project

At the end of November, the CityLife Shopping District opened in Milan. An exciting new destination within the CityLife regeneration scheme in the heart of the city, it offers 100 units for shopping, dining, entertainment and wellness, mixing new brands with well-known names. On its first Saturday after opening, the shopping centre welcomed over 100,000 visitors, providing testament to its quality and commercial appeal.

As well as taking responsibility for leasing and property management, Sonae Sierra provided development services for the project on behalf of investor Generali Real Estate. Working with a multidisciplinary team that counted on the presence of Zaha Hadid Architects, One Works and Mauro Galantino, Sonae Sierra was able to bring its creativity to CityLife Shopping District with a remit that encompassed the design of the food hall and food court areas, tenant projects, WCs and environmental graphics.

We approached this challenge with a deep exploration of the local culture and heritage of Milan. As pertains to our retail design approach, we wanted visitors to be able to see the city's heritage reflected in every detail of the design forms we created. Hence we reflected the city's propensity for glamour and revived historical urban planning concepts – its pathways, nodes and traditional piazzas. As such, CityLife Shopping District combines cutting-edge architectural features, latest technologies and contemporary art with traditional cultural ideas in an elegant form.

All in all, we were delighted to play a role in this inspirational project, working as part of such a skilled and diverse team. What is more, we are confident that our input into the design of the retail component reinforces the impeccable architectural quality achieved by CityLife, contributing to higher footfall, tenant sales and ultimately greater value for the Shopping District's owners.

Owners – *Generali Real Estate*

Developers – *CityLife and Sonae Sierra*

GLA – *32,000 m<sup>2</sup>*

Inauguration – *2017*

Shops – *100*



## Our performance (continued)

### INCREASING OUR COMPETENCIES IN SPECIALIST SKILLS AND GEOGRAPHIES

With a wider range of projects under our belt, we are now fully prepared to fulfil two distinct roles as a service provider. One involves delivering specific elements of a project (such as we did for the CityLife Shopping District) and the other entails taking on entire responsibility for a project, from pre-development and development management to architectural design and engineering, with integrated sustainability services (as we are doing at Zenata Shopping Centre in Morocco). Convinced of the benefits of the latter approach, which allows for smoother coordination and greater overall quality, we are focused on selling to clients our full suite of services and communicating the value we offer as sole development services supplier.

Whilst we continue to work with local partners to support us with licensing and legal aspects, we are also increasing our local presence in terms of headcount in those countries where we have a significant number of contracts. In Morocco, for example, we have a local team which has been trained by Sonae Sierra.

The fact that we are able to provide the full suite of retail real estate services is most important to us as it means we can integrate this wider experience in all different fields when we are designing a project. It also offers us the opportunity to sell in complementary services. Within our company, we have the capacity to deliver around 80% of architectural services internally, and we are working to increase our engineering skills so that we can reduce our reliance on sub-contractors. This will in turn enable us to provide a more seamless client journey.

### EXPLORING NEW MARKETS WITH A BET ON FUTURE GROWTH

In 2018 and beyond we will continue to consolidate our presence as a development services provider in Europe and North Africa, whilst also exploring opportunities to enter new markets in sub-Saharan Africa. We will maintain a good balance in terms of revenues between Europe and Africa, increasing our number of clients on both continents. At the same time, we will seek to secure development contracts on projects that Sonae Sierra has acquired an interest in (which could also include Latin America).

We continue to be vigilant of macroeconomic and political risks in the markets where we are present or seeking to establish ourselves as a service provider, even though we do not need to exercise the same level of caution as we would if we were investing our own capital. All the same, we are confident about the prospects offered by our target markets.

In Europe, we will align ourselves with the opportunities presented by the market by leveraging our experience in delivering refurbishments and expansions, as well as targeting mixed-use projects.

In Africa, we will target services to investors in greenfield shopping centre projects. Unlike our approach in North Africa, where we sell our services on a client by client basis, we will seek to position ourselves as an investment fund partner as a basis for obtaining contracts in sub-Saharan markets.

# Future outlook

At Sonae Sierra, we pride ourselves on our ability to anticipate trends and pioneer new concepts in our industry. We keep a close watch on evolving trends across all our business areas and geographies where we operate, and adjust our response accordingly.

At a corporate level, we are anticipating six global trends which have significant implications for all our businesses. These are presented below.



## EMERGING MARKETS DOMINATE IN GLOBAL ECONOMIC GROWTH

It has been suggested that by as early as 2030, emerging markets will dominate the rankings of the world's largest economies. Moreover, research on the global economic order in 2050<sup>8</sup> suggests that on average emerging markets (E7) could grow at as much as double the rate of advanced economies (G7). Technology-driven productivity improvements are predicted to fuel much of this economic growth on a scale that surpasses population growth and allows the overall global economy to double in size. Advanced economies will continue to benefit from higher per capita incomes, but the gap between average incomes in emerging markets will shrink.

Sonae Sierra aims to exploit these macroeconomic trends by expanding our business into emerging markets and, in line with our strategy, we have already succeeded in rebalancing the weight of our portfolio towards developments and emerging markets. With a successful business operating in Brazil; an established presence as an investor and/or retail real estate services provider in key growth markets such as Colombia and North Africa, we are very well positioned to take advantage of the opportunities presented by emerging markets, whilst at the same time maintaining a foothold in important mature economies in the Eurozone. In the long term, we anticipate that this approach will enable us to maintain a strong and resilient business; hedge risk through geographical diversity and offer competitive advantage.



## THE RETAIL MARKET EXPANDS

Whilst the last decade has been witness to a wave of international retail expansion and a shift in the global retail landscape, over the last couple of years the rate of retailers' physical expansion has decelerated due to the parallel factors of economic and political uncertainties and the growth of e-commerce. International retailers have been seeking balanced growth across mature and emerging markets, and concentrating their physical presence in prime locations whilst developing omni-channel retail models.

In the longer term, however, growth is likely to resume in line with economic development. With 220 million more middle-income households expected in 2030<sup>9</sup>, international brand presence is likely to spread across dominant cities around the globe. If open trade and technological advance continues apace, international retailers might also benefit from easier and less costly access to emerging markets, whilst e-commerce may allow access to a wider consumer base.

We will maintain our focus on investing, in a capital light mode, in highly privileged locations in dominant cities with supportive demographic indicators. By acquiring investment stakes in shopping centre developments in emerging markets, as well as operating as a development services provider, we will capitalise on retailers' international expansion and leverage our relationships with multinational retail operators to meet investor demand for high quality retail space in previously untapped locations.

<sup>8</sup> PWC, The World In 2050, 'The Long View: How will the global economic order change by 2050?' (February 2017).

<sup>9</sup> Oxford Economics, 'Future trends and market opportunities in the world's largest 750 cities: How the global urban landscape will look in 2030'.



## Future outlook (continued)



### THE DIGITAL CONSUMER TAKES CENTRE STAGE

Widespread use of mobile technology has already disrupted the retail sector, and is set to transform it further still. Whilst today's consumers browse, compare items and make purchases using digital devices, Augmented Reality (AR) and Virtual Reality (VR) will reinvent the consumer experience further still, allowing for a deeper exploration of potential purchases and enhanced customer experience. These are trends which Sonae Sierra has already been exploring through our 'Go Digital' project and shift towards an omni-channel retail model.

The evolution of 3D printing could usher in a tendency towards much greater levels of personalisation, whilst the use of advanced analytics will allow retailers to develop customised marketing and consumer engagement approaches, all of which will be used to drive consumer loyalty. It is likely that customer experience will be an even greater differentiator, and convenience will remain imperative. In this context, we have been trialling new tools to analyse consumer profiles and motivations in Europe and Brazil, and we continue to experiment with new retail concepts in keeping with our commitment to deliver unique experiences to shopping centre visitors.

As the role of the shopping centre itself shifts towards that of a lifestyle destination, its physical form will change to reflect the uptake of new technologies. The use of autonomous vehicles could reduce the need for parking spaces, whilst advanced robotics might reduce the presence of services and sales personnel and the use of drones may drastically alter the current logistics model. Our flexible approach to shopping centre design and relentless pursuit of value creation opportunities through our core asset management activities and Mall Activation, among other initiatives, means that we are well-positioned to adapt our centres so that we can take advantage of these technologies as they emerge.



### TECHNOLOGY ENHANCES REAL ESTATE SERVICES

We have already anticipated the sectorial shift towards a services-focused model. As the uptake of new technology creates greater efficiencies, we will see an even greater blurring of the lines between both traditional real estate functions within businesses and traditional asset classes.

Smart buildings may ultimately be operated remotely and support a wide range of technology-based platforms (such as data centres, specialised logistics and on-line distribution hubs), and tenant engagement and leasing functions will be facilitated by the use of digital platforms. In property development, the use of construction visualizations tools and concepts such as 'buildings as materials banks' will deliver greater efficiencies and support environmental sustainability goals. At a portfolio management level, digital tools will be used to support investment decision-making, raise funds and carry out transactions.

Real estate service providers will need to harness technology to deliver added value to clients. This will require a sound ability to recognise which tools are most effective to utilise and invest in, and effectively manage the organisation of human and non-human competencies and tasks. Sonae Sierra has already developed data systems that use advanced analytics to aggregate consumer information to the benefit of co-investors, clients and tenants.

## Future outlook (continued)



### BUILDINGS STRIVE FOR A NET POSITIVE ENVIRONMENTAL FOOTPRINT

In the long term, delivering sustainable assets will be imperative across a much wider range of markets. As the international governance and financial communities mobilise to reduce the causes and manage the impacts of global climate change, the forces of technology, changing societal norms, regulation and the evolution of sustainable cities will mean that real estate becomes a solution to, rather than an aggravator of, natural resource demand and habitat loss. Sonae Sierra foresaw the importance of this trend, having developed pioneering environmental standards for retail development before the emergence of certification standards such as BREEAM and LEED®. Our shopping centres have been recognised for their use of environmentally-efficient equipment and management practices, and we uphold our Safety, Health and Environment Management System across all our corporate operations and owned assets.

In the future, environmental sustainability in the built environment will increasingly focus on the use of innovative building automation and systems to manage renewable energy generated and stored on-site; the application of circular economy principles to design out waste through the use of renewable, bio-based or reused building materials that enable flexible design for asset repurposing and disassembly; infrastructure that supports fossil-fuel free transport and integrated urban agriculture and natural vegetation to support biodiversity and boost health and wellbeing. As part of our sustainability strategy, we are seeking to develop a position as a resource-resilient business, and have piloted a study to explore how to redevelop an asset to meet 'nearly zero energy' status. We are also building our competencies so that we can advise our clients on their energy, water and waste management strategies.

Overall, we want to be part of a real estate movement that strives for a 'net positive' environmental impact, or one that replenishes rather than depletes the natural resources and ecosystems services that the industry relies upon.



### THE WORKFORCE BALANCES ARTIFICIAL INTELLIGENCE WITH HUMAN INGENUITY

As Artificial Intelligence (AI) systems, robotics, and cognitive tools become more accessible and advanced, organisations will need to rethink the nature of individual job functions and determine how tasks can be performed most effectively with the available human and non-human resources. As the automation of many secretarial and analytical functions yields greater efficiencies, people will be prized for their creativity and interpersonal skills. Employees will need to be supported through continuous learning and technology-aided skills development, and organisations will benefit from using sophisticated analytics to manage their teams' performance so as to optimise their productivity and effectiveness. The successful workforce of the future will need to cast itself as a flexible and dynamic network, accessing talent within a wide pool of direct and outsourced staff, supported by advanced technology.

We have been actively developing digitally-aided training programmes to support knowledge sharing and development within the Company. What is more, we have developed a programme to nurture a culture of creativity and innovative thinking throughout our businesses, supported by our dedicated Innovation Office. We will continue to focus on our twin objectives: to attract new talent to the Company, and develop the talent we already have. For the first we have developed effective talent acquisition programmes with the Sonae Group targeting high potential graduates from the top Portuguese and Spanish Universities; we collaborate with the Lisbon MBA and have launched a new programme to expand our talent search to a broader range of backgrounds. On the second, we have launched a successful mentoring programme and are developing a talent pool of high potential employees whose development and career progression will be closely nurtured.

# Consolidated accounts

The following financial statements consolidate all companies by the proportional method.

## SONAE SIERRA CONSOLIDATED ACCOUNTS

### Profit & Loss Accounts

Sonae Sierra recorded a net profit of €110.0 million in 2017 which compares with €181.2 million in the same period of 2016, representing a decrease of 39%.

In 2017, direct net profit reached €64.6 million, a 14% increase compared with last year. The positive impact relating to the opening of ParkLake and to the acquisitions completed during the year more than offset the effect of the share reduction in several assets in 2016. On a like-for-like portfolio basis, and excluding the impact of FX changes, direct net profit increased by 12.8% as a consequence of the improved shopping centre operational results, the growth of our professional services, the lower interest rates and our effective financial risk management.

Indirect net profit reached €45.3 million, compared to €124.5 million in the same period of 2016. The adverse variation in indirect net profit was mainly a consequence of lower yield compression in Portugal and Spain in 2017 – leading to lower value created in investment properties – and the opening of ParkLake in 2016.

#### Consolidated profit and loss account

| (€ million)                       | 2017         | 2016         | % 17/16     |
|-----------------------------------|--------------|--------------|-------------|
| Direct income from properties     | 145.6        | 138.4        | 5%          |
| Direct costs from properties      | 57.8         | 53.8         | 8%          |
| <b>EBIT from properties</b>       | <b>87.7</b>  | <b>84.7</b>  | <b>4%</b>   |
| Services rendered                 | 78.2         | 70.8         | 10%         |
| Direct costs from services        | 61.2         | 59.0         | 4%          |
| <b>EBIT from services</b>         | <b>17.0</b>  | <b>11.9</b>  | <b>44%</b>  |
| Net financial costs               | 24.9         | 26.1         | -5%         |
| <b>Direct profit before taxes</b> | <b>79.9</b>  | <b>70.4</b>  | <b>13%</b>  |
| Current tax                       | 15.2         | 13.7         | 11%         |
| <b>Direct net profit</b>          | <b>64.6</b>  | <b>56.7</b>  | <b>14%</b>  |
| Gains on sale of investments      | 5.9          | 13.3         | -55%        |
| Value created in investments      | 71.2         | 154.1        | -54%        |
| Debt recovery & Impairment        | -0.7         | 0.9          | 234%        |
| Deferred tax                      | 31.1         | 43.8         | -29%        |
| <b>Indirect net profit</b>        | <b>45.3</b>  | <b>124.5</b> | <b>-64%</b> |
| <b>Net profit</b>                 | <b>110.0</b> | <b>181.2</b> | <b>-39%</b> |

## Consolidated accounts (continued)

### SONAE SIERRA CONSOLIDATED ACCOUNTS (CONTINUED)

#### Balance Sheet

The total assets of the Company reached €2.4 billion, of which €2.0 billion correspond to investment properties and €72 million are properties under development.

The value increase in investment properties is a consequence of higher property valuations and the acquisitions completed during the year – Albufeira Retail Park and the Continente Hypermarket adjacent to AlgarveShopping, Área Sur shopping centre and 16 acquisitions on behalf of the ORES Socimi. These effects were partially offset by the disposals of AlbufeiraShopping and C.C. Continente de Portimão, Sonae Sierra's share decrease in MaiaShopping and GuimarãesShopping that took place at the turn of the year, and the unfavourable effect in the year-end exchange rate of the Brazilian Real.

Properties under development continue to reflect the Company's strategy to focus on development opportunities, with investments in Nuremberg, the McArthurGlen Designer Outlet Málaga, Jardín Plaza Cúcuta, Zenata Shopping Centre, and the NorteShopping and Centro Colombo expansions.

Bank loans decreased compared to 31 December 2016, mainly due to contractual loan amortisations and the disposal of the assets referred above, which offset the amounts relating to the contracting of new bank loans during 2017 and the increase in debt in Brazil (as the favourable effect of the FX changes in the Brazilian debt was totally offset by the new bond loan contracted by Sonae Sierra Brasil).

#### Consolidated balance sheet

| (€ million)                      | 31 Dec 17      | 31 Dec 16      | Var. 17/16 |
|----------------------------------|----------------|----------------|------------|
| Investment properties            | 2,046.1        | 2,033.0        | 13         |
| Properties under development     | 72.0           | 65.0           | 7          |
| Other assets                     | 134.2          | 107.7          | 26         |
| Cash & Equivalents               | 143.5          | 200.5          | -57        |
| <b>Total assets</b>              | <b>2,395.8</b> | <b>2,406.3</b> | <b>-10</b> |
| <b>Net worth</b>                 | <b>1,150.5</b> | <b>1,159.7</b> | <b>-9</b>  |
| Bank loans                       | 779.6          | 781.2          | -2         |
| Deferred taxes                   | 334.0          | 315.6          | 18         |
| Other liabilities                | 131.6          | 149.7          | -18        |
| <b>Total liabilities</b>         | <b>1,245.2</b> | <b>1,246.6</b> | <b>-1</b>  |
| <b>Net worth and liabilities</b> | <b>2,395.8</b> | <b>2,406.3</b> | <b>-10</b> |

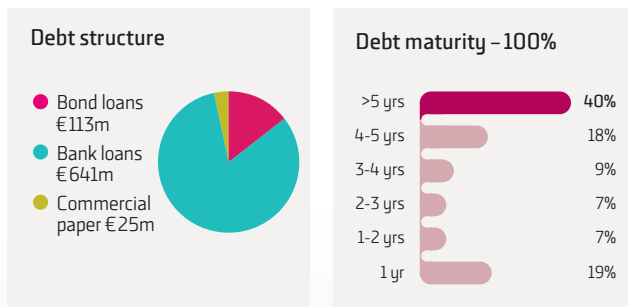
## Consolidated accounts (continued)

### FINANCIAL RESOURCES

#### Debt structure and maturity

The Company maintained its conservative and balanced long term debt and hedging strategies. Including Europe and Brazil, the Company's capital structure is supported by an average debt maturity of 3.4 years, 40% of which is hedged.

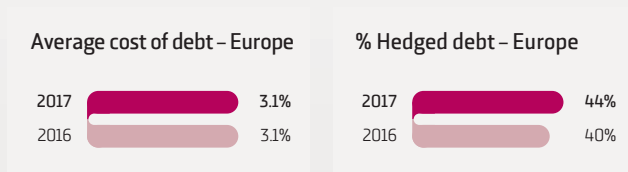
The following charts illustrate Sonae Sierra's debt at 31 December 2017.



In 2017, the Company was able to refinance the debt of 6 shopping centres to the total value of around €729 million. Bond loans increased by 13% vis-à-vis the previous year due to the refinancing – for a higher amount – of the Bond loans in Sonae Sierra Brasil. This reflects the trust of national and international banks in the management and solidity of the Company and its assets.

#### Cost of debt

The Company continues to have good access to banking and capital markets. Sonae Sierra's weighted average cost of debt at 31 December 2017 stands at 3.8%, twenty basis points below the same period of last year. Excluding Brazil, the weighted average cost of debt is 3.1%, which leads to a comfortable interest cover ratio.

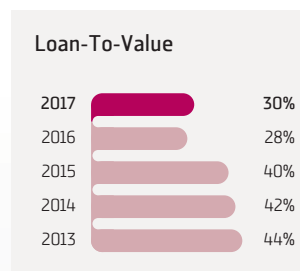


#### Financial Ratios

As of 31 December 2017, the Company's financial ratios show a prudent and solid approach.

| Ratios         | 31 Dec 2017 |       | 31 Dec 2016 |      |
|----------------|-------------|-------|-------------|------|
|                | 2017        | 2016  | 2017        | 2016 |
| Loan-to-value  | 30.2%       | 27.8% |             |      |
| Interest cover | 3.6x        | 3.2x  |             |      |

Loan-to-Value (LTV) is 30.2%, which compares unfavourably with 27.8% in December 2016. The increase derives from a reduction in the cash position of the company following the payment of dividends (in April 2017), which offset the increase in asset values and a slight decrease in bank loans during the year, resulting from loan amortizations and the favourable average FX change over the course of the year in the Brazilian portfolio. Though higher than 2016, Sonae Sierra's LTV remains at a comfortable level, keeping the downwards trend verified since 2013.



Interest cover in 2017 is 3.6, above the Company's target of 2, thanks to the low average cost of debt. The increase compared to 2016 is explained by an improvement in EBIT, along with our effective financial risk management.

#### Net Asset Value

The Company measures its performance, chiefly, on the basis of changes in Net Asset Value (NAV) plus dividends distributed. The Company calculates its NAV according to the guidelines published in 2007 by INREV (European Association for Investors in Non-Listed Real Estate Vehicles), an association of which the Company is a member.

On the basis of this methodology, the NAV of Sonae Sierra as of 31 December 2017 was €1,432 million, compared to €1,418 million on 31 December 2016 (an increase of 1.0%). The NAV per share attributable to the company is €44.05, against €43.62 recorded on 31 December 2016. The increase in NAV results mainly from 2017's net profit, which was partially offset by the unfavourable impact of the depreciation of the Brazilian Real at the end of the year and the payment of dividends.

#### Net Asset Value (NAV)

| (€ million)                               | 31 Dec 2017    | 31 Dec 2016    |
|---|----------------|----------------|
| NAV as per the financial statements       | 1,150.5        | 1,159.7        |
| Revaluation to fair value of developments | 2.7            | 3.3            |
| Deferred tax for properties               | 274.9          | 251.2          |
| Goodwill related to deferred tax          | -9.4           | -9.2           |
| Gross-up of Assets                        | 13.5           | 13.4           |
| <b>NAV</b>                                | <b>1,432.3</b> | <b>1,418.4</b> |
| <b>NAV per share (in €)</b>               | <b>44.05</b>   | <b>43.62</b>   |

## Consolidated accounts (continued)

### INVESTMENT MANAGEMENT

Investment Management contributed €86.3 million to the consolidated net profit of Sonae Sierra, a decrease of 42% when compared to 2016, mainly due to lower value created in the operating assets.

The direct net profit derives from the operation of shopping centres that are part of its portfolio, including those assets that are in the Sierra Fund, the Sierra Portugal Fund and the Iberia Coop fund.

EBIT is 1% higher than last year, positively impacted by the opening of ParkLake and by the acquisitions completed during the year - Albufeira Retail Park and the Continente Hypermarket adjacent to AlgarveShopping, Área Sur shopping centre, and 16 acquisitions on behalf of the ORES Socimi. These positive impacts were partially offset by the share reduction in AlgarveShopping, Estação Viana Shopping and Luz del Tajo in 2016. The disposals of AlbufeiraShopping, C.C. Continente de Portimão and Sonae Sierra's share decrease in MaiaShopping and GuimarãesShopping in 2017 did not impact the year's result as they took place at the turn of the year. On a like-for-like portfolio basis, the EBIT still increased by 1%.

The better financial result is a consequence of lower interest rates, the above mentioned disposals, and our effective financial risk management.

Indirect net profit arises from the change in the value of the investment properties and the realisation of capital gains from the sale of investments.

The value created in investments is €63.5 million lower than last year, which is explained by lower yield compression in 2017. The increase in the value of the existing portfolio is mainly explained by yield compression and an overall positive impact from the operational performance in Iberia.

Investment properties increased its balance by €58.8 million when compared to 31 December 2016. This increase is explained by the value increase of the existing portfolio and by the above mentioned acquisitions, which were partially offset by the disposals of AlbufeiraShopping, C.C. Continente de Portimão and Sonae Sierra's share decrease in MaiaShopping and GuimarãesShopping that took place at the turn of the year.

Bank Loans are below 31 December 2016 mainly due to the contractual loan amortisations and the above mentioned disposals.

#### Profit & loss account

| (€ million)                        | 2017        | 2016         | % 17/16     |
|------------------------------------|-------------|--------------|-------------|
| Retail net operating margin        | 72.4        | 71.9         | 1%          |
| Parking net operating margin       | 2.6         | 2.5          | 2%          |
| Co-generation net operating margin | 0.3         | 0.1          | 141%        |
| <b>EBIT</b>                        | <b>75.2</b> | <b>74.5</b>  | <b>1%</b>   |
| Net financial costs                | 18.9        | 19.8         | -5%         |
| <b>Direct profit before taxes</b>  | <b>56.3</b> | <b>54.7</b>  | <b>3%</b>   |
| Current tax                        | 8.9         | 9.1          | -2%         |
| <b>Direct net profit</b>           | <b>47.5</b> | <b>45.6</b>  | <b>4%</b>   |
| Gains on sale of investments       | 5.9         | 12.7         | -53%        |
| Value created in investments       | 60.4        | 123.9        | -51%        |
| Deferred tax                       | 27.5        | 34.5         | -20%        |
| <b>Indirect net profit</b>         | <b>38.8</b> | <b>102.0</b> | <b>-62%</b> |
| <b>Net profit</b>                  | <b>86.3</b> | <b>147.7</b> | <b>-42%</b> |

#### Consolidated balance sheet

| (€ million)                  | 31 Dec 17      | 31 Dec 16      | Var. 17/16   |
|------------------------------|----------------|----------------|--------------|
| Investment properties        | 1,667.9        | 1,609.1        | 59           |
| Properties under development | 10.2           | 4.7            | 6            |
| Other assets                 | 145.9          | 45.5           | 100          |
| Cash & equivalents           | 77.3           | 138.3          | -61          |
| <b>Total assets</b>          | <b>1,901.3</b> | <b>1,797.6</b> | <b>103.6</b> |
| Shareholder funds            | 978.4          | 881            | 97           |
| Bank loans                   | 586.2          | 594.1          | -8           |
| Deferred taxes               | 266.8          | 242.7          | 24           |
| Other net liabilities        | 69.9           | 79.8           | -10          |
| <b>Total liabilities</b>     | <b>1,901.3</b> | <b>1,797.6</b> | <b>103.6</b> |

## Consolidated accounts (continued)

### DEVELOPMENTS

The Developments business, including Colombia, contributed negatively with €10 million to the consolidated net profit of Sonae Sierra.

The projects provided 6% lower income than the same period of last year due to the reduced pipeline under development – ParkLake opened in September 2016.

Value created in projects in 2016 relates to the gain on the opening of ParkLake.

| Profit & loss account     |              |             |              |
|---------------------------|--------------|-------------|--------------|
| (€ million)               | 2017         | 2016        | % 17/16      |
| Project development fees  | 3.8          | 4.1         | -6%          |
| <b>Operating income</b>   | <b>3.8</b>   | <b>4.1</b>  | <b>-6%</b>   |
| <b>Operating costs</b>    | <b>12.6</b>  | <b>12.6</b> | <b>0%</b>    |
| <b>EBIT</b>               | <b>-8.7</b>  | <b>-8.5</b> | <b>-3%</b>   |
| Net financial costs       | 0.4          | 1.9         | -78%         |
| Corporate tax             | -1.2         | -1.8        | 34%          |
| <b>Direct net profit</b>  | <b>-8.0</b>  | <b>-8.7</b> | <b>7%</b>    |
| <b>Indirect Result</b>    | <b>-1.7</b>  | <b>19.7</b> | <b>-</b>     |
| Value created in projects | 0.0          | 27.8        | -            |
| Impairment                | -1.7         | -8.1        | -            |
| Deferred tax              | 0.3          | 4.8         | -            |
| <b>Net profit</b>         | <b>-10.0</b> | <b>6.2</b>  | <b>-262%</b> |

| Consolidated balance sheet   |             |             |            |
|------------------------------|-------------|-------------|------------|
| (€ million)                  | 31 Dec 17   | 31 Dec 16   | Var. 17/16 |
| Properties under development | 59.1        | 57.3        | 2          |
| Cash & equivalents           | 2.9         | 1.1         | 2          |
| <b>Total assets</b>          | <b>62.0</b> | <b>58.4</b> | <b>3.6</b> |
| <b>Shareholder funds</b>     | <b>62.3</b> | <b>52.5</b> | <b>10</b>  |
| Bank loans                   | 2.0         | 4.7         | -3         |
| Deferred taxes               | 0.6         | 0.3         | 0          |
| Other net liabilities        | -2.8        | -1.2        | -2         |
| <b>Total liabilities</b>     | <b>62.0</b> | <b>56.3</b> | <b>5.7</b> |

## Consolidated accounts (continued)

### SERVICES

Professional services business contributed with €13 million to the consolidated net profit of Sonae Sierra.

EBIT increased by 44%, mainly as a consequence of the increase in operating income from asset management services, property management and development services. Services provided to the Sonae Sierra portfolio and to external investors were above the values registered in 2016, despite the disposals in Sonae Sierra's portfolio.

| Profit & loss account   |             |             |            |
|-------------------------|-------------|-------------|------------|
| (€ million)             | 2017        | 2016        | % 17/16    |
| Asset Management        | 21.0        | 18.2        | 16%        |
| Property Management     | 47.4        | 45.4        | 4%         |
| Development services    | 9.8         | 7.2         | 36%        |
| <b>Operating income</b> | <b>78.2</b> | <b>70.8</b> | <b>10%</b> |
| <b>Operating costs</b>  | <b>61.2</b> | <b>59.0</b> | <b>4%</b>  |
| <b>EBIT</b>             | <b>17.0</b> | <b>11.9</b> | <b>44%</b> |
| Net financial costs     | 0.1         | -0.8        | 111%       |
| Income tax              | 4.0         | 3.1         | 26%        |
| <b>Net profit</b>       | <b>13.0</b> | <b>9.5</b>  | <b>36%</b> |



## Consolidated accounts (continued)

### SONAE SIERRA BRASIL

Sonae Sierra Brasil contributed with €20.7 million to the consolidated net profit of Sonae Sierra, an increase of 16% when compared to 2016, mainly due to higher direct profit generated by the Brazilian portfolio and the favourable impact of the change in the average exchange rate (in average terms Brazilian Real appreciate by 6.6% versus the Euro).

The increase in EBIT is mainly explained by higher rental income and better parking operating margin, as a consequence of the quality of our assets and management approach, and to the positive effect of the change in the exchange rate. Excluding the impact of the FX change, EBIT increased by 7%.

Value created in investment properties reflects the positive impact from operational cash flows. Yields remained flat, despite the improvement in the Brazilian macroeconomic environment.

Investment properties reached €377.6 million in December 2017, a decrease of €46 million when compared to 31 December 2016 which is explained by the depreciation of the year-end exchange rate of the Brazilian Real and which was partially offset by the increase in the value of operating assets during 2017.

| Profit & loss account                       |             |             |            |
|---|-------------|-------------|------------|
| (€ million)                                 | 2017        | 2016        | % 17/16    |
| Retail net operating margin                 | 19.8        | 17.7        | 12%        |
| Parking net operating margin                | 3.8         | 3.0         | 25%        |
| <b>Shopping centre net operating income</b> | <b>23.6</b> | <b>20.7</b> | <b>14%</b> |
| Income from services rendered               | 4.9         | 4.4         | 10%        |
| Overheads                                   | 7.2         | 6.5         | 10%        |
| <b>EBIT</b>                                 | <b>21.3</b> | <b>18.6</b> | <b>14%</b> |
| Net financial costs/(income)                | 5.5         | 5.2         | 6%         |
| <b>Direct profit before taxes</b>           | <b>15.8</b> | <b>13.4</b> | <b>17%</b> |
| Current tax                                 | 3.6         | 3.3         | 9%         |
| <b>Direct Profit</b>                        | <b>12.2</b> | <b>10.2</b> | <b>20%</b> |
| Gains on sale of investments                | 0.0         | 0.4         | -100%      |
| Value created in investments                | 11.8        | 11.6        | 1%         |
| Deferred tax                                | 3.3         | 4.4         | -25%       |
| <b>Indirect net profit</b>                  | <b>8.5</b>  | <b>7.6</b>  | <b>11%</b> |
| <b>Net profit</b>                           | <b>20.7</b> | <b>17.8</b> | <b>16%</b> |

| Consolidated balance sheet       |              |              |            |
|----------------------------------|--------------|--------------|------------|
| (€ million)                      | 31 Dec 17    | 31 Dec 16    | Var. 17/16 |
| Investment properties            | 377.6        | 423.4        | -46        |
| Properties under development     | 2.7          | 3.0          | 0          |
| Other assets                     | 19.2         | 19.9         | -1         |
| Cash & equivalents               | 37.3         | 24.5         | 13         |
| <b>Total assets</b>              | <b>436.8</b> | <b>470.8</b> | <b>-34</b> |
| <b>Net worth</b>                 | <b>279.2</b> | <b>310.1</b> | <b>-31</b> |
| Bank loans                       | 71.3         | 62.3         | 9          |
| Deferred taxes                   | 68.6         | 74.7         | -6         |
| Other liabilities                | 17.8         | 23.7         | -6         |
| <b>Net worth and liabilities</b> | <b>436.8</b> | <b>470.8</b> | <b>-34</b> |

# Governance

Sonae Sierra's corporate governance policies were adopted by the Company based on the models of its shareholders, Sonae and Grosvenor.

