

2020 REPORT ON PROGRESS AGAINST THE UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a voluntary contract between the United Nations and the worldwide business community. It is designed to encourage companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

Sonae is a signatory of the Global Compact and, as Sonae Sierra is partially owned by Sonae, we must provide this shareholder with an outline of how we comply with these principles, so that it can provide a full report to the United Nations about the activities of its sub-holding companies. Although we are not obliged to report publicly about what we are doing to uphold the Global Compact principles, we think it is relevant to include an overview publicly available on our website:

Human Rights:

- 1. We support and respect the protection of internationally proclaimed human rights:**
The ethical principles established in our Code of Conduct include respect for the dignity and rights of each individual involved in our projects. In 2007 we created the Sierra Ombudsman, to promote compliance with this Code and to ensure that individual concerns are addressed.
- 2. We ensure that we are not complicit in human rights abuses:** We mainly operate in regions which typically possess significant bodies of legislation to protect working conditions and human rights amongst the labour force, and our Company does not infringe upon or come into direct conflict with internationally proclaimed human rights issues.

All the same, we are conscious of our responsibility to ensure that human rights are not negatively impacted upon as a result of activities in our supply chain. Our Responsible Procurement Policy, adopted in 2007, and revised during 2020, commits us to engaging with our development and service suppliers and, where necessary, working with them to improve their performance across core environmental and social impact areas, including labour aspects such as human rights.

We include clauses relating to labour impacts in all contracts signed with suppliers over €1 million in value. In addition, potential suppliers for all major tenders of structural goods and services are required to complete a pre-qualification questionnaire which gathers information on their policies, practices and performance covering a range of issues, including human rights. In addition, for critical suppliers (contracts over €2.5 million), we also collect information on their policies on equal opportunities.

Labour Standards:

3. **We uphold the freedom of association and the effective recognition of the right to collective bargaining:** We do not have any kind of policy against freedom of association among any of our stakeholders. We operate in an industry where trade unions exist and are free to exercise their collective bargaining rights. Although we do not have a collective bargaining agreement in place, our employees' rights in respect of this principle are upheld by our Code of Conduct. We also seek to ensure that our employees' views and interests are represented in corporate decision-making in a number of areas.
4. **We aim to eliminate all forms of forced and compulsory labour and (5.) support the effective abolition of child labour:** Our Company does not infringe upon or come into direct conflict with internationally proclaimed human rights issues. Sonae Sierra does not employ any child labour or uphold any forced or compulsory labour practices. We operate in regions which typically possess significant bodies of legislation to protect working conditions and human rights amongst the labour force.

With respect to indirect activities in our supply chain, we apply a risk based approach to the assessment of human rights risks, including child labour. For example, our questionnaires for critical development suppliers ensure that high-risk materials come from reliable sources in respect of child labour and working conditions. For more information regarding our supply chain, see Principle 2.

6. **We aim to eliminate discrimination in respect of employment and occupation:** We have a non-discrimination and diversity policy which states our commitment to a meritocratic culture and our objective to become a best practice reference in this aspect. Our Code of Conduct outlines our commitment to creating a workplace where each individual is treated fairly and where we recruit, select, train and remunerate based on merit, experience and other professional criteria.

To enforce these principles and policies, the Sierra Ombudsman constitutes a formal procedure which employees (and other stakeholders) can use to report breaches of our Code of Conduct. During 2020, no incidents of discrimination were registered through our Ombudsman procedure.

Although promoting gender diversity remains a priority for our company while the ratio of male to female employees is roughly equal on a global level, women hold a minority of senior leadership and Board level positions. Increasing the percentage of women in senior leadership positions is therefore something we can improve. To tackle this issue, Sonae Sierra developed the project "Lean in Circles" in the end of the year that entails different benefits: reinforces and extends internal networks, accelerates the development of hard and soft skills and increases employees' engagement and satisfaction, leading to higher talent attraction and retention. By the end of 2020 one

group was set and the first meeting was held. Additionally as part of Sonae Group we are part of the Group commitment to build gender equality across our business. As an example in 2013, together with ERT, Sonae promoted and subscribed to the “ERT Women Initiative and Voluntary Targets”, setting voluntary targets promoting greater gender diversity, not only for upper, but also for middle management positions. In 2018, Sonae signed the first European pledge for inclusion and diversity, across several industries, titled Embrace Difference (Diversity & Inclusion), with the purpose of creating the right environment and conditions for all employees so they can reach their full potential. The strong focus of the Group in this subject led to the creation of an ambitious [Plan for Gender Equality](#).

