



*Real value in a changing world*

# Sonae Sierra

## **Review** of Progress Against 2010 Public CR Targets

Report

March 2011

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# Contents

1	Introduction .....	2
2	Methodology.....	3
3	Summary of progress.....	5
4	Comment on progress against each 2010 CR Target.....	7
5	List of evidences reviewed .....	12

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# 1 Introduction

In 2009, Sonae Sierra publicly committed to work towards the accomplishment of 28 Corporate Responsibility (CR) targets by the end of 2010, covering all nine CR impact areas (as well as Environmental Management). This report, which has been prepared by Jones Lang LaSalle's Upstream Sustainability Services team, is intended to provide an external review of Sonae Sierra's progress towards meeting these CR targets. It is divided into four main sections:

1. Methodology.
2. Summary of progress.
3. Comment on progress against each publicly reported CR target.
4. List of evidences reviewed.

By providing further information and explanations about the target evaluation process, this document is intended to be a point of reference for Sonae Sierra's stakeholders and to provide further clarity on the statements relating to target achievement made in the CR Report 2010.

To support the accomplishment of the Company's long-term objectives, Sonae Sierra also defined 69 additional CR actions to be achieved before the end of 2010. Progress with respect to these actions has also been reviewed by Upstream Sustainability Services and a separate report is available in the CR section of the Company's website.

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## 2 Methodology

The level of progress achieved against each of the targets set has been established by scrutinising documented evidence provided by Sonae Sierra. In cases where targets were applicable to around 20 or more different sites or other entities, a sampling approach was used, whereby random samples of additional evidences were requested from a summary list of items. Where further explanations were deemed necessary, direct communication was also made with individuals within the Company responsible for target accomplishment. The methodology used in order to determine how complete each target is, as a percentage, varies according to the type of target set.

### Performance targets

A performance target is a target which relates to achieving performance against a standard (e.g. ISO 14001, or relevant government standards) or a threshold of performance (e.g. a recycling rate).

Performance targets have been evaluated and awarded a percentage towards completion. This is calculated by dividing the actual level of performance achieved by the target level of performance which the Company was aiming to achieve in 2010.

Of the public targets set for completion in 2010, 25 out of 28 were considered to be performance targets.

#### Performance target evaluation – worked example

**Target:** *Achieve an average tenant satisfaction level of 4 or above in at least 80% of the Sonae Sierra owned shopping centres.*

**Evaluation:** *The results of the Tenant satisfaction survey were externally verified and showed that Sonae Sierra achieved an average satisfaction of level 4 or above in 46 out of 49 eligible shopping centres, which is equivalent to 94% of eligible shopping centres. The target was therefore evaluated as 100% achieved. If the satisfaction level was level 4 or above in less than 80% of Sierra's shopping centre, the target would have been evaluated as 0%.*

### Management targets

A management target is a target which relates to a management process or procedure. Management targets may contain quantifiable elements, but do not measure actual performance relative to a threshold or standard.

Upon setting management targets, Sonae Sierra anticipates the steps which required to achieve the target. For each step, a weighting (%) is set on an "effort" basis by applying professional judgement. This weighting determines the extent to which the completion of each step contributes to the overall achievement of the target. Management targets have, therefore, been awarded a percentage of achievement in view of the evidence towards completion received by Upstream Sustainability Services in relation to each step necessary for the whole target to be completed, and in accordance with the weighting (%) attributed to each step.

Of the public targets set for completion in 2010, three out of 28 were considered to be management targets.

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### Management target evaluation – worked example

**Target:** *Establish a plan that would enable Sierra to become listed as a Great Place to Work® Institute “Best Company to Work For” in all countries that we currently have more than 100 employees in 2015.*

**Evaluation:** *Sonae Sierra assigned the following ‘steps’ and weightings to achieve this target:*

- 1. Review the criteria required by the Great Place to Work® Institute for companies to meet the “Best Company to Work For” standard (10% weighting).*
- 2. Perform a gap analysis between the criteria required and the practices and procedures currently in place in countries where the Company employs more than 100 people (30% weighting).*
- 3. Based on the findings of the gap analysis, draw up a plan of the measures that would need to be implemented in each applicable country in order for Sonae Sierra to meet with the “Best Company to Work For” standard before 2015 (60% weighting).*