## CORPORATE GOVERNANCE

The shareholders' corporate governance policies impose certain levels of transparency, independence, remuneration compliance rules and sustainability policies which have contributed to shaping Sonae Sierra's own management model, corporate values, business strategy, sustainability policies and transparency in public reporting.

The top corporate body of the Sonae Sierra group of companies is the General Shareholders Assembly which, among other prerogatives, appoints the Board of the General Shareholders Assembly, the Fiscal Board, the Compensation Committee and the Board of Directors of the Company. Sonae Sierra's Board of Directors takes responsibility for the Company's strategy, long term business plan, finance and reporting. It consists of 11 members; five of them make up the Executive Board.

The Board of Directors and the Executive Board are supported by three specialised Committees: Investment, Finance, Audit & Compliance. The Investment Committee and the Finance Committee are chaired by the CEO. The Audit & Compliance Committee is chaired by an independent, external person chosen by the Board of Directors.

The Executive Committee is responsible for the day-to-day operations of each business unit. The Executive Committee meets at least once a month and may invite other Company executives to attend its meetings. Oversight is provided by the Supervisory Committee which includes the CEO, CFO and other members of the Executive Board to supervise the activities of each business unit. A separate Executive Forum serves a transversal role to promote knowledge sharing across the corporate and business unit level.

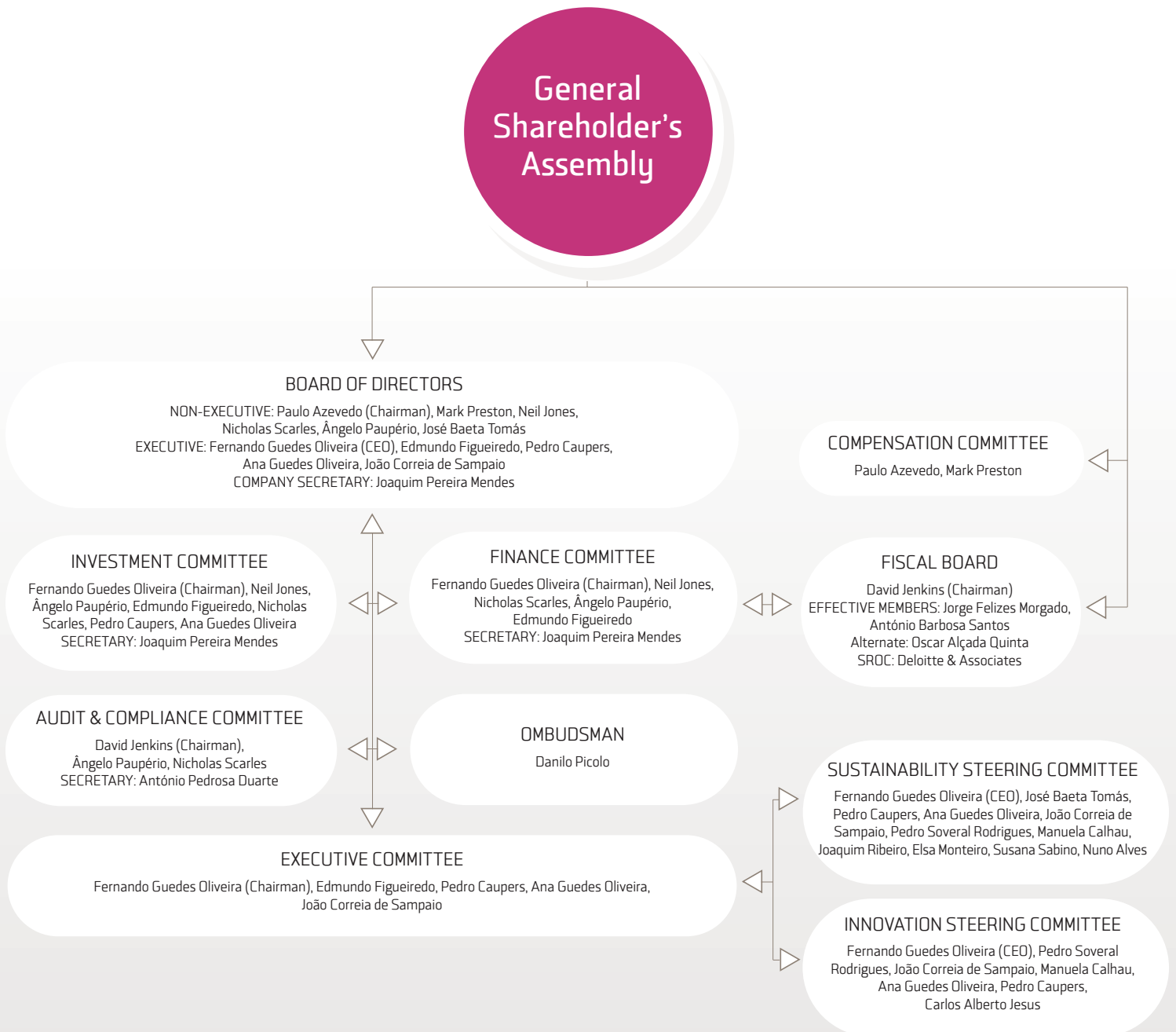
LOURESHOPPING  
Loures, Portugal



## Governance (continued)

### CORPORATE GOVERNANCE (CONTINUED)

We operate a Risk Management Working Group to serve as facilitator and promoter of risk management best practices company-wide. The working group gathers information and reports on the risks that the Company is facing or may face in the future and reports, via the Finance Director, to the Sustainability Steering Committee, the CFO and the Audit & Compliance Committee.



## Governance (continued)

### ETHICAL CONDUCT

Our Code of Conduct includes a set of ethical principles which apply to everything we do and outline our commitment to success whilst operating with integrity, openness and honesty. The Code also promotes ethical and responsible decision making by providing guidance on dealing with issues such as bribery, corruption, legal compliance, equality and human rights.

Whilst the Executive Committee is ultimately responsible for managing these issues, ethical conduct is a personal responsibility and every employee is held accountable for his or her behaviour.

The Sierra Ombudsman promotes compliance with our Code of Conduct and encourages behaviour aligned with our ethical principles. The Ombudsman is an independent facilitator to whom all stakeholders can present their complaints with an assurance that they will be processed, investigated, and responded to in a timely and sensitive manner. For more information on the Ombudsman, see our [website](#).

### Measures to avoid bribery and corruption

The Code of Conduct includes specific guidance on the avoidance of bribery and corruption, by stating that it is forbidden to give or accept any reward or benefit with the purpose of influencing someone's behaviour to obtain a commercial advantage.

To mitigate corruption risk with respect to real estate valuations and transactions, our Asset Management and Development businesses follow the RICS guidelines. Transactions are subject to approval by the Board of Directors of the Special Purpose Vehicles, the Board of Directors of Sonae Sierra and (in many cases) by the Investment Companies of the funds. Whilst there are no specific guidelines to mitigate risks with respect to valuations, the entity that carries out most valuations for Sonae Sierra indicates in its report that the fees collected from Sonae Sierra represent less than 5% of its revenue, on a global basis.

Within the context of our Property Management activities, the procedure of getting bids for the services we contract out to suppliers minimises the risk of anti-competitive behaviour in the supply chain. Taking into consideration the strong involvement of several corporate organisational structures related to this process (shopping centre management and central operation departments), this procedure also ensures a clear, coherent and accepted recommendation, thus supporting the final award decision.

Our procedures manual establishes a defined set of procedures to reduce the company's exposure to risks related to money-laundering, terrorist financing and sanctions compliance. They cover the provision of services, partnerships and joint ventures, investments and other related activities.

#### GRI 205-1 & 205-3

In Europe we ensure compliance with our Code of Conduct by incorporating corruption risk into the annual Internal Audit Plan of activities, which is aligned with the Sonae Sierra Risk Matrix through the audit work carried out by business process areas. During 2017, the Internal Audit Activities covered 31% of the core business processes identified to have risk of corruption. No instances were identified that could constitute a situation of corruption and no incidents of corruption were formally reported.

|   |           |
|---|-----------|
| Total number of business processes identified to be analysed for risks related to corruption (rotational basis) | 16 (100%) |
| Total number of business processes that were covered by audits performed in 2017                                | 5 (31%)   |

**Data Qualifying Note:**  
This indicator covers all Sonae Sierra activities.

## Governance (continued)

### ETHICAL CONDUCT (CONTINUED)

#### GRI 205-2

All new Sonae Sierra employees, including those based in new markets which we have entered, must take the Behaviour with Ethics Sierra Training (BEST) during their first year of work at Sonae Sierra. The training content is based on our Code of Conduct and Anti-Corruption Guidelines and at the end of each session, employees are required to sign and return the Sonae Sierra Code of Conduct Acknowledgement, confirming that they had received the Code of Conduct and agreed to comply with its provisions.

| Country         | Percentage of employees and board members that received anti-corruption training by country |
|-----------------|---|
| Portugal        | 99%   |
| Brazil          | 100%  |
| Colombia        | 50%   |
| Germany         | 94%   |
| Greece          | 100%  |
| Italy           | 98%   |
| Morocco         | 100%  |
| Romania         | 96%   |
| Spain           | 98%   |
| The Netherlands | 100%  |
| Turkey          | 100%  |
| <b>TOTAL</b>    | <b>99%</b>  |

**Data Qualifying Note:**

This indicator includes all Sonae Sierra direct employees at the end of the reporting period. Sonae Sierra does not have a systematic procedure to communicate, measure and report the number of business partners with whom the organisation's anti-corruption policies and procedures have been communicated.

Our internal communications procedures include an e-mail that is sent to new employees and which contains a welcome manual that links to the Sonae Sierra Code of Conduct. In this way, we ensure that Sonae Sierra's anti-corruption policies and procedures are communicated to new employees joining the company. Additionally, the Welcome Kit is uploaded to Sonae Sierra's intranet so as to be available to all our employees. Refresher training is conducted following any changes to our ethics and anti-corruption policies or procedures.

### United National Global Compact

Sonae is a signatory of the Global Compact, a voluntary contract between the United Nations and the worldwide business community. As we are partially owned by Sonae, we must provide this shareholder with an outline of how we comply with the Compact's principles, including Principle 10 which commits organisations to work against corruption in all its forms, including extortion and bribery. Although we are not obliged to do so, we also make our report on progress against the Global Compact publicly available on our [website](#).

LEIRIA SHOPPING  
Leiria, Portugal



## Sustainability statements

Alongside our consolidated financial accounts, we provide detailed sustainability statements to allow our stakeholders a more comprehensive and holistic overview of our economic, environmental and social performance and management approach.

In keeping with our core values of integrity, innovation and social responsibility, we believe that this more forward-looking approach to reporting encourages investors and businesses to integrate environmental and social considerations into their decision-making, ultimately supporting the development of a more ecologically sustainable and socially equitable global economy.

Since 2004 we have published reports which comply with the Global Reporting Initiative. Continuing this trend, we have also prepared this report in accordance with the 'Core' reporting requirements of the GRI Reporting Standards and the Construction and Real Estate Sector Disclosure, focusing on the key sustainability topics that were identified in our 2017 materiality review.

We have reported against all material disclosures for each topic identified in our materiality review, and any omissions are detailed in the GRI content index found on [page 125](#). All GRI Universal Standards and Topic-Specific Standards have been externally assured by an independent auditor to ensure that data and information is accurate and complies with the applicable guidelines.

## Sustainability statements (continued)

### OUR APPROACH

Our sustainability strategy is built around three focus areas where we can most effectively create shared value for our business, society and the environment. These focus areas align with the most material sustainability risks and opportunities which were identified by our latest materiality review (conducted in 2017).



The strategy – which was revised in early 2017 – builds heavily on our previous commitments to deliver shared value while providing greater alignment with the changes that have taken place within our business model and core business strategy over the last couple of years. Namely:

- Reducing the capital invested in our core portfolio, increasing our exposure to new development opportunities and enhance our service delivery has shifted the focus of where we can most effectively create shared value.
- A greater emphasis on the delivery of services opens up new opportunities to deliver value for our service clients and enhance the performance of their business and assets through the provision of sustainability-related services.

Consequently, the strategy focuses on creating shared value through three touch points:

- Engagement with partners across our investment portfolio
- Active marketing of sustainability services to our clients
- Corporate sustainability practices including those which address our employees

## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### Performance against objectives

We are proud of what we have achieved since we set out on our sustainability journey almost 20 years ago when we first developed our Environmental Management System in 1999. Since then, we have regularly exceeded our objectives and have made consistent improvements in our safety, health and environment performance covering energy efficiency, water efficiency, waste management and safety and health.

Improved the water efficiency of our owned portfolio by

**23%**  
since 2003

Increased the proportion of waste recycled by

**239%**  
since 2002, and reduced the proportion of waste sent to landfill by 68% since 2007

Improved the electricity efficiency of our owned portfolio by

**47%**  
since 2002

Reduced the GHG emissions<sup>10</sup> intensity by

**79%**  
since 2005

Reduced the number of workforce accidents resulting in absence from work by

**4%**  
since 2005

Reduced the severity of workplace accidents and occupational diseases by

**72%**  
since 2005

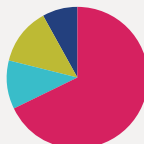
We set long term objectives supported by annual targets and actions to drive continuous improvement across the three focus areas of our sustainability strategy. Each year, we track our progress against the previous year's annual sustainability targets and actions and our performance is externally verified.

In 2017, we fully achieved 26 out of 39 applicable sustainability targets (67%) and partially achieved four targets (10%). We also fully achieved 19 out of 22 applicable sustainability actions (86%) and partially achieved three actions (14%).

The chart below summarises our performance against these targets. A comprehensive review of our performance against all sustainability targets, including details of the criteria used and procedures followed to evaluate target achievement, can be downloaded on our [website](#).

#### Performance against 2017 sustainability targets and actions

|                       |     |
|-----------------------|-----|
| ● Achieved:           | 68% |
| ● Partially achieved: | 11% |
| ● Not achieved:       | 13% |
| ● Not applicable:     | 8%  |



<sup>10</sup> GHG emissions of owned portfolio and corporate offices (protocol scopes 1 and 2, plus business air travel) per m<sup>2</sup> of GLA.



## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### Sustainability governance

The Sustainability Steering Committee (SSC) is responsible for overseeing the delivery of work under our sustainability strategy (and risk management). The SSC reports directly to the Executive Committee and is chaired by our CEO.

The SSC meets regularly to discuss decisions that need to be taken collectively, inform the Executive Committee of any issues related to the implementation of the sustainability strategy and to provide the overall vision for the company's sustainability strategy, including setting and periodically reviewing long term objectives and guaranteeing implementation of our Safety, Health and Environment Management System (SHEMS). The senior-level employees who champion each of our sustainability focus areas are required to report three times a year to the SSC on progress made with respect to their area.

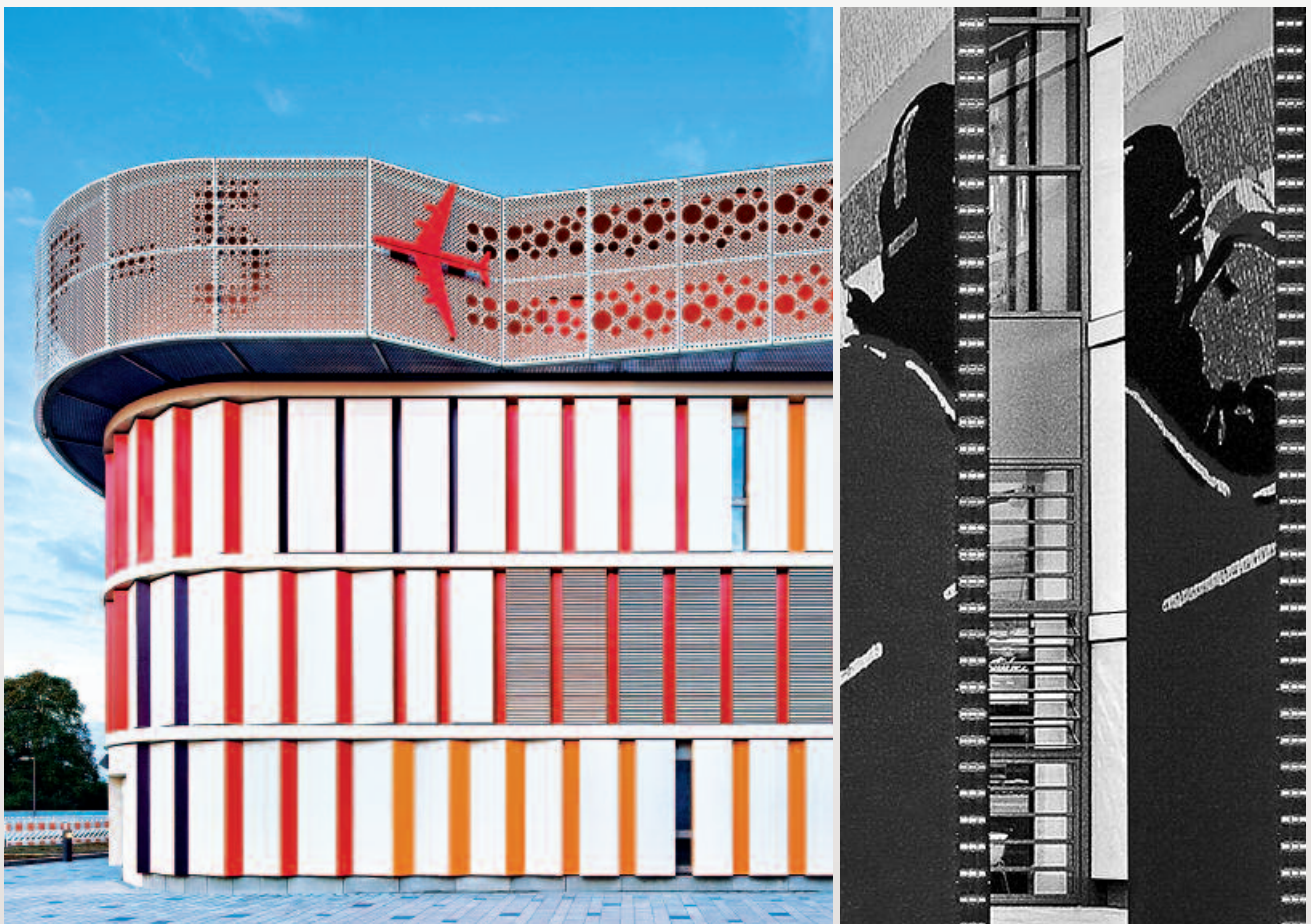
The Sustainability Office supports the SSC with the definition and implementation of the sustainability strategy, provides advice on Safety, Health and Environment policy and standards, and oversees stakeholder engagement around our sustainability strategy. It also provides relevant advice and guidance as and when required around the implementation and delivery of lines of action under each focus area across our owned portfolio and corporate offices, with specific responsibility for Safe People & Resource Resilience-related services.

Responsibility for identifying and implementing lines of actions under Future Fit Retail (covering our owned portfolio and client services) rests with the Sonae Sierra Marketing Department and Innovation Office and Sonae Sierra Brasil Marketing Department, and responsibility for identifying and implementing relevant actions under Knowledge is allocated to the Human Resources Departments.

This governance structure reflects the shift in how sustainability is managed in the context of our business model. It is designed to facilitate the embedding of sustainability within the company so that lines of action and KPIs are more closely aligned with the respective activities of each business unit.

LOOP5

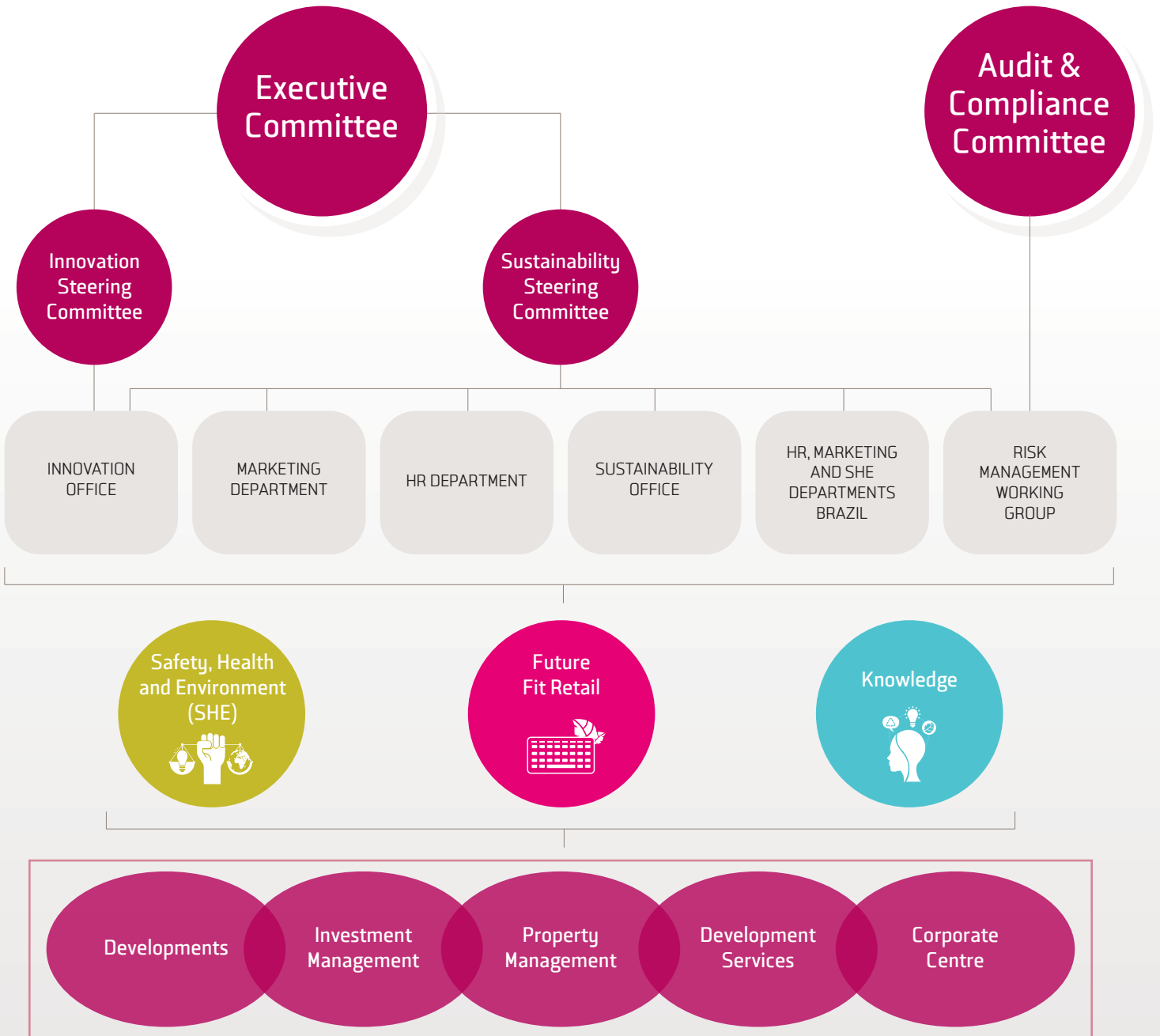
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## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

Individual members of staff across all business activities and functions have responsibility for implementing specific aspects of our sustainability strategy. Safety, Health and Environment (SHE) performance forms part of all employees' performance appraisals (including Executive Committee members' appraisals) which link through to remuneration and bonus schemes.



## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### Responsible procurement

Supplier safety, health and environmental performance is the most significant impact associated with our supply chain. Our SHE Policy, supported by our SHEMS, sets out our commitment to conduct our activities so that risks towards all people (including suppliers), assets and ecosystems are minimised, and benefits are enhanced. All our supplier contracts specify that suppliers need to comply with local labour legislation and Sonae Sierra's sustainability policy.

Our Responsible Procurement Policy commits us to engaging with our development and service suppliers and, where necessary, working with them to improve their performance across core environmental and social impact areas, including labour aspects such as human rights, safety and health.

The Responsible Procurement Policy is integrated into our Service Suppliers' Management Procedures. The Service Suppliers Management Procedures for Development and Property Management define the various steps that should be followed from the pre-selection and bidding process, through to contract closure and post-contract evaluation. They set out requirements for the appointment of suppliers including the requirement to submit information relating to labour issues as well as safety, health and the environment. In Brazil, our corporate purchasing department has developed an online platform to manage supplier contracts which has incorporated the collection of safety & health and environmental issues to ensure they meet minimum standards.

All contracts with property management and development suppliers over €1 million include clauses related to labour impacts. At Sonae Sierra Brasil, standard clauses covering labour issues are included in all supplier contracts valued at more than R\$20.000, and our Code of Conduct is communicated to all suppliers.

Pre-qualification questionnaires for suppliers of structural goods and services such as mechanical and electrical installations, lifts and escalators must be completed for all major tenders. They gather information on potential suppliers' practices, policies and performance regarding health and safety, risk management and human rights.

Finally, we also have procedures in place to assess critical development suppliers (contracts over €2.5 million) through questionnaires that collect information on their policies and practices regarding a range of labour issues including human rights, equal opportunities, safety and health; although we do not conduct annual audits of suppliers' performance against these criteria.



#### Further references:

For information regarding our anti-corruption screening and risk assessments for property management suppliers, see [page 59](#).

## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### Stakeholder engagement

The stakeholder groups with whom we engage have been identified based on our considerable experience of developing and managing shopping centres. Stakeholders are prioritised based on their ability to influence our business model and operations, to create shared value, and the extent to which they are impacted by our activities.

#### How we engage

Our approach to stakeholder engagement is based on the following objectives:

- Engage: understand stakeholders' expectations and engage with them on our sustainability strategy.
- Communicate: support Sonae Sierra by promoting the benefits of a sustainable way of doing business.
- Inform: strengthen our employees' understanding so they can be champions in searching for opportunities to create shared value.

A list of our key stakeholder groups and examples of how we engage with them is presented in the diagram below.



## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### How we respond

The stakeholder engagement team, which sits in the Sustainability Office, steers our engagement activities with key stakeholders at a corporate level. Additional stakeholder engagement activities are conducted at the country and shopping centre level by our shopping centre management and local marketing teams.

This allows us to follow up actions in response to specific feedback received either at the corporate or shopping centre level.

For example, we undertake annual operational tenant surveys in all owned shopping centres, which allow us to gain general feedback on operational aspects, marketing events, communications, our sustainability activities and satisfaction with our shopping centre management teams. Survey results are used to develop action plans to address aspects which receive low scores and ultimately drive continuous improvement in tenant satisfaction levels.

Responses from our operational tenant survey are shared with shopping centre management teams who develop follow-up plans. Actions are divided into 'no-cost' procedural changes (such as better communications regarding the impact of marketing initiatives), and investments which can be funded through service charges (such as expanding Wi-Fi coverage). Actions that require more significant investment are incorporated into annual shopping centre investment plans to be addressed at a later date.

Shopping centre management teams can also collect and respond to specific feedback from suppliers, for example through meetings and other communications. If appropriate, feedback is channelled up to our Sustainability Office if it requires a corporate level response such as our plan to reduce the number of service supplier accidents in Portugal and Brazil. The plan was developed following interviews conducted in 2015 with more than 60 service suppliers, site managers and site correspondents to examine the causes of service supplier accidents in these markets.

Beginning in 2017, a number of our owned shopping centres have taken steps to develop comprehensive stakeholder engagement strategies that more actively solicit feedback from stakeholders and incorporate their concerns regarding sustainability into the shopping centre's activities and decision-making processes. As well as a requirement under ISO 14001 certification, formalising this process will help our shopping centres to better understand local views, identify wider trends and target improvement opportunities that will contribute to their improved performance and stakeholder relations.

Visitor feedback gathered through Mall Tracking surveys at our shopping centres help us to understand our visitors' profiles, their behaviour and requirements. These surveys monitor trends in visitor satisfaction, expectations, loyalty and behaviour. Shopping centres develop action plans on the basis of the survey results, paying particular attention to critical success factors affecting visitor numbers and short term actions necessary to correct any negative results.

In 2017, we recorded an average visitor satisfaction index of 4.0 out of 5 across our European portfolio. The results are based on a sample of 500 interviews which are proportionally stratified according to the shopping centre traffic for all shopping centres owned and in operation for the full reporting year. The survey takes the form of a personal interview based on a structured questionnaire. The number/type of visitors who receive the interview are selected through systematic counting during one week. Visitors rate three shopping centre aspects, and one global aspect, from 1 (totally unsatisfied) to 5 (totally satisfied). The index is then calculated based on the average score for these four aspects.

Sonae Sierra Brasil recorded a visitor satisfaction index of 84 out of 100. The country uses a 1-100 index and is based on a survey in which visitors rate different aspects from 1 (not satisfied) to 5 (very satisfied), and between 5 to 20 aspects are valued. Both indexes are calculated considering only the shopping centres which performed visitor satisfaction surveys in 2017.

We also have a customer feedback system in place called Customer Contact Management which provides a unique source of learning for our shopping centres. We encourage visitors to submit their suggestions and complaints either verbally or in writing. If verbal contacts cannot be resolved immediately, we escalate them to written contacts and request that customers submit their feedback in writing, or we submit the feedback on their behalf.

We ensure that the Shopping Centre Manager personally responds to all suggestions and complaints received. When visitors offer their time to provide written feedback it is essential to show that we take their views seriously. The first step is to ensure an adequate answer in a short period of time. This timing is measured against the Service Level Agreement (SLA). The objective is to respond to customers in three working days, but acknowledging that this is not always feasible, the SLA target is 70% answered in three days; 95% in one week and 100% in two weeks. Shopping centre visitors may also present complaints to the Sierra Ombudsman.

## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### Key topics and concerns raised in 2017

During 2017 we conducted a comprehensive stakeholder consultation exercise consisting of online surveys and in-depth telephone interviews covering our investors, tenants and shopping centre visitors. The goals were to:

1. Understand **investors'** expectations and satisfaction regarding Sonae Sierra's services; their approach to sustainability; and opportunities for Sonae Sierra to support their business and sustainability goals.
2. Understand **tenants'** approach to sustainability and its importance to their customers; their expectations regarding the sustainability performance of their landlords; and their views on Sonae Sierra's sustainability approach and performance.
3. Understand how important sustainability is to shopping centre **visitors'** purchasing decisions; whether they are more likely to visit a sustainable shopping centres; and what sustainability features are most important to shopping centre visitors.

#### Summary of key findings and follow up actions



Immediately following the consultation exercise we convened a multidisciplinary task force spanning our sustainability and communication departments to analyse the findings and define an action plan ready to be rolled out in 2018.

We incorporated the findings into our materiality review and annual Economic, Environmental and Social (EES) Report planning. Consequently we have made a number of changes to our EES Report this year, starting with our revised materiality matrix that is presented on [page 72](#). Other changes include a new sustainability section that is aligned with our sustainability strategy that incorporates the GRI Standards as a guide, a cross reference outlining our contribution to the UN Sustainable Development Goals, and an analysis of our climate change risks that is based on the recommendations set out by the Task Force on Climate-Related Financial Disclosures.

## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### Industry partnerships

In addition to the stakeholder groups identified above, we also participate in a number of externally developed economic, environmental and social charters, principles, or other initiatives to promote sustainability best practice in the retail real estate sector. These include:

##### *ULI & Greenprint Center for Building Performance*

Sonae Sierra became a founding member of the Greenprint Foundation, a global industry initiative supported by key players in the property sector, in 2009. In 2012 the Greenprint Foundation and Urban Land Institute (ULI) merged to form the ULI Greenprint Center for Building Performance. Sonae Sierra continues to play an active role as a member of the Advisory Board and sits on its Performance Committee and Valuation Committee. Additionally, Sonae Sierra is a member of the ULI European Sustainable Development Council.

As in previous years, in 2017, we participated in the 'Greenprint Performance Report Volume 8' (previously called the Greenprint Carbon Index) and submitted energy, water and greenhouse gas (GHG) emissions data from owned and co-owned assets which were analysed and compared to other Greenprint members' portfolios.

##### *INREV Sustainability Committee*

Sonae Sierra has been a member of the INREV (European Association for Investors in Non-listed Real Estate Vehicles) Sustainability Committee since 2014. INREV's work has focused on improving members' access to information on sustainability issues such as regulation and industry benchmarks, understanding market practices in the industry and supporting other initiatives across INREV's committees such as reporting and due diligence. Since 2015 we have led the Sustainability Committee's Sustainability Library sub-group and have contributed with reports and case studies highlighting best practice to the library.

