

It's about Value...



Sonae Sierra

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This is Sonae Sierra's first Corporate Responsibility Report (CR). In previous years, the company has reported on CR and environmental management within its Annual Report & Accounts. It has also contributed to the environmental reports published by Sonae Group (www.sonae.pt) since 2001. As this is the first full CR Report, it contains information about Sonae Sierra's CR strategy, management systems, policies and procedures. In future, Sonae Sierra will publish annual progress updates reporting on performance against Key Performance Indicators (KPIs) and annual targets.

This CR Report should be read alongside the 'In Review 2004' as all the information and data presented relates to the year ending 31st December 2004. As far as possible, the data encompasses Sonae Sierra's performance in all countries where it operates across Europe and Brazil. Where this is not the case, detailed data qualifying notes indicate the scope of operations covered.

The data has been compiled using internal management information, and collated and aggregated by Sonae Sierra centrally. The financial performance data has been independently audited by the company's financial auditors, Deloitte & Associados, but Sonae Sierra has not yet sought third party verification for the environmental and social data.

This report is targeted at Sonae Sierra's various stakeholders including investors, financiers, business partners, tenants, suppliers, employees, local communities and government authorities.

CEO's Statement



Sonae Sierra is passionate about bringing innovation and excitement to the shopping and leisure industry. We view corporate responsibility (CR) as an integral part of innovation, and we believe that the relevance of our responsible approach will only continue to grow as we expand into new markets.

Our culture has always been one of excellence, as we continually strive to find better ways of working and improving our performance. We have applied this to our environmental performance over the past seven years, and we have recently launched a major programme on Safety & Health. But we also acknowledge that good corporate responsibility is about meeting the concerns of our tenants and visitors, making long-term commitments to communities where we invest, treating our staff with respect, and maintaining excellent relations with our financiers, business partners and suppliers.

In the past year, we have put considerable efforts into the development of a CR management framework which encapsulates all these aspects of our performance. While we believe that our way of working already embodies our corporate values, we recognise the importance of implementing robust management procedures to ensure consistency and rigour. We also realise that there is always scope for improvement. In order to attain our vision of being the best European shopping and leisure centre specialist and achieving a leading position in all the markets in which we operate, there is no room for complacency. There are some particularly pressing challenges to our industry, such as climate change and safety, and we believe in being proactive in the way in which we manage these.

This first CR Report sets out our approach, and highlights some of our key achievements to date. I am personally delighted at the breadth of our CR initiatives, and greatly welcome imaginative solutions introduced by staff such as promoting organic waste composting and accessibility management systems at individual centres. The report also contains detailed measures of our performance in relation to key impact areas.

I hope this document will serve to remind all of us at Sonae Sierra, as well as our partners and customers, that good business performance is based on relationships of trust and attention to detail.

Finally, we view this as the continuation of a process – one of engagement and dialogue with our important stakeholders. To this end, we would greatly welcome any feedback that you may have on the content of this first Sonae Sierra CR Report.

A handwritten signature in green ink, which appears to read 'Álvaro Portela'. The signature is stylized and written over a light blue horizontal line.

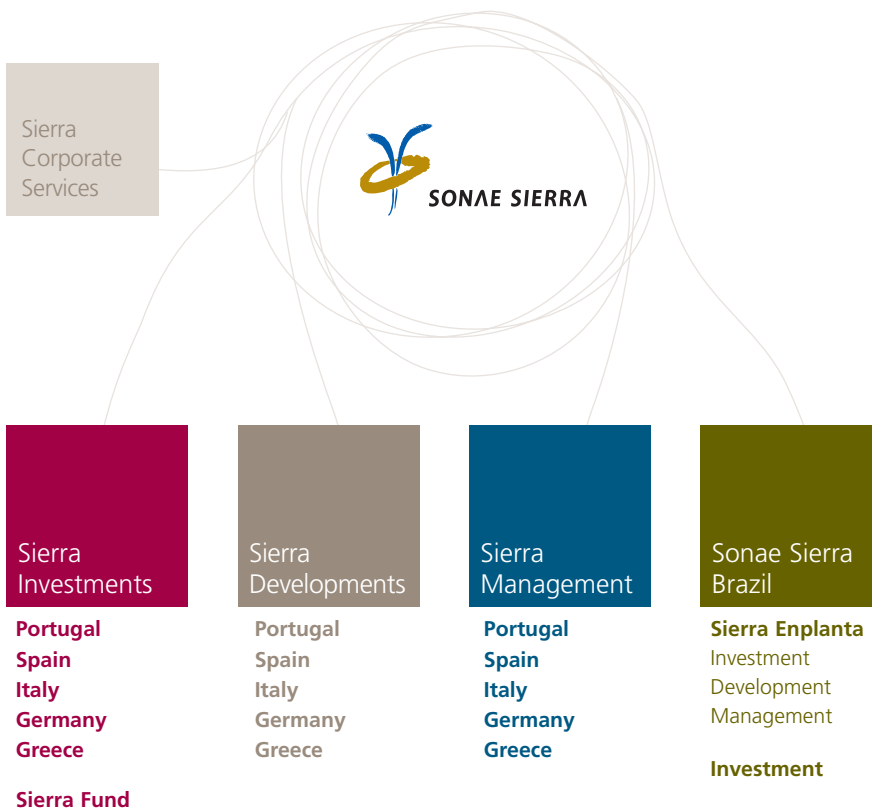
Álvaro Portela
CEO

Organisational Profile

Sonae Sierra is an international company specialising in the investment, development and management of shopping and leisure centres. Incorporated in 1989 in Portugal, it is now 67.04% owned by Sonae SGPS (Portugal) and 32.96% owned by Grosvenor (United Kingdom). It has a strategy of sustained growth and focus, backed by a culture of innovation and excellence.

Sonae Sierra operates across Portugal, Spain, Italy, Germany, Greece, and Brazil and aims to achieve a leading position in its sector in all of these markets.

Sonae Sierra is divided into four independent businesses areas: Shopping Centre Development, Shopping Centre Investment, Shopping Centre Management and Shopping Centres Brazil.



In September 2003 a pan-European real estate fund was established, the Sierra Fund, which now holds 18 of Sonae Sierra's centres under operation in Europe, and is 49.9% owned by large institutional investors. During the ten years scheduled for its duration, Sonae Sierra will retain the other 50.1% of the Sierra Fund, and will continue to manage the assets showing a continued commitment to further development projects.

**Key facts about Sonae Sierra
at 31st December 2004:**

EBITDA of

€107.6 million

Total net profit of

€82.3 million

1.3 million

m² of gross lettable area (GLA) in 31 shopping centres and 1 retail park owned or co-owned in Portugal, Spain and Brazil

440,000m²

of GLA in 12 projects under development in Portugal, Spain, Italy, Germany and Greece

667

employees worldwide, 84% of whom are located in Europe

Over 6,100

tenant contracts worldwide, all of whom are in retail and leisure sectors

410 million

visits to shopping centres under management during the year

Portugal

AlgarveShopping
Arrábida Shopping
CascaiShopping
Centro Colombo
Centro Vasco da Gama
Coimbra Retail Park
CoimbraShopping
Estação Viana
GaiaShopping
GuimarãesShopping
MadeiraShopping
MaiaShopping
NorteShopping
Parque Atlântico
ViaCatarina
CovilhãShopping
LoureShopping
RioSul
Setúbal Retail Park

Germany

3do
Alexa

Greece

Aegean Park
Mediterranean Cosmos

Italy

Freccia Rossa
Caselle

Spain

Plaza Mayor
Avenida M40 Valle Real
Dos Mares Zubiarte
Gran Casa Plaza Éboli
La Farga Las Medulas
Luz del Tajo
Max Center
Parque Principado
Plaza Mayor Shopping

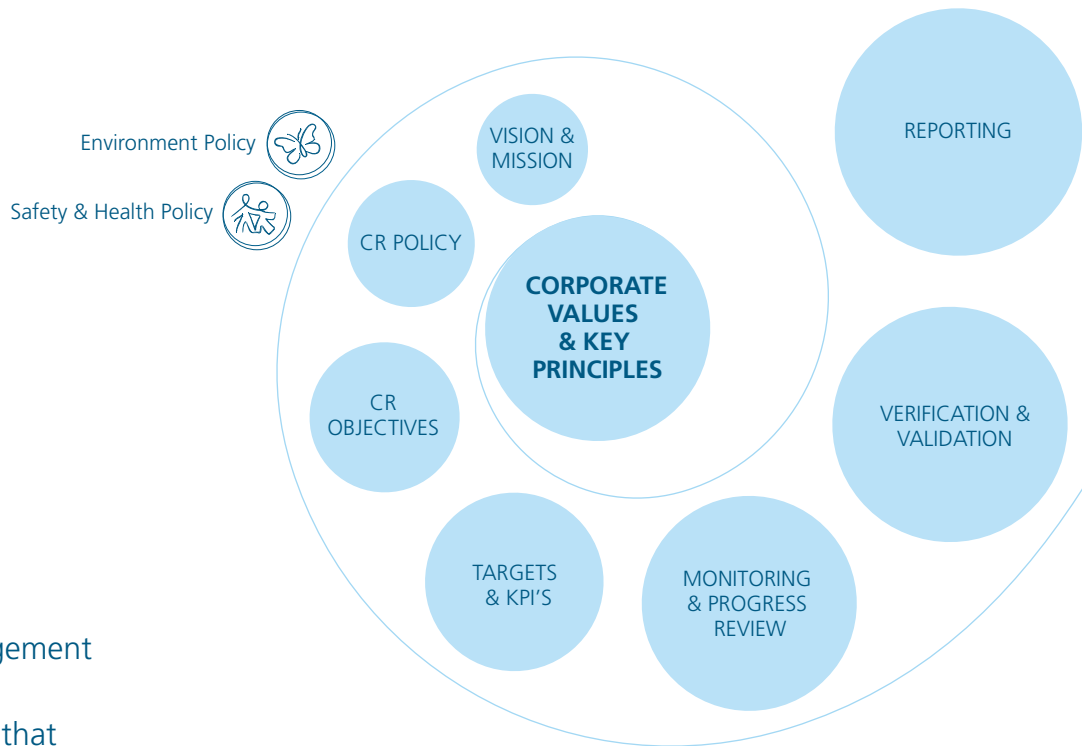
Brazil

Boavista Shopping
Pátio Brasil
Parque D.Pedro
Shopping Franca
Shopping Metr pole
Shopping Penha
Tivoli Shopping

Sonae Sierra has been managing individual CR issues since the business was founded in 1989. In 2004, the company brought all of this work under one common CR framework. The development of an overarching CR management system should ensure that Sonae Sierra is consistently managing its most significant economic, social and environmental risks and opportunities.

CR Management System





Sonae Sierra's CR management system is built around a cyclical model to ensure that the company can achieve continuous improvement in its CR performance.



Vision, mission and core values

Sonae Sierra's **vision** is to be the best European shopping and leisure centre specialist and to achieve a leading position in all the markets in which it operates. Sonae Sierra's **mission** is to create value for its shareholders while taking into account its social responsibilities towards the other important stakeholders such as partners, tenants, employees and local communities. It firmly believes that this balance is crucial to achieve the sustained development of the company.

Sonae Sierra guides itself by **values** and **principles** of economic, environmental and social responsibility. These describe what the company stands for and what its aspirations are for the way in which the business is run. They underpin the CR Management System and apply universally across all company activities.