Environment:

7. **We support a precautionary approach to environmental challenges:** We recognise the need for managing climate change and other environmental risks, and we believe in taking action now to prevent potentially serious and irreversible damage occurring in the future. This commitment is demonstrated by our systems and standards which help us anticipate, monitor and mitigate safety, health and environment (SHE) risks and challenges.

Our integrated Safety, Health and Environment Management System (SHEMS) is based on the international standards ISO 14001 and ISO 45001 and is certified by Lloyds Quality Register Assurance according to both of these standards. The SHEMS was revised in 2020 to better align with our business strategy and its objective is to guarantee that Safety, Health and Environmental issues are managed in an effective and responsible manner in accordance with our Safety, Health and Environment Policy and covers our Real Estate Consultancy Services, including Property Management and other services' activities.

As a service provider Sierra should encourage its clients to implement sustainability standards on their own assets/projects, and therefore our SHEMS includes a group of requirements for influencing partners and service clients towards sustainability. We apply our Safety, Health and Environment Development Standards (SHEDS) in our projects under development in agreement with our partners to guarantee effective risk management and good asset performance, targeting the long-term priorities and critical impacts.

On developments managed through a joint venture where our partners do not agree to implement our SHEDS in full, we engage with them to decide whether to implement elements of our SHEDS beyond the minimum legal requirements.

In 2013, we commissioned a high-level review to explore the business case for climate change adaptation. It followed a 2010 study we performed to investigate risks associated with climate change on a sample of our Portuguese assets. More recently, in

2020, considering the impact of the problem we're all facing and the urge to act upon Climate Change, we have produced a research explaining the impact of climate change, its effect on energy costs, how we are tackling Climate Change and the achieved results. We have also identified sites at risk from water scarcity. These studies have helped us to manage climate change and environmental risks by allocating investments in efficiency measures and other technology to help mitigate potential impacts to our business. Environmental risks are also fully integrated into our business risk matrix, which is used to elaborate new policies, monitor procedures and adopt mitigation actions for each identified risk.

8. **We undertake initiatives to promote greater environmental responsibility:** We seek to continuously improve our environmental performance and mitigate our direct impacts. Our SHEMS is designed to monitor, control and optimise our SHE performance against key performance indicators to achieve our annual targets and long-term objectives. As noted above (Principle 7), our SHEDS aims to embed sustainability in the design of development projects, and we encourage our partners to target BREEAM Good, LEED® Silver or DGNB Bronze certification.

In 2020, we invested more than €1 million in environmental protection measures across our assets, including steps to reduce energy and water consumption and increase waste recycling. We have managed to improve the electricity efficiency of our owned portfolio (kWh/m² of mall and toilet area) by 66% since 2002, reduce our Scope 1 and Scope 2 GHG emissions per m² of GLA by 84% since 2005, water consumption per visit by 32% since 2003, and increase the amount of waste that is recycled by 223% since 2002. Greater environmental resilience is also central to our focus on Safe People & Resource Resilience through which we are investigating ways to become energy independent and reuse water on our sites (see Principal 9 below).

We promote environmental responsibility among our stakeholders through a variety of initiatives, such as regular meetings and training for suppliers, tenants and employees on SHE issues and operational procedures. We also organise campaigns and exhibitions in our shopping centres to promote environmentally-conscious behaviour and raise visitors' awareness to sustainability, in 2020 we also released a corporate awareness campaign regarding Climate Change targeting our employees and other stakeholders.

Finally, we continue to be involved in a range of initiatives to promote greater environmental responsibility at the industry level. As an example, in 2020 we joined the Recover Better Statement, we were one of the 155 companies that have signed a statement, convened by the Science Based Targets initiative, the United Nations Global Compact and the We Mean Business coalition, urging governments all over the world to integrate climate action in the economic recovery plans following Covid-19.

9. **We encourage the development and diffusion of environmentally friendly technologies:** Our shopping centres have been among the first in their countries to test

environmental practices and technologies such as organic waste composting at NorteShopping in 2004, a solar heating system that uses recycled plastic bottles at Shopping Campo Limpo in 2009, a battery recharge station for electric cars at Alexa in 2009, and the use of mega LED lamps in five shopping centres in Brazil in 2010. Nowadays we continue to make sure we still perform in an optimal way and make the maximum contribution to our sustainability goals and a better world.

