



the partner of choice

SONAE SIERRA

**2018 Economic,
Environmental and Social Report**



the
partner

of
choice



Scout;
Licence;
Design;

Build;
Manage;
Evolve

Sonae Sierra has
now a wide range
of services that it can
deliver on multiple
areas of value
creation that benefit
Sonae Sierra's own
projects, our partners
and our stakeholders.
We have evolved

from being only a shopping centre developer/investor to also a provider of retail real estate services, and we are now pursuing projects that will continue to enlarge our horizon of action.



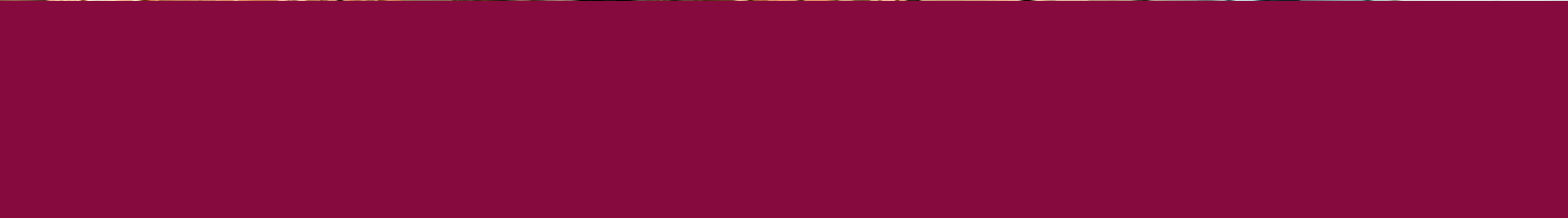
About this report

We have long recognised that our business viability is dependent upon a healthy reserve of natural resources, social cooperation and financial capital. Indeed, we believe that the economic, environmental and social dimensions of our business performance are inextricably linked.

For this reason, this annual report provides a fully integrated account of our business strategy and operational performance in 2018 as well as our view for the future of the company, demonstrating the alignment between our core business goals and our sustainability goals. In order to develop a fully integrated report, we drew heavily upon the International Integrated Reporting Council's (IIRC) Framework on Integrated Reporting. As such, the performance and operating context section in this report focuses on the most material value creation aspects of our economic, social and environmental performance as they relate to our financial stakeholders, investors and our integrated business and sustainability strategies.

In keeping with our long-standing commitment to apply the most robust sustainability reporting guidelines, this report has also been developed in accordance with the 'Core' requirements of the Global Reporting Initiative's Reporting Standards and the Construction and Real Estate Sector Disclosure (CRESO). The Sustainability Statements on [page 72](#) of this report provides a more in-depth account of our social and environmental performance according to the topics identified by our materiality study.





Index



The partner of business

Who we are	12
The year at a glance	14
CEO Letter	16
Our company	18

The partner of strategy

Our Business Model and Strategy	24
---------------------------------	----

The partner of growth

Our figures	38
Our Performance	42

The partner of management

Consolidated accounts	54
Other information required by law	64
Share Capital and Own Shares Sonae Sierra, SGPS, SA	65
Governance	66

The partner of sustainability

Sustainability statements	72
Safe People & Resource Resilience	90
Future Fit Retail	128
Knowledge	136
GRI content index	146

The partner of choice

Independent auditor's review	156
Feedback form	158



the
partner
of
business



S

Who we are

**We are the partner of choice.
Sonae Sierra is an international
real estate company
dedicated to serving the
needs of investors, clients
and tenants.**



We have been developing, managing and investing in sustainable retail assets, expanding our activity beyond retail, and providing investment, development and property management services for clients in geographies as diverse as Europe, South America, North Africa and Asia, while creating shared value for our business and society.

Passionate about bringing innovation and excitement to the real estate industry since 1989, we add value to our investors, clients and other stakeholders by putting our unique know-how at their disposal through the development of outstanding projects and the delivery of professional services covering the complete real estate lifecycle, leveraged by the successful track record with our own projects.



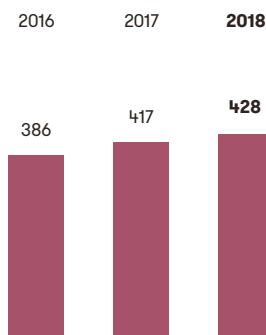
The year at a glance 2018



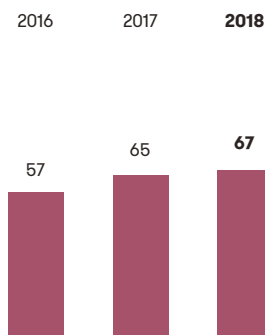
Key Highlights



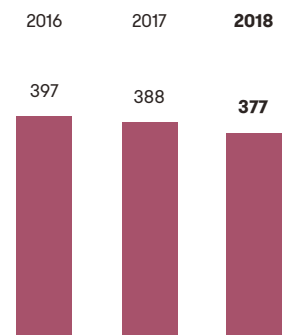
Rents received at owned shopping centers (€ million)



Direct profit (€ million)



Electricity efficiency (excluding tenants) of our owned portfolio (kWh/m² mall and toilet area)



Awards

German Council of Shoppings Centres

Stevie Award® International Business Awards®

MSCI European Property Investment Awards

OCARE RSC

El Chupete

CNCC Italy Awards

First Store by Alexa

CATEGORY

European Innovation Award

Project: Bright Programme

CATEGORY

Silver Award, Energy Industry Innovation of the Year

Sonae Sierra

CATEGORY

Best performing specialist fund for Portugal

“Atrapados” campaign

CATEGORY

Best corporate and social responsibility communication campaign to recipients

“Atrapados” campaign

CATEGORY

Best Global Communication Campaign

“CityLife Shopping District: Welcome to the New World” campaign

CATEGORY

Best of the Best 2018 in Grand Opening / Expansion / Refurbishment

CEO letter

Fernando Guedes de Oliveira

A year of accelerated maturity of our strategy, that has laid the ground to continually add value to our portfolio under management.

This was a year of accelerated maturity of our strategy. We have continually been creating, for us and our partners, more value from the connections between our capital arm and the real estate service lines.

On a wider context, investors continue to find Real Estate an attractive investment asset class and, despite (or some would say benefiting from) financial market's instability, investment levels kept reaching all-time highs, in Europe's case. This was particularly true in Continental Europe, as the UK faced added uncertainty over the Brexit process. However, most views for 2019 are of caution over macro-economic conditions. Forecasts seem to indicate a slowdown of the global economy. The ripple effects will surely reach the real estate industry both on the investment and operation side, albeit with very different scales, in different markets, and asset classes. This means that from this point of the cycle onwards, finding the right partners to develop, invest and service assets becomes critical, and we have proven that we can be that partner.

We recorded another solid year, which is the reflection of the quality of our assets, the positive fundamentals of the operating context and our capabilities in creating value and building attractive spaces. Globally, our shopping centres have continued to attract more visitors (+2.9% YOY), and increased tenant sales: YOY growth of +2.9% in Europe and +3.0% in Brazil in local currency – albeit registering a negative evolution in euros, due to currency effects. These combined effects were one of the main drivers of the increase of collected rents (+2.5% total portfolio YOY). Valuers believe in the assets' operational model and our competencies, and thus the portfolio continued to register value growth. Also, we acquired the remaining 50% of ParkLake, our dominant asset in Bucharest. Our core investments continue to be in Europe, which is a mature market that demands continuous development of our assets. We launched significant expansions and refurbishments, namely those of NorteShopping, CascaiShopping, the McArthurGlen Designer Outlet Málaga that will complement Plaza Mayor, as well as the repositioning of Fashion City Outlet in Larissa and GranCasa.

Sonae Sierra has now a wide range of services that it can deliver on multiple areas of value creation that benefit Sonae Sierra's own projects, our partners and our stakeholders. We have evolved from being only a shopping centre developer/ investor to also being a provider of retail real estate services, and we are now pursuing projects that will continue to enlarge our horizon of action, while continuing to be a developer. Our most recent investments also encompass a wide range of retail real estate formats, beyond shopping centres, as we aim to create the spaces that serve the living and business needs of tomorrow's cities. We are developing mixed-use assets to take advantage of the pros of an integrated offer, and of market conditions. We are also creating

new touchpoints with investors, by building disruptive investment vehicles such as our partnership with Peter Korbačka in a € 485 million opportunity in Spain, and by the completion of the investment cycle of ORES Socimi on finding attractive assets, operationally and financially, amidst a market breaking record high. We are globally recognised by our work in the retail arena, but for many years we have been developing competencies in other asset classes. Geographically, already in the beginning of 2019, we also entered a new market with the acquisition of a 50% stake in Balmain, a Polish asset and property manager. In the near future, we will accelerate our build-up of competences with other types of assets and in new service lines, to increase our capacity to provide more value-added services to our partners. We believe we have a well-developed track record of listening to consumers' needs, proactively adapting our offer to suit an ever increasingly demanding consumers or end-users, who are now more informed than ever, and demanding more personalized offers and experiences.

Our sustainability strategy continues to be a large part of our identity: we are increasingly positioned as a leading player, on the forefront of sustainable development. Recently we have been named the winner of a Silver Stevie® Award in the "Energy Industry Innovation of the Year" in the 15th Annual International Business Awards®, with our "Bright Programme - Improving the carbon footprint of real estate", an energy efficiency programme designed by Sonae Sierra. Also 2018 was another year of superb results for Sonae Sierra's funds in GRESB Benchmarking, we were once again recognised with Green Star status, having achieved the highest possible rating of 5 Stars. We have always been proud of the way we see sustainability, on the track record of the achievements that we have built up over the years, and on how well we have embedded it into our strategy and our way of doing business. We are now in a good position to take profits from this early investment, as we implement our key strategic guidelines, and we connect our capital and service lines, selling sustainability services to our clients (such as implementing a BREEAM In-Use certification for Le Terrazze, such as achieving a score of "Very Good"), sharing our experience and promoting value-creating sustainability practices to these stakeholders. By 2018 we had avoided operating costs of around €25 million across the assets which we manage, due to energy, water and waste management measures implemented since 2002. This enables us to deliver added value to clients and tenants, and demonstrates the strong business case for them to invest in eco-efficient technology and behavioural practices.

Overall, we are confident that this strategy of increasing our range of competencies and the asset classes where we invest will support us in managing potential risks; anticipating future concepts; protecting long term asset value; delivering a higher quality service and experience to clients, tenants and shopping centre visitors, and attracting and retaining committed and talented people in our Company.

We are a services company with a capital arm and, as in any services company, it is the energy and drive of our people that create, every day, Sonae Sierra's success. This report is, first and foremost, a testimony of their achievements, of which I am very proud of. They are one of the main reasons why I believe we are only getting started.

We believe we are well-suited to implement our view of the industry. We are anxious to welcome the future, and to play our part in developing it.



Our company

Sonae Sierra Group is an international specialist in the real estate sector. Sonae Sierra Group is owned by Sonae SGPS (Portugal), with a 70% share and Grosvenor Group Limited (United Kingdom), with the remaining 30%.

Our vision is to develop and service vibrant retail-centred properties. We identify market opportunities, partner with real estate investors and deliver retail real estate services covering the full property lifecycle. This allows us to implement our know-how and international experience to develop innovative products that create value for our clients and other stakeholders. With a large experience in the creation, development and management of retail real estate assets and a highly distinguished track record, we are able to provide best in class services for investors and clients.

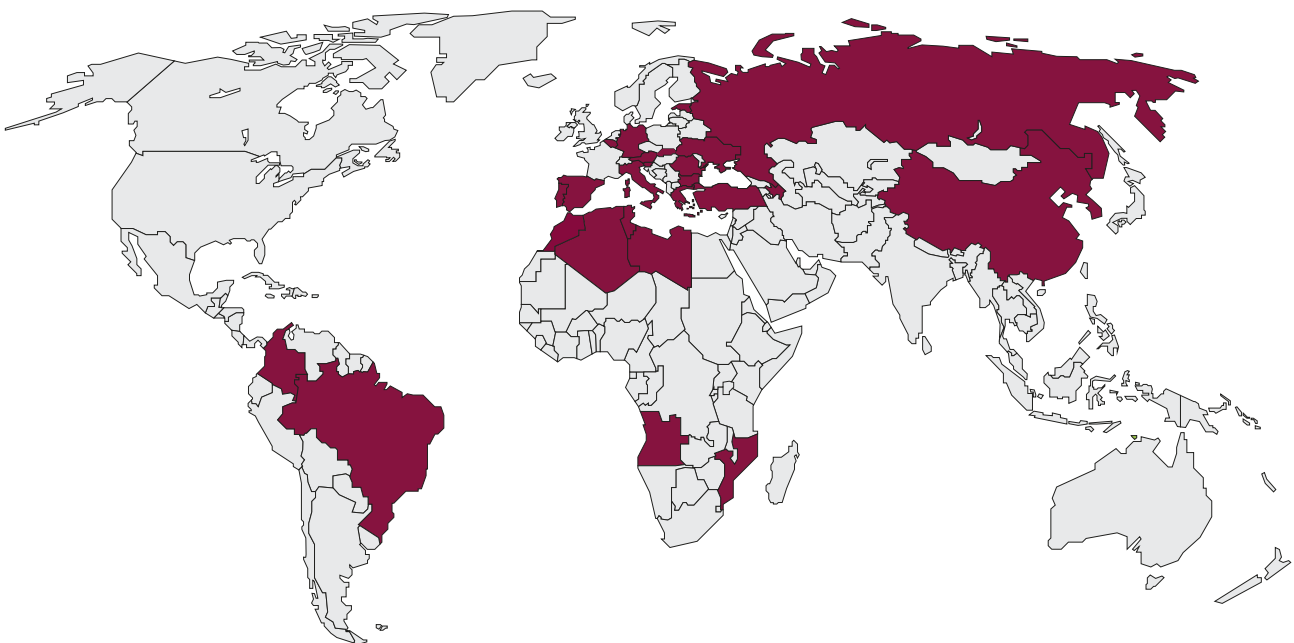
We aim to be the partner of choice by developing long term and reliable relationships with all our stakeholders, driven by a clear emphasis on trust, efficiency and flexibility. We share our proven track record to best serve our clients' interests and provide the right advice for investors, while delivering outstanding shared value leveraged by a sustainability driven strategy. Our strong partnership policy allows us to quickly gain in depth knowledge of new markets, unlocking further business opportunities.

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

Where we operate

Sonae Sierra operates from corporate offices in 12 countries as diverse as Portugal, Spain, Italy, Germany, Greece, The Netherlands, Luxembourg, Romania, Turkey, Morocco, Brazil and Colombia.

Our track-record of services provided



Algeria
Angola
Austria
Azerbaijan
Belgium
Brazil
Bulgaria

China
Colombia
Croatia
Estonia
Germany
Greece
Italy

Libya
Morocco
Mozambique
Portugal
Romania
Russia
Serbia

Slovakia
Slovenia
Spain
Tunisia
Turkey
Ukraine


Our partnerships and key clients

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

Algeria

-  Ardis
-  Dahli
-  Immobis
-  Prombati
-  SIH
-  Arcofina
-  Benhamed
-  SARL Hotel Benhamed Khaled


Angola

-  Luena Plaza


Azerbaijan

-  Baghlan Group






Belgium

-  BESIX RED


Bulgaria

-  Akropolis


Brazil

-   Marco Zero
-  Família Sé
-  Tivoli EP
-  Credit Suisse HG


Colombia

-   Central Control

Cyprus

-  Trenesma


Estonia



-  Infortar

Finland

-   Keva
-   Ilmarinen



France



-   AEW Europe
-   CDC
-   AXA Investment Managers - Real Assets

-   CNP Assurance

-   Foncière Euris


Germany

-   Deka Immobilien


-   Union Investment

-  Otto Family

-   DWS



-  Aachener Grundvermögen



-  BHG Gewerbe

-  HanseMerkur Grundvermögen



Greece

-   Charagionis Group


-   Lamda Development



-   Bluehouse Capital

Ireland

-   Caelum Development


Italy


-   Coimpredil

-   Baigre Sarl


-   Impresa Pizzarotti & C.S.p.A.


-  Intesa San Paolo


-  Europa Capital Partners


-  Generali Real Estate


-  Gran Casa SpA


-  Gruppo Pollarini

-  Meridie


-  Gela Investment

-  Sud Commerci S.r.l

-  Gholding

-  Gruppo Coin


Morocco


-   Groupe CDG

-   Marjane


-   SAZ


-  Facenor

-  Foncière Chellah

-  ONCF

-  CMG

-  SAPST

-  Saham immobilier

Poland

P C Balmain Asset Management

Portugal

P C Bensaúde Group

P C Estevão Neves

P C Ocidental

P C Sonae RP

P C Sonae MC

C GIL

C The Edge Group

C Caixa Imobiliário, S.A.

C Millennium BCP

C CA Património Crescente-Fundo de Investimento Imobiliário Aberto

C Savoy

C Fundação Alfredo de Sousa

C IP Património

C Troia Resort

C Graciosa Parcela

Romania

C Genesis Property

C Cocor

Russia

C RosEvro Development

C Mall Tech

Slovenia

C Rastoder

Slovakia

C J&T Real Estate

Spain

P C Armórica

P C Bankinter group

P C Eroski Group

P C Iberdrola Inmobiliaria

C Clásica Urbana

C Grupo Soluciones

C H.I.G. European Capital Partners

C CGI

C Vegarent MCM

C Fyrtarn Family

Switzerland

P C Partners Group

The Netherlands

P C ING Developments

P C APG Investments

P C MAB Development

P C Redevco

Tunisia

C Mabrouk

C Copit

C Indigo

Turkey

C Endülüs Gayrimenkul

C Ildem Kooperatif

C Krem Turizm

C Özdemir Boru Profil

C S,ölen

C VARYAP

C Basyazıcı

UAE

P C Al Futtaim

United Kingdom

P C Aberdeen Property Investors

P C McArthurGlen

P C Rockspring

P C Schroders Investment Management

C Scottish Widows

C Doughty Hanson

USA

P C AIG

P C CBRE Global Investors

P C CBRE Global Investment Partners

P C Madison International Realty

P C Nuveen Real Estate



the
partner
of
strategy



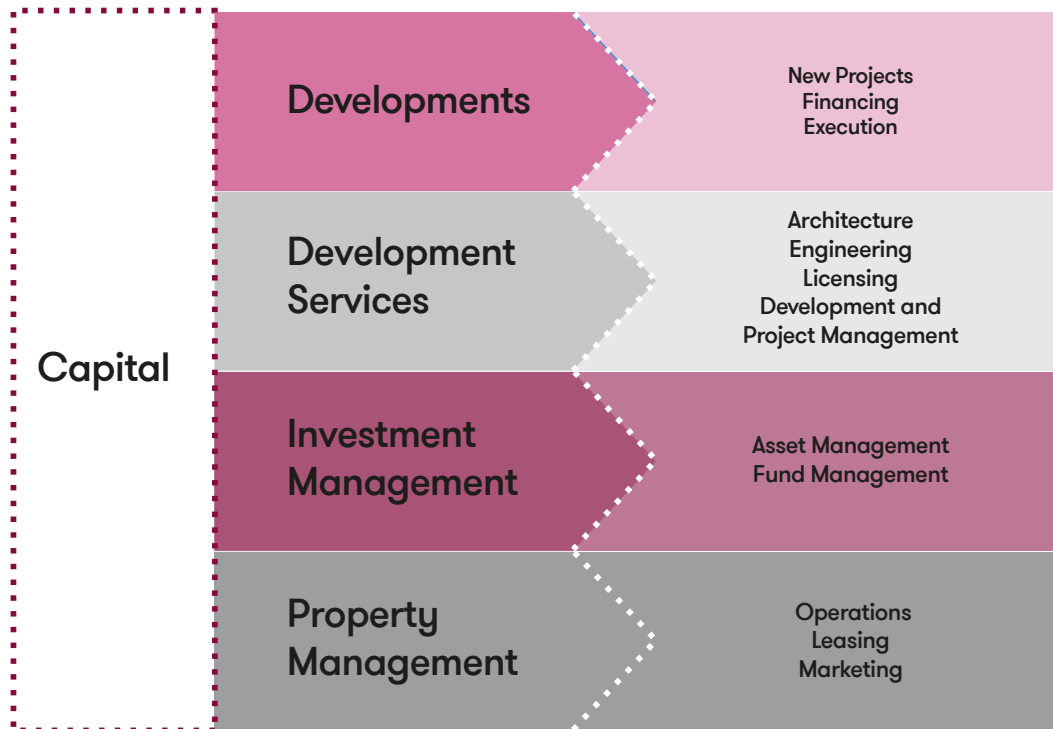
Our Business Model and Strategy

Our business model supports our vision. The combination of our know-how, our commitment to innovation and our long-term approach has created a business model that embraces investment management, developments, property management, and development services.

Financed by a prudent combination of equity and debt, our capital is employed in a geographically diverse portfolio ranging from greenfield sites to acquisitions with development and/or expansion potential.

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

Business model



Organisational structure

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

Investment Management

Investment Management manages a portfolio of real estate funds and operating assets. It offers quality products to investors. The business identifies and implements value creation opportunities across its portfolio of assets and acquires operating assets or development projects, including the ones developed by Sonae Sierra's Developments. Building relations with key partners, Investment Management also retains positions in existing assets with a medium to long term horizon, and maximises synergies by channelling services to other businesses such as Property Management.

Developments

Developments sources and delivers real estate developments on behalf of Sonae Sierra and its co-investors. The business is responsible for delivering services related to the financing

and execution of new projects. Its preferred investment style is to partner with another investor on a 50/50 basis for each project, aiming to sell its stake after completion, in order to finance new developments.

Developments engages with partners and suppliers to ensure the effective adoption and implementation of high standards of quality, environmental sustainability, social responsibility and safety and health. It also fosters creative and pioneering approaches that are adapted to local communities' needs, which can include the provision of infrastructure for public benefit. In keeping with Sonae Sierra's corporate values, the business designs projects that are respectful of local values and culture and support long-term environmental, economic and social sustainability.

Property Management

Property Management provides daily management, leasing and marketing services. With a client-centric approach, Property Management aims to align its interests with

a diverse range of investor clients in order to maximise revenues, margins and assets' long-term values. The business prides itself on maintaining strong relationships with tenants, guaranteeing effective and efficient standard operating procedures, and on piloting innovative concepts to engage and entice consumers.

The Property Management business creates shared value by generating sales for tenants; supporting job creation among local communities and adopting safety-conscious and eco-efficient management practices.

Development Services

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

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

Brazil

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

Case Study: Iberian Assets

Creating opportunities with the linkages between services and the capital arm

Multidisciplinary Sustainable Relationship



GLA

56,600m²



Location

Bratislava

In 2014 we started our business relationship with J&T Real Estate by providing a consultancy service consisting on a strategic assessment of Eurovea, a 56,600 m² GLA shopping centre located in Bratislava as part of a mixed-use scheme. The market environment was extremely competitive, and we worked together with the client's team on analysing the performance indicators and identifying improvement opportunities in terms of positioning, market mix, layout and design in order to maximize the value creation for the owner. This work involved a multidisciplinary team from all Sierra's Business Units and concluded with an action plan that would guide the owner's strategy for the asset.

This initial work was the starting point for new assignments from our client, namely a Concept to improve the design of the existing shopping centre, including a new food court, and the market analysis and design for the expansion of Eurovea, which resulted in a 25,000 m² GLA expansion project which is now being implemented.

These consecutive accomplishments helped built a sustained prolific track-record with our client, and has helped consolidate a relationship that has developed to a new milestone: during 2018 we have identified a unique opportunity to invest in three Spanish assets that have a huge potential for value creation, and that we believe will bear fruits in the near future. Thanks to our sustained, trustful and fruitful relation, Peter Korbačka (a shareholder of J&T Real Estate) has decided to invest with us.

This project is one of many examples of our ability to identify opportunities and build profitable partnerships, based on our wide range of competencies, ambition to grow each day, and our vision of the industry.

Operating context

We monitor repeatedly both the drivers and progresses of the real estate industry, and the trends that are shaping today's world. By early identifying arising challenges and opportunities, we are increasingly prepared to adapt our core business and sustainability strategies, managing them to our advantage.

Given the increasingly faster pace of changes in the world, our transformation capacity continues to reshape and redesign our identity, continually positioning ourselves as a leading choice for a real estate partner, dedicated to serving our clients' needs.

At Sonae Sierra we are ever more confident in our ability to improve our value proposition and pioneering the building of a better tomorrow.

Trends shaping the World

SHIFTING THE ECONOMIC POWER

With the increasing importance of emerging countries, growing interest in frontier markets, and fears over developed economies stagnation, the global economy is facing a paradigm shift that could mean the end of the Western dominance on the global stage and could mean a transformation of global consumer markets. Additionally, although most analysts expect globalization to continue its pace, new protectionism trends seem to be arising, and several nations appear to be increasingly adopting isolationist, even protectionist, positions. The world is becoming, in effect, a multipolar place.

TECHNOLOGICAL EVOLUTION AND INNOVATION

Technology continues to play a key role in the evolution of society, mainly in the consumer-facing and industry sectors. In particular, the internet, which has been one of this era's most transformative innovations, is driving new life-changing technologies such as artificial intelligence, automation, virtual and augmented reality and the Internet of Things. For example, AI is opening the door to retailers and brands creating more customized experiences. Augmented and virtual realities are opening new windows through which to view a brand new, artificially designed, world. The Internet of Things provides a channel for everything in the surrounding environment to communicate without human intervention. Connectivity is the new normal, nowadays, and is shaping several aspects of everyday life including how consumers live, work, shop and play, increasing their access to information and choice and accelerating the behavioural transformation towards preventive health, helping for a longer, healthier life.

POPULATION DYNAMICS

Despite the slowdown of the population growth, during the last 15 years, the world population is still projected to increase by one billion until 2030, with most of this growth coming

from emerging countries. This will drive several changes: first this disbalance of population growth will fuel the shift in the economic power; secondly natural resources, social security and the existing infrastructures will be put under pressure in these fast-developing countries; thirdly developed countries will be facing struggles due to an ageing population. At the same time the increase in the international migration should re-shape population distribution. Most of these population movements will lead to the rise of megacities.

Globally, enrolment rates for education will rise over the next twenty years, but the war for talent will intensify in the future: in several countries with aspiring economies the demand for skilled employees will rise steadily, while many developed countries face a decline of skilled employees due to demographic changes.

ENVIRONMENTAL PRESSURES AND RESOURCES CONSTRAINTS

The climate change, pollution and increasing competition for resources are some of the big challenges of the 21st century, threatening key natural resources and, thus, essential inputs to the economy and society.

With the rising global temperature and more frequent extreme weather events posing a challenge to sustainable development and people safety, companies are setting targets to reduce their greenhouse emissions. The transition towards a low carbon economy has started and new business opportunities are arising as a response to climate change in terms of products, production processes, reputation and brand value.

Consumers' behavioural changes along with innovation in cleaner and more efficient technologies are becoming the new normal with companies integrating sustainability into their business strategies to ensure a resilient and long-term business model.

CHANGING SOCIETAL VALUES

Consumers are shifting what matters to them. The new always-connected reality is giving individuals access to more data than ever, informing them on developing their social, cultural and political arenas. This is creating greater self-awareness and is helping consumers to make more informed decisions, based on heavier amounts of information. Conscious consumption is increasingly becoming the norm, ownership is giving place to finding emotional attachment in experiences, political ideologies are becoming more central to individuals' choices and identities and online activism is emerging as an almost everyday tool for holding brands accountable.

Real estate of the future

As society changes, so does how we live our lives: the spaces where we live, where we work, where we shop and where we have our leisure times are also mutating. This means changes in the housing sector, in offices and logistics real estate, in shopping centres and in the stores, and in every other space that we go through or live in.

The retail world is evolving: globalisation is facing a growing trend for local; technology is enabling new business models; consumers are more informed and demanding; a mutated society with a different demography and evolved values is challenging several installed aspects of this industry. Retailers need to address these consumer trends, amidst times of market instability, while facing pressures from new tech-based players. This means understanding and forecasting consumer behaviour and needs, offering a more personalised range of products, services and experiences. Retailers need to rethink their touchpoints with consumers, evolving their presence to being where the consumer is, and improving the after sales experience.

The increasingly fluid lives that we live, with leisure and work being mixed-up, demand a different approach to office space. New work trends such as the imbedding of digital technologies and artificial intelligence into our work; the search for a healthier lifestyle; the deregulation of labour laws; the aging workforce; the new global population dynamics; the importance of meeting employee expectations; and, perhaps the most important one, the demand for more flexibility, will change the labour space, by adapting it to our current and future needs.

Changes in retail, workplace and general lifestyle alterations are also pressuring the existing concepts of logistics platforms. The logistics of tomorrow will face demands for more efficiency and transparency, and to serve more demanding shopping patterns. This means a higher focus on digital integration, automation shaping the workforce and higher levels of intelligence. Players in this sector will also face increased competition from new entrants, either start-up players or players acting in other industries. Collaborations will be key to stay relevant in this industry, with horizontal collaborations already happening, especially in last-mile delivery, but also vertical collaborations to increase efficiency.

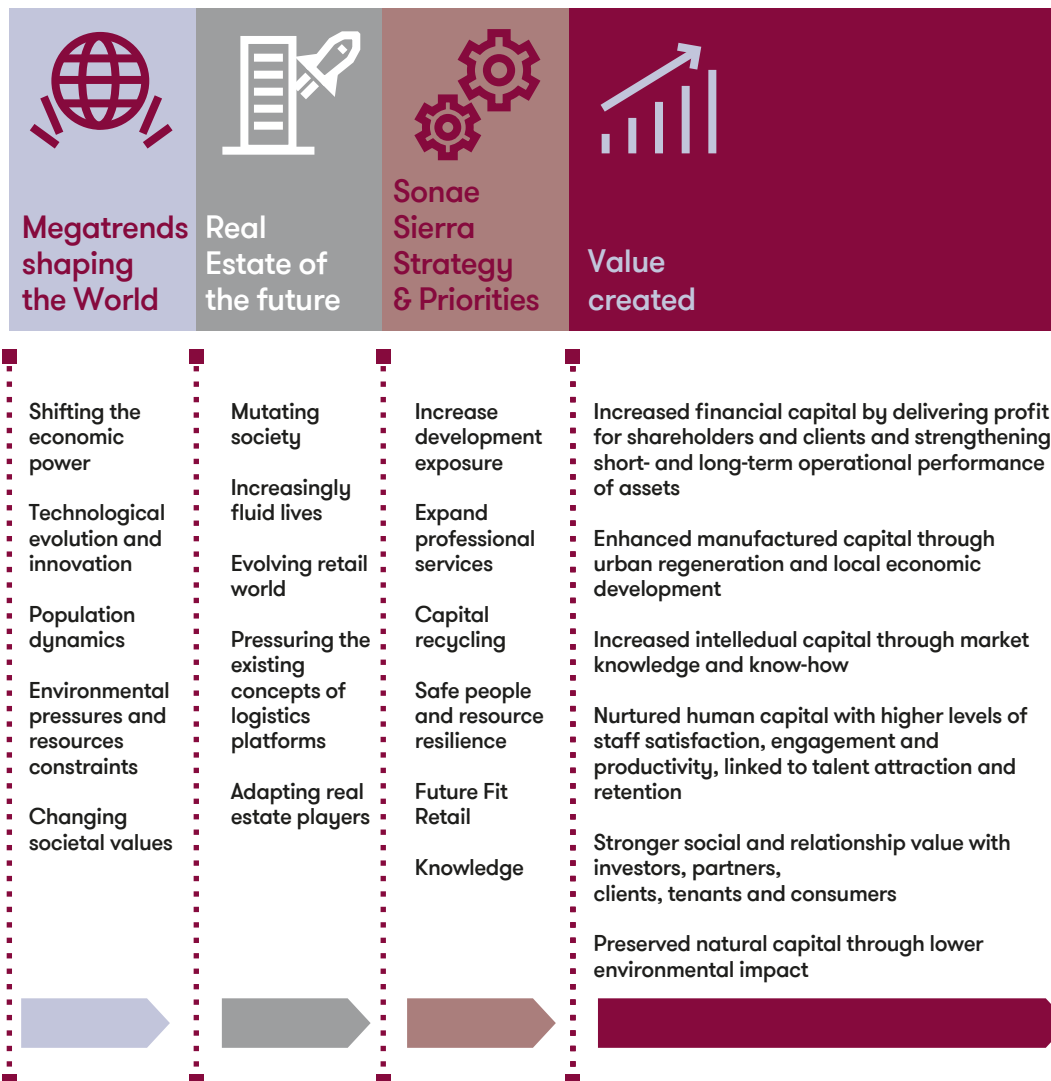
Real estate players will have to reinvent themselves to be able to provide the answers to the challenges that arise from these shifts, by making an accurate assessment of the direction of these trends, listening to market needs and assembling products that will help shape the assets in which we spend our time.

How we create value

Sonae Sierra's business model can be summarized in listening to evolving market needs, developing fitting solutions and creating sustainable value in several fronts, building a better tomorrow.

As society evolves, so do we, and namely, our approach to this industry. Sonae Sierra believes that the increasing fluid lives and the changes in societal values will also be reflected in the development of real estate. We believe that as people tend to integrate aspects of their lives, so must the spaces where they habit. This should materialize in living spaces where, aside from relaxing, people also work and shop, to office buildings where people shop and have leisure times, to shopping locations where people may also enjoy leisure moments.