<p>Corporate Culture</p> <ul style="list-style-type: none"> > Responsible Governance concerning all stakeholders > Development of Leadership capacities > Permanent Availability to Change > Management based on Loyalty and Rigor > Transparency to society 	<p>Responsibilities towards the Community</p> <ul style="list-style-type: none"> > Environmental Awareness, continuously improving the environmental performance of its products, processes and activities > Getting involved with the Community, establishing bonds suited for each case > An open Posture to the Society > High standards of Trust in business relationships > High standards of Ethics
<p>Responsibilities towards Employees</p> <ul style="list-style-type: none"> > Equal Treatment, absence of discrimination > Encouragement of Professional Development > To ensure proper Health and Safety working conditions 	<p>Political Independence</p> <ul style="list-style-type: none"> > Independence from political organisations and parties > Independence from Governments yet maintaining a cooperative attitude



CR Governance

At Sonae Sierra, CR is driven by the leadership and commitment of the board of directors of the company. The CEO is the main board member responsible for CR and he reports regularly to the Board on environmental performance, Safety & Health, and wider CR issues.

The Executive Board takes responsibility for the overall governance of CR, maintaining a strategic overview of all the relevant initiatives that are being undertaken across the company. A CR Working Group will be established in 2005 to oversee the implementation of the CR policy, objectives and targets, track progress against these, and ensure effective CR communication both internally and externally. The CR Working Group will meet at least quarterly and will report directly to the CEO of Sonae Sierra.

Responsibility for the day to day co-ordination of the CR strategy lies with the Environment department. This is a team of 2 persons full-time and 2 persons part-time, who are located at Sonae Sierra's Offices in Lisbon. In addition, Sonae Sierra employs a number of specialist external advisors – both strategic and technical – to provide independent advice and support in delivering the CR objectives.

Finally, specific CR responsibilities such as Human Resources, Environment and Safety and Health are included in individual job descriptions of some staff with functional responsibilities, and form part of staff performance appraisals and remuneration considerations.

Sonae Sierra believes that each and every staff member is responsible for CR.

It is each employee's personal responsibility to reflect the company's core values and CR commitments in their relationships and day to day work.

Significant CR risks and opportunities

Sonae Sierra is conscious that the investment, development and management of shopping and leisure centres gives rise to a wide range of impacts on the economy, society and the natural environment.

Our impacts cross several geographical boundaries and include both positive (e.g. employment creation) and negative (e.g. greenhouse gas emissions) effects. Tightening legislation and heightened concern amongst key stakeholders mean these impacts represent business risks and opportunities. The list to the right identifies the most significant sustainability risks/opportunities to Sonae Sierra, prioritised due to:

- > Expectations from shareholders, investors, and joint venture partners
- > Impacts of the company's activities on other stakeholders
- > Physical effects of designing, constructing and managing shopping and leisure centres on the local and global natural environment

Economic

- > Business strategy and planning
- > Business ethics
- > Corporate governance and risk management
- > Local economic benefits
- > Job creation
- > Financial impact on key stakeholder groups

Social

- > Safety and Health
- > Employee relations
- > Tenants and Visitors satisfaction
- > Community care
- > Supplier loyalty
- > Other stakeholder concerns

Environmental

- > Land use
- > Emissions to air, land and water
- > Energy consumption
- > Water consumption
- > Waste production
- > Transport



Stakeholder engagement

Transparency is important to Sonae Sierra. The company is keen to communicate effectively with all of its key stakeholders, and to initiate a dialogue to understand, and be responsive to, their key concerns and aspirations. A wide variety of communication methods are employed to achieve this, the principal ones being listed in the table right.

Stakeholders Communication methods

Investors and financiers	<ul style="list-style-type: none"> > Annual Reports > Meetings and presentations > Internet – www.sonaesierra.com > Environment portal – environment.sonaesierra.com
Tenants	<ul style="list-style-type: none"> > Meetings and events > Satisfaction surveys > Pamphlets and marketing materials > “Surprise customer” initiatives > Internet – www.sierracentres.net > Environment portal – environment.sonaesierra.com
Visitors	<ul style="list-style-type: none"> > Pamphlets/ magazines/ marketing materials > Feedback surveys > Focus groups > Information stands in shopping centres > Internet – www.sierracentres.com > Environment portal – environment.sonaesierra.com
Employees	<ul style="list-style-type: none"> > Internal meetings and events > Annual reports > HR department memos/correspondence > PERSONÆ messages and suggestions collection > Global newsletter > Global intranet – intranet.sonaesierra.com > Internet – www.sonaesierra.com > Environment portal – environment.sonaesierra.com
Suppliers	<ul style="list-style-type: none"> > Meetings > Internet – www.sonaesierra.com > Environment portal – environment.sonaesierra.com
Local community	<ul style="list-style-type: none"> > Newsletters > Meetings and events > Internet – www.sonaesierra.com > Environment portal – environment.sonaesierra.com
Government authorities	<ul style="list-style-type: none"> > Annual reports > Meetings and events > Internet – www.sonaesierra.com > Environment portal – environment.sonaesierra.com
Media	<ul style="list-style-type: none"> > Press Releases > Meetings and events > Internet – www.sonaesierra.com > Environment portal – environment.sonaesierra.com



CR policy and objectives

Sonae Sierra's CR policy encapsulates the company's commitment to sustainability, and is accompanied by a set of long-term objectives that address the most significant risks and opportunities listed above. Their implementation provides the means by which the company translates core values into actions.

Corporate Responsibility Policy

Sonae Sierra's corporate culture is closely aligned with principles of Corporate Responsibility. Its core values and key principles include responsibility to employees, community, and the environment.

Sonae Sierra is conscious of the inter-relationship between the economy, society and the environment, and believes that its long-term business success is dependent upon outstanding performance in relation to all three. The company recognises that this requires a thoughtful approach to doing business which is achieved through vigilant risk management and a modern attitude to seeking out new opportunities.

Sonae Sierra's goal is to be at the forefront of the industry in relation to corporate responsibility. It is committed to continuously challenging the status quo so as to find innovative and more sustainable ways of developing and managing shopping centres. It is devoted to being a learning organisation, testing its performance against demanding standards in order to achieve continuous improvement.

The company wishes to nurture strong and lasting relationships with stakeholders, always honouring its commitments, and maintaining its reputation for consistency and excellence.

Sonae Sierra undertakes to play a proactive role in changing society through education and awareness-raising campaigns, by capitalising on its ability to communicate with the public who visit its shopping and leisure centres.

This Corporate Responsibility policy has been approved by the Executive Board, and will be implemented through the achievement of more detailed CR objectives and targets across key impact areas. This policy is accompanied by stand-alone policies for both Environment and Safety & Health. All these policies will be documented, implemented, maintained and communicated to all personnel and agents.

Álvaro Portela,
CEO, Sonae Sierra

Corporate Responsibility Objectives:

Sonae Sierra has set itself the following objectives in order to achieve the commitments set out in the CR policy. The company is committed to:

Making a positive contribution to economic prosperity by seeking to:

- > Deliver outstanding financial returns through the implementation of a long-term business strategy, setting realistic yet challenging objectives.
- > Conduct business in an honest and reliable manner, operating to the highest standards of propriety and transparency.
- > Identify, prioritise and attentively manage significant risks to the business and comply with strict standards of corporate governance.
- > Improve local economic conditions in and around investment properties by creating new employment opportunities and providing high quality accommodation to local retailers and shopkeepers.

Ensuring that core business activities improve the quality of life of those people that they affect, by striving to:

- > Anticipate and prevent all safety and health risks affecting the sustainable growth of Sonae Sierra, with the final goal of achieving zero accidents.
- > Respect and value all employees, invest in their professional and personal development, and ensure that they feel empowered to contribute to business decisions.
- > Deliver a high quality service and experience to both tenants and visitors, and proactively engage with them on environmental and safety concerns.
- > Be sensitive to, and invest in, local communities where it operates.
- > Foster loyalty amongst frequently used suppliers, and seek to help and encourage them to adopt more responsible business practices themselves.
- > Listen, and respond to, the needs and concerns of all stakeholders and communicate openly about the company's CR performance.

Safeguarding the environment for both current and future generations by committing to:

- > Progressively use ecological efficiency as a reference point for management and competitiveness.
- > Conceive, implement and operate undertakings in an environmentally responsible way.
- > Continuously improve the environmental performance of its undertakings, products, processes and activities.
- > Assure conformity with environmental legislation and other environmentally applicable regulations, adopting responsible standards in cases in which legislation is incomplete or non-existent.
- > Define environmental objectives and targets, including:
 - Improvement of environmental information
 - Revalue environmental resources
 - Prevention of pollution and emission reduction
 - Development, disclosure and participation of those involved.



Targets and auditing programmes

Sonae Sierra sets itself annual CR targets which have been environmental only to date, while other departmental targets have been set relating to specific CR issues. The 2005 CR targets [listed on pages 32 & 33] are brought together under one umbrella, and their achievement will demonstrate how the company is delivering its longer-term objectives. Sonae Sierra is also measuring its performance against carefully selected key performance indicators (KPIs) related to significant CR impacts.

Auditing programmes are in place across a range of CR performance issues, including Environment; Safety & Health; and Finance. Monthly reports are made to the Board of Directors in all such areas.

Internal communication and training

All employees within Sonae Sierra are made aware of the company's environmental policy and the environmental management system (EMS). A quarterly environmental newsletter is published and distributed to all staff including details of environmental achievements and providing further information about specific issues. Environmental training has been provided to 94% of employees with critical responsibilities through one-day workshops.

During 2004, Sonae Sierra launched a major awareness campaign across the organisation on Safety & Health, which is accompanied by a detailed training programme for staff with specific responsibilities. More details on the Safety & Health program are reported on pages 14, 15 & 16.

Memberships, accreditations and awards

Sonae Sierra is, both directly and indirectly, represented on forums that promote sustainable development in the business sector, including:

- > Sonae Group's membership of the World Business Council for Sustainable Development – www.wbcsd.org [international] and the Global Compact Initiative
- > Sonae Sierra's membership of the Property Environment Group – www.upstreamstrategies.co.uk [United Kingdom]

Sonae Sierra seeks external certification to environmental and social standards, where these exist. Its goal is to achieve ISO14001 accreditation across all construction sites. During 2004, Sonae Sierra's first construction sites on the Iberian Peninsula received ISO14001:1999 Environmental Certification for the EMS implemented during the construction of Dos Mares and Luz del Tajo, both in Spain.

The following environmental awards were received during 2004:

- > Parque D. Pedro (Brazil) received the Merit Award from Fundação Gertúlio Vargas in the 'Shopping Centres' category for the implementation of its Environmental Management System.
- > Parque D. Pedro (Brazil) also received the Merit Award from Associação Brasileira de Shopping Centres in the 'Excellence of Management' category for its Environmental Management System.

Economic Performance

Through its continued growth, Sonae Sierra impacts on the local and international economy. It also has positive effects on the financial well-being of important stakeholders.

Figure 1 Continuous growth in EBITDA over five year period

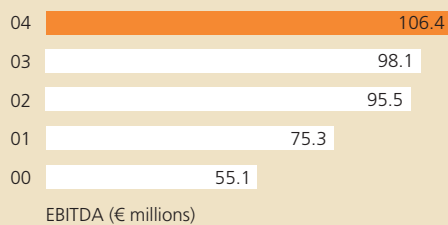
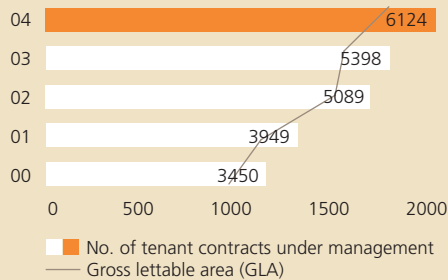


Figure 2 Continuous growth in number of tenant contracts and gross lettable area under management over five year period



Business strategy and planning

The corporate strategy is designed around a model which capitalises on Sonae Sierra's highly skilled investment, development, and management techniques. It takes a long-term view of investment and, while it prefers to own the properties that it develops, it also invests in properties in operation to which it can add value through proactive management. To deliver this strategy, each department develops an annual action plan including objectives and targets, which include CR targets. These departmental strategies are reported on in detail at monthly Executive Board meetings.

The financial strategy and a policy of constantly recycling its capital allow the company to continue to generate innovative and creative concepts, and deliver attractive returns for investors, as demonstrated by its five year EBITDA evolution.