*Sonae Sierra reviewed the Great Place to Work® Institute 2009 report, which included a series of good practices that can be adopted by companies. These criteria, as well as other factors (internal and external feedback and a benchmarking analysis) were used to help Sonae Sierra’s Human Resources team to develop a 10 point plan to achieve the goal of becoming a best place to work in 2015 in all countries. The target was therefore considered to be 100% achieved. If Sonae Sierra had only completed step 1, the target would have been considered to be 10% achieved.*

## 3 Summary of progress

### 3.1 Summary of progress against 2010 CR targets

In 2010, Sonae Sierra fully achieved 19 out of 28 CR targets (68%) and partially achieved four targets (14%). Five targets (18%) were not achieved, and one target was considered to be 'not applicable' (N/A).

Figure 1: Pie chart

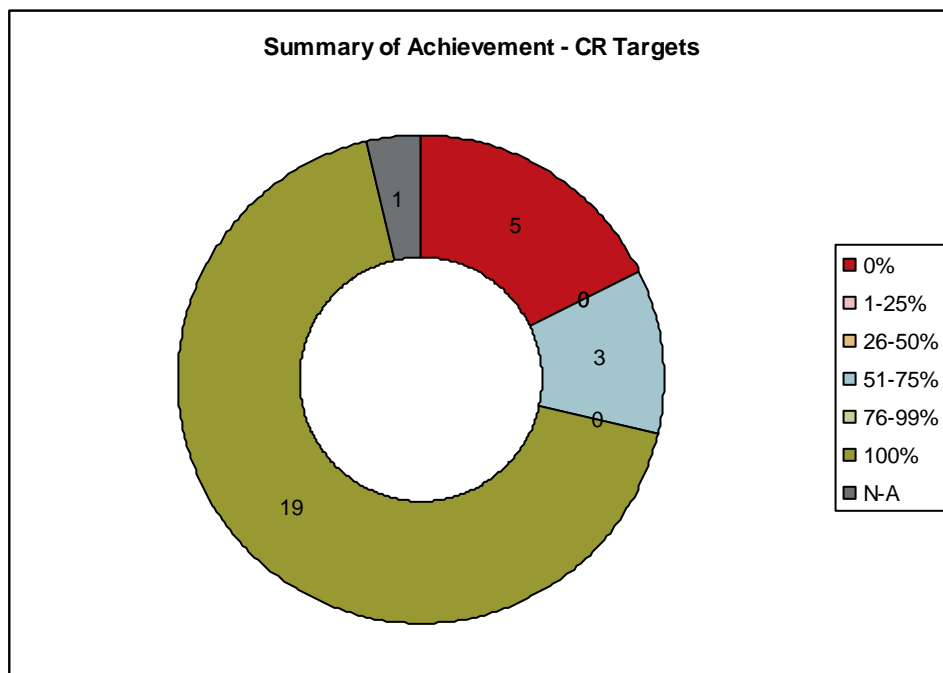


Figure 2: Summary of progress against 2010 CR targets, by impact area

CR Impact Area	Number of targets	0%	1-25%	26-50%	51-75%	76-99%	100%	N/A
Environmental Management	4	-	-	-	-	-	4	-
Energy and Climate	2	-	-	-	-	-	2	-
Water	2	-	-	-	1	-	1	-
Waste	3	-	-	-	1	-	2	-
Biodiversity and Habitats	3	-	-	-	1	-	1	1
Suppliers	2	-	-	-	-	-	2	-
Tenants	3	-	-	-	-	-	3	-

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Communities and Visitors	1	-	-	-	-	-	1	-
Employees	2	-	-	-	-	-	2	-
Safety and Health	6	5	-	-	-	-	1	-
<b>TOTALS</b>	<b>28</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>19</b>	<b>1</b>

## 4 Comment on progress against each 2010 CR Target

The following table provides a comment on the extent of accomplishment of each target. It should be noted that CR targets are applicable only to shopping centres which are owned or co-owned by Sonae Sierra, and not those managed by Sonae Sierra on behalf of other owners.