Sonae Sierra wants to leverage on its history of building shopping centres, and understanding consumers, to expand its palette of competencies. We aim towards an integrated service offer that is supported by our historical know-how base. This is achieved by leveraging on our past – our excellence in developing shopping centres, our gained know-how in sustainability topics and on our expertise in delivering high returns to investors – in order to prepare the future: to continue our development identity, by focusing on our consumer and real estate know-how to deliver a better experience, and to being a relevant partner in services to players acting in retail and other property sectors and creating innovative investment channels.



Our Business and Sustainability Strategy

With the aim of creating shared value for our business, investors, environment and society, we have organised our strategy in six focus areas, three deriving from our business strategy, and three being pillars of our sustainability strategy. With this view, we aim to protect the long-term value of our assets by managing operational risks and increasing resource efficiencies; to expand our range of services and competencies; to deliver an outstanding service and experience to investors, partners, service clients, tenants and visitors; and to reduce our corporate office impacts and attract and retain talented people in our Company.

Increase development exposure



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

Expand professional services



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

Capital recycling



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

Safe People and resource resilience



Safe People and resource resilience focuses on controlling safety and health risks, reducing environmental impacts and improving the eco-efficiency and the resilience of our operating assets, developments, expansion and refurbishment activities. It responds to a context in which safety, health and environment (SHE) regulations are tightening, and when growing pressure on natural resources implies the risk of increased energy, water and materials costs. Our activities cover the range of procedures and services that align with our Safety, Health and Environment Management System, eco-efficiency and resource resilience initiatives. It captures the value created for our investment partners and service clients by delivering sustainability-related services, sustainable building certifications and by developing resilient assets.

Future fit retail



Future fit retail focuses on anticipating future retail trends, pioneering new concepts, Sustainability-Orientated Innovation, and other relevant sustainable innovation themes that have been championed by our Marketing Department and Innovation Office. It reflects the fact that retailers are needing to adapt to rapidly advancing digital technology, and that the role of the store and nature of the retailer/customer relationship are changing significantly. Our activities include promoting new retail concepts; creating a 'sense of place' and thriving community in the shopping centres we manage and exploring the interface between sustainability and innovation to boost footfall and sales. This also encompasses providing retail formats that support entrepreneurship, including start-ups; small and local businesses.

Knowledge



Through the Knowledge area of our strategy we aim first and foremost to deliver value for our business and clients by building the human and intellectual capital required to consolidate our transition to a retail real estate services provider model, while ensuring high levels of staff productivity and attracting and retaining the best talent. Secondly, by embedding more sustainable lifestyles among our employees we aim to contribute to higher levels of employee resilience and productivity through improved health and wellbeing. Key activities include developing and delivering practical, hands-on training that offers immediate value, and capitalising on our in-house expertise to nurture talent through forums such as the Sierra Academy.

Risk Management

Our risk management is transversal to both our business and sustainability strategy. Risk is an integral part of creating value, and its correct management constitutes a competitive advantage.

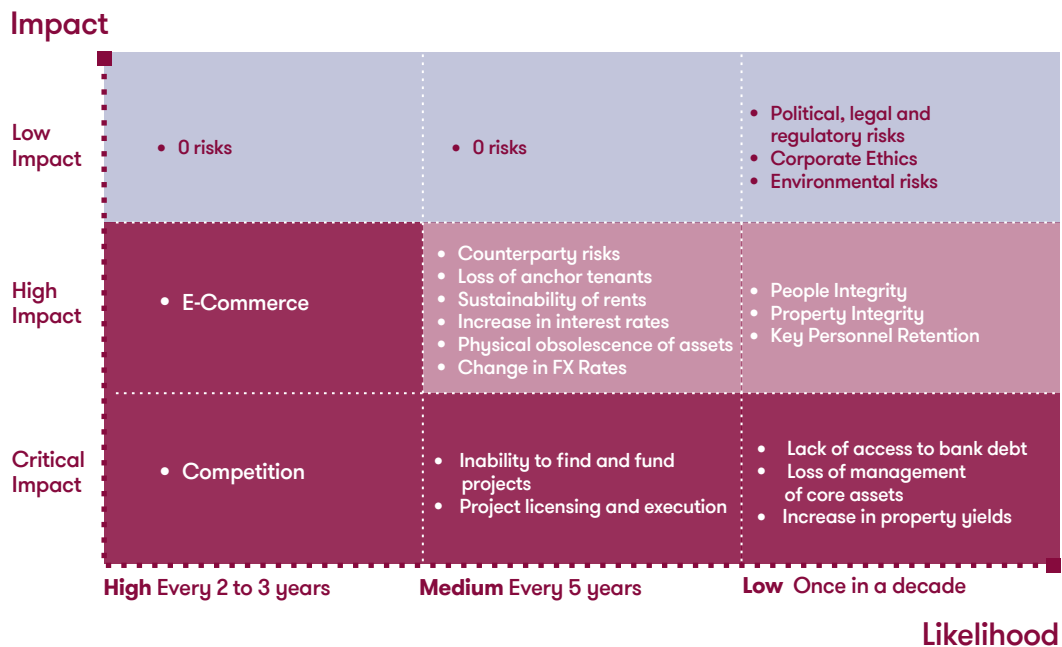
We understand risk as the possibility of an event occurring, measured in terms of probability and impact, which may hazard our goals achievement and, thus, our ability to create value. Organizations deal with risk by early identifying, assessing and managing these uncertainties, seeking an approach that diminishes the exposure to events that may jeopardize their value creation.

At Sonae Sierra, the risk management process is supported by the Enterprise Risk Management – Integrated Framework, which is issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). We implement this framework to identify and evaluate possible risks and to monitor and manage possible mitigating actions, throughout several aspects of our business.

Our Risk Management Working Group contributes to this, by implementing a robust culture of risk management throughout our company, spreading knowledge and the experience that arises from constantly screening the best practice industry standards.

Sonae Sierra’s risk matrix

As at 31 December 2018, we have identified and classified several hazard events in our risk matrix. We present below the selection of the risks that either have a higher impact on our value creation capabilities, or have a high probability of occurring.



Key risks

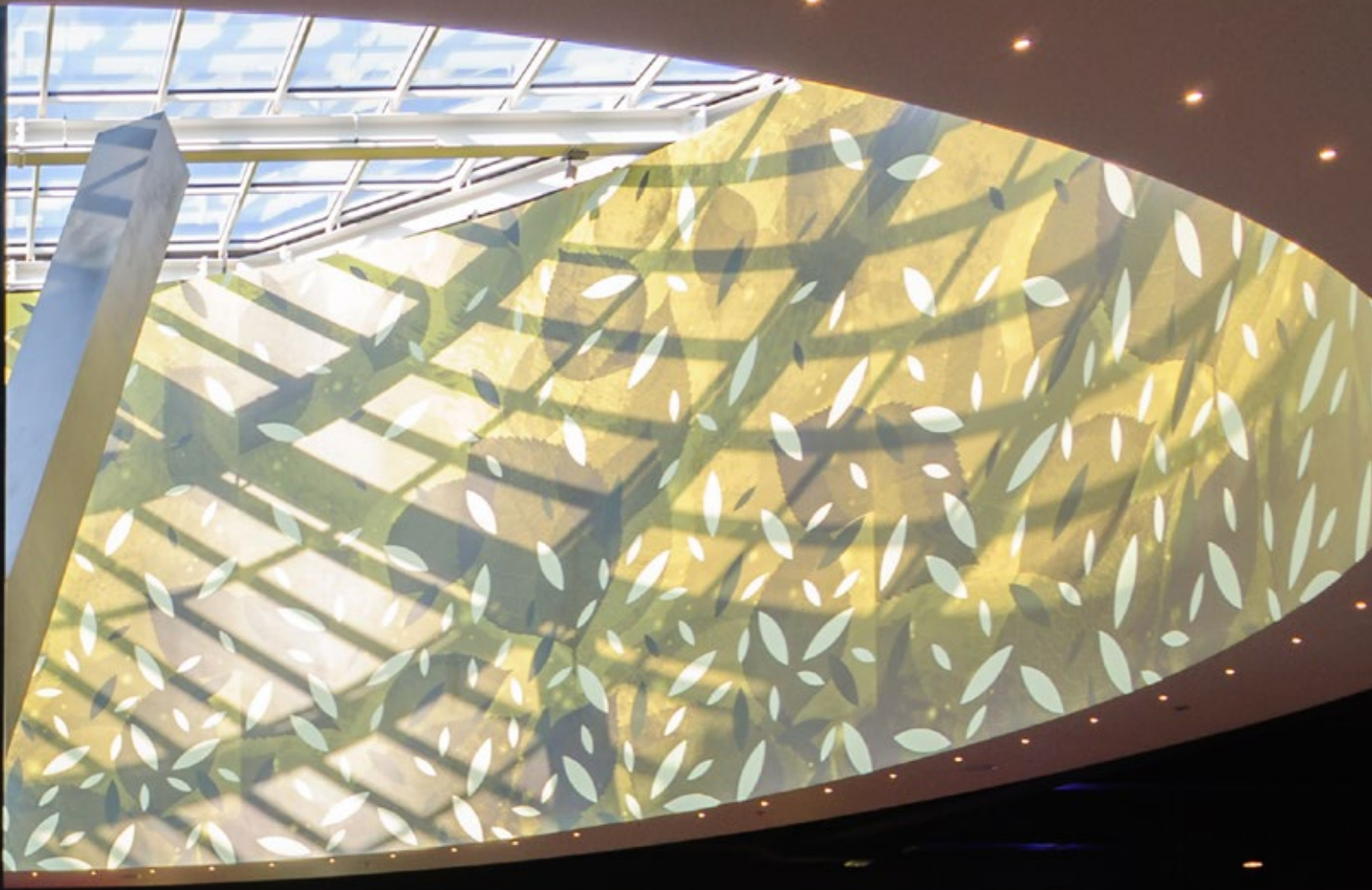
Risk	Monitoring and mitigating activities
<p>Competition: In the course of doing business, Sonae Sierra competes with several players, namely in the development and property segment. Excessive levels of offer of retail space in their market area may jeopardize the operation and value of the Company's properties.</p>	<p>The Company undertakes hold/sale analysis for each asset under operation. This analysis takes into consideration long term views on the competitive situation of the asset. The approval process for new retail real estate assets must include a detailed analysis of the present and future competitive position of the project. Market studies should include a long-term perspective on the competition for the asset. These studies support the marketing and capital investment decisions on those assets.</p>
<p>Inability to find and fund projects: Sonae Sierra's long-term sustainability requires that it continues to find development opportunities. The Company must guarantee that it has the required financial resources available when an opportunity arises. Furthermore, it must then ensure the adequate level of financial and human resources are allocated to such objective.</p>	<p>Sonae Sierra only acquires land plots after they are licensed for the project, and aims to have a partner to share risk. The Company has an objective of keeping long-term and open relationships with a number of different banks in order to diversify the sources of funding.</p>
<p>Project licensing and execution: The selection of projects is the main risk associated with the Development business. Retail real estate projects require a relatively long timeframe for completion and there is considerable difficulty in changing a project mid-way through development. This means that the initial decision very much commits the Company to a particular course of action.</p>	<p>All developments are approved by the Board of Directors via an Investment Proposal (IP). Every IP has the signed commitment of all related parties which validate their project assumptions. We use an internal tool linked to SAP to support the control of development costs and if cost overrun is expected to exceed 10% of the initial budget it needs to be approved by the Board of Directors.</p>
<p>Lack of access to bank debt: The Company owns or co-owns properties in operation for which it has rolling financial loans. The reimbursement of these loans is very dependent on the asset performance and market conditions. A poor performance could mean that Sonae Sierra will not be able to accomplish its financial obligations. Alternatively, the Company can negotiate the refinancing of the asset.</p>	<p>Sonae Sierra develops regular contacts with banks to follow-up the evolution of its financings. Furthermore, the Company systematically researches the market to improve its understanding of market dynamics and help the long-term management of its financing. The Company can negotiate the financing profiles, ensuring that the "refinancing curve" is not too stressed.</p>
<p>Loss of management of assets: The company owns or co-owns a number of assets. Sonae Sierra has management contracts in these assets that, apart from being an income source, dictates its reputation in the market.</p>	<p>In the event of an asset sale, Sonae Sierra's capital recycling strategy seeks to reduce our investment in our core portfolio while maintaining a minority position through which we can negotiate clauses to guarantee we remain the Asset Manager.</p>
<p>Increase in property yields: The value of the properties owned or managed by Sonae Sierra is highly influenced by market yields. Increases in yields mean that, everything else being equal, the value of properties falls. Additionally, the Company's developments are expected to be sold in 2-3 years of completion with Sonae Sierra holding a minority position. These sales incur the risk of occurring below investment cost, due to fluctuation of market yields.</p>	<p>The Company orders an independent valuation of its portfolio at least twice a year. This regular process of mark-to-market improves the understanding by the Company of the underlying dynamics of the property markets and helps the long-term management of the portfolio. The Company selects new markets to invest taking into consideration its medium-term potential for yield compression (among other factors). It also negotiates mechanisms with the banks to guarantee that it has room to pay its obligations in case of a sudden drop in an asset's value.</p>
<p>E-commerce: Sonae Sierra's business is based on physical retail chains that take up space in its shopping centres. The appearance of e-commerce may alter some tenants' appetite for physical space, with consequences for the tenant mix.</p>	<p>Sonae Sierra's Market Intelligence team analyses the online shopping trend in order to understand its evolution. The Company has developed a range of online promotion tools and digital projects which embrace opportunities associated with e-commerce.</p>





the
partner

of
growth



Our figures

"2018 represented another year in the successful execution of our strategy, with Sonae Sierra recording a positive performance across all business lines."



LUIS MOTA DUARTE
Chief Financial Officer

The key facts and figures of 2018

Sonae Sierra delivered another year of strong operational and financial performance, with growth mainly driven by a solid performance of our Portfolio of Shopping Centres and of our Property Management and Asset Management businesses. The key highlights are the following:

- Direct profit (on a proportional basis) increased by +3.0% to € 66.5 million, mainly driven by the following:
 - Solid performance of our portfolio of European shopping centres – on an organic (like-for-like) and 100% basis, tenant sales and rents grew +2.3% and 2%, respectively. The consolidated figures (+2.1% in sales and +2.0% in rents) however, are impacted by the successful i) sale of MaiaShopping, GuimarãesShopping, SerraShopping and CoimbraShopping and ii) acquisition of our Partner's 50% share at a key shopping centre for Sierra in Romania (ParkLake) and iii) acquisition of Area Sur in July 2017.
 - Continued growth in Services: The addition of more third-party services contracts and the effects of increased asset valuations drove revenue increase and a growth in EBIT of +11% compared to last year.
 - Economic recovery in Brazil: The Brazilian portfolio continues to show a positive operational performance with both tenant sales and rents growing at +3.4% and +4.6% in local currency. The adverse FX movements in 2018 (16% depreciation of the Brazilian Real) was partially offset by an improvement in financial results, leading to a +9% increase in Direct Results contribution in Euro.

- Indirect profit (on a proportional basis) amounted to €43.6 million, mainly driven by the following:
 - Significant value created in investments: our portfolio valuation continued to benefit from i) growth in shopping centre profits, reflecting our operational initiatives and positive market dynamics and ii) yield compressions, particularly Iberia, which combined led to an increase of € 65.1 million in portfolio value.
 - Continuation of the successful delivery of our capital recycling strategy: we have continued to successfully reduce our stakes, partially and fully, in selected assets in order to release capital for new developments. In 2018 we successfully sold assets for a total value of € 600 million (100% basis) and expect to continue this strategy during 2019.

As a result of this performance and despite the sale of assets, Sonae Sierra's consolidated proportional INREV NAV increased 1.67% to € 1,455 million. .

The strategy behind the numbers

Our focus continued to be on the execution of our three-legged strategy, which focuses on successfully i) recycling capital from our Investment Portfolio, ii) re-invest capital into supporting future developments and iii) leverage on our long-standing track record to grow our global Property Management, Asset Management and Development Services businesses.

From an investment portfolio point of view, we continue to focus on geographically diversifying our asset base across Europe, Brazil and Colombia, whilst simultaneously focussing on core, dominant flagship assets, which are the anchors of historic growth and our future strategy.

In terms of new geographies, Colombia represents a market where we see potential for further expansion. It is one of the most attractive countries in South America with stable and solid growth prospects. We are expecting to continue to deepen our presence in this market through a gradual and prudent approach.

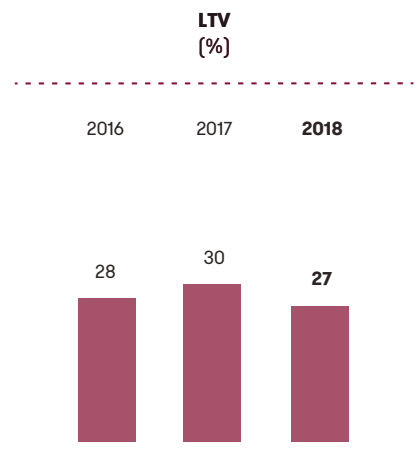
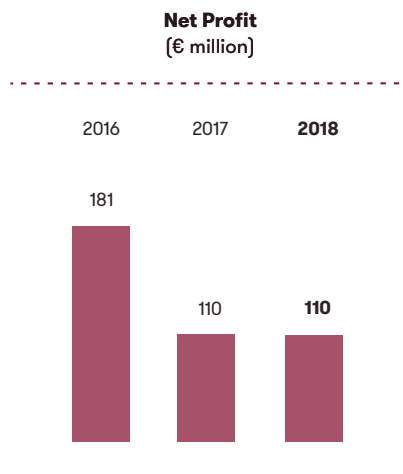
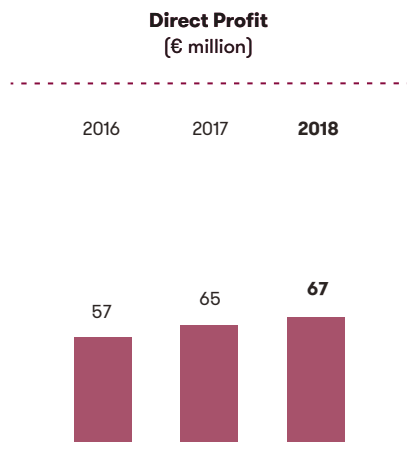
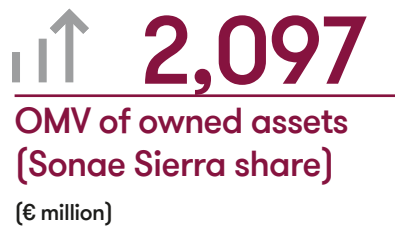
From a services business point of view, we are continuing to use our 30-year track-record of managing over € 7.6bn of shopping centre assets to further expand our third-party service provision in both property management and development services. Our Investment Management business, which now manages four funds, totalling €4.1bn AuM, is continuously seeking to use the Sierra competencies, track record and experience in partnering with blue-chip international institutional investors, to selectively increase the Assets under Management in shopping centres and non-shopping centre areas, where we see opportunity. Our growth is not only focused on organic initiatives, but also focused on targeted bolt-on acquisitions, which can complement our portfolio, our skills base and / or our geographic diversification, such as the acquisition of Balmain in Poland, which meets these criteria perfectly.

A look into 2019

We continue to see strong growth opportunities for Sonae Sierra and will focus our efforts in 2019 delivering on our strategic priorities. We will continue to focus on our selective capital recycling strategy and aim to increase services and development pipeline, whilst simultaneously adding additional value to our current portfolio, particularly through operational improvements, expansions and refurbishments.

We expect the world economy in general and the markets in which we operate in specifically, to continue to record healthy growth rates, albeit at levels below the recent past. The Euro area is expected to record GDP growth in 2019, at close to +1.6% which underpins sound perspectives for real estate markets. For Brazil, after a 2018 which seemed to represent a turning point in domestic politics and economic recovery, we believe that 2019 may prove to be the continuation of economic recovery, as growth is forecast to be of around +2% in real terms, the highest since 2013. The challenges in this market continue to be noteworthy, but it continues to be a market where Sonae Sierra is well positioned to benefit from future growth.

2019 will be a year with the customary risks and opportunities that we will aim to succeed in navigating through and benefit of, in the pursuit of delivering on our ambitious strategic initiatives. We are proud of our track record in adding long term value to our portfolios and to our partners. We will continue to work hard to provide the highest quality services to our customers, further support our core, dominant flagship assets and deepen our relationships with institutional investors.





Our Performance

Developments

“Showing in 2018 our capacity to deliver on our development portfolio, while strengthening our partnerships creation capabilities.”



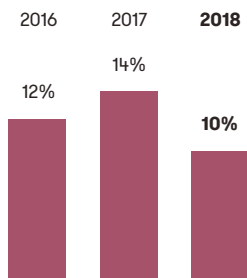
ANA GUEDES OLIVEIRA
Director, Developments

Average stake in developments

11%-50%

[% of total value of the asset]

Development ratio



SIGNED JOINT VENTURE IN ITALY

Another key step for us was the signing of the Joint Venture for the construction of the Emilia Shopping District with a total of 74,300m² of GLA, home to around 170 tenants, in Parma, a joint venture with Italian construction company Impresa Pizzarotti & C. S.p.A. This project is the result of our incisive market research and our strong culture of building sustainable and mutually profitable partnerships. Going forward, we believe that there is still space for growth in Italy,

both in terms of shopping centres or other real estate assets. We continue to be actively seeking opportunities for further joint-venture investments in developing interesting projects.

DISPOSAL OF PIPELINE PROJECT IN GERMANY

During 2018 we have signed a contract concerning the disposal of project Nuremberg to Gerchgroup. This project encompassed a mixed-use scheme with a strong retail component and was close to enter a development phase. The site was home to a 250,000m² historical building and, during the time we held the asset, we had to revise the initial project to accommodate various possible uses and the demands of potential occupiers.

INAUGURATION OF CÚCUTA IN COLOMBIA

Following our strategy to diversify our investments and to explore growth economies, Sonae Sierra has now completed its first development project in Colombia, a country that is expected to achieve real growth rates of about 3.5% per year through to 2025. Jardín Plaza Cúcuta, located in Cúcuta, the sixth largest city in Colombia, and located near the border to Venezuela, was successfully prepared for inauguration in early 2019. This inauguration is a key milestone in our strategy, as this joint-venture increases our exposure to emerging markets and is a first step in a journey that we know will bring us further opportunities.

REINFORCING OUR DEVELOPMENTS AMBITION

In line with our strategy, we continue to target new projects to add to our development pipeline. We are responding to the ever-changing consumer and business trends, building a portfolio that ensures we are betting in projects that are fit for the future.

We have a Development Ratio of 10.1%, that is lower than 2017 due to the sale of the Nuremberg project, in Germany. Our current pipeline, already in development, comprises alongside the NorteShopping and the Colombo Tower in Portugal, Cucuta (until opening) in Colombia, the Emilia Shopping District in Italy, the second stage of the Zenata Shopping Centre in Morocco and the McArthurGlen Designer Outlet Malaga in Spain, which is adjacent to Plaza Mayor Shopping. Our teams of professionals are working on many other development projects.



Case Study: Jardín Plaza Cúcuta

Creating opportunities with the linkages between services and the capital arm

Inspiring **Colombia** **Sustainable**



 GLA Stores
40,000m² **180**

The Jardín Plaza Cúcuta shopping centre, with 180 stores and a GLA of 40,000 m², co-developed with the Colombian company Central Control, is now a reality. We have developed this shopping centre with the goal of creating an inspiring atmosphere that drinks from the local and rich culture, the textures and colours of the tropical environment, and the general sense of belonging of local inhabitants.

This opening is a key milestone in our path towards meeting our ambitions for this country, and will bring development and energy to this region. The growth and development of the surrounding areas will also mark a step forward for the benefit of everyone. The centre serves a catchment area of almost a million consumers, thanks to its strategic location above the city's east ring road and has 1,800 parking places ready to serve the growing population of the city. Jardín Plaza Cúcuta has a large potential for expansion and the 12 hectares in which the centre is located is already owned by the development partners, thus bringing additional flexibility.

This project will create 3,500 direct and indirect jobs. We are also very proud of the focus on sustainability of this development, that implements Sonae Sierra's Safety, Health and Environment Development Standards and target ISO 14001 and OHSAS 18001 environmental and safety and health management certification of the construction process. In terms of biodiversity it also retains 30 ancient indigenous trees and provide a habitat for 7,000 newly-planted trees along with a large variety of plant species.

This project has challenged our capabilities, stretching our competencies in a new market to us, and has allowed us to further self-improve our value offer. We aim to increase our presence in Colombia, as this economy is showing a large potential, and we are targeting our expansion to emerging markets.

Investment Management

“We continue to recycle capital to create new growth avenues, and innovative investment vehicles”



PEDRO CAUPERS
Director, Investment Management

7,560 4

OMV of
owned assets
(€ million)

Funds under
management

VERY POSITIVE ASSET PERFORMANCE

Sonae Sierra holds its assets, mainly, through several investment vehicles of different types – i.e. joint-ventures, private and public funds. Taking an overall perspective to the portfolio, performance was again very positive in 2018, and mainly driven by the growth in expected operational cash flows.

The continued asset management work focusing on reinforcing asset attraction coupled with macroeconomic tailwinds in Europe, supported an increase in productivity of Sonae Sierra's retail portfolio. This positive operational evolution alongside the signals of continued investor appetite for leading retail assets, led valuations to give continuity to the yield compression trend.

CONTINUING OUR MIX OF ACQUISITIONS AND DISPOSALS

On the Sierra Fund, the Sierra Portugal Fund and Iberia Coop, capital recycling continues to be a key focus of our strategy. We have created a joint-venture with Peter Korbačka (J&T/Trenesma) for the € 485 million acquisition of a portfolio of three shopping centres in Spain (Max Center, Valle Real and Grancasa), acquired from the Sierra Fund and RPF on an open-market bid. Sonae Sierra formed two joint-ventures, one with Occidental Seguros for the acquisition of MaiaShopping and GuimarãesShopping from the Sierra Fund, and the second with Armórica for the acquisition of SerraShopping. We have also completed the sale of CoimbraShopping in Portugal.

In terms of refocusing the portfolio towards assets where we can boost asset value, Sonae Sierra, already owner of 50% of ParkLake, a dominant shopping centre in Bucharest, acquired the remaining 50% stake from Caelum Developments, ending-up with 100% of the asset. The shopping centre has additional land plots for non-retail use that are now in our development pipeline. We have been developing or in been the preparation stages of some significant refurbishments and redevelopments, namely NorteShopping, the repositioning of Fashion City Outlet (already opened and successfully implemented), in Greece and the McArthurGlen Designer Outlet Málaga that will complement Plaza Mayor.

Another way to reinforce our ability to create asset value initiatives is to hold the full control of the asset. In this respect we highlight the acquisition of the hypermarket in Valle Real shopping centre.

DELIVERING PROFITABILITY IN INNOVATIVE INVESTMENT VEHICLES

Olimpo Real Estate Socimi (ORES), is a vehicle that provided the bank's clients with an investment opportunity that offers attractive returns from the exposure to core, non-shopping centre, retail assets in Iberia. In 2018 the investment cycle was completed evidencing Sonae Sierra's ability to build-up an attractive portfolio in other classes than shopping centres. These assets mostly comprise high street retail and standalone units leased to reference retailers both in Portugal and in Spain, with long leases, or in attractive locations with very high occupier demand. As the most emblematic acquisitions: in Spain ORES has acquired two supermarkets where Mercadona and Conforama are operating, six high street stores and a retail park; and in Portugal, ORES purchased three supermarkets that are leased to Continente and four units in LeiriaShopping. On the disposals side, we are now receiving proposals for Dos Mares and MadeiraShopping. These assets were now at maturity and do not fit our guidelines for growth.

2018 is another year of solid results for Sonae Sierra's funds in GRESB Benchmarking, we were once again recognised with Green Star status and have achieved the highest possible rating of 5 Stars out of five. We're honoured to announce that amongst European retail sector for non-listed companies Sierra Fund ranked as 3rd; Sierra Portugal Fund as 13th and Iberia Coop as 17th out of 54 entities.

Case Study: ORES Socimi Continuing its successful path

Creative Banking Sustainable



GAV

€357.3 million



Investments

34

ORES Socimi was developed by Bankinter Group and Sonae Sierra and was born as a creative investment vehicle, listed on the Alternative Stock Market (MAB by its initials in Spanish), that targets the needs of private banking clients who demand significant and constant mid-term returns, which in this case is approximately seven years, by acquiring and managing retail real estate assets with long term growth in Spain and Portugal.

ORES Socimi entered this market after it carried out a capital increase of 196.6 million euros in the same month of its creation. This capital increase was mainly subscribed by clients of the Bankinter's Private Banking segment. Following said capital increase, these investors, together with some relevant institutional investors, hold 86% of the Socimi, while Bankinter Group holds over 10% and Sonae Sierra 3.75%.

During the year 2017 and the first months of the year 2018 ORES Socimi focused on the acquisition of supermarkets and hypermarkets located in urban areas with long-term leases. In the last months, however, it has prioritized the acquisition of commercial premises in High Street, medium commercial and urban supermarkets with excellent locations and strategic operators. To date ORES Socimi has been able to make a total of 34 investments for a total GAV value of €357.3 million.

ORES Socimi remains faithful to its investment strategy, which is based on: good locations, predominantly in urban areas, diversity of operators of good quality and strong recognition, as well as rents sustainable in the long term. It has been able to maintain the established levels of quality and product diversification while continuing to be very active in the market, reaching the level of investment established in its foundation plan.

Property Management

“A relentless focus on serving our clients has provided a solid performance and a larger portfolio”



JOÃO CORREIA DE SAMPAIO
Director, Property Management

97.1% **4.73/6**

Occupancy rate
(Assets Under
Management)
(exc. Brazil)

Tenant
satisfaction
(scale of 1 ('not
satisfied') to 6
(‘very satisfied’))

ABOVE EXPECTATIONS PERFORMANCE

This year tenant sales, excluding Brazil and new markets, have increased by +2.9% to €4,252 million, leveraging on a 3.4% increase of visits, to 345 million. Our experienced and high-quality staff has the goal of supporting our differentiation in this industry. We have developed competencies that increase the scope of our offer, increasing the full range of services that we provide. We believe that only by building a customer centric business are we able to continue relevant in this market, and to continue increasing our rental incomes, as have we, with a growth rate of 6.3%, excluding Brazil.

NEW ADDITIONS TO OUR PORTFOLIO

Our accumulated experience, type and breadth of assets and our market leading position in Portugal, make the country a perfect candidate for trailing new concepts. We are now managing the food and retail offer in Universidade Nova’s new business campus, near Lisbon, illustrating our portfolio’s expansion beyond shopping centres, which we accomplish by leveraging on our consolidated expertise in food halls. Another perfect example of our expansion towards new concepts is the conceiving and managing of traditional markets. We have a few recent successful experiences and already have made fruitful contacts to develop new ones.

We continue to increase our activity by a mix of two factors: providing service to our developments, such as leasing and managing Emilia District in Parma, and providing services to third party investments, such as CityLife Shopping District in Milan for Generali or Mercado in Hamburg for Union Investment. In Algeria we are implementing our full scope of partnerships in both

shopping centres and projects beyond retail, namely we have secured a property management and leasing contract for office Tower “Tour les Falaises”, Soci t  d’Investissement H teli res, in Oran. We have also won a new service contract for property management and leasing services in Germany, the Mercaden B bligen, owned by HanseMerkur Grundverm gen AG.

NEW JOINT VENTURE IN POLAND

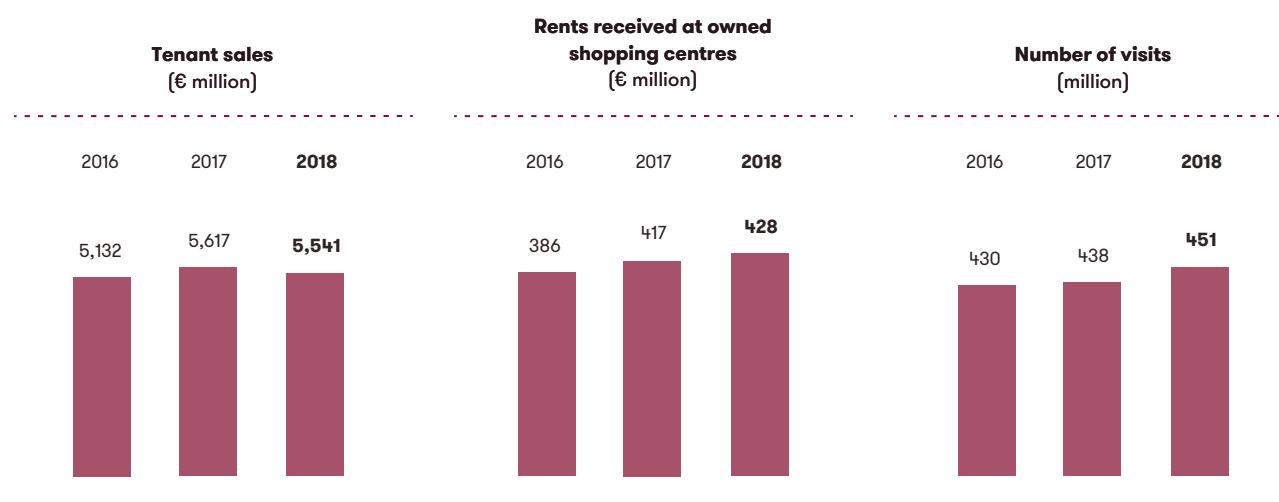
Already at the beginning of 2019, Sonae Sierra acquired a 50% stake in Balmain Asset Management Group’s Central European platform, whom is operating for over 15 years in Poland. With this acquisition we are able to enter the Polish market and create conditions for facilitating expansion opportunities into other CEE markets for the new joint venture entity, Sierra Balmain. This joint venture will firstly be focusing on the continued expansion of the existing services of Balmain’s Polish portfolio, which already comprises a total of 15 shopping centres in 15 different cities.