Business ethics

Sonae Sierra believes that responsible and ethical business conduct, with due consideration for the environment and society, are critical attributes to maintain its reputation as a European leader in shopping and leisure centres.

It is keen to ensure that employees act in a way which is honest, reliable and credible, maintaining the highest standards of professionalism. These qualities are fundamental to the corporate brand, and help to ensure that Sonae Sierra is a trusted and respected partner.

Sonae Sierra's culture is founded on excellence. Employees embrace the challenge of continuous change and strive hard to find better ways of doing business. Innovation and creativity are strong corporate principles. Employees have identified Corporate Responsibility as an area which will become increasingly important to achieving the company's vision.

Corporate governance and risk management

There were no changes to the Board of Directors of Sonae Sierra during 2004. The Board consists of five Executive Directors, including the CEO, and four non Executive Directors, including the Chairman. An additional nine Senior Managers have responsibilities spanning the different operating countries and business activities.

Managing risk is an integral part of the business process, and Corporate Responsibility underpins this. Overall risk management and financial risk management are of immediate concern to investors, banks and financiers, and the company seeks to reassure them by demonstrating a rigorous and prudent approach to risk.

Sonae Sierra is aware of the increasing importance of having detailed information about operational risks related to the properties themselves and the quality of management. In 2003, Sonae Sierra commissioned technical, environmental, legal and insurance audits of all shopping centres during the due diligence undertaken for the Sierra Fund. Hygiene and Sanitation audits were also undertaken in the majority of the restaurants across the portfolio. These audits led to the implementation of a number of risk management procedures, and to the implementation of the EMS in shopping centres acquired in Spain.

Sonae Sierra wishes to ensure that its management standards are consistent with the commitments of its two shareholders, the Sonae Group and Grosvenor. The company maintains an open and co-operative relationship with these investors and encourages dialogue on matters of social and environmental risk management.

Local economic benefits

Sonae Sierra has a substantial programme of new development and refurbishment throughout Europe and Brazil. It invests in major projects and makes a long-term commitment to regions and cities, working alongside tenants, partners and governments to create long-term value for local communities, delivering jobs and investment.

In some instances, Sonae Sierra enters into partnerships with other developers to accomplish large mixed use urban developments. A recent example is in Viana do Castelo (Portugal), where Sonae Sierra entered into a joint venture with a railway company to integrate a new shopping centre with public transport facilities and infrastructure, bringing more quality to the city's commerce. The centre, Estação Viana, incorporates a crossing over the railway which connects the road transport interface and the railway station, helping to overcome one of the city's biggest constraints. The transport interface building has been handed over to the Viana do Castelo City Hall, becoming a city asset. The centre also includes a large cultural space which has further vitalised the city centre through frequently held exhibits and events.

In planning all developments, Sonae Sierra works closely with the local municipalities to ensure optimal economic outcomes for the community. Related to this, Sonae Sierra has an ongoing tradition of seeking out local retailers in new locations and offering them space within its centres. The company is keen to ensure that a proportion of tenants within each centre are local brands or franchises, particularly where the development is not located in a capital city or major town.

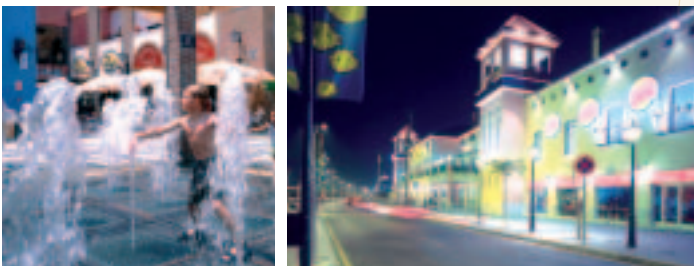
Where skills are available at competitive prices, Sonae Sierra tries to procure local services. The construction of roads and infrastructure are typically contracted to local designers and contractors. However, the local availability of high quality advice varies substantially with regards to architecture or construction, and Sonae Sierra sometimes relies on its own central procurement policies in these important aspects.

"Grosvenor's core values are Continuity, Diversity, and Partnership. These underpin the way in which we do business and our commitment to sustainability. We are delighted to see Sonae Sierra taking a long-term view to investment and communities, achieving business success in a growing number of markets, and thriving through partnerships with tenants, partners and suppliers."

JEREMY NEWSUM, CHIEF EXECUTIVE, GROSVENOR GROUP

Plaza Mayor Shopping, Spain

Sonae Sierra is developing this shopping centre in Malaga, Spain, adjacent to the existing Plaza Mayor leisure scheme and has entered into an agreement with the association of local retailers (FECOMA) to offer growth opportunities to local retailers in Malaga by incentivising their participation in the project.



In the protocol, Sonae Sierra has agreed to give priority to local retailers who wish to take space in the shopping centre under preferential conditions over other companies. This is applicable to at least 25% of the establishments in the centre. Beyond the significant rent concessions agreed, Sonae Sierra has also agreed to provide funding for various other projects such as market research studies and training programmes.

Sonae Sierra views such agreements very much as a win-win scenario, using its experience and reputation to assist small and traditional retailers to grow, but also learning from them and diversifying the tenant mix in the completed centre.

Job creation

The development and management of large shopping and leisure centres results in the creation of many jobs, which forms an important part of Sonae Sierra's positive effect on the economy. The exact number of jobs created by each new development is monitored by the company and distinctions are drawn between direct Sonae Sierra employees and those employed by tenants.

Where possible, jobs are promoted to local residents and communities through direct liaison with the local council, sometimes involving partnerships with local skills councils and employment agencies.

Financial impact on key stakeholder groups

Sonae Sierra is aware that its rapid growth has knock on effects on certain key stakeholders, including suppliers, employees and tenants. The company has sought to measure these against KPIs suggested by good practice sustainability reporting guidelines (Global Reporting Initiative – GRI).

Table 1 Job creation resulting from completed developments [GRI Reference: LA2]

	Total
Total GLA of completed construction (m ²)	159,545
Construction cost (€ million)	201
No. of jobs created	5,291
No. of jobs created per € million of construction cost	26
No. of jobs created per 100m ² of GLA	3

Data qualifying note: This data encompasses 100% of the new developments that were completed and inaugurated during 2004. 4 of these were in Spain, and 1 in Brazil (Boavista Shopping).

Customers:

Table 2 Net rental income [GRI Reference: EC1]

	Portugal	Spain	Brazil	Total
Total rent received (€ million)	156.00	47.00	22.50	225.50

Data qualifying note: This data encompasses the total rent received in 100% of Sonae Sierra's owned and co-owned shopping centres across Portugal, Spain and Brazil.

Figure 3 Geographic breakdown of markets [GRI Reference: EC2].

Total rent received (€ million)

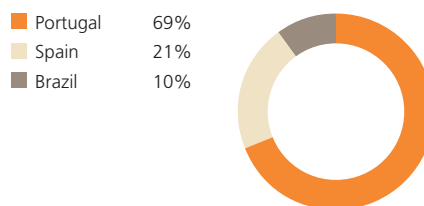


Table 3 Tenants sales performance broken down by country [GRI Reference: EC13 (partial)]

	Portugal	Spain	Brazil	Total
Tenants sales per square meter (€)	365.14	227.37	162.90	251.80
Total Customer sales (€ 000)	1,774,517	537,108	369,802	2,681,426

Data qualifying note: This data encompasses sales performance at a total of 20 shopping centres in Portugal and Spain and a further 6 shopping centres in Brazil. It excludes those centres (5) that were inaugurated in 2004. The data excludes hypermarkets.

Employees:

Table 4 Total Sonae Sierra payroll and benefits broken down by country in 2004 [GRI Reference: EC5]

(Euros – €)	Payroll	Health & Safety at Work	Accident at Work Insurance	Life Insurance	Personal Accidents Insurance	Health Insurance	Total
Portugal	20,317,434	24,717	139,244	49,850	31,049	135,087	20,697,381
Spain	5,273,416	*	*	7,160	3,874	69,432	5,353,882
Brazil	2,965,500	1,727	*	6,471	**	71,034	3,044,732
Germany	2,100,146	0	13,407	0	2,622	0	2,116,176
Italy	1,096,560	0	0	0	0	0	1,096,560
Greece	465,713	0	452	1,915	936	3,191	472,207
TOTAL	32,312,501	26,444	153,103	65,396	38,481	278,744	32,874,670

Data qualifying note: The total payroll figure includes Sonae Sierra spending in Holland.

* Included in Social Security Tax

** Included in Life Insurance

Suppliers:

Table 5 Total spend on suppliers broken down by country in 2004 [GRI Reference: EC3; EC11 (partial)]

	Portugal	Spain	Germany	Italy	Greece	Brazil	Total
Total cost of all goods, materials and services purchased (€ million)	79.22	14.75	1.07	9.14	1.68	3.05	110.30

Data qualifying note: This data encompasses the total cost of all goods, advice, materials, and services purchased in 2004. It includes all different suppliers, contractors, and advisors, but it does not include the purchase of long-term assets such as land or buildings. The total figure includes Sonae Sierra's spending in Holland.

Luz del Tajo



Luz del Tajo is one of Sonae Sierra's newest developments having opened its doors to the public in September 2004. Located in Toledo, Spain, the centre accommodates over 130 shops, a multiplex cinema and bowling alley, a DIY store, a gymnasium, and various other visitor attractions. Having invested over €77million into the project, Sonae Sierra and its joint venture partner, Eroski, have already achieved significant economic, social and environmental benefits as a result of the development.

Local economic benefits:

The centre, which was 95% GLA occupied, at the end of 2004, has provided accommodation for almost 40 local retailers, which amounts to 33% of total retailers in the centre.

A breakdown of the total number of jobs created as a result of the development is provided in the table to the right.

Social benefits:

Significant efforts have been made to improve the centre's accessibility to both visitors and tenants. The completed centre has a "management system of global accessibility", which encompasses a wide variety of services, equipment and installations required for those persons with special needs (e.g. disabled, elderly, parents with small children etc.). The management system is driven by an Accessibility Policy for the centre, and annual targets to ensure improvements in this area. Regular accessibility audits serve to identify non-compliances with the system and corrective actions required.

The centre was certified by Asociación Española de Normalización y Certificación (AENOR) for the implementation of the accessibility system, as an independent endorsement that it is well equipped to welcome people with special needs and disabilities (e.g. elderly persons, physically handicapped, deaf, blind or mute people etc.).



	Luz del Tajo
Total GLA of completed construction (m ²)	42,201
Construction cost (€ million)*	44
No. of jobs created	1,266
No. of jobs created per € million of construction cost	29
No. of jobs created per 100m ² of GLA	3

*Excluding hypermarket

Note: Job creation resulting from completed development of Luz del Tajo [GRI Reference: LA2]

Environmental benefits:

During the construction process, the Luz del Tajo project management team implemented the Sonae Sierra Environmental Management System, and employed a variety of good practice environmental measures to minimise the adverse impacts of construction and maximise efficiency during the building's operation.

Energy and water use during construction were measured and monitored, as was waste production. Efficiencies achieved in these aspects are set out in the table below.

	Luz del Tajo
Construction energy efficiency (kWh/€ 000 of Construction Spend)	5.97
Construction water efficiency (m ³ /€ 000 of Construction Spend)	0.26
Construction waste efficiency (kilos/€ 000 of Construction Spend)	107.63

The construction site obtained certification under the ISO 14001 standard, and the project was distinguished for its good environmental performance during construction, allowing it to reach a waste recycling rate of around 47% (waste produced during on-site works).

Social Performance

Sonae Sierra's property investment, development and management activities have wide ranging impacts on the various groups of people that it interacts with.

The company believes that by maximising the well-being of these stakeholders, and responding to their needs and concerns, it can secure its continued licence to operate, and have a positive effect on society.



