



Real value in a changing world

Sonae Sierra

2008 **Review** of CR Targets

Report

March 2009

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1 Introduction

In Sonae Sierra's 2007 CR Report, the company publicly disclosed 19 CR targets to achieve by the end of 2008. This report, which has been prepared by Upstream Sustainability Services¹ for Sonae Sierra, intends to provide an independent review of the company's progress towards meeting these CR targets. It is divided into three main sections:

- Methodology
- Summary of progress.
- Comment on progress against publicly report 2008 CR targets.

This document is intended as a reference for Sierra's stakeholders to support the statements made concerning target achievement in Sierra's CR Report 2008, and inform about the target evaluation process.

To support the accomplishment of the company's long-term objectives, Sonae Sierra also defined 50 additional CR actions to be achieved before the end of 2008. Progress with respect to these actions has also been reviewed and a separate report is available on Sierra's public website.

¹ Upstream Sustainability Services is an operating unit with Jones Lang LaSalle.

2 Methodology

The level of progress achieved against each of the targets has been established by scrutinising the documented evidence of achievement provided by each of the business functions, and, where further explanations were deemed necessary, through communication with persons within Sonae Sierra responsible for target accomplishment. The methodology used in order to determine the percentage for completion awarded for each target varies according to the type of target set.

Performance targets

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

Performance targets have been evaluated by awarding a percentage for completion which corresponds directly to the measurement of performance achieved, divided by the measurement of performance which was set to be achieved. Percentages have been calculated using integral numbers.

Management targets

A Management target is a target which relates to a management process or procedure. Management targets may contain quantifiable elements, but what distinguishes these from performance targets is that a quantifiable management target is simply a means of incorporating a measurable element into a target, rather than actually measuring improved performance relative to a threshold or standard.

Upon setting management targets for 2008 across all CR impact areas, Sonae Sierra anticipated in advance the steps which would constitute the necessary process to achieving those targets. Following this, in order to determine the extent to which each step contributed to the overall achievement of the target, a weighting (%) was set for each one on an “effort” basis, by applying professional judgement. Management targets have, therefore, been awarded a percentage of achievement in view of the evidence of completion received by Upstream Sustainability Services in relation to each step anticipated as necessary for the whole target to be completed, and in accordance with the weighting (%) attributed to each step. The steps corresponding to each management target, as well as their attributed weighting are explained in the Appendix to this document.