INNOVATIVE RETAIL CONCEPTS

To improve our value proposition to consumers, we are constantly rethinking our portfolio of tenants, refreshing tenant mixes and introducing new brands, concepts and segments to our stores, that respond to the evolution in consumers’ demands. For example, we have a contest for new tenants; we are creating shopping concepts that are also seen as entertainment and social experiences. Our Innovation Office’s Back2Future programme has helped us adapt our management and marketing strategies to the modern consumer, and is about to materialize in a Mall Premium concept with luxury experiences and brands; and in a Food Market, which mixes dining with take-away food and non-food products in a gastronomic setting, first appearing in NorteShopping.

 25 MILLION COSTS AVOIDED IN 2018 THROUGH ECO-EFFICIENCY MEASURES

In 2018 we have fully achieved 74% and partially achieved 5% of our applicable sustainability targets and actions across our own portfolio. We have also managed to sustain improvements across most of our key environmental indicators: our GHG emissions intensity has decreased by 9.1%, we have improved electricity efficiency by 2.8%, the proportion of waste recycled increased to 66% and the proportion of waste that is sent to landfill declined to 17%. Overall, in 2018 we avoided  25 million in costs as a result of our eco-efficiency measures implemented since 2002. Additionally, our sustainability competencies continue to gain us recognition: our energy efficiency programme “Bright Programme - Improving the carbon footprint of real estate” has won a Silver Stevie  Award in the “Energy Industry Innovation of the Year” in the 15th Annual International Business Awards .



Sales and visits (Assets Under Management)

Sales in € million / Visits in million

	Sales		% 18/17		Visits		% 18/17	
	2018	2017	total	I-f-I	2018	2017	total	I-f-I
Portugal	2,473.4	2,390	3.5%	3.5%	200.4	187.2	7.0%	1.7%
Spain	564.5	584.3	-3.4%	5.7%	49.1	55.3	-11.1%	-1.2%
Italy	373.9	309.6	20.8%	-2.7%	32.5	25.6	26.8%	-3.5%
Germany	688.9	717.0	-3.9%	-3.9%	49.4	51.8	-4.6%	-4.6%
Greece & Romania	151.0	131.5	14.8%	11.5%	13.9	14.1	-1.5%	-4.3%
Europe	4,251.7	4,132.0	2.9%	2.3%	345.3	333.9	3.4%	-0.4%
New Markets	17.8	8.8	102.1%	-	10.8	7.8	38.5%	-
Brazil (€)	1,271.5	1,476.0	-13.9%	-	94.8	96.4	-	-
Brazil (R\$)	5,459.8	5,302.9	3.0%	3.0%	94.8	96.4	-1.7%	-1.7%
Total	5,541.0	5,616.8	-1.3%	2.4%	450.9	438.1	2.9%	-0.5%

Rents received at owned shopping centres

Rents in € million

	Total Rents		% 18/17	
	2018	2017	total	I-f-I
Portugal	204.4	201.0	1.7%	3.5%
Spain	71.9	51.7	39.0%	3.3%
Italy	21.3	23.6	-9.8%	-9.8%
Germany	42.7	43.4	-1.6%	-1.6%
Greece & Romania	13.6	13.0	4.4%	3.6%
Europe	353.8	332.7	6.3%	1.8%
Brazil (€)	74.2	84.7	-12.5%	-12.5%
Brazil (R\$)	318.5	294.0	8.4%	4.6%
Total Sierra	428.0	417.4	2.5%	-1.2%

Development Services

“Leveraging on our reputation of excellence in shopping centre development and management to provide a partnership of distinction”



JOSÉ FALCÃO MENA
Director, Development Services

30.2

Total contracts value
(€ million)

339

Number of contracts

18

Geographies covered

CONTINUING OUR STRATEGY FOR GROWTH

Sierra Development Services was only formalised at the end of 2015, but a lot has been done since. During 2018, we have been active in 339 contracts, covering a wide range of services in differentiated asset types. These contracts started by covering all key development service areas offered by Sonae Sierra, namely architecture, engineering, project management, and development management consultancy. Nowadays, we have widely enlarged our capabilities at both our headquarters and local teams, establishing partnerships that help us evolve and provide a better service.

During 2018 we keep on following our strategy of growing services in Africa, while strengthening our position in Europe. In Africa we have signed a contract to serve Zenata, in Morocco. In Europe, we will provide design service for our Emilia District development project, Gli Orsi's food court, Le Terrazze (design, cost estimation, licensing, project management and feasibility studies); in Spain, Romania

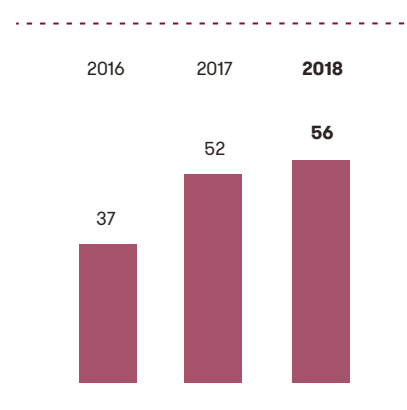
and Belgium we have also signed new contracts, such as Max Center (refurbishment concept revision and project management) and a partnership for a mixed-use project in Namur. In Portugal we have three new projects, and one of them is for a food hall in an university campus, which is out of our historical action, but also a mixed-use in Lisbon and a boutique resort. In Germany the partnership with Union Investment has evolved further, allowing Sonae Sierra not only to provide development services to Alexa, where inter alia the extension of the food court was completed, but also to the three assets in Hamburg owned by Union Investment and managed by Sonae Sierra, the Wandsbek Quaree, the Mercado and the Geschäftshaus Ottensen.

INCREASING COMPETENCIES TO GAIN COMPETITIVE EDGE

The European markets professional services sector is highly competitive. In order to secure a competitive edge Sonae Sierra has widened the range of products we offer under development services, combining our unique position as an investor and service provider.

We now fulfil different roles as a service provider. The first encompasses delivering precise elements of a project and the second encompasses the ability to provide services on an individual basis or taking on ownership of the entire project, from licensing, architectural design, engineering projects and development management and sustainability services, such as what we are doing at Zenata Shopping Centre in Morocco. Sonae Sierra is focused on increasingly develop the latter, which allows for smoother coordination and greater overall quality, while providing a more seamless journey experience to our client.

Development services FTEs





Case Study: Marina Shopping

A third-party development in North-Africa

Morocco Leisure Mixed-use



GLA

45,000m²



Stores

165

During 2019 we will inaugurate Marina Shopping, in Casablanca, Morocco, a project developed by Sonae Sierra.

The shopping centre and leisure Marina is located in the city of Casablanca, the largest city of Morocco and considered to be the economic capital of the country. Casablanca has a large portion of the industry of the country (53% of industrial units and 64% of industrial production), as well as the presence of the headquarters of major national and foreign economic groups that operate in Morocco.

Casablanca Marina is a mixed-use project owned by Marjane and comprising a retail space, a hotel and offices, in a real estate space that also encompasses a residential area, an aquarium and a conference centre. The commercial area has a GLA of almost 45,000 m², with 165 stores and almost 1,700 underground parking spaces.

Sonae Sierra accepted the challenge to develop the exteriors of the office buildings and the full commercial areas, including the food court. We were in charge of the overall concept, architecture, engineering, and construction monitoring and support. Our development was inspired by Casablanca unique architecture style, merged with the influence of Art Deco and references to the unique interception between the Moroccan and Arabic cultures. With the sea as front neighbour, we have also included several water elements in our shopping centre decoration, and have leveraged on this premium positioning to create an attractive food court where people can enjoy their meals and relax in front of the sea.

This project is a milestone for Sonae Sierra, given that it enriches our capabilities to provide services in distinct geographies, expanding our presence in North-Africa and it further signals our competencies to develop projects that are owned by 3rd party companies, adding our expertise gained in our successful track record as a developer.

Brazil

“Looking forward to next year's challenges after another solid year”



JOSÉ BAETA TOMÁS
Director, Chief Executive Officer,
Sonae Sierra Brasil

A YEAR OF UNCERTAINTY THAT ENDS WITH A VERY POSITIVE OUTLOOK

For Brazil, 2018 was a year of an abnormal level of uncertainty. This was the year in the social and political divisions in Brazilian society were given total clarity. With the presidential elections scheduled for October it became clear early on, that the economic agents were facing the year with a defensive outlook, and to a great extent, employment and investment were stalled for as long as possible. In addition, the country was hit by many strikes, but the truckers' one in May had a very clear impact in the broader economy, effectively nearly paralysing the country for nearly two weeks and with it completely disrupting value chains in all sectors.

PERFORMANCE TAKING OFF IN THE SECOND SEMESTER

For Sonae Sierra Brasil, after a first semester hampered by all the external events, the year's second half took off to a very positive performance with some of our shopping centres registering double digit growth near the mid-teens. This in turn enabled the company to reduce the level of discounts it provides to some tenants, which alongside a +8.4% increase in rents provided a solid support to our top line. As we continued to push for leaner cost structure and to decrease our debt cost, and overall indebtedness, 2018 proved to be a year of very strong results. We have maintained our high occupation levels (93.4%) and have presented increased (+3.0%) tenant sales.

A YEAR OF IMPROVING SHOPPING CENTRES

During this year we have continued to invest to improve our shopping malls and update their respective mix of stores, according to the latest trends in retail and its operating markets, to continue creating value in our current portfolio, whether by bringing new stores and updating the mix – reducing vacancy – or through revitalizations and strategic moves that strengthen our position as one of the industry's leading companies in the country.

We have further developed the Metropole Shopping Reform project and the Parque D. Pedro Shopping mixed-use project. Meanwhile, we continue confident in the value that the projects of hotels and residential towers in the malls UberlândiaShopping and FrancaShopping will create.

Sonae Sierra Brasil is ready for the new growth cycle that should begin in Brazil in the near future and we are convinced that our malls, our team, our solid cash generation and strong balance sheet are well positioned to take us to a new level in the coming years.



Case Study: Parque D. Pedro Shopping

The biggest multi-use project in São Paulo

Largest

Multi-purpose

Innovation



Total area

475,500m²



Yearly visitors

19 million

A reference not only in the city of Campinas, but also to the entire state of São Paulo, Parque D. Pedro Shopping, inaugurated in March 2002, is the largest shopping mall in Latin America - it currently has 476,500 m² of total area and 124.9 thousand m² of GLA. The shopping received the visit of 19 million people in the last year from a radius of up to 100 km.

Now Sonae Sierra will launch a multipurpose complex on the grounds of Parque D. Pedro Shopping, compatible with the size of the enterprise itself, ready to supply existing needs of the residents of the interior of São Paulo, bringing various types of business and services to the site. Anchored in the shopping centre, the mixed-use complex includes several typologies, such as: hotels, corporate offices, educational and medical buildings, convention centre and entertainment areas. It will involve specialist partners in different uses, consolidating Parque D. Pedro Shopping as a reference for innovation and trendsetting, bringing progress and prosperity to the region.

The development of a model like this in the interior of São Paulo is strategic for Sonae Sierra Brasil and we understand that it is a necessity of the region, which will be supplied by a wide range of services in a single location. The complex will allow the coexistence of various uses and will have staged occupation. Its conclusion will depend on the capacity of absorption by the market and the economic context in the next years. The company has observed that this type of project is a worldwide trend, since it allows the use of time and increases the quality of life of the population of the big cities.

This project will generate 25,000 direct jobs. In addition, the complex, which will follow all the sustainability practices already applied in Parque D. Pedro Shopping, will bring other benefits to the region such as the installation of new companies, improvement of the road system and increase of revenue for the municipality.



the
partner

of
manage



ement

Consolidated accounts

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

Sonae Sierra Consolidated Accounts

Profit & Loss Accounts

Sonae Sierra recorded a net profit of €110.1 million in 2018 in line with the net result of the previous year.

In 2018, direct net profit reached €66.5 million 3% above previous year. The improved operating performance coupled with the 50% share acquisition of ParkLake, in Romania, totally offset the adverse impact of the 2017 disposals. On a like-for-like portfolio basis, and excluding the impact of FX changes, direct net profit increased by 10.6%, due to the improved shopping centre operational results, the growth of our professional services and the better financial results.

Indirect net profit reached €43.6 million, compared to €45.3 million in the same period of 2017. The higher indirect gains related to the disposal of CoimbraShopping, the shareholding decrease in SerraShopping and in GranCasa, Max Center and Valle Real – three Spanish properties, and the disposal of project Nuremberg, in Germany, coupled with the gain on the opening of Fashion City Outlet, in Greece, were totally offset by higher deferred tax liabilities.

Deferred Taxes are mainly related to the temporary differences between the local GAAP and the IAS/IFRS accounts.

Balance Sheet

The total assets of the company reached €2.6 billion, of which €2.1 billion correspond to investment properties and €114 million are properties under development.

In 2018, Investment Properties increased by €50 million, consequence of higher property valuations, the favourable contribution of the acquisition of the remaining 50% stake of ParkLake, in Romania, and the acquisitions made on behalf of the ORES Socimi. These effects were partially offset by the disposals of the year: SerraShopping, CoimbraShopping and Sonae Sierra's share decrease in the three Spanish properties mentioned above, as well as, the unfavourable effect in the year-end exchange rate of the Brazilian Real.

Properties under development continue to reflect the Company's strategy to focus on development opportunities, with investments in the McArthurGlen Designer Outlet Málaga, Jardín Plaza Cúcuta, the Emilia District in Parma (Italy), Zenata Shopping Centre, and the NorteShopping and Centro Colombo expansions. The investment made in the development pipeline during 2018, totally offsets the impact of the disposal of project Nuremberg – concluded in December.

Bank loans increased compared to 31 December 2017 mainly due to the refinancing activity in 2018 coupled with the acquisition of an additional 50% stake in ParkLake, which totally offset the lower amounts of bank debt in Brazil (the favourable effect of the FX changes in the Brazilian debt and the partial reimbursement of debentures) and the impact of the 2018 disposals.

Consolidated Profit and Loss Account

€ million

	2018	2017	Var.
Direct income from properties	144.3	145.3	-1%
Direct costs from properties	55.6	57.5	-3%
EBIT from properties	88.7	87.7	1%
Services rendered	77.4	76.6	1%
Direct costs from services	58.5	59.6	-2%
EBIT from services	19.0	17.0	11%
Net financial costs	26.8	24.9	8%
Current tax	14.3	15.2	-6%
Direct Result	66.5	64.6	3%
Gains on sale of investments	30.9	5.9	-
Value created in investments	65.1	70.5	-5%
Deferred tax	52.5	31.1	69%
Indirect Result	43.6	45.3	-4%
Net Result	110.1	110.0	0%

Consolidated Balance Sheet

€ million

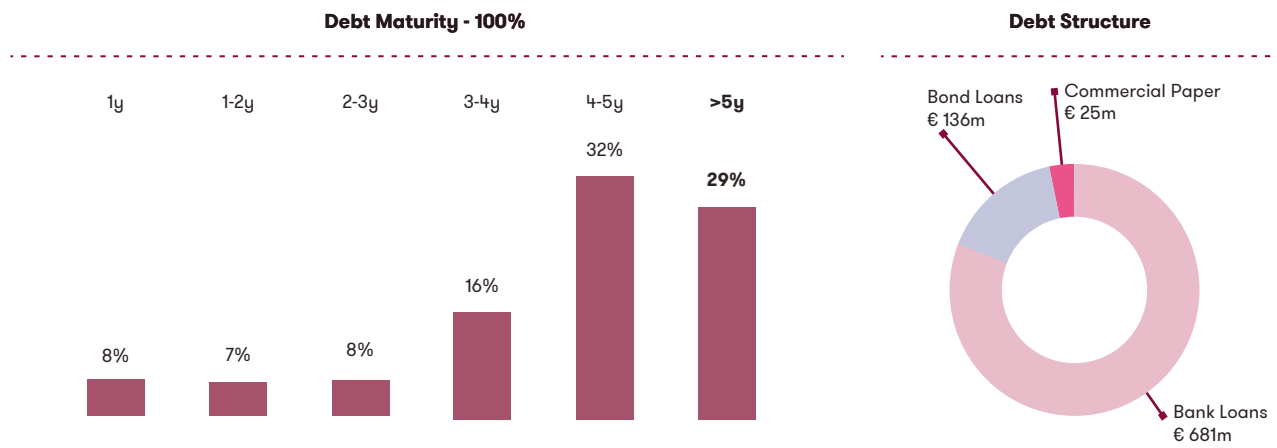
	'31 Dec 18	'31 Dec 17	'Var. (18-17)
Investment properties	2,097	2,046	50
Properties under development and others	114	72	42
Other assets	80	134	-54
Cash & Equivalents	260	144	117
Total assets	2,551	2,396	155
Net worth	1,179	1,151	29
Bank loans	843	780	63
Deferred taxes	368	334	34
Other liabilities	161	132	30
Total liabilities	1,372	1,245	127
Net worth and liabilities	2,551	2,396	155

Financial Resources

Debt structure and maturity

The company maintained its conservative and balanced long-term debt and hedging strategies. The Company's capital structure is supported by an average debt maturity of 4.0 years, 50% of which is hedged.

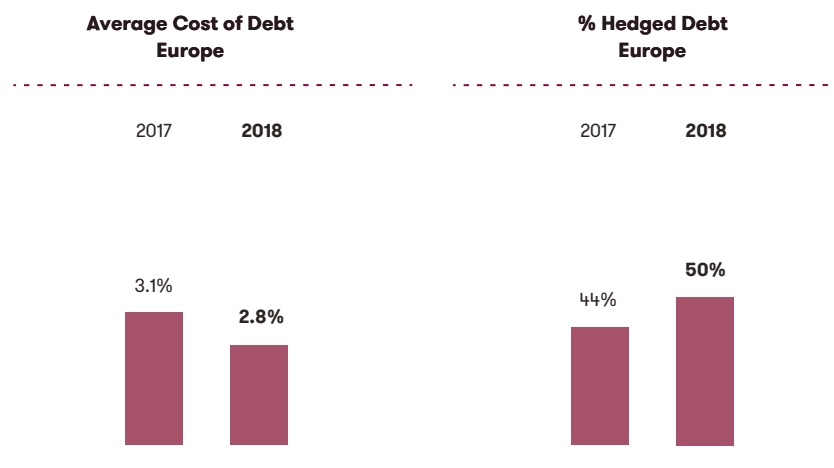
The following charts illustrate Sonae Sierra's debt at 31 December 2018.



In 2018, the Company was able to refinance the debt of several shopping centres for a total value of around €842 million. The increase in the Bond Loans vis-à-vis the previous year is due to the refinancing – for a higher amount – of the corporate debt in Europe. This reflects the trust of national and international banks in the management, as well as, the solidity of the Company and its assets.

Cost of debt

The Company continues to have good access to banking and capital markets. Sonae Sierra's weighted average cost of debt at 31 December 2018 stands at 3.5%, thirty basis points below the same period of last year. Excluding Brazil, the weighted average cost of debt is 2.8%, which leads to a comfortable interest cover ratio.

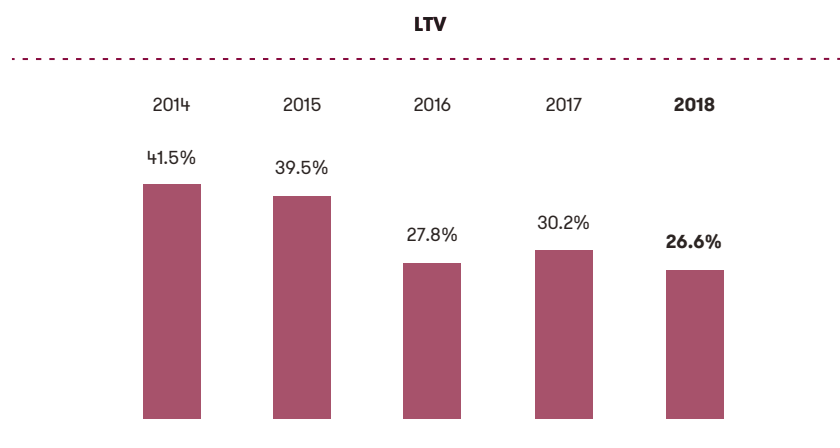


Financial Ratios

As of 31 December 2018, the Company's financial ratios show a prudent and solid approach.

Ratios	'31 Dec 18	'31 Dec 17
Loan-to-value	26.6%	30.2%
Interest cover	3.5x	3.6x
Development ratio	10.1%	14.0%

Loan-to-Value (LTV) is 26.6%, which compares favourably with 30.2% in December 2017. The decrease in the LTV ratio derives from the higher properties' valuations and higher Properties under development coupled with an increase in the cash position of the company, following the disposals occurred in December, which totally offset the increase in bank loans during the year. Sonae Sierra's LTV remains at a very comfortable level, keeping the downwards trend shown since 2014.



Interest cover in 2018 is 3.5x, above the Company's target of 2x, thanks to the low average cost of debt. The increase compared to 2017 is explained by an improvement in EBIT, along with our effective financial risk management. The decrease in the Development ratio is explained by the disposal of project Nuremberg, in Germany.

Net Asset Value

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

Based on this methodology, the NAV of Sonae Sierra, as of 31 December 2018, was €1,455 million compared to €1,432 million on 31 December 2017 (an increase of 1.6%). The NAV per share attributable to the company is €44.74 against €44.05 recorded on 31 December 2017. The increase in NAV results mainly from 2018's net profit, which was partially offset by the unfavourable impact of the Brazilian Real depreciation booked in the period and the payment of dividends.

Net Asset Value (NAV)

€ million

	31 Dec 18	31 Dec 17
NAV as per the financial statements	1,179.4	1,150.5
Deferred tax for properties	273.1	274.9
Other adjustments	2.3	6.9
NAV	1,454.8	1,432.3
NAV per share (in €)	44.74	44.05

Investment Portfolio

Investment Portfolio contributed with €84.2 million to the consolidated net profit of Sonae Sierra, a decrease of 2% when compared to 2017, mainly due to lower direct net profit.

The direct net profit derives from the operation of the portfolio of shopping centres in Europe, including those assets owned by the Sierra Fund, the Sierra Portugal Fund and the Iberia Coop fund.

EBIT is 1% higher than last year, positively impacted by the 50% share acquisition of ParkLake, as well as, the acquisition of Area Sur shopping in June 2017 and by the acquisitions completed on behalf of the ORES Socimi. These favourable impacts were partially offset by the share reduction in MaiaShopping and GuimarãesShopping and the full disposals of AlbufeiraShopping and CC Continente de Portimão that took place at in 2017 coupled with the shareholding decrease in SerraShopping in January 2018.

The worst financial result is a consequence of extraordinary costs related to the refinancing of ParkLake and the higher financial costs related to the acquisitions of Area Sur and ParkLake, which totally offset the favourable impact of the disposals and of the lower interest rates.

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

The value created in investments is €12.0 million lower than last year, which is explained by lower yield compression in 2018. The increase in the value of the existing portfolio is mainly explained by additional yield compression in the Core properties in Portugal coupled with an overall improved operational performance in Iberia.

Investment properties increased its balance by €67.0 million when compared to 31 December 2017. This increase is mainly explained by higher properties valuations and the 50% share acquisition in ParkLake, which were partially offset by the full disposal of CoimbraShopping and Sonae Sierra's shareholding decrease in SerraShopping and GranCasa, Max Center and Valle Real.

Bank Loans are above 31 December 2017 mainly due to the successful refinancing activity during 2018 and the acquisition of ParkLake, which totally offset the decrease related to the contractual loan amortisations and to the disposals.

Investment Portfolio

€ million

	2018	2017	% 18/17
Retail net operating margin	73.2	72.4	1%
Parking net operating margin	2.5	2.6	-4%
Co-generation net operating margin	0.3	0.3	0%
EBIT	75.9	75.2	1%
Net financial costs	21.9	18.9	16%
Direct profit before taxes	54.0	56.3	-4%
Current tax	8.6	8.9	-3%
Direct net profit	45.4	47.5	-4%
Gains on sale of investments	3.4	6.9	-50%
Value created in investments	47.2	59.4	-21%
Deferred tax	11.8	27.5	-57%
Indirect net profit	38.8	38.8	0%
Net profit	84.2	86.3	-2%

Consolidated Balance Sheet

€ million

	'31 Dec 18	'31 Dec 17	Var. (18-17)
Investment properties	1,734.6	1,667.9	67
Properties under development	31.7	10.2	22
Other assets	202.9	145.9	57
Cash & equivalents	168.6	77.3	91
Total assets	2,137.9	1,901.3	236.6
Shareholder funds	1,095.2	978.4	117
Bank loans	629.0	586.2	43
Deferred taxes	273.1	266.8	6
Other net liabilities	140.6	69.9	71
Total liabilities	2,137.9	1,901.3	236.6

Developments

The Developments business, including Colombia, contributed positively with €15.3 million to the consolidated net profit of Sonae Sierra in 2018. The favourable deviation vis-à-vis the previous year of 25.3 million is mainly explained by the realized gain on the disposal of project Nuremberg, in Germany, booked in the Indirect Result.

The increase in EBIT is mainly due to higher services rendered to the pipeline in Europe combined with some cost savings.

Sierra Developments & Colombia

€ million

	2018	2017	% 18/17
Project development fees	4.5	3.8	18%
Operating income	4.5	3.8	18%
Operating costs	11.8	12.6	-6%
EBIT	-7.3	-8.7	17%
Net financial costs	-1.2	0.4	-375%
Corporate tax	-0.7	-1.2	42%
Direct net profit	-5.4	-8.0	32%
Indirect Result	25.5	-1.7	-
Deferred tax	4.8	0.3	-
Net profit	15.3	-10.0	253%

Consolidated Balance Sheet

€ million

	'31 Dec 18	'31 Dec 17	'Var. (18-17)
Properties under development	80.3	59.1	21
Cash & equivalents	6.2	2.9	3
Total assets	86.6	62.0	24.5
Shareholder funds	53.0	62.3	-9
Bank loans	27.0	2.0	25
Deferred taxes	1.5	0.6	1
Other net liabilities	5.1	-2.8	8
Total liabilities	86.6	62.0	24.5

Services

Professional services business contributed with €13.2 million to the consolidated net profit of Sonae Sierra.

EBIT increased by 11%, mainly due to higher asset management and property management services rendered, which totally offset the decrease in development services, coupled with a 2% decrease in operating costs.

Total services provided were above the previous year, despite the disposals in Sonae Sierra's portfolio.

Profit & Loss Account

€ million

	2018	2017	% 18-17
Asset Management	22.2	21.0	6%
Property Management	46.5	45.7	2%
Development services	8.7	9.8	-12%
Operating income	77.4	76.6	1%
Operating costs	58.5	59.6	-2%
EBIT	19.0	17.0	11%
Net financial costs	2.1	0.1	2127%
Income tax	3.7	4.0	-7%
Net profit	13.2	13.0	2%

Sonae Sierra Brasil

Sonae Sierra Brasil contributed with a Loss of €2.6 million to the consolidated net result of Sonae Sierra, mainly due to a deferred tax adjustment. Excluding that effect, total net profit would have increased by 14% when compared to 2017, mainly due to higher direct and indirect profit generated by the Brazilian portfolio, partially offset by the adverse impact of the change in the average exchange rate (average depreciation of the Brazilian Real of 16.3% versus the Euro).

The decrease in EBIT, in Euros, is mainly explained by the adverse FX effect of the Brazilian Real which totally offset the improvement of the operational performance. Excluding the impact of the FX change, EBIT increased by 12%.

Value created in investment properties reflects the favourable impact of both: the yield compression in three properties and the improved operational performance, benefitting from the improvement in the Brazilian macroeconomic environment.

Investment properties reached €361.9 million in December 2018, a decrease of €15.7 million when compared to 31 December 2017, which is explained by the depreciation of the Brazilian Real, end of year exchange rate, that totally offset the increase in the valuation of investment properties.

Profit & Loss Account

€ million

	2018	2017	% 18/17
Retail net operating margin	18.0	20.2	-11%
Parking net operating margin	3.6	3.8	-5%
Shopping centre net operating income	21.6	24.0	-10%
Income from services rendered	4.0	4.4	-11%
Overheads	5.6	7.2	-23%
EBIT	20.0	21.3	-6%
Net financial costs/(income)	4.0	5.5	-28%
Direct profit before taxes	16.1	15.8	2%
Current tax	2.7	3.6	-24%
Direct Profit	13.4	12.2	9%
Gains on sale of investments	-0.6	0.0	n.a
Value created in investments	20.4	11.8	74%
Deferred tax	35.8	3.3	988%
Indirect net profit	-16.0	8.5	-289%
Net profit	-2.6	20.7	-113%

Consolidated Balance Sheet

€ million

	'31 Dec 18	'31 Dec 17	Var. (18-17)
Investment properties	361.9	377.6	-16
Properties under development	2.2	2.7	0
Other assets	17.4	19.2	-2
Cash & equivalents	20.7	37.3	-17
Total assets	402.2	436.8	-35
Net worth	239.8	279.2	-39
Bank loans	51.5	71.3	-20
Deferred taxes	95.6	68.6	27
Other liabilities	15.3	17.8	-3
Net worth and liabilities	402.2	436.8	-35



Other information required by law

The Board of Directors declares that it has not granted any authorizations under the terms of Article 397(1) of the Portuguese Commercial Companies Code.

Share Capital and Own Shares Sonae Sierra, SGPS, SA

In 1999, in accordance with Article 17 of Decree-Law 343/98, Sonae Sierra, SGPS, SA proceeded to the re-nomination in Euro of its shares representing the share capital, using the standard method. Thus since 1999 and after incorporating PTE 15,194,250 (€ 75,788.60) of Free Reserves into share capital, the share capital of the Company was € 187,125,000.

On 29 November 2003, it was decided at a shareholders' meeting to reduce the share capital of Sonae Sierra, SGPS, SA from € 187,125,000 to € 162,244,860, by extinguishing 4,986,000 bearer shares to be purchased to the shareholders using available reserves.

As a result of this decision, Sonae Sierra, SGPS, SA acquired 4.986.000 shares from its shareholders for a total of € 150,028,740.

After acquisition of these own shares and a favourable decision at the Shareholders' Meeting that took place on 4 December 2003, Sonae Sierra reduced its share capital by extinguishing these own shares by public deed signed on 17 December 2003.

As specified in Portuguese Commercial law, a special reserve subject to the regulations concerning Legal Reserves was set up to an amount equivalent to the nominal value of the extinguished shares (€ 24,880,140).

At 31 December 2018, the share capital of Sonae Sierra, SGPS, SA was € 162,244,860, made up of 32,514,000 ordinary shares each with a nominal value of € 4.99.

Dividend Proposal from the Board of Directors

The Board of Directors of Sonae Sierra, SGPS, SA recommend to the General Meeting of the Company that Net profit was transferred to Retained earnings.

The Board of Directors of Sonae Sierra, SGPS, SA also recommend the distribution of Other reserves in the amount of €115,099,560, with a value of €3.54 per share, the correspondent payment should be deferred for a date to be decided later by the shareholders, upon recommendation of the Board of Directors.

Governance

Corporate governance

Sonae Sierra's policies on corporate governance were modelled and adopted after those of its shareholders, Sonae and Grosvenor.

These policies, by design, define strict levels of transparency, independence, remuneration compliance rules and focus on sustainability. This framework is at the origin of Sonae Sierra's values, management model, sustainability and business strategies and clarity in public reporting.

In terms of structure, the top corporate body of Sonae Sierra group is the General Shareholders Assembly. It is this body that is responsible, namely, for the appointment of the Board of the General Shareholders Assembly, the Fiscal Board, the Compensation Committee and, crucially, the Board of Directors.