Sonae Sierra's Safety and Health Corporate Responsibility Policy

Vision

- > To create a safe environment for everyone, in Sonae Sierra.
- > To have Safety and Health, as a management, competitiveness and differentiation reference factor, aligned with a wider Social Responsibility approach.
- > To be recognised as having a world-class excellence attitude regarding Safety and Health, which shall affect our relationship with our employees, the community, clients, tenants, contractors and all agents or groups of people directly or indirectly related to our products and services.

Mission

- > To actively contribute to the organisation overall Corporate Responsibility Policy.
- > To lead the organisation, providing the required resources, so that it can benefit from the existing synergies within its businesses to reach and consistently maintain the highest safety levels based upon the globally recognised best practices.
- > Contribute to the setting of new levels of Excellency in our industry and maintaining the highest satisfaction level for all visitors, fostering a repetition of visits to our properties.

Safety & Health

Sonae Sierra aims to have the highest possible Safety & Health standards and practices. In 2004, this led to the launch of a major programme known as PERSONÆ, a 4-year program delivered by a joint Sonae Sierra-DuPont Safety Resources team. It will be implemented in Portugal, Brazil, Spain, Italy, Germany and Greece, acting horizontally in all countries and involving all the company's stakeholders.

The principal objectives of the PERSONÆ programme are to:

- > Develop a zero accident culture
- > Ensure responsible behaviour through commonly-adopted values
- > Leverage operational discipline resulting in productivity and quality improvements

In September 2004, Sonae Sierra created a new department, the Safety & Health Office, which includes two Safety & Health Project Managers responsible for projects under development and shopping centres under operation, and headed by a department Manager who reports directly to the CEO of the company.

The first phase of the PERSONÆ programme involves Sonae Sierra staff, and future work will involve tenants, suppliers and contractors, and the general public who visit the company's centres. Initially, the focus is to build tools, develop procedures and introduce extensive internal communication and training. The second stage will focus on the implementation of these new procedures and the third and final stage will analyse performance

improvement and the perception of the general public.

A programme of audits has begun. It will eventually cover every Sonae Sierra site, including development and operations as well as Sonae Sierra's own offices. These audits will establish the baseline of performance against which improvement targets will be set in future years.

"We are encouraged by the commitment shown by top management to improve the company's Safety & Health management systems. Sonae Sierra has elected Safety and Health performance as part of its strategic business values, and is determined to establish a fully integrated Safety and Health culture among its staff, contractors and tenants.

Sonae Sierra is particularly strong on Safety and Health training and awareness sessions. A priority for 2005/06 will be to ensure that its employees and contractors are conscious and committed to Safety and Health continuous improvement and feel responsible for protecting themselves, the tenants and visitors.

Beyond compliance and certification, Sonae Sierra is developing a passion for Safety and Health, and is set to be recognised as one of the Shopping Centre companies with the highest standards and practices on Safety & Health. DuPont is delighted to be the partner in this 4-year journey towards world-class performance."

JUAN JOSÉ SALAMANCA

PRESIDENT

– EUROPE, MIDDLE EAST & AFRICA DUPONT SAFETY RESOURCES

Goal

To anticipate and prevent all Safety and Health risks influencing the sustainable growth of all our activities, achieving zero accidents.

Policy

Sonae Sierra commits itself to conduct its activities so that risks towards people and its assets are minimised, and to achieve excellent levels of social responsibility, safety and health.

Principles

- > The prevention of risks is a management responsibility, and the responsibility of safety and health management belongs to the organisation.
- > People are the most precious asset, whose physical, intellectual and psychological integrity must be safeguarded at all costs.
- > To respect and follow the safety and health law and rules applicable to its operations, infrastructures, activities, products and services, having in mind national and international standards.
- > To identify, correct and prevent potential risks in all business phases, from the initial design/planning phase until the operation phase.
- > To practice the continuous improvement of attitudes, practices and operations, by periodically reviewing the Safety and Health Management System using audits as a tool for these reviews.
- > To promote safety training among all its employees, with the purpose of making them aware of their responsibility, enabling them to acquire adequate knowledge to control and minimise risks while performing their work.

Training is underway for both senior management and staff across Safety & Health issues in the form of a Road Show and a Foundation Training session, and Executive Coaching has been provided to Board Members, Senior Managers and country/site General Managers.

- > The Road Show introduces the PERSONÆ program to staff, and critical service providers and contractors, highlighting achievements to date and the programme's key objectives.

- > The Foundation Training is a more focused session directed at managers and senior managers. It covers more detailed and practical advice related to Safety & Health standards, procedures, responsibilities, tools and techniques and how to change behaviour and mindset through a safety culture.

Table 6 Total Safety & Health training provided during 2004

	No. persons	No. man hours	Total hours
Safety & Health Training	280	3	840

Data qualifying note: The data relates to training provided to 100% of Sonae Sierra's employees. However, it only relates to Safety & Health training provided under the PERSONÆ programme, excluding ad hoc training provided prior to 1 September 2004 when the PERSONÆ programme was launched.

Table 7 Total Safety & Health accidents which occurred during 2004 [GRI Reference: LA7]

Safety & Health Incidents	Portugal	Spain	Brazil	Germany	Italy	Greece	Total
Fatalities	0	0	0	0	0	0	0
Accidents (injuries with lost staff time)	4	0	0	0	0	0	4

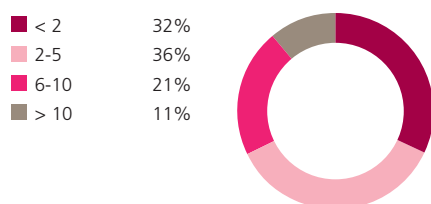
Data qualifying note: The data relates to incidents incurred as a result of work-related incidents amongst Sonae Sierra's direct employees only. It does not include tenants, visitors or suppliers.



Employee relations

Over the years, Sonae Sierra has recruited, trained and developed some of the best staff in the international shopping centre industry. It is fortunate to have a strong, ambitious and stable team with enormous potential. The company recognises that attracting and retaining quality employees is essential to its pursuit of excellence and innovation, and wishes to recruit staff who will deliver the corporate culture because they believe in it for personal reasons.

Figure 4 Employee contentment levels demonstrated through length of service



Data qualifying note: the data encompasses 100% of Sonae Sierra's employees worldwide. The figures represented here are overall averages compiled from information broken down according to different countries.

Remuneration and benefits

Terms of employment for all employees are set out in contracts. It is company policy that staff at all levels are allocated a fixed salary and a bonus linked to personal and team objectives. Senior Managers are rewarded for loyalty and performance, and a system exists to certify all functions/levels with a benefits package related to their level of responsibility, beyond the life insurance and health cover provided to all staff.

Sonae Sierra utilises a system called the Appraisal, Evaluation, and Career Development to systematically and consistently evaluate staff performance. Implemented through annual performance appraisals for all staff, the process consists of 2 phases:

1. Setting personal and team objectives and reviewing performance against these.
2. Analysing each person's performance and discussing their career aspirations. For key persons, this also involves input into their succession strategy, if appropriate.

Equal opportunities

Sonae Sierra has never considered individual attributes (e.g sex, race, religion etc.) to be relevant to capability. As an international company, it is keen to ensure a diverse and multi-cultural human resource. There are quarterly management updates on the workforce profile in terms of age and gender to monitor and benchmark diversity.

Training & development

Sonae Sierra prefers to recruit younger persons early in their professional careers, as it believes that internal knowledge transfer and training can be more beneficial than externally gained experience.

The company invests considerable amounts in staff training, and achieves consistently good performance in training investment per capita. Specific training packages are developed for senior management, including Executive Directors, and integrated with programmes in place within the company related to Leadership, Strategy, and management skills amongst others. All employees are given an integration programme, to introduce them to the breadth of the company's activities.

Openness and communication

Sonae Sierra tries to ensure effective internal communication to keep all staff informed of company news. This can be challenging given the company's growth rate and the number of languages which are spoken. Sonae Sierra operates a global intranet site, and will be launching in 2005 a staff newsletter covering general news, to replace the environmental newsletter which is already widely distributed in different languages.

Figures 5, 6, 7, 8 Composition of workforce by gender and by age [GRI Reference; LA1; LA11]

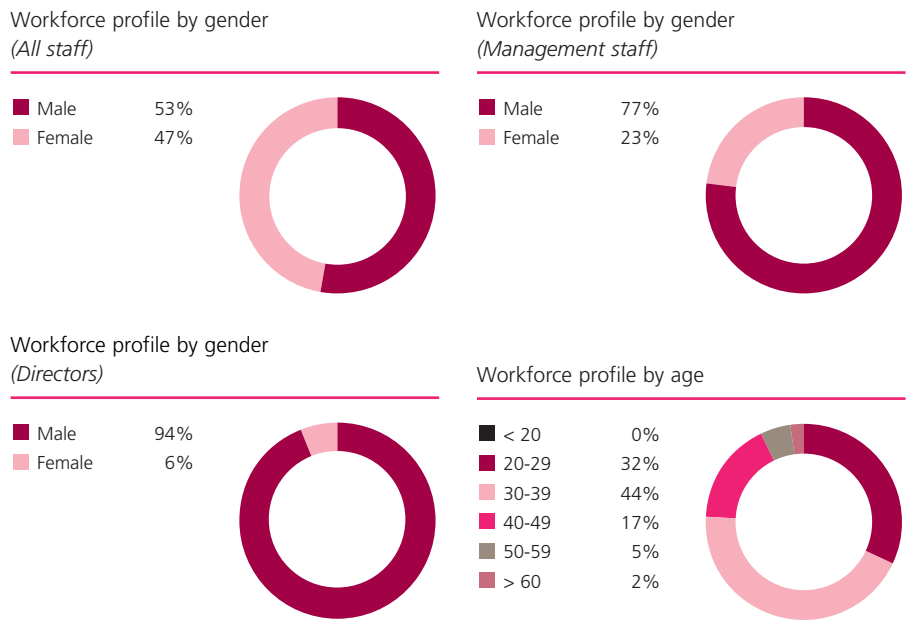
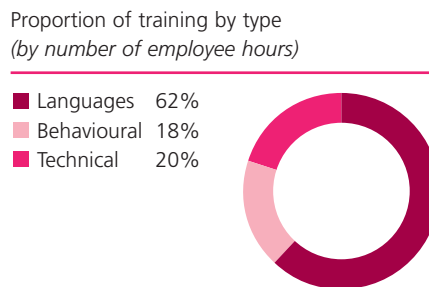


Table 8 Investment in staff training and development by country in 2004 [GRI Reference: LA9]

	Portugal	Spain	TOTAL
Total investment in training (€)	461,390	19,929	481,319
No participants in training programs	370	39	409
Investment per capita (€)	1,247	511	1,502.5

Data qualifying note: This data encompasses Sonae Sierra's staff in Portugal and Spain, representing 77% of worldwide employees by number. There is no data available for other countries.

Figure 9 Proportion of training undertaken by generic type



Programa Contacto 2004

Sonae Sierra participates annually in the group-wide Sonae (Programa Contacto) initiative which enables successful University leavers to gain work experience within the Group. This brings communication benefits to the company and benefits students by providing them with work experience. The programme has been endorsed by the Portuguese Government and various educational establishments.

Each year, Sonae Group invites 400 of the most gifted academic students of Portuguese universities to a high profile conference. Renowned speakers are invited to set out their vision for life after university and act as facilitators during student workshops. With due consideration for their career aspirations, Sonae then selects between 40 and 60 of these students to spend a whole day in the company on the basis of their ability and their interest in the company. Each year, this leads to the appointment of one or two new graduates, and approximately 10 persons hired through Programa Contacto are still working at Sonae Sierra.

The significant time and resources put into this programme by Sonae Sierra is considered a worthwhile investment especially when compared with traditional forms of recruiting.

Tenant and visitor satisfaction

Sonae Sierra recognises its relationship with tenants as a valuable asset. Tenant communication takes place at many levels within the company and a variety of methods are employed to ensure that Sonae Sierra is both aware of, and responsive to, tenant and visitor needs.