3 Summary of progress

3.1 Summary of progress against 2008 Public CR Targets

Figure 1: Pie chart

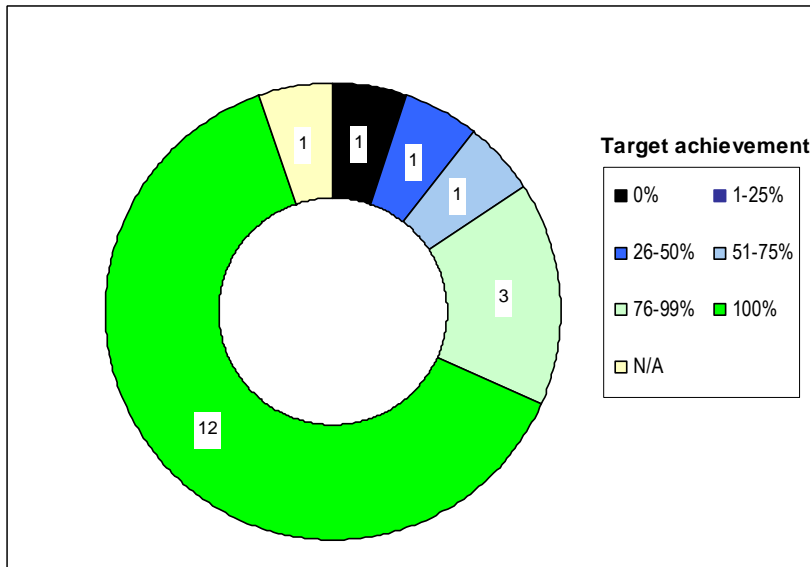


Figure 2: Summary of progress against public targets, by impact area

CR Impact Area	Number of targets	0%	1-25%	26-50%	51-75%	76-99%	100%	N/A
Environmental Management	3	-	-	-	-	2	1	-
Climate change	1	-	-	-	-	-	1	-
Water	1	-	-	-	-	-	1	-
Waste	2	-	-	-	-	-	2	-
Land use	1	-	-	-	-	-	-	1
Suppliers	3	-	-	-	-	-	3	-
Tenants	2	-	-	-	-	1	1	-
Communities	1	-	-	-	-	-	1	-
Employees	2	-	-	1	1	-	-	-
Safety and Health	3	1	-	-	-	-	2	-

TOTALS

19

1

-

1

1

3

12

1

4 Detailed review of progress against 2008 CR Targets

The following table provides a comment on the extent of target achievement for each target.

2008 CR Targets	% achievement	Comments on the extent of target achievement
ENVIRONMENTAL MANAGEMENT		
<p>To achieve ISO certification on:</p> <ul style="list-style-type: none"> - 5 shopping centres under operation in Portugal; - 4 shopping centres under operation in Spain; - 1 shopping centre under operation in Italy; - 1 shopping centre under operation in Greece; - 6 shopping centres under operation in Brazil. 	94%	<p>During 2008, Sonae Sierra achieved ISO 14001 certification for a further 18 owned shopping centres in operation. These were:</p> <ul style="list-style-type: none"> • CoimbraShopping, MaiaShopping, GaiaShopping, RioSul Shopping, 8ª Avenida and Madeira Shopping in Portugal; • Valle Real, GranCasa, La Farga and Zubiarte in Spain; • Shopping Plaza Sul, Shopping Metr�pole, Shopping Campo Limpo, Franca Shopping, Tivoli Shopping, Patio Brasil and Boavista Shopping in Brazil; • Valecenter in Italy. <p>However, although two additional centres were certified (1 in Portugal and 1 in Brazil), Mediterranean Cosmos in Greece did not achieve certification as proposed by the target. We have therefore concluded that this target was achieved at 16 out of 17 applicable shopping centres, and as a result was 94% achieved ($16/17 \times 100 = 94$).</p> <p>In 2008, Sonae Sierra inaugurated 4 new projects and 3 new expansion/refurbishment projects. Of these 7 projects, the Centro Colombo refurbishment was not considered to be applicable for this target as the ESRD report had not been concluded before the end of 2008.</p> <p>Therefore, the following 6 projects and corresponding levels of achievement with respect to the leadership or non-critical ESRD standards were considered:</p>
<p>Ensure that all projects achieve at least 25% of the maximum possible points in relation to the applicable Leadership standards².</p>	83%	<ul style="list-style-type: none"> • Plaza Mayor in Spain achieved 57%; • Freccia Rossa in Italy achieved 67%; • Gli Orsi in Italy achieved 82%; • Pantheon Plaza in Greece achieved 53%; • Arr�bidaShopping in Portugal did not implement the ESRD (0%); • Valecenter in Italy achieved 40%.

² In 2008, only Pantheon Plaza in Greece and Valecenter in Italy were applying the new Leadership standards, part of an updated version of the ESRD. For the other projects, it was agreed with Sonae Sierra that achievement with respect to the 'non-critical' ESRD standards should be considered, as these projects were implementing an older version of the ESRD.