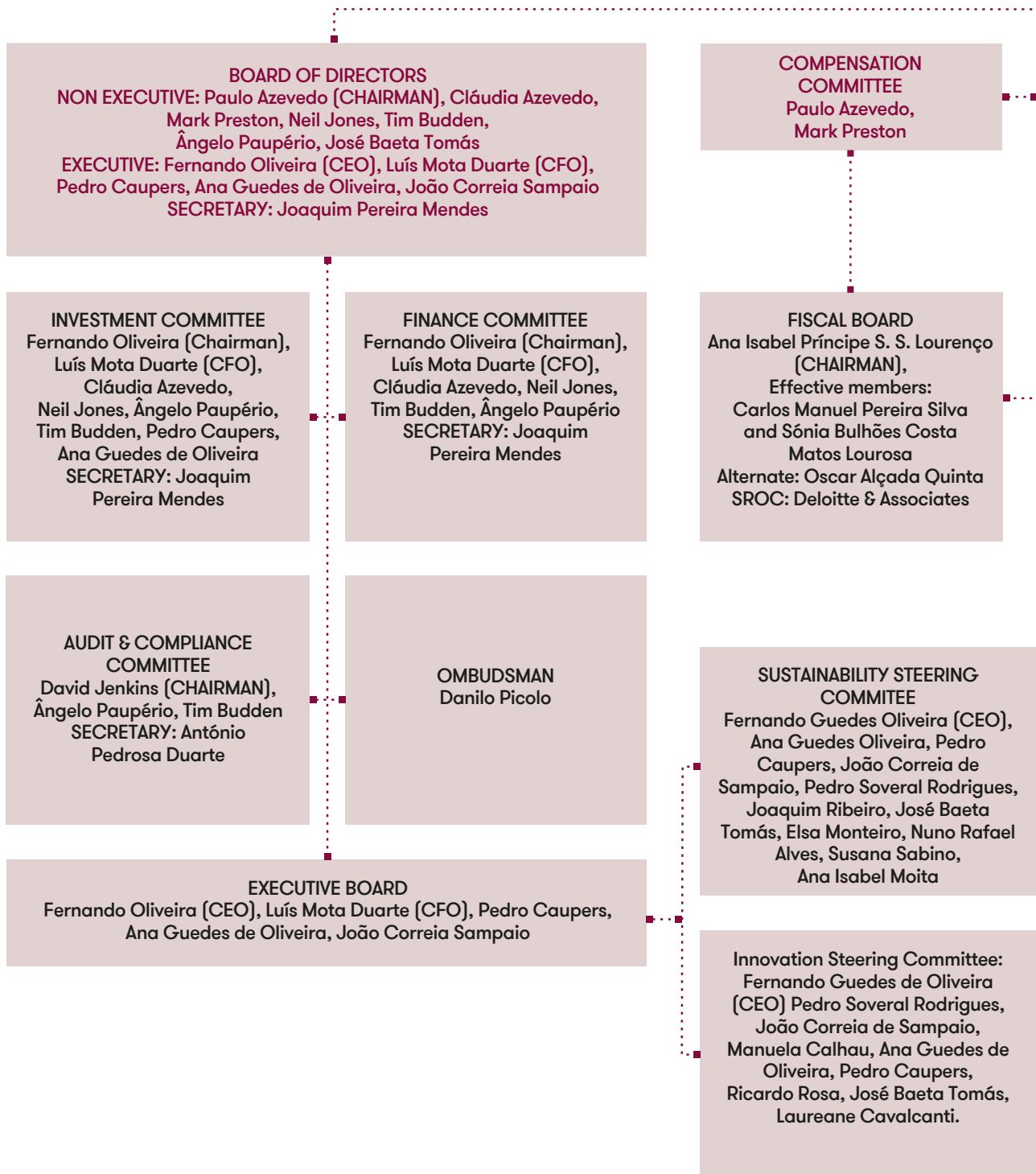
It is the Board of Directors that takes responsibility for the Company's strategy, long term business plan, finance and reporting and consists of 12 members – six of which make up the Executive Board.

The Board of Directors and the Executive Board have the support of three committees, Investment, Finance, Audit & Compliance. The Investment Committee and the Finance Committee are chaired by the CEO. The Audit & Compliance Committee is chaired by an independent, external person chosen by the Board of Directors.

The running of day-to-day operations is the responsibility of the Executive Committee. Meetings are held at least once a month, at which other executives may be invited to. A Supervisory Committee, comprising the Company's CEO, CFO and other members of the Executive Board, supervises the activities of each business unit. All Company Executives are part of the Executive Forum, which promotes knowledge sharing across the corporate and business unit structures.

The Risk Management Working Group ensures that the company policies and best practices are known, and consequently adopted, throughout the Company. The working group gathers information and reports on the risks that the Company is facing or may face in the future and reports, via the Finance Director, to the Sustainability Steering Committee, the CFO and the Audit & Compliance Committee.

General Shareholder's Assembly



Ethical conduct

Sonae Sierra's Code of Conduct is built on ethical principles that we apply into everything we do. It materialises our commitment to achieve our goals championing integrity, openness and honesty. The Code of Conduct imposes ethical and responsible decision making through strict guidance on issues such as bribery, corruption, legal compliance, equality and human rights.

Even though the Executive committee is the ultimate responsible for the management of these issues, it is a personal responsibility of every employee to behave accordingly to the Company's ethical conduct.

Furthermore, compliance with the Company's Code of Conduct and its underlying ethical norms is also promoted by the Sierra Ombudsman. The function is developed by an independent facilitator, which is available to dialogue with Sonae Sierra stakeholders, and assumes the commitment of process, investigate and respond in a timely and sensitive manner to all complaints.

Measures to avoid bribery and corruption

Guidance on the avoidance of bribery and corruption is evident in Sonae Sierra's Code of Conduct. It defines as clearly forbidden to accept, or give, any reward or benefit with the purpose of influencing someone's behaviour to obtain a commercial advantage.

In what relates to mitigation of corruption risk arising on valuations and transactions, the Investment Management and Development business teams follow the RICS guidelines. Transactions require approval at the Board of Directors level of the Special Purpose Vehicles, Sonae Sierra and, in many cases, the Investment Companies of the Funds. Albeit, there are no specific corruption risk mitigation guidelines regarding valuations, the entities that develop most valuations for Sonae Sierra, include in the valuation reports that fees from Sonae Sierra do not account for over 5% of its revenue on a global basis.

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

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

GRI 205-1 & GRI 205-3

In Europe we ensure compliance with our Code of Conduct by incorporating corruption risk into the annual Internal Audit Plan of activities, which is aligned with Sonae Sierra Risk Matrix through the audit work carried out by business process areas. During 2018, the Internal Audit Activities covered 38% of the core business processes identified to have risk of corruption. No instances were identified that could constitute a situation of corruption and no incidents of corruption were formally reported.

Total number of business processes identified to be analysed for risks related to corruption (rotational basis)	16 (100%)
Total number of business processes that were covered by audits performed in 2018	6 (38%)

GRI 205-2

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

Country	Percentage of employees and Board Members that received anti-corruption training by country
Germany	89%
Spain	97%
Greece	78%
The Netherlands	100%
Italy	96%
Morocco	100%
Portugal	98%
Romania	96%
Turkey	46%
Algeria	100%
Colombia	50%
Brazil	94%
Total	95%

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

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

United National Global Compact

Sonae is a signatory of the Global Compact, a voluntary contract between the United Nations and the worldwide business community. As we are partially owned by Sonae, we must provide this shareholder with an outline of how we comply with the Compact's principles, including Principle 10 which commits organisations to work against corruption in all its forms, including extortion and bribery.

The image features a bright blue sky with scattered white clouds. In the lower right, a portion of a modern building with a glass facade is visible. The text is overlaid on the image, with the words 'the', 'partner', and 'of' positioned in the upper half against the sky, and 'sustained' positioned in the lower half against a solid light blue background.

the
partner
of
sustained



ability

Sustainability statements

Alongside our consolidated financial accounts, we provide the following sustainability statements to offer a more comprehensive overview of our economic, environmental and social performance and management approach.

In keeping with our core values of integrity, innovation and social responsibility, we believe that our holistic approach to sustainability reporting promotes the integration of environmental and social considerations into our decision making, ultimately creating shared value for our business and society.

Since 2004 we have based our environmental and social reporting on the Global Reporting Initiative. Continuing this trend, we have also prepared this report in accordance with the 'Core' reporting requirements of the GRI Reporting Standards (2016 edition) and the Construction and Real Estate Sector Disclosure, focusing on the key sustainability topics that were identified in our 2017 materiality review.

We have reported against all material disclosures for each topic identified in our materiality review, and any omissions are detailed in the GRI content index found on [page 146-153](#). All applicable GRI Universal Standards and Topic-Specific Standards have been externally assured by an independent auditor to ensure that data and information is accurate and complies with the applicable guidelines.

Creating shared value

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

Safe People and resource resilience

This focus area covers the management of safety and health risks and the reduction of environmental impacts among our operating assets, developments, expansion and refurbishment activities. It creates shared value by delivering sustainability-related services, from legal compliance to long term asset value protection, and emphasises the role Sonae Sierra can play in supporting eco-efficiency and resource resilience initiatives within our own and our clients' investment portfolios.

See [page 90](#)

Future Fit Retail

This focus area anticipates emerging retail trends, pioneering new concepts that respond to changing consumer expectations, and boosting Sustainability Orientated Innovation. It creates shared value by supporting our shopping centres, tenants and clients in adapting to future retail trends, and exploring the interface between sustainability and innovation to boost footfall and sales.

See [page 128](#)

Knowledge

This focus area seeks to increase the skills and productivity of our employees. It creates shared value by building the human and intellectual capital required to support our business as a retail real estate services provider, while ensuring high levels of staff productivity, attracting and retaining the best talent, and embedding more sustainable lifestyles among our employees to contribute to higher levels of employee health and wellbeing.

See [page 136](#)

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

- Reducing the capital invested in our core portfolio, increasing our exposure to new development opportunities and enhancing our service delivery which has shifted the focus of where we can most effectively create shared value.
- Placing a greater emphasis on the delivery of third-party services to our investors and other clients, and enhancing the performance of their business and assets through the provision of sustainability-related services.

Consequently, it focuses on creating shared value across four touch points:

- Protecting long-term asset values by managing operating risks and increasing resource efficiencies.
- Delivering an outstanding service and experience to investors, partners, service clients, tenants and visitors.
- Reducing the environmental impact of our owned assets and corporate offices.
- Attracting and retaining talented people in our company.

Performance against objectives

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



Improved the water efficiency of our owned portfolio by 21% since 2003



Increased the proportion of waste recycled by 248% since 2002, and reduced the proportion of waste sent to landfill by 69% since 2007



Improved the electricity efficiency of our owned portfolio by 49% since 2002



Reduced the GHG emissions intensity by 81% since 2005



Reduced the number of workforce accidents resulting in absence from work by 9% since 2005



Reduced the severity of workplace accidents and occupational diseases by 86% since 2005

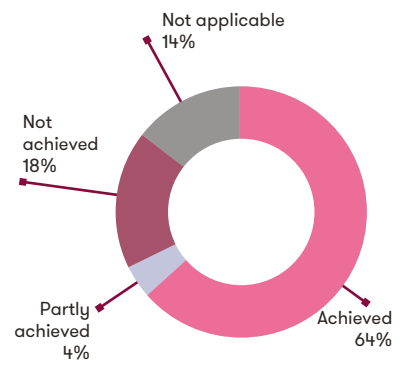
We set annual targets and actions to drive continuous improvement across the three focus areas of our sustainability strategy. These are supported by long-term objectives covering Safe People and Resource Resilience.

Each year, we track our progress against these annual targets and actions and our performance is externally verified. Our long-term objectives are reviewed on a regular basis, with the most recent review taking place in 2018 when we updated our previous 2020 commitments with more stretching goals to achieve by 2025.

In 2018, we fully achieved 24 out of 34 applicable sustainability targets (71%) and partially achieved 2 targets (6%). We also fully achieved 7 out of 8 applicable sustainability actions (88%).

The chart below summarises our performance against these targets and actions. A comprehensive review of our performance against all sustainability targets and actions, including details of the criteria used and procedures followed to evaluate them can be downloaded on our [website](#). Our progress towards each long-term objective is reported within the relevant focus area of this report.

**Performance against 2018
sustainability targets and actions**



Sustainability governance

The Sustainability Steering Committee (SSC) is responsible for overseeing the delivery of work under our sustainability strategy and risk management. The SSC reports directly to the Executive Committee, is chaired by our CEO and includes amongst its members the Directors for each business unit. Other members include employees with specific sustainability responsibilities, including the Head of Sustainability and the Head of Marketing for Europe and New Markets.

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

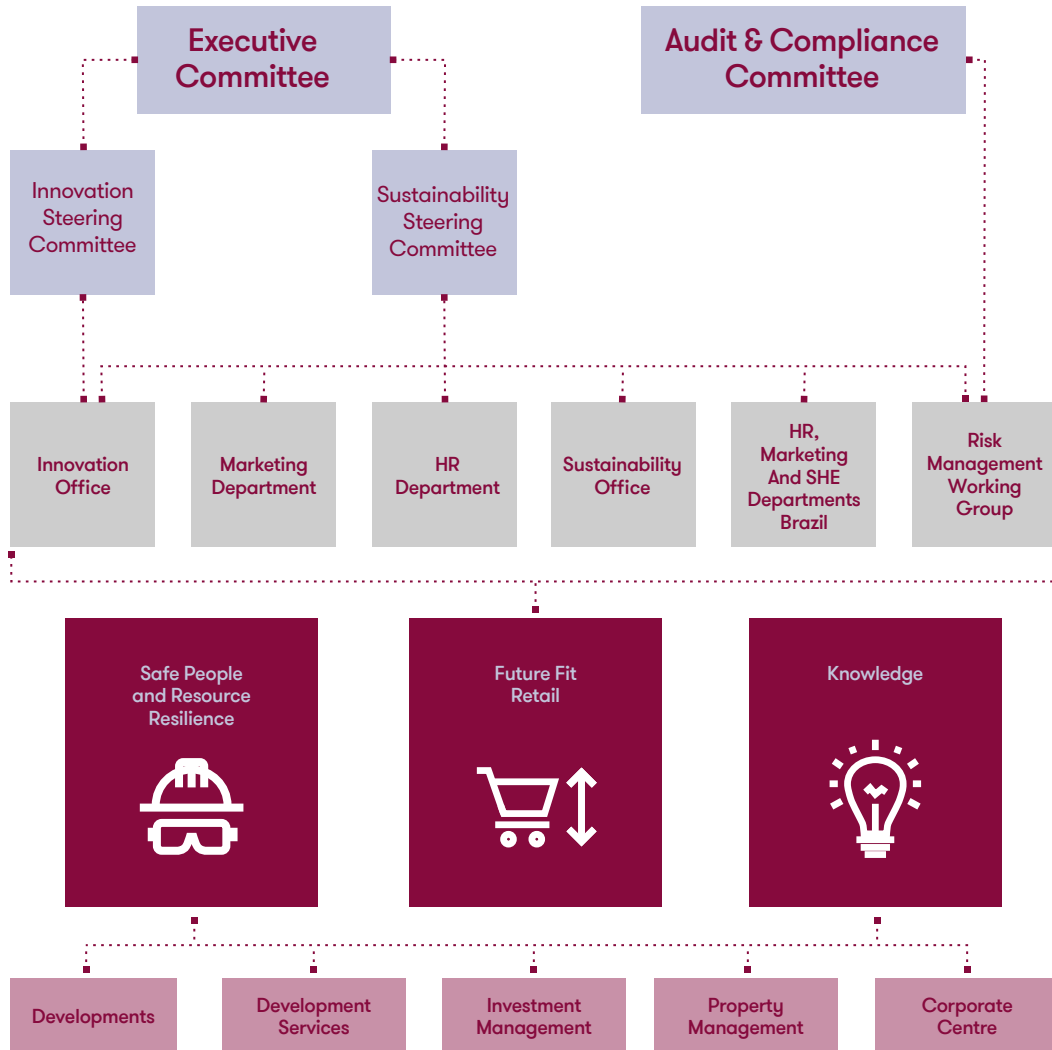
The Sustainability Office, overseen by the Head of Sustainability, supports the SSC with the definition and implementation of the sustainability strategy, provides advice on the Safety, Health and Environment (SHE) policy and standards, and oversees stakeholder engagement around our sustainability strategy. It also provides relevant advice, guidance and training as and when required around the implementation and delivery of lines of action under each focus area across our owned portfolio, corporate offices and third-party services.

The Sustainability Office has specific responsibility for Safe People & Resource Resilience – including the marketing of sustainability-related services. Responsibility for identifying, implementing and reporting lines of actions under Future Fit Retail (covering our owned portfolio and service clients) rests with the Sonae Sierra Marketing Department and the Innovation Office. The Head of Innovation also attends the SSC as and when their participation is deemed necessary. Responsibility for identifying and implementing relevant actions under Knowledge is allocated to the Human Resources Department.

The CEO for Sonae Sierra Brasil – who is also a permanent member of the SSC – has responsibility for the implementation of all three focus areas in Brazil and is supported by the country Safety, Health and Environment manager.

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

Individual members of staff across all business activities and functions have responsibility for implementing specific aspects of our sustainability strategy. There is a global recommendation for Safety, Health and Environment performance to form part of employees' performance appraisals which in turn influences remuneration and bonus schemes.



Responsible procurement

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

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

The Responsible Procurement Policy is integrated into our Service Suppliers' Management Procedures. The Service Suppliers Management Procedures for Development and Property Management define the various steps that should be followed from the pre-selection and bidding process, through to contract closure and post-contract evaluation. They set out requirements for the appointment of suppliers including the requirement to submit information relating to labour issues as well as safety, health and the environment.

In Brazil, our corporate purchasing department has developed an online platform to manage supplier contracts which has incorporated the collection of safety & health and environmental issues to ensure they meet minimum standards.

All contracts with property management and development suppliers over €1 million include clauses related to labour impacts. Contracts over €500,000 in value are also subject to additional checks as part of our Anti Money Laundering and Terrorist Financing procedures manual.

At Sonae Sierra Brasil, standard clauses covering labour issues are included in all supplier contracts valued at more than R\$20,000, and our Code of Conduct is communicated to all suppliers.

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

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

Stakeholder engagement

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

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

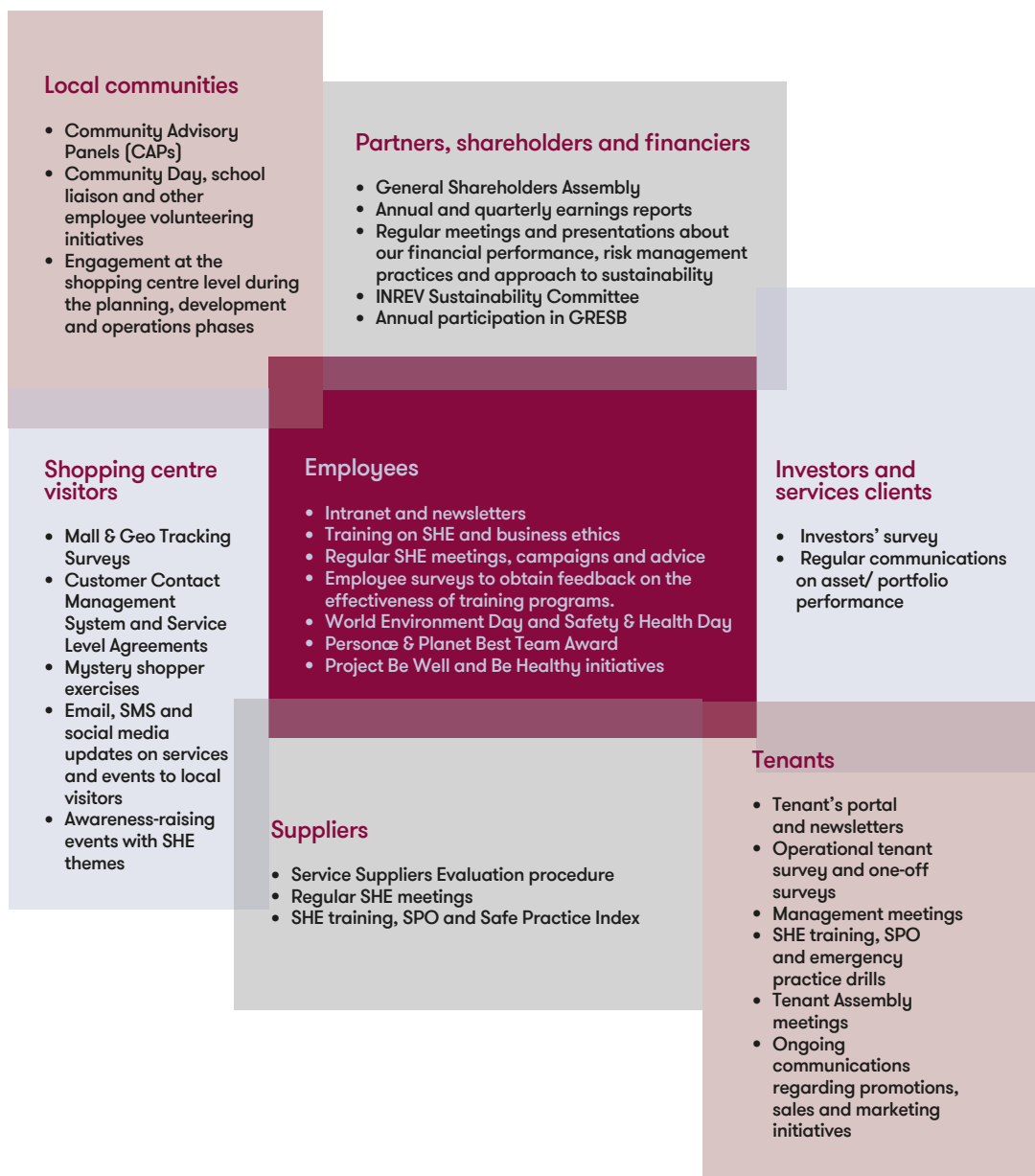
The stakeholder groups with whom we engage have been identified based on our considerable experience of developing and managing shopping centres. Stakeholders are prioritised based on their ability to influence our business model and operations, to create shared value, and the extent to which they are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

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

Our owned shopping centres have taken steps to enhance their engagement strategies to more actively solicit feedback from stakeholders and incorporate their concerns regarding sustainability into each asset's activities and decision-making processes. As well as a requirement under ISO 14001 certification, formalising this process has helped shopping centres to better understand local views, identify wider trends and target improvement opportunities that will contribute to their improved performance and stakeholder relations.

This dual approach allows us to follow up actions in response to specific feedback received from each stakeholder group at either the corporate or shopping centre level.

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



Examples of how we engage, how we respond, and key topics raised

EMPLOYEES

Our approach to employee engagement is built around four dimensions (Employee, Family, Community and Individual) that each identify the interventions necessary to foster an engaged and committed workforce. The model recognises the importance of each dimension and their interdependence in enriching the employee experience:

- 'Employee' supports professional development and alignment with Sonae Sierra's values, culture and corporate life. Long-service certificates, the 'Horizons' employee magazine and We Share learning sessions are examples of how we engage with employees to support these objectives (see [page 141](#)).
- 'Family' supports employee satisfaction by respecting their personal lives. The Sonae Sierra Family Day for example provides an opportunity for employees to bring their children to the office for a day to show them where they work.
- 'Community' aims to foster relationships with our communities and create a sense of purpose. This is delivered through our employee volunteering program, the Community Day (see [page 134](#)).
- 'Individual' values each employee and helps them build a better life. Our Be Well program and Be healthy initiatives support these goals by promoting physical and mental health and wellbeing (see [page 145](#)).

We also engage specifically on sustainability issues to support our broader sustainability objectives and strengthen alignment with our strategy. Examples from 2018 include the online Evolve newsletter which features sustainability-related content relevant to Sonae Sierra and our industry. It is consistently well received by our employees and achieved an average opening rate of 70% during the year. Employees contribute to its development and provide comments and suggestions on its content. In 2018 we invited clients to contribute to the newsletter to demonstrate how sustainability is a shared priority.

We also engage with our employees directly in relation to the implementation of our sustainability strategy and SHE objectives including health and wellbeing. For more information, see Safety, Health and Environmental Management ([pages 96 to 100](#)) and Knowledge ([pages 136 to 145](#)).

PARTNERS, SHAREHOLDERS AND FINANCIERS

Engagement on our business and sustainability performance is delivered through our annual and quarterly earnings reports, our annual Economic, Environmental and Social report, annual shareholder's assembly and regular meetings and presentations.

Participation in the Global Real Estate Sustainability Benchmark (GRESB) is growing expectation amongst our partners and is a requirement for some fund investors. Sonae Sierra has participated in GRESB since its outset and in 2018 three funds participated in the annual Real Estate Assessment: Iberia Coop, Sierra Fund and the Sierra Portugal Fund. Each fund was once again awarded Green Star status and the highest rating of five out of five stars for their sustainability performance.

INVESTORS AND SERVICE CLIENTS

We engage with our investors and service clients through regular communications regarding asset and fund-level performance. Following a comprehensive stakeholder consultation exercise in 2017 which included an online survey and in-depth telephone interviews, we have focused our efforts in 2018 on developing an action plan to respond to the feedback received.

The survey revealed that while investors are satisfied with the services they receive from Sonae Sierra, there are opportunities for us to strengthen our local delivery across business units and geographies and promote our sustainability expertise so investors are aware of our full service offer.

The survey results have been shared internally with individual business units and we have encouraged our service and commercial teams to act on the issues pointed out by our investors. We have supported these efforts by assembling a multidisciplinary team including our sustainability and corporate communications teams to identify eight actions to be implemented in 2018.

One of our first actions will be improved sustainability reporting for investors to provide greater insight into the performance of the assets and funds in which they are co-investors. These will include key performance indicators that link sustainability and financial performance such as costs saved from eco-efficiency improvements. Secondly, we have developed an ESG Investors report that enables business units to identify opportunities to increase the delivery of sustainability-related services to existing and potential clients by mapping their priorities against our services.

TENANTS AND SUPPLIERS

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

In 2018 we recorded an average satisfaction rate of 4.73 out of 6. Responses are shared with asset management teams who develop follow-up plans. Actions are divided into 'no-cost' procedural changes (such as better communications regarding the impact of marketing initiatives), and investments which can be funded through service charges (such as expanding Wi-Fi coverage). Actions that require more significant investment are incorporated into the annual investment plans for each asset to be addressed at a later date.

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

SHOPPING CENTRE VISITORS

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

In 2018, we recorded an average visitor satisfaction index of 4.13 out of 5 across our European portfolio. The results are based on a sample of 500 interviews which are proportionally stratified according to the shopping centre traffic for all shopping centres owned and in operation for the full reporting year and which completed a visitor satisfaction survey (53% of our European portfolio in 2018). The survey takes the form of a personal interview based on a structured questionnaire. The number/type of visitors who receive the interview are selected through systematic counting during one week. Visitors rate three shopping centre aspects, and one global aspect, from 1 (totally unsatisfied) to 5 (totally satisfied). The index is then calculated based on the average score for these four aspects.

Sonae Sierra Brasil conducts visitor satisfaction surveys every two years. The most recent survey, conducted in 2017, recorded a visitor satisfaction index of 84 out of 100. The country uses a 1-100 index and is based on a survey in which visitors rate three different questions that address the shopping centre as a whole.

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

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

LOCAL COMMUNITIES

We engage more broadly with the communities surrounding our assets through Community Advisory Panels and our community investment programme. For more information, see Community Engagement on [pages 132 to 133](#).

Industry partnerships

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

ULI & GREENPRINT CENTER FOR BUILDING PERFORMANCE

Sonae Sierra became a founding member of the Greenprint Foundation, a global industry initiative supported by key players in the property sector, in 2009. In 2012 the Greenprint Foundation and Urban Land Institute (ULI) merged to form the ULI Greenprint Center for Building Performance. Additionally, Sonae Sierra is a member of the ULI European Sustainable Development Council.

INREV SUSTAINABILITY COMMITTEE

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

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

INTERNATIONAL ORGANISATION OF EMPLOYERS – GLOBAL OCCUPATIONAL SAFETY & HEALTH (GOSH) NETWORK

The GOSH Network is an initiative of the International Organisation of Employers. It provides an exclusive forum for occupational safety and health specialists from multinational companies to discuss and debate current and emerging global occupational health and safety issues. Sonae Sierra is an active member contributing to this information-sharing platform. For example, in 2018 we hosted a network meeting where we shared our safe people & resource resilience challenges and achievements. And in previous years Sonae Sierra has shared the results of studies into the causes of incidents amongst service suppliers, as well as our strategy for removing the barriers to implementing safety and health practices in joint ventures and multi-occupancy workplaces with high visitor numbers.

PARIS PLEDGE FOR ACTION

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

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

We participated in the core group of the WBCSD's Energy Efficiency in Buildings (EEB) project and have signed up to the WBCSD's Manifesto for Energy Efficiency in Buildings which calls on signatories to set energy reduction targets for the buildings they control and promote building energy efficiency and best practice among their stakeholders. We have also contributed to the dissemination of best practice such as the creation of the Energy Efficiency Toolkit in 2015, which was developed by the WBCSD for COP21 and features on the INREV Sustainability Library.

WORLD SAFETY DECLARATION

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



Material issues

Stakeholder engagement influences the regular materiality reviews we conduct to identify the most important sustainability risks and opportunities facing our business and support our compliance with the Global Reporting Initiative (GRI). To this end, our most recent materiality review (conducted in 2017) was undertaken with two overarching objectives:

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

The review was based on the four-stage process recommended by the GRI Principles for Defining Report Content and considered the following criteria:

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

A shortlist of potential topics was tested against five weighted criteria to assess Sonae Sierra's impact and their ability to influence the assessments and decisions of Sonae Sierra's stakeholders.

Criteria used to assess Sonae Sierra's impact included our sustainability strategy, risk assessments, legislation reviews, peer reviews and financial risks and opportunities.

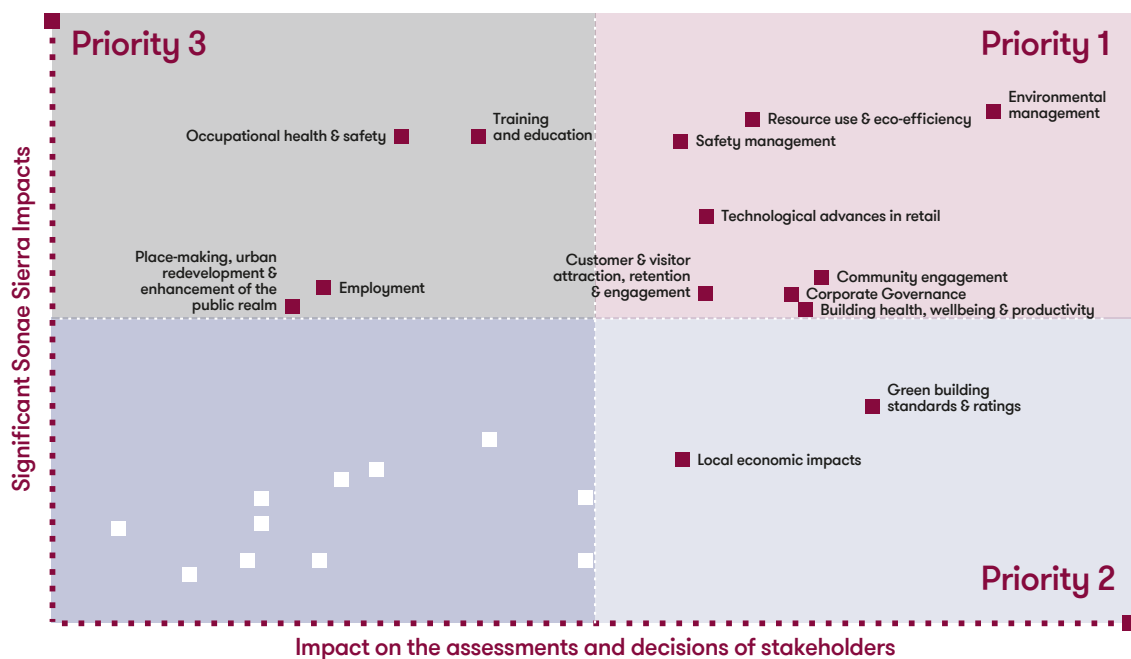
Criteria used to assess their ability to influence stakeholders' opinions included the 2015 employee climate survey, annual investor information requests and the results of our stakeholder consultation exercise.

These results were reviewed by the Sustainability Office and shared with business units for validation.