Tenant satisfaction

Sonae Sierra measures and evaluates tenant satisfaction levels through annual surveys covering all operational shopping centres. The aim of such surveys is to obtain feedback from tenants on centres' operational and marketing performance.

Tenants are principally concerned with strong centre performance, high levels of sales, low costs, and good prospects of profitability. Sonae Sierra, therefore, takes a proactive approach to managing centre performance, and carefully vets incoming and existing tenants in terms of their retail concept, commercial acumen and ongoing performance. Sonae Sierra monitors the daily sales figures of all tenants in all centres, imputing back to each tenant how their performance compares with their group peers. It undertakes regular "Surprise Customer" audits to evaluate the quality of tenants' own customer services, sharing and encouraging best practice examples through dissemination.



Sonae Sierra frequently adopts an advisory role with tenants, entering into dialogue with them about their business models and encouraging them to make adjustments to their offer. This results in close professional relationships, akin to business partnerships.

Most Sonae Sierra centres have a tenants association, which meets monthly with the respective shopping centre management team to discuss performance and future plans. Annual reports are prepared by centre managers with details of the previous year's performance in terms of footfall, volume of sales, etc. Sierracentres.network is a service portal used to improve communication, enhance relationships with tenants and facilitate communication and it contains a number of reports and manuals.

Sonae Sierra believes that the high occupancy ratio across the company's shopping centre portfolio is a good indicator of tenant loyalty and overall satisfaction.

Sonae Sierra helps tenants to grow alongside it. The biggest retailers in the Portuguese market are those that opened their first store in a Sonae Sierra shopping centre in the early 1990's. Sonae Sierra actively looks out for tenants with new concepts and good ideas to introduce innovation and diversity in its centres.

Table 9 Tenant evaluation of selected operational factors during 2004 tenant surveys [GRI Reference: PR8] The scale varies from 1 (very bad) to 4 (very good).

	Average (Portugal)	Average (Spain)
Shopping Centre cleaning	3.05	3.34
Flowers and plants	3.02	3.01
Safety of people and goods in the Shopping centre	2.84	2.83
Safety of people and goods in the car park	2.67	2.76
Temperature of the shopping centre	2.65	2.68

Data qualifying note: This data encompasses tenant survey findings at a total of 13 shopping centres in Spain and Portugal.

Table 10 Average occupancy index at 31st December 2004 by country by GLA [GRI Reference: PR8 (partial)]

	Portugal	Spain	Brazil	Total
Occupancy Index at Dec 2004 (%)	97.6%	97.5%	84.9%	93.3%

Data qualifying note: This data encompasses 20 shopping centres in Portugal and Spain and a further 6 shopping centres in Brazil. It excludes those centres (5) that were inaugurated in 2004.



Quality of visitor experience/satisfaction

Sonae Sierra investigates the economic viability of new centres, and undertakes detailed catchment surveys to determine the appropriate tenant mix and size of the proposed centre. For each new development, Sonae Sierra identifies a theme, usually drawing from feedback about what local residents and prospective consumers wish to experience.

Sonae Sierra undertakes extensive market research during the development and ongoing operation of shopping centres. This research is both quantitative and qualitative, and includes the facilitation of focus groups to identify community perceptions, lifestyles and aspirations. Development research culminates in a series of events aimed at tenants and their

employees, opinion leaders, community stakeholders and local residents, to launch the centre and inaugurate it in a high-profile opening day. Each operational centre has its own marketing strategy which requires the centre management teams and Sonae Sierra's central marketing teams to understand consumer needs and respond positively.

Twice a year, Sonae Sierra undertakes visitor surveys at each of its operational centres. These involve personal interviews based on a structured questionnaire, undertaken with a random sample of approximately 500 visitors per centre. Once a year, Sonae Sierra also undertakes wider surveys within the community to obtain feedback on the centre's image and understand its impact on peoples' lives.

Table 11 Visitor feedback on selected operational factors during 2004 visitor satisfaction surveys [GRI Reference: PR8] The scale varies from 1 (very bad) to 4 (very good).

	Average (Portugal)	Average (Spain)
Perceived hygiene on meal preparation	3.1	3.1
Bathroom cleaning	3.1	3.2
Shopping centre staff attendance (security, cleaning,...)	3.1	3.1
Access facility to the SC interior	3.2	3.1
Tenant mix variety	3.1	3.0
Temperature inside the SC	3.0	2.9
Car park security	2.6	2.8

Data qualifying note: This data encompasses visitor survey findings at a total of 19 shopping centres in Spain and Portugal.



Euro 2004

The European football cup event in June 2004 took place in Portugal, and some of the matches in Lisbon, including the final match occurred in a stadium opposite the leading Sonae Sierra shopping centre, Centro Colombo. This event led to extensive security preparations due to fears of a possible terrorist attack or security alert.

Sonae Sierra, and in particular the Centro Colombo management team, entered into close liaison with all relevant public authorities including police, ambulance and fire services. Specialist advisors were appointed to conduct a detailed security programme, and security awareness training was provided to over 500 people in terms of staff, tenants and suppliers. Cinema rooms were used to train people in security messages, and the opportunity was used to raise awareness about other CR issues such as courtesy and politeness. The local emergency services expressed their pride and gratitude towards the centre management team at Centro Colombo, and now proactively enter into partnerships with them to involve their skills and expertise in other major events.

Throughout the Euro 2004 competition, which took place from June 29 to July 4 2004, the Centro Colombo was used by players and fans alike to celebrate the event and support the Portuguese national team. The centre also housed the over-sized No 12 official team shirt, which received 15,477 signatures of people from all over the world.



Security

Security frequently emerges as a priority in the feedback obtained from visitor surveys (as shown on the previous page), particularly in car parking areas. Sonae Sierra takes its responsibility seriously in respect of crime prevention, risk minimisation and emergency preparedness.

Aside from alarms, visible signs and on-site security staff at all centres, Sonae Sierra has introduced close circuit television (CCTV) in all centres, carefully monitored on a 24hour basis. Any vandalism or crime reported is logged by the centre management team and action is taken to address the incident.

Regular emergency drills and evacuations are conducted to check that detailed plans and effective systems are in place should a major security incident arise. Very large centres often have a police station located within the centre and most of them also have business continuity plans in the event of an act of terrorism.

Accessibility

Sonae Sierra tries to ensure that its shopping and leisure centres are accessible to a wide range of people, including those persons with special needs or disabilities.

Most of the centres have wheelchairs available for use by visitors with disabilities, together with entrance ramps, Braille signs, and valet services where goods can be delivered to a visitor's car. When Centro Colombo opened in Lisbon, Sonae Sierra organised a special tour around the centre for blind persons to identify what they needed. The lessons learnt from this initiative were subsequently passed on to Project Managers and design teams to integrate in other new schemes. All the centres also have a kindergarten for small children, cars and prams, specially allocated car parking bays for parents and high chairs in food courts.

Environmental Manual for Tenants

Sonae Sierra has developed a comprehensive Environmental Manual aimed at tenants. This has been adapted for Centro Colombo, NorteShopping and Arrábida Shopping centres.

The guides include all of the following:

- > General introduction to environmental impacts of retail activities
- > Description of the shopping centre's environmental policies and management systems
- > Practical guidance on environmental management for all tenant types
- > Practical guidance on environmental management for particular tenant types (e.g. restaurants)
- > Other useful information about local initiatives, eco-labels, and glossary of terms

The manual has proved very successful and will be used as the basis for similar guides in other shopping centres under operation.



CR/Environmental engagement

Risk management:

Certain tenant types (e.g. restaurants) have a very important social responsibility to ensure cleanliness and adhere to strict standards of environmental health. Prior to granting the leases, Sonae Sierra secures contractual guarantees from such tenants that they will honour their responsibilities and maintain the highest standards of cleanliness and housekeeping. Sonae Sierra commissions regular independent hygiene/sanitation audits of restaurants in existing centres, to ensure high standards are maintained. Audit results determine the issuing of a food safety certificate.

Sonae Sierra is also aware that certain tenants (e.g. pharmacists, petrol stations, dry cleaners and photo processing units) pose environmental risks due to their use of chemicals or hazardous substances. Standard environmental clauses are included in tenant contracts to state that they should comply with good practice and retain liability for any pollution or contamination caused as a result of their activities.

Help and encouragement:

Sonae Sierra recognises that its position as a leading shopping centre owner and manager provides it with a unique opportunity to educate and encourage both tenants and the wider public (shoppers/visitors) about environmental and social issues.

Issues such as waste management, air quality, security and safety & health are frequently discussed between centre management teams and tenants. Sonae Sierra has also provided environmental training sessions for shopkeepers and service providers at certain centres, incentivising them to improve their environmental management, and encouraging dialogue about best practice. Typical attendance figures suggest approximately 30-40% of shopkeepers are represented, and up to 100% of service providers.

Sonae Sierra also embraces the opportunity to use its centres to raise awareness and provide educational materials to shoppers and visitors. It is a company requirement for centre managers to specifically include environmental awareness and information campaigns for visitors in their marketing strategies. The results have been varied and imaginative, ranging from T-shirts with environmental themes, guidelines on how visitors and their families can lead more environmentally responsible lifestyles, and environmental notices strategically located throughout the centres. Facilities are provided for visitors to segregate their wastes within the bins in the malls to encourage greater recycling.

Sonae Sierra undertakes regular surveys to evaluate visitors' attitude to the environmental performance of the shopping centre and their perception of the company's commitments in this area. The survey introduced the idea of the "green shopping centre", and in another initiative known as 'EcoKid', environmental suggestions were invited from the public, and winners of all ages were given different environmental prizes (e.g. bicycles).

Sonae Sierra hosts big events at its centres, which it tries to link with social welfare objectives through partnerships with charities and social institutions. The objective is to encourage visitors to give something back to society.

Community care

Sonae Sierra seeks to ensure that all its centres are fully integrated in the community, and recognises the importance of community approval to the long-term viability and economic performance of the shopping centres.

Community consultation

In relation to new developments and refurbishments, Sonae Sierra, in accordance with legal local requirements, frequently consults the local community and the general public involving them in its development proposals. After the construction begins on site, Sonae Sierra often hosts an event for the site's neighbouring residents and interested citizens to join in celebrating the launch of the project, and to personally answer any questions they may have regarding the construction site and completed development. For many of the larger centres, Sonae Sierra produces a community newsletter to keep neighbours informed of what is going on during the development process.

Design and construction quality

Sonae Sierra places a very strong value on design quality which it views as a critical factor to its business success. Several Sonae Sierra Project Managers are themselves trained architects and well placed to communicate complicated and exacting design standards to the design and engineering teams appointed. In all its architectural designs and construction solutions, the company seeks to integrate local culture and traditions into the form and shape of the buildings it develops. The design of each new centre is tailored to suit the theme that has emerged from local market research.

Thanks to the quality and innovation that characterise its developments, Sonae Sierra has collected more awards than any other international company in the shopping centres sector.

Community investment

At the corporate level, Sonae Sierra makes some direct charitable donations to a number of different charities. It is careful in its selection of charitable institutions, conscious of the need to ensure that they have integrity and provide a useful function in society. It also donates a variety of goods and professional time which are not currently valued. At Christmas, Sonae Sierra has a programme that encourages employees' children to present some drawings to the company, and the best are chosen as the company's Xmas cards for that year.

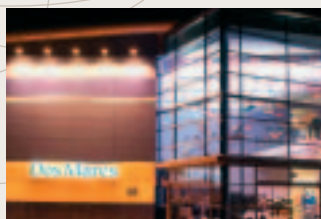
The company also typically makes significant financial contributions into the local community facilities and infrastructure of each development project. This often results from a process of close negotiation with the local municipality, which places planning conditions on Sonae Sierra prior to granting the planning consent. But Sonae Sierra is also proactive in identifying improvements which it wishes to contribute to such as roads and public spaces.