2010 CR Targets	% achievement	Comments on the extent of target achievement
<b>ENVIRONMENTAL MANAGEMENT</b>		
Ensure that all completed projects achieve at least 45% of the maximum possible points for applicable Environmental Standards for Retail Development (ESRD) <sup>1</sup> leadership standards	<b>100%</b>	This target was applicable to LeiriaShopping and the Centro Colombo expansion in Portugal, the Parque D. Pedro Shopping expansion in Brazil and the Centro Vasco da Gama refurbishment in Portugal. All four of these projects applied Sonae Sierra's Environmental Standards for Retail Development (ESRD) and achieved at least 45% of the maximum possible points for applicable ESRD leadership standards.
Achieve ISO 14001 certification for one further shopping centre in operation	<b>100%</b>	Sonae Sierra obtained ISO 14001 certification for the Environmental Management System (EMS) implemented at Münster Arkaden in Germany.
Achieve ISO 14001 certification at 100% of construction sites prior to their inauguration	<b>100%</b>	In 2010, Sonae Sierra inaugurated one new shopping centre, LeiriaShopping in Portugal. The Environmental Management System (EMS) of the LeiriaShopping construction works completed an ISO 14001 audit and certification was awarded in January 2010.
Achieve ISO 14001 certification for one Sonae Sierra corporate office	<b>100%</b>	Sonae Sierra obtained ISO 14001 certification for the Environmental Management System (EMS) implemented at the Company's Düsseldorf office in Germany.
<b>ENERGY AND CLIMATE</b>		
Attain the 2009 level of GHG emissions per m <sup>2</sup> of GLA (GHG protocol scopes 1 and 2, plus business air travel)	<b>100%</b>	This target was exceeded. In 2010, Sonae Sierra's GHG emissions per m <sup>2</sup> of GLA (GHG protocol scopes 1 and 2, plus business air travel) were 0.034 tonnes of CO <sub>2</sub> equivalent, a 49% reduction in comparison with the 2009 result (0.067 tCO <sub>2</sub> e).
Achieve a 1% reduction of kWh consumption (per m <sup>2</sup> of mall and toilet area in Sonae Sierra owned shopping	<b>100%</b>	This target was exceeded. Sonae Sierra reduced electricity consumption per m <sup>2</sup> (mall and toilet area) across the owned shopping centre portfolio from 527 kWh in 2009 to 514 kWh in 2010 (2.5%

<sup>1</sup>The ESRD are an internal design standard which is used by Sierra on new projects and major expansions and refurbishments. The ESRD consist of 190 standards based on our experience, best available techniques and international certification schemes such as LEED and BREEAM.

centres), compared to the 2009 result		reduction).
<b>WATER</b>		
Attain a level of water consumption at or below 3.7 litres per visit (aggregated across all Sonae Sierra owned shopping centres)	<b>100%</b>	In 2010, the level of water consumption per visit across Sonae Sierra's owned shopping centres was 3.7 litres (a 3% reduction in comparison with the 2009 result).
Install rainwater collection systems in two more Sonae Sierra shopping centres	<b>60%</b>	This target was applicable to Centro Colombo and MadeiraShopping (both in Portugal). Both shopping centres requested proposals and project plans from service suppliers to implement the necessary works but implementation was postponed until 2011 at MadeiraShopping. At Centro Colombo, the rainwater collection tank and indoor pipes were installed in 2010 and remaining works (to link the system to the outdoor drainage pipes) were scheduled for February 2011.
<b>WASTE</b>		
Attain a minimum recycling rate of 46% across our owned shopping centres	<b>100%</b>	Sonae Sierra increased the proportion of waste recycled (% by weight), aggregated across the owned shopping centre portfolio, from 46% in 2009 to 51% in 2010 (11% increase).
Increase the proportion of total waste (by weight) that is recycled or recovered and obtain a minimum recycling rate of 68% across our corporate offices	<b>100%</b>	Sonae Sierra increased the proportion of waste recycled (% by weight), aggregated across the eight main corporate offices, from 67% in 2009 to 70% in 2010 (4.5% increase).
Aim for each new project to achieve a minimum waste construction recycling rate of 85%, and refurbishment projects to achieve a minimum waste construction recycling rate of 60%	<b>67%</b>	<p>According to verified performance data, Sonae Sierra completed one new shopping centre and two expansion projects during 2010. The recycling rates achieved by those projects were:</p> <ul style="list-style-type: none"> <li>• LeiriaShopping (new shopping centre) – 68.0%</li> <li>• Centro Colombo expansion – 100.0%</li> <li>• Parque D. Pedro Shopping expansion – 99.6%</li> </ul> <p>It was therefore considered that the target was achieved on two out of the three projects.</p>
<b>BIODIVERSITY AND HABITATS</b>		
Achieve 100% compliance with the approved recommendations of all Preliminary Environmental Evaluations or equivalent studies on new completed projects	<b>100%</b>	<p>In 2010, Sonae Sierra inaugurated one new shopping centre, LeiriaShopping in Portugal.</p> <p>A Preliminary Environmental Evaluation (PEE) was performed at the outset of the project and 32 recommendations were approved for implementation. All applicable recommendations were implemented.</p>
Guarantee that at least 20% of uncovered parking areas use permeable		This target was not applicable in 2010.