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

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

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



Material topic	Description of topic	Corresponding GRI material topics	Topic boundaries and limitations ¹	How we manage the topic
Priority 1				
Environmental management	Efforts to monitor and reduce the environmental impact of our assets under ownership and development, covering site contamination, energy use, GHG emissions, water consumption and waste.	Energy (GRI-302) Water (GRI-303) Emissions (GRI-305) Effluents & Waste (GRI-306)	Sonae Sierra development projects, property and asset management for our owned portfolio.	Safe People & Resource Resilience (pages 96-100)
Resource use and eco-efficiency	Efforts to reduce the reliance of our owned portfolio and third-party portfolios on natural resources through cost reduction programmes, efficiency improvements, alternative energy generation and reuse/recycling initiatives.	Materials (GRI-301) Energy (GRI-302) Water (GRI-303) Emissions (GRI-305)	Sonae Sierra development projects, property and asset management for our owned portfolio, as well as the provision of development and property management services for third parties.	Safe People & Resource Resilience (pages 108-126)
Safety management	Efforts to protect and enhance the safety of all building users (contractors, tenants, suppliers and visitors) at our assets under ownership and development, and reduce building safety risks (such as fire prevention initiatives and emergency practice drills).	Customer health & safety (GRI-416)	Sonae Sierra development projects, property and asset management for our owned portfolio.	Safe People & Resource Resilience (pages 96-100 and 102-106)
Technological advances in retail	Using digital technology to improve communications with retail customers and analyse consumer behaviour and maintain visitor numbers by adapting to general digital disruption in the retail sector.	N/A	Property management for our owned portfolio and property management services for third parties.	Future Fit Retail (page 129)
Community engagement	Engagement with local authorities, community groups and NGOs	Local communities (GRI-413)	Sonae Sierra development projects and property management for our owned portfolio.	Future Fit Retail (pages 132-133)
Customer attraction	Engaging with customers and visitors to help them live sustainable lives and delivering high levels of satisfaction through sustainability initiatives.	N/A	Property management for our owned portfolio and property management services for third parties.	Future Fit Retail (page 128-129)

¹ Throughout this report, information about the scope and exceptions to the reported data is addressed specifically in the Data Qualifying Notes for each indicator. Unless otherwise stated, all performance data contained in this report includes all of Sonae Sierra's business activities in Europe and Brazil, but in most cases excludes our activities in other countries like Algeria, Morocco, Colombia, Russia, Slovakia, Tunisia and Turkey where we do not own shopping centres in operation. Other exclusions include the environmental, safety and health performance of Fashion Outlet City (previously Pantheon Plaza) and shopping centres that are managed but not owned by Sonae Sierra (i.e. shopping centres that we do not hold any shares in); the sustainability impact of our tenants unless otherwise stated (all our owned shopping centres contain units/facilities which are leased to our tenants; the impacts of these facilities, which are the impact of our tenants, are not all quantified in this report); development projects that are managed but not owned by Sonae Sierra; and the sustainability impact of our joint venture partners on development projects and our construction contractors.

(continued)

Material topic	Description of topic	Corresponding GRI material topics	Topic boundaries and limitations ¹	How we manage the topic
Priority 1				
Corporate governance	Processes to manage risks of bribery, corruption, anti-competitive behaviour, compliance and fiscal management, as well as wider non-financial aspects within the organisation and third-party providers	Anti-corruption (GRI-205)	All corporate and business unit activities.	Corporate Governance (pages 66-69)
Building health, wellbeing and productivity	Ability to deliver buildings which support and enhance the health, productivity and wellbeing of users.	N/A	All corporate locations, Sonae Sierra development projects and property management for our owned portfolio, as well as the provision of development and property management services for third parties.	Safe People & Resource Resilience (pages 102-103) Knowledge (page 145)
Priority 2				
Green building standards & ratings	Application of green building certification schemes such as LEED®, BREEAM, DGNB, as well as national or regional green building standards and rating systems, and management systems certified according to ISO and OHSAS.	Marketing & labelling (GRI-417)	Sonae Sierra owned developments, property and asset management, and the provision of development and asset management services for third parties.	Safe People & Resource Resilience (pages 101-102)
Local economic impacts	Impact of asset management and development activities on the local economy (e.g. creating economic opportunities for residents through jobs and apprenticeships, companies and contractors).	Indirect economic impacts (GRI-203)	Sonae Sierra owned developments, property and asset management at owned portfolio.	Future Fit Retail (pages 131-132)
Priority 3				
Training & education	Training programs and upgrading employees' skills, regular performance and career development reviews.	Training & education (GRI-404)	All corporate operations.	Knowledge (pages 141-144)
Occupational health & safety	Workplace injuries, occupational diseases, absenteeism and work-related fatalities.	Occupational health & safety (GRI-403)	All corporate operations.	Safe People & Resource Resilience (pages 106-107)
Employment	Employee satisfaction rates, turnover and new hires.	Employment (GRI-401)	All corporate operations.	Knowledge (pages 136-138)
Place-making	Capitalising on a local communities' assets, heritage and the provision of infrastructure and communities' amenities to create public spaces that contribute to people's health, happiness, and wellbeing.	N/A	Sonae Sierra development projects, property and asset management for our owned portfolio, as well as the provision of property and development services for third parties.	Future Fit Retail (page 130)

United Nations' Sustainable Development Goals





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

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

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

Sustainable Development Goals (SDGs)	How we contribute	Further information
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Promote more sustainable lifestyles among shopping centre visitors and contribute to higher levels of employee resilience and productivity through improved health and wellbeing in our workforce.	Customer attraction, pages 128-129 Employee health and wellbeing, page 145
 <p>4 QUALITY EDUCATION</p>	<p>Promote environmental and social focused events with local communities, in particular schools, to provide educational opportunities, including site visits.</p> <p>Continually support the professional development of our employees through a well-established education and training programme providing an array of different development opportunities.</p>	Community engagement, pages 132-133 Training and education, pages 141-145
 <p>5 GENDER EQUALITY</p>	Continually seek to promote gender equality and diversity within the company.	Employment, pages 136-138
 <p>6 CLEAN WATER AND SANITATION</p>	Increase the water efficiency of our assets and using innovation and technology to rethink how water is used and managed. Minimise water pollution through our Safety, Health and Environment Development Standards (SHEDS) and monitoring of waste water discharges at our operational assets.	Water, pages 119-122
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Increase the energy efficiency of our assets and implement measures to increase our energy self-sufficiency to reduce our reliance on fossil fuels.	Energy, pages 108-112
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Support local economic development through job creation and skills development opportunities.</p> <p>Safeguard labour standards in our supply chain.</p> <p>Promote innovation and productivity in our company through improved work practices and operational efficiencies and employee engagement and training.</p>	Local economic impacts, pages 131-132 Responsible procurement, page 78 Employment, pages 136-138
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Use innovation to reduce water and energy use across our owned portfolio and third-party assets through our Bright and Dive projects.</p> <p>Encourage innovation across the whole supply chain to reduce materials consumption and improve water and energy resilience.</p>	Water, pages 119-122 Energy, pages 108-112 Materials, page 126

(continued)

Sustainable Development Goals (SDGs)	How we contribute	Further information
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Design eco-efficient, attractive shopping centres that reduce resource consumption, serve the needs of the local population and enhance public space, local amenities and infrastructure in line with planning requirements of local authorities and our own SHEDS.</p>	<p>Safety, health and environment management, pages 96-102 Place-making, page 130</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Improve the eco-efficiency of our assets focusing on energy, water and waste production.</p> <p>Prohibit the use of materials which are known to have negative impacts on the environment and on the health and wellbeing of building occupants.</p>	<p>Energy, pages 108-112 Effluents & waste, pages 123-126 Materials, page 126 Safety, health and environment management, pages 96-100</p>
 <p>13 CLIMATE ACTION</p>	<p>Reduce GHG emissions from our portfolio, integrate climate change risk adaptation procedures into our current risk management processes, design standards for new developments and operational procedures for existing assets.</p>	<p>Emissions, pages 112-118</p>
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>Collaborate with industry partners, industry bodies and associations to promote and share best practice and innovation in tackling the sustainability challenges facing the industry.</p>	<p>Stakeholder engagement, page 82</p>

Safe People & Resource Resilience

Material issues covered in this section:

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

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

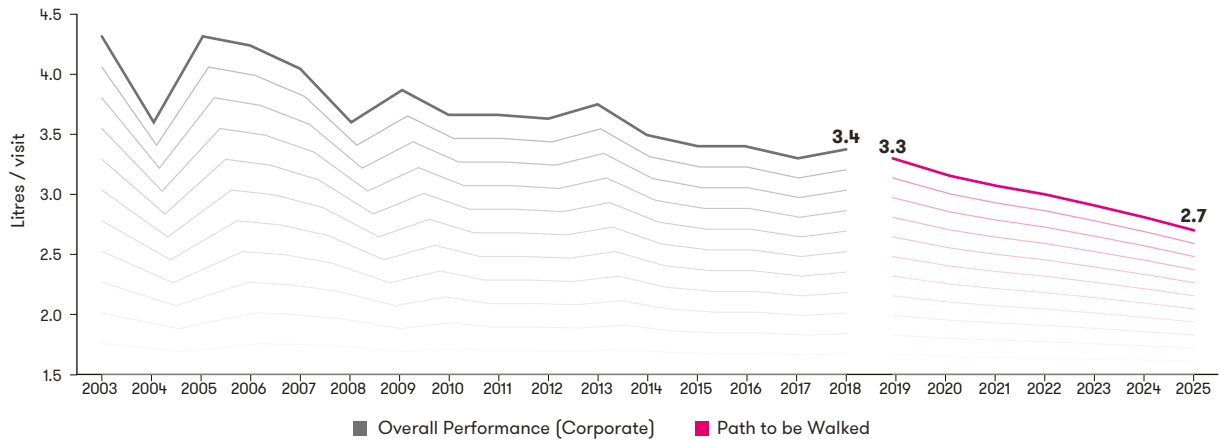
How we create value:

- Embed resource resilience strategies and a best in class Safety, Health & Environment Management System (SHEMS) across all our corporate operations.
- Engage with our partners to promote the uptake of our certified SHEMS and resource resilience initiatives across our development and investment portfolio.
- Encourage our clients to implement safe people and resource resilience initiatives in their own assets by demonstrating the business case and delivering sustainability services.
- Position ourselves as experts in energy and water strategies for real estate assets.
- Promote sustainable building certifications and develop resilient assets.

Performance summary

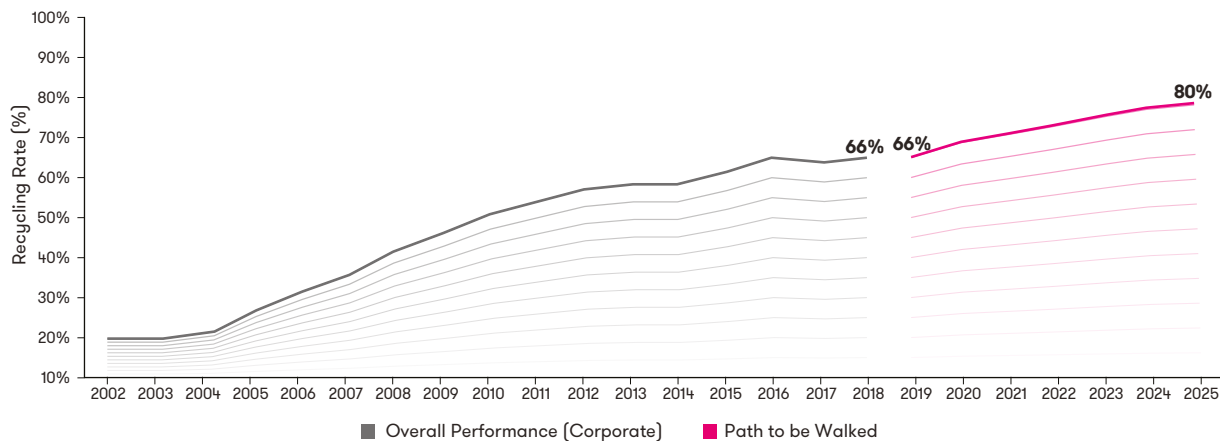
We have set a range of long-term objectives to improve the safety, health and environmental performance of our owned portfolio and corporate operations by 2025. Our historical performance, and progress towards our long-term safety, health and environment objectives is presented in the following charts.

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



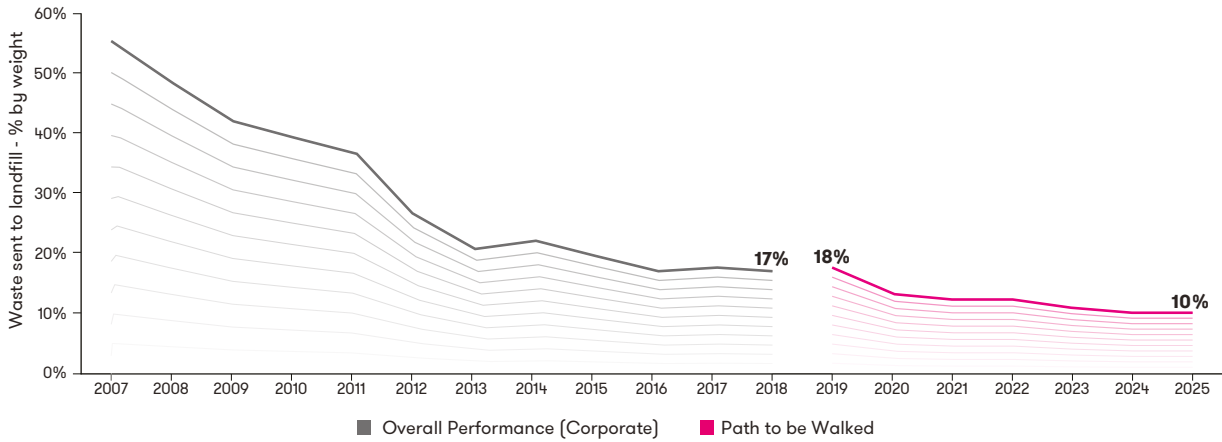
The water efficiency of our owned portfolio has improved by 21% since our baseline year of 2003. Our performance in 2018 means we achieved our annual target of 3.37 litres/visit. Our long-term objective is to improve our water efficiency to 2.7 litres/visit by 2025.

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



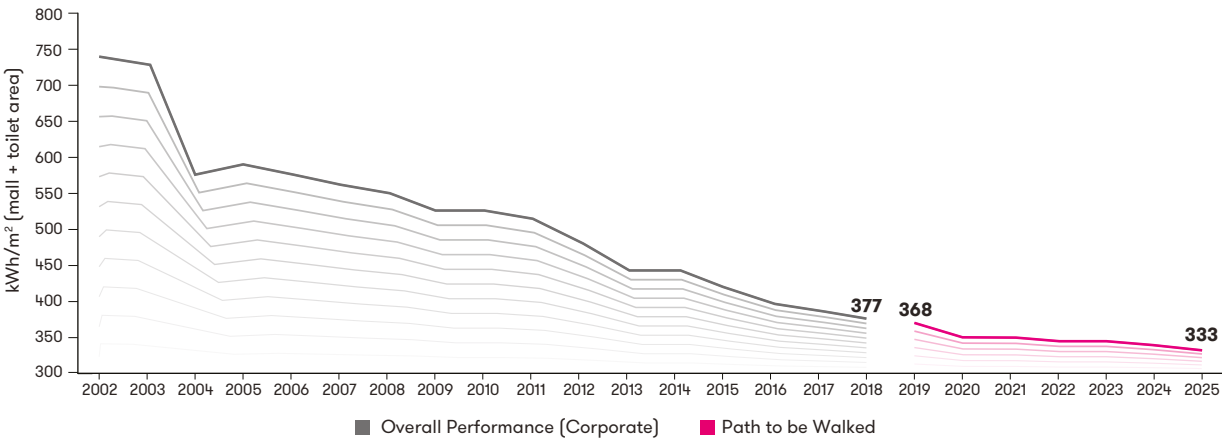
The proportion of waste that is recycled across our owned portfolio has increased by 248% since our baseline year of 2002. Our performance in 2018 means we exceeded our target of 64.4%. Our long-term objective is to achieve a recycling rate of 80% by 2025.

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



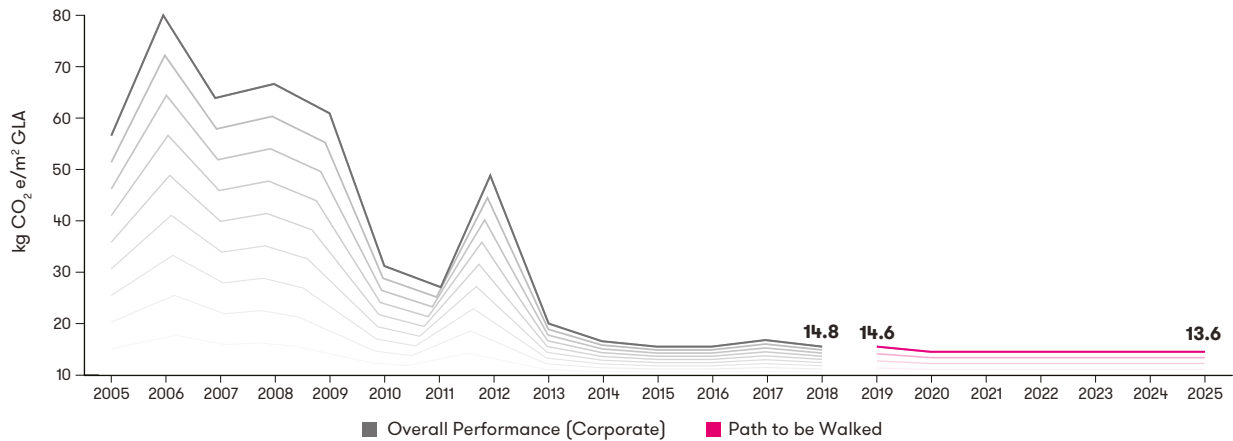
The proportion of waste that is sent to landfill across our owned portfolio has decreased by 69% since our baseline year of 2007. Our performance in 2018 means we exceeded our annual target to ensure that the landfill rate was not higher than 18.2%. Our long-term objective is to reduce the proportion of waste sent to landfill to 10% by 2025.

Electricity efficiency of the owned portfolio (kWh/m² mall and toilet area)



The electricity efficiency of our owned portfolio (excluding tenants) has improved by 49% since our baseline year of 2002. Our performance in 2018 means we achieved our annual target of 387 kWh/m². Our long-term objective is to achieve an energy efficiency performance of 333 kWh/m² by 2025.

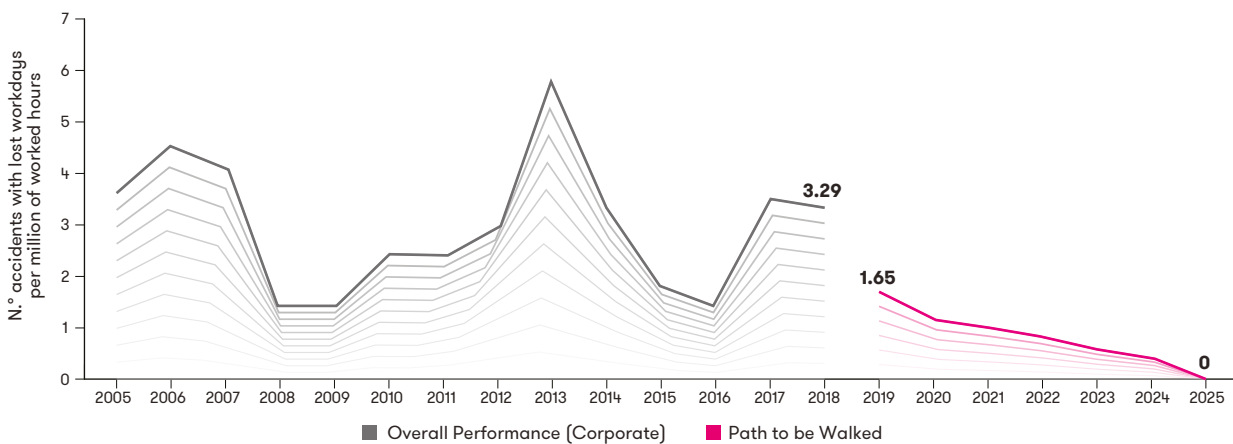
GHG Emissions: Scope 1 and 2 GHG emissions (kg of CO₂e/m² GLA)²



The GHG emissions intensity of our owned portfolio and corporate offices (Scopes 1 and 2, plus business air travel) has improved by 81% since our baseline year of 2005. Although in 2018 we improved our performance by 9%, we narrowly missed our annual target to achieve an intensity of 0.0156 tCO₂e/m² GLA (Scopes 1 and 2, plus business air travel).

Our revised long-term target aligns with the Science Based Targets initiative and now commits us to achieving an intensity of 13.6 kg CO₂e/m² GLA (Scopes 1 and 2) by 2025.

Accident rate (LWCAFR) among workforce³

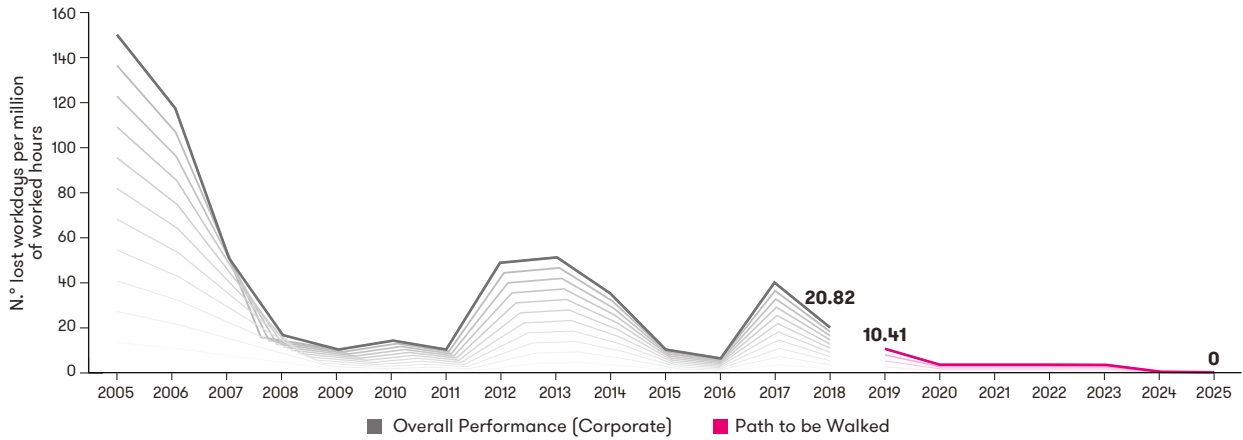


The rate of workforce injuries resulting in lost workdays has reduced by 9% since our baseline year of 2005. In 2018 we saw a 5% decrease in the injury rate but missed our annual targets of 1.37. The fluctuations in our performance emphasise the importance of continuously engaging with our workforce to promote the adoption of safer behaviour as our long-term objective is to reduce this to zero.

² The scope of the target was revised in 2018. Business air travel emissions are no longer part of the scope of this target.

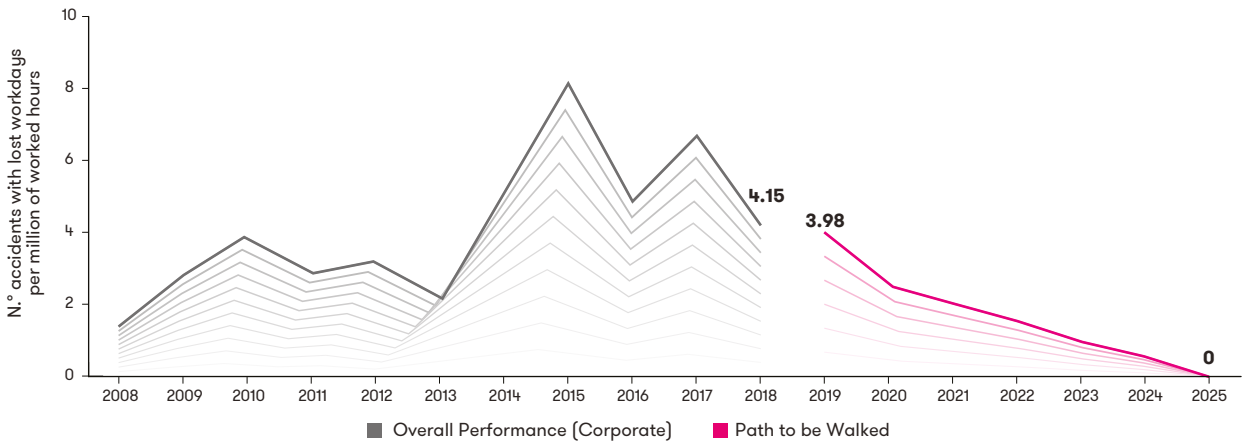
³ The LWCAFR is the number of accidents resulting in one or more lost workdays per million worked hours by Sonae Sierra workforce (direct employees and supervised workers).

Accident Severity Rate (ASR) among workforce⁴



The severity of workplace accidents has reduced by 86% since our baseline year of 2005. In 2018 we saw a 50% decrease in the accident severity rate but missed our target of reducing it to 6.00. Our long-term objective is to reduce this to zero.

Accident rate (LWCAFR) among suppliers in our owned portfolio⁵

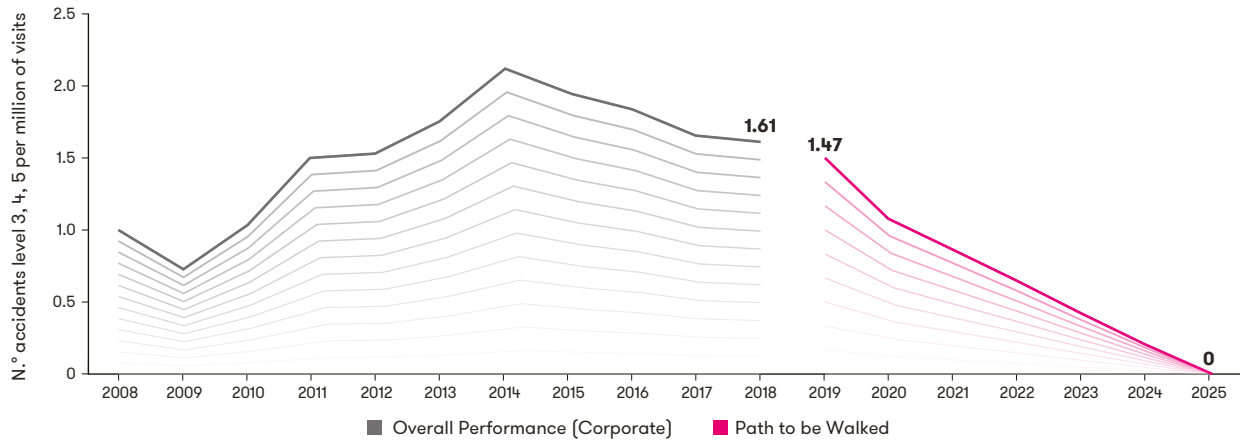


The rate of injuries resulting in lost workdays among service suppliers in our owned portfolio has increased from 1.39 in 2008 (our baseline year) to 4.15 in 2018. Although we did not meet our annual target of 3.50, this represents a 37% reduction compared with 2017. Our long-term objective is to reduce this to zero.

⁴ The ASR is the number of lost workdays of accidents per million worked hours by Sonae Sierra workforce (direct employees and supervised workers).

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

Level 3, 4 and 5 accident rate in our owned portfolio⁶



The number of level 3, 4 and 5 accidents per million visits to our shopping centres has increased from 1.0 in 2008 (our baseline year) to 1.61 in 2018. Although we did not achieve our annual target of 1.49, this represents a 2.6% reduction compared with 2017. Our long-term objective is to reduce this to zero.

⁶ Number of accidents of level 3, 4 and 5 among tenants, service suppliers, workforce and visitors per million visits. Level 3, 4 and 5 accidents are defined as those resulting in medical assistance, lost workdays/life disruption and fatality/permanent disability, respectively.

Safety, health and environment management

Our Safety, Health and Environment (SHE) Policy establishes our responsibility to conduct our activities so that risks towards people, assets and ecosystems are minimised, and benefits are enhanced. The policy is reviewed on a regular basis to ensure it continues to support our strategic objectives with respect to sustainability. The most recent review was conducted in 2018 when it was updated to promote engagement with our partners to ensure the continued adoption of high sustainability standards in our investment portfolios, and to encourage clients to implement sustainability in their own assets through the active marketing of our sustainability services.

The policy is supported by our fully integrated and certified Safety, Health and Environment Management System (SHEMS) which sets out the framework by which we manage our impacts, reduce our safety risks towards people (including employees, building users and suppliers) and improve our performance in relation to our assets and projects under development.

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

We have developed guidelines to ensure that we apply a consistent approach to SHE management across all our activities, as we grow our retail real estate services business and decrease our ownership stake in the assets that we own and develop in line with our business strategy. In particular, we agree with our partners and clients the best approach and strategy to meet their needs and the local market standards always aiming for the best solutions. If partners do not agree to implement our fully certified SHEMS, we implement a simplified SHEMS which includes critical SHE procedures and guarantees compliance with applicable laws governing health, safety and environment.

CRE6

We operate an annual audit programme to systematically audit our SHEMS at corporate and at site levels, covering all our owned shopping centres and projects under development which implement our SHEMS in full. In 2018, the percentage of the organisation operating in compliance with an internationally recognised health and safety management system was 48%.

	Direct Employees	Supervised Workers	Independent Contractors
Total workforce and Independent Contractors	1,057	50	11
Total number of direct employees, supervised workers and independent contractors, externally verified to be operating in compliance with OHSAS 18001	512	4	7
Percentage	48%	8%	64%
Total number of direct employees, supervised workers and independent contractors, internally verified to be operating in compliance with the safety and health management system (S&HMS)	988	12	10
Percentage	93%	24%	91%

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

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

PRE-DEVELOPMENT

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

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

DEVELOPMENT, EXPANSIONS AND REFURBISHMENTS

Our projects under development are required to ensure that SHE risks and characteristics unique to each site are managed adequately. We apply our Safety, Health and Environment Development Standards (SHEDS) in agreement with our partners to guarantee effective risk management from the outset of each shopping centre's development and into the operations phase, targeting our long-term priorities and critical impacts.

The SHEDS have been developed with reference to our own experience; best available techniques; international certification schemes such as LEED® and BREEAM and internationally recognised safety standards such as Protection Association (NFPA) and European safety standards. The implementation of the standards is checked through a final audit at the site. Compliance with local SHE regulations is also verified by competent authorities prior to opening.

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

We use the Safe Practice Index (SPI) audit tool to assess and improve safety conditions on construction sites operating under either a site-specific SHEMS or simplified SHEMP. The SPI measures the level of adherence to Sonae Sierra's Safety & Health requirements as construction works evolve. The higher the index, the higher the level of safety awareness amongst the construction workforce and the lower the risk of a safety incident.

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.

PROPERTY AND ASSET MANAGEMENT

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

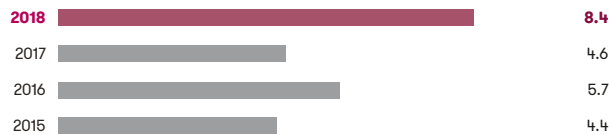
The full SHEMS sets out procedures to guarantee the safety of all building users and good environmental management. We also operate a corporate risk matrix that is used by centres to create a tailored risk matrix based on the safety and health risks to people. This includes defined procedures for routine activities, non-routine activities (such as fit outs and improvements to

tenant units) and emergency procedures. Any issues identified by these procedures are followed-up and corrective actions are taken. Where our SHEMS is implemented in full, we also provide tenant training on SHE issues, include SHE issues in tenant assembly meetings, and encourage tenants to actively participate in the shopping centres' SHE management. Campaigns and awareness raising events such as posters and presentations support these efforts by helping to raise awareness of the safety and health risks building users face.

We monitor and evaluate SHE performance on a regular basis using tools such as SHE Preventive Observations (SPO), emergency drills and SHE inspections and following-up on any non-conformities detected (covering safety-related equipment and installations in tenant units and technical areas). SPOs are a form of process review carried out in our shopping centres to observe workers, detect any instances of behaviours that present safety and health risks or environmental impacts, and engage with the person(s) involved to make them more aware of SHE risks. As SPOs allow us to identify and correct behaviour which could potentially lead to incidents, they are an important part of our incident prevention strategy.

The increase in non-conformities detected per hour of reference SPO in 2018 was due to a change in the SPO procedure, meaning that SPOs were only conducted in Romania where non-conformities have traditionally been higher than elsewhere in our portfolio.

Number of non-conformities detected per hour of reference SPO



Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting period. It relates to the number of non-conformities per hour of SHE Preventive Observations audited by the Sustainability Office team. The number of non-conformities per hour of SPO is calculated as the total number of SHE non-conformities in all sites divided by 80% of the total number of SPO hours performed in all sites.

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

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

INVESTMENT

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

Monitoring our performance

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

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

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

Most incidents recorded under this procedure cover safety and health incidents. Please see 'Workforce Health and Safety' (pages 106-107) 'Supplier Health and Safety' (pages 105-106) and 'Customer Health and Safety' (pages 104-105) for more information on our performance in these areas. We also have a non-conformities, preventive and corrective actions procedure in place to:

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

ENVIRONMENTAL ACCOUNTING

GRI 302-4 & 305-5

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

Significant actions are defined as actions that bring environmental and economic benefits to the organisation, producing relevant effects throughout the asset and/or equipment operating period. Actions are classified as intangible (where we know the amount invested but it is not possible to calculate the benefits associated) and tangible (where we present both the investment eligible for Environmental Accounting and the associated environmental and economic benefits).

In 2018, Sonae Sierra was able to avoid 24,350 tCO₂e and 9,443 GJ of energy because of significant actions implemented in 2018, and 25,940 tCO₂e and 6,847 GJ of energy because of significant actions implemented in previous years.