We carry out regular energy, water and waste audits and assessments which help us to identify where adopting further environmentally friendly technology is most effective. Since 2013 Sonae Sierra has rolled out the Bright, an energy efficiency programme designed to reduce the energy expenditure and improve the carbon footprint of real estate assets, incorporating five phases.

The programme has been rolled out in 51 buildings from 9 countries, totalling 273 initiatives across all the programme's phases which generated 703 improvement opportunities that lead to up to €7.4 million in potential yearly savings.

The innovative Benchmarking has been applied 194 times and identified up to €2 million of potential yearly savings, from recognizing opportunities for renewable energy installation, metering and smart metering improvements.

The specialized audit and delivery phases have enabled Sonae Sierra to identify a possible 306 optimisation measures across 29 buildings with total potential yearly savings of €4.9 million. 217 (71%) were implemented, 10 (13%) are currently under way, and 40 are being assessed. The potential yearly savings of implemented and ongoing actions to date arise to 22,158 MWh in electricity consumption, equivalent to 26% of our electricity consumption in 2020 or €2.9 million in costs.

The actions implemented and ongoing required an investment of €2.8 million. 48% of those actions were quick-wins with no or little investment required: €212,000 invested on these quick-wins generated €1.1 million, 38% of all potential yearly savings of the project.

In terms of CO_{2e} emissions avoided in 2020, implemented and undergoing actions equate to around 5,863 tonnes of CO_{2e}.

Research into solutions for effective resource resilience (such as water reuse and on-site energy generation) is also a key part of our sustainability strategy. We have undertaken research into new technology, feasibility studies and pilot projects with a view to supporting the long-term resilience of our shopping centre portfolio in the context of costlier and scarcer energy and water resources. In 2014 we developed Dive, a programme similar to Bright but that targets water efficiency and has been used to improve performance among our assets. We can also highlight our decision to proceed with the roll out of water reuse/recycling and groundwater harvesting systems across our portfolio. In 2020 around 8.8% of the water consumed (excluding tenants' consumption) was recycled/reused; and we have piloted a study to explore how to redevelop an asset to meet 'nearly zero energy' status. In addition, we also procure green electricity through the grid to power shopping centres, and in 2020 around 81% of electricity consumption (excluding tenants) was procured from green sources.

Anti-Corruption:

10. **We work against corruption in all its forms, including extortion and bribery:** Sonae Sierra's ethical principles, supported by the Code of Conduct, include the duties of strict compliance with the law and acting with honesty and integrity. The Code includes one specific guideline on the avoidance of corruption and bribery, by stating that it is forbidden to give or accept any reward or benefit with the purpose of influencing someone's behaviour to obtain a commercial advantage.

The Sierra Ombudsman promotes compliance with the Code by encouraging behaviour aligned with our ethical principles. Behaviour with Ethics Sierra Training (BEST), which is based on the Code and our Anti-Corruption Guidelines, is mandatory for all new employees during their first year of work at Sonae Sierra, including those based in new markets which we have recently entered. At the end of each training session, employees are required to sign and return the Sonae Sierra Code of Conduct Acknowledgement, confirming that they had received the Code and agree to comply with its provisions.

We have a procedures manual for anti-money laundering, combatting terrorist financing and sanctions compliance. The manual establishes a defined set of procedures covering the provision of third party services, partnerships and joint ventures, investments and other related activities designed to mitigate the Company's exposure to associated risks.

In relation to specific policies and practices followed by Sonae Sierra to mitigate corruption risk with respect to real estate valuations and transactions, we follow the RICS guidelines.

We ensure that compliance with the avoidance of bribery and corruption is upheld by incorporating corruption risk into the annual Internal Audit plan of activities, which is aligned with Sonae Sierra's Risk Matrix through the audit work carried out by business process areas. During 2020, the Internal Audit activities covered 38% of core business processes identified as having a risk of corruption. No instances were identified that could constitute a situation of corruption and no incidents of corruption were formally reported. We also have a procedure to evaluate our critical development suppliers' performance regarding anti-corruption as part of the questionnaires that are distributed and assessed (when applicable).