pavement surfaces (all new shopping centres with investment proposal approved after 1 January 2009)	N/A	
At least 50% of timber used in new shopping centre or refurbishment projects to be procured from certified sustainable sources.	75%	<p>This target was applicable to LeiriaShopping, the Centro Colombo expansion and the Centro Vasco da Gama refurbishment in Portugal and the Parque D. Pedro Shopping expansion in Brazil.</p> <p>According to the Environmental Standards for Retail Development (ESRD) Final Audit Reports:</p> <ul style="list-style-type: none"> <li>73% of timber products (by value of spend) used on the LeiriaShopping project were certified sustainable timber products.</li> <li>94% of the timber products by value of spend) used on the Centro Colombo expansion project were certified sustainable timber products.</li> </ul> <p>According to Sonae Sierra's internal audit, 100% of timber products used on the Centro Vasco da Gama project were certified sustainable timber products. Parque D. Pedro Shopping did not achieve the target.</p>
<b>SUPPLIERS</b>		
Ensure that 100% of contracts signed during 2010 with main development service suppliers (i.e., contracts above €2 million) include clauses for minimum requirements in relation to safety, social and environmental standards	100%	In Europe and in Brazil, 11 new contracts were signed with development suppliers with a value above €2 million. A sample of these contracts was selected for review, and all contracts had included CR clauses.
Ensure that 100% of bids and contracts signed during 2010 with main property management service suppliers (i.e., cleaning, security, maintenance and waste removal) include clauses for minimum requirements in relation to safety, social and environment standards	100%	In Europe, 33 new contracts were signed with property management suppliers in 2010. A sample of these contracts was selected for review, and all contracts had included CR clauses. In Brazil, no new contracts were signed with main property management suppliers in 2010.
<b>TENANTS</b>		
Achieve an average tenant satisfaction level of 3.5 or above in each Sonae Sierra owned shopping centre	100%	Sonae Sierra achieved an average tenant satisfaction level of 3.5 or above in all 49 applicable shopping centres.