Domains	Intangible Significant Actions		Tangible Significant Actions					
	Expenditure (eligible for Environmental Accounting) €	Number of Significant Actions	Expenditure (eligible for Environmental Accounting)	Number of Significant Actions	Economic benefit	Environmental benefit		
					Potential Yearly Savings €	Reduction of water consumption (m ³)	Reduction of electricity consumption (kWh)	Reduction of CO ₂ e emissions (tonnes CO ₂ e)
Air	-	-	-	1	-	-	-	24,230
Health and well being	€ 443,000	46	-	-	-	-	-	-
Energy	€ 395,000	18	€ 1,155,000	24	€ 312,000	-	2,623,000	120
Water	€ 308,000	30	€ 27,000	2	€ 21,000	6,000	-	-
Ecosystem	€ 19,000	1	-	-	-	-	-	-
Emergencies	€ 5,000	1	-	-	-	-	-	-
Noise	-	-	-	-	-	-	-	-
Wastewater	€ 20,000	15	-	-	-	-	-	-
Waste	€ 237,000	14	-	-	-	-	-	-
Environmental management activities	€ 498,000	106	-	-	-	-	-	-
Social activities	-	-	-	-	-	-	-	-
TOTAL FROM THE YEAR	€ 1,925,000	231	€ 1,182,000	27	€ 333,000	6,000	2,623,000	24,350
2018 Benefits from significant actions implemented in previous years	€ 947,000	145	€ 762,000	104	€ 2,099,000	94,000	14,836,000	360

Green building standards and ratings

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

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

CRE 8 Type and number of sustainability certifications, rating and labelling schemes for new construction, management, occupation and redevelopment

To date, we have achieved ISO 14001 certifications for the site-level SHEMS of 26 completed construction projects and 52 assets in operation. We have also obtained OHSAS 18001/ISO 45001 certifications for 10 completed construction projects and 48 assets in operation, and green building certificates for eight developments and assets currently under operation.

Currently 44% of our assets under operation are certified according to ISO 14001 and 42% are certified according to OHSAS 18001/ ISO 45001.

Number of sustainability certifications achieved at shopping centres currently in operation

Certification	Number
ISO 14001 Certification	20
OHSAS 18001/ ISO 45001 Certification	19 (11+8)
BREEAM in-use	6
UNE 170001-2	8
Total	53

Number of sustainability certifications achieved to date

	ISO 14001	OHSAS 18001/ ISO 45001	EU EPC	DGNB	BREEAM / BREEAM in-use	UNE 170001
Operations (owned shopping centres)	52	48	36	-	6	10
Developments	26	10	-	1	1	-

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation at the end of the reporting period and all development projects to date.

GRI 417-1 & 417-2

Under the European Union's Energy Performance of Buildings Directive, we are required to ensure that all our assets undergoing major renovations meet minimum energy performance requirements; and that Energy Performance Certificates (EPCs) must be shared with prospective buyers and tenants of a building. We are meeting these requirements in each EU member state that we operate in, and by the end of 2018 EPCs were in place across 92% of our European portfolio.

During 2018 there were no incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling.

Building health, wellbeing and productivity

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

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

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

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

Our SHEMS includes a transversal procedure to identify and evaluate safety and health (S&H) hazards and risks to Sonae Sierra's stakeholders. The evaluation is made for all activities covering corporate offices, assets in operation and development projects with a SHEMS or on-site SHEMP. Through this procedure we identify the potential consequences to people, identifying both injuries (e.g. cuts, burns etc.) and occupational diseases (e.g. musculoskeletal disorders, hearing loss etc.).

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

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

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

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

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

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

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

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

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

Customer health & safety

We work to provide a safe environment for everyone who visits or works within a Sonae Sierra shopping centre, aiming towards zero accidents, and to promote safety and health conscious behaviour among our tenants and visitors. We monitor progress towards this goal by tracking the level 3, 4 and 5 accident rate in our owned shopping centres. Although we did not achieve our target accident rate of 1.49, we did achieve a 2.6% reduction what was largely due to fewer accidents involving visitors in Spain, Brazil, Italy and Germany.

Level 3, 4 and 5 accident rate of our owned portfolio⁷



Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting period except for Portimão Retail Center in Portugal.

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

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

If necessary, we work with our suppliers to put in place preventive measures. For example, we developed a protective handrail in cooperation with the escalator manufacturer Schindler Portugal. The handrail was developed in response to several accidents involving children on escalators at shopping centres not owned by Sonae Sierra. So far, handrail protectors have been rolled out across all our owned shopping centres in Portugal, Brazil (except for Shopping Passeio das Águas), Spain (except for Plaza Mayor), Gli Orsi in Italy and ParkLake in Romania.

These efforts are supported by specific campaigns targeted at shopping centre visitors, such as at CascaiShopping in Portugal where between 2015 and 2017 an educational awareness campaign with the manufacturer Tyssen aimed to teach children how to use escalators safely.

GRI 416-2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their lifecycle, by type of outcomes

Country	Incidents of non-compliance with regulations resulting in a fine or penalty	Incidents of non-compliance with regulations resulting in a warning	Incidents of non-compliance with voluntary codes
Brazil	-	1	-
Romania	1	2	-
Total	1	3	-

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

Country	Number of dangerous occurrences, reportable injuries and fatalities to non-workers on or off a site or assets as a result of non-compliance with regulation and voluntary codes
Portugal	403
Brazil	133
Germany	6
Italy	7
Romania	4
Spain	53
Total	606

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the reporting period, except for Portimão Retail Center in Portugal, and all shopping centres managed but not owned by Sonae Sierra during the reporting period.

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

Our emergency operations plan sets out the organisational measures and security procedures our shopping centre management teams, tenants and service suppliers must follow in the event of an incident. We have communicated the procedures to our tenants in Europe and provided training for employees and service suppliers across our portfolio. We conduct regular drills in these countries to test the procedures and response rate. As well as testing our preparedness, the drills offer an opportunity to train new employees and test our coordination with the relevant safety and civil protection authorities thereby allowing us to refine our approach.

The procedures, which are updated regularly, have been communicated to tenants, service suppliers and shopping centre staff across our portfolio in all geographies.

Supplier health & safety

Our service suppliers management procedures (detailed on [page 78](#)) ensure that our main suppliers' performance meets with Sonae Sierra's SHE requirements.

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

In agreement with our partners, all new shopping centre development projects must implement a site-specific SHEMS and achieve certification in accordance with the OHSAS 18001 standard for the entire construction phase, or implement a simplified SHEMP if they decide not to pursue certification.

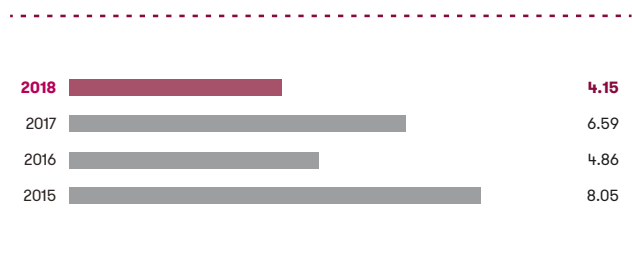
Compliance with the SHEMP is ensured by full time S&H coordinators who validate contractors' processes and risk assessments and, if necessary, establish additional control measures. The S&H coordinators and outsourced project management teams carry out permanent S&H supervision and planning on construction works identifying and correcting unsafe actions wherever necessary.

Regular meetings and annual training sessions with our security, maintenance, cleaning and waste suppliers are performed to discuss common issues and highlight basic housekeeping procedures that help reduce safety risks. We also carry out emergency practice drills at all owned shopping centres, and in 2018 conducted on average 2.1 drills across our shopping centres and corporate offices covering evacuations, fire, gas leakages, floods, explosions, spills and security threats.

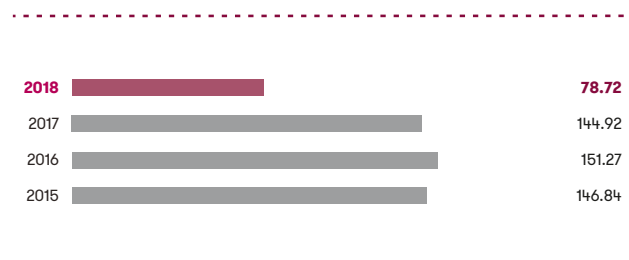
We monitor our performance by tracking the Accident Rate (LWCAFR) among suppliers in all our owned shopping centres (see [page 94](#)) and construction sites. In 2018 we achieved an accident rate of 4.15 per million hours worked. Although we did not meet our annual target of 3.50, this represents a 37% reduction compared with 2017, and is largely due to a significant decrease in the number of accidents in Portugal and Spain.

We investigate the cause of all level 4 and 5 incidents, near misses and any level 2 and 3 incidents that are considered important (for example if several incidents of a similar nature have happened) and communicate these across the Company so that lessons can be learned to avoid repeat occurrences. This is done through 'Alerts', a communication tool that is used during the construction and operational phases of our owned shopping centres. We monitor our performance by tracking the Accidents Rate (LWCAFR) and the Accidents Severity Rate (ASR) among suppliers in all our owned shopping centres:

Accidents rate (LWCAFR) among suppliers, of our owned portfolio



Accidents Severity Rate (ASR) among suppliers, of our owned portfolio



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

The ASR is the number of lost workdays of accidents per million worked hours by our service suppliers.

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

Workforce health & safety

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

GRI 403-2

Our goal is to enhance the wellbeing of our workforce and reduce the rates and severity of workplace accidents and occupational diseases, aiming towards zero. We monitor our progress by tracking injuries, occupational diseases, lost days and absenteeism among our employees, and the total number of work-related fatalities. In 2018 we saw a 5% decrease in the injury rate and a 50% decrease in the lost day rate compared to 2017 but missed our targets of 1.37 and 6.00 respectively. Most lost workdays are due to *in itinere* incidents. For more information on our initiatives in relation to health and wellbeing, see [Knowledge, page 145](#)).

	Injury Rate (LWCAFR)	Occupational disease rate	Lost day rate (ASR)	Absentee rate	Fatalities
Sonae Sierra workforce (direct employees and supervised workers)	3.29	-	20.82	0.02	-

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

The formulas used to calculate the presented rates are:

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

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

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

We provide education and training, counselling and prevention programmes for employees and their families regarding serious diseases or potential long-term damage to health. These programmes cover diseases and common risks associated with Sonae Sierra activities identified under our S&H risk and evaluation procedures (see [page 102](#)).

Travel risks

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

We undertake regular drills that simulate various incident scenarios in high-risk countries. The results are used to update our travel risk procedures, ensure the robustness of our training programme and to test the efficacy of International SOS support.

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

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

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

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

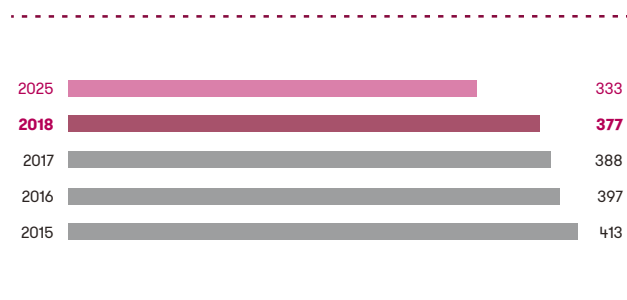
Energy

According to the International Energy Agency (IEA), the built environment (including buildings and construction) is responsible for around 36% of the world’s total final energy use and 39% of energy-related carbon dioxide (CO₂) emissions⁸. Regulations on the energy consumption and GHG emissions of buildings are becoming more stringent. Consequently, high energy consuming and carbon-emitting buildings are likely to become less attractive to investors and occupiers in the future. On the contrary, more eco-efficient, low-carbon assets which generate their own energy on-site from renewable sources are likely to sustain their value in the long-term.

Within the scope of our SHEMS (see pages 96-100) we monitor and manage the energy performance of our owned shopping centres. We are committed to improving the energy efficiency of our activities and implementing measures to increase our energy self-sufficiency as part of a dual strategy to reduce our reliance on volatile fossil-fuel derived energy markets.

In 2018 the electricity efficiency of our owned portfolio (excluding tenants) was 377 kWh/m² mall and toilet area, meaning we achieved our target of 387 kWh/m² due to a mixture of both climatic conditions and equipment upgrades. Our long-term target is to achieve an energy efficiency performance of 333 kWh/m² by 2025.

Electricity efficiency (excluding tenants) of our owned portfolio
(kWh/m² mall and toilet area)



Performance by country			
	2017 kWh/m ²	2018 kWh/m ²	Variation %
Global	388	377	-3% ●
Brazil	379	377	-1% ●
Germany	580	560	-3% ●
Italy	427	421	-2% ●
Portugal	391	373	-4% ●
Romania	480	448	-7% ●
Spain	253	270	7% ●

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

⁸ Global Alliance for Buildings and Construction (GABC) Global Status Report 2017

**Electricity efficiency
in our corporate offices**
(kWh/m²)

2018		89
2017		93
2016		91
2015		91

Data Qualifying Note: This indicator includes two out of three corporate offices with a SHEMS in place (Lisbon, Maia and São Paulo). The Maia office in Portugal was excluded since electricity consumption isn't known because it is in a shared floor/building with no individual meters.

Energy management through all relevant stages of the asset life cycle

Energy efficient designs, including energy performance targets and innovative engineering solutions, are included in our Safety, Health and Environment Development Standards (SHEDS) (see [page 97](#)). Within the SHEDS, we specify the use of energy efficient boilers, air conditioning systems and other fit out equipment such as lighting and appliances. Rules to encourage greater energy efficiency include lifecycle consumption analysis and performance criteria covering HVAC equipment and common area lighting, as well as recommendations for energy efficient tenant lighting.

The SHEDS also determine that we explore possible renewable and low-carbon technologies during design, such as passive solar design or natural ventilation in line with broader policy objectives such as the EU's Energy Performance of Buildings Directive which requires all new buildings to be nearly zero-energy by 2020.

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

During the operations phase, we ensure shopping centres are run as efficiently as possible. Since 2013 we have rolled out an energy modelling tool (Bright project) which enables us to calculate the optimised theoretical energy consumption of a shopping centre and then compare this with its actual usage, making it possible to easily detect and remedy any inefficiency. The methodology provides a holistic insight into every aspect of an asset's operations – from building and energy systems, to the behaviour of the people using it and the climatic region – allowing asset owners to set targets for each shopping centre, thereby reducing energy expenditure and improving their carbon footprint.

Since 2013 the programme has enabled Sonae Sierra to identify 250 energy optimization measures, 76% of which were implemented across 28 shopping centres. With a total investment cost of €2.3 million, 189 of these measures were implemented and allow Sonae Sierra to avoid annually 19,100 MWh of electricity (representing 11% of our annual electricity consumption) and € 2.4 million in costs. This also delivered a reduction in greenhouse gas emissions equivalent to 13% of our 2018 carbon footprint (Scope 1 and 2 emissions based on grid average emissions factors). The remaining measures will avoid up to an additional €1.2 million in costs on an annual basis and further electricity savings of 8,700 MWh.

Recognising its potential, Bright was awarded a Silver Stevie® Award in the "Energy Industry Innovation of the Year" in the 15th Annual International Business Awards®.

We are also looking at opportunities to increase our resilience – with regards to our reliance on fossil fuel-based energy – by identifying opportunities to generate renewable energy at our shopping centres. Following a pilot study to test the feasibility of installing photovoltaic panels across four assets in Portugal, we plan to proceed with installation of our first such system at MaiaShopping. We also procure green electricity through the grid to power shopping centres in Portugal, Germany, Italy and Spain, and in 2018 around 60% of electricity consumption (excluding tenants) was procured from green sources across these markets.

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

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

- The European Union's Directive 2018/844 which amends Directive 2010/31 on the Energy Performance of Buildings, and Directive 2012/27 on Energy Efficiency. The Directive mandates, among other things, that new buildings and buildings undergoing major renovations must meet minimum energy performance requirements, and that minimum energy performance standards must apply to building elements and technical building systems whenever they are installed, replace or upgraded. This includes the requirement that from 2020, all new buildings should be "nearly zero energy". Secondly, Energy Performance Certificates (EPCs) must be shared with prospective buyers and tenants of a building. We are meeting these requirements in each EU member state that we operate in.
- European Union Regulation (EC) n° 1005 of 16 September 2009 (that starting from the 1 January 2010 replaces the Regulation (EC) 2037/2000) on the management of Ozone Depleting Substances for general protection of stratospheric ozone. This includes obligations for operators of refrigeration, air conditioning or heat pump equipment and fire protection systems.
- Regulation (EU) n° 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases and repealing Regulation (EC) n° 842/2006. The regulation's objective is to protect the environment by reducing emissions of fluorinated greenhouse gases.
- Directive (EU) 2015/2193 of the European Parliament and of the Council of 25 November 2015, that establishes rules to control emissions of certain pollutants and dust into the air from medium combustion plants, as well as rules to monitor emissions of carbon monoxide.

At the national level, the most significant include:

- Energy efficiency requirements for operational buildings in countries where we own and manage shopping centres. For example, in Spain Royal Decree 235/2013 establishes energy efficiency certification procedures for buildings. In Germany, the Energy Saving Ordinance sets out thermal insulation standards for commercial buildings, including the refurbishment of existing buildings and the construction of new buildings. In Portugal, Decree n.º 118/2013 establishes a national energy performance certification system and sets our regulations covering the thermal behaviour of buildings.
- Legislation implemented at a national level in response to EU-level legislation. For example, Portugal's Decree number 68-A/2015, Germany's Energy Saving Act (2013), Italy's Legislative Decrees 102/2014 and 192/2005 and Spain's Royal Decree 56/2016 that all result from the transposition of European Union Directives on the Energy Performance of Buildings and Energy Efficiency.
- Legislation implemented at a regional level, such as the ORDEN 20 May 2015, which establishes the periodicity of atmospheric emissions controls in potentially polluting activities according to their classification in the Aragón Autonomous Region.

At an industry level, we subscribe to several voluntary commitments to reduce energy consumption and GHG emissions associated with our activities; these are reported under GRI 102-12 on [page 82](#).

Energy reduction achievements

In addition to monitoring the electricity efficiency (excluding tenants) of our owned portfolio, we also monitor the direct energy consumption and building energy intensity of our shopping centres and corporation offices.

GRI 302-1 Energy consumption within the organisation

Shopping centres	GJ
Total electricity consumption	903,982
Total fuel consumption from non-renewable sources (Natural gas and LPG consumption)	210,312
Total heating consumption	15,760
Total cooling consumption	115,224
Total electricity sold	37,523
Total	1,207,755
Corporate offices	GJ
Total electricity consumption	1,593
Total fuel consumption from non-renewable sources (Petrol and diesel for car fleet)	13,111
Total fuel consumption from renewable sources (Ethanol for car fleet)	811
Total	15,516
TOTAL (shopping centres and corporate offices)	1,223,271

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year (except for Portimão Retail Center in Portugal where data is not available) and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo). Electricity consumption at the Maia office in Portugal as excluded as it is in a shared floor/building with no individual metres. Fuel consumption includes all corporate main offices (Lisbon, Maia, São Paulo, Milan, Madrid, Düsseldorf and Bucharest). The conversion factor used to convert kWh to GJ is 0.0036, as defined by the International Energy Agency (IEA). The conversion factors used to convert fuel to GJ are all from GRI Guidelines, except for ethanol and liquefied petroleum gas (LPG). Since ethanol is only consumed in Brazil we have used a specific conversion factor for that country. For LPG we have used the conversion factor available in the IEA Oil information publication (2012 edition).

GRI 302-3 Energy intensity, including tenants

Shopping Centres	kWh/m ² of mall and toilet area
Portugal	620
Brazil	837
Germany	763
Italy	557
Romania	1,436
Spain	309
Global Intensity	676

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

CRE 1 Building energy intensity, excluding tenants

Shopping Centres	kWh/m ² of mall and toilet area
Portugal	533
Brazil	377
Germany	742
Italy	557
Romania	718
Spain	309
Global Intensity	481

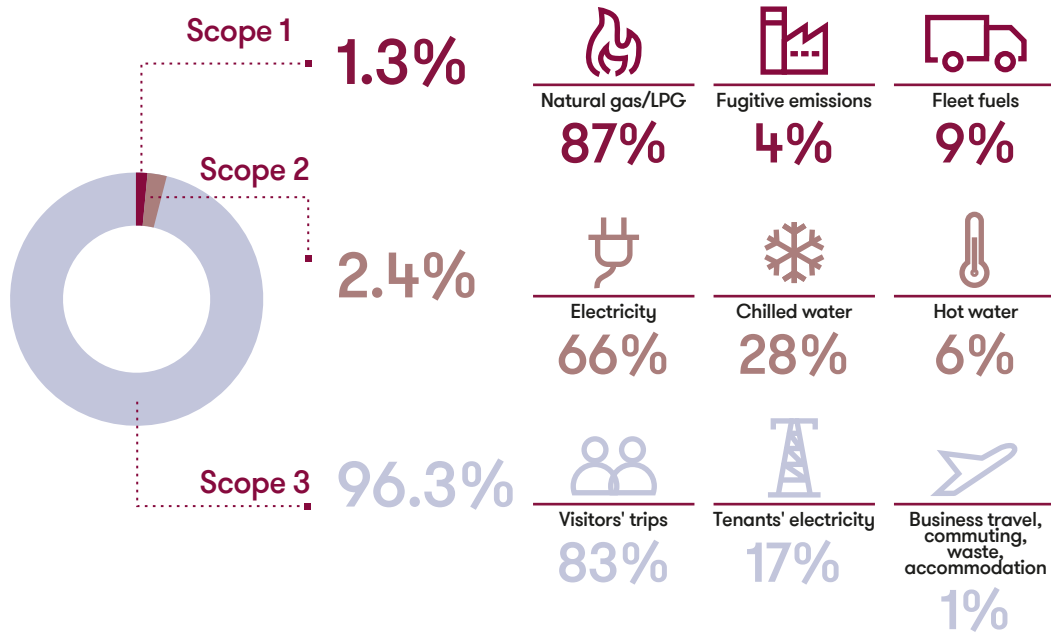
Corporate Offices	kWh/m ² of mall and toilet area
Portugal	42
Brazil	169
Global Intensity	89

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

Emissions

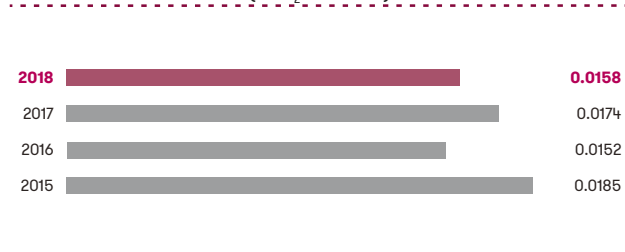
OUR CARBON FOOTPRINT

The most significant contribution to our carbon footprint (96%) comes from the emissions associated with the activities of our tenants, and vehicle emissions produced by people visiting our shopping centres. While we have no direct control over these Scope 3 emissions, we nonetheless work to educate our tenants about saving energy and reducing GHG emissions from their activities. Many of our centres are also working to improve access by public transport and encourage its use by featuring public transport timetables and bicycle storage facilities.



Aside from this, we have set a long-term commitment that aligns with the Science Based Targets initiative to reduce scope 1 and 2 emissions from our owned portfolio and corporate offices. In 2018, we continued to make progress towards our previous target, achieving a GHG emissions intensity of 0.0158 tCO₂e/m² GLA, equivalent to a 9% reduction compared with 2017 although we narrowly missed our annual target to achieve an intensity of 0.0155 tCO₂e/m² GLA.

GHG emissions of owned portfolio and corporate offices
- GHG Protocol scopes 1 and 2, plus business air travel
[tCO₂e/m² GLA]



Performance by country

	2017	2018	Variation %
	tCO ₂ e/m ² GLA	tCO ₂ e/m ² GLA	
Global	0.017	0.016	-9% ●
Brazil	0.011	0.009	-19% ●
Germany	0.020	0.019	-8% ●
Italy	0.010	0.031	209% ●
Portugal	0.022	0.020	-11% ●
Romania	0.063	0.043	-32% ●
Spain	0.003	0.003	6% ●

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year (except for Portimão Retail Center in Portugal where data is not available), and all corporate offices with a SHERMS (Lisbon, Maia and São Paulo). Fleet fuel consumption was considered for all corporate offices (Lisbon, Maia, São Paulo, Milan, Madrid, Düsseldorf and Bucharest). The numerator used to calculate this indicator includes Scope 1 and 2 emissions according to the GHG protocol methodology, plus Scope 3 emissions regarding business air travel. The denominator includes the GLA of shopping centres. The emissions associated with energy purchased on behalf of tenants are not included.

GHG emissions of owned portfolio and corporate offices
- GHG Protocol scopes 1 and 2
[kgCO₂e/m² GLA] - New target from 2019 onwards



Policy on carbon management, including policy position on carbon offsetting

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

Our primary strategy to achieve this is through energy efficiency initiatives. We have not established a policy with regards to carbon offsetting.

It is also part of our strategy to advocate more sustainable practices at an industry level and information on our advocacy positions can be found on [page 82](#).

Scope 1 and 2 emissions

In addition to monitoring the GHG emissions intensity (excluding tenants) of our owned portfolio, we also monitor our absolute Scope 1 and 2 emissions and building intensity (which includes Scope 3 emissions from waste).

GRI 305-1 Direct greenhouse gas (GHG) emissions (Scope 1)

	tCO ₂ e
Natural Gas	8,723
LPG	8
Fleet fuels	941
Fugitive emissions	406
Total	10,079

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year (except for Portimão Retail Center in Portugal), and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo), except for fleet fuels where all corporate main offices (Lisbon, Maia, São Paulo, Milan, Madrid, Dusseldorf and Bucharest) were included due to the materiality of these emissions. Scope 1 direct emissions are from sources that are owned or controlled by Sonae Sierra, e.g. the company car fleet, air-conditioning equipment, boilers and cogeneration plants. The emissions in tonnes of CO₂ equivalent (tCO₂e) have been calculated in accordance with the GHG protocol methodology and relate to the emissions from energy sources over which Sonae Sierra has financial control.

GRI 305-2 Indirect greenhouse gas (GHG) emissions (Scope 2)

	tCO ₂ e
Electricity	12,127
Chilled Water	5,078
Hot Water	1,111
Total	18,316

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

The emissions in tonnes of CO₂ equivalent (tCO₂e) have been calculated in accordance with the GHG protocol methodology using the market-based approach, as in several locations Sonae Sierra purchases energy from renewable sources. The greenhouse gas emissions that have been avoided by Sonae Sierra as a result of purchasing green electricity are disclosed on [page 100](#) under the significant actions from 'Air' domain. CO₂ emissions using the location-based approach are more than double the value of the market-based approach.

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

GRI 305-4 Greenhouse gas (GHG) emissions intensity

Shopping centres	Excluding tenants (tCO ₂ e/m ²)	Shopping centres	Including tenants (tCO ₂ e/m ²)
Portugal	0.274	Portugal	0.056
Brazil	0.121	Brazil	0.037
Germany	0.645	Germany	0.078
Italy	0.469	Italy	0.124
Romania	0.304	Romania	0.159
Spain	0.489	Spain	0.013
Total	0.302	Total	0.055

Data Qualifying Note: This indicator covers all shopping centres owned by Sonae Sierra in operation during the full reporting year (except for Portimão Retail Center in Portugal) and all corporate offices with a SHEMS (Lisbon, Maia and São Paulo).

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

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

Scope 3 emissions

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

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

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

GRI 305-3 Other indirect greenhouse gas (GHG) emissions (Scope 3)

In 2018, total recorded Scope 3 emissions were 729,887 tCO₂e. The increase compared with 2017 (725,150 tCO₂e) is mainly due to an increase in emissions associated with tenants' electricity. No emissions associated with materials for new construction were recorded as no applicable construction projects were completed in 2018.

	tCO ₂ e
Tenants' Electricity	121,266
Air Travel	2,040
Rail Travel	12
Hotel Accommodations	83
Commuting	1,082
Visitors' Trips	603,012
Waste	2,393
Total	729,887

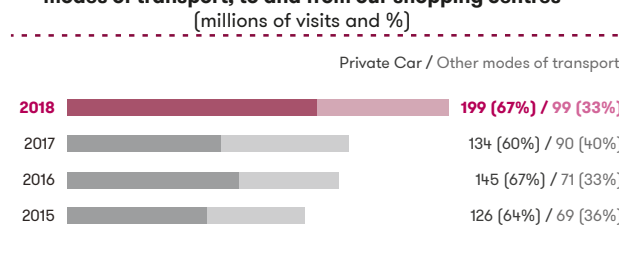
Data Qualifying Note: This indicator includes indirect emissions from all shopping centres owned by Sonae Sierra and in operation during the full reporting year (except for Portimão Retail Center in Portugal), all corporate offices with a SHEMS (Lisbon, Maia and São Paulo). It also includes other indirect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

This indicator includes emissions from:

- **Tenants' electricity consumption:** Except for Manuara Shopping, ParkLake and River Plaza Mall where the electricity consumed by tenants is fully purchased by Sonae Sierra, most tenants purchase their own electricity. The average tenant-type energy intensity per square meter is known from a recent energy performance study. To calculate GHG emissions from electricity consumed by tenants, an estimation was made based on this energy intensity, tailored to each shopping centres' specific yearly occupation (occupied GLA by type of tenant), and the amount of electricity (kWh) purchased by Sonae Sierra on behalf of its tenants.
- **Business travel (flights):** GHG emissions are calculated using the atmosfair.de carbon from flights calculator. This calculator uses a set of emission factors which are sensitive to the distance travelled, the type of seat (economy, business, first class), the number of stop-overs, and it includes radiative forcing to account for the emissions in high altitude. Emissions from flights are assigned to the country that is home to the sub company that purchased the tickets.
- **Business travel (trains):** GHG emissions are calculated by multiplying the distances travelled by train by country-specific emission factors. Emissions from train travel are assigned to the country that is home to the sub company that purchased the tickets.
- **Hotel stays:** GHG emissions are calculated by multiplying the number of room nights in hotels by Sonae Sierra's employees by a representative emission factor of the industry. Emissions are assigned to the country that is home to the sub company that requested the reservation.
- **Employee commuting:** Sonae Sierra conducts a climate survey to understand how its employees go about their daily commuting. The survey allows for the estimation of the yearly distance travelled by our employees per transport mode. To calculate GHG emissions, these transport mode distances are multiplied by their respective (country-specific) emission factors.
- **Visitor trips:** Sonae Sierra regularly conducts mall tracking surveys to understand how visitors travel to Sonae Sierra shopping centres. The surveys allow for the estimation of the distance travelled (by transport mode) of an average mall visitor. To calculate GHG emissions, these transport mode distances are multiplied by their respective (country-specific) emission factors. The result is an average carbon emission factor per visitor per shopping centre. Finally, this specific emission factor is multiplied by the total number of yearly visits.
- **Waste:** GHG emissions are calculated by multiplying the different amounts of waste (in tonnes) by the emission factors that are specific to the destination that is given to each type

The most significant contribution to our carbon footprint is typically from visitor travel to our shopping centres. This accounts for most of our total carbon footprint (80% in 2018). Most visits to our shopping centres are made by private car, and we can seek to influence this by improving access to public transport.

Number and percentage of visits made by private car and other modes of transport, to and from our shopping centres



Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the reporting period except for Portimão Retail Center in Portugal. Values reported consider only shopping centres which performed Mall Tracking studies (which allow us to identify the number of visits made by private car) in 2018.

Policy and practices on reducing fugitive emissions

During the construction phase, besides the energy efficiency measures described on [page 109](#), we put in place several steps to reduce other emissions of diffuse particles such as dust. Guidelines cover the correct storage of pulverised material; regular spraying of site areas where the production, accumulation and re-suspension of dust may occur; regular cleaning of site areas to clear waste materials; procedures covering the transportation of construction waste; regular washing of truck and other machinery; loading and unloading procedures; the use of dust traps for demolition waste crushers; and actions to be taken in the event of a cargo spill.

Climate change risks and exposure

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

GOVERNANCE AND RISK MANAGEMENT

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

STRATEGY AND RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

METRICS AND TARGETS

We have set a long-term target to implement a climate change adaptation strategy by 2025. For example, we have updated our due diligence procedures and Safety, Health and Environment Development Standards (SHEDS) to ensure risks related to weather related events are evaluated; and we address specific climate change adaptation priorities for each business activity by ensuring that our design standards for new developments and our procedures for operational assets ensure adequate protection against heavy rainfall and an effective response in cases of flooding.

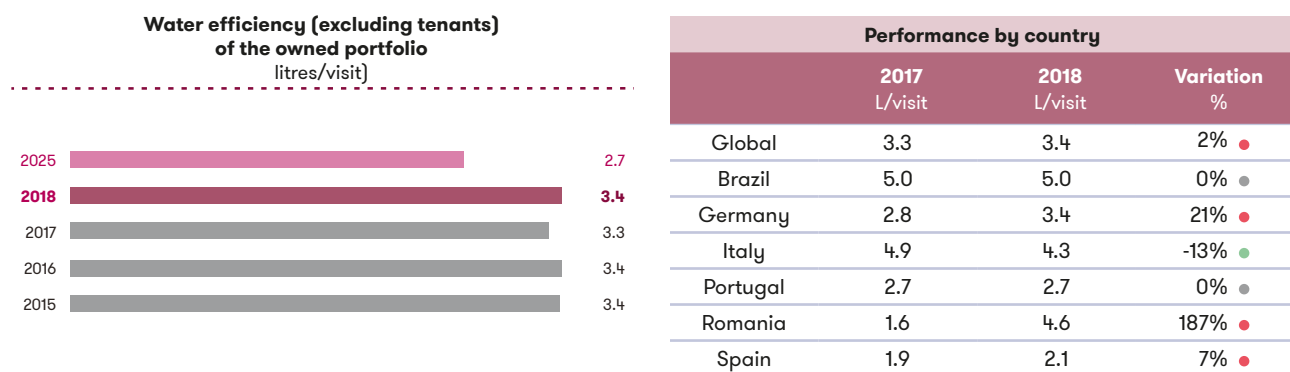
Furthermore, in addition to monitoring our Scope 1, 2 and 3 greenhouse gas emissions, we have set a target that commits us to achieving an intensity of 0.0136 tCO₂e/m² GLA by 2025 (GHG Protocol Scopes 1 and 2).