<p>At the time of each centre's opening day, to have achieved ISO 14001 certification for 100% of construction sites (by number).</p>	<p>100%</p>	<p>Considering that this target was therefore achieved on all applicable projects with the exception of ArrábidaShopping, we have evaluated the target as having been 83% achieved overall.</p> <p>Sonae Sierra inaugurated 4 new shopping centres in 2008, and 3 expansion/refurbishment projects. Of these, ArrábidaShopping and Valecenter were not considered applicable to the scope of this target due to the fact that they did not meet our criteria for this target (the investment in expansion/refurbishment did not represent at least 25% of the initial investment value excluding the purchase of land).</p> <p>The 5 applicable project were:</p> <ul style="list-style-type: none"> • Plaza Mayor in Spain • Freccia Rossa in Italy • Gli Orsi in Italy • Pantheon Plaza in Greece • Centro Colombo (refurbishment) in Portugal. <p>Accredited ISO 14001 certification was awarded to each of these centres by Lloyds Register Quality Assurance prior to the opening of each new project, expansion and refurbishment.</p>
<p>CLIMATE CHANGE</p>		
<p>Achieve a 1% reduction of greenhouse gas emissions by square metre of Gross Lettable Area (GHG Protocol³ scopes 1 and 2)</p>	<p>100%</p>	<p>Sonae Sierra's scope 1 and 2 GHG emissions per m2 GLA decreased by 5% in 2008 in comparison with 2007 levels. This target has therefore been evaluated as 100% accomplished. However, it should be noted that this trend can be largely attributed to year on year variations in the electrical emissions factors.</p>
<p>WATER</p>		
<p>Achieve a 1% reduction of total water consumption per visit (owned and co-owned shopping centres that were operational during the full calendar year 2007).</p>	<p>100%</p>	<p>Sonae Sierra achieved a 9% reduction in water consumption (litres per visit) at owned shopping centres which were fully operational in both 2007 and 2008.</p> <p>Some applicable centres were excluded from the calculation of this indicator value for both 2007 and 2008. This is due to lack of available data for either 2007 and/or 2008. This is the case for 3 shopping centres in Portugal, 3 centres in Spain, 1 centre in Italy, 1 centre in Greece, 2 centres in Germany and 1 centre in Romania.</p> <p>Furthermore, some centres that were operational during the full calendar year 2007 were not included in the calculation of the 2007 indicator. This is because it was not possible to validate the water data for these sites for the 2007 CR Report. This applies to 1 centre in Portugal, 2 centres in Spain and 2 centres in Brazil.</p>

³ Greenhouse Gas Protocol, developed by the World Resources Institute and the World Business Council for Sustainable Development (WBCSD).

WASTE		
To achieve a minimum average recycling rate of 36% across the owned portfolio.	100%	In 2008, Sonae Sierra achieved a global average recycling rate of 42% across the owned portfolio.
To reduce the rate of waste sent to landfill by 2%.	100%	In 2008, Sonae Sierra decreased the global rate of waste sent to landfill by 13% in comparison with the 2007 values. Sierra sent 48% of waste to landfill in 2008, compared with 55% in 2007.
LAND USE		
To achieve 100% compliance with execution of Preliminary Environmental Evaluation.	N/A	This target was evaluated as being 'not applicable' due to the fact that the Preliminary Environmental Evaluation (PEE) procedure only became mandatory for Sierra projects in 2007. The projects which were completed in 2008 were commenced before 2007, and therefore at a time when this procedure was not in place.
SUPPLIERS		
Ensure that 100% of bids and contracts signed during 2008 with main development service suppliers (contracts above € 2M) include clauses for minimum requirements in relation to safety, social and environment standards.	100%	In 2008, a total of 14 contracts with a value above €2 million were signed with development suppliers. All of these included the CR clauses. We have therefore concluded that this target was fully achieved.
Increase the proportion of paper purchased from recycled sources for use in Sonae Sierra offices in Spain, Germany, Greece, and Romania to 75%.	100%	In 2008 Sonae Sierra in fact exceeded this target by increasing the percentage of recycling paper used in corporate offices to: <ul style="list-style-type: none"> • 81% in Spain; • 87% in Germany; • 85% in Greece; • 76% in Romania. On average, 80% of paper used across these offices was recycled paper.
To ensure that 100% of bids and contracts signed during 2008 with main property management service suppliers (i.e. cleaning, security, maintenance and waste removal suppliers) include clauses for minimum requirements in relation to safety, social and environment standards.	100%	In 2008, Sonae Sierra ensured that all new bids and contracts signed with main service suppliers contained CR clauses.
TENANTS		
To achieve an average tenant satisfaction level of 3,5 or above in each Sierra owned or	98%	In 2008, Sonae Sierra gained an average tenant satisfaction rating of 3.5 or above in 43 out of 44 applicable shopping centres (it should be noted that the