Achieve an average tenant satisfaction level of 4 or above in at least 80% of the Sonae Sierra owned shopping centres	<b>100%</b>	Sonae Sierra achieved an average tenant satisfaction level of 4 or above in 46 out of 49 applicable shopping centres, which is equivalent to 94%.
Achieve a global average occupancy level of at least 95% (measured by GLA), aggregated across all Sonae Sierra owned shopping centres	<b>76%</b>	A global occupancy level of 96.4% was achieved in 2010, therefore this target is 100% achieved.
<b>COMMUNITIES AND VISITORS</b>		
Invest 2.5% of the available marketing budget (after services and fixed items) of our operational shopping centres and development projects in at least two community-related initiatives	<b>100 %</b>	All Sonae Sierra shopping centres and completed development projects invested at least 2.5% of their available marketing budget in community-related initiatives. In fact, an average 5% of the available marketing budget was invested in community-related initiatives (aggregated across all shopping centres), reaching above 20% in some cases.
<b>EMPLOYEES</b>		
Establish a plan that would enable Sonae Sierra to become listed as a Great Place to Work® Institute "Best Company to Work For" in 2015, in all countries that we currently have more than 100 employees	<b>100%</b>	Sonae Sierra reviewed the Great Place to Work® Institute 2009 report, which includes a series of good practices that can be adopted by companies. These criteria, as well as other factors (including internal and external feedback and a benchmarking analysis) were used to help Sonae Sierra's Human Resources team to develop a Ten-point plan to achieve the goal of becoming a best place to work in 2015 in all countries.
Adopt at least two policies that are in line with the Great Place to Work® Institute's "Best Companies to Work For" benchmark in flexible working arrangements	<b>100%</b>	Sonae Sierra reviewed the Great Place to Work® Institute's "Best Company to Work For" benchmark in flexible working arrangements, and developed two new policies in line with the ones identified in the benchmark. The Working From Home Policy and Flexible Working Schedule Policy were then approved and circulated among Sonae Sierra staff.
<b>SAFETY AND HEALTH</b>		
Reduce the number of staff days absence due to work accidents or occupational diseases per million hours worked, in comparison with the 2009 results	<b>0%</b>	In 2010, Sonae Sierra recorded 125.35 staff days of absence due to work accidents or occupational diseases per million hours worked, which represents a 2.4% increase compared to 2009 result. Therefore, this target was regrettably not achieved.
Decrease the number of work accidents and occupational diseases involving Sonae Sierra employees per million hours worked, in comparison with 2008	<b>0%</b>	In 2010, Sonae Sierra recorded 2.46 accidents and occupational diseases per million hours worked among the Company's direct employees. This represents a 65% increase compared to the 2009 result, meaning that regrettably this target was not achieved.

Achieve zero fatalities due to accidents across the Sonae Sierra portfolio	<b>0%</b>	Regrettably, this target was not achieved as there was one fatal accident which occurred to a tenants' service supplier at a shopping centre which was undergoing refurbishment.
Reduce the Lost Workday Case Accidents Frequency Rate (LWCAFR) on construction works by 5% in comparison with the 2009 result	<b>0%</b>	In 2010, the LWCAFR on construction works was 12.6, compared to 7.5 in 2009. Therefore, it was considered that the target was not achieved.
Reduce the frequency rate of level three, four and five category accidents <sup>2</sup> by 5% in Sonae Sierra owned shopping centres	<b>0%</b>	To reduce the frequency rate of level three, four and five category accidents Sonae Sierra would have had to achieved a frequency rate of accidents no higher than 0.69 per million visits. Unfortunately, in 2010 the frequency rate of level three, four and five category accidents across Sonae Sierra's shopping centres was 1.02 per million visits.
Achieve OHSAS 18001 certification for a further ten shopping centres	<b>100%</b>	A further ten Sonae Sierra shopping centres achieved OHSAS 18001 certification in 2010. These were: 8ª Avenida, AlgarveShopping, CascaiShopping and MaiaShopping in Portugal; La Farga, El Rosal and Max Center in Spain, Valecenter in Italy, Alexa in Germany and Franca Shopping in Brazil.

<sup>2</sup> Level three is an accident requiring medical treatment; level four is an accident resulting in lost work-days or injuries which cause disruption to life such as temporary or partial incapacity or minor occupational disease; level five is an accident resulting in fatality or a permanent disability or is a serious occupational disease.

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## 5 List of evidences reviewed

In order to confirm the statements made in section 4 above, Upstream Sustainability Services reviewed a range of documents provided by Sonae Sierra and, in some cases, validated by an independent auditor. A list of the principal documents reviewed with respect to each CR impact area (including Environmental Management) is provided below.

### Environmental Management

- Scanned copy of the ISO 14001 certificated awarded to Münster Arkaden shopping centre on 22<sup>nd</sup> November 2010 by Lloyd's Register Quality Assurance.
- Scanned copy of the ISO 14001: 2004 certificate awarded to LeiriaShopping on 12th January 2010.
- Scanned copy of the ISO 14001 certificated awarded to Sonae Sierra's Düsseldorf offices located at Peter-Müller Str. 18 on 12<sup>th</sup> July 2010 by Lloyd's Register Quality Assurance.
- Environmental Standards for Retail Development (ESRD) Final Audit Reports developed by the ESRD auditor Edifícios Saudáveis for LeiriaShopping, the Centro Colombo expansion and the Parque D. Pedro Shopping expansion; internal evaluation made by Sonae Sierra on the Centro Vasco da Gama refurbishment project.