Water

Sonae Sierra shopping centres rely on some 1.2 million m³ of water per year (excluding tenant activities) to deliver day-to-day services such as cleaning, WC facilities and irrigation. The majority (55%) is drawn from municipal supplies, and as demand for fresh water becomes ever greater around the world due to population growth, urbanisation, increased economic activity and climate change, we need to ensure we have adequate supplies for all our shopping centres, particularly those in areas that are vulnerable to shortages, such as Portugal, Brazil and Spain.

Within the scope of our SHEMS (see pages 96-100) we monitor and manage the water consumption of our owned shopping centres. We are committed to reducing water consumption by increasing the efficiency of our activities and using innovation and technology to rethink how water is used and managed at Sonae Sierra owned shopping centres. By improving the water efficiency of our portfolio and integrating systems for rainwater harvesting and water reuse on our sites, we can reduce our exposure to water scarcity risks and minimise our water footprint, which prepares us for potential future legislation and avoids costs.

In 2018 we achieved a water efficiency performance of 3.4 litres/visit (excluding tenants) meaning we achieved our annual target. This was due to climatic conditions reducing irrigation needs across our portfolio in Portugal and Italy. Our long-term target is to achieve a water efficiency performance of 2.7 litres/visit by 2025.



Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year except for Portimão Retail Center in Portugal where consumption data is not available, and Albufeira Retail Park (also in Portugal) where visitor numbers have not been recorded. This indicator is calculated as the total water consumption (excluding tenants), divided by the number of visits in the reporting year. Water efficiency at ParkLake in Romania is calculated based on consumption from municipal supplies only as rainwater collection is not measured.

We currently have 48 groundwater harvesting or water reuse/recycling systems in place across 28 shopping centres (representing 62% of our investment portfolio that is included in the scope of our environment indicators). The systems implemented enabled us to avoid the withdrawal of more than 714,000 m³ of water from municipal supplies in 2018, which represents 33% of our total water consumption (including water purchased on behalf of tenants). For shopping centres located in water-stressed areas, the implementation of water efficiency measures and reuse measures has even greater significance.

Water use management through all relevant stages of the lifecycle

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

When these projects go forward, our Safety, Health and Environment Development Standards (SHEDS) (see [page 97](#)) define that specific equipment (like water chillers) must be avoided to minimise our vulnerability to water shortages in areas with water use restrictions. We also ensure that water efficient design, including equipment specifications and water recycling engineering solutions, is maximised. Where feasible, we integrate rainwater harvesting and grey water recycling systems on new projects and refurbishments to reduce the need for freshwater or municipal water consumption. During the fit-out process, we set requirements for water efficient sanitary equipment (such as sensor spray taps, waterless urinals and low flush toilets).

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

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

Policy and practices on drainage and discharge of water

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

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

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

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

Water reduction achievements

In addition to monitoring the water efficiency (excluding tenants) of our owned portfolio, we also monitor total water withdrawal by source, the percentage and total volume of water reused or recycled, and the building water intensity of our owned portfolio.

GRI 303-1 Total water withdrawal by source

Water source	Excluding tenants (m ³)	Water reallocated to tenants (m ³)
Ground water	326,253	241,203
Rainwater	26,694	-
Municipal water supplies	668,779	693,764
Mixture of water sources	78,540	17,006
Greywater	27,800	-
Treated waste water	92,019	-
Other water sources	476	-
Total water withdrawal	1,220,561	951,972
		2,172,534

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

Country	m ³
Portugal	738,147
Brazil	881,971
Germany	123,645
Italy	127,224
Romania	104,658
Spain	196,888
Total water withdrawal	2,172,534

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year (except for Portimão Retail Center in Portugal where data is not available). In ParkLake in Romania rainwater consumption was not accounted for due to the fact that no meters are installed. For the same reason, in Área Sur in Spain the consumption of municipal water purchased on behalf of tenants was not accounted for.

GRI 303-3 Percentage and total volume of water recycled and reused

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

Water Type	m ³	Percentage
Recycled or Reused	146,989	7%
Not recycled or reused	2,025,545	93%
Total	2,172,534	100%

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

Water Type	m ³	Percentage
Recycled or Reused	146,989	12%
Not recycled or reused	1,073,573	88%
Total	1,220,561	100%

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting period except for Portimão Retail Center in Portugal.

The shopping centres that contribute to water recycled/reused are: 8ª Avenida, ArrábidaShopping, Centro Colombo, CoimbraShopping, GaiaShopping, LeiriaShopping, LoureShopping, CascaisShopping, NorteShopping, RioSul Shopping (Portugal); Boulevard Londrina Shopping; Passeio das Águas Shopping, Parque D. Pedro Shopping; Shopping Plaza Sul (Brazil); Gli Orsi, Freccia Rossa; Le Terraze (Italy); Alexa (Germany); Dos Mares (Spain). Uberlândia Shopping (Brazil), Parklake (Romania) and Via Catarina Shopping (Portugal) have water reuse and/or recycling systems in place but currently are not able to measure the total volume of water reused. Boulevard Londrina Shopping and LeiriaShopping are only able to measure part of the total volume of water reused. Area Sur in Spain is unable to measure the consumption of municipal water purchased on behalf of tenants.

Percentage and total volume of water recycled and reused (including water reallocated to tenants) is determined by the following formula: Water reused/recycled (m³)/Total water withdrawal (m³)*100.

Percentage and total volume of water recycled and reused (excluding water reallocated to tenants) is determined by the following formula: Water reused/recycled (m³)/Total water withdrawal (excluding tenants) (m³)*100.

CRE2 Building water intensity

Country	litres/visit
Portugal	4.2
Brazil	10.7
Germany	5.0
Italy	7.0
Romania	7.7
Spain	4.0
Global Intensity	6.0

Country	m ³ /m ² mall and toilet area
Portugal	3.8
Brazil	6.7
Germany	3.8
Italy	4.6
Romania	4.5
Spain	2.7
Global Intensity	4.5

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year (except for Portimão Retail Center in Portugal). Albufeira Retail Park (also in Portugal) is excluded only from the indicator in litres/visit since there is no footfall system in place. In ParkLake in Romania and Area Sur in Spain rainwater consumption and municipal water purchased on behalf of tenants (respectively) was not accounted for due to the fact that there are no metres installed. The formula used to calculate the indicator for litres/visit is: Building Water Intensity = (Total water consumption (excluding tenants) (m³) + Total water purchased on behalf of tenants (m³))*1000/ Number of visits in the reporting year. The formula used to calculate the indicator for m³/m² mall and toilet area is: Building Water Intensity = (Total water consumption (excluding tenants) (m³) + Total water purchased on behalf of tenants (m³))/ Floor area of the mall and public toilets (m²).

Effluents & waste

Efforts to promote effective waste prevention, management and disposal have taken on increased significance in recent years given the growing social awareness and legislative agenda to tackle waste at both a regional and national level. The EU's Directive 2018/851 for example, lays down measures for member states to reduce the volume of waste produced, and set in place targets to increase the proportion of waste that is reused or recycled. At the same time, consumers are increasingly sensitive to the impact of waste on the environment.

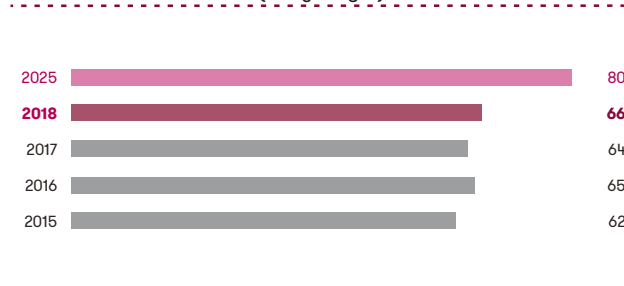
The construction and management of shopping centres can generate large volumes of waste that, if not managed properly, ends up in landfill. Landfilled waste is not only an inefficient use of resources (the waste and the land): it can generate damaging greenhouse gas emissions such as methane and carbon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

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

Within the scope of our SHEMS (see [pages 96-100](#)) we monitor and manage the waste production of our owned shopping centres and corporate offices. We are committed to reducing the quantity of waste generated by our activities and to achieving high levels of waste recycling.

In 2018, total waste recycled as a proportion of waste produced across our owned portfolio increased to 66% meaning we achieved our target of 64.4%. We also surpassed our target to ensure that the proportion of waste that is sent to landfill did not exceed 18.2%. Our long-term target is to ensure that at least 80% of the total waste produced across our shopping centre is recycled, and the proportion of waste sent to landfill does not exceed 10%.

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

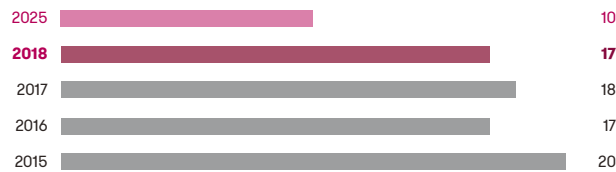


Performance by country

	2017 %	2018 %	Variation %
Global	64	66	3% ●
Brazil	63	69	8% ●
Germany	65	66	2% ●
Italy	69	70	1% ●
Portugal	67	68	1% ●
Romania	29	31	8% ●
Spain	63	59	-6% ●

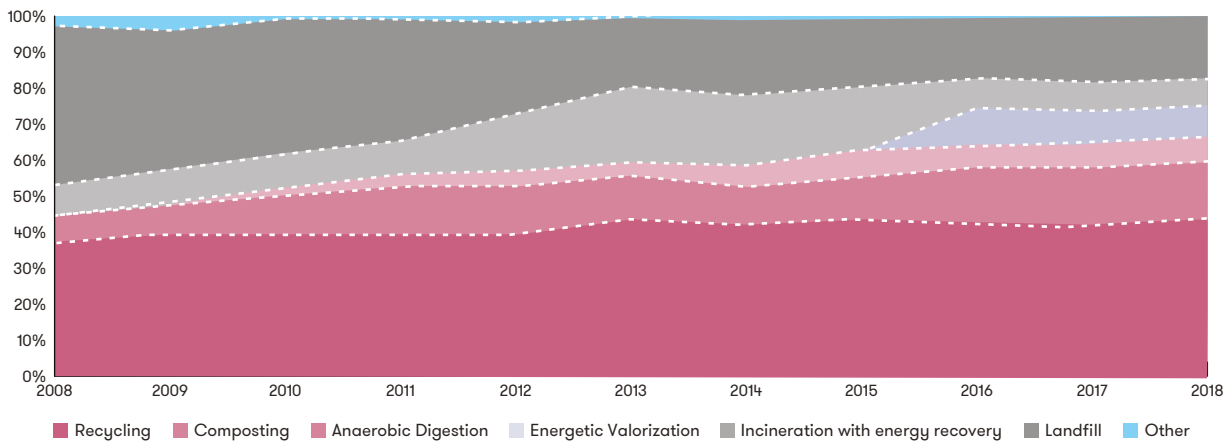
Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year except for Portimão Retail Center in Portugal where consumption data is not available, and Albufeira Retail Park (also in Portugal) where visitor numbers have not been recorded. This indicator is calculated as the total water consumption (excluding tenants), divided by the number of visits in the reporting year. Water efficiency at ParkLake in Romania is calculated based on consumption from municipal supplies only as rainwater collection is not measured.

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



Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting year except for Portimão Retail Center in Portugal.

Waste disposal method (per m² GLA) as a % of total (owned portfolio)



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

We have procedures to manage waste properly and have established the principles of waste avoidance, management and prevention throughout the asset lifecycle.

Our SHEDS (see [page 97](#)) include a series of design requirements to maximise the waste separation potential of every shopping centre we develop, so that once the shopping centre is in operation waste can be effectively sorted and sent for recycling and recovery. A site-specific waste strategy study is undertaken during construction to establish adequate provision of space for waste segregation bins and compactors, temporary storage and internal preferential routes for disposal.

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

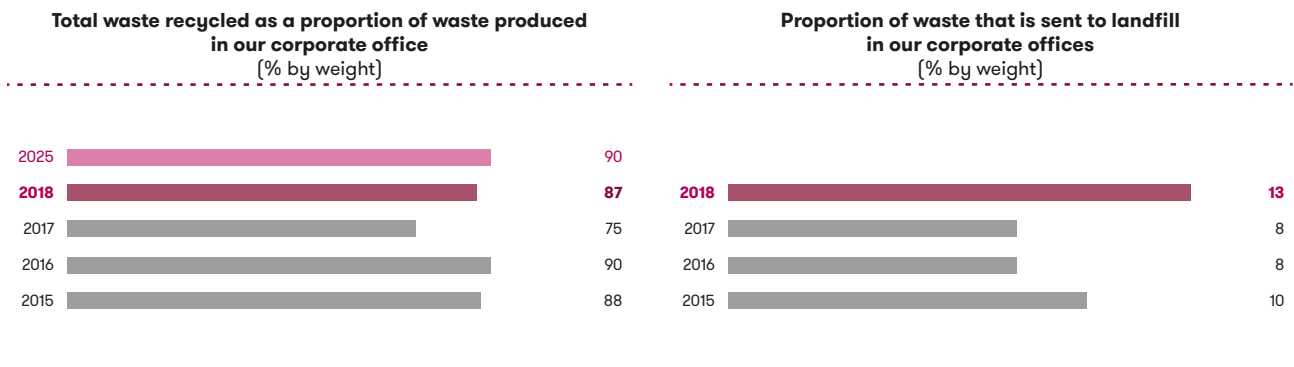
During the operations phase we aim to progressively improve each shopping centre's waste recycling rate. Most waste handled by Sonae Sierra is largely generated by tenants' activities. Aside from seeking to influence tenants' practices, there is little that we can do to reduce waste production in our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

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

In 2018 we have stepped up efforts to focus on the consumption of single-use plastics across our portfolio. For example, we supported a pilot project by the Primefood Group which aims to eliminate about 300kg of plastic per year at its Versailles outlet in Centro Colombo by replacing single-use plastics – such as coffee stirrers, cutlery, cups and straws – with biodegradable and compostable plant-based alternatives. We are taking similar steps in our corporate offices and in Lisbon have replaced all plastic coffee cups and lids with compostable alternatives as part of a broader strategy to reduce the consumption of plastic disposable materials in our offices.

Waste reduction achievements

As well as our owned portfolio, we monitor the proportion of total waste recycled and sent to landfill at our corporate offices which represents less than 0.05% of our total waste footprint. In 2018 the total waste recycled as a proportion of waste produced across our corporate offices with a SHEMS was 87%, and the proportion of waste that is sent to landfill was 13% meaning we missed our targets of 90.6% and 8.3% respectively.



Data Qualifying Note: This indicator includes all corporate offices with a SHEMS (Lisbon, Maia and São Paulo). Waste recycled includes waste sent for recycling, anaerobic digestion and composting.

GRI 306-2 Total weight of waste by type and disposal method (portfolio and corporate offices)

Disposal method	Hazardous waste (tonnes)	Non-hazardous waste (tonnes)	Total (tonnes)	Percentage
Anaerobic Digestion	-	3,241	3,241	7%
Composting	-	7,489	7,489	16%
Incineration with energy recovery	10	3,582	3,592	8%
Incineration without energy recovery	1	27	28	0.1%
Landfill	1	8,103	8,104	17%
Recycling	58	20,769	20,827	44%
Reuse off-site	-	3	3	0.01%
Treatment/Elimination	7	18	25	0.1%
Energetic valorisation	0.4	4,319	4,319	9%
Wastewater Treatment plant	-	140	140	0.3%
Total	77	47,691	47,768	100%

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

Materials

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

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

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

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

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

We have developed a methodology to quantify the recycled content of the most significant materials consumed during the construction of new projects including concrete, brickwork, steel, glass and insulation. The aim is to help us identify which materials we might prioritise when seeking more sustainable alternatives. The defined methodology is applied in the project's opening year, covering the whole project duration. In 2018 there were no applicable completed projects.



Future Fit Retail

Material issues covered in this section:

- Customer attraction
- Technological advances in retail
- Place-making
- Local economic impacts
- Community engagement

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

How we create value:

- Develop Sustainability-Orientated Innovation (SOI), conduct research and provide thought leadership into how sustainability can differentiate retail destinations and increase footfall and sales.
- Engage with our partners and clients to adopt innovative and sustainable retail strategies, create vibrant destinations and dynamic experiences that are fit for the future and differentiated from the competition.
- Identify opportunities for our partners and clients to integrate community activities into their retail destinations, making places where people meet, shop, play, participate and stay.

Customer attraction

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

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

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

Across our owned portfolio, customer satisfaction and Mall Tracking surveys (see [page 81](#)) provide valuable intelligence regarding visitors' opinions and expectations. Results are presented back to shopping centres management teams and used to guide future investment plans. In addition, KPIs such as footfall and tenant sales are monitored on a regular basis.

Customers are also increasingly concerned with the environmental and ethical impacts of their purchases and are keen to pursue more environmentally conscious and healthy lifestyles. The findings from our stakeholder consultation exercise in 2017 confirmed these trends; visitors expressed a preference for products and services that support local businesses and help them to live more sustainable lifestyles. With our owned shopping centres attracting more than 363 million visits in 2018, Sonae Sierra is uniquely placed to be able to engage with consumers and promote sustainable lifestyles and purchasing choices. This will help us to meet customer expectations while encouraging new markets for sustainable products which can increase or create new revenue streams for tenants.

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

Technological advances in retail

Our goal is to ensure that our shopping centres offer the most cutting-edge experiences for consumers. We achieve this by continually innovating in our approach to shopping centre management through initiatives designed to boost tenant sales and visitor numbers.

Sonae Sierra's Innovation Office leads our efforts to identify, anticipate and respond to changing consumer expectations by stimulating new ideas across the company. It oversees our activities in relation to both our 'Go Digital' strategy that aims to capitalise on emerging digital technologies; and secondly our 'Back2Future' initiative that aims to define a vision for Sonae Sierra's future products and understand how evolving retail trends will impact our, and our tenants' businesses. Although our efforts in these areas do not fall under the direct umbrella of our long-term focus on Future Fit Retail, they nonetheless support the creation of shared value by strengthening our business and our tenants.

Underpinning Go Digital is our vision of a shopping centre as a core part of its community, and one which provides value beyond the purely commercial aspect of its operations. In our view, shopping centres should be a source of news, information and entertainment that is local, interesting and as personalised as possible. Examples of some of the initiatives we have focused on in 2018 include:

- Enhanced news, fashion and lifestyle-related content for shopping centre websites to build customer loyalty and brand awareness.
- Digital shopping assistants (available in Portugal, Germany and Spain) and 'chatbots' to improve visitor communications in Portugal.
- Digital information desks, food purchasing desks and sitting areas at shopping centres.
- Loyalty apps for customers which offer discounts and prizes.

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

Back2Future has identified ten guidelines that define our vision for the shopping centre of the future and which can be implemented according to the existing service offer in each of our shopping centres. By anticipating these trends, and ensuring we have the infrastructure and services in place to capitalise on them, we will be able to differentiate our products and in doing so we continue to fulfil our corporate vision. In recent years these have included initiatives such as 'Mall Premium' that reflects the rise in demand for luxury experiences and brands, and 'Food Market' that provides a new gastronomic offer by mixing non-food products, take-away food and a dining with a focus on the chef.

In 2018 these extended to include pilot concierge services including left luggage stores for visitors' belongings in Centro Vasco da Gama and CascaiShopping and other services such as mobile phone charging stations. Based on their success, we plan to roll these out more broadly across our portfolio in 2019.

Place-making

We design attractive shopping centres that serve the needs of the local population. Creating a new destination that can position itself as an integral part of the community can be a challenge, but it is also essential to ensuring the long-term sustainability of the project. Secondly, local planning obligations and restrictions covering the public realm will potentially become more material as we increase our exposure to redevelopments and mixed-use projects that involve heritage assets and central urban locations.

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

The development of transport infrastructure around new shopping centre sites (including roads, bicycle paths and parking spaces, footpaths, etc.) is another example of infrastructure developed for community benefit, in some instances to meet with the mandatory requirements of local authorities and in others to meet with our own SHEDS (e.g. regarding the promotion of sustainable travel). One such example is NorteShopping in Portugal where we have been conducting infrastructure and road traffic improvements within the immediate vicinity of the shopping centre as part of its wider expansion.

Our architectural teams apply thoughtful planning, research and analysis to the design of our development projects. They draw inspiration from local cultures to conceive and implement architectural designs that blend elements of past and present, tradition and innovation, to create places that reflect local community and allow visitors to connect with their surroundings.

Recent examples that highlight our approach include Jardín Plaza Cúcuta in Colombia which draws on the nature and culture of the region. Visitors are connected to the environment by architecturally-inspired concepts that blend natural features with the area's traditional markets, handicrafts, costumes and local celebrations. The CityLife Shopping District in Milan, Italy, meanwhile integrates the elements of a piazza which is a traditional feature of Italian urban planning going back centuries. As well as taking responsibility for leasing and property management, Sonae Sierra provided development services as part of a multidisciplinary team that included world-renowned Zaha Hadid Architects. In 2018, the project was awarded 'Best of the Best 2018' in the Grand Opening/Expansion/Refurbishment category of the CNCC (National Council of Shopping Centres) Italy Awards.

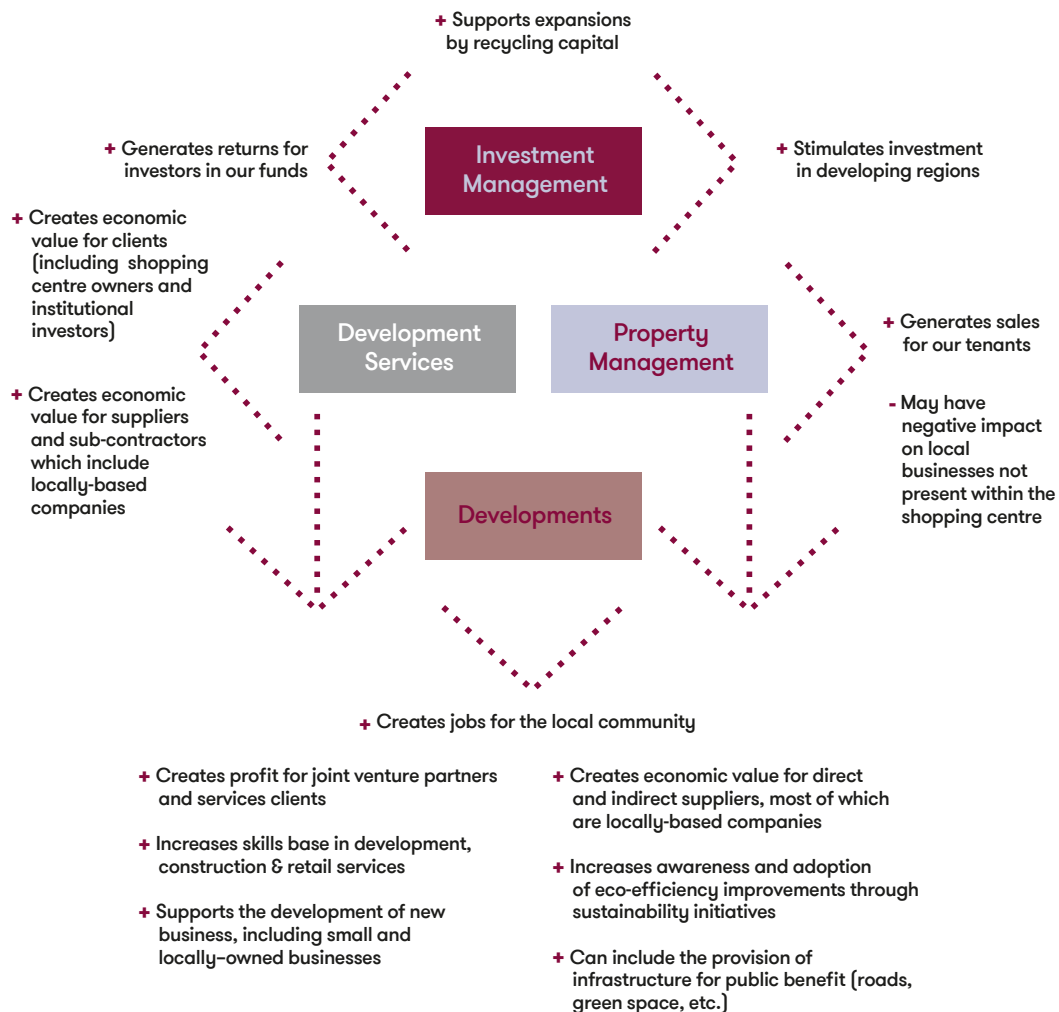
In operational shopping centres, place-making means reflecting local cultures on an ongoing basis by integrating public art, exhibitions, cultural activities and local celebrations. Our Public Art Policy for example, promotes the use of public art in our shopping centres; the aim being to strengthen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

Local economic impacts

GRI 203-2

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

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



While we have not undertaken specific studies to evaluate the significance of these impacts in the context of external benchmarks and stakeholder priorities, we are able to quantify some of the indirect economic impacts generated by our Company in 2018. Namely:

- €5,541 million tenant sales at our shopping centres under management.
- 31% of shop units in our European shopping centres under management, and 32% of units in our Brazilian shopping centres are occupied by local businesses.
- €1,218 million spent on suppliers, of which 83% are national businesses.

Our new development in Colombia for example – Jardín Plaza Cúcuta – is expected to have a significant positive social and economic impact on the city and neighbouring region. Approximately 1,000 direct jobs were created during the centre's construction, and we estimate an additional 3,500 direct and indirect jobs will be created once the centre is open.

Another positive economic impact we seek to promote is enabling small, local and sustainable businesses to thrive in circumstances in which they might not have done. Specifically, we have developed projects with reference to Future Fit Retail which are designed to create economic benefits for local people and businesses in the locations where we operate shopping centres.

This includes the 'Rising Store' competition through which we aim to support and collaborate with entrepreneurs by helping them to set up their own business and bring their innovative ideas to our shopping centres. As well as six-month rent-free space in a Sonae Sierra shopping centre, the winning entries receive support to boost their chances of success including specialist advice to develop their business plans focusing on branding, product range and marketing and communications.

Launched in Portugal in 2015, the initiative has been well-received, and three contestants from the first edition of the competition have already developed prosperous businesses as tenants in our centres. In 2017 it was extended to Germany and Spain, and in 2018 it attracted more than 250 applications with seven finalists selected to open stores across our Portuguese and Spanish portfolio by March 2019.

Since its launch, the rents generated from Rising Store projects represent a return on investment from the competition start-up costs of more than 1000%, while also helping to diversify our tenant mix, deliver new experiences to visitors and provide a once-in-a-lifetime opportunity for a wide group of young entrepreneurs. The initiative has also brought international recognition for Sonae Sierra and our partners, most recently in 2018 we were acknowledge for the second time and received a European Innovation Award from the German Council of Shopping centres for First Store in Alexa.

Community engagement

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

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

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

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

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

Operations with local community impact assessments and development programs

GRI 413-1

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

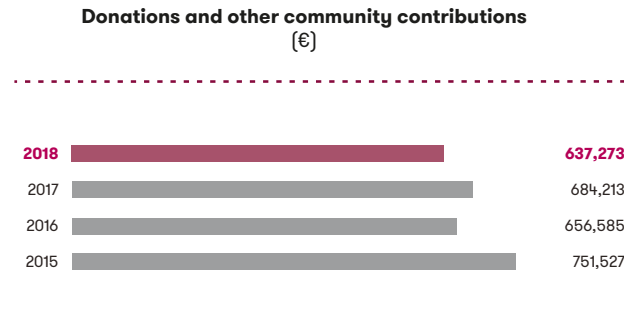
During the year, CAPs took place across three of our shopping centres, representing 100% of applicable centres. Participants typically include a range of stakeholders drawn from across the local community. For example, the CAP held at NorteShopping to discuss the impact of the expansion works included residents, police and civil protection departments. Topics included an update on the status of the expansion works, parking and the impact on local road infrastructure. Two CAPs held at Centro Colombo which were attended by shopping centre staff, tenants, a representative from local community and the local police department discussed the impact of petty crime including shoplifting and the steps tenants can take to reduce such behaviour.

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

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

Employee volunteering & charitable contributions

Our corporate offices and shopping centres supported 294 charitable organisations in 2018, and the total global donations and other community contributions equalled €637,273 of which €3,430 were contributions from shopping centres' visitors.



Data Qualifying Note: This indicator includes all Sonae Sierra activities.

This included:

- €30,241 in corporate donations to charitable causes.
- €25,787 in shopping centre-level community investment in cash.
- €28,399 in shopping centre-level sponsorships.
- €552,846 in investments to charitable causes and specific activities, events and campaigns with sustainability themes made through our shopping centres' marketing budgets.

One example of the many charitable initiatives promoted by our shopping centres is the annual toy donation organised by 34 shopping centres across our European portfolio in the run-up to Christmas. Visitors are encouraged to donate toys for children from disadvantaged backgrounds and the campaign has proved extremely popular with more than 42,000 toys donated in 2018.

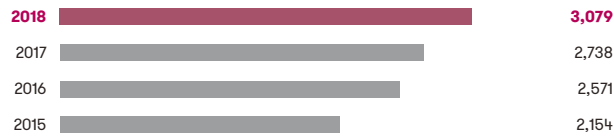
Other examples that leverage our ability to reach millions of visitors include Sonae Sierra's partnerships with the Quién Sabe Dónde Global Foundation and the National Association to Prevent School Bullying (AEPAE) in Spain. Our #LosInvisibles campaign with the Quién Sabe Dónde Global Foundation aims to raise awareness around the problem of missing elderly people suffering from dementia. It was launched across our shopping centres in Spain and was supported by a social media campaign.

Sonae Sierra and AEPAE have worked together since 2017 to promote #Atrapados (Trapped) a viral social media campaign that aims to raise awareness of school bullying. The campaign features a short film highlighting the behaviour that victims of bullying must endure daily, and how they often suffer in silence. The film was launched across our shopping centres' websites and social media platforms in Spain reaching more than 456,000 visitors with Sonae Sierra donating €1 to the AEPAE every time the video was shared.

By the end of 2018 the video had been shared more than 11,000 times across Sonae Sierra's social media platforms and received national recognition, including the award for Best Global Communications Campaign from El Chupete (the international festival that awards the best values-based communications aimed at children), and Best Corporate and Social Responsibility Communication campaign from OCARE (the Observatory of Communication and Action of Corporate Responsibility).

We also organise an annual Community Day across all our corporate offices and owned shopping centres to boost volunteering and encourage employees to get involved. The event incentivises employees to spend one work day volunteering on a project that will improve the wellbeing of their local community. Local activities are coordinated by Community Day ambassadors and every office and shopping centre team is free to choose the project they will donate their time to. This flexibility allows for projects that are relevant to the context of each country and region and tailored to meet the needs of the local community. It also gives staff the motivation to make this initiative their own and has generated considerable enthusiasm over the years. In 2018, 4,98 employees volunteered more than 3,079 hours to support charitable organizations. The value of the time donated is equivalent to €90,403.

Number of hours spent by employees in charity organisations
(number of hours)



Data Qualifying Note: This indicator includes all Sonae Sierra direct employees and trainees that volunteered during the reporting period. The number of hours made available by Sonae Sierra for employee volunteering activities during work time is eight hours.

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

CRE7

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

Knowledge

Material issues covered in this section:

- Employment
- Training & education
- Health and wellbeing

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

How we create value:

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

Employment

We consider our workforce to be the 1,057 employees that we directly employ, and the 50 people who are employed by other companies but are supervised by Sonae Sierra. We also employed 11 independent contractors (with a male/female ratio of 82%/18%) during the reporting period.

Most (98%) of our direct employees are employed on a full-time basis and 14 are employed on a permanent part time basis. They are located across 12 countries with almost 75% based in our two largest markets, Portugal (44%) and Brazil (31%). Other significant locations include Spain and Germany (8% and 7% respectively).

GRI 401-1 Total number and rates of new employee hires and employee turnover by age group, gender and region

During 2018, 142 employees left the company (a male/female turnover rate of 6.1% and 7.3% respectively), and we hired 138 new employees (a male/female new hire ratio of 6.1% and 7.0% respectively).

Turnover by age group	Number	Ratio (%)
Less than 35 years	74	7.0 %
35-44 years	49	4.6 %
45-54 years	15	1.4 %
55-64 years	2	0.2 %
More than 64 years	2	0.2 %
Total number	142	

New hires by age group	Number	Ratio (%)
Less than 35 years	94	8.9%
35-44 years	36	3.4%
45-54 years	8	0.8%
55-64 years	0	0 %
More than 64 years	0	0 %
Total number	138	

Turnover by gender	Number	Ratio (%)
Female	77	7.3%
Male	65	6.1%
Total number	142	

New hires by gender	Number	Ratio (%)
Female	74	7.0%
Male	64	6.1%
Total number	138	

Turnover by region	Number	Ratio (%)
Portugal	44	4.2%
Morocco	3	0.3%
Brazil	54	5.1%
Germany	13	1.2%
Greece	1	0.1%
Italy	9	0.9%
Romania	6	0.6%
Spain	5	0.5%
Turkey	7	0.7%
Total number	142	

New hires by region	Number	Ratio (%)
Portugal	44	4.2%
Morocco	2	0.2%
Brazil	50	4.7%
Germany	12	1.1%
Greece	5	0.5%
Italy	8	0.8%
Romania	2	0.2%
Spain	6	0.6%
Turkey	9	0.9%
Total number	138	

Data Qualifying Note: This indicator includes all direct employees at the end of the reporting period.