<p>co-owned shopping centre. This is a target for the minimum acceptable level.</p> <p>To achieve an average tenant satisfaction level of 4 or above in at least 80% of the Sierra owned or co-owned shopping centres. This is a target for “excellence”.</p>	<p>100%</p>	<p>tenant satisfaction surveys are undertaken in shopping centres which were fully operational during the reporting year and the previous year, so shopping centres which were inaugurated during 2007 or 2008 are not included in the surveys). Rounded to the nearest whole number, we have calculated that this target was 98% achieved.</p> <p>In 2008, Sonae Sierra gained an average tenant satisfaction rating of 4 or above in 38 out of 44 applicable shopping centres. Rounded to the nearest whole number, this target was achieved in 86% of Sierra shopping centres. Since that to fully achieve the target Sierra had to achieve the 4 or above rating in 80% of applicable shopping centres, we can conclude that the target was 100% achieved.</p>
<p>COMMUNITIES AND VISITORS</p>		
<p>Invest 5% of shopping centre marketing budget in the community (centres under management and centres under development).</p>	<p>100%</p>	<p>During 2008 Sonae Sierra invested 7% of all shopping centres marketing budget in the community. This includes development projects which were completed during 2008. Every individual centre invested at least 5% of its marketing budget in the community. Many centres invested much more than this (for example Münster Arkaden, 37%, Shopping Pátio Brasil and ViaCatarina, both 21%).</p>
<p>EMPLOYEES</p>		
<p>Improve the results of the Employee Satisfaction Survey in relation to the following themes by 10%: *Work conditions *Work life balance.</p> <p>For 90% of Sierra staff to have at least 7h of training in 2008.</p>	<p>49%</p> <p>61%</p>	<p>In 2008, the results of the Corporate Climate and Employee Satisfaction survey showed that the rating of work-life balance improved by 3.6% (from 2.8 in 2007 to 2.9 in 2008) and the rating of work conditions improved by 6.1% (from 3.3 to 3.5). We have therefore considered that this target was 49% achieved overall.</p> <p>In 2008, 627 members of Sierra staff (55%) received at least 7 hours of training in 2008. Considering that the target was for 90% of staff to receive at least 7 hours of training, the target has been evaluated at 61% achieved (55/90*100=61%).</p>
<p>SAFETY AND HEALTH</p>		
<p>To achieve zero fatalities due to accidents across the Sierra portfolio.</p> <p>To reduce the number of days of staff absence due to work accidents or occupational diseases in comparison with the average lost work days per year as recorded over the last 3 years, aiming towards zero.</p>	<p>0%</p> <p>100%</p>	<p>Unfortunately, this target was not achieved in 2008. A fatal accident occurred on the construction site of Manauara Shopping development project in Brazil, involving a person employed by one of Sierra's contractors.</p> <p>In 2008, a total of 342 staff days were lost due to work accidents or occupational diseases. This fell 43% below the average of total lost work days recorded per year over the last 3 years, 2005 - 2007, which was calculated as 534 (to the nearest integral number). We can therefore conclude that this target was 100% achieved.</p>

To decrease to 8.5 the number of non-conformances per hour of observation resulting from Safety Preventive Observations in Reference Sites by the end of 2007.

100%

In 2008, Sonae Sierra decreased the number of non-conformances detected per hour of SPO to 7.9 (rounded to the nearest decimal place). We have therefore concluded that this target was 100% achieved.



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