### Energy and Climate

- 2009 and 2010 performance data for the indicator "GHG emissions of our owned portfolio and corporate offices (tCO<sub>2</sub>e/m<sup>2</sup> GLA", audited by Deloitte.
- 2009 and 2010 performance data for the indicator "Electricity efficiency (excluding tenants) of our owned portfolio (kWh/m<sup>2</sup> mall and toilet area)", audited by Deloitte.

### Water

- 2010 performance data for the indicator "Water efficiency (excluding tenants) of our owned portfolio (litres/visit)", audited by Deloitte.
- Photographic evidences of the installation of the rainwater collection system at Centro Colombo and progress reports delivered by the service supplier in December 2010 and January 2011 on the work performed; project plan for the installation of the rainwater collection system at MadeiraShopping and confirmation from Sonae Sierra that the works were postponed until 2011.

### Waste

- 2010 performance data for the indicator "Total waste recycled as a proportion of waste produced (% by weight, across our owned portfolio)", for shopping centres and corporate offices, audited by Deloitte.
- 2010 performance data for the indicator "Proportion of total waste sent to recycling or recovery on completed projects", audited by Deloitte.

### Biodiversity and habitats

- List of the 32 approved recommendations of the Preliminary Environmental Evaluation (PEE) performed on the LeiriaShopping project; checklist of final status on the approved recommendations, with details of supporting evidences; supporting evidences including: photographs of practices implemented on the construction site; equipment monitoring and control documentation; noise evaluation reports; construction site environmental report including details of electricity and water consumptions and waste recycling rates; environmental practices and safety and health requirements manuals.

### Suppliers

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- List of new contracts signed with development suppliers with a value of over €2 million and, for a randomly selected sample of these, copies of the signed contracts.
  - List of new contracts signed with main property management suppliers and, for a randomly selected sample of these, copies of the signed contracts.

### **Tenants**

- 2010 performance data for the indicator "Tenant satisfaction index", audited by Deloitte.
- 2010 performance data for the indicator "Average occupancy index (% by GLA)", audited by Deloitte.

### **Communities and Visitors**

- Record of the total available marketing budget for 2010 for each Sonae Sierra shopping centre; 2010 performance data for the indicator "Marketing investments in CR and other community contributions (€)"

### **Employees**

- Great Place to Work® Institute 2009 report, which includes a series of good practices that can be adopted by companies; gap analysis made on internal Human Resources policies and practices in place across the different countries where Sierra operates; ten-point plan developed by Sonae Sierra's Human Resources team.
- Copy of Sonae Sierra's Flexible Working Schedule Policy; powerpoint presentation which lists the most common flexible working practices from the Great Place to Work® report, including 'Flexible working schedule' and 'Working From Home'; Sonae Sierra's Working From Home Policy; Sonae Sierra's Flexible Working Schedule Policy; email sent out by the Human Resources Director on 22/12/2010 to formally introduce the policies to all Sierra staff with a message from the Sonae Sierra Chief Executive Officer (CEO).

### **Safety and Health**

- 2010 performance data for the indicator "Rates of injury, occupational diseases, lost work days and absenteeism and number of work-related fatalities by region", audited by Deloitte.
- Email sent by Sonae Sierra's CEO on 02/08/2010 to all Sonae Sierra employees to inform them about a fatal accident which occurred to a tenants' service supplier at a shopping centre which was undergoing refurbishment in July 2010.
- Record of the Lost Workday Case Accidents Frequency Rate (LWCAFR) on construction works in 2010 and 2009; reports of 2010 lost workday case incidents.
- Record of the frequency rate of levels three, four and five category accidents per million visits in 2010 and access to Sonae Sierra's S&H portal where it was possible to check a sample of accident reports.
- Emails sent by OHSAS 18001 auditor TUV Rheinland to confirm that OHSAS 18001 certification had been achieved at 8ª Avenida, AlgarveShopping, CascaiShopping, MaiaShopping, La Farga, El Rosal, Max Center, Valecenter, Alexa and Franca Shopping.



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