Sonae Sierra contributed to the revised INREV Sustainability Reporting Guidelines that aim to provide a consistent framework for reporting on the environmental, social and governance topics that are most relevant to the non-listed real estate sector. We have also supported the launch of a course that provides an overview of current sustainability, ESG approaches and issues that can affect non-listed real estate investment from an investor, fund manager and occupier perspective. Finally, we support broader engagement efforts by INREV by participating in the annual INREV conference.

##### *International Organisation of Employers – Global Occupational Safety & Health (GOSH) network*

The GOSH Network is an initiative of the International Organisation of Employers. It provides an exclusive forum for occupational safety and health specialists from multinational companies to discuss and debate current and emerging global occupational health and safety issues. Sonae Sierra is an active member contributing to this information-sharing platform, and identifying and anticipating emerging issues and trends in themes related to global occupational safety & health, risk management and sustainability practices. For example, in previous years Sonae Sierra has shared the results of studies into the causes of incidents amongst service suppliers, as well as our strategy for removing the barriers to implementing safety and health practices in joint ventures and multi-occupancy workplaces with high visitor numbers.

##### *Paris pledge for Action*

In 2015 we joined 'The Paris Pledge for Action' initiative that brings together organisations from around the world in a global effort to tackle climate change. Sonae Sierra is one of 800 companies that support the adoption of the COP21 Paris climate agreement, which represents a fundamental step towards limiting climate change and aims to spur a transformation of global growth and development, opening the door to a stable, sustainable future. The pledge demonstrates our commitment to support the objectives of the Paris Agreement and limit global temperature rise to less than 2 degrees Celsius.

##### *World Business Council for Sustainable Development*

We participated in the core group of the WBCSD's Energy Efficiency in Buildings (EEB) project, and have signed up to the WBCSD's Manifesto for Energy Efficiency in Buildings which calls on signatories to set energy reduction targets for the buildings they control and promote building energy efficiency and best practice among their stakeholders. We have also contributed to the dissemination of best practice such as the creation of the Energy Efficiency Toolkit, which was developed by the WBCSD for COP21 and features on the INREV Sustainability Library.

##### *World Safety Declaration*

The World Safety Declaration is a charter which forms a global commitment to improve workplace safety. Sonae, one of our two shareholders, was one of the 24 founding members of the World Safety Declaration and became a signatory to this agreement in November 2005.

## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### Material issues

In 2017 we updated our materiality matrix given the changes to our business model since 2016. The review was commissioned with two overarching objectives:

- To identify the material topics for Sonae Sierra as a whole (and then individually for each business unit: Development Services, Developments, Property Management and Investment Management) given the shift in Sonae Sierra's business model to a retail real estate company dedicated to serving the needs of investors.
- To support Sonae Sierra's transition from the GRI's G4 Guidelines to the GRI Standards (2016 edition), and identify the material topics and corresponding disclosures that Sonae Sierra needs to report against to achieve 'Core' in accordance with the GRI Standards and the Construction and Real Estate Sector Disclosure (CRESD).

Building on the 2015 materiality review (when the last full materiality exercise was conducted), our approach was based on the four-stage process recommended by the GRI Principles for Defining Report Content. The review considered a number of different criteria, including:

- A 'sense check' of the 2015 materiality review and the 2016 Economic, Environmental and Social Report in light of the changes to Sonae Sierra's business model.
- Changes to Sonae Sierra's portfolio and operating environment, for example capital recycling in its non-core portfolio, the expansion of its services business, and development activity in mature and emerging markets.
- Broader industry trends including the retail real estate and professional services sectors, building on the sustainability strategy review undertaken in 2016.
- Feedback received on the 2016 Economic, Environmental and Social Report, and feedback received through our stakeholder consultation exercise completed in 2017.

During this stage, we supplemented a list of potential topics with additional topics from the GRI Standards, while taking the opportunity to consolidate a number of GRI topics under broader categories in order to simplify the number of issues to be assessed, and better reflect the trends affecting our industry.

All shortlisted aspects were tested against five weighted criteria to assess Sonae Sierra's impact, and five weighted criteria to assess their ability to influence the assessments and decisions of Sonae Sierra's stakeholders. Criteria used to assess Sonae Sierra's impact included our sustainability strategy, risk assessments, legislation reviews, peer reviews and financial risks and opportunities. Criteria used to assess their ability to influence stakeholders' opinions included the 2015 employee climate survey, annual investor information requests and the results of our stakeholder consultation exercise. These results were reviewed by the Sustainability Office and shared with business units for validation.



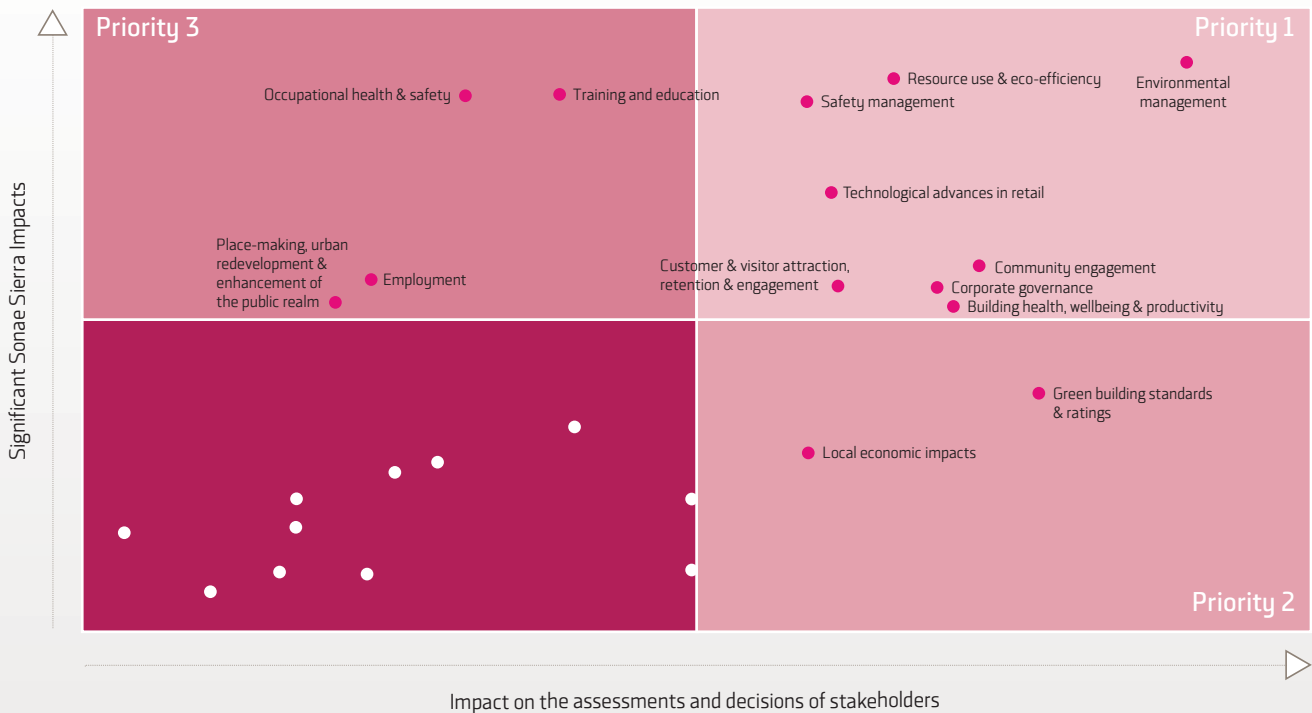
## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

The following materiality matrix maps each topic in terms of Sonae Sierra's significant impacts, and its ability to influence the assessments and decisions of our stakeholders.

- Priority 1** issues are those that represent both Sonae Sierra's most significant economic, environmental and social impacts and those that substantively influence the assessments and decisions of stakeholders.
- Priority 2** issues are those that substantively influence the assessments and decisions of stakeholders. Although they do not reflect Sonae Sierra's most significant impacts, they are nonetheless issues that are material to our stakeholders.
- Priority 3** issues are those that represent Sonae Sierra's most significant economic, environmental and social impacts – but don't necessarily have a significant impact on the assessments and decisions of stakeholders. We also consider these impacts important enough to require reporting on.

We have also identified a number of topics that did not score highly in the materiality assessment, but nonetheless have the potential to become a material topic in the long term, or are a high priority for individual stakeholder groups. For this reason, we will continue to monitor and report on our management approach with relation to sustainable procurement, human rights, diversity & equal opportunity and climate change.



## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

| Material topic  | Description of topic  | Corresponding GRI material topics   | Topic boundaries and limitations <sup>11</sup>   | How we manage the topic                             |
|---|---|---|--|---|
| <b>Priority 1</b>                                     |   |   |  |   |
| Environmental management                              | Efforts to monitor and reduce the environmental impact of our assets under ownership and development, covering site contamination, energy use, GHG emissions, water consumption and waste.  | Energy (GRI-302)<br>Water (GRI-303)<br>Emissions (GRI-305)<br>Effluents & Waste (GRI-306) | Sonae Sierra development projects, property and asset management for our owned portfolio.  | Safe People & Resource Resilience (pages 83 to 87)  |
| Resource use and eco-efficiency                       | Efforts to reduce the reliance of our owned portfolio and third party portfolios on natural resources through cost reduction programmes, efficiency improvements, alternative energy generation and reuse/recycling initiatives.                                    | Materials (GRI-301)<br>Energy (GRI-302)<br>Water (GRI-303)<br>Emissions (GRI-305)         | Sonae Sierra development projects, property and asset management for our owned portfolio, as well as the provision of property and development services for third parties.                   | Safe People & Resource Resilience (pages 93 to 107) |
| Safety management                                     | Efforts to protect and enhance the safety of all building users (contractors, tenants, suppliers and visitors) of our assets under ownership and development, and reduce building safety risks (such as fire prevention initiatives and emergency practice drills). | Customer health & safety (GRI-416)  | Sonae Sierra development projects, property and asset management for our owned portfolio.  | Safe People & Resource Resilience (pages 83 to 93)  |
| Technological advances in retail                      | Using digital technology to communicate with retail customers and analyse consumer behaviour, and adapting to general digital disruption in the retail sector.  | N/A   | Property management for our owned portfolio and property management services for third parties.  | Future Fit Retail (page 110)                        |
| Community engagement                                  | Engagement with local authorities, community groups and NGOs.   | Local communities (GRI-413)   | Sonae Sierra development projects and property management for our owned portfolio.   | Future Fit Retail (pages 114 to 115)                |
| Customer & visitor attraction, retention & engagement | Engagement with customers and visitors to help them live sustainable lives and delivering high levels of satisfaction through sustainability initiatives.   | N/A   | Property management for our owned portfolio and property management services for third parties.  | Future Fit Retail (page 109)                        |
| Corporate governance                                  | Processes to manage risks of bribery, corruption, anti-competitive behaviour, compliance and fiscal management, as well as wider non-financial aspects within the organisation and third party providers.   | Anti-corruption (GRI-205)   | All corporate and business unit activities.  | Corporate Governance (pages 57 to 60)               |
| Building health, wellbeing and productivity           | Ability to deliver buildings which support and enhance the health, productivity and wellbeing of users.   | N/A   | All corporate locations, Sonae Sierra development projects and property management for our owned portfolio, as well as the provision of property and development services for third parties. | Safe People & Resource Resilience (Pages 87 to 88)  |

## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

| Material topic  | Description of topic   | Corresponding GRI material topics      | Topic boundaries and limitations <sup>11</sup>   | How we manage the topic                            |
|---|--|--|--|--|
| <b>Priority 2</b>   |  |  |  |  |
| Green building standards & ratings                                    | Application of green building certification schemes such as LEED®, BREEAM, DGNB, as well as national or regional green building standards and rating systems, and management systems certified according to ISO 14001 and OHSAS 18001. | Marketing & labelling (GRI-417)        | Sonae Sierra owned developments, property and asset management, and the provision of development and asset management services for third parties.                          | Safe People & Resource Resilience (page 87)        |
| Local economic impacts  | Impact of asset management and development activities on the local economy (e.g. creating economic opportunities for local residents through jobs and apprenticeships, companies and contractors).                                     | Indirect economic impacts (GRI-203)    | Sonae Sierra owned developments, property and asset management at owned portfolio.   | Future Fit Retail (page 112)                       |
| <b>Priority 3</b>   |  |  |  |  |
| Training & education  | Training programs and upgrading employees' skills, regular performance and career development reviews.   | Training & education (GRI-404)         | All corporate operations.  | Knowledge (pages 121 to 123)                       |
| Occupational health & safety  | Workplace injuries, occupational diseases, absenteeism and work related fatalities.  | Occupational health & safety (GRI-403) | All corporate operations.  | Safe People & Resource Resilience (pages 92 to 93) |
| Employment  | Employee satisfaction rates, turnover and new hires.   | Employment (GRI-401)                   | All corporate operations.  | Knowledge (pages 117 to 119)                       |
| Place-making, urban redevelopment and enhancement of the public realm | Capitalising on a local community's assets, heritage and the provision of infrastructure and community amenities to create public spaces that contribute to people's health, happiness and wellbeing.                                  | N/A                                    | Sonae Sierra development projects, property and asset management for our owned portfolio, as well as the provision of property and development services for third parties. | Future Fit Retail (page 111)                       |

<sup>11</sup> Throughout this report, information about the scope and exceptions to the reported data is addressed specifically in the Data Qualifying Notes for each indicator. Unless otherwise stated, all performance data contained in this report includes all of Sonae Sierra's business activities in Europe and Brazil, but in the majority of cases excludes our activities in other countries like Algeria, Morocco, Colombia, Russia, Slovakia, Tunisia and Turkey where we do not own shopping centres in operation. Other exclusions include the environmental, safety and health performance of Pantheon Plaza and shopping centres that are managed but not owned by Sonae Sierra (i.e. shopping centres that we do not hold any shares in); the sustainability impact of our tenants unless otherwise stated (all our owned shopping centres contain units/facilities which are leased to our tenants; the impacts of these facilities, which are the impact of our tenants, are not all quantified in this report); development projects that are managed but not owned by Sonae Sierra; and the sustainability impact of our joint venture partners on development projects and our construction contractors.

## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

#### United Nations' Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDGs) are 17 goals that aim to end poverty, protect the planet and ensure prosperity for all by 2030. The goals cover areas such as sustainable communities, health, education, diversity, poverty, environmental protection and climate change.

The goals cover a number of topics that we do not have a direct impact on through our business model and core activities, we nonetheless support of the goals' objectives and seek to maximise our contribution to their objectives where material.

The following table highlights the most relevant Goals to our business, along with examples of the positive contribution we make through our activities.

| Sustainable Development Goals (SDGs) | How we contribute  | Further information  |
|--------------------------------------|--|--|
|                                      | Promote more sustainable lifestyles among shopping centre visitors and contribute to higher levels of employee resilience and productivity through improved health and wellbeing in our workforce.   | Customer attraction, <a href="#">page 109</a><br>Employee health and wellbeing, <a href="#">pages 92 to 93</a>   |
|                                      | <p>Promote environmental and social focused events with local communities, in particular local schools to provide educational opportunities including site visits.</p> <p>Continually support the professional development of our employees through a well-established education and training programme providing an array of different development opportunities.</p> | <p>Community engagement, <a href="#">pages 114 to 115</a></p> <p>Training and education, <a href="#">pages 121 to 123</a></p>  |
|                                      | Continually seek to promote gender equality and diversity within the company.  | Employment, <a href="#">pages 119 to 120</a>   |
|                                      | Increase the water efficiency of our assets, using innovation and technology to rethink how water is used and managed. Minimise water pollution through our Safety, Health & Environment Development Standards and monitoring of waste water discharges at our operational assets.   | Water, <a href="#">pages 101 to 104</a>  |
|                                      | Increase the energy efficiency of our assets and implement measures to increase our energy self-sufficiency as to reduce our reliance on fossil fuels.   | Energy, <a href="#">pages 93 to 95</a>   |
|                                      | <p>Support local economic development through job creation and skills development opportunities.</p> <p>Safeguard labour standards in our supply chain.</p> <p>Promote innovation and productivity in our company through improved work practices and operational efficiencies and employee engagement and training.</p>   | <p>Indirect economic impacts, <a href="#">pages 112 to 113</a></p> <p>Responsible procurement, <a href="#">page 86</a></p> <p>Employment, <a href="#">pages 121 to 124</a></p> |
|                                      | <p>Use innovation to reduce water and energy use across our owned portfolio and third party assets through our Bright and Dive projects.</p> <p>Encourage innovation across the whole supply chain to reduce materials consumption, and improve water and energy resilience.</p>   | <p>Water, <a href="#">pages 101 to 104</a></p> <p>Energy, <a href="#">pages 93 to 95</a></p> <p>Resource Resilience: Materials, <a href="#">page 107</a></p>                   |

## Sustainability statements (continued)

### OUR APPROACH (CONTINUED)

| Sustainable Development Goals (SDGs) | How we contribute   | Further information  |
|--------------------------------------|---|--|
|                                      | Design eco-efficient, attractive shopping centres that reduce resource consumption, serve the needs of the local population and enhance public space, local amenities and infrastructure in line with the planning requirements of local authorities and our own SHEDS. | Safety, health and environment management, <a href="#">pages 83 to 87</a><br>Place-making, urban redevelopment and enhancement of the public realm, <a href="#">page 111</a> |
|                                      | Improve the eco-efficiency of our assets focusing on energy, water and waste production.<br>Prohibit the use of materials which are known to have negative impacts on the environment and on the health and wellbeing of building occupants.                            | Environment, <a href="#">pages 93 to 107</a><br>Safety health and environment management, <a href="#">page 88</a>  |
|                                      | Reduce GHG emissions from our portfolio, integrate climate change risk adaptation procedures into our current risk management processes, design standards for new developments and operational procedures for existing assets.  | Emissions, <a href="#">pages 96 to 101</a>   |
|                                      | Minimise biodiversity loss on and around our existing assets and new projects by promoting the use of previously developed or brownfield land, and integrating biodiversity whenever possible.  | Biodiversity protection, <a href="#">page 106</a>  |
|                                      | Collaborate with industry partners, industry bodies and associations to promote and share best practice and innovation in tackling the sustainability challenges facing the industry.   | Stakeholder engagement, <a href="#">page 70</a>  |

## Sustainability statements (continued)

# SAFE PEOPLE & RESOURCE RESILIENCE

Safe People & Resource Resilience covers the management of safety and health risks and, the reduction of the environmental impacts, the improvement of the eco-efficiency and resilience of our operating assets, developments, expansion and refurbishment activities. It captures the value created for our investment partners and service clients – from legal compliance to long term asset value protection – by delivering sustainability related services, seeking sustainable building certifications and developing eco-efficient and resilient assets. It also emphasises the role Sonae Sierra can play in supporting eco-efficiency by providing a test bed to prove the viability of resource resilience initiatives within our own development and investment portfolio.

In practice, this means:

- Embedding resource resilience strategies and a best in class Safety, Health & Environment Management System (SHEMS) across all our corporate operations.
- Engaging with our partners to promote the uptake of our certified SHEMS and resource resilience initiatives across our development and investment portfolio.
- Encouraging our clients to implement safe people and resource resilience initiatives on their own assets by demonstrating the business case and delivering sustainability services.
- Positioning ourselves as experts in energy and water strategies for retail real estate assets.

### Material issues covered in this section:

- Safety, Health & Environment Management
- Customer health & safety
- Occupational health & safety
- Building health, wellbeing & productivity
- Green building standards & ratings
- Resource use and eco-efficiency

LE TERRAZZE  
La Spezia, Italy



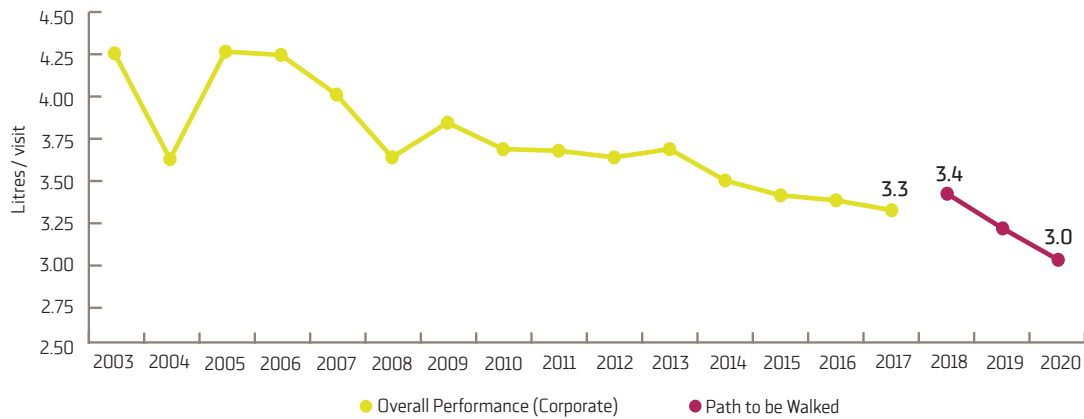
## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Performance summary

We have set a range of long term objectives to improve the safety, health and environmental performance of our owned portfolio and corporate operations. Our historical performance, and progress towards our safety, health and environment objectives is presented in the following charts.

#### Water efficiency (excluding tenants) of the owned portfolio (L/visit)



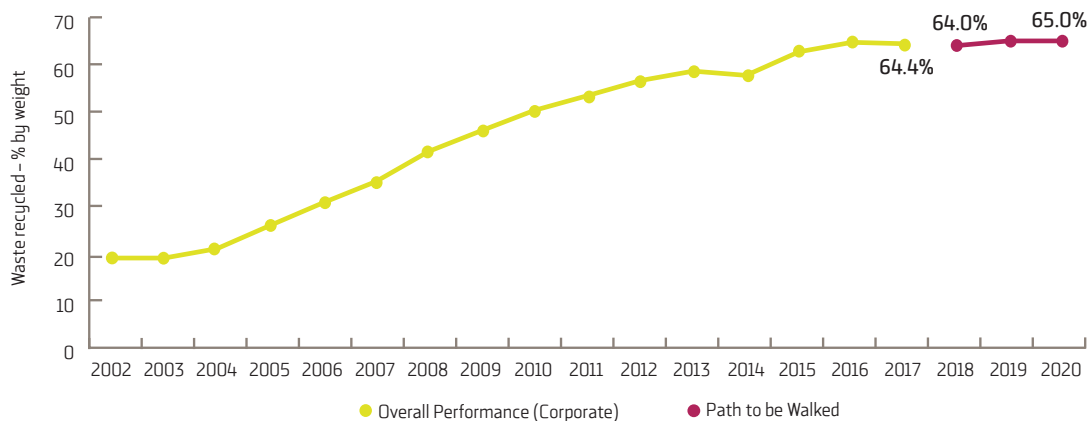
The water efficiency of our owned portfolio has improved by 23% since our baseline year of 2003. Our performance in 2017 puts us on track to achieve our long term water efficiency objective of 3.0 litres/visit by 2020.



#### Further references:

For more information, see [page 101](#).

#### Waste recycling as a proportion of waste produced (% by weight) of the owned portfolio



The proportion of waste that is recycled across our owned portfolio has increased by 239% since our baseline year of 2002. Our performance in 2017 puts us on track to achieve our long term objective to recycle 65% of total waste by 2020.



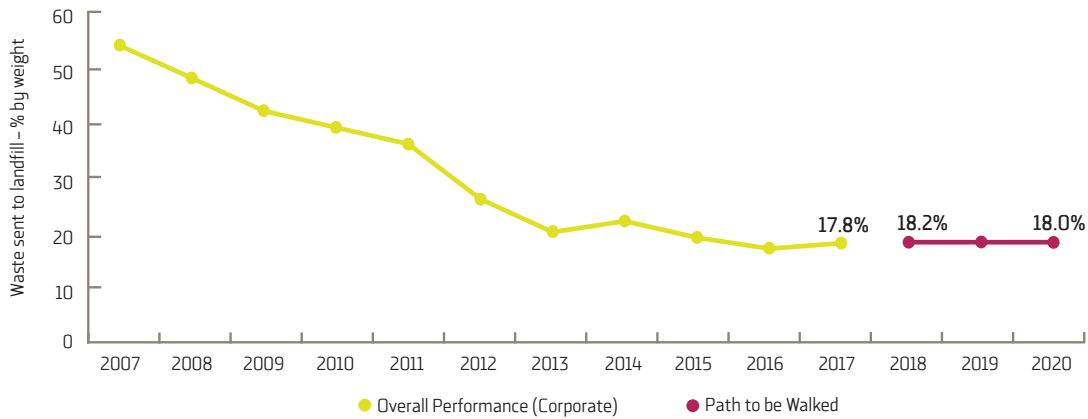
#### Further references:

For more information, see [page 104](#).

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Proportion of waste (by weight) that is sent to landfill (%) of owned portfolio



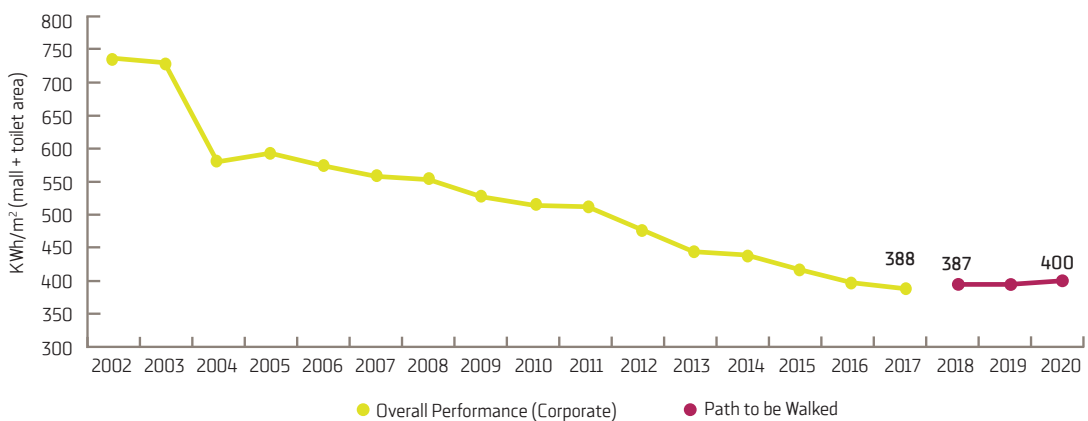
The proportion of waste that is sent to landfill across our owned portfolio has decreased by 68% since our baseline year of 2007. Our performance in 2017 means we have already met our long term objective to reduce the proportion of waste sent to landfill to 18% by 2020.



#### Further references:

For more information, see [page 104](#).

#### Electricity efficiency of the owned portfolio (kWh/m<sup>2</sup> mall and toilet area)



The electricity efficiency of our owned portfolio has improved by 47% since our baseline year of 2002. Our performance in 2017 means we have already met our long term electricity efficiency objective of 400 kWh/m<sup>2</sup> mall and toilet area by 2020.



#### Further references:

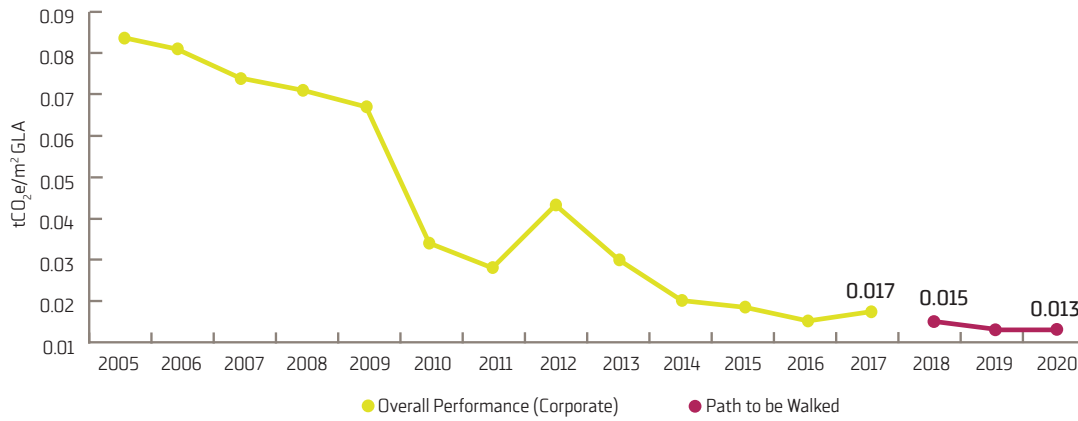
For more information, see [page 93](#).



## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### GHG emissions intensity (tonnes of CO<sub>2</sub>e/m<sup>2</sup> GLA)



The GHG emissions intensity (GHG emissions of owned portfolio and corporate offices (protocol scopes 1 and 2, plus business air travel) per m<sup>2</sup> of GLA) has improved by 79% since our baseline year of 2005. Our performance in 2017 puts us on track to achieve our long term objective of 0.0126 tonnes of CO<sub>2</sub>e/m<sup>2</sup> GLA.



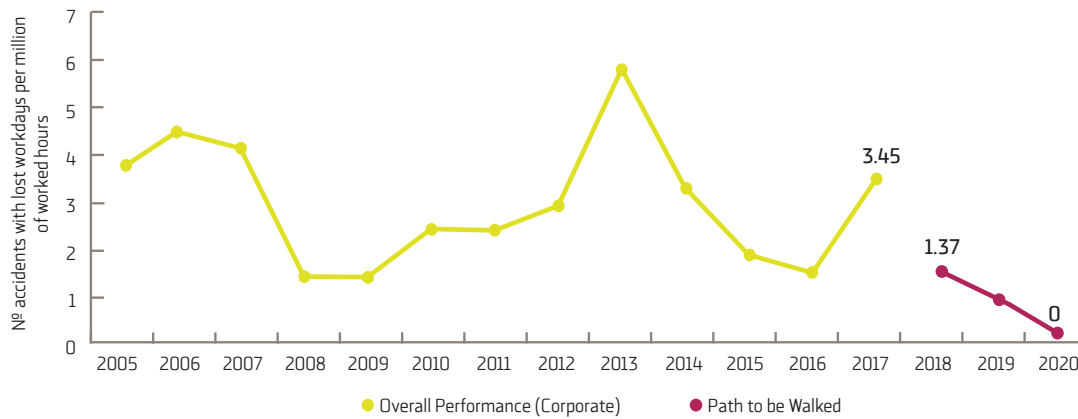
#### Further references:

For more information, see [page 96](#).

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Accidents rate (LWCAFR) among workforce<sup>12</sup>



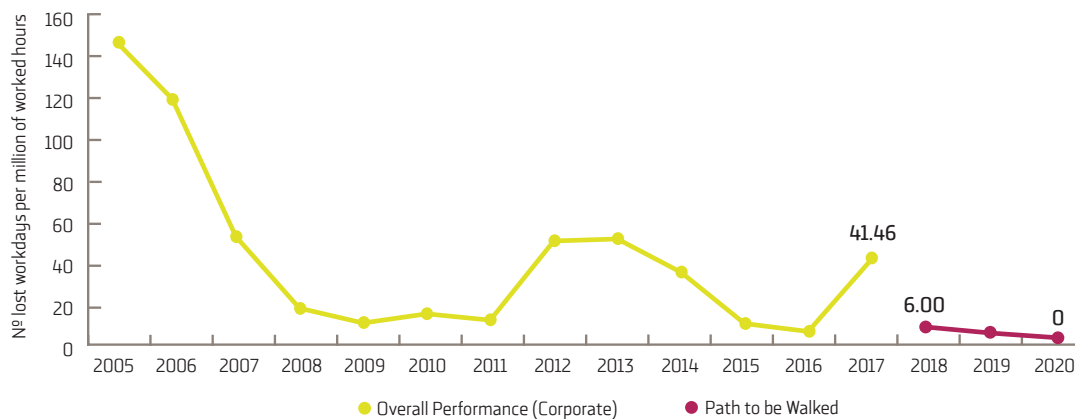
The rate of workforce injuries resulting in lost workdays has reduced by 4% since our baseline year of 2005. The fluctuations in our performance emphasise the importance of continuously engaging with our workforce to promote the adoption of safer behaviour as we target an accidents rate among our workforce of zero.



#### Further references:

For more information, see [page 92](#).

#### Accidents Severity Rate (ASR), among workforce<sup>13</sup>



The severity of workplace accidents has reduced by 72% since our baseline year of 2005. The majority of lost workdays are due to *in itinere* incidents, and our performance stresses the importance of remaining vigilant to their causes as we pursue a severity rate of zero.