It also has an extensive programme of sponsorship and liaison with social welfare associations and community groups at each centre under operation. Sonae Sierra frequently teams up with local organisations to coordinate and organise particular fundraising events in its centres, taking on the administration tasks, and providing the charities with space free of charge. It encourages visitors to make donations and is keen to establish long-term partnerships with the charities with which it liaises. For example, a total of €126,384 was raised for charitable and social welfare associations by both centre management teams and visitors at the Portuguese owned and managed shopping centres during 2004.

Another important part of its role in the community relates to the types of services that Sonae Sierra seeks to provide within the centres themselves, through its selection of tenants and partners. These would typically include some or all of the following: health clubs, post offices, medical clinics and pharmacies, security services bureaux, and kindergartens which are typically managed directly by Sonae Sierra.

Environmental Education for Children at Dos Mares

Only months after its opening, Sonae Sierra's Spanish shopping centre, Dos Mares, was considered as a regional case study of good environmental practice in the region of San Javier, Murcia.



The centre management team liaised with several local and regional schools to organise for children to visit the shopping centre and hear about environmental issues in practice. They sought to explain about the centre's environmental management system, both during the development stage and now that it is in operation, and demonstrated some of the centre's technical facilities and areas reflecting this concern.

Visits took place during April 2004 covering the environment theme. About 200 children and teenagers from ages 6 to 16 took part in those visits, and received souvenirs such as EcoKid (Sonae Sierra's environmental mascot) t-shirts, colour pencils and bags from the Environment Program. These visits were a great success and the young people who got to know the "backstage" of this centre are now more aware of environmental issues.

Supplier loyalty

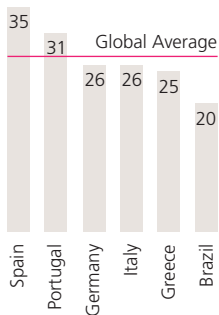
Sonae Sierra enjoys the collaboration of a large number of suppliers and advisors, all of whom provide a fundamental contribution to the achievement of the company's mission and activities. It recognises the importance of securing their commitment and loyalty through fair treatment and a long-term approach to relationships.

Prompt and fair payment

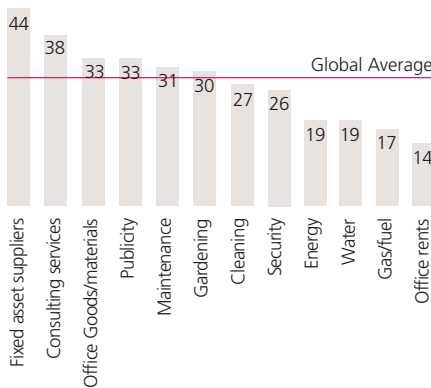
It is standard practice for Sonae Sierra to pay suppliers on the agreed terms, usually within 30 days. This is carefully monitored through the company's accounting and financial management systems.

Figures 10 & 11 Average payment periods for suppliers by country and by supplier type [GRI Reference: EC4]

Average number of days within which supplier invoices are paid (*by country*)



Average number of days within which supplier invoices are paid (*by supplier type*)



Partnership approach and long-term relationships

There are several hundreds of individual suppliers operating across Sonae Sierra's various activities. Where possible, Sonae Sierra has a policy of centralised procurement so as to exert greater influence and specify preferential terms and conditions to regularly used suppliers. The company enables centre management teams and tenants to benefit from such relationships through preferential negotiating rates, and passes the supplier details on to them via the Sierracentres.network portal.

For development, it is standard practice for Sonae Sierra to issue a new construction bid for every project. For some projects, Sonae Sierra's contractors act like partners and in Portugal, Sonae Sierra sometimes operates an open book working policy with contractors appointing them to act as general managers of construction, and sharing some risks through partnership working.

CR/ Environmental engagement

Sonae Sierra is conscious of its responsibility to identify clear standards of performance for its suppliers and contractors to work towards, and to monitor their achievements against credible external benchmarks.

The company places environmental obligations on the design teams for all developments through the Environmental Standards for Retail Developments (ESRD) tool which is effective upon project inception.

Construction companies are also required to use the Environmental Management System (EMS) manual for construction sites that has been developed by Sonae Sierra. They are required, if possible, to attain certification for the construction site under the international EMS standard ISO 14001. Sonae Sierra provides them with support in this goal, by way of consultancy and assistance in completing the necessary documentation and preparing them for audits, as well as undertaking internal audits of compliance.

Sonae Sierra has provided environmental training programmes for designers and contractors. The company is keen to use its own environmental best practice to bring suppliers closer to its own standards.

15 year Relationship between Sonae Sierra and Prégaia

Prégaia specialises in innovative construction technologies, including pre-fabricated materials for use in buildings.

This private company was the first of its kind in the Portuguese construction industry 23 years ago, and it now has over 100 employees and a turnover of more than €10 million in Portugal alone. Having started out developing facades for the Sonae Group's hypermarket business, Prégaia now operates in Portugal, Spain, Greece, Germany and Brazil, and boasts about its excellent 15 year relationship with Sonae Sierra.

Sonae Sierra's drive for innovation and commitment to high quality are an inspiration to Prégaia, whose vision is to develop materials tailored to the unique characteristics of each construction project. One such material which is gaining popularity is the distinctive concrete material developed to look like wood, for which Sonae Sierra funded the research and development phase, and Prégaia first supplied it to Estação Viana, inaugurated in Portugal during 2003.

Sonae Sierra typically represents 20-30% of Prégaia's annual turnover. Unlike some of Prégaia's other clients, Sonae Sierra's competitors, there is no need for lengthy negotiations since Sonae Sierra is not prepared to compromise quality for price. Another important aspect to Sonae Sierra is the environmental efficiency of some of these prefabricated materials which avert waste due to their durability, and Prégaia's own manufacturing factory in Portugal has water recovery systems and waste management programmes.

"Sonae Sierra is the best client we have. Whenever we mention a new idea, Sierra will want to make it happen because to them, nothing is impossible! Sierra Project Managers may use very different construction methods but they all share the same vision and philosophy. They want quality, time and price! After 15 years of working together, we share mutual trust and respect for one another, and believe in a partnership approach in which we own our share of the risks."

Carlos Sampaio,
Board Member, Prégaia

Other stakeholder concerns

Sonae Sierra believes in good communications with a wide range of stakeholders, including local and regional government, industry bodies, media and peer group companies.

Government authorities

Sonae Sierra has to make detailed presentations of its approach to economic, social and environmental sustainability to local municipalities in the context of its development plans and proposals. The company engages in open dialogue with such authorities as part of the planning process in all those countries where it has active developments underway.

Sonae Sierra takes a lead in responding to both EU and national Government consultations about particular pieces of legislation (e.g. EU Directive on the Energy Performance of Buildings). In such instances, the company is keen to be well prepared for incoming laws, and uses its significant experience to comment on the proposed new rules and ensure that they are applicable and practicable for shopping and leisure centres.

Media

Sonae Sierra's corporate communications department has close relations with the media, and the media/press coverage achieved by the company is closely monitored. The department has specific objectives relating to communication, with environment and wider CR issues being one of the key messages that it is keen to promote.

As a result of the proactive actions taken by the corporate communications department in the past year, the company featured over 300 times in various press articles and news in Portugal. The table below details the proportion of these news stories that mentioned specific CR issues in the context of Sonae Sierra's performance.

Competitors

While Sonae Sierra always seeks to position itself as an innovator at the leading edge of the industry, it nevertheless recognises the importance of sharing experience and lessons learnt within the property industry. But it is not always easy in Europe to get information about competitors. Sonae Sierra is represented on all the relevant industry bodies including both National and International Councils for Shopping Centres.

Table 13 Specific references to CR aspects in Sonae Sierra press coverage in Portugal as a direct result of actions taken by corporate communications department, in 2004.

CR issues specifically mentioned	Proportion by no (%)
Total news	100%
Employment generation	9%
Environment	5%
PERSONÆ (Safety & Health)	2%
Local tenants	1%
Other (e.g. investment, technical form, GLA/tenants etc)	83%



Brazil

Sonae Sierra has a substantial portfolio of properties in Brazil, including 7 operational shopping centres, 1 of which was newly opened during 2004. The Sonae Sierra core values and principles apply to its organisation in Brazil as they do in all countries, but due to significant differences in the economic, social and environmental context, the CR initiatives undertaken in Brazil have to date been adapted from efforts undertaken in Europe.

Environmental management system

During the 2004 review of the EMS, Sonae Sierra decided to further adapt the EMS for Brazil and to operate this independently from the EMS that applies to European activities. The Brazil EMS needs to allow for the most significant regional environmental priorities to be addressed, and make allowances for the different legal requirements, and potential commercial disadvantages to applying best practice in all instances across the Brazilian portfolio.

The Brazilian EMS requirements now include:

- > Mandatory compliance with all legislative requirements.
- > Control of all those environmental aspects that relate, either directly or indirectly, to public safety & health, even if these are not legislative requirements.
- > Implementation of good practice procedures where these are not restrictively expensive.

Environmental training

Last year, in February, Sierra Enplanta (Sonae Sierra's local joint venture company) held its first Corporate Forum, which was attended by both the General Managers and Marketing Managers of the Brazilian centres and all those responsible for central administration. The purpose of the event was to promote integration among employees and ensure consistency in the quality of services provided in the different centres represented. Sonae Sierra's organisational structure, mission and departmental objectives were communicated to all participants.

Environmental management was one of the topics covered at the Corporate Forum. The Environmental Policy and targets for 2004 were distributed to all participants, and the relevant procedures in Sonae Sierra's EMS were presented. Examples of eco-efficiency were also provided as a result of energy and water consumption audits in centres under operation.

Separate training has been provided to shopping centres teams and offices collaborators on EMS and to maintenance teams on the handling of fluorescent light bulbs. These bulbs contain small amounts of mercury which, when broken, can cause contamination and present a health hazard.

Protecting forests

Sonae Sierra is using its presence in Brazil to invest in the protection of forests there, particularly in the area around Parque D. Pedro.

The Parque D. Pedro is located in Campinas, one of the six cities that have developed inland in the state of São Paulo. The centre is located on a site which was previously used as a rubbish tip, and the redevelopment of the site resulted in an extensive environmental remediation process undertaken by Sonae Sierra. The Ciliar Forest located around the site is typical of the region and was in a very poor condition. Sonae Sierra's investment has involved recovering the forest, planting around 25,000 native tree species and building a park called the "Parque Linear Ribeirão das Pedras", located in the valley of the river Piracicaba, the main source of water in the region.

The environmental plan for this park was developed by local universities and by the City Council as part of an Urban Management Plan for the Barão Geraldo District. A cycling track of 2.7 kilometres was built in this green corridor, as well as a lake to collect sediment from chlorinated soil and to hold storm water from the micro basin. Sierra Enplanta has taken responsibility for maintaining the park for 3 years.

Environmental awareness raising


In June 2004, all the centres in Brazil carried out environmental awareness campaigns and events for tenants and visitors. These covered various themes, including:

- > Raising awareness about wild fauna trafficking and promoting the prevention of pollution through high profile events held in cooperation with the Environmental Police and the Environmental Control Organisation (CETESB) in Franca Shopping (São Paulo)
- > Promoting the importance of waste management and recycling, using a theatrical event for children in Shopping Metrópole (São Paulo);
- > Presentation of the Parque D. Pedro (São Paulo) Effluent Treatment Plant in an exhibition in the centre;
- > A multimedia event about water held in Pátio Brasil (Brasília) and a number of campaigns in other centres including Shopping Penha (São Paulo) and TivoliShopping (São Paulo).



Environmental Performance

Sonae Sierra, recognises that its business, like all human activities, has an impact on the environment. The company believes that, in today's world to be a business leader it is necessary to also be a leader on environmental issues. Its broad objective is to set an example in the shopping centre sector by demonstrating that integrating economic and environmental aspects in the development process can lead to greater economic profitability.