GRI 102-8 Information on employees and other workers

Country	Direct Employees		
	Female	Male	Total
Portugal	261	204	465
Brazil	141	184	325
Colombia	-	2	2
Germany	35	36	71
Greece	6	3	9
Italy	27	22	49
Morocco	4	8	12
Romania	14	9	23
Spain	51	35	86
The Netherlands	-	1	1
Algeria	-	1	1
Turkey	7	6	13
Total	546	511	1,057

Employment type	Direct Employees		
	Female	Male	Total
Full Time	528	510	1,038
Permanent Part time	13	1	14
Temporary Part time	5	-	5
Total	546	511	1,057

Employment contract	Direct Employees		
	Female	Male	Total
Permanent	505	490	995
Fixed term	35	18	53
Temporary	6	3	9
Total	546	511	1,057

Country	Supervised Workers		
	Female	Male	Total
Portugal	4	-	4
Brazil	8	26	34
Greece	-	1	1
Spain	4	-	4
Italy	3	-	3
Romania	1	-	1
The Netherlands	2	-	2
Morocco	1	-	1
Total	23	27	50

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

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

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

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

GRI 102-41

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

Diversity and inclusion

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

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

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

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

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

Within the framework of these policies, we have made particular efforts over the past couple of years to introduce more flexible work arrangements for employees whose job function enables them to take up these options. The communication of these policies, along with other practices to promote gender quality, are promoted through careers advice and regular articles including employee testimonials in our in-house employee newsletter – Horizons. These initiatives feature as part of our broader 'Embracing Diversity' strategy which was developed following an extensive employee consultation. The programme aims to deliver a significant and sustained investment to change company practices and culture so women can achieve their full potential.

In 2018, we continued our mentoring programme to promote and develop talent in Sonae Sierra and support employees from diverse backgrounds in progressing their careers. Eleven mentees have participated in the one-year programme and have been provided training coupled with ongoing support under the supervision of senior managers to ensure they realise the full potential the programme offers. Feedback has been overwhelmingly positive with participants rating their experience as 3.5 out of 4 (with 4 being excellent). We plan to expand the programme in 2019.

GRI 405-1 Diversity information on employees and other workers

Number and percentage of employees by gender, per employee category	Female	Male	Total
Global Senior Executive	-	1	1
Senior Executive	1	8	9
Executive	4	15	19
Senior Manager	13	47	60
Manager	39	69	108
Team Leader	62	62	124
Project Team Specialist	80	97	177
Team Member	347	212	559
Total	546	511	1,057
Male/ Female Ratio (%)	52%	48%	100%
Male/ Female Ratio (%) in governance bodies	17%	83%	100%

Number of disabled employees, per employee category	Female	Male	Total
Global Senior Executive	-	-	-
Senior Executive	-	-	-
Executive	-	-	-
Senior Manager	-	3	3
Manager	-	1	1
Team Leader	-	1	1
Project Team Specialist	1	3	4
Team Member	5	1	6
Total	6	9	15

Number and percentage of employees by age group, per employee category	<35		35-44		45-54		55-64		>64		
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
Global Senior Executive	-	-	-	-	-	-	-	1	-	-	
Senior Executive	-	-	-	1	-	1	1	4	-	2	
Executive	-	-	1	4	3	10	-	1	-	-	
Senior Manager	-	-	1	10	8	20	4	15	-	2	
Manager	1	2	19	24	18	31	1	11	-	1	
Team Leader	6	9	33	35	20	14	3	3	-	1	
Project Team Specialist	20	35	46	37	13	17	1	8	-	-	
Team Member	132	86	132	82	63	29	20	15	-	-	
Total	159	132	232	193	125	122	30	58	-	6	1,057
Percentage (%)	15%	12%	22%	18%	12%	12%	3%	5%	0%	1%	100%

Data Quality Note: This indicator includes all Sonae Sierra direct employees at the end of the reporting period.

Training and education

Developing and retaining talent can increase a company's competitiveness: talent developed and retained enhances know-how, increases the potential for innovation and supports a strong reputation. This is particularly important as we grow the professional services aspect of our business model and expand into new markets where the skills we need are not readily available.

We aim to continuously build the skills and knowledge of our people to maximise their potential so that we deliver superior services to our clients. Our Code of Conduct includes principles to identify our employees' training needs; encouraging our employees to identify their own training needs and providing the most suitable training to all staff. Because employees have so much influence over their professional development, we call this area "learning" instead of "training".

GRI 404-1 Average hours of training per year per employee, by gender, and by employee category

In 2018, we invested an average of €662 per employee in training and development (up from €411 in 2017), and employees received an average of 24.9 hours of training covering behavioural, language and technical skills. Learning is delivered through a variety of programmes including structured learning and short courses aimed at developing our employees' core skills and the needs of our business units.

Employee Category	Number of employees	Number of hours	Average number of hours of training
Global Senior Executive, Senior Executive, Executive	29	1,070	37
Senior Manager	60	2,087	35
Manager	108	2,858	26
Team Leader	124	3,670	30
Project Team Specialist	177	5,868	33
Team Member	559	10,732	19
Total	1,057	26,285	24.9

Gender	Number of employees	Number of hours	Average number of hours of training
Female	546	12,731	23.3
Male	511	13,555	26.5
Total	1,057	26,285	24.9

Data Qualifying Note: This indicator includes all Sonae Sierra direct employees at the end of the reporting period.

Type of training	Number of hours	Proportion of total training hours (%)
Behavioural	4,351	17%
Languages	2,746	10%
Technical	19,188	73%
Total	26,285	100%

Data Qualifying Note: This indicator includes all Sonae Sierra direct employees at the end of the reporting period.

In Europe, our internal learning programmes include 'We Share' which aggregates and shares the professional expertise of our employees by bringing together the different knowledge sharing initiatives that we have. Examples of these initiatives include Sierra Shots which typically last one to two hours and are opportunities for employees to share insights that are deemed relevant and useful for their colleagues across geographies.

In all geographies we operate an Onboarding programme which ensures that employees have the necessary skills and knowledge to perform their work; this includes an introduction to our approach and policy regarding safety, health and environment. We continue to roll out BEST (Behaviour with Ethics Sierra Training) to increase knowledge of our Code of Conduct and raise awareness of the different types of corruption employees may be confronted with. In Brazil we run an integration programme with the same objectives.

A significant initiative is the Improving our Work (IoW) programme, based on the Kaizen/Lean frameworks. IoW has been running across the Sonae Group and training employees in continuous improvement methodologies since 2013. The programme aims to establish continuous improvement as a key pillar of Sonae Sierra's culture and way of working, and by the end of 2018 almost 4,000 improvement projects had been identified and implemented resulting in tangible financial benefits of €4.9 million, and intangible benefits equivalent to €5.7 million by ensuring key corporate functions are delivered as efficiently as possible.

IoW delivers a framework for developing the key competences that help us to provide better services to clients and consolidate the retention of knowledge within our teams and businesses. It develops skills such as structured problem solving, process mapping and visual process monitoring to give our people the tools to understand where improvement opportunities exist, thereby ensuring that all teams can autonomously create higher levels of client satisfaction and workplace efficiency.

During 2018 we continued to roll out IoW training tailored to the specific needs and challenges of individual teams and promoted two initiatives to boost participation further. These included an IoW portal enabling employees to create, monitor and report on IoW initiatives. The second was the development of an IoW Lab at the Sonae Group level which provides training on the practical application of IoW principles to improve the customer experience.

By the end of the 2018, almost 400 Sonae Sierra employees covering Portugal, Spain, Italy, Germany and Brazil had received collaborator training from Sonae's Improving our Work (IoW) Centre of Expertise.

The Sierra Academy

Ensuring Sonae Sierra's culture and values are embedded across our operations as we expand into new markets is also a priority, and an important goal of our learning and development programmes. One challenge we face is to ensure our training is both relevant and effectively delivered, given the different cultural background of the countries we operate in.

In 2017 we launched the Sierra Academy to support our business model and expansion into new markets. The Academy focuses on the training and development of existing employees and new hires in our internal procedures and all aspects of shopping centre management; which is particularly important as we enter markets where the local skills and experience we need are not readily available. Whereas training had previously been delivered through a variety of different channels including our Onboarding programme and one-to-one training with experts from across the business, the Academy centralises this into one programme.

Our goal is that the Academy sets the reference standard for the shopping centre sector and delivers value to the business by promoting immersion in Sonae Sierra's values, increasing internal networking and fostering talent. By the end of 2018, the Academy had delivered training to 56 employees across eight technical modules focusing on shopping centre management functions in new markets.

We also continue to collaborate with and participate in the Sonae Group Management & Leadership (M&L) Academy which was launched in 2013. The Academy integrates a variety of courses into a comprehensive curriculum that supports our strategy and employees' career goals.

Career development

Retention of high potential employees is a priority for the company in all markets. HR and senior country managers identify high potential employees and set in place training and development plans that meet individual and country-specific needs. Professional development is delivered through a mixture of existing programmes such as the Sierra Academy and 'on-the-job' experience-based learning to ensure employees receive the most relevant training.

Safety, health and environment training

Our SHE Policy commits us to promoting SHE training among our employees, tenants and service suppliers. Within the framework of our SHEMS, we operate a Competence, Training and Awareness Procedure, and the Sustainability Office and Human Resources (HR) Department use a competence matrix to define the skills and knowledge required for each aspect of the SHEMS to be effectively implemented by Sonae Sierra's employees according to their role and function. Each year, the Sustainability Office identifies specific SHE training and awareness needs with reference to the staff assessment process, with a focus on those employees whose role impacts on SHE issues, or who have responsibilities for SHE management. General training needs are also identified by the HR Department with support from business unit managers.

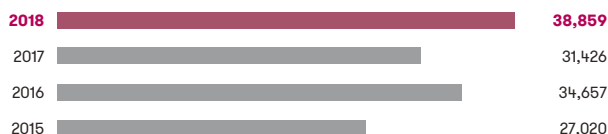
All new Sonae Sierra employees, including those with SHE responsibilities, receive SHE induction training through the Onboarding programme which is administered by the Human Resources Department. All site managers, site correspondents and other employees with SHE responsibilities must attend training on all SHE procedures within our SHEMS that apply to their roles. We collaborate closely with our critical suppliers on specific issues relating to SHE through our SHEMS procedures.

Site training and awareness plans are also developed based on our corporate procedures, and cover initial training for new employees, and continuous training for all other employees. For service suppliers' workers and tenants, induction training is performed in every owned shopping centre and additional specific training is performed at shopping centres certified according to ISO 14001 and OHSAS 18001. A survey is performed following each training session allowing us to monitor the effectiveness of the training delivered.

Within the scope of our certified SHEMS we provide additional SHE training for tenants, include SHE issues at tenant assembly meetings, and work with tenants to improve their SHE performance such as identifying opportunities to reduce energy consumption. We monitor tenants' compliance with our SHE requirements for shopping centres by performing inspections on tenant units and following up on any non-conformities detected. Regular SHE meetings with our service suppliers reduce SHE risks by discussing common SHE issues, highlight basic housekeeping procedures and share good practice, as well as performance metrics. SHE meetings are not compulsory at centres that are not certified to our full SHEMS, however property management teams consult with service suppliers through meetings and other communications with the same aim.

In 2018 we delivered a total of 38,859 man hours of SHE training (including meetings) across these channels to staff, suppliers and tenants in our shopping centres, development projects and in our corporate offices. The increase compared with 2017 reflects in part training conducted during the development of Jardín Plaza Cúcuta in Colombia.

Total number man hours of safety, health and environmental training and awareness provided across all Sonae Sierra sites
(Number of hours)



Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra, all shopping centres managed but not owned by Sonae Sierra, all Sonae Sierra projects under development, and all corporate offices in operation during the reporting period. Data concerning NorteShopping expansion in Portugal was excluded due to the impossibility of obtaining information. Data regarding Emilia District project, in Parma, is very underestimated as the only data available was the training duration, there was no information regarding the number of participants so it was considered 1 participant per training.

In 2018 we performed 2,187 hours of SHE Preventative Observations (SPO) across our certified shopping centres. SPO allow us to identify and correct behaviour which could potentially lead to incidents, and are therefore important to an incident prevention strategy.

The number of hours of SPO performed in 2018 decreased substantially compared with 2017 as offices and non-certified shopping centres are no longer required to perform them.

Number of hours of SPO performed in shopping centres and corporate offices
(Number of hours)



	Performance by country		
	2017 Number of hours	2018 Number of hours	Variation %
Global	6,658	2,187	-67% ●
Brazil	3,022	251	-92% ●
Germany	374	90	-76% ●
Italy	243	-	-100% ●
Portugal	2,470	1,377	-44% ●
Romania	77	42	-46% ●
Spain	472	427	-10% ●

Data Qualifying Note: This indicator includes all shopping centres owned by Sonae Sierra and in operation during the full reporting period, all shopping centres managed but not owned by Sonae Sierra where a SPO target was identified, all corporate offices with a SHEMS (Lisbon, Maia and São Paulo), and all corporate offices with a SHMS (Milan, Madrid, Dusseldorf and Bucharest).

Employee health & wellbeing

According to the European Agency for Safety and Health at Work, psychosocial risks and work-related stress are among the most challenging occupational safety and health issues. Around half of European workers say that stress is common in their workplace, and it contributes to around half of all lost working days.

Our focus on Knowledge seeks to embed more sustainable lifestyles, health and wellbeing among our employees to achieve higher levels of resilience and productivity. Health and wellbeing is promoted throughout the company with the support of our human resource and shopping centre teams who identify and implement health and wellbeing initiatives in line with employee needs.

We have developed a variety of tools including regular SHE meetings, training events, campaigns and internal publications to support this goal. Evolve, for example, is an online employee newsletter that brings together sustainability information, including safety and health content such as SHE Tips and case studies. In addition, we organise regular Safety & Health Days that promote health and wellbeing among our employees, focusing not just on safe behaviours in the workplace and at home, but on wider issues associated with physical and mental health and wellbeing.

Employee health and wellbeing is one of the four dimensions that underpin our employee engagement framework (Employee, Family, Community and Individual). Our focus on the Individual underscores our commitment to valuing each employee and helping them to build a better life, which is supported by our programmes to improve employee wellbeing.

In 2018 these included wellbeing events attended by more than 300 employees as part of our 'Be Healthy' campaign. For example, over two months in July and September employees at our Maia and Lisbon offices in Portugal were invited to attend nutrition workshops and health consultations with a personal trainer to promote healthier lifestyles. We also organised resilience workshops attended by 19 employees in Germany and Spain to promote personal health as a technique to manage stress.

These initiatives grew out of Project Be Well which was developed following a wellbeing study performed in 2014 with the support of the University Institute of Lisbon to evaluate the mental health of our employees and identify key areas for improvement. The project identified a series of initiatives covering eight categories that have been implemented across our corporate offices in Europe based on their potential to have a positive impact on employee wellbeing.

We monitor the effectiveness of these programmes through employee feedback, and in 2018 we undertook a much broader survey to measure health and wellbeing in the workplace with a view to understand our employees' attitudes and priorities going forward. Almost 400 employees participated, and the results revealed that overall there is a positive climate across the company with employees committed to and engaged with their work. Nonetheless, there are opportunities for Sonae Sierra to improve this further, and in 2019 we will redefine the Project Be Well action plan accordingly.

As a consequence of our continued focus on promoting better health and wellbeing, initiatives such as Be Healthy have contributed to significant reductions in employee absenteeism since 2014.

GRI content index

GRI Disclosure	Page number and/or response	Omission
GRI 102: General Disclosures 2016		
102-1: Name of the organisation	Sonae Sierra	-
102-2: Activities, brands, products, and services	'Our company, Organisational structure', pages 25-26 . No products or services are banned in certain markets	-
102-3: Location of headquarters	Our headquarters are located in Maia, Portugal	-
102-4: Location of operations	'Our Company, Where we operate', page 19	-
102-5: Ownership and legal form	Our Company, page 18	-
102-6: Markets served	'Our Company, Where we operate' and 'Our Business Model and Strategy, Organisational structure' pages 19 and 25-26	-
102-7: Scale of the organisation	'Our Company, Where we operate' and 'Consolidated accounts' and 'The year at a glance, Key Highlights' pages 19, 54-63, 14-15	-
102-8: Information on employees and other workers	'Employment', pages 136-138	-
102-9: Supply chain	<p>In 2018 we purchased goods and services with a value of approximately €1,218 million from our suppliers.</p> <p>Our most significant suppliers can be divided into two broad groups: service suppliers who provide maintenance, security, cleaning and waste management services in our owned shopping centres; and development suppliers who provide the goods and materials (such as building materials, metals, stone and timber) that we use during the development of new Sonae Sierra shopping centres and refurbishments and expansions of our existing centres.</p> <p>In most cases, development suppliers are contractors who in turn manage their own supply chain to source the goods and materials we use.</p> <p>We also procure a small amount of office supplies for use in our shopping centres and corporate offices, such as paper, envelopes, pens and folders.</p> <p>For more information on our supply chain, including supplier procurement and evaluation procedures with regards to environmental and social practices, see page 78.</p> <p>There is no policy that guarantees preference to locally-based suppliers. However, the nature of the work carried out by our service and development suppliers means that a large proportion may be located close to our shopping centres. In 2018 83% of our procurement spending was with national suppliers (aggregated across all countries).</p>	-
102-10: Significant changes to the organisation and its supply chain	<p>'The Year at a Glance, Key Highlights', pages 14-15</p> <p>In 2018 Sonae SGPS acquired 20% of Grosvenor's 50% stake in Sonae Sierra, increasing its holding to 70% of the company (with Grosvenor continuing to hold the remaining 30%).</p>	-
102-11: Precautionary Principle of approach	<p>The precautionary principle is addressed through our approach to safety, health and environment (SHE) management which is explained in detail on pages 96-100.</p> <p>We also demonstrate a precautionary approach to climate change risks; see pages 117-118 for further details.</p>	-
102-12: External initiatives	Industry partnerships', page 82	-

GRI content index (continued)

GRI Disclosure	Page number and/or response	Omission
102-13: Membership of associations	<p>ALSHOP – Associação Brasileira de Lojistas de Shopping (Brazilian Association of Shopping Tenants)</p> <p>AREI – Association of Real Estate Investors (Romanian Institute of Real Estate Investors)</p> <p>Asociación Española de Centros Comerciales – AECC (Spanish Council of Shopping Centres)</p> <p>Associação Portuguesa de Centros Comerciais – APCC (Portuguese Council of Shopping Centres)*</p> <p>Associação Portuguesa de Promotores e Investidores Imobiliários – APPII (Portuguese Property Investor and Developer Council)*</p> <p>Associação Brasileira de Shopping Centers – ABRASCE (Brazilian Council of Shopping Centres)*</p> <p>Assoimmobiliare (Italian Real Estate Industry Association)*</p> <p>Câmara Portuguesa de Comércio no Brasil (Portuguese Chamber of Retail – Brazil)*</p> <p>CCILC – Câmara de Comércio e Indústria Luso-Colombiana (Luso-Colombian Chamber of Commerce and Industry)</p> <p>Consiglio Nazionale dei Centri Commerciali Italia – CNCC (Italian Council of Shopping Centres)*</p> <p>European Association for Investors in Non-Listed Estate Vehicles – INREV**</p> <p>European Property Federation – EPF*</p> <p>German Council of Shopping Centres*</p> <p>Greek Council of Shopping Centres*</p> <p>GRI Brazil*</p> <p>International Organisation of Employees**</p> <p>International Council of Shopping Centres (ICSC)**</p> <p>Romanian Council of Shopping Centres*</p> <p>Urban Land Institute – ULI**</p> <p>* Denotes organisations where Sonae Sierra has significant influence either as president, a trustee or a member of the Board or Council.</p> <p>** Denotes organisations where Sonae Sierra is a member of a working group, taskforce or committee</p>	-
102-14: Statement from senior decision-maker	CEO letter, pages 16-17	-
102-16: Values, principles, standards, and norms of behaviour	Our Code of Conduct includes a set of ethical principles which apply to everything we do and outline our commitment to success whilst operating with integrity, openness and honesty. For more information, see pages 68-69 .	-
102-18: Governance structure	'Governance', pages 66-67 , 'Sustainability governance', pages 76-77 , and 'Safety, Health and Environment Management System', pages 96-100	-
102-40: List of stakeholder groups	'Stakeholder engagement', page 79	-
102-41: Collective bargaining agreements	Sonae Sierra does not have any collective bargaining agreements, so 0% of employees are covered.	-
102-42: Identifying and selecting stakeholders	'Stakeholder engagement', page 78	-
102-43: Approach to stakeholder engagement	'Stakeholder engagement', pages 78-79	-

GRI Disclosure	Page number and/or response	Omission
102-44: Key topics and concerns raised	'Stakeholder engagement', pages 80-81	-
102-45: Entities included in the consolidated financial statements	Please see our Consolidated Report and Accounts 2018 for a full list of Group companies included in our financial statements. This report provides an account of our performance across all Sonae Sierra businesses including Investment Management, Developments, Property Management, Development Services and Sonae Sierra Brasil. The safety, health and environment (SHE) information covers all our owned subsidiary holding companies, regardless of our ownership stake in these.	-
102-46: Defining reporting content and topic Boundaries	'Material issues', pages 84-87	-
102-47: List of material topics	'Material issues', pages 85-87	-
102-48: Restatements of information	Any re-statements of previously reported values are explained using Data Qualifying Notes beside each performance indicator.	-
102-49: Changes in reporting	The most significant change in terms of scope in comparison with the previous reporting period is the sale of AlbufeiraShopping and CC Continente de Portimão in Portugal and the inclusion of Albufeira Retail Park in Portugal and Área Sur in Spain in the indicators whose scope is the assets in operation for the full reporting year. All new acquisitions are included in our key performance indicators where applicable. For example, Fashion Outlet City (previously Pantheon Plaza prior to its repositioning in November 2018) is only included in relation to our human resource indicators and operational performance indicators including total GLA under management, the total number of shopping centres owned, average occupancy rate by GLA, shopping centres visits, tenant sales, rents and the number of tenant contracts under management. Other shopping centres that we secured property management contracts for in 2018 are only included in the applicable indicators (e.g. GLA, sales etc).	-
102-50: Reporting period	The information in this report relates to the calendar year ending on 31 December 2018.	-
102-51: Date of the most recent report	This report succeeds our 2017 In Review: Economic, Environmental and Social Performance Report and our 2017 Economic, Environmental and Social Report, both published in April 2018.	-
102-52: Reporting cycle	We report on a calendar year cycle.	-
102-53: Contact point for questions regarding the report	For questions relating to the sustainability statements and GRI-related content, please contact Filipa Oliveira, Sustainability Communication Services Manager. Email: sustainability@sonaesierra.com For questions relating to the rest of the report, please contact João Pedro Nunes, Strategy Manager. E-mail: strategy@sonaesierra.com	-
102-54: Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	-
102-55: GRI content index	This index.	-
102-56: External assurance	The report (including all GRI disclosures) has been externally assured by an independent auditor to ensure that data and information is accurate and complies with the GRI Standards, including the Construction and Real Estate Sector Disclosure. The independent auditor's review can be found on pages 156-157.	-

Material Topics

GRI 203: Indirect Economic Impacts 2016

103-1: Explanation of the material topic and its boundaries	'Material issues', page 87	-
---	----------------------------	---

GRI content index (continued)

GRI Disclosure	Page number and/or response	Omission
103-2: The management approach and its components	'Local economic impacts', pages 131-132	-
103-3: Evaluation of the management approach	'Local economic impacts', pages 131-132	-
203-2: Significant indirect economic impacts	'Local economic impacts', pages 131-132	Context in relation to external benchmarks
GRI 205: Anti-corruption 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 87	-
103-2: The management approach and its components	'Corporate Governance, Ethical conduct', pages 68-69	-
103-3: Evaluation of the management approach	'Corporate Governance, Ethical conduct', pages 68-69	-
205-1: Operations assessed for risks related to anti-corruption	'Corporate Governance, Ethical conduct', pages 68-69	-
205-2: Communication and training about anti-corruption policies and procedures	'Corporate Governance, Ethical conduct', pages 68-69	-
205-3: Confirmed incidents of corruption and actions taken	'Corporate Governance, Ethical conduct', pages 68-69	-
GRI 301: Materials 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 86	-
103-2: The management approach and its components	'Environmental management' pages 96-100 & 'Materials' page 126	-
103-3: Evaluation of the management approach	'Materials' page 126	-
301-1: Materials used by weight or volume	'Materials' page 126	-
301-2: Recycled input materials used	'Materials' page 126	-
GRI 302: Energy 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 86	-
103-2: The management approach and its components	'Environmental management' pages 96-100 & 'Energy' pages 108-112	-
103-3: Evaluation of the management approach	'Energy' pages 108-112	-
302-1: Energy consumption inside the organisation	'Energy' page 111	-
302-3: Energy intensity	'Energy' page 112	-
302-4: Reduction of energy consumption	'Energy' page 100	-

GRI Disclosure	Page number and/or response	Omission
CRE1: Building energy intensity	'Energy' page 112	-
GRI 303: Water 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', pages 86	-
103-2: The management approach and its components	'Environmental management' pages 96-100 & 'Water' pages 119-122	-
103-3: Evaluation of the management approach	'Water' pages 119-122	-
303-1: Water withdrawal by source	'Water' page 121	-
303-3: Water recycled and reused	'Water' page 122	-
CRE2: Building water intensity	'Water' page 122	-
GRI 305: Emissions 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 86	-
103-2: The management approach and its components	'Environmental management' pages 96-100 & 'Emissions' pages 112-118	-
103-3: Evaluation of the management approach	'Emissions' pages 112-118	-
305-1: Direct (Scope 1) GHG emissions	'Emissions' page 114	-
305-2: Energy indirect (Scope 2) GHG emissions	'Emissions' page 114	-
305-3: Other indirect (Scope 3) GHG emissions	'Emissions' page 116	-
305-4: GHG emissions intensity	'Emissions' page 115	-
305-5: Reduction of GHG emissions	'Emissions' page 100	-
GRI 306: Effluents and Waste 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 86	-
103-2: The management approach and its components	'Environmental management' pages 96-100 & 'Waste' pages 123-126	-
103-3: Evaluation of the management approach	'Waste' pages 123-126	-
306-2: Waste by type and disposal method	'Waste' page 126	-
GRI 401: Employment 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 87	-

GRI content index (continued)

GRI Disclosure	Page number and/or response	Omission
103-2: The management approach and its components	'Employment' pages 136-138	-
103-3: Evaluation of the management approach	'Employment' pages 136-138	-
401-1: New employee hires and employee turnover	'Employment' page 136	-
GRI 403: Occupational Health and Safety 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 87	-
103-2: The management approach and its components	'Safety management' pages 96-100 & 'Workforce health & safety' pages 106-107	-
103-3: Evaluation of the management approach	'Workforce health & safety' pages 106-107	-
403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	'Workforce health & safety' page 106	-
CRE6: Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system	'Workforce health & safety' page 96	-
GRI 404: Training and Education 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 87	-
103-2: The management approach and its components	'Training and education', pages 141-144	-
103-3: Evaluation of the management approach	'Training and education', pages 141-144	-
404-1 Average hours of training per year per employee	'Training and education', page 141	-
GRI 413: Local Communities 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 86	-
103-2: The management approach and its components	'Community engagement', page 132	-
103-3: Evaluation of the management approach	'Community engagement', page 132	-
413-1: Operations with local community engagement, impact assessments, and development programs	'Community engagement', page 133	-

GRI Disclosure	Page number and/or response	Omission
CRE7: Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project	Community engagement, page 133	-
GRI 416: Customer Health and Safety 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 86	-
103-2: The management approach and its components	'Safety management's pages 96-100 & 'Customer health & safety' pages 104-105	-
103-3: Evaluation of the management approach	'Customer health & safety' pages 104-105	-
416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	'Customer health & safety' pages 104-105	-
GRI 416: Marketing and Labelling 2016		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 87	-
103-2: The management approach and its components	'Green building standards & ratings' pages 101-102	-
103-3: Evaluation of the management approach	'Green building standards & ratings' pages 101-102	-
417-1: Requirements for product and service information and labelling	'Green building standards & ratings' page 102	-
CRE8: Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment	'Green building standards & ratings' page 101	-
Building health, wellbeing & productivity		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 87	-
103-2: The management approach and its components	'Building health, wellbeing & productivity,' pages 102-103	-
103-3: Evaluation of the management approach	'Building health, wellbeing & productivity,' pages 102-103	-
Customer attraction		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 86	-
103-2: The management approach and its components	'Customer attraction', pages 128-129	-
103-3: Evaluation of the management approach	'Customer attraction', pages 128-129	-

GRI content index (continued)

GRI Disclosure	Page number and/or response	Omission
Place-making		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 87	-
103-2: The management approach and its components	'Place making', page 130	-
103-3: Evaluation of the management approach	'Place making', page 130	-
Technological advances in retail		
103-1: Explanation of the material topic and its boundaries	'Material issues', page 86	-
103-2: The management approach and its components	'Technological advances in retail', page 129	-
103-3: Evaluation of the management approach	'Technological advances in retail', page 129	-



the
partner

of
choice





Deloitte & Associados, SROC S.A.
Registo na OROC nº 43
Registo na CMVM nº 20161389
Av. Eng. Duarte Pacheco, 7
1070-100 Lisboa
Portugal

Tel: +(351) 210 422 500
Fax: +(351) 210 427 950
www.deloitte.pt

INDEPENDENT ASSURANCE ENGAGEMENT REPORT

To the Board of Directors of
Sonae Sierra, SGPS, SA

Introduction

1. We have performed a review of the sustainability information included in the Economic, Environmental and Social Report 2018 ("EESR 2018") of Sonae Sierra, SGPS, SA ("Sonae Sierra"), that covered:
 - Its compliance with the disclosure of information requirements defined by the Global Reporting Initiative standards for sustainability reporting, GRI Standards, for the "in accordance – core" option, and additional contents and performance indicators required by the GRI's G4 Construction and Real Estate Sector Disclosures ("GRI CRESD") related to the material sustainability aspects, including the reliability of the underlying 2018 information provided, as identified in "GRI content index";
 - Sonae Sierra's own sustainability performance indicators 2018 data, disclosed in the EESR 2018, in accordance with the therein mentioned criteria;
 - The information on progress against the 2018 sustainability targets and management actions, in accordance with the criteria established by Sonae Sierra, disclosed in its internet site, as identified in the chapter "Sustainability Strategy" of the report; and
 - The Sonae Sierra's Environmental Accounting model information and results, disclosed in chapter "Safe People & Resource Resilience", in accordance with the therein-mentioned criteria.

Responsibilities

2. The Board of Directors of Sonae Sierra is responsible for preparing the EESR 2018 and for establishing suitable criteria as well as maintaining an internal control system and appropriate information capture and processing systems and processes to ensure such preparation. Our responsibility is to express an independent conclusion about such compliance and subject matter data reliability.

Scope of our work

3. We conducted our review in accordance with the International Standard on Assurance Engagements 3000 – ISAE 3000, issued by the International Auditing and Assurance Standards Board, for Assurance Engagements other than Audit or Limited Reviews of Historical Financial Information, for a limited level of assurance. We are independent from Sonae Sierra in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").
4. Our work is summarized as follows:
 - Interview of Sonae Sierra's employees responsible for the preparation of the EESR 2018 and for the reported data, so as to know and understand the management and reporting principles, systems and procedures applied, as well as the associated control mechanisms;

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Type: Sociedade Anónima | Tax and CRC Registration no.: 501776311 | Share capital: € 500,000 | Head offices: Av. Eng. Duarte Pacheco, 7, 1070-100 Lisboa | Porto Office: Bom Sucesso Trade Center, Praça do Bom Sucesso, 61 - 13º, 4150-146 Porto



Deloitte & Associados, SROC S.A.
Registo na OROC nº 43
Registo na CMVM nº 20161389

Page 2 of 2

- Review of the compliance and consistency of the EESR 2018 content with the GRI Standards disclosure of information requirements, and whenever applicable with the GRI CRESO requirements;
- Review of the processes, criteria and systems used to collect, consolidate, present and validate the data for 2018, relating to the information reviewed by us;
- Review of the procedures and criteria in place to monitor and measure progress against 2018 sustainability targets and management actions;
- Analytical data review, and tests on a sample basis, of the calculations made by Sonae Sierra, relating to the quantitative data, as well as tests to corroborate the quantitative and qualitative data included in the scope of our work, by obtaining and reviewing related evidence thereof; and
- Review of the consistency of the sustainability information included in the EESR 2018 and related publicly available reports, and that it does not contradict any significant information included in the 2018 Sonae Sierra's Consolidated Report and Accounts.

Conclusion

5. Based on the work described