#### Further references:

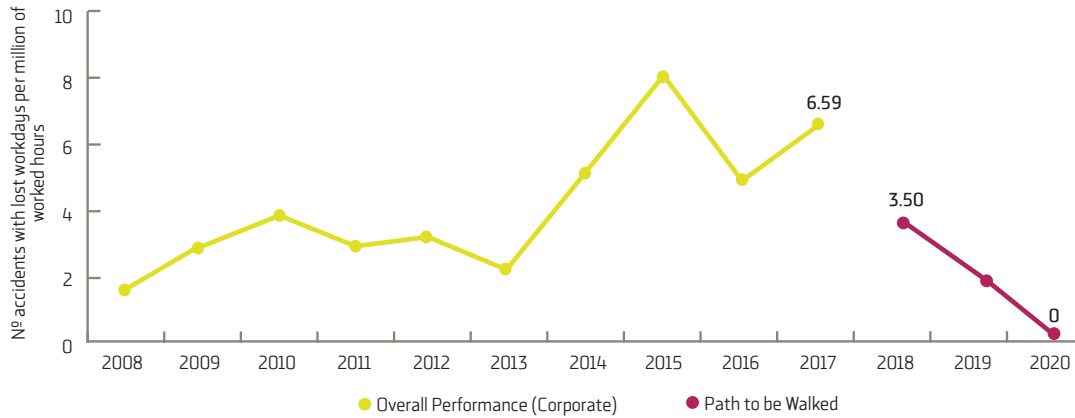
For more information, see [page 92](#).

<sup>12</sup> The LWCAFR is the number of accidents resulting in one or more lost workdays per million worked hours by Sonae Sierra workforce (direct employees and supervised workers).  
<sup>13</sup> The ASR is the number of lost workdays of accidents per million worked hours by Sonae Sierra workforce (direct employees and supervised workers).

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Accidents rate (LWCAFR) among suppliers, of our owned portfolio<sup>14</sup>



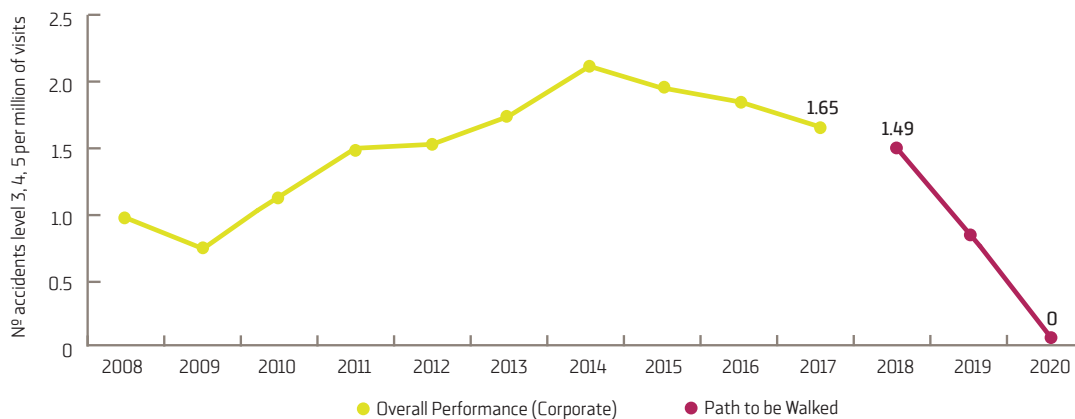
The rate of injuries resulting in lost workdays among service suppliers in our owned portfolio has increased from 1.39 in 2008 (our baseline year) to 6.59 in 2017. We continuously engage with our suppliers through a wide variety of initiatives to promote the adoption of safe behaviour as we pursue our long term objective to achieve an accidents rate among suppliers of zero.



#### Further references:

For more information, see [page 91](#).

#### Level 3, 4 and 5 accidents rate, of our owned portfolio<sup>15</sup>



The number of level 3, 4 and 5 accidents per million visits to our shopping centres has increased from 1.0 in 2008 (our baseline year) to 1.65 in 2017. The majority of accidents are due to slips, trips and falls, and we promote physical and awareness-raising measures among shopping centre visitors to support our long term objective to achieve a zero rate among this type of accidents.



#### Further references:

For more information, see [page 89](#).

<sup>14</sup> The LWCAFR is the number of accidents resulting in one or more lost workdays per million worked hours by our service suppliers.

<sup>15</sup> Number of accidents of level 3, 4 and 5 among tenants, service suppliers and visitors per million visits. Level 3, 4 and 5 accidents are defined as those resulting in medical assistance, lost workdays/life disruption and fatality/permanent disability, respectively.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Safety, health and environment management

Our Safety, Health and Environment (SHE) Policy establishes our responsibility to conduct our activities so that risks towards people, assets and ecosystems are minimised, and benefits are enhanced. The Policy is supported by our fully integrated and certified Safety, Health and Environment Management System (SHEMS) which sets out the framework by which we manage our impacts, reduce our safety risks and improve our performance in relation to our assets and projects under development.

The SHEMS is based on a cyclical approach that involves planning, implementing, monitoring and reviewing to ensure continuous improvement covering the safety, health and environmental impacts across all stages of our business cycle for assets which Sonae Sierra owns or manages. It is based on the international standards ISO 14001:2015 and OHSAS 18001:2007 and was recertified by Lloyds Quality Register Assurance according to both of these standards in 2011, 2014 and again in 2017.

As our business strategy evolves, we have developed guidelines to ensure that we apply a consistent approach across all our activities to address all possible situations. In particular, we agree with our partners and clients the best approach and strategy to meet their needs and the local market standards always aiming for the best solutions. If partners do not agree to implement our fully certified SHEMS, we implement a simplified SHEMS which includes critical SHE procedures and guarantee compliance with applicable laws governing health, safety and environment.

#### CRE6

We operate an annual audit programme to systematically audit our SHEMS at corporate and at site levels, covering all our owned shopping centres and projects under development which implement our SHEMS in full. In 2017, the percentage of the organisation operating in compliance with an internationally recognised health and safety management system was 47%.

|  | Direct Employees | Supervised Workers | Independent Contractors |
|--|------------------|--------------------|-------------------------|
| <b>Total workforce and Independent Contractors</b>   | <b>1,061</b>     | <b>44</b>          | <b>11</b>               |
| Total number of direct employees, supervised workers and independent contractors, externally verified to be operating in compliance with OHSAS 18001 | 495              | 3                  | 8                       |
| Percentage   | <b>47%</b>       | <b>7%</b>          | <b>73%</b>              |
| Total number of direct employees, supervised workers and independent contractors, internally verified to be operating in compliance with our SHEMS   | 999              | 9                  | 11                      |
| Percentage   | <b>94%</b>       | <b>20%</b>         | <b>100%</b>             |

**Data Qualifying Note:**  
This indicator includes all Sonae Sierra direct employees, supervised workers and independent contractors at the end of the reporting period.

#### Safety, health and environment management across all stages of the asset lifecycle

##### Pre-Development

During the new business phase of our own projects, Environmental Due Diligence and Environmental Impact Studies are undertaken so that we can understand the potential liabilities that sites may contain (such as contaminated land or materials) and any potential negative environmental impacts associated with the project. We include in development budgets the investments required to eliminate or mitigate any identified issues. In circumstances where we provide development services, Environmental Due Diligence and Environmental Impact Studies are conducted with the client's agreement.

Prior to the commencement of construction or refurbishment works, and with the agreement of our partners, design teams consider our SHEDS (explained below) during the concept and architectural development phase of all our new shopping centres, refurbishments or expansion projects.

## Sustainability statements (continued)

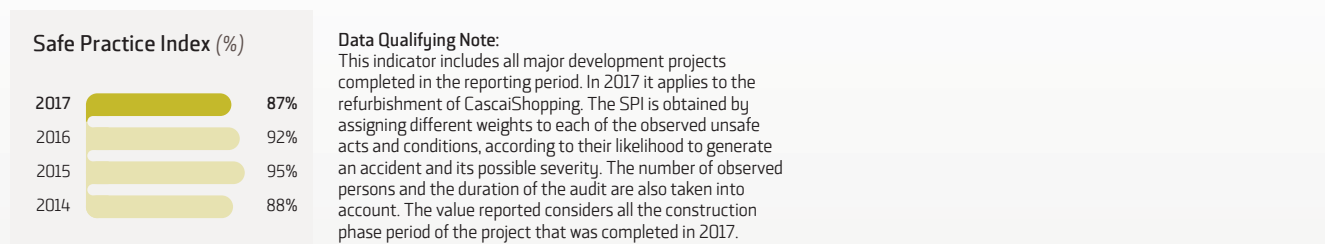
### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Development, expansions and refurbishments

Our projects under development are required to ensure that SHE risks and characteristics unique to each site are managed adequately. We apply our Safety, Health and Environment Development Standards (SHEDS) in agreement with our partners to guarantee effective risk management from the outset of each shopping centre's development and into the operations phase, targeting our long term priorities and critical impacts. The SHEDS have been developed with reference to our own experience; best available techniques; international certification schemes such as LEED® and BREEAM and internationally recognised safety standards such as the National Fire Protection Association (NFPA) and European safety standards. The implementation of the standards is checked through a final audit carried out by a third party. Compliance with local SHE regulations is also verified by competent authorities prior to opening as part of the licensing procedure for new shopping centres.

During the construction phase, we aim to achieve excellent safety standards by defining strict procedures that exceed those which are required by law. With our partners' agreement, we require all new shopping centre development projects, expansions and refurbishment works to implement either a site-specific SHEMS and achieve certification in accordance with the OHSAS 18001 and ISO 14001 standards for the entire construction phase, or implement a simplified Safety, Health and Environment Management Plan (SHEMP) which does not require external certification according to OHSAS 18001 and ISO 14001.

We use the SPI audit tool to assess and improve safety conditions on our construction sites. The SPI measures the level of adherence to Sonae Sierra's S&H requirements as construction works evolve. The higher the index, the higher the level of safety awareness amongst the construction workforce.



On developments managed through a joint venture where our partners do not agree to implement our SHEDS in full, we engage with them to decide whether to implement elements of our SHEDS beyond the minimum legal requirements. In the event that our partner does not wish for us to implement our fully certified SHEMS, we still make sure that we comply with legislation in relation to both the construction works and building regulations of the relevant country.

#### Property and Asset Management

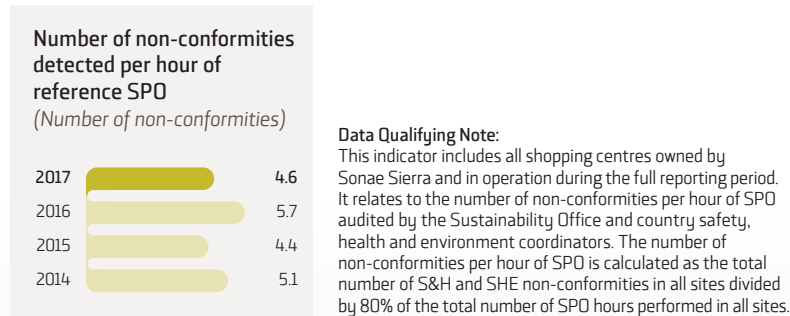
We apply our fully certified SHEMS in agreement with our partners to manage the main environmental impacts and safety and health risks during the operational phase of a shopping centre. We monitor and manage the performance of owned operational shopping centres operating under our full SHEMS with respect to energy; water; waste and safety and health, and identify further improvements that need to be made to optimise the buildings' environmental performance and reduce safety and health risks. Our energy and water metering strategy in place in some shopping centres, for example, is designed to ensure effective sub-metering with connection to each centre's building management system, which allows us to have a better control of these utilities' use.

The full SHEMS sets out procedures to guarantee the safety of all building users and good environmental management. We also operate a corporate risk matrix that is used by centres to create a tailored risk matrix based on the S&H risks to people. This includes defined procedures for routine activities, non-routine activities (such as fit outs and improvements to tenant units) and emergency procedures. Any issues identified by these procedures are followed-up and corrective actions are taken. Where our SHEMS is implemented in full, we also provide tenant training on SHE issues, include SHE issues in tenant assembly meetings, and encourage tenants to actively participate in the shopping centres' SHE management. Campaigns and awareness raising events such as posters and presentations support these efforts by helping to raise awareness of the safety and health risks building users face.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

We monitor and evaluate SHE performance on a regular basis using tools such as SHE Preventive Observations (SPO), emergency drills and SHE inspections and following-up on any non-conformities detected (covering safety-related equipment and installations in tenant units and technical areas). SPOs are a form of process review carried out in our shopping centres to observe workers, detect any instances of behaviours that present safety and health risks or environmental impacts and engage with the person(s) involved to make them more aware of SHE risks. In 2017 we performed 6,658 hours of SPO across our shopping centres (including some of those which we manage on behalf of others) and corporate offices. As SPOs allow us to identify and correct behaviour which could potentially lead to incidents they are an important part of our incident prevention strategy. The number of non-conformities detected fell by 19% compared with 2016, mainly influenced by the results of Italy and Spain.



In shopping centres owned by Sonae Sierra, but where our partners don't agree to apply our fully certified SHEMS, we implement critical SHE procedures to guarantee incident prevention and ensure compliance with applicable safety, health and environmental legislation, as well as SHE induction training for tenants and the inclusion of SHE issues in some management meetings.

In cases where we provide shopping centre property management services to clients, we do not systematically apply our SHEMS because this falls outside the boundaries of our responsibility. However, we make sure that we monitor and comply with applicable legislation. With our long term experience in managing safety, health and environmental impacts, we are in an excellent position to provide additional services, such as alignment with ISO 14001, OHSAS 18001, and green building certifications such as BREEAM when these services are specifically agreed to by our clients.

#### Investment

Environmental and Safety & Health Due Diligences are implemented upon the acquisition of existing shopping centres with the agreement of our investment partners, and the assets' operational performance is benchmarked against other shopping centres in our portfolio to identify the level of investment needed to bring them up to our standards. In agreement with our partners, we integrate specific investment initiatives into existing shopping centre's investment plans to ensure that we improve their safety, health and environmental performance. These include environmental protection measures; in particular efforts to reduce energy and water use and improve waste recycling and landfill diversion, as well as efforts to address potential safety and health liabilities

#### Monitoring our performance

Our SHEMS includes a Report, Performance Measurement and Monitoring procedure to track our SHE performance on a regular basis. A series of tools and applications exist to assist the monitoring and reporting tasks. Our online management system, called the SHE Portal, provides a streamlined SHE management process and helps to ensure data accuracy by holding all data in one central platform which is accessible to all our staff.

Data collection, target tracking and monitoring for energy, water, waste and safety and health is managed through this database which allows all shopping centre management teams at our owned assets to input SHE performance data and generate reports that can be used to compare performance across Sonae Sierra's portfolio and to set annual targets to improve performance. Performance results are reported on a timely basis to the Sustainability Steering Committee, Executive Forum and Board of Directors. SHEMS implementation results are evaluated annually as part of our management review process to ensure continuous improvement.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

We have established an Incident Report and Investigation procedure to report, investigate, communicate and act to prevent SHE incidents across all our shopping centres and corporate locations – regardless of the level of the SHEMS they have implemented. Its main purpose is to implement corrective and preventive measures that are effective in avoiding similar situations that can lead to further accidents. Follow up actions depend on the severity of the incident but include the communication of the incident; its investigation; the determination of its root cause; the definition of proper corrective and preventive measures, and also the communication of learning points throughout the organisation.

The majority of incidents recorded under this procedure cover safety and health incidents. Please see 'Workforce Health and Safety' (pages 92 to 93) and 'Customer Health and Safety' (pages 89 to 90) for more information on our performance in these areas. We also have a Non-conformities, Preventive and Corrective Actions procedure in place to:

- Identify and record actual and potential non-conformities.
- Implement correction measures to minimise their consequences.
- Analyse non-conformity causes.
- Define corrective or preventive actions and review their effectiveness.

### Environmental accounting

#### GRI 302-4 & 305-5

Sonae Sierra's Environmental Accounting (EA) model details the economic and environmental benefits resulting from the implementation of our SHEMS across eight environmental domains. The model allows us to estimate the economic effort and resulting benefits from more than just complying with legal requirements. The EA is structured by environmental domain, and the presented figures include all shopping centres owned by Sonae Sierra in operation for the current reporting year.

Significant actions are defined as actions that bring environmental and economic benefits to the organisation, producing relevant effects throughout the asset and/or equipment operating period. Actions are classified as intangible (where we know the amount invested but it is not possible to calculate the economic and environmental savings associated) and tangible (where we know both the investment and the associated environmental and economic benefits). In 2017, Sonae Sierra was able to avoid 26,150 tCO<sub>2</sub>e and 51,790 GJ of energy as a result significant actions implemented in 2017 and previous years (25,940 tCO<sub>2</sub>e and 6,847 GJ as a result of actions implemented only in 2017).

| Domains   | Intangible Significant Actions                      |                               | Tangible Significant Actions                        |                               |                            |  |  |   |  |   |
|---|---|-------------------------------|---|-------------------------------|----------------------------|--|--|---|--|---|
|   | Expenditure (eligible for Environmental Accounting) | Number of Significant Actions | Expenditure (eligible for Environmental Accounting) | Number of Significant Actions | Economic benefit           |  | Environmental benefit                      |   |  |   |
|   |   |                               |   |                               | Potential Yearly Savings € | Reduction of water consumption (m <sup>3</sup> ) | Reduction of electricity consumption (kWh) | Reduction of CO <sub>2</sub> emissions (tonnes CO <sub>2</sub> e) | Reduction of waste sent to final disposal (tonnes) | Increase of waste sent to valorisation (tonnes) |
| Air   | -   | -                             | -   | 1                             | -                          | -  | -  | 25,790  | -  | -   |
| Health and wellbeing  | €51,000   | 9                             | -   | -                             | -                          | -  | -  | -   | -  | -   |
| Energy  | €419,000  | 23                            | €458,000  | 10                            | €275,000                   | -  | 1,902,000                                  | 150   | -  | -   |
| Water   | €49,000   | 10                            | -   | -                             | -                          | -  | -  | -   | -  | -   |
| Wastewater  | €17,000   | 3                             | -   | -                             | -                          | -  | -  | -   | -  | -   |
| Waste   | €151,000  | 11                            | -   | -                             | -                          | -  | -  | -   | -  | -   |
| Environmental management activities                               | €260,000  | 89                            | -   | -                             | -                          | -  | -  | -   | -  | -   |
| <b>Total from the year</b>  | <b>€947,000</b>                                     | <b>145</b>                    | <b>€458,000</b>                                     | <b>11</b>                     | <b>€275,000</b>            | <b>-</b>   | <b>1,902,000</b>                           | <b>25,940</b>   | <b>-</b>   | <b>-</b>  |
| <b>2017 benefits from significant actions from previous years</b> |   |                               |   | <b>99</b>                     | <b>1,837,000</b>           | <b>99,000</b>                                    | <b>12,484,000</b>                          | <b>210</b>  | <b>18</b>  | <b>8</b>  |

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Green building standards and ratings

Our full SHEMS is based on ISO 14001 and OHSAS 18001 standards and applies to all construction sites and owned shopping centres where our partners have agreed to its implementation. It is part of our policy to seek third party audit and certification of the SHEMS for these projects.

For all our own new development projects, major expansions and refurbishments we also encourage our partners to target BREEAM Good, LEED® Silver or DGNB Bronze certification, and teams are able to select the certification that best helps them achieve their goals. By applying sustainable design standards, we can prepare for new and emerging environmental regulations and industry expectations, whilst ensuring that our shopping centres are more attractive to investors and occupiers.

#### CRE8

To date, we have achieved ISO 14001 certifications for the site-level SHEMS of 26 completed construction projects and 42% of our operational shopping centres. We have also obtained OHSAS 18001 certifications for 10 completed construction projects and 38% of our operational shopping centres, and green building certificates for 7 developments and operational shopping centres.

| Number of sustainability certifications achieved at shopping centres currently owned |           | Number of sustainability certifications achieved to date |             |           |           |                        |            |
|--|-----------|--|-------------|-----------|-----------|------------------------|------------|
| Certification  | Number    | ISO 14001  | OHSAS 18001 | EU EPC    | DGNB      | BREEAM / BREEAM in-use | UNE 170001 |
| ISO 14001 Certification  | 20        |  |             |           |           |                        |            |
| OHSAS 18001 Certification  | 18        |  |             |           |           |                        |            |
| BREEAM In-use  | 5         |  |             |           |           |                        |            |
| UNE 170001-2   | 8         |  |             |           |           |                        |            |
| <b>TOTAL</b>   | <b>51</b> |  |             |           |           |                        |            |
|  |           | <b>Operations (owned shopping centres)</b>               | <b>49</b>   | <b>44</b> | <b>36</b> | <b>N/A</b>             | <b>5</b>   |
|  |           | <b>Developments</b>                                      | <b>26</b>   | <b>10</b> | <b>-</b>  | <b>1</b>               | <b>10</b>  |

#### Data Qualifying Note:

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the reporting period, all development projects to date, and all shopping centres that achieved a certification under Sonae Sierra's ownership but are no longer owned by the company.

#### GRI 417-1 & 417-2

Under the European Union's Energy Performance of Buildings Directive we are required to ensure that all our assets undergoing major renovations meet minimum energy performance requirements; and that Energy Performance Certificates (EPCs) must be shared with prospective buyers and tenants of a building. We are meeting these requirements in each EU member state that we operate in, and by the end of 2017 EPCs were in place across 92% of our European portfolio.

During 2017 we received one incident of non-compliance with regulations resulting in a warning from the National authority of Civil Protection at Estação Viana Shopping in Portugal.

#### Building health, wellbeing and productivity

We have a set of policies and procedures to mitigate environmental and end user human health and wellbeing impacts during all stages of the lifecycle, including the design of new assets and the redevelopment of existing assets.

Our full SHEMS, for example, includes a procedure to guarantee that acceptable indoor air quality is maintained across our certified shopping centres (and a similar procedure exists for our offices). This involves conducting regular monitoring of critical air quality indicators, including volatile organic compounds (VOC) emissions; and periodic indoor air quality audits which cover a range of different parameters. We also have an ergonomic procedure in place and we implement ergonomic assessments. In addition, our SHEDS prohibit the use of materials which are known to have negative impacts on the environment and on the health and wellbeing of building occupants.

Additional procedures for Legionella control apply to all owned shopping centres and corporate offices regardless of their SHEMS implementation. They guarantee the use of the best equipment for Legionella control and the ongoing monitoring of indoor air quality parameters. Cooling towers, for example, must be made from materials that are corrosion resistant; must not contribute to microbiological growth; must be easy to clean; and should entail drip eliminator devices.



## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Process to identify and evaluate occupational safety and health risks to our workforce and building users

Our SHEMS includes a transversal procedure to identify and evaluate S&H hazards and risks to Sonae Sierra's stakeholders. The evaluation is made for all activities covering offices, shopping centres in operation and development projects and through which we identify the potential consequences to people, identifying both injuries (e.g. cuts, burns etc.) and occupational diseases (e.g. musculoskeletal disorders, hearing loss etc.).

As we evaluate a hazard we have to consider existing control measures and deficiencies, the periodicity/probability of the hazard's occurrence and its potential severity. Any non-acceptable risks that are identified must result in the implementation of additional risk control measures until the risk is classified as acceptable. Examples include:

- In our shopping centres, we have identified that the inspection and testing of emergency generators could cause loss of hearing capacity. To avoid this, we have implemented several controls such as short term worker exposure to noise, regular noise measurements and communication of results, and the mandatory use of suitable hearing protectors;
- In our offices, we have identified the possibility of musculoskeletal disorders from handling air conditioning units for maintenance. To avoid this, we provide mechanical transportation equipment, training on its use and regular inspections to ensure it is being used properly.

All S&H hazards and risk matrices are validated by qualified technicians (or safety & health coordinators in development sites) and then approved by the respective site manager. Additionally, in all countries where this is demanded by law, an occupational doctor also provides follow-up and feedback to Sonae Sierra employees in regular consultations and evaluates each employee's workstation to avoid any future occupational disease.

Regarding shopping centres under development, we have acknowledged that the task of identifying the number of workers that are exposed to a specific risk at a specific moment is extremely complex due to site specific factors, and that the time and effort required for this identification will not produce relevant benefits to Sonae Sierra. Instead, we focus most of our efforts on ensuring that all existent risks in each construction site have proper control measures in place. Workers on construction sites are most exposed to noise, vibration, dust and working with concrete. Knowing this, and to minimise the associated risks, measures including worker rotation, awareness raising and the use of personal protective equipment have been implemented.

In shopping centre management activities the risks of serious occupational diseases are less extensive than in development. However, we have identified eleven occupational diseases relevant to service suppliers. Examples include tendonitis, loss or reduction of hearing capacity and Raynaud's phenomenon. The stakeholders that are most exposed to these risks include maintenance and cleaning service suppliers.

#### Procedures for the procurement, transport, handling, use and disposal of all hazardous materials

When our partners agree to implement our full SHEDS, there is a specific requirement included in the design team and contractors' service agreements which prohibits the use of certain hazardous materials and substances (as defined by Sonae Sierra) throughout the construction works.

During construction works under our control, the use and disposal of hazardous materials is controlled by the implementation of our SHE procedures for development; namely the SHEMS if partners agree to seek OHSAS 18001 and ISO 14001 certifications for the construction works, or the SHEMP when certification is not required. The on-site S&H coordinators and development teams maintain a record of hazardous materials which come onto the site and are disposed of from the site.

During the operations phase and within corporate offices, our SHEMS includes a procedure that sets out the main safety recommendations for handling hazardous products, including the hazard characteristics of products, the labelling rules, storage incompatibilities and recommended protective measures. These are supported by posters to raise awareness among service suppliers around the correct storage and handling of these products. Where possible, we work with service suppliers to replace hazardous products with less hazardous alternatives that share similar characteristics.

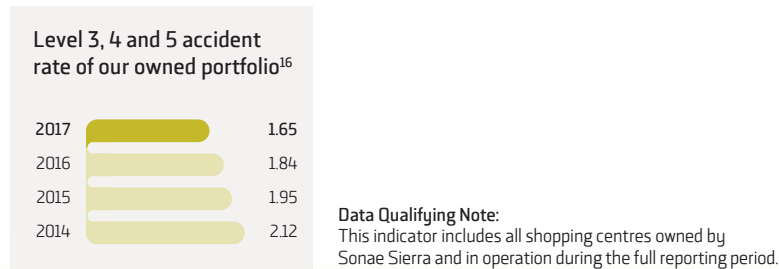
## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Safety & Health

##### Customer Health & Safety

We work to provide a safe environment for everyone who visits or works within Sonae Sierra shopping centres, aiming towards zero accidents, and to promote safety and health conscious behaviour among our tenants and visitors. We monitor progress towards this goal by tracking the level 3, 4 and 5 accident rate in our owned shopping centres. Although we did not achieved our target of a 20% reduction compared to 2016, we did achieve a 10% reduction and reported a decrease in the number of incidents across all stakeholder groups except service suppliers.



In addition to the policies and practices outlines under Safety, Health and Environment Management (above), we regularly monitor visitor safety risks and organise awareness campaigns to promote safe behaviour in our owned shopping centres. Examples include Safety and Health Days, school visits and shopping centre tours.

The majority of incidents involving visitors include falls at the same level and escalator and traveller accidents. Between 2013 and 2015 we conducted several studies in Portugal and Spain to identify the areas with the highest risks of slips. As a result, we have implemented a range of anti-slip measures including anti-slip treatment to floors and travellers, additional matting near entrances and training for cleaners.

If necessary we work with our suppliers to put in place preventive measures. For example, we developed a protective handrail in cooperation with the escalator manufacturer Schindler Portugal. The handrail was developed in response to a number of accidents involving children on escalators at shopping centres not owned by Sonae Sierra. So far, handrail protectors have been rolled out across all our owned shopping centres in Portugal (with the exception of CC Continente de Portimão) Brazil, Germany, Italy (with the exception of Freccia Rossa), Spain and ParkLake in Romania.

At Cascai Shopping we launched an educational campaign with the manufacturer Tyssen to reduce the number of accidents following a 233% increase between 2015 and 2017. Many of these accidents were due to the incorrect use of the equipment, so the campaign was targeted at children with the intention of teaching them about how to use escalators safely. The campaign, called 'Up and Down', took place next to the escalators closest to the centre's playground, and featured an interactive game where children had to answer questions correctly before proceeding to the next level. The campaign ran over two weekends in October and November 2017 with more than 500 children taking part on one weekend alone, and we are exploring the feasibility of rolling it out to other centres in our portfolio that have experienced similar increases in the number of accidents.

<sup>16</sup> Number of accidents of level 3, 4 and 5 among tenants, service suppliers and visitors per million visits. Level 3, 4 and 5 accidents are defined as those resulting in medical assistance, lost workdays/life disruption and fatality/permanent disability, respectively.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### GRI 416-2

Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their lifecycle, by type of outcomes

| Country      | Incidents of non-compliance with regulations resulting in a fine or penalty | Incidents of non-compliance with regulations resulting in a warning | Incidents of non-compliance with voluntary codes |
|--------------|---|---|--|
| Portugal     | -   | 3   | -  |
| Brazil       | -   | 7   | -  |
| Romania      | -   | 7   | -  |
| Spain        | -   | -   | 2  |
| <b>Total</b> | <b>-</b>  | <b>17</b>   | <b>2</b>   |

| Country      | Number of dangerous occurrences, reportable injuries and fatalities to non-workers on or off a site or assets as a result of non-compliance with regulation and voluntary codes |
|--------------|---|
| Portugal     | 422   |
| Brazil       | 109   |
| Germany      | 8   |
| Italy        | 15  |
| Romania      | 4   |
| Spain        | 60  |
| <b>Total</b> | <b>618</b>  |

**Data Qualifying Note:**

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the reporting period, and all shopping centres managed but not owned by Sonae Sierra during the reporting period.

The security of our shopping centres is an issue we take extremely seriously. The most common security risks we face are non-violent incidents such as thefts, but since 2008 we have worked with an external specialist to develop our procedures in response to the threat of a terrorist attack. Individual shopping centre procedures are linked to national and local threat levels assigned by the authorities in the countries where the centres are located, and these levels define the appropriate steps shopping centres must take to reduce the threat.

As a response to the evolving nature of the terrorist threat, in 2015 we refined our emergency operations plan which sets out the procedures tenants, service suppliers and employees must follow in the event of a terrorist attack. We have communicated the procedures to our tenants and provided training for employees and service suppliers across our Portuguese, Spanish and Italian portfolio, and in 2016 we conducted drills across our assets in these countries to test the procedures and response rate. In Portugal we have worked with local police authorities to provide appropriate training on the plan for our tenants, starting in Lisbon, before rolling it out to the whole of Portugal during 2018.

The procedures have been communicated to tenants, service suppliers and shopping centre staff across our portfolio in all geographies and we plan to conduct drills across all shopping centres in 2018. In addition to enforcing the expected behaviours, the drills provide an opportunity to test our security measures and identify improvements.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Supplier Safety & Health

Our Service Suppliers Management Procedures for Development and Property Management define the various steps that should be followed from the pre-selection and bidding process through to contract closure and post-contract evaluation. Our Developments, Development Services and Property Management businesses have integrated the requirements of Sonae Sierra's SHEMS into their Service Suppliers Management Procedures, so that these are set up in a way to ensure that our main suppliers' performance meets with Sonae Sierra's SHE requirements.

Within the scope of these procedures, all contracts with critical suppliers must include SHE clauses, and sub-contractors have the same level of SHE requirements as contractors. If no formal contracts are signed, then the service supplier must sign a 'Warranty Declaration' to guarantee that SHE requirements will be met. We have also established SHE regulations for service providers which include, for example, the obligation for suppliers to adopt protective measures to minimise risks that workers are exposed to. Compliance with these regulations is checked during work supervision and for long term contracts (including contractors from construction sites) S&H performance is evaluated during works execution.

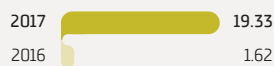
In agreement with our partners, all new shopping centre development projects must implement a site-specific SHEMS and achieve certification in accordance with the OHSAS 18001 standard for the entire construction phase, or implement a simplified SHEMP if they decide not to pursue certification. Contractors cannot begin any activity without the validation of this document by the site's S&H coordinator and Sonae Sierra's prior approval.

Each of our development projects has a full time S&H coordinator to validate contractors' risk assessments and, if necessary, establish additional control measures. The S&H coordinators and outsourced project management teams carry out permanent S&H supervision and planning on construction works identifying and correcting unsafe actions wherever necessary.

Regular meetings and annual training sessions with our security, maintenance, cleaning and waste suppliers discuss common issues and highlight basic housekeeping procedures that help reduce safety risks. We also carry our emergency practice drills at all owned shopping centres, and in 2017 conducted on average 2.3 such drills across our shopping centres and corporate offices covering evacuations, fire, gas leakages, flood, explosions, spills and security threats.