“ERM has been supporting the implementation of the Sonae Sierra environmental management system for over 2 years. In our opinion, Sonae Sierra has a strong corporate commitment to ensure full environmental compliance and effective control of potential environmental risks. The company is implementing an environmental management system which is one of the most sophisticated in the real estate sector, covering both the acquisition/development phase and the operational phase of the shopping centres. The main challenge for Sonae Sierra at this time is to complete the roll-out and implementation of the management system in all the countries where Sonae Sierra is active.”

ANDREW WALSH
PARTNER OF ERM AND MANAGER OF THE ERM IBERIA MADRID OFFICE

Environmental management system (corporate)

Sonae Sierra publicly assumes responsibility at all levels of its management for the corporate Environmental Policy, which was approved by the Board in 1998. The policy encompasses important principles of eco-efficiency, continual improvement, precautionary principles relating to pollution prevention and awareness-raising for tenants, visitors and suppliers.

To implement the policy, Sonae Sierra has developed an environmental management system (EMS), which has been in place since 2000. The EMS is based on the international standard ISO 14001, and applies to all countries where the company operates. Its procedures include requirements for all countries and, where necessary, specific rules for each country tailored to national legislation. The EMS procedures cover the most significant environmental impacts arising from the company's business activities, including:

- > Investment
- > Design and architecture
- > Construction
- > Operational management

Internal audits for the implementation of the EMS are undertaken at all shopping centres under operation and all development sites.

Monthly environmental reports are prepared by all shopping centre managers and Project Managers, including detailed measures against performance indicators and a qualitative description of environmental events and initiatives. These feed into a quarterly environmental report by country for shopping centres under operation, and a corporate quarterly environmental report prepared for the Executive Board of Directors.

Progress against 2004 environmental targets

To accompany the environmental policy and Sonae Sierra's environmental objectives, the company sets itself more specific targets on an annual basis. Quarterly reviews of progress feed into a formal annual review to determine the extent of target completion.

Sonae Sierra's progress against the 2004 environmental targets has been summarised in the table below, and a detailed schedule of the individual targets, alongside a progress report can be found on the Environment Portal at <http://environment.sonaeierra.com>.

Figure 12 Breakdown of progress made against 2004 environmental targets

Progress against the 2004 environmental targets (*proportion by number*)

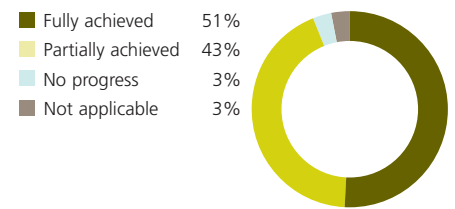


Table 14 Summary of progress against environmental targets for 2004

Country	No Targets Set	Proportion of targets (% by number)			
		Target Complete	Some Progress made	No Progress Made	N/A
Corporate	4	75	25	0	0
Office occupation	4	75	0	25	0
Development	7	43	29	14	14
Operational Management					
Portugal	6	50	50	0	0
Spain	4	25	75	0	0
Brazil	5	40	60	0	0
Operational Management	15	40	60	0	0
TOTAL	30	51	43	3	3

Environmental Standards for Retail Developments (ESRD)

ESRD is an internet-based specification tool, designed to help Sonae Sierra Project Managers and design teams to procure retail developments that comply with Sonae Sierra's environmental principles and procedures. The tool's principal aim is the implementation of best environmental practice across all of Sierra's new development and major refurbishment activities.

A total of 120 standards are included in ESRD covering energy, water (effluent and use), waste, transport, indoor and outdoor air quality, ecology, materials etc.

The standards are the same in all countries and there are only two exceptions where the standards can be specific to the country:

1. Where national legislation exceeds the requirements of ESRD, and Sonae Sierra does not believe that the higher standard of legislation in one country is likely to add sufficient value to be implemented in all countries.
2. Where a particular technology or solution is not available in a particular market.

The two main principles that support the standards encompassed by ESRD are:

- > **Eco-efficiency**, through improved design and architecture
- > **Continuous improvement** by regularly updating the ESRD, thus ensuring that Sonae Sierra keeps up with changes in best practice

During 2005 ESRD is being comprehensively reviewed to update the standards and make the tool more user-friendly to people in different countries.

Monitoring and targeting programmes

Table 15 provides a snapshot of Sonae Sierra's key impacts during 2004 arising from the operation and management of the company's existing portfolio of shopping centres. The impacts presented here are absolute (i.e. not normalised) in order to go some way towards meeting the requirements of GRI core indicators.

Table 15 Absolute impacts against selected GRI core indicators for calendar year 2004

Performance indicator and unit	Portugal	Spain	Brazil	Overall
Direct Energy use segmented by (intermediate source), Gigajoules [GRI Reference: EN3 partial] (Electricity)	307,326	80,940	149,287	537,553 ¹
As %	57	15	28	
Total Water Use, cubic metres	666,883	119,646	79,370	865,899
As %	77	14	9	
Total amount of waste (see Figures 17 for waste destinations), tonnes [GRI Reference: EN11] ²	17,640	4,734	3,771	26,146
As %	67	18	14	

¹ Associated CO₂ emissions: 52,826* tonnes; [GRI Reference: EN8 (partial)]

² EN11 also requires a breakdown by type, which is not presented this year.

* Conversions using International Energy Agency data as outlined by GHG Protocol Initiative.

Data Qualifying Notes:

- > All data in this section is for whole calendar years, arising from properties that are both owned and managed by Sonae Sierra.
- > Consumption that relates specifically and directly to individual tenants is not included here. For example, water data is principally for common service provision. Inevitably, however, Sonae Sierra's impacts are entwined with those of its stakeholders, e.g., the waste tonnage relates to waste produced by tenants but handled by Sonae Sierra as a service.
- > Data is now collected direct from properties as part of Sonae Sierra's internet-based EMS, actual measurements are used wherever possible, with estimation kept to a minimum.
- > Sonae Sierra is striving to improve and assure the quality of the data used in its monitoring systems. Obvious anomalies have been removed from the dataset used in this report, which is reflected in the reduced comprehensiveness of coverage.
- > It is estimated that aggregated data is accurate within a margin of $\pm 5\%$ for metered utilities and $\pm 25\%$ for waste and transport data.

Table 16 Portfolio coverage of environmental performance data presented in the CR Report (% by GLA) in each year.

	2002	2003	2004
Electricity consumption	62	50	92
Water consumption	0	78	82
Waste	51	50	90
Visitors Transport ¹	100	100	100

¹ From visitor surveys undertaken on a random sample at individual centres.



Calculating Greenhouse Gas Emissions

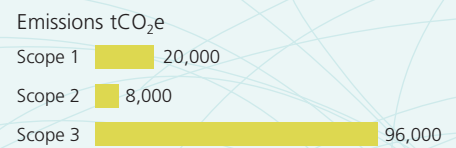
During 2004, Sonae Sierra commissioned a detailed study for estimating the greenhouse gas emissions (carbon dioxide, methane, nitrous oxide and fluorinated gases) associated with some of its activities.

The pilot project, undertaken by consultancy, Ecoprogresso, focused on information available for one operational shopping centre (Centro Colombo, Portugal), the Lisbon offices, and the construction works of a new shopping centre (Rio Sul Shopping, in Seixal Portugal). It utilised the internationally recognised Greenhouse Gas Protocol (GHGP) guidelines (an initiative of the World Resources Institute and of World Business Council on Sustainable Development),

According to the GHGP, emissions are classified according to three scopes:

- > **Scope 1** direct emissions (at Sonae Sierra's premises, including automobile fleet)
- > **Scope 2** indirect emissions – mandatory reporting (emissions resulting from the production of electricity acquired to other producers)
- > **Scope 3** indirect emissions – voluntary reporting (all other emissions the company may want to estimate)

Total emissions in the Lisbon Office and the Centro Colombo, in 2003 were as suggested in the graph below. The main source of GHG emissions is visitor journeys to Centro Colombo by all means of transportation (scope 3 emissions). The RioSul shopping results are not presented here because the study only measured GHG emissions for one phase of the development.



Sonae Sierra is pleased with the progress it has made on data gathering and monitoring systems, increasing the scope of data over time, and improving its reliability through engagement with centre management teams. There remain some gaps in the information which Sonae Sierra is committed to measuring in future years, including:

- > Natural gas used by boilers at some centres.
- > All impact areas associated with Sonae Sierra's own occupation of office spaces, although the significance of these is relatively small compared to that of the managed portfolio.

These issues will be addressed as Sonae Sierra's monitoring systems are further embedded, enabling the company to be more comprehensive in both environmental management and reporting. For example, more robust data on non-electricity power consumption will enable carbon dioxide emissions associated with building energy use to be calculated.

The absolute picture provided above is useful in assessing the proportions and magnitude of environmental impacts, but normalised analyses are necessary to assess relative impacts and trends over time – as presented in the charts and commentary under each impact area on the following page.

Alongside monitoring & targeting, Sonae Sierra takes part in industry initiatives such as the Environmental Benchmarking for Shopping Centres project coordinated by Upstream, UK-based strategic sustainability advisors. It participates in this survey in order to benchmark its portfolio and properties against peers and promote the adoption and sharing of good practice (GRI Ref: EN17). Industry initiatives, as well as internal 'league tables' play a key part in motivating employees and ensure that the company remains at the forefront of the industry.

Land use

Sonae Sierra is conscious of the need to preserve 'greenfield' land and, where possible, it develops on previously developed or 'brownfield' land. In some instances, the company's developments have been located on sites which have had previously contaminating uses, and in such cases Sonae Sierra invests in remediation techniques to remove the pollution.

Ecology and biodiversity are covered within the ESRD tool to ensure that the design and construction of new developments is sensitive to local flora and fauna.

Emissions to air, land and water

Sonae Sierra has included a due diligence checklist procedure within the EMS manual which is applicable to all site acquisitions. This sets out the steps that should be taken to identify potential contaminants on site, and provides guidelines for information to be included in Phases 1, 2 and 3 of soil contamination reports. These guidelines are given to consultants to specify the contents of their reports. A similar due diligence checklist procedure exists for purchasing new buildings.

Rigorous procedures are implemented throughout the construction and operational stages to prevent the risk of pollution incidents occurring at Sonae Sierra properties. In addition, regular checks and tests are carried out within operational properties on water and air quality.

There was one fuel-oil spill during 2004 which occurred at Centro Colombo. This was caused by a power cut resulting in the failure of a safety lock in the fuel tank. The environmental consequences of the spill were limited because the room is a containment basin, and none of the spill leaked out to the external environment. Cleaning operations were thoroughly performed and modifications on the safety interlocks directly related with this spill were immediately implemented.

Energy

Sonae Sierra recognises that energy use within its buildings is a significant aspect due to the greenhouse gas emissions associated with fossil fuel energy consumption. The company seeks to reduce energy use in the following ways:

- > Energy efficient designs including energy performance targets in design specifications and innovative engineering solutions – covered by ESRD.
- > Installation of Building Management Systems in all operational centres to ensure tight and efficient controls.
- > Staff awareness measures in its own offices to encourage employees to use electricity sparingly.

Figure 13 shows a positive trend in reducing electricity consumption in the Sonae Sierra portfolio as a whole. The reasons for such improvement may relate to:

- > changes in the composition of the portfolio as more recently developed properties are less energy intense; and
- > greater efficiency at individual properties.

Regarding carbon dioxide emissions, the majority of Portuguese shopping centres have improved their energy efficiency. As a result the Portuguese portfolio managed since 2002 has avoided emitting the equivalent of 2,527 tonnes of CO₂ emissions in 2004 compared with 2002.

In looking at Figure 14 (energy by country) it is important to compare the performance of each country portfolio against itself over time. Significant differences arise between countries for a variety of operational reasons. For example, whilst less electricity is consumed per metre square in Spain than Portugal, part of the reason for this is that the Portuguese centres are typically open longer.