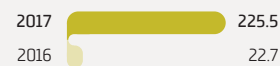
We monitor our performance by tracking the Accidents Rate (LWCAFR) and the Accidents Severity Rate (ASR) among suppliers in all our owned shopping centres (see [page 41](#) and [page 89](#)) and construction sites (below). We investigate the cause of all incidents and communicate these across the Company so that lessons can be learned to avoid repeat occurrences. This is done through 'Alerts', a communication tool that is used during the construction and operational phases of our owned shopping centres.

#### Accidents rate (LWCAFR) among suppliers, on construction sites<sup>17</sup>



**Data Qualifying Note:**  
This indicator includes all major development projects completed in the reporting period.

#### Accidents Severity Rate (ASR) among suppliers, on construction sites<sup>18</sup>



**Data Qualifying Note:**  
This indicator includes all major development projects completed in the reporting period.

Our contracts with service suppliers include requirements to make sure that pre-opening testing of new developments and training on new equipment is performed so as to make sure that teams are trained to deal with all systems' capabilities and functionalities. Decommissioning takes place within the scope of our SHE and maintenance procedures, which make sure that the efficiency of shopping centre systems is closely reviewed and that investments are proposed to upgrade equipment where applicable.

<sup>17</sup> The LWCAFR is the number of accidents resulting in one or more lost workdays per million worked hours by service suppliers working on construction sites.

<sup>18</sup> The ASR is the number of lost workdays of accidents per million worked hours by service suppliers working on construction sites.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Workforce Safety & Health

Safety and health incidents occurring in the workplace can cause harm to workers and expose companies to risks such as reputational damage, fines and, in the case of construction and building works, delays on projects. On the other hand, a progressive approach to S&H can help to protect people, reduce insurance costs, reduce staff absence and enhance a company's reputation.

#### GRI 403-2

Our goal is to enhance the wellbeing of our workforce and reduce the rates and severity of workplace accidents and occupational diseases, aiming towards zero. We monitor our progress by tracking the injuries, occupational diseases, lost days and absenteeism among our employees, and the total number of work-related fatalities. In 2017, we saw an increase in the injury rate (LWCAFR) and lost day rate (ASR) compared with 2016 meaning we missed our targets of 1.37 and 6.35 respectively. The majority of lost workdays were due to *in itinere* incidents.

For more information of our initiatives to health and wellbeing best practices, see Knowledge ([pages 124](#)).

|  | Injury rate<br>(LWCAFR) | Occupational<br>disease rate | Lost day<br>rate (ASR) | Absentee<br>rate | Fatalities |
|--|-------------------------|------------------------------|------------------------|------------------|------------|
| Sonae Sierra workforce<br>(direct employees and<br>supervised workers) | 3.45                    | -                            | 41.46                  | 0.02             | -          |

#### Data Qualifying Note:

This indicator includes all Sonae Sierra direct employees (i.e. employees on Sonae Sierra's payroll); all Sonae Sierra supervised workers; and all independent contractors working on-site during the reporting period. Regarding independent contractors and trainees, there are no injuries, occupational diseases, lost workdays, absentee and fatalities to be reported. The formulas used to calculate the presented rates are:

- Injury rate (LWCAFR) = (number of injuries x 1,000,000)/Total time worked
- Occupational disease rate = (number of occupational diseases x 1,000,000)/Total time worked
- Lost day rate (ASR) = (number of lost days x 1,000,000)/Total time worked
- Absentee rate = Absentee in the period (hours)/Total time worked

The total time worked equals the total number of workable days (excluding vacation and holidays) multiplied by the average total workforce and multiplied by eight hours (units in hours). The average total workforce equals the sum of the total number of employees (direct employees and supervised workers) at the end of each month divided by 12 months. Injuries reported do not include minor injuries (first-aid level). For Sonae Sierra, 'days' means 'scheduled workdays' and the 'lost days' count begins at the immediate working shift (or day) after the accident/occupational disease manifestation occurred.

#### Programmes related to assisting workforce members, their families, or community members regarding serious diseases

We provide education and training, counselling and prevention programmes for employees, their families and community members regarding serious diseases or potential long term damage to health. These programmes cover commonly identified risks associated with Sonae Sierra activities identified under our S&H risk and evaluation procedures (see [page 88](#)).

#### Travel risks

Our procedures to reduce risks to our staff travelling overseas for business ensure that all travellers to risky destinations<sup>19</sup> receive an email on medical and security risks in the country they are travelling to, and have comprehensive travel insurance. Employees receive training on precautionary procedures they should follow when travelling abroad for business purposes according to the country's specific level of risk, and also on our travel incident response procedure.

We undertake regular drills that simulate various incident scenarios in risky countries. The results are used to update our travel risk procedures, ensure the robustness of our training programme and to test the efficacy of International SOS support. Finally, we are developing an app for smartphone users that will provide up-to-date information and crisis management procedures in the event of an emergency while on business travel.

<sup>19</sup> Medium, High or Extreme, according to countries' risk classification (Medical Security risks) on International SOS portal.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Policy on compensation and benefits for employees for work-related injuries and fatalities

Compensation and benefits are provided in accordance with the law; i.e. through insurance policies. Specific clauses are added to service agreements with contractors in order to ensure that, in cases of serious work-related injuries or fatalities, the fines that are paid to Sonae Sierra revert to the families of injured workers.

#### Policies and procedures for assisting employees with substance and alcohol addiction, and HIV/AIDS

Alcohol and drug use is prohibited during work shifts and inside all of our construction sites. This is strictly followed up by the site S&H coordinators and S&H technicians throughout the entire construction process.

Project Be Well (described on [page 124](#)) is designed to improve employee wellbeing by tackling work related stress.

### Environment

#### Energy & climate

According to the International Energy Agency (IEA), the built environment is responsible for around 40% of the world's total primary energy consumption and 24% of carbon dioxide (CO<sub>2</sub>) emissions. Regulations on the energy consumption and GHG emissions of buildings are becoming more stringent. Consequently, high energy consuming and carbon-emitting buildings are likely to become less attractive to investors and occupiers in the future. On the contrary, more eco-efficient, low-carbon assets which generate their own energy on-site from renewable sources are likely to sustain their value in the long term

#### Energy

Within the scope of our SHEMS (see [pages 83 to 86](#)) we monitor and manage the energy performance of our owned shopping centres. We are committed to improving the energy efficiency of our activities and implementing measures to increase our energy self-sufficiency as part of a dual strategy to reduce our reliance on volatile fossil-fuel derived energy markets.

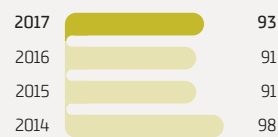
In 2017 the average electricity efficiency (excluding tenants) of our owned portfolio was 388 kWh/m<sup>2</sup> (mall and toilet area), a 2.4% improvement compared with 2016. Our performance means we exceeded our target of 397 kWh/m<sup>2</sup>, and was mainly due to the strong performance of our portfolio in Portugal, Brazil and Germany where energy efficiency improvements and local weather conditions had a positive impact. The refurbishment of CascaiShopping achieved a construction electricity indicator of 64.2 kWh/GIA (Gross Internal Area), which is indicative of the quantity of electricity consumed during the construction phase on the project.

#### Electricity efficiency (excluding tenants) of our owned portfolio (kWh/m<sup>2</sup> mall and toilet area)



**Data Qualifying Note:**  
This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year. There is a slight mismatch between the numerator and the denominator since energy consumption in technical areas and cold and hot water that is supplied to some tenants is considered but those areas are not.

#### Electricity efficiency in our corporate offices (kWh/m<sup>2</sup>)



**Data Qualifying Note:**  
This indicator includes two out of three Corporate Offices with a SHEMS in place (Lisbon, Maia and São Paulo). The Maia office in Portugal was excluded since electricity consumption isn't known due to the fact that it is in a shared floor/building with no individual metres.



## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### *Energy management through all relevant stages of the asset life cycle*

Energy efficient designs, including energy performance targets and innovative engineering solutions, are included in our Safety, Health and Environment Development Standards (SHEDS) (see [page 84](#)). Within the SHEDS, we specify the use of energy efficient boilers, air conditioning systems and other fit out equipment such as lighting and appliances. Rules to encourage greater energy efficiency include lifecycle consumption analysis and performance criteria covering HVAC equipment and common area lighting, as well as recommendations for energy efficient tenant lighting. The SHEDS also determine that we explore possible renewable and low-carbon technologies during design, such as passive solar design or natural ventilation.

Our construction contractors, too, can be big energy users. During initial construction, major refurbishments or expansions under our full SHEMS, we make sure contractors strictly adhere to our requirements, which include guidelines for monitoring energy consumption and achieving greater energy efficiency.

During the operations phase, we ensure shopping centres are run as efficiently as possible. Since 2013 we have rolled out an energy modelling tool (Bright project) which enables us to calculate the optimised theoretical energy consumption of a shopping centre and then compare this with its actual usage, making it possible to easily detect and remedy any inefficiency. The methodology allows us to adjust targets for each shopping centre which, together with more reliable data, should improve energy efficiency across our portfolio. We also procure green electricity through the grid to power shopping centres in Portugal, Germany, Italy and Spain.

#### *Country, regional and industry regulations and policies for energy and emissions*

We are subject to a number of regional and national regulations and policies concerning energy and emissions. At the regional level, the most significant include:

- The European Union's Energy Performance of Buildings Directive: 2002/91/CE and the 2010 Recast of the same Directive, which mandates, among other things, that buildings undergoing major renovations must upgrade to meet minimum energy performance requirements; that Energy Performance Certificates (EPCs) must be shared with prospective buyers and tenants of a building and that from 2020 (or 2018 for public buildings) all new buildings should be "nearly zero energy". We are meeting these requirements in each EU member state that we operate in.
- European Union Regulation (EC) n° 1005 of 16 September 2009 (that starting from the 1 January 2010 replaces the Regulation (EC) 2037/2000) on the management of Ozone Depleting Substances for general protection of stratospheric ozone. This includes obligations for operators of refrigeration, air conditioning or heat pump equipment and fire protection systems.
- Regulation (EU) n° 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases and repealing Regulation (EC) n° 842/2006. The regulation's objective is to protect the environment by reducing emissions of fluorinated greenhouse gases.
- Directive (EU) 2015/2193 of the European Parliament and of the Council of 25 November 2015, that establishes rules to control emissions of certain pollutants and dust into the air from medium combustion plants, as well as rules to monitor emissions of carbon monoxide.

At the national level, the most significant include:

- Building regulations in countries where we develop new shopping centres. For example, in Germany all properties where a building permit was issued after the 1 October 2009 are required to meet the revised 2009 Building Regulations which demanded a 30% increase in energy efficiency of HVAC and lighting systems and a 15% increase in thermal insulation compared to the 2007 Regulations.
- Energy efficiency requirements for operational buildings in countries where we own and manage shopping centres. For example, in Spain from 2010 the use of heating and cooling in new and existing non-residential spaces was limited in accordance with a maximum temperature of 21°C in winter and a minimum temperature of 26°C in summer. Also in Spain, the Royal Decree 235/2013 sets out energy efficiency certification procedures for buildings.
- Legislation implemented at a national level in response to EU-level legislation. For example, Portugal's Decree number 68-A/2015, Germany's law on energy services and other energy efficiency measures (EDL-G) from November 2010, Italy's Decreto Legislativo 102/2014 and Spain's Royal Decree 56/2016 of 12 February that all result from the transposition of Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012.
- Legislation implemented at a regional level, such as the ORDEN 20 May 2015, which establishes the periodicity of atmospheric emissions controls in potentially polluting activities according to their classification in the Aragón Autonomous Region.

At an industry level, we are subscribed to several voluntary commitments to reduce energy consumption and GHG emissions associated with our activities; these are reported under 102-12 on [page 70](#) above.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Energy reduction achievements

In addition to monitoring the electricity efficiency (excluding tenants) of our owned portfolio, we also monitor the direct energy consumption and building energy intensity of our shopping centres and corporation offices. On an absolute basis, total energy consumption across our portfolio was 1,236,623 GJ in 2017, an 8% increase compared with 2016. Our building energy intensity meanwhile increased slightly by 676 kWh/m<sup>2</sup> of mall and toilet area in 2016 to 698 kWh/m<sup>2</sup> of mall and toilet area in 2017.

#### GRI 302-1

#### Energy consumption within the organisation

|   | GJ               |
|---|------------------|
| <b>Shopping centres</b>   |                  |
| Total electricity consumption   | 921,993          |
| Total fuel consumption from non-renewable sources (Natural gas and LPG consumption) | 215,814          |
| Total heating consumption   | 15,944           |
| Total cooling consumption   | 122,112          |
| Total electricity sold  | -39,239          |
| <b>Total</b>  | <b>1,236,623</b> |
| <b>Corporate offices</b>  |                  |
| Total electricity consumption   | 1,666            |
| Total fuel consumption from non-renewable sources (Petrol and diesel for car fleet) | 13,066           |
| Total fuel consumption from renewable sources (Ethanol for car fleet)               | 806              |
| <b>Total</b>  | <b>15,538</b>    |
| <b>TOTAL (shopping centres and corporate offices)</b>                               | <b>1,252,161</b> |

#### Data Qualifying Note:

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo). Fuel consumption includes all corporate main offices (Lisbon, Maia, São Paulo, Milan, Madrid, Dusseldorf and Bucharest). The conversion factor used to convert kWh to GJ is 0.0036, as defined by the International Energy Agency (IEA). The conversion factors used to convert fuel to GJ are all from GRI Guidelines, except for ethanol and liquefied petroleum gas (LPG). Since ethanol is only consumed in Brazil we have used a specific conversion factor for that country. For LPG we have used the conversion factor available in the IEA Oil Information publication (2012 edition). Electricity from Maia office in Portugal was excluded since electricity consumption isn't known due to the fact that it is in a shared floor/building, with no individual metres.

#### GRI 302-3

#### Energy intensity, including tenants

| Shopping Centres        | kWh/m <sup>2</sup> of mall and toilet area |
|-------------------------|--|
| Portugal                | 636  |
| Brazil                  | 851  |
| Germany                 | 775  |
| Italy                   | 576  |
| Romania                 | 1,567                                      |
| Spain                   | 293  |
| <b>Global Intensity</b> | <b>698</b>                                 |

#### Data Qualifying Note:

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year. It is calculated as the ratio between energy consumption (natural gas, liquefied petroleum gas (LPG), electricity, chilled and hot water consumption) divided by the mall and toilet area. Energy consumed outside shopping centres is not considered and therefore, for NorteShopping in Portugal, natural gas consumption for the cogeneration system is not included (as most of the energy produced is electricity sold to the grid) but chilled and hot water produced by cogeneration and consumed in the shopping centre is included. For this indicator there is a mismatch between the numerator and the denominator since energy purchased on behalf of tenants is considered, however tenant's areas are not.

#### CRE1

#### Building energy intensity, excluding tenants

| Shopping Centres  | kWh/m <sup>2</sup> of mall and toilet area |
|-------------------|--|
| Portugal          | 558  |
| Brazil            | 379  |
| Germany           | 755  |
| Italy             | 576  |
| Romania           | 807  |
| Spain             | 292  |
| <b>Intensity</b>  | <b>500</b>                                 |
| Corporate Offices | kWh/m <sup>2</sup>                         |
| Portugal          | 46   |
| Brazil            | 174  |
| <b>Intensity</b>  | <b>93</b>                                  |

#### Data Qualifying Note:

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year and two out of three corporate offices with a SHEMS (Lisbon, Maia and São Paulo). Energy consumed outside shopping centres is not considered and therefore, for NorteShopping in Portugal, natural gas consumption for the cogeneration system is not included (as most of the energy produced is electricity sold to the grid) but chilled and hot water produced by cogeneration and consumed in the shopping centre is included. The Maia office in Portugal was excluded since electricity consumption isn't known due to the fact that it is in a shared floor/building, with no individual metres. It excludes energy purchased on behalf of tenants. For this indicator there is a slight mismatch between the numerator and the denominator since energy consumption in technical areas and chilled and hot water that is supplied to some tenants is considered but those areas are not.

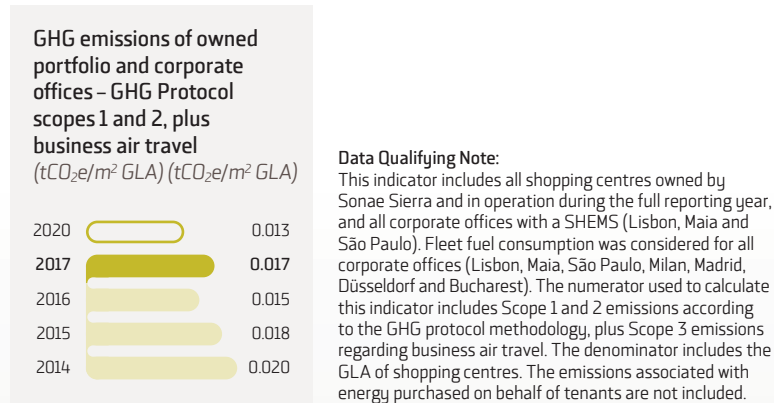


## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Emissions

We are committed to reducing GHG emissions from our owned portfolio within the scope of our Safety, Health and Environment Management System (SHEMS) (see pages 83 to 86). In 2017, the GHG emissions intensity (excluding tenants) of our owned portfolio and corporate offices was 0.017 tCO<sub>2</sub>e/m<sup>2</sup> GLA, a 13% increase compared to 2016 and which can be attributed to an increase in our Scope 2 emissions following a change in the emissions factor associated to purchased chilled water at Centro Colombo (see GRI indicator 305-2 below). Notwithstanding this change, and based on the previous emissions factor used to calculate Scope 2 emissions at Centro Colombo, we did achieve our target of 0.0156 tCO<sub>2</sub>e/m<sup>2</sup> GLA which was set before the new information regarding Centro Colombo came to light.



#### Policy on carbon management, including policy position on carbon offsetting

In 2006 we developed a climate change strategy to reduce our direct and indirect GHG emissions. This covers scopes 1, 2 and business air travel (part of scope 3) according to the guidelines of the GHG protocol developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Our primary strategy to achieve this is through energy efficiency initiatives. We have not established a policy with regards to carbon offsetting. It is part of our strategy to advocate more sustainable practices at an industry level and information on our advocacy positions can be found on [page 70](#).

#### Scope 1 and 2 emissions

In addition to monitoring the GHG emissions intensity (excluding tenants) of our owned portfolio, we also monitor our absolute Scope 1 and 2 emissions, and building intensity (which includes Scope 3 emissions from waste). On an absolute basis, total Scope 1 and 2 emissions across our portfolio and corporate offices were 31,204 tCO<sub>2</sub>e in 2017, a significant increase compared with 2016. The increase can be attributed to higher fugitive emissions, and an increase in our Scope 2 emissions associated with electricity and chilled water consumption.

#### GRI 305-1

#### Direct greenhouse gas (GHG) emissions (Scope 1)

|                    | tCO <sub>2</sub> e |
|--------------------|--------------------|
| Natural Gas        | 9,227              |
| LPG                | 11                 |
| Fleet fuels        | 936                |
| Fugitive emissions | 1,758              |
| <b>Total</b>       | <b>11,933</b>      |

**Data Qualifying Note:**  
This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year, and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo), except for fleet fuels where all corporate main offices (Lisbon, Maia, São Paulo, Milan, Madrid, Dusseldorf and Bucharest) were included due to the materiality of these emissions. Scope 1 direct emissions are from sources that are owned or controlled by Sonae Sierra, e.g. the company car fleet, fugitive emissions from air-conditioning equipment, fuels from boilers and cogeneration plants. The emissions in tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) have been calculated in accordance with the GHG protocol methodology and relate to the emissions from energy sources over which Sonae Sierra has financial control.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### GRI 305-2

#### Indirect greenhouse gas (GHG) emissions (Scope 2)

|               | tCO <sub>2</sub> e |
|---------------|--------------------|
| Electricity   | 12,391             |
| Chilled Water | 5,669              |
| Hot Water     | 1,210              |
| <b>Total</b>  | <b>19,271</b>      |

##### Data Qualifying Note:

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo). Scope 2 indirect emissions result from Sonae Sierra's activities but are owned or controlled by another organisation, e.g. purchased electricity, heating and cooling. Emissions included in this indicator are from energy sources over which Sonae Sierra has financial control.

The emissions in tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) have been calculated in accordance with the GHG protocol methodology using the market based approach, as in several locations Sonae Sierra purchases energy from renewable sources. The greenhouse gas emissions that have been avoided by Sonae Sierra as a result of purchasing green electricity reached around 25,790 tCO<sub>2</sub>e and are disclosed on page 86 under the significant actions from 'Air' domain. CO<sub>2</sub> equivalent emissions using the location based approach are more than double the value of the market based approach.

Electricity consumption in the Maia office (Portugal), is not known due to the fact that it is in a shared floor/building, with no individual energy metres and therefore an estimate was made.

Scope 2 emissions have increased compared to previous years following an update to the emissions factor for purchased chilled water at Centro Colombo (Portugal). The emission factor increased from zero as the energy source mix is different from what it was previously thought to be.

#### GRI 305-4

#### Greenhouse gas (GHG) emissions intensity

| Excluding tenants<br>(tCO <sub>2</sub> e/m <sup>2</sup> ) |              | Including tenants<br>(tCO <sub>2</sub> e/m <sup>2</sup> ) |              |
|---|--------------|---|--------------|
| Shopping centres  |              | Shopping centres  |              |
| Portugal  | 0.065        | Portugal  | 0.270        |
| Brazil  | 0.046        | Brazil  | 0.147        |
| Germany   | 0.084        | Germany   | 0.706        |
| Italy   | 0.041        | Italy   | 0.449        |
| Romania   | 0.229        | Romania   | 0.454        |
| Spain   | 0.013        | Spain   | 0.370        |
| <b>Total</b>  | <b>0.061</b> | <b>Total</b>  | <b>0.298</b> |

##### Data Qualifying Note:

This indicator covers all shopping centres owned by Sonae Sierra in operation during the full reporting year and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo).

For data excluding tenants, the numerator includes Scope 1 emissions (excluding emissions from natural gas consumed by cogeneration but including emissions from hot/chilled water produced by cogeneration and consumed on-site), Scope 2 emissions according to the GHG protocol methodology, plus shopping centres and corporate offices' Scope 3 emissions regarding waste. Emissions from fleet fuels consumption are considered for the following corporate offices: Lisbon, Maia, São Paulo, Madrid, Dusseldorf, Bucharest and Milan. The denominator includes shopping centre mall and toilet areas plus corporate offices with a SHEMS (Lisbon, Maia and São Paulo) areas. There is a slight mismatch between the numerator and the denominator since energy consumption in technical areas and chilled and hot water that is supplied to some tenants are considered but those areas are not.

For data including tenants, it is the same as the data excluding tenants, but in addition emissions from electricity consumed by tenants are considered. There is a mismatch between the numerator and the denominator since energy consumption in technical areas and electricity consumed by tenants is considered but tenants' areas are not.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Scope 3 emissions reductions

Aside from the energy used by our shopping centres, we also seek to reduce the energy consumption and GHG emissions generated by associated activities, such as construction activities (by prioritising materials with recycled content), vehicle emissions produced by people visiting our shopping centres, or by staff travelling to and from work or on business trips. Many of our centres are working to improve access by public transport, and encourage its use by featuring public transport timetables and bicycle storage facilities.

Emissions are also produced by tenants occupying our centres, and we advise and educate our tenants about saving energy and reducing GHG emissions from their activities (see [page 123](#)).

In 2013 we performed a materiality assessment to review our most material Scope 3 GHG emissions based on the Corporate Value Chain (Scope 3) Accounting and Reporting Standard published by WRI and WBCSD. By ranking all Scope 3 emissions generated by our business activities according to their significance and the level of influence we have over them, we can focus our reduction efforts where they are more relevant.

Currently, Sonae Sierra reports emissions from six of twelve applicable Scope 3 categories (from an overall total of fifteen categories):

| Category  | Emission source   |
|---|---|
| <b>Category 1:</b> Purchased goods and services               | <ul style="list-style-type: none"> <li>• Staying in hotels</li> <li>• Extraction, processing, manufacturing, transportation and packaging of materials purchased during construction</li> </ul> |
| <b>Category 5:</b> Waste generated                            | <ul style="list-style-type: none"> <li>• Waste generated</li> </ul>   |
| <b>Category 6:</b> Business travel                            | <ul style="list-style-type: none"> <li>• Air travel</li> <li>• Rail travel</li> </ul>   |
| <b>Category 7:</b> Employee commuting                         | <ul style="list-style-type: none"> <li>• Employees' commuting</li> </ul>  |
| <b>Category 9:</b> Downstream transportation and distribution | <ul style="list-style-type: none"> <li>• Visitor trips to shopping centres</li> </ul>   |
| <b>Category 13:</b> Downstream leased assets                  | <ul style="list-style-type: none"> <li>• Tenants' electricity consumption</li> </ul>  |

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

GRI 305-3

#### Other indirect greenhouse gas (GHG) emissions (Scope 3)

In 2017, total recorded Scope 3 emissions were 725,150 tCO<sub>2</sub>e. The reduction compared with 2016 (5,352,997 tCO<sub>2</sub>e) is due to the fact that no emissions associated with materials for new construction were recorded as no applicable construction projects were completed in 2017.

|                      | tCO <sub>2</sub> e |
|----------------------|--------------------|
| Tenants' Electricity | 115,405            |
| Air Travel           | 1,699              |
| Rail Travel          | 13                 |
| Hotel Accommodations | 137                |
| Commuting            | 1,094              |
| Visitors' Trips      | 604,375            |
| Waste                | 2,428              |
| <b>Total</b>         | <b>725,150</b>     |

**Data Qualifying Note:**

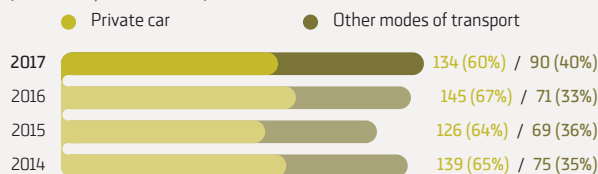
This indicator includes indirect emissions from all shopping centres owned by Sonae Sierra and in operation during the full reporting year and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo). It also includes other indirect emissions deemed relevant and material to the indicator (business travel, commuting, hotel stays) which are not necessarily allocated to shopping centres or other specific locations within the boundary of the carbon footprint.

This indicator includes emissions from:

- **Tenants' electricity consumption:** With the exception of Manauara Shopping, ParkLake and River Plaza Mall where the electricity consumed by tenants is fully purchased by Sonae Sierra, most tenants purchase their own electricity. The average tenant-type energy intensity per square meter is known from a recent energy performance study. To calculate GHG emissions from electricity consumed by tenants, an estimation was made based on this energy intensity, tailored to each shopping centres' specific yearly occupation (occupied GLA by type of tenant), and also the amount of electricity (kWh) purchased by Sonae Sierra on behalf of its tenants.
- **Business travel (flights):** GHG emissions are calculated using the atmosfair.de carbon from flights calculator. This calculator uses a set of emission factors which are sensitive to the distance travelled, the type of seat (economy, business, first class), the number of stop-overs, and it includes radiative forcing to account for the emissions in high altitude. Emissions from flights are assigned to the country that is home to the sub company that purchased the tickets.
- **Business travel (trains):** GHG emissions are calculated by multiplying the distances travelled by train by country-specific emission factors. Emissions from train travel are assigned to the country that is home to the sub company that purchased the tickets.
- **Hotel stays:** GHG emissions are calculated by multiplying the number of room nights in hotels by Sonae Sierra's employees by a representative emission factor of the industry. Emissions are assigned to the country that is home to the sub company that requested the reservation.
- **Employee commuting:** Sonae Sierra regularly conducts a climate survey to understand how its employees go about their daily commuting. The survey allows for the estimation of the yearly distance travelled by our employees per transport mode. To calculate GHG emissions, these transport mode distances are multiplied by their respective (country-specific) emission factors.
- **Visitor trips:** Sonae Sierra regularly conducts mall tracking surveys to understand how visitors travel to Sonae Sierra shopping centres. The surveys allow for the estimation of the distance travelled (by transport mode) of an average mall visitor. To calculate GHG emissions, these transport mode distances are multiplied by their respective (country-specific) emission factors. The result is an average carbon emission factor per visitor per shopping centre. Finally, this specific emission factor is multiplied by the total number of yearly visits.
- **Waste:** GHG emissions are calculated by multiplying the different amounts of waste (in tonnes) by the emission factors that are specific to the destination that is given to each type (as is known).
- **Materials (development):** GHG emissions are calculated by multiplying the different amounts of materials used for construction (in tonnes) by their specific emission factors. Emission factors are sensitive to the materials being new or recycled in origin. No data is reported for 2017 as no applicable projects were completed in 2017. The refurbishment of CascaisShopping falls outside the scope of our reporting on materials use as it is not a new construction project.

The most significant contribution to our carbon footprint is typically from visitor travel to our shopping centres. This normally accounts for the vast majority of our total carbon footprint (83% in 2017). The majority of visits to our shopping centres are made by private car. Whilst we neither control our visitors' nor our employees' travel to and from our shopping centres and offices, we can seek to influence it by improving access to public transport.

#### Number and percentage of visits made by private car and other modes of transport, to and from our shopping centres (millions of visits and %)



**Data Qualifying Note:**

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the reporting period. Values reported consider only shopping centres which performed Mall Tracking studies (which allow us to identify the number of visits made by private car) in 2017.

#### Policy and practices on reducing fugitive emissions

During the construction phase, besides the energy efficiency measures described on page 94, we put in place a number of steps to reduce other emissions of diffuse particles such as dust. Guidelines cover the correct storage of pulverised material; regular spraying of site areas where the production, accumulation and re-suspension of dust may occur; regular cleaning of site areas to clear waste materials; procedures covering the transportation of construction waste; regular washing of truck and other machinery; loading and unloading procedures; the use of dust traps for demolition waste crushers; and actions to be taken in the event of a cargo spill.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Climate change risks and exposure

The impacts of climate change in the form of extreme weather events – flooding, heat waves, weathering, subsidence etc. – could cause physical and local depreciation to assets, and those with unreliable energy supplies could also depreciate faster than others. On the other hand, adapting existing buildings and developing and acquiring new buildings which perform better in predicted climate change scenarios could help to maintain and enhance asset and portfolio value in the long term.

#### Governance and risk management

We review the relative materiality climate change and other environmental impact areas in terms of the risk and opportunity they might present to the business as part of our Risk Management Working Group which reports, via the Finance Director, to the Sustainability Steering Committee, the CFO and the Audit & Compliance Committee. We use a standard risk management framework to evaluate environmental issues according to the likelihood/frequency of occurrence and the scale of impact should they arise.

#### Strategy and risk management

We first commissioned a study to investigate the financial risks associated with climate change on a sample of our Portuguese assets in 2009, focusing on three components: energy (mainly electricity), water and insurance costs. The results revealed that:

- The increased demand for energy and the anticipated increase in the price of energy is expected to reduce profitability by a maximum of between 2% and 5% in 2030 and between 3% and 6% in 2050, with variations between different shopping centres.
- In the case of water it was not possible to estimate the potential increase in demand due to climate change but the impact of increases in water costs was examined, with the conclusion that these could reduce profitability by between 0.15% and 2%.
- The likely increase in insurance costs was estimated at 21%. This could affect profitability by between 0.1% and 0.7%.

In Portugal, AlgarveShopping and NorteShopping were selected for a more detailed asset-level study. The results of the study revealed that:

- Increased demand for energy due to higher temperatures combined with projected price increases are likely to impact on operational shopping centres' profitability in the long term: for example, at NorteShopping, an estimated reduction of profits between 2% and 5.7% could occur in 2030.
- Water costs are also expected to rise, but estimates vary significantly and the impact on profitability would be less significant; for example, between 0.05% and 0.14% at NorteShopping and slightly more at AlgarveShopping due to higher water costs in this region.
- Insurance costs are likely to increase by around 21% due to the increased frequency of extreme weather events and other risks associated with climate change. The impact on profitability is likely to be around 0.1% at NorteShopping and 0.7% at AlgarveShopping.

In 2013, we commissioned a high-level review building on the 2009 study to explore the business case for climate change adaptation. It reviewed the following key business drivers as a consequence of climate change: physical damage to property assets; evidence of climate change risks affecting operational and asset value based on Sonae Sierra management, acquisition and disposal activities; evidence of climate change risks affecting insurance premiums and policy developments since 2010.

The findings highlighted that the strongest driver related to climate change adaptation relates to the possible transfer of risks usually absorbed by the public sector to the insurance industry (or directly to the private sector). Other drivers include physical damage to Sonae Sierra assets from extreme weather related events. Conversely, there was no evidence that climate change risks have had an impact on disposal activities for Sonae Sierra, but there is increasing awareness amongst valuers. At present there is a limited business case for adaptation measures based on legislative and policy drivers as there are no plans for introducing legally binding directives requiring property companies to adapt to climate change, and it is unclear how the costs of planning for climate change adaptation at a national level will be absorbed.

At an operational level, insurance premiums for Sonae Sierra assets are unlikely to be immediately affected. However, if insurance products were to become unavailable in the future due to an increase in the severity and frequency of extreme weather events, this would impose a significant burden on the state. If this scenario were to happen, then the private sector may need to absorb the costs directly, and the risks to asset and operational value would substantially increase.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

In the context of this study, Sonae Sierra has pursued a number of soft adaptation measures which do not require large levels of capital investment. These include:

- Maintaining a register of relevant climate change adaptation policies in all countries of operation.
- Updating our due diligence procedures to ensure key risks related to weather related events are evaluated.
- Updating our building standards based on lessons learnt from weather damaged assets and to anticipate potential requirements for hard adaptation measures in the future.

#### Metrics and targets

We have set a long term target to implement the above climate change adaptation measures across our portfolio by 2020. For example, we have updated our due diligence procedures and Safety, Health and Environment Development Standards (SHEDS) to ensure risks related to weather related events are evaluated; and we address specific climate change adaptation priorities for each business activity by ensuring that our design standards for new developments and our procedures for operational assets ensure adequate protection against heavy rainfall and an effective response in cases of flooding.

Furthermore, in addition to monitoring our Scope 1, 2 and 3 greenhouse gas emissions, we have set a target to achieve an 85% reduction in GHG emissions per m<sup>2</sup> of GLA, by 2020, compared to the 2005 level (GHG Protocol Scopes 1 and 2, plus business air travel).

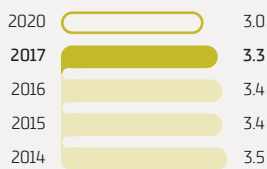
#### Water

As demand for fresh water becomes ever greater around the world due to population growth, urbanisation, increased economic activity and climate change, we need to ensure we have adequate supplies for all our shopping centres, particularly those in areas that are vulnerable to shortages, such as Portugal, Brazil and Spain.

Within the scope of our SHEMS (see pages 83 to 86) we monitor and manage the water consumption of our owned shopping centres. We are committed to reducing water consumption by increasing the efficiency of our activities and using innovation and technology to rethink how water is used and managed at Sonae Sierra owned shopping centres. By improving the water efficiency of our portfolio and integrating systems for rainwater harvesting and water reuse on our sites, we can reduce our exposure to water scarcity risks and minimise our water footprint, which prepares us for potential future legislation and avoids costs.

In 2017, the average water efficiency (excluding tenants) of our owned portfolio was 3.3 litres per visit, a 3% improvement compared with 2016. Although we narrowly missed our target of 3.27 litres per visit, our performance was driven by strong results in Spain (which reported a 14.3% reduction in water consumption per visit) and Germany (which reported a 10.3 reduction). The refurbishment of CascaiShopping achieved a construction water indicator of 1.76 m<sup>3</sup>/GIA (Gross Internal Area), which is indicative of the quantity of water consumed during the construction phase on the project.

**Water efficiency  
(excluding tenants)  
of the owned portfolio**  
(litres/visit)



**Data Qualifying Note:**  
This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year with the exception of ParkLake in Romania. This indicator is calculated as the total water consumption (excluding tenants), divided by the number of visits in the reporting year.

We currently have more than 40 groundwater harvesting or water reuse/recycling systems in place across 26 shopping centres (59% of our investment portfolio that is included in the scope of our environment indicators). The systems implemented are enabling us to make cost savings of around €1.4 million per year and avoid the withdrawal of more than 441,000 m<sup>3</sup> of water from municipal supplies. For shopping centres located in water-stressed areas, the implementation of water efficiency measures and reuse measures has even greater significance.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Water use management through all relevant stages of the lifecycle

We aim to ensure a secure water supply at all of our owned shopping centres, with a particular focus on locations that are vulnerable to water shortages. We use the World Business Council for Sustainable Development (WBCSD) Global Water Tool to identify the areas where we are developing new centres that are at risk of water stress or scarcity.

When these projects go forward, the Company's Safety, Health and Environment Development Standards (SHEDS) (see [page 84](#)) define that specific equipment (like water chillers) must be avoided in order to minimise our vulnerability to water shortages in areas with water use restrictions. We also ensure that water efficient design, including equipment specifications and water recycling engineering solutions, is maximised. Where feasible, we integrate rainwater harvesting and grey water recycling systems on new projects and refurbishments to reduce the need for freshwater or municipal water consumption. During the fit out process, we set requirements for water efficient sanitary equipment (such as sensor spray taps, waterless urinals and low flush toilets).

Since 2013 we have also developed a water calculator (Dive project) to assess the water needs of every shopping centre taking into account its occupancy, location and design. It allows us to set consumption targets for the main water systems (e.g. WCs, irrigation) which, together with real time monitoring, enables us to identify unusually high usage patterns and put in place tighter control mechanisms.

For shopping centres' exterior areas and when landscape projects are defined, we specify efficient irrigation systems and favour the use of autochthonous plant species in exterior landscaping.

#### Policy and practices on drainage and discharge of water

We incorporate solutions that reduce pollution to local water sources. Our owned shopping centres may have up to five different wastewater collection systems, which enable different types of wastewater to be reused and/or treated, according to their characteristics. Wastewater discharges are analysed regularly by externally certified laboratories in order to control the contamination levels of our water discharges to municipal sewers, streams, etc.

During the design phase, we are committed to incorporating solutions that reduce pollution to local water sources. For instance, to prevent pollution from rainwater run-off we specify filter drains and porous paving in external paved areas and storm water management plans are implemented to contain or decrease storm water run-off, according to the site's characteristics. Additionally, our SHEDS guarantee that equipment like grease and hydrocarbon separators or wastewater treatment plants are installed, minimising pollution through the pre-treatment of these effluents before they are discharged.

During construction works, we also place demands upon our contractors to avoid the risk of water pollution from construction activities. And during the operations phase, wastewater discharges are regularly analysed by externally certified laboratories.

Through this control it is possible to prevent and to correct direct and diffuse pollution sources.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Water reduction achievements

In addition to monitoring the water efficiency (excluding tenants) of our owned portfolio, we also monitor total water withdrawal by source, the percentage and total volume of water reused or recycled, and the building water intensity of our owned portfolio and corporate offices. On an absolute and building intensity basis, water consumption (including water reallocated to tenants) remained unchanged between 2016 and 2017.

#### GRI 303-1

#### Total water withdrawal by source

| Water Source  | m <sup>3</sup>    |                              |
|---|-------------------|------------------------------|
|   | Excluding tenants | Water reallocated to tenants |
| Ground water  | 299,051           | 245,079                      |
| Rainwater collected directly and stored by the reporting organization | 30,480            | -                            |
| Municipal water supplies  | 653,981           | 712,206                      |
| Other water sources   | 338               | -                            |
| Mixture of water sources  | 76,122            | 4,493                        |
| Greywater   | 23,785            | -                            |
| Treated waste water   | 87,266            | -                            |
| <b>Total water withdrawal</b>   | <b>1,171,023</b>  | <b>961,778</b>               |

#### Total water withdrawal by country (including water reallocated to tenants)

|                               | m <sup>3</sup>   |
|-------------------------------|------------------|
| Portugal                      | 763,814          |
| Brazil                        | 890,612          |
| Germany                       | 127,245          |
| Italy                         | 143,903          |
| Romania                       | 13,533           |
| Spain                         | 193,694          |
| <b>Total water withdrawal</b> | <b>2,132,801</b> |

#### Data Qualifying Note:

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year (with the exception of ParkLake in Romania).

#### GRI 303-3

#### Percentage and total volume of water recycled and reused

##### Percentage and total volume of water recycled and reused (including water reallocated to tenants)

| Water Type             | m <sup>3</sup>   | Percentage  |
|------------------------|------------------|-------------|
| Recycled or Reused     | 141,869          | 7%          |
| Not recycled or reused | 1,990,932        | 93%         |
| <b>TOTAL</b>           | <b>2,132,801</b> | <b>100%</b> |

##### Percentage and total volume of water recycled and reused (excluding water reallocated to tenants)

| Water Type             | m <sup>3</sup>   | Percentage  |
|------------------------|------------------|-------------|
| Recycled or Reused     | 141,869          | 12%         |
| Not recycled or reused | 1,029,154        | 88%         |
| <b>TOTAL</b>           | <b>1,171,023</b> | <b>100%</b> |

#### Data Qualifying Note:

The shopping centres that contribute to water recycled/reused are: 8ª Avenida, Arrábida Shopping, Centro Colombo, Coimbra Shopping, Gaia Shopping, Leiria Shopping, Loure Shopping, Cascai Shopping, Norte Shopping, RioSul Shopping (Portugal); Boulevard Londrina Shopping; Parque D.Pedro Shopping; Shopping Plaza Sul (Brazil); Gli Orsi, Freccia Rossa; Le Terraze (Italy); Alexa (Germany); Dos Mares (Spain). Uberlândia Shopping (Brazil) has water reuse systems in place but currently is not able to measure the real amount of water reused. Boulevard Londrina Shopping (Brazil) is not able to measure the real amount of water reused but only a part of it.

Percentage and total volume of water recycled and reused (including water reallocated to tenants) is determined by the following formula: (Water reused/recycled (m<sup>3</sup>)/Total water withdrawal (m<sup>3</sup>)\*100).

Percentage and total volume of water recycled and reused (excluding water reallocated to tenants) is determined by the following formula: (Water reused/recycled (m<sup>3</sup>)/Total water withdrawal (excluding tenants) (m<sup>3</sup>)\*100).



## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### CRE2

#### Building water intensity

| Country                 | litres/visit |
|-------------------------|--------------|
| Portugal                | 4.2          |
| Brazil                  | 10.7         |
| Germany                 | 4.9          |
| Italy                   | 7.5          |
| Romania                 | 3.3          |
| Spain                   | 4.5          |
| <b>Global Intensity</b> | <b>6.0</b>   |

| Country                 | m <sup>3</sup> /m <sup>2</sup> |
|-------------------------|--------------------------------|
| Portugal                | 3.8                            |
| Brazil                  | 6.8                            |
| Germany                 | 3.9                            |
| Italy                   | 5.2                            |
| Romania                 | 3.1                            |
| Spain                   | 3.0                            |
| <b>Global Intensity</b> | <b>4.6</b>                     |

#### Data Qualifying Note:

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year (with the exception of ParkLake in Romania). The formula used to calculate the indicator for litres/visit is: Building Water Intensity = (Total water consumption (excluding tenants) (m<sup>3</sup>) + Total water purchased on behalf of tenants (m<sup>3</sup>))\*1000/ Number of visits in the reporting year). The formula used to calculate the indicator for m<sup>3</sup>/m<sup>2</sup> mall and toilet area is: Building Water Intensity = (Total water consumption (excluding tenants) (m<sup>3</sup>) + Total water purchased on behalf of tenants (m<sup>3</sup>))/ Floor area of the mall and public toilets (m<sup>2</sup>).

#### Effluents & Waste

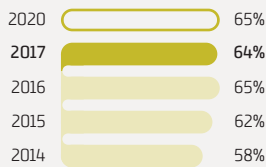
The construction and management of shopping centres can generate large volumes of waste that, if not managed properly, ends up in landfill. Landfilled waste is not only an inefficient use of resources (the waste and the land): it can generate damaging greenhouse gas emissions such as methane and carbon dioxide, as well as pollutants that can leach into the soil and groundwater. Consequently, disposal of waste in landfill is becoming more tightly regulated and more costly in most locations where we operate.

On the other hand, good waste management can reduce environment impacts and be more cost effective for businesses as it avoids landfill tax and waste disposal costs. A closed-loop approach to waste management can also cut costs and environmental impacts associated with the consumption of raw materials.

Within the scope of our SHEMS (see [pages 83 to 86](#)) we monitor and manage the waste production of our owned shopping centres and corporate offices. We are committed to reducing the quantity of waste generated by our activities and to achieving high levels of waste recycling.

In 2017, the total waste recycled as a proportion of waste produced across our owned portfolio decreased slightly to 64% – although we achieved our target to maintain a recycling rate of 62.4%; and the proportion of waste that is sent to landfill reached 18%. The lower waste recycling rate compared with 2016 was influenced by the performance of our portfolio in Portugal, Germany and Romania, which was partially offset by our strong performance in Brazil. The most common reason for the fall in the recycling rate was poor waste separation practices by our tenants and service suppliers, and we have put in place awareness and training events along with improved waste segregation to tackle this and maintain the high performance standards we have achieved to date.

#### Total waste recycled as a proportion of waste produced (% by weight, across our owned portfolio)



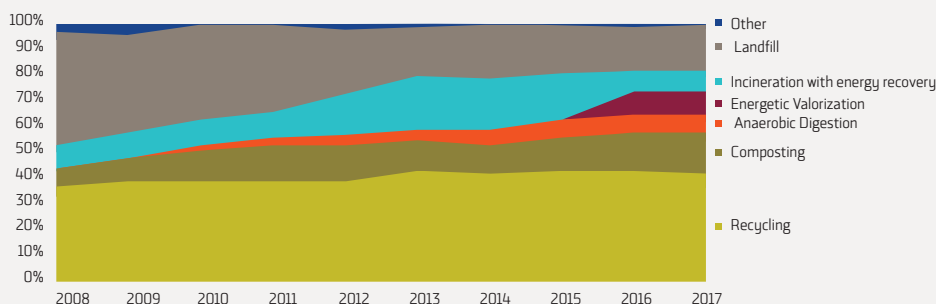
#### Proportion of waste that is sent to landfill (% by weight, across our owned portfolio)



#### Data Qualifying Note:

This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year. Waste recycled includes waste sent for recycling, anaerobic digestion and composting.

#### Waste by Disposal Method (per 1,000m<sup>2</sup> GLA) as a % of total (owned shopping centres)



## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Policy and practices that promote waste avoidance as the first step in the waste hierarchy

Our SHEDS (see [page 84](#)) include a series of design requirements to maximise the waste separation potential of every shopping centre we develop, so that once the shopping centre is in operation waste can be effectively sorted and sent for recycling and recovery. A site specific waste strategy study is undertaken during construction to establish adequate provision of space for waste segregation bins and compactors, temporary storage and internal preferential routes for disposal.

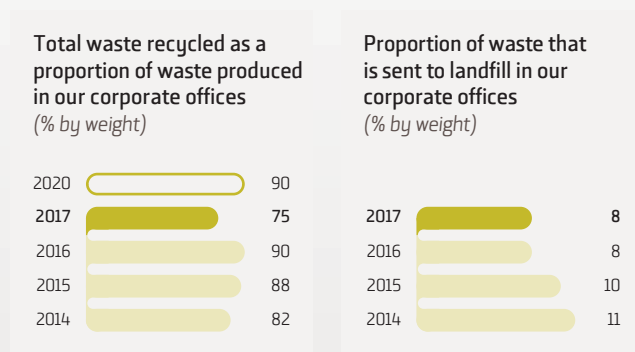
We take a progressive approach to waste management during construction works, encouraging contractors to operate waste management plans. Aware of the difficulty that arises from the construction process being directly controlled by construction companies, we are committed to gradually designing-out waste produced during construction (for example through off-site pre-fabrication). During construction, our SHEMS ensures that the reduction of material use and waste is prioritised. Where possible, we specify end of life recycling for building components, which is particularly relevant for our refurbishment activities. In addition, construction companies are required to report back to us the results of their waste management.

During the operations phase we aim to progressively improve each shopping centre's waste recycling rate. The majority of waste handled by Sonae Sierra is largely generated by tenants' activities. Aside from seeking to influence tenants' practices, there is little that we can do to reduce waste production in our centres. All countries offer regular training for tenants on topics around waste avoidance, segregation and recycling.

Our site managers at each shopping centre (as well as projects under development and corporate offices) are responsible for ensuring that waste is managed efficiently. This includes providing appropriate storage areas and equipment that are well maintained, preventing spillage and scattering during transportation, and producing monthly reports of waste volumes. We also provide staff with detailed instructions on waste codes, rules for waste storage and final destination, waste separation rules for non-hazardous waste and hazardous waste, and waste transportation in each country, particularly the documentation required.

#### Waste reduction achievements

As well as our owned portfolio, we monitor the proportion of total waste recycled and sent to landfill at our corporate offices and on completed projects. In 2017 the total waste recycled as a proportion of waste produced across our corporate offices with a SHEMS was 75%, and the proportion of waste that is sent to landfill reached 8%. 100% of waste generated from the refurbishment of CascaShopping was recycled.



We also monitor the total volume of waste generated across our portfolio and corporate offices by disposal route. On an absolute basis, the volume of waste generated across our portfolio and corporate offices increased from 43,883 tonnes in 2016 to 46,649 tonnes in 2017.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### GRI 306-2

#### Total weight of waste by type and disposal method

| Disposal method                      | Total                    |                              |                | Percentage  |
|--------------------------------------|--------------------------|------------------------------|----------------|-------------|
|                                      | Hazardous waste (tonnes) | Non-hazardous waste (tonnes) | Total (tonnes) |             |
| Anaerobic Digestion                  | 0.1                      | 3,091                        | 3,091          | 7%          |
| Composting                           | –                        | 7,266                        | 7,266          | 16%         |
| Incineration with energy recovery    | 11                       | 3,584                        | 3,594          | 8%          |
| Incineration without energy recovery | 1                        | 18                           | 19             | 0%          |
| Landfill                             | 1                        | 8,303                        | 8,304          | 18%         |
| Recycling                            | 80                       | 19,622                       | 19,702         | 42%         |
| Treatment/Elimination                | 5                        | 18                           | 23             | 0%          |
| Energetic valorisation               | 0.4                      | 4,339                        | 4,340          | 9%          |
| Wastewater Treatment plant           | –                        | 309                          | 309            | 1%          |
| <b>Total</b>                         | <b>99</b>                | <b>46,550</b>                | <b>46,649</b>  | <b>100%</b> |

**Data Qualifying Note:**  
 This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo). The disposal method of the waste produced is provided by the waste disposal contractors.

#### Biodiversity protection

The development of land can have an impact on biodiversity, particularly when projects are built on un-developed 'greenfield' sites that are likely to be rich in biodiversity, or perform valuable ecosystem services and functions. We strive to minimise biodiversity loss on our sites and have established a number of measures to protect habitats at our development projects and existing assets. These are supported by long term objectives to:

- Promote the use of previously developed land or brownfield land for new Sonae Sierra shopping centre projects and protect and enhance biodiversity wherever possible.
- Strive to protect and enhance biodiversity on both existing Sonae Sierra sites and new projects and add value to new projects by actively integrating biodiversity whenever possible, taking into account the regional context.

Environmental Impact Studies (EIS) are applied to all our new developments and identify the potential environmental impacts of a project's design, construction and operation on the site's biodiversity (among other impacts) and specifies mitigation measures. The SHEDS (see [page 84](#)) include a standard related to long term impacts on biodiversity, and our SHEMS (see [page 83](#)) requires that all the recommendations of the EIS that refer to biodiversity compensation on greenfield sites are implemented where full mitigation of biodiversity impacts is not possible.

At our operational shopping centres and our corporate offices, biodiversity impacts that may result from day-to-day activities such as waste disposal and water consumption are monitored through our SHEMS procedures. We also seek to raise awareness of biodiversity through marketing events and other initiatives among shopping centre staff and/or visitors.

## Sustainability statements (continued)

### SAFE PEOPLE & RESOURCE RESILIENCE (CONTINUED)

#### Resource Resilience: Materials

Although the sourcing of materials used in shopping centre development and operations is controlled by our contractors, we are aware that our business activity does entail a significant impact in terms of the extraction of raw materials (including timber, stone and metals), principally through the use of semi-manufactured goods and parts which are derived from raw materials. Whilst the extraction of raw materials adversely impacts on the natural environment, the reuse of existing materials (for example from demolition waste) and the use of manufactured goods fabricated from recycled materials can help to promote a more sustainable, closed loop approach to waste management and materials use.

As it is difficult to control the selection of raw materials used in shopping centre development projects this compromises our ability to gauge a clear understanding of the scale of our impacts in terms of raw material consumption, and as a result, we have not set specific objectives to reduce or optimise raw materials extracted for this use.

Nonetheless, we have set in place policies and practices for selecting materials and engaging suppliers at projects under our full SHEMS, including specifications for certifications, and we are working to increase the procurement of raw materials with recycled content.

Our Responsible Procurement Policy commits us to, among other things, privileging the use of materials which are locally-sourced, have recycled content, low-toxic content, a long life, can be recycled or reused, and/or are sourced from companies which adhere to ethical and/or environmental standards.

Our Safety, Health and Environment Development Standards (SHEDS) prohibit the use of materials which are known to have negative impacts on the environment and on the health and wellbeing of building occupants, as well as timber products derived from non-sustainable forestry. During construction, our SHEMS ensures that efforts to reduce material use and waste are considered, and whenever possible we reuse materials on site reducing the need for raw materials.

#### GRI 302-1 & 302-2

While it is difficult for Sonae Sierra to control the selection of raw materials used in shopping centre development projects, we have developed a methodology to quantify the recycled content of the most significant materials consumed during the construction of new projects including concrete, brickwork, steel, glass and insulation. The aim is to help us identify which materials we might prioritise when seeking more sustainable alternatives. The defined methodology was applied to the construction of ParkLake in Romania which was completed in 2016 and revealed that the materials with the highest proportion of recycled content include brickwork (85%), insulation materials (55%) and steel (34%).

## Sustainability statements (continued)

### FUTURE FIT RETAIL

Future Fit Retail focuses on anticipating emerging retail trends, pioneering new concepts, Sustainability-Orientated Innovation and other relevant themes that have been championed by our Marketing Department and Innovation Office. We aim to create shared value by supporting our shopping centres, tenants and clients in adapting to future retail trends that respond to changing consumer expectations, and exploring the interface between sustainability and innovation to boost footfall and sales.

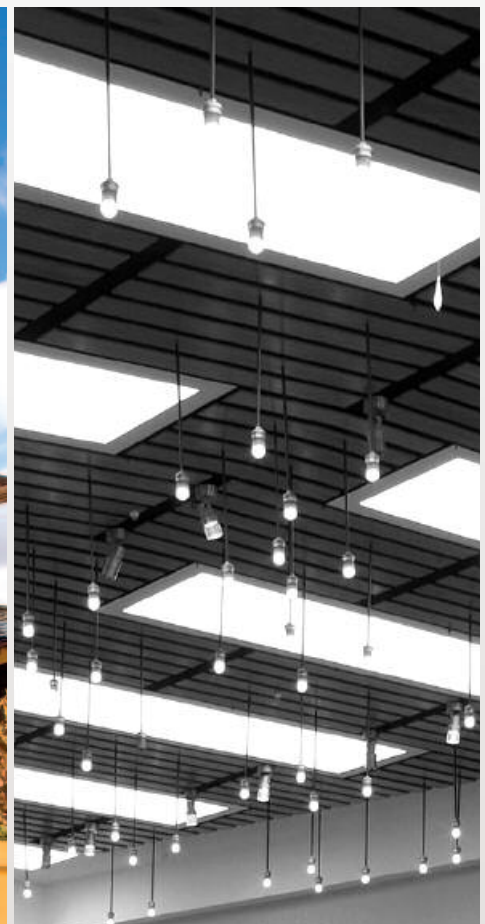
In practice, this means

- Developing Sustainability-Orientated Innovation, conducting research and providing thought leadership into how sustainability can differentiate retail destinations and increase footfall and sales.
- Engaging with our partners and clients to adopt innovative and sustainable retail strategies, creating vibrant destinations and dynamic experiences that are fit for the future and differentiated from the competition.
- Identifying opportunities for our partners and clients to integrate community activities into their retail destinations, making places where people meet, shop, play, participate and stay.

#### Material issues covered in this section:

- Customer & visitor attraction, retention & engagement
- Technological advances in retail
- Place-making, urban redevelopment & enhancement of the public realm
- Local economic impacts
- Community engagement

LUZ DEL TAJO  
Toledo, Spain



## Sustainability statements (continued)

### FUTURE FIT RETAIL (CONTINUED)

#### Customer attraction

Maintaining footfall is essential for Sonae Sierra in order to sustain tenant sales and high occupancy rates. Yet changing habits have led to modern consumers demanding more from their physical shopping experiences. In order to entice consumers out of their homes, shopping centres must provide entertainment experiences that go beyond shopping alone. At the same time, digital and online technologies are changing the way consumers purchase goods and services. This presents a new challenge for traditional physical retailers who must compete to attract customers into their stores.

Our mission is to provide ultimate shopping experiences to customers and create outstanding value to shareholders, investors, tenants, communities and staff, while contributing to sustainable development. We aim to create shared value by supporting our shopping centres, tenants and clients in adapting to future retail trends that respond to changing consumer expectations.

During the development stage we carry out feasibility studies to identify consumers' needs in retail, services and leisure activities in order to design shopping centres that match market needs and the existing retail offer. These studies consider factors such as demographics within the catchment area and socio-economic indicators.

Across our owned portfolio, customer satisfaction and Mall Tracking surveys (see [page 68](#)) provide valuable intelligence regarding customers' opinions and expectations. Results are presented back to shopping centres management teams and used to guide future investment plans. In addition, KPIs such as footfall and tenant sales are monitored on a regular basis.

Customers are also increasingly concerned with the environmental and ethical impacts of their purchases, and are keen to pursue more environmentally conscious and healthy lifestyles. The findings from our stakeholder consultation exercise in 2017 confirmed these trends; visitors expressed a preference for products and services that support local businesses and help them to live more sustainable lifestyles (see [page 69](#)). With our owned shopping centres attracting 374 million visits in 2017, Sonae Sierra is uniquely placed to be able to engage with a large number of consumers and promote sustainable lifestyles and purchasing choices. This will help Sonae Sierra to meet customer expectations while encouraging new markets for sustainable products which can increase or create new revenue streams for tenants.

Through our focus on Future Fit Retail, we are leveraging sustainability to boost footfall and promote positive behavioural change campaigns focusing on the environment and health. These efforts build upon the environmental awareness campaigns executed over the past couple of years (which focused on communicating Sonae Sierra's own impacts) in order to engage consumers directly and promote positive behavioural change in their everyday activities. For example, our 'What's On' guides for shopping centre visitors feature articles that promote more sustainable lifestyles through expert advice, consumer testimonials and wellbeing suggestions.

## Sustainability statements (continued)

### FUTURE FIT RETAIL (CONTINUED)

#### Technological advances in retail

Our goal is to ensure that our shopping centres offer the most cutting-edge experiences for consumers. We achieve this by continually innovating in our approach to shopping centre management through initiatives designed to enhance the customer experience such as our digital strategy which integrates online and physical retail space. This in turn supports our commitment to strengthening the prosperity of tenants and local retailers through our long term focus on Future Fit Retail.

We have developed a Go Digital strategy that capitalises on emerging technologies to engage with consumers in innovative ways to increase sales and footfall in our shopping centres. Underpinning our digital strategy is our vision of a shopping centre as a core part of its community, and one which provides value beyond the purely commercial aspect of its operations. In our view, shopping centres should be seen as a source of news, information and entertainment that is local, interesting and as personalised as possible. To achieve this, Sonae Sierra has been focusing its digital strategy on four content pillars: promotions, fashion, local events and information.

Examples of some of the initiatives we have launched under this strategy include:

- PromoFans®: An online promotions platform that enables tenants to build customer loyalty and brand awareness by offering promotions via our shopping centres.
- Digital information desks, food purchasing desks and sitting areas at shopping centres.
- Loyalty apps for customers which offer discounts and prizes.
- Digital shopping assistants such as 'Fashion 4 Me' in Portugal, Germany and Spain.

Within the Go Digital Program, we are also exploring how technology such as geofencing can enhance and refine the services we can offer to visitors within the legal framework of the European General Data Protection Regulation (GDPR). Although not yet fully developed, this represents the future in creating bespoke digital services to visitors.

The development of our digital strategy is managed by multi-disciplinary working groups including corporate marketing, regional marketing, asset management and architecture to ensure that the initiatives deployed reflect Sonae Sierra's standards and provide context specific solutions.

Sonae Sierra's Innovation Office also plays a significant role in helping us to identify, anticipate and respond to changing consumer expectations by stimulating new ideas across the company. Projects such as 'Back2Future' (which was launched in 2015) aim to define a vision for Sonae Sierra's products of the future and understand how evolving retail trends will impact our, and our clients' businesses. The project has identified 10 guidelines that define our vision for the shopping centre of the future and which can be implemented according to the existing service offer in each of our shopping centres. By anticipating these trends, and ensuring we have the infrastructure and services in place to capitalise on them, we will be able to differentiate our products and in doing so we continue to fulfil our corporate vision and mission.

From a wide-ranging programme, our current initiatives under implementation include:

- Mall premium: a themed area within the shopping centre which encompasses a self-contained and complementary higher-quality offer. It entices visitors to "be and stay" in a luxury environment, and reflects the rise in demand for luxury experiences and brands.
- Food market: A new, differentiated gastronomic concept from Sonae Sierra. Unlike a food court, it mixes non-food products, take-away food and a dining offer with a focus on the chef. It offers a cosy and attractive environment with its own unique brand within in the mall, and encourages a higher dwell time.



#### Further references:

For more information, see [page 38](#).

## Sustainability statements (continued)

### FUTURE FIT RETAIL (CONTINUED)

#### Place-making, urban redevelopment and enhancement of the public realm

We aim to design attractive shopping centres that serve the needs of the local population. Creating a new destination that can position itself as an integral part of the community can be a challenge, but it is also essential to ensuring the long term sustainability of the project.

During the commercial licensing phase of new projects, we are obliged to comply with the planning obligations defined in each country and by each local authority. For example, in some locations we must set aside part of the site for the creation of green spaces and, if this is not possible on the site in question, we must pay a compensatory fee so that green spaces can be created in alternative areas.

The development of transport infrastructure around new shopping centre sites (including roads, bicycle paths and parking spaces, footpaths, etc.) is another example of infrastructure developed for community benefit, in some instances to meet with the mandatory requirements of local authorities and in others to meet with our own SHEDS (e.g. regarding the promotion of sustainable travel). Local planning obligations and restrictions will potentially become more acute as we increase our exposure to redevelopments and mixed-use projects that involve heritage assets and central urban locations.

Our architectural teams apply thoughtful planning, research and analysis to the design of our development projects. They draw inspiration from local cultures to conceive and implement inspiring architectural projects in retail and mixed-use destinations that blend elements of past and present, tradition and innovation, to create places which are seamlessly embedded in the local community and allow visitors to enjoy deeper experiences.

In operational shopping centres, place-making and enhancement of the public realm means reflecting local cultures on an ongoing basis by integrating public art, exhibitions, cultural activities and local celebrations. Our Public Art Policy for example, promotes the use of public art in our shopping centres; the aim being to strengthen our shopping centres' relationships with the local community, while at the same time improving the visitor experience, encouraging their interaction and contributing to improved public space. Many of our shopping centres also offer play areas for children, crèche services, sports and waste recycling facilities which are available for the local community.

The success of our approach is illustrated by the many awards we have won, the most recent being for ParkLake in Romania. Since its inauguration in 2016, the centre has become widely revered, particularly for its highly sustainable and striking architecture. Apart from receiving a BREEAM Excellent Design certification, the building has won a number of prestigious awards and accolades. These include Best Retail Project at the SEE Real Estate Awards, Building of the Year at the CEE Quality Awards, and Best Retail Development at the CIJ Hall of Fame Awards.



#### Further references:

For more information, see [page 31](#).



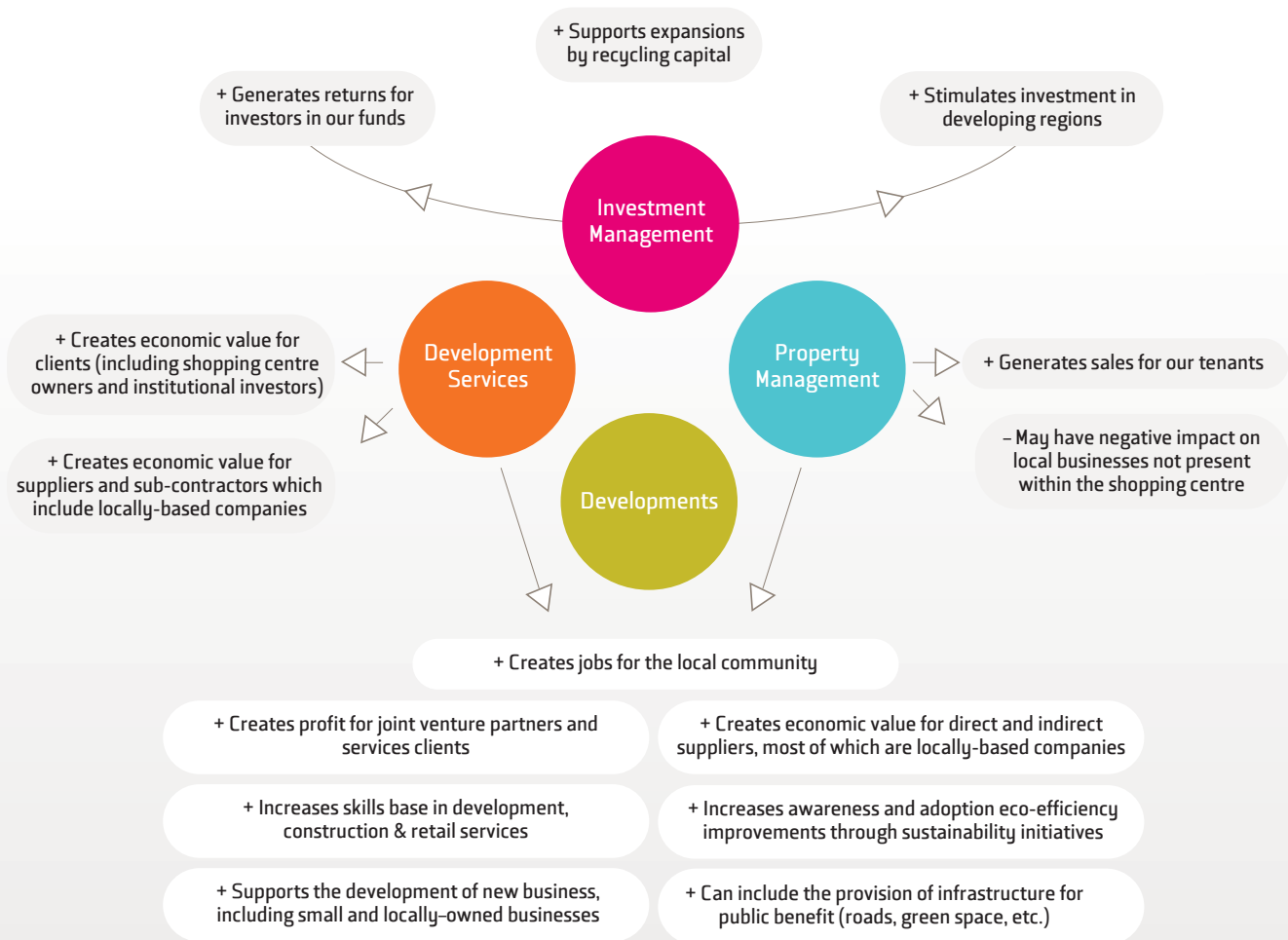
## Sustainability statements (continued)

### FUTURE FIT RETAIL (CONTINUED)

#### Local economic impacts

We generate economic benefits for local communities by creating local employment, inviting local businesses to rent space in our shopping centres and investing in initiatives that improve the wellbeing of local people. As well as benefiting the community, this strategy can also help us enhance our reputation and increase visitor numbers.

The following diagram illustrates the most significant indirect economic impacts we have identified as being generated through each core business activity.



## Sustainability statements (continued)

### FUTURE FIT RETAIL (CONTINUED)

#### GRI 203-2

While we have not undertaken specific studies which enable us to evaluate the significance of these impacts in the context of external benchmarks and stakeholder priorities, we are able to quantify some of the indirect economic impacts generated by our Company in 2017, namely:

- €5,617 million tenant sales at our shopping centres under management.
- 31% of shop units in our European shopping centres under management, and 43% of units in our Brazilian shopping centres are occupied by local businesses.
- €1,375 million spent on suppliers, of which 96% are national businesses.



#### Further references:

For more information on the significant indirect economic impacts we have identified across our core business activities, see Our Business Strategy ([page 20](#)).

One such positive economic impact we seek to promote is enabling small, local and sustainable businesses to thrive in circumstances in which they might not have done. Specifically, we have developed several projects with reference to Future Fit Retail which are designed to create economic benefits for local people and businesses in the locations where we operate shopping centres. These include our Coop Store project that supports small businesses by exploring the idea of 'cooperative' business models to reduce the operational costs for new start-up businesses, products and brands. Other initiatives include the 'Rising Store' competition through which we aim to support and collaborate with entrepreneurs by helping them to set up their own business and bring their innovative ideas to our shopping centres.



#### Further references:

For more information, please see [page 38](#).

## Sustainability statements (continued)

### FUTURE FIT RETAIL (CONTINUED)

#### Community engagement

Attending to the needs and views of the local community is particularly important for real estate developers and operators. Developers who do not build relationships with local communities or assess community needs risk having their planning applications blocked and their 'license to operate' thwarted; on the other hand, developers who do build strong relationships with local community stakeholders and effectively listen to community concerns are more likely to maintain high levels of footfall and commercial activity.

Our policy towards the community is based on values and principles such as environmental awareness; community involvement; openness to society, confidence and ethics. We are committed to playing an active role in promoting positive societal change through education and awareness-raising campaigns, and by capitalising on our ability to communicate with the public who visit our shopping centres.

Ultimate responsibility for community aspects lies with Sonae Sierra's CEO and the Executive Committee. During the shopping centre development phase, the Country Marketing Manager is responsible for all issues concerning public relations and community activation marketing programmes; all other local community issues are managed by the Development Project Manager. Guidelines and a macro activity plan are approved by the Board Members responsible for the project. Operational responsibility for local communities and visitor satisfaction aspects during the shopping centre operations phase lies with our Shopping Centre Managers, supported by the central Marketing Department.

Our target is to dedicate at least two percent (0.5 percent in Brazil) of each of our shopping centres' marketing budget to local community investment, and we deploy several people within the marketing team to focus specifically on this aspect as a part of their job function, including the Corporate Marketing Managers (Europe and Brazil) for sustainability issues and the Country Marketing Managers, Cluster Managers and Marketing Assistants in each shopping centre.

All Sonae Sierra employees are entitled to take one day's leave as a volunteering day, and most use this opportunity to participate in the annual Sonae Sierra Community Day. Shopping centres organise a variety of events from supporting local charities to organising school and higher education visits as part of their community targets.

#### Operations with local community impact assessments and development programs

##### GRI 413-1

Newly opened shopping centres and those that are undergoing significant expansion and refurbishment works are required to operate Community Advisory Panels (CAPs). These ensure that local communities are consulted on, and involved in, the development and operation of our shopping centres in a way that creates long term relationships and is sensitive to local cultural considerations. In order to select CAP members, we identify local stakeholder groups and invite them to participate based on the issues that are relevant to them. Our local shopping centre teams are empowered to develop actions in response to issues raised through the CAPs, using the part of the development or shopping centre marketing budget which is available for community projects.

During the year, CAPs took place across seven of our shopping centres, representing 100% of applicable centres. Participants typically include a range of stakeholders drawn from across the local community. For example, a CAP held at NorteShopping to discuss the impact of the expansion works included the local municipality, residents and community representatives. The topics discussed covered measures to reduce the impact of construction works on the community, traffic and infrastructure improvements and support for local charities.

We also engage with visitors and communities through regular stakeholder engagement activities, including our Mall and Geo Tracking surveys, and additional research such as our stakeholder consultation in 2017. Mall Tracking surveys collect information on the profile of shopping centre visitors and allow us to understand visitor trends and expectations; Geo Tracking surveys evaluate the impact of our shopping centres on local consumer habits, and provide wider intelligence on the social and economic profile of our catchment areas and the competitive landscape. Both are supplemented with additional research in relation to specific projects along with our standard procedures for collecting customer feedback and satisfaction levels.



#### Further references:

For more information, see stakeholder engagement on [page 68](#).

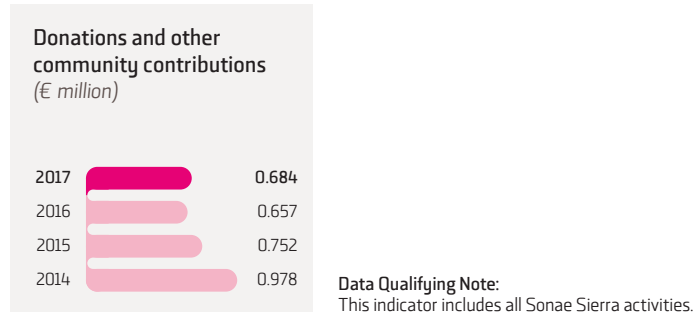
Finally, we conduct Environmental Impact Studies or Preliminary Environmental Evaluations on all new development projects and on major expansions where we our partners agree (for example, in the case of a joint venture). They include specifications such as the identification of locations of historical, architectural and archaeological value and data on important socio-economic indicators within the study area. When we begin new projects, we perform a feasibility analysis which involves analysing the competition and the impact of our activities on competitors' performance.

## Sustainability statements (continued)

### FUTURE FIT RETAIL (CONTINUED)

#### Employee volunteering & charitable contributions

In total, our corporate offices and shopping centres supported 359 charitable organisations in 2017, and the total global donations and other community contributions equalled €684,213 from which €17,267 were contributions from the shopping centres' visitors.

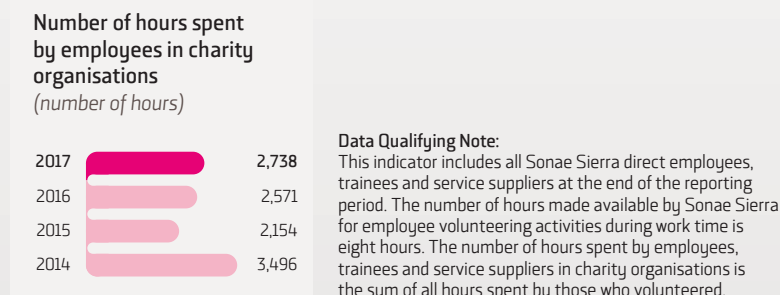


This included:

- €27,124 in corporate donations to charitable causes and sponsorships.
- €35,575 in shopping centre-level community investment in cash.
- €11,659 in shopping centre-level sponsorships.
- €609,855 in investments to charitable causes and specific activities, events and campaigns with sustainability themes made through our shopping centres' marketing budgets.

One such example of the many charitable initiatives organised by our shopping centres was the 'Toys that Touch' campaign. In the run up to Christmas, visitors were encouraged to donate toys to help make the Christmas wishes of underprivileged children living in state institutions come true. The campaign exceeded all expectations and more than 34,000 toys were donated.

We also organise an annual Community Day across all our corporate offices and owned shopping centres to boost volunteering. The event incentivises employees to spend one work day volunteering on a project that will improve the wellbeing of their local community. Local activities are coordinated by Community Day ambassadors and every office and shopping centre team is free to choose the project and cause they will donate their time to. This flexibility allows for projects that are relevant to the context of each country and region, and tailored to meet the needs of the local community. It also gives staff the motivation to make this initiative their own, and has generated considerable enthusiasm over the years. In 2017, 462 employees volunteered more than 2,738 hours to support charitable organizations. The value of the time donated is equivalent to €77,577.



#### Resettlement and displacement of local communities, and how responsibilities relating to resettlement are shared with other organisations

##### CRE7

Apart from the first phase of GaiaShopping in Portugal, completed in 1989, none of our projects have ever involved the displacement of local community members. In the case of GaiaShopping, we constructed new houses in order to resettle the people who used to live in the area.

## Sustainability statements (continued)

### KNOWLEDGE

Our focus on Knowledge aims to deliver value for our business and clients by building the human and intellectual capital required to support our transition to a retail real estate services provider, while ensuring high levels of staff productivity and attracting and retaining the best talent. Secondly, by embedding more sustainable lifestyles among our employees we aim to contribute to higher levels of employee resilience and productivity through improved health and wellbeing.

In practice, this means:

- Continuously build the skills and knowledge of our people to maximise their potential so that we deliver superior services to our clients.
- Embed sustainable lifestyles among our people by increasing knowledge and health and wellbeing best practices.

Material issues covered in this section:

- Employment
- Training & education



NORTESHOPPING  
Matosinhos, Porto, Portugal



## Sustainability statements (continued)

### KNOWLEDGE (CONTINUED)

#### Employment

We consider our workforce to be the 1,061 employees that we directly employ, and the 44 people who are employed by other companies but are supervised by Sonae Sierra. We also employed 11 independent contractors (with a male/female ratio of 91%/9%) during the reporting period. The vast majority (98.5%) of our direct employees are employed on a full time basis and 14 are employed on a permanent part time basis. They are located across 11 countries with more than 74% based in our two largest markets, Portugal (43.9%) and Brazil (31%). Other significant locations include Spain (8%).

#### GRI 401-1

#### Total number and rates of new employee hires and employee turnover by age group, gender and region

During 2017, 144 employees left the company (a male/female turnover rate of 6.4% and 7.2% respectively), and we hired 136 new employees (a male/female new hire ratio of 5.9% and 6.9% respectively).

| Turnover by age group | Number     | Ratio (%) |
|-----------------------|------------|-----------|
| Less than 35 years    | 57         | 5.4%      |
| 35-44 years           | 50         | 4.7%      |
| 45-54 years           | 26         | 2.5%      |
| 55-64 years           | 10         | 0.9%      |
| More than 64 years    | 1          | 0.1%      |
| <b>Total number</b>   | <b>144</b> |           |

| New employee hires by age group | Number     | Ratio (%) |
|---------------------------------|------------|-----------|
| Less than 35 years              | 87         | 8.2%      |
| 35-44 years                     | 35         | 3.3%      |
| 45-54 years                     | 11         | 1.0%      |
| 55-64 years                     | 3          | 0.3%      |
| More than 64 years              | 0          | 0.0%      |
| <b>Total number</b>             | <b>136</b> |           |

| Turnover by gender  | Number     | Ratio (%) |
|---------------------|------------|-----------|
| Female              | 76         | 7.2%      |
| Male                | 68         | 6.4%      |
| <b>Total number</b> | <b>144</b> |           |

| New employee hires by gender | Number     | Ratio (%) |
|------------------------------|------------|-----------|
| Female                       | 73         | 6.9%      |
| Male                         | 63         | 5.9%      |
| <b>Total number</b>          | <b>136</b> |           |

| Turnover by region | Number     | Ratio (%) |
|--------------------|------------|-----------|
| Portugal           | 32         | 3.0%      |
| Algeria            | 17         | 1.6%      |
| Brazil             | 55         | 5.2%      |
| The Netherlands    | 1          | 0.1%      |
| Germany            | 7          | 0.7%      |
| Greece             | 2          | 0.2%      |
| Italy              | 8          | 0.8%      |
| Romania            | 6          | 0.6%      |
| Spain              | 14         | 1.3%      |
| Turkey             | 2          | 0.2%      |
| <b>TOTAL</b>       | <b>144</b> |           |

| New employee hires by region | Number     | Ratio (%) |
|------------------------------|------------|-----------|
| Portugal                     | 52         | 4.9%      |
| Greece                       | 2          | 0.2%      |
| Brazil                       | 37         | 3.5%      |
| Germany                      | 10         | 0.9%      |
| Italy                        | 11         | 1.0%      |
| Romania                      | 8          | 0.8%      |
| Spain                        | 13         | 1.2%      |
| Turkey                       | 3          | 0.3%      |
| <b>TOTAL</b>                 | <b>136</b> |           |

#### Data Qualifying Note:

This indicator includes all direct employees at the end of the reporting period.

## Sustainability statements (continued)

### KNOWLEDGE (CONTINUED)

#### GRI 102-8

#### Information on employees and other workers

| Country         | Direct Employees |            |              |
|-----------------|------------------|------------|--------------|
|                 | Female           | Male       | Total        |
| Portugal        | 262              | 204        | 466          |
| Brazil          | 142              | 187        | 329          |
| Colombia        | 0                | 2          | 2            |
| Germany         | 36               | 36         | 72           |
| Greece          | 4                | 1          | 5            |
| Italy           | 29               | 21         | 50           |
| Morocco         | 6                | 7          | 13           |
| Romania         | 18               | 9          | 27           |
| Spain           | 48               | 37         | 85           |
| The Netherlands | 0                | 1          | 1            |
| Turkey          | 4                | 7          | 11           |
| <b>Total</b>    | <b>549</b>       | <b>512</b> | <b>1,061</b> |

| Employment type     | Direct Employees |            |              |
|---------------------|------------------|------------|--------------|
|                     | Female           | Male       | Total        |
| Full Time           | 534              | 511        | 1,045        |
| Permanent Part time | 13               | 1          | 14           |
| Temporary Part time | 2                | 0          | 2            |
| <b>Total</b>        | <b>549</b>       | <b>512</b> | <b>1,061</b> |

| Employment contract | Direct Employees |            |              |
|---------------------|------------------|------------|--------------|
|                     | Female           | Male       | Total        |
| Permanent           | 498              | 482        | 980          |
| Fixed term          | 42               | 25         | 67           |
| Temporary           | 9                | 5          | 14           |
| <b>Total</b>        | <b>549</b>       | <b>512</b> | <b>1,061</b> |

| Country      | Supervised Workers |           |           |
|--------------|--------------------|-----------|-----------|
|              | Female             | Male      | Total     |
| Portugal     | 3                  | 0         | 3         |
| Brazil       | 7                  | 27        | 34        |
| Greece       | 0                  | 1         | 1         |
| Spain        | 4                  | 0         | 4         |
| Italy        | 2                  | 0         | 2         |
| <b>Total</b> | <b>16</b>          | <b>28</b> | <b>44</b> |

#### Data Qualifying Note:

This indicator includes all Sonae Sierra direct employees and supervised workers at the end of the reporting period.

## Sustainability statements (continued)

### KNOWLEDGE (CONTINUED)

Ultimate responsibility for employment aspects, including training and education, lies with Sonae Sierra's CEO and the Executive Committee. Operational responsibility is divided among line managers within each of our business divisions, from senior management downwards. The Human Resources (HR) Department lends a supporting role by proactively intervening in the development and execution of the HR strategy and policies and providing quality HR advice to business leaders.

In terms of resources, we have a HR team covering different areas including local support (country coordinators) and specific activities such as compensation and benefits; learning and development; recruitment, selection and talent management; performance management and employee engagement (including internal communication). We outsource payroll management (except in Portugal) and legal support on labour issues.

We use a number of IT tools based on SAP, including our 'Improving Our People' (IOP) Performance Management Tool, which can be accessed by all employees through our HR Portal. Our Executive Information System provides a single platform for the reporting and monitoring of HR indicators, including employee training and development; and an online e-Learning platform enables us to reach employees regardless of location. Tools such as IOP allow us to identify learning priorities for individual employees which can be discussed with business unit managers so their objectives are aligned.

On an individual level, all our employees receive annual performance and career development reviews. On a collective level, we monitor employee satisfaction regularly through our Corporate Climate and Employee Satisfaction Survey, which asks our employees to rate their satisfaction with a range of factors including training and development.

#### GRI 102-41

We do not have any kind of policy against freedom of association among any of our stakeholders. Although we do not have a collective bargaining agreement in place, our employees' rights in respect of this principle are upheld by our Code of Conduct. We also seek to ensure that our employees' views and interests are represented in corporate decision-making in a number of areas.

### Diversity & inclusion

Although not identified as a material issue, the value of having a diverse workforce is widely recognised and promoting gender diversity in particular remains a priority for our company and industry as a whole.

We have a non-discrimination and diversity policy that states our commitment to a meritocratic culture. This is reinforced by our Code of Conduct, which outlines our commitment to creating a workplace where each individual is treated fairly, and where we recruit, select, train and remunerate based on merit, experience and other professional criteria. It is in our interest to ensure that the human resources, talents and skills available throughout the community are considered when employment opportunities arise, thereby selecting the most suitable person for the job, based on their qualifications and experience.

Until now, our Company has not encountered barriers to gender equality in the workforce in the core countries where we operate. However, we acknowledge that this could become a more significant issue as we move into new markets, such as North Africa, where the social environment may inhibit equal opportunities in terms of education and by extension access to employment. In Sonae Sierra Brasil, gender equality has not been an issue, although the number of men in managerial positions is higher.

In Sonae Sierra, while the ratio of male to female employees is roughly equal on a global level, women hold a minority of senior leadership and Board level positions. While we are committed to a meritocratic culture, we do not set specific quantitative objectives or targets relating to this aspect. We do however have a number of policies in place which, among other objectives, can support diversity by promoting a more flexible workplace, namely:

- Part-Time Working Policy.
- Working From Home Policy.
- Flexible Work Schedule Policy.
- Exceptional Days Off Policy.

Within the framework of these policies, we have made particular efforts over the past couple of years to introduce more flexible work arrangements for employees whose job function enables them to take up these options. The communication of these policies along with other practices to promote gender equality such as career advice has been strengthened following the launch of 'Embracing Diversity' in 2016. Developed following an extensive employee consultation, the programme aims to deliver a significant and sustained investment to change company practices and culture so women can achieve their full potential.



## Sustainability statements (continued)

### KNOWLEDGE (CONTINUED)

In 2017, we expanded our efforts and launched a mentoring programme to promote and develop talent in Sonae Sierra and support women in progressing their careers. We have identified 10 mentors and 11 mentees who will participate in the one year programme, and have provided training coupled with ongoing support to ensure the participants realise the full potential the programme offers.

#### GRI 405-1

#### Diversity information on employees and other workers

| Number and percentage of employees by gender, per employee category | Female     | Male       | Total        |
|---|------------|------------|--------------|
| Global Senior Executive   | 0          | 1          | 1            |
| Senior Executive  | 1          | 8          | 9            |
| Executive   | 2          | 14         | 16           |
| Senior Manager  | 15         | 45         | 60           |
| Manager   | 32         | 68         | 100          |
| Team Leader   | 68         | 64         | 132          |
| Project Team Specialist   | 73         | 86         | 159          |
| Team Member   | 358        | 226        | 584          |
| <b>Total</b>  | <b>549</b> | <b>512</b> | <b>1,061</b> |
| <b>Percentage total (%)</b>   | <b>52%</b> | <b>48%</b> | <b>100%</b>  |
| <b>Percentage in governance bodies (%)</b>                          | <b>12%</b> | <b>88%</b> | <b>100%</b>  |

| Number of disabled employees, per employee category | Female   | Male     | Total     |
|---|----------|----------|-----------|
| Senior Manager                                      | 0        | 2        | 2         |
| Manager   | 0        | 1        | 1         |
| Team Leader   | 0        | 1        | 1         |
| Project Team Specialist                             | 1        | 3        | 4         |
| Team Member   | 4        | 0        | 4         |
| <b>Total</b>  | <b>5</b> | <b>7</b> | <b>12</b> |

| Number and percentage of employees by age group, per employee category | <35        |            | 35-44      |            | 45-54      |            | 55-64     |           | >64       |           | Total        |
|--|------------|------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|--------------|
|  | Female     | Male       | Female     | Male       | Female     | Male       | Female    | Male      | Female    | Male      |              |
| Global Senior Executive  | 0          | 0          | 0          | 0          | 0          | 0          | 0         | 1         | 0         | 0         |              |
| Senior Executive   | 0          | 0          | 0          | 0          | 0          | 1          | 1         | 5         | 0         | 2         |              |
| Executive  | 0          | 0          | 0          | 3          | 2          | 9          | 0         | 2         | 0         | 0         |              |
| Senior Manager   | 0          | 0          | 3          | 9          | 8          | 22         | 4         | 13        | 0         | 1         |              |
| Manager  | 0          | 3          | 15         | 27         | 16         | 31         | 1         | 7         | 0         | 0         |              |
| Team Leader  | 7          | 11         | 40         | 35         | 19         | 13         | 2         | 5         | 0         | 0         |              |
| Project Team Specialist  | 19         | 23         | 43         | 36         | 10         | 20         | 1         | 7         | 0         | 0         |              |
| Team Member  | 143        | 104        | 141        | 84         | 57         | 27         | 17        | 11        | 0         | 0         |              |
| <b>Total</b>   | <b>169</b> | <b>141</b> | <b>242</b> | <b>194</b> | <b>112</b> | <b>123</b> | <b>26</b> | <b>51</b> | <b>0</b>  | <b>3</b>  | <b>1,061</b> |
| <b>Percentage (%)</b>  | <b>16%</b> | <b>13%</b> | <b>23%</b> | <b>18%</b> | <b>11%</b> | <b>12%</b> | <b>2%</b> | <b>5%</b> | <b>0%</b> | <b>0%</b> | <b>100%</b>  |

#### Data Qualifying Note:

This indicator includes all Sonae Sierra direct employees at the end of the reporting period.

## Sustainability statements (continued)

### KNOWLEDGE (CONTINUED)

#### Training and Education

Developing and retaining talent can increase a company's competitiveness: talent developed and retained enhances know-how, increases the potential for innovation and supports a strong reputation. This is particularly important as we grow the professional services aspect of our business model and expand into new markets where the skills we need are not readily available.

We aim to continuously build the skills and knowledge of our people to maximise their potential so that we deliver superior services to our clients. Our Code of Conduct includes principles to identify our employees' training needs; encouraging our employees to identify their own training needs and providing the most suitable training to all staff. Because employees have so much influence over their professional development, we call this area "learning" instead of "training".

#### GRI 404-1

#### Average hours of training per year, per employee, by gender, and by employee category

| Employee Category           | Number of employees | Number of hours | Average number of hours of training per year per employee by employee category |
|-----------------------------|---------------------|-----------------|--|
| Global Senior Executive     | 26                  | 436             | 17   |
| Senior Executive, Executive |                     |                 |  |
| Senior Manager              | 60                  | 1,061           | 18   |
| Manager                     | 100                 | 3,226           | 32   |
| Team Leader                 | 132                 | 4,612           | 35   |
| Project Team Specialist     | 159                 | 5,596           | 35   |
| Team Member                 | 584                 | 17,798          | 30   |
| <b>Total</b>                | <b>1,061</b>        | <b>32,728</b>   | <b>30.8</b>  |

| Gender       | Number of employees | Number of hours | Average number of training per year per gender |
|--------------|---------------------|-----------------|--|
| Female       | 549                 | 14,251          | 26.0   |
| Male         | 512                 | 18,477          | 36.1   |
| <b>Total</b> | <b>1,061</b>        | <b>32,728</b>   | <b>30.8</b>                                    |

#### Data Qualifying Note:

This indicator includes all Sonae Sierra direct employees at the end of the reporting period.

In 2017, we invested an average of €411 per employee in training and development, and employees received an average of 30.8 hours of training covering behavioural, language and technical skills. Learning is delivered through a variety of programmes including structured learning and short courses aimed at developing our employees' core skills and the needs of our business units.

| Type of training | Number of hours | Proportion of total training hours (%) |
|------------------|-----------------|--|
| Behavioural      | 3,585           | 11%                                    |
| Languages        | 2,839           | 9%                                     |
| Technical        | 26,304          | 80%                                    |
| <b>Total</b>     | <b>32,728</b>   | <b>100%</b>                            |

#### Data Qualifying Note:

This indicator includes all Sonae Sierra direct employees at the end of the reporting period.

## Sustainability statements (continued)

### KNOWLEDGE (CONTINUED)

In Europe, our internal learning programmes include 'We Share' which aims to aggregate and share the professional expertise of our employees by bringing together the different knowledge sharing initiatives that we have. Examples of these initiatives include Sierra Shots which typically last one to two hours and are opportunities for employees to share insights that are deemed relevant and useful for their colleagues.

In all geographies we operate an Onboarding programme which ensures that employees have the necessary skills and knowledge to perform their work; this includes an introduction to our approach and policy regarding safety, health and environment. We have also continued to roll out BEST (Behaviour with Ethics Sierra Training) to increase knowledge of our Code of Conduct and raise awareness of the different types of corruption employees may be confronted with. In Brazil we run an integration programme with the same objectives.

Another initiative is the Improving Our Work (IoW) programme, based on the Kaizen/Lean frameworks. IoW has been running across the Sonae Group and training employees in continuous improvement methodologies since 2013. The programme aims to establish continuous improvement as a key pillar of Sonae Sierra's culture and way of working, and has resulted in tangible financial benefits of €3.2 million, and intangible benefits equivalent to €4.7 million by ensuring key corporate functions are delivered as efficiently as possible.

IoW provides a common framework for developing the core competences that help us to provide better services to clients and consolidate the retention of knowledge within our teams and businesses. It develops skills such as structured problem solving, process mapping and visual process monitoring to give our people the tools to understand where improvement opportunities exist, thereby ensuring that all teams can autonomously create higher levels of client satisfaction and workplace efficiency.

During 2017 we reviewed the programme delivery and moved from a structured approach based on standardised improvement process tools to a more flexible format that can be tailored to align with the specific needs and challenges of individual teams (a decision that was influenced by employee and team feedback). By the end of the 2017, almost 500 Sonae Sierra employees covering Portugal, Spain, Italy, Germany and Brazil had received collaborator training from Sonae's Improving Our Work (IoW) Centre of Expertise, and 612 have been enrolled in IoW training sessions.

To expand the programme further, the IoW office has rolled out an e-Learning platform to support the dissemination of continuous improvement methodologies across Sonae Sierra, and IoW induction training is also provided to all new Sonae Sierra employees (excluding Brazil).

### The Sierra Academy

Ensuring Sonae Sierra's culture and values are embedded across our operations as we expand into new markets is also a priority, and an important goal of our learning and development programmes. One challenge we face is to ensure our training is both relevant and effectively delivered, given the different cultural background of the countries we operate in.

In 2017 we launched the Sierra Academy to support our business model and expansion into new markets. The Academy focuses on the training and development of existing employees and new hires in our internal procedures and all aspects of shopping centre management; which is particularly important as we enter markets where the local skills and experience we need are not readily available. Whereas training had previously been delivered through a variety of different channels including our Onboarding programme and one-to-one training with experts from across the business, the Academy centralises this into one programme.

Our goal is that the Academy sets the reference standard for the shopping centre sector and delivers value to the business by promoting immersion in Sonae Sierra's values, increasing internal networking and fostering talent. By the end of 2017, the Academy had delivered training to 25 employees across 11 technical modules focusing on shopping centre management functions in new markets.

We also continue to collaborate with and participate in the Sonae Group Management & Leadership (M&L) Academy which was launched in 2013. The Academy integrates a variety of courses into a comprehensive curriculum that supports our strategy and employees' career goals.

## Sustainability statements (continued)

### KNOWLEDGE (CONTINUED)

#### Career Development

Retention of high potential employees is a priority for the company in all markets. HR and senior country managers identify high potential employees and set in place training and development plans that meet individual and country-specific needs. Professional development is delivered through a mixture of existing programmes such as the Sierra Academy and ad-hoc 'on-the-job' experience-based learning to ensure employees receive the most relevant training.

#### Safety, health and environment training

Our SHE Policy commits us to promoting SHE training among our employees, tenants and service suppliers. Within the framework of our SHEMS, we operate a Competence, Training and Awareness Procedure, and the Sustainability Office and Human Resources (HR) Department use a competence matrix to define the skills and knowledge required for each aspect of the SHEMS to be effectively implemented by Sonae Sierra's employees according to their role and function. Each year, the Sustainability Office identifies specific SHE training and awareness needs with reference to the staff assessment process, with a particular focus on those employees whose role impacts on SHE issues, or who have responsibilities for SHE management. General training needs are also identified by the HR Department with support from business unit managers.

All new Sonae Sierra employees, including those with SHE responsibilities, receive SHE induction training through the Onboarding programme which is administered by the Human Resources Department. All site managers, site correspondents and other employees with SHE responsibilities must attend training on all SHE procedures within our SHEMS that apply to their roles. We collaborate closely with our critical suppliers on specific issues relating to SHE through our SHEMS procedures.

Site training and awareness plans are also developed based on our corporate procedures, and cover initial training for new employees, and continuous training for all other employees. For service suppliers' workers and tenants, induction training is performed in every owned shopping centre and additional specific training is performed at shopping centres certified according to ISO 14001 and OHSAS 18001. A survey is performed following each training session allowing us to monitor the effectiveness of the training delivered.

Within the scope of our certified SHEMS we provide additional SHE training for tenants, include SHE issues at tenant assembly meetings, and work with tenants to improve their SHE performance such as identifying opportunities to reduce energy consumption. We monitor tenants' compliance with our SHE requirements for shopping centres by performing inspections on tenant units and following up on any non-conformities detected. Regular SHE meetings with our service suppliers reduce SHE risks by discussing common SHE issues, highlight basic housekeeping procedures and share good practice, as well as performance metrics. SHE meetings are not compulsory at centers that are not certified to our full SHEMS, however property management teams consult with service suppliers through meetings and other communications with the same aim.

In 2017 we delivered a total of 31,426 man hours of SHE training (including meetings) across these channels to staff, suppliers and tenants in our shopping centres, development projects and in our corporate offices.

**Total number man hours of safety, health and environmental training and awareness provided across all Sonae Sierra sites**  
(Number of hours)



**Data Qualifying Note:**

This indicator includes all shopping centres owned by Sonae Sierra, all shopping centres managed but not owned by Sonae Sierra, all Sonae Sierra completed projects under development, and all corporate offices in operation during the reporting period.

## Sustainability statements (continued)

### KNOWLEDGE (CONTINUED)

#### Employee health and wellbeing

Our focus on Knowledge seeks to embed more sustainable lifestyles, health and wellbeing among our employees to achieve higher levels of resilience and productivity. We have developed a variety of tools including regular SHE meetings, training events, campaigns and internal publications to support this goal. For example:

- Evolve is an online employee newsletter that brings together sustainability information, including safety and health content such as SHE Tips and case studies, in a single format.
- 'My Advice' allows senior managers who are nominated to be monthly safety ambassadors to share simple safety and health messages with all employees.
- Safety & Health Day.

#### Policies and procedures for assisting employees with mental health issues

According to the European Agency for Safety and Health at Work, psychosocial risks and work-related stress are among the most challenging occupational safety and health issues. Around half of European workers say that stress is common in their workplace, and it contributes to around half of all lost working days.

Within this context, we designed Project Be Well to improve employee wellbeing by tackling work related stress. It was developed following a wellbeing study performed in 2014 with the support of the University Institute of Lisbon to evaluate the mental health of our employees and identify key areas for improvement. The project identified a series of initiatives covering eight categories that have been implemented across our corporate offices in Europe based on their potential to have a positive impact on employee wellbeing. During 2017 we focused on:

- Be Healthy – An awareness raising initiative to promote healthier lifestyles among employees including activities such as exercise, nutrition, mindfulness and happiness workshops.
- Resilience workshops – Voluntary internal workshops facilitated by internal trainers, the goal being to provide employees with the tools to cope with the challenges they face in their daily life.

As a consequence of our continued focus on promoting better health and wellbeing, initiatives such as Project Be Well have contributed to significant reductions in employee absenteeism since its launch in 2014.

## Sustainability statements (continued)

## GRI CONTENT INDEX

| GRI Disclosure                                    | Page number and/or response  | Omission |
|---|--|----------|
| <b>GRI 102: General Disclosures</b>               |  |          |
| 102-1: Name of the organisation                   | Sonae Sierra   | -        |
| 102-2: Activities, brands, products, and services | Our company, Organisational structure, <a href="#">page 16</a><br>No products or services are banned in certain markets  | -        |
| 102-3: Location of headquarters                   | Our headquarters are located in Maia, Portugal   | -        |
| 102-4: Location of operations                     | Our company, Where we operate and key facts', <a href="#">page 12</a>  | -        |
| 102-5: Ownership and legal form                   | 'Our company', <a href="#">page 11</a>   | -        |
| 102-6: Markets served                             | 'Our company, Where we operate and key facts', <a href="#">page 12</a>   | -        |
| 102-7: Scale of the organisation                  | 'Our company, Where we operate and key facts', <a href="#">page 12</a>   | -        |
| 102-8: Information on employees and other workers | 'Employment', <a href="#">pages 117 to 118</a>   | -        |
| 102-9: Supply chain                               | <p>In 2017 we purchased goods and services with a value of approximately €1,326 million from our suppliers.</p> <p>Our most significant suppliers can be divided into two broad groups: service suppliers who provide maintenance, security, cleaning and waste management services in our owned shopping centres; and development suppliers who provide the goods and materials (such as building materials, metals, stone and timber) that we use during the development of new shopping centres and refurbishments and expansions of our existing centres.</p> <p>In the majority of cases, development suppliers are contractors who in turn manage their own supply chain to source the goods and materials we use.</p> <p>We also procure a small amount of office supplies for use in our shopping centres and corporate offices, such as paper, envelopes, pens and folders.</p> <p>For more information on our supply chain, including supplier procurement and evaluation procedures with regards to environmental and social practices, see <a href="#">page 66</a>.</p> <p>There is no policy that guarantees preference to locally-based suppliers. However, the nature of the work carried out by our service and development suppliers means that a large proportion may be located close to our shopping centres. In 2017 96% of our procurement spending was with national suppliers (aggregated across all countries).</p> | -        |

## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure   | Page number and/or response  | Omission |
|--|--|----------|
| <b>GRI 102: General Disclosures</b>                                  |  |          |
| 102-10: Significant changes to the organisation and its supply chain | 'The Year at a Glance, Key achievements', <a href="#">page 7</a>   | -        |
| 102-11: Precautionary Principle of approach                          | <p>The precautionary principle is addressed through our approach to safety, health and environment (SHE) issues. We operate a Safety, Health and Environment Management System (SHEMS) certified in accordance with ISO 14001 and OHSAS 18001 standards at a corporate level. For all shopping centres in our owned portfolio we discuss with our partners and clients the best approach to meet their needs and local market standards. If partners agree, we implement a full SHEMS in our shopping centre and development sites, which requires us to identify SHE aspects and impacts associated with our activities (see <a href="#">pages 83 to 86</a> for further details, including the number of our local SHEMS which are certified). If partners do not agree to implement our full SHEMS we implement critical SHE procedures and guarantee compliance with applicable laws governing health, safety and the environment. In cases where we provide property management services to clients, we make sure that we monitor and comply with applicable legislation and implement critical S&amp;H procedures to reduce potential risks.</p> <p>We undertake an Environmental Impact Study and apply our Environmental Due Diligence procedure during the new business phase on our own projects. Environmental and safety and health due diligences are also carried out on new acquisitions.</p> <p>During the design phase, our Safety, Health and Environment Development Standards (SHEDS) – also described on <a href="#">page 84</a> – enable us to minimise SHE risks and enhance the eco-efficiency of future shopping centres during their operation. On developments managed through a joint venture agreement, we engage with our partners to decide whether to implement our full SHEMS. At a minimum we make sure that we comply with legislation in relation to both construction work and building regulations of the relevant country. We also implement critical SHE procedures (including incidents investigation and emergency response) and carry out compliance audits in relation to safety, health and environmental issues.</p> <p>We also demonstrate a precautionary approach to climate change risks; see <a href="#">pages 100 to 101</a> for further details.</p> | -        |
| 102-12: External initiatives   | 'Sustainability, Our approach', <a href="#">page 70</a>  | -        |

## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure  | Page number and/or response  | Omission |
|---|--|----------|
| <b>GRI 102: General Disclosures</b>                           |  |          |
| 102-13: Membership of associations                            | <ul style="list-style-type: none"> <li>• ALSHOP – Associação Brasileira de Lojistas de Shopping (Brazilian Association of Shopping Tenants)</li> <li>• AREI – Association of Real Estate Investors (Romanian Institute of Real Estate Investors)</li> <li>• Asociación Española de Centros Comerciales – AECC (Spanish Council of Shopping Centres)</li> <li>• Associação Portuguesa de Centros Comerciais – APCC (Portuguese Council of Shopping Centres)*</li> <li>• Associação Portuguesa de Promotores e Investidores Imobiliários – APPII (Portuguese Property Investor and Developer Council)*</li> <li>• Associação Brasileira de Shopping Centers – ABRASCE (Brazilian Council of Shopping Centres)*</li> <li>• Assoimmobiliare (Italian Real Estate Industry Association)*</li> <li>• Câmara Portuguesa de Comércio no Brasil (Portuguese Chamber of Retail – Brazil)*</li> <li>• CCILC – Câmara de Comércio e Indústria Luso-Colombiana (Luso-Colombian Chamber of Commerce and Industry)</li> <li>• Consiglio Nazionale dei Centri Commerciali Italia – CNCC (Italian Council of Shopping Centres)*</li> <li>• European Association for Investors in Non-Listed Estate Vehicles – INREV**</li> <li>• European Property Federation – EPF*</li> <li>• German Council of Shopping Centres*</li> <li>• Greek Council of Shopping Centres*</li> <li>• International Organisation of Employees**</li> <li>• International Council of Shopping Centres (ICSC)**</li> <li>• GRI Brazil*</li> <li>• Romanian Council of Shopping Centres*</li> <li>• Urban Land Institute – ULI**</li> </ul> <p>* Denotes organisations where Sonae Sierra has significant influence either as president, a trustee or a member of the Board or Council.<br/>                     ** Denotes organisations where Sonae Sierra is a member of a working group, taskforce or committee</p> | –        |
| 102-14: Statement from senior decision-maker                  | 'CEO's statement', <a href="#">pages 4 to 6</a>  | –        |
| 102-16: Values, principles, standards, and norms of behaviour | Our Code of Conduct includes a set of ethical principles which apply to everything we do and outline our commitment to success whilst operating with integrity, openness and honesty. For more information, see <a href="#">page 59</a>  | –        |
| 102-18: Governance structure                                  | 'Governance', <a href="#">page 58</a> and 'Sustainability governance', <a href="#">page 65</a>   | –        |
| 102-40: List of stakeholder groups                            | 'Stakeholder engagement', <a href="#">page 67</a>  | –        |



## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure   | Page number and/or response  | Omission |
|--|--|----------|
| <b>GRI 102: General Disclosures</b>                                |  |          |
| 102-41: Collective bargaining agreements                           | Sonae Sierra does not have any collective bargaining agreements, so 0% of employees are covered.   | -        |
| 102-42: Identifying and selecting stakeholders                     | 'Stakeholder engagement', <a href="#">page 67</a>  |          |
| 102-43: Approach to stakeholder engagement                         | 'Stakeholder engagement', <a href="#">page 68</a>  |          |
| 102-44: Key topics and concerns raised                             | 'Stakeholder engagement', <a href="#">page 69</a>  |          |
| 102-45: Entities included in the consolidated financial statements | <p>Please see Note 3 in our Consolidated Report and Accounts 2017 for a full list of Group companies included in our financial statements.</p> <p>This report provides an account of our performance across all Sonae Sierra businesses including Investment Management, Developments, Property Management, Development Services and Sonae Sierra Brasil. The safety, health and environment (SHE) information covers all our owned subsidiary holding companies, regardless of our ownership stake in these.</p>  |          |
| 102-46: Defining reporting content and topic Boundaries            | 'Material issues', <a href="#">pages 71 to 72</a>  |          |
| 102-47: List of material topics                                    | 'Material issues', <a href="#">pages 73 to 74</a>  |          |
| 102-48: Restatements of information                                | Any re-statements of previously reported values are explained using Data Qualifying Notes beside each performance indicator.   |          |
| 102-49: Changes in reporting                                       | <p>The most significant change in terms of scope in comparison with the previous reporting period is the inclusion of ParkLake in all disclosures where the scope is assets in operation during the full reporting period, as in 2016 this shopping centre in Romania was not accounted for, due to the end-year opening.</p> <p>All new acquisitions are included in our key performance indicators where applicable, for example, Área Sur shopping centre, which we purchased in June, is only included in relation to our human resource indicators and operational performance indicators including total GLA under management, the total number of shopping centres owned, average occupancy rate by GLA, shopping centre visits, tenant sales, rents and the number of tenant contracts under management. Other shopping centres that we secured property management contracts for in 2017 are only included in total GLA under management.</p> |          |
| 102-50: Reporting period   | The information in this report relates to the calendar year ending on 31 December 2017.  |          |
| 102-51: Date of the most recent report                             | This report succeeds our 2016 In Review: Economic, Environmental and Social Performance Report and our 2016 Economic, Environmental and Social Report, both published in April 2017.   |          |
| 102-52: Reporting cycle  | We report on a calendar year cycle.  | -        |
| 102-53: Contact point for questions regarding the report           | Filipa Oliveira, Sustainability Communication Services Coordinator<br>Email: <a href="mailto:sustainability@sonaesierra.com">sustainability@sonaesierra.com</a>  | -        |

## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure  | Page number and/or response   | Omission                                   |
|---|---|--|
| <b>GRI 102: General Disclosures</b>   |   |  |
| 102-54: Claims of reporting in accordance with the GRI Standards                | This report has been prepared in accordance with the GRI Standards: Core option.  | -  |
| 102-55: GRI content index   | This index.   | -  |
| 102-56: External assurance  | The report (including all GRI disclosures) has been externally assured by an independent auditor to ensure that data and information is accurate and complies with the GRI Standards, including the Construction and Real Estate Sector Disclosure. The independent auditor's review can be found on <a href="#">pages 135 to 136</a> . | -  |
| <b>Material topics</b>  |   |  |
| <b>GRI 203: Indirect Economic Impacts</b>                                       |   |  |
| 103-1: Explanation of the material topic and its boundaries                     | 'Material issues', <a href="#">page 74</a>  | -  |
| 103-2: The management approach and its components                               | 'Future Fit Retail, Local economic impacts', <a href="#">page 112</a>   | -  |
| 103-3: Evaluation of the management approach                                    | 'Future Fit Retail, Local economic impacts', <a href="#">page 112</a>   | -  |
| 203-2: Significant indirect economic impacts                                    | 'Future Fit Retail, Local economic impacts', <a href="#">page 113</a>   | Context in relation to external benchmarks |
| <b>GRI 205: Anti-corruption</b>   |   |  |
| 103-1: Explanation of the material topic and its boundaries                     | 'Material issues', <a href="#">page 73</a>  | -  |
| 103-2: The management approach and its components                               | 'Governance, Ethical conduct', <a href="#">page 59</a>  | -  |
| 103-3: Evaluation of the management approach                                    | 'Governance, Ethical conduct', <a href="#">page 59</a>  | -  |
| 205-1: Operations assessed for risks related to anti-corruption                 | 'Governance, Ethical conduct', <a href="#">page 59</a>  | -  |
| 205-2: Communication and training about anti-corruption policies and procedures | 'Governance, Ethical conduct', <a href="#">page 60</a>  | -  |
| 205-3: Confirmed incidents of corruption and actions taken                      | 'Governance, Ethical conduct', <a href="#">page 59</a>  | -  |

## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure   | Page number and/or response   | Omission |
|--|---|----------|
| <b>Material topics</b>   |   |          |
| <b>GRI 301: Materials</b>  |   |          |
| 103-1: Explanation of the material topic and its boundaries                                      | 'Material issues', <a href="#">page 73</a>  | -        |
| 103-2: The management approach and its components  | 'Safe People & Resource Resilience, Safety, health and environment management' <a href="#">pages 83 to 86</a> & 'Resource Resilience: Materials' <a href="#">page 107</a> | -        |
| 103-3: Evaluation of the management approach   | 'Resource Resilience: Materials' <a href="#">page 107</a>   | -        |
| 301-1: Materials used by weight or volume  | 'Resource Resilience: Materials' <a href="#">page 107</a>   | -        |
| 301-2: Recycled input materials used   | 'Resource Resilience: Materials' <a href="#">page 107</a>   | -        |
| <b>GRI 302: Energy</b>   |   |          |
| 103-1: Explanation of the material topic and its boundaries                                      | 'Material issues', <a href="#">page 73</a>  | -        |
| 103-2: The management approach and its components & 103-3: Evaluation of the management approach | 'Safe People & Resource Resilience, Safety, health and environment management' <a href="#">pages 83 to 86</a> & 'Energy' <a href="#">pages 93 to 94</a> .                 | -        |
| 302-1: Energy consumption inside the organisation  | 'Energy' <a href="#">page 95</a>  | -        |
| 302-3: Energy intensity  | 'Energy' <a href="#">page 95</a>  | -        |
| 302-4: Reduction of energy consumption   | 'Energy' <a href="#">page 86</a>  | -        |
| CRE1: Building energy intensity  | 'Energy' <a href="#">page 95</a>  | -        |
| <b>GRI 303: Water</b>  |   |          |
| 103-1: Explanation of the material topic and its boundaries                                      | 'Material issues', <a href="#">page 73</a>  | -        |
| 103-2: The management approach and its components  | 'Safe People & Resource Resilience, Safety, health and environment management' <a href="#">pages 83 to 86</a> & 'Water' <a href="#">page 102</a>                          | -        |
| 103-3: Evaluation of the management approach   | 'Water' <a href="#">page 101</a>  | -        |
| 303-1: Water withdrawal by source  | 'Water' <a href="#">page 103</a>  | -        |
| 303-3: Water recycled and reused   | 'Water' <a href="#">page 103</a>  | -        |

## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure  | Page number and/or response  | Omission |
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| <b>Material topics</b>                                      |  |          |
| <b>GRI 303: Water</b>                                       |  |          |
| CRE2: Building water intensity                              | 'Water' <a href="#">page 104</a>   | -        |
| <b>GRI 305: Emissions</b>                                   |  |          |
| 103-1: Explanation of the material topic and its boundaries | 'Material issues', <a href="#">page 73</a>   | -        |
| 103-2: The management approach and its components           | 'Safe People & Resource Resilience, Safety, health and environment management' <a href="#">pages 83 to 86</a> & 'Emissions' <a href="#">page 96</a>          | -        |
| 103-3: Evaluation of the management approach                | 'Emissions' <a href="#">page 96</a>  | -        |
| 305-1: Direct (Scope 1) GHG emissions                       | 'Emissions' <a href="#">page 96</a>  | -        |
| 305-2: Energy indirect (Scope 2) GHG emissions              | 'Emissions' <a href="#">page 97</a>  | -        |
| 305-3: Other indirect (Scope 3) GHG emissions               | 'Emissions' <a href="#">page 99</a>  | -        |
| 305-4: GHG emissions intensity                              | 'Emissions' <a href="#">page 97</a>  | -        |
| 305-5: Reduction of GHG emissions                           | 'Emissions' <a href="#">page 86</a>  | -        |
| <b>GRI 306: Effluents and Waste</b>                         |  |          |
| 103-1: Explanation of the material topic and its boundaries | 'Material issues', <a href="#">page 73</a>   | -        |
| 103-2: The management approach and its components           | 'Safe People & Resource Resilience, Safety, health and environment management' <a href="#">pages 83 to 86</a> & 'Effluents & waste' <a href="#">page 105</a> | -        |
| 103-3: Evaluation of the management approach                | 'Effluents & waste' <a href="#">page 104</a>   | -        |
| 306-2: Waste by type and disposal method                    | 'Effluents & waste' <a href="#">page 106</a>   | -        |
| <b>GRI 401: Employment</b>                                  |  |          |
| 103-1: Explanation of the material topic and its boundaries | 'Material issues', <a href="#">page 74</a>   | -        |
| 103-2: The management approach and its components           | 'Knowledge, Employment' <a href="#">page 119</a>   | -        |

## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure   | Page number and/or response  | Omission |
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| <b>Material topics</b>   |  |          |
| <b>GRI 401: Employment</b>   |  |          |
| 103-3: Evaluation of the management approach   | 'Knowledge, Employment' <a href="#">page 119</a>   | -        |
| 401-1: New employee hires and employee turnover  | 'Knowledge, Employment' <a href="#">page 117</a>   | -        |
| <b>GRI 403: Occupational Health and Safety</b>   |  |          |
| 103-1: Explanation of the material topic and its boundaries  | 'Material issues', <a href="#">page 74</a>   | -        |
| 103-2: The management approach and its components  | 'Safe People & Resource Resilience, Safety, health and environment management' <a href="#">pages 83 to 86</a> & 'Workforce Safety & Health' <a href="#">pages 92 to 93</a> | -        |
| 103-3: Evaluation of the management approach   | 'Workforce Safety & Health' <a href="#">page 92</a>  | -        |
| 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities         | 'Workforce Safety & Health' <a href="#">page 92</a>  | -        |
| CRE6: Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system | 'Workforce Safety & Health' <a href="#">page 83</a>  | -        |
| <b>GRI 404: Training and Education</b>   |  |          |
| 103-1: Explanation of the material topic and its boundaries  | 'Material issues', <a href="#">page 74</a>   | -        |
| 103-2: The management approach and its components  | 'Knowledge, Training and education' <a href="#">page 122</a>   | -        |
| 103-3: Evaluation of the management approach   | 'Knowledge, Training and education' <a href="#">page 121</a>   | -        |
| 404-1 Average hours of training per year per employee  | 'Knowledge, Training and education' <a href="#">page 121</a>   | -        |
| <b>GRI 413: Local Communities</b>  |  |          |
| 103-1: Explanation of the material topic and its boundaries  | 'Material issues', <a href="#">page 73</a>   | -        |
| 103-2: The management approach and its components  | 'Future Fit Retail, Community engagement', <a href="#">page 114</a>  | -        |

## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure   | Page number and/or response  | Omission |
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| <b>Material topics</b>   |  |          |
| <b>GRI 413: Local Communities</b>  |  |          |
| 103-3: Evaluation of the management approach   | 'Future Fit Retail, Community engagement', <a href="#">page 115</a>  | -        |
| 413-1: Operations with local community engagement, impact assessments, and development programs  | 'Future Fit Retail, Community engagement', <a href="#">page 114</a>  | -        |
| CRE7: Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project                            | 'Future Fit Retail, Community engagement', <a href="#">page 115</a>  | -        |
| <b>GRI 416: Customer Health and Safety</b>   |  |          |
| 103-1: Explanation of the material topic and its boundaries  | 'Material issues', <a href="#">page 73</a>   | -        |
| 103-2: The management approach and its components  | 'Safe People & Resource Resilience, Safety, health and environment management' <a href="#">pages 83 to 86</a> & 'Customer health & safety' <a href="#">page 89</a> | -        |
| 103-3: Evaluation of the management approach   | 'Customer health & safety' <a href="#">page 89</a>   | -        |
| 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services   | 'Customer health & safety' <a href="#">page 90</a>   | -        |
| <b>GRI 417: Marketing and Labelling</b>  |  |          |
| 103-1: Explanation of the material topic and its boundaries  | 'Material issues', <a href="#">page 74</a>   | -        |
| 103-2: The management approach and its components  | 'Safe People & Resource Resilience, Green building standards & ratings' <a href="#">page 87</a>  | -        |
| 103-3: Evaluation of the management approach   | 'Safe People & Resource Resilience, Green building standards & ratings' <a href="#">page 87</a>  | -        |
| 417-1: Requirements for product and service information and labelling  | 'Safe People & Resource Resilience, Green building standards & ratings' <a href="#">page 87</a>  | -        |
| CRE8: Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment | 'Safe People & Resource Resilience, Green building standards & ratings' <a href="#">page 87</a>  | -        |

## Sustainability statements (continued)

### GRI CONTENT INDEX (CONTINUED)

| GRI Disclosure   | Page number and/or response  | Omission |
|--|--|----------|
| <b>Material topics</b>   |  |          |
| <b>Building health, wellbeing &amp; productivity</b>                         |  |          |
| 103-1: Explanation of the material topic and its boundaries                  | 'Material issues', <a href="#">page 73</a>   | -        |
| 103-2: The management approach and its components                            | 'Safe People & Resource Resilience, Building health, wellbeing & productivity', <a href="#">page 87</a>              | -        |
| 103-3: Evaluation of the management approach                                 | 'Safe People & Resource Resilience, Building health, wellbeing & productivity', <a href="#">page 87</a>              | -        |
| <b>Customer &amp; visitor attraction, retention &amp; engagement</b>         |  |          |
| 103-1: Explanation of the material topic and its boundaries                  | 'Material issues', <a href="#">page 73</a>   | -        |
| 103-2: The management approach and its components                            | 'Future Fit Retail, Customer attraction', <a href="#">page 109</a>   | -        |
| 103-3: Evaluation of the management approach                                 | 'Future Fit Retail, Customer attraction', <a href="#">page 109</a>   | -        |
| <b>Place-making, urban redevelopment and enhancement of the public realm</b> |  |          |
| 103-1: Explanation of the material topic and its boundaries                  | 'Material issues', <a href="#">page 74</a>   | -        |
| 103-2: The management approach and its components                            | 'Future Fit Retail, Place-making, urban redevelopment and enhancement of the public realm', <a href="#">page 111</a> | -        |
| 103-3: Evaluation of the management approach                                 | 'Future Fit Retail, Place-making, urban redevelopment and enhancement of the public realm', <a href="#">page 111</a> | -        |
| <b>Technological advances in retail</b>                                      |  |          |
| 103-1: Explanation of the material topic and its boundaries                  | 'Material issues', <a href="#">page 73</a>   | -        |
| 103-2: The management approach and its components                            | 'Future Fit Retail, Technological advances in retail', <a href="#">page 110</a>                                      | -        |
| 103-3: Evaluation of the management approach                                 | 'Future Fit Retail, Technological advances in retail', <a href="#">page 110</a>                                      | -        |

# Independent auditor's review

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## INDEPENDENT ASSURANCE ENGAGEMENT REPORT

To the Board of Directors of  
 Sonae Sierra, SGPS, SA

### Introduction

1. We have performed a review of the sustainability information included in the Economic, Environmental and Social Report 2017 ("EESR 2017") of Sonae Sierra, SGPS, SA ("Sonae Sierra"), that covered:
  - Its compliance with the disclosure of information requirements defined by the Global Reporting Initiative standards for sustainability reporting, GRI Standards, for the "in accordance – core" option, and additional contents and performance indicators required by the GRI's G4 Construction and Real Estate Sector Disclosures ("GRI CRESD") related to the material sustainability aspects, including the reliability of the underlying 2017 information provided, as identified in "GRI content index";
  - Sonae Sierra's own sustainability performance indicators 2017 data, disclosed in the EESR 2017, in accordance with the therein mentioned criteria;
  - The information on progress against the 2017 sustainability targets and management actions, in accordance with the criteria established by Sonae Sierra, disclosed in its internet site, as identified in the chapter "Our approach" of the report; and
  - The Sonae Sierra's Environmental Accounting model information and results, disclosed in chapter "Safe People & Resource Resilience", in accordance with the therein mentioned criteria.

### Responsibilities

2. The Board of Directors of Sonae Sierra is responsible for preparing the EESR 2017 and for establishing suitable criteria as well as maintaining an internal control system and appropriate information capture and processing systems and processes to ensure such preparation. Our responsibility is to express an independent conclusion about such compliance and subject matter data reliability.

### Scope of our work

3. We conducted our review in accordance with the International Standard on Assurance Engagements 3000 – ISAE 3000, issued by the International Auditing and Assurance Standards Board, for Assurance Engagements other than Audit or Limited Reviews of Historical Financial Information, for a limited level of assurance. We are independent from Sonae Sierra in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").



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## Independent auditor's review (continued)



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## 4. Our work is summarized as follows:

- Interview of Sonae Sierra's employees responsible for the preparation of the EESR 2017 and for the reported data, so as to know and understand the management and reporting principles, systems and procedures applied, as well as the associated control mechanisms;
- Review of the compliance and consistency of the EESR 2017 content with the GRI Standards, disclosure of information requirements, and whenever applicable with the GRI CRESO requirements;
- Review of the processes, criteria and systems used to collect, consolidate, present and validate the data for 2017, relating to the information reviewed by us;
- Review of the procedures and criteria in place to monitor and measure progress against 2017 sustainability targets and management actions;
- Analytical data review, and tests on a sample basis, of the calculations made by Sonae Sierra, relating to the quantitative data, as well as tests to corroborate the quantitative and qualitative data included in the scope of our work, by obtaining and reviewing related evidence thereof; and
- Review of the consistency of the sustainability information included in the EESR 2017 and related publicly available reports, and that it does not contradict any significant information included in the 2017 Sonae Sierra's Consolidated Report and Accounts.

**Conclusion**

5. Based on the work described in paragraph 4 above, nothing has come to our attention that causes us to believe that, in all material aspects, the sustainability information included in, or publically available and related to the EESR 2017, referred to in paragraph 1 above, has not been reliably and consistently prepared and that it does not conform, in all material respects, with the disclosure requirements of the GRI Standards for the "in accordance - core" option, and whenever applicable with GRI CRESO, as well as with the criteria defined by Sonae Sierra.

Lisbon, 16 March 2018

**Deloitte & Associados, SROC S.A.**  
Represented by João Carlos Frade

# Feedback Form

At Sonae Sierra we aim to conduct our business in a way that is sensitive and responsive to our stakeholder's needs and concerns. We hope that you found our Economic, Environmental and Social Report interesting, and would be grateful if you could take a few minutes to provide us with some feedback on this report.

Please complete the questions below and return your form either by email to [sustainability@sonaesierra.com](mailto:sustainability@sonaesierra.com) or by post to Rua Galileu Galilei, 2, 3º piso, 1500-392 Lisbon, Portugal. You can also submit your Feedback Form online [here](#).

## CAN YOU TELL US...

### 1. About you.

Which stakeholder group do you belong to?

- |  |  |
|--|--|
| <input type="radio"/> Investor/financier               | <input type="radio"/> Media                      |
| <input type="radio"/> Local community member           | <input type="radio"/> Sonae Sierra employee      |
| <input type="radio"/> Tenant                           | <input type="radio"/> Government/local authority |
| <input type="radio"/> NGO/charitable organisation      | <input type="radio"/> Supplier                   |
| <input type="radio"/> Shopping centre visitor/customer | <input type="radio"/> Student                    |

Other, please specify .....

Which country do you reside in? .....

### 2. Please rate the extent to which you agree with the following statements:

(Scale 1 = Strongly disagree; 6 = Strongly agree)

- 1 2 3 4 5 6 This report included information that is of interest to me
- 1 2 3 4 5 6 I liked the style and layout of this report
- 1 2 3 4 5 6 I was able to find the information I was looking for
- 1 2 3 4 5 6 The report integrated information on Sonae Sierra's financial, economic, environmental and social performance well
- 1 2 3 4 5 6 The report presented an honest and accurate account of Sonae Sierra's performance

### 3. Using a scale of 1 to 6 (1 = Very Poor; 6 = Excellent), how do you rate:

- 1 2 3 4 5 6 Information about Sonae Sierra's strategic direction? ([Pages 20 to 22](#))
- 1 2 3 4 5 6 Information provided on Sonae Sierra's business model? ([Pages 15 to 17](#))
- 1 2 3 4 5 6 Information on how Sonae Sierra uses resources ("capitals") and impacts upon the availability and quality of these resources? ([Page 20](#))
- 1 2 3 4 5 6 Information about risks and opportunities faced by Sonae Sierra? ([Pages 23 to 25](#))
- 1 2 3 4 5 6 Information about how the external environment affects Sonae Sierra? ([Pages 18 to 19](#))
- 1 2 3 4 5 6 Information about the future outlook for Sonae Sierra? ([Pages 47 to 49](#))
- 1 2 3 4 5 6 Information about the governance within Sonae Sierra? ([Pages 57 to 60](#))
- 1 2 3 4 5 6 The integration of financial, economic, environmental and social information?
- 1 2 3 4 5 6 The extent to which information was provided on relevant ('material') topics?

## Feedback Form (continued)

4. Is there any information on Sonae Sierra's economic, environmental and social performance which you felt was missing from this report? If yes, please describe what this was.

.....  
.....

5. Are there any particular aspects of economic, environmental and social performance which you feel that Sonae Sierra needs to improve on? If yes, please explain which ones.

.....  
.....

6. What do you see as being the main social, economic and/or environmental challenges for Sonae Sierra in the next five to ten years?

.....  
.....

7. Do you have any additional suggestions on how Sonae Sierra can continue to create shared value (for its business and society)?

.....  
.....

8. Why did you consult this report?

.....  
.....

9. Please use the space below to provide your own comments on this report or any other aspect of Sonae Sierra's economic, environmental and social performance.

.....  
.....  
.....  
.....  
.....

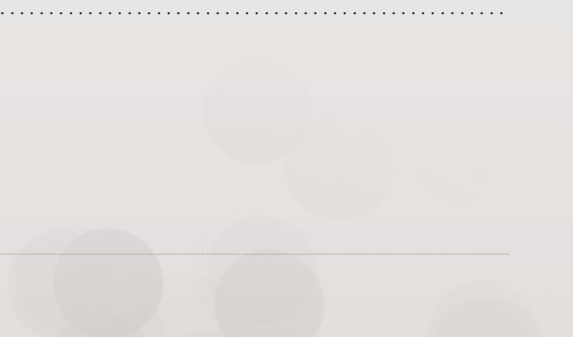
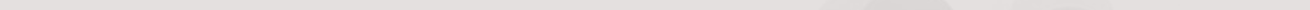
10. Do you give us permission to publish your comments in our future sustainability communications?

Yes, I do give permission. You can publish my comments under the name of:

.....

No, I do not want my comments to be published.

**THANK YOU**





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SÃO PAULO

COLOMBIA  
CALI

GERMANY  
DÜSSELDORF

GREECE  
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SPAIN  
MADRID

THE NETHERLANDS  
AMSTERDAM

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