Water

Conscious of the need to conserve water, Sonae Sierra puts considerable effort into managing its consumption of this increasingly scarce resource. Water efficient appliances (e.g. low flush WC and sensory taps) are specified in new designs and refurbishments, and management procedures are in place for operational centres to restrict water consumption to a minimum.

Although reliable water consumption data across the owned and managed portfolio is only held for two years, the trend over that time is one of enhanced performance, as illustrated in Figure 15. This may be due to the water consumption audits carried out during 2004 in Portuguese centres, which identified a series of measures to reduce consumption, some of which have already been implemented.

This pattern of improved water efficiency holds true for each of the country portfolios, as shown in Figure 16.

Waste

The quantity of waste handled by Sonae Sierra is largely a function of tenants' activities and packaging policies in particular. The company is currently helping and encouraging tenants, to separate waste by type and increase the proportion of waste which is recovered.

Waste data has not been presented for Spain and Brazil for 2002 and 2003 in Figure 18 to avoid potentially misleading comparisons between years. Nonetheless, waste data has been gathered (based on the number of containers removed) at several centres, and is being used for waste management purposes. Further improvements are being made to the waste data gathering in 2005.

There are early signs of improvements being made, as illustrated in Figure 18 which shows the waste 'recovery rate' (where Sonae Sierra holds greatest managerial control) for Portugal. In fact it has improved from 18.7% in 2002 to 22.2% in 2004.

It is interesting to note that the total amounts of waste handled at shopping centres per unit of purchasing power varies significantly between countries. Definitive reasons for this are unclear, but Sonae Sierra is keen to investigate this further. This could involve looking at the packaging characteristics of the different products sold by tenants at the different shopping centres.

Transport

Sonae Sierra is aware that tenant and visitor journeys to and from its shopping and leisure centres have a number of associated environmental impacts, dependent upon the mode of transport used. The company addresses transport considerations through the planning, location, design and integration of our properties with public transport – as well as ongoing operation. It monitors its impact by incorporating questions in the regular visitor surveys about the mode of transport used.

When comparing the overall proportions coming to the centres by different transport modes (see Figure 19), it appears that a greater proportion of visitors come to Sonae Sierra's Brazilian centres by modes of transport other than the private car (52% for Brazil, whilst 30% and 32% for Portugal and Spain, respectively). This may be due, in part, to the fact that the Portuguese centres are regional and super-regional centres so they will attract more visitors coming by private car. It may also be due to severe congestion problems in some Brazilian cities such as Sao Paulo.

Composting at NorteShopping

NorteShopping (Porto, Portugal) has begun to separate organic waste in order to recycle it through composting.

Those tenants that produce organic waste at the centre (i.e. bars, cafes, restaurants etc) have been supplied with appropriate containers to store it, and these are kept inside their shop areas. Regular collections are undertaken and the waste is sent off to municipal composting facilities. The resulting compost is utilised for organic fertilisers.

This practice is highly innovative amongst shopping centres, and Sonae Sierra is not aware of any other shopping centre owners taking the same opportunity. It contributes a further improvement to Sonae Sierra's overall approach to waste management, and the initiative will be rolled out to other centres in due course.



Figure 13 Electricity efficiency (landlord only) of the owned and managed portfolio [GRI reference: EN17/EN19 (partial)]

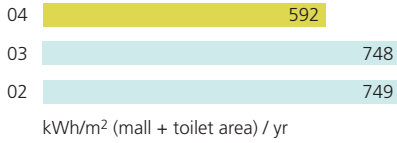


Figure 14 Electricity efficiency (landlord only) of the owned and managed portfolio by country

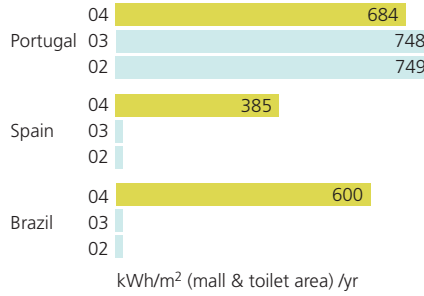


Figure 15 Water efficiency (landlord only) of the owned and managed portfolio

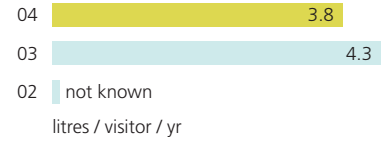


Figure 16 Water efficiency (landlord only) of the owned and managed portfolio by country

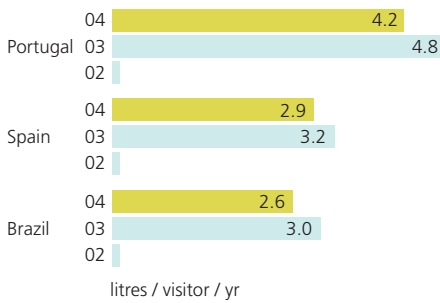


Figure 17 Total waste throughput and disposal method in the owned and managed portfolio

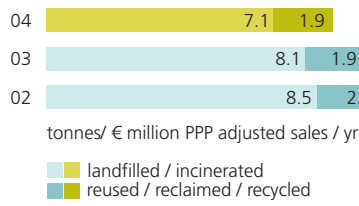


Figure 18 Total waste throughput and disposal method in the owned and managed portfolio by country

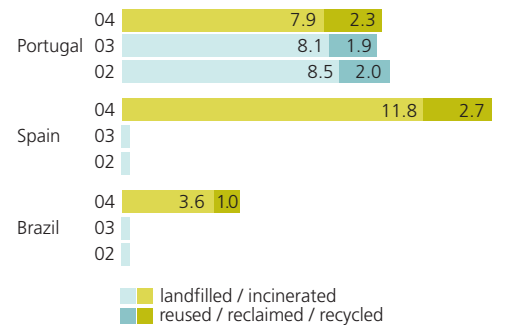
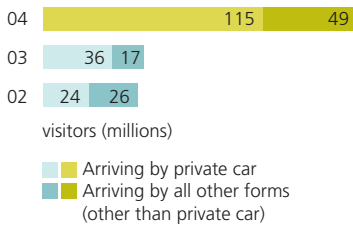


Figure 19 Number of visitors (millions) arriving by different types of transport in the owned and managed portfolio in 2004 [GRI reference: EN34 (partial)]



Targets for 2005



Business Management

To establish a cross-functional CR Working Group to meet regularly (e.g. quarterly) and oversee CR management strategy and implementation programme

Develop and publish a code of conduct to address bribery and corruption, coupled with an auditing programme, and link this to a whistle blowing procedure for employees.

Tenants and Visitors

Integrate more CR related issues within tenant survey questionnaires.

Introduce a new set of Safety & Health KPIs to measure and monitor incidents across the portfolio in a consistent manner.

Issue formal guidelines to centre managers on the communication of both environmental and Safety & Health messages to both tenants and visitors.

Employees

Introduce a formal policy on equal opportunities and diversity, endorsed by senior management and publicly available.

Extend training and induction programs to cover wider CR issues than environment and Safety & Health.

Introduce internal learning forums and cross-disciplinary knowledge exchanges across different centres, countries and divisions.

Improve internal communication channels (e.g. launching the newsletter) and ensure these are consistently updated with news and information about CR initiatives undertaken across the portfolio

Community

Monitor the number of jobs created from all new developments.

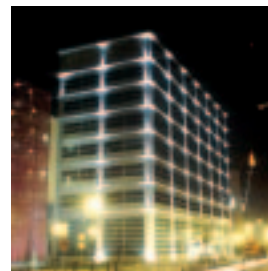
Identify suitable KPIs based around the social and environmental impacts of construction related activities.

Develop a list of standard communication tools including guidance of how to involve the community pre-opening, during development, and post completion of shopping centres.

Monitor proportion of pre-tax profits given to charitable causes each year.

Other Stakeholders

Introduce communications objectives related to wider CR responsibilities, to add to the existing environmental ones.



Environment

Development – corporate-wide

To implement the critical requirements of ESRD in all new projects.

To guarantee the recycling of 20% (by weight) of on-site construction works waste.

To pilot the environmental certification of 1 centre at the design stage using a methodology such as Leeds, or BREEAM.

To achieve ISO 14001 certification for 100% of construction sites by number by the centre opening day.

To integrate into the design and development of all new centres some public transport initiatives.

Operations – Portugal

Reduce the total water consumption of all shopping centres by 5% (aggregated measure).

Introduce environmental awareness activities for tenants and visitors in 100% of centres.

Increase the proportion of total waste recycled by 5% across all Portuguese shopping centres (aggregated).

Operations – Spain

Increase the proportion of total waste recycled by 5% across all Spanish shopping centres (aggregated).

Introduce environmental awareness activities for visitors in 100% of centres and for tenants in 50% of centres

Reduce total water consumption by 5% across all Spanish shopping centres (aggregated).

Operations – Brazil

Roll out the programme of undertaking energy consumption audits to all Brazilian shopping centres.

Roll out the programme of undertaking water consumption audits to all Brazilian shopping centres.

Increase the proportion of total waste recycled by 5% across all Brazil shopping centres (aggregated).

Introduce environmental awareness activities for visitors in 100% of centres and for tenants in 50% of centres

Management systems – corporate-wide

To implement the training and awareness plan for 2005.

Adapt the EMS to all the countries where Sonae Sierra operates.

To implement the EMS on Sonae Sierra head offices in each country such as, Germany, Greece and Italy.

Investigate the potential for increasing the use of innovative environmental technologies in new developments, including rainwater harvesting systems, renewable energy technologies etc.

Statement from CR Advisors

Upstream has been working with Sonae Sierra for almost a year now, providing advice and support on the company's CR management systems, and identifying areas for further improvement.

We have been extremely impressed by the level of Sonae Sierra's environmental commitment, and by the depth of environmental awareness across all functions of the business. The EMS presents an excellent model for some of the wider socio-economic issues falling under CR. Another notable strength is the company's close relationship with its tenants, to whom it frequently provides business advice in order that they may grow and succeed alongside it. This includes detailed guidance on social and environmental matters, and indeed Sonae Sierra's educational approach towards both tenants and visitors in relation to these is commendable.

We believe that Sonae Sierra is well prepared to be at the leading edge of the industry on CR related matters. Future priorities would include:

- > formalising ad hoc practices into corporate policies, particularly with regards Employment issues;
- > engaging proactively with key stakeholder groups to identify their CR related concerns, and factoring these into future programmes;
- > seeking independent assurance and verification for certain components of the system, including progress against targets, data and management practices.

We very much enjoy working with Sonae Sierra and look forward to seeing the company progress in future years. It is especially rewarding to be working with a client who regards CR as an integral part of business performance.

Julie Hirigoyen

Director

Upstream, UK-based strategic sustainability advisors

Feedback Form

1. Which stakeholder group do you belong to?

- Investor/financier
- Tenants
- Visitors
- Employees
- Suppliers
- Local community
- Government authorities
- Media
- None

2. How strongly do you agree that the 2004 CR Report content and key performance indicators (KPIs) cover the issues you consider to be of most relevance to Sonae Sierra's business?

- Strongly agree
- Agree
- Disagree *(please state which issues or KPIs you would like to see covered in future CR Reports in the Comments space below)*
- Strongly disagree *(please state which issues or KPIs you would like to see covered in future CR Reports in the Comments space below)*

3. Please rate the different aspects of the CR Report using the numbers below:

[Scale: 1 = Excellent; 2 = Good; 3 = Average and 4 = poor]

Written content:	1	2	3	4
Length:	1	2	3	4
Layout and design:	1	2	3	4

4. How effective do you believe the 2005 targets will be in enabling Sonae Sierra to further improve its economic, social and environmental performance?

- Very effective
- Effective
- Not very effective *(please state which targets you would like to Sonae Sierra to set itself in future in the Comments space below)*
- Not at all effective *(please state which targets you would like to Sonae Sierra to set itself in future in the Comments space below)*

Please provide any additional comments or suggestions in the space below

Thank you!



SONAE SIERRA

Please send the feedback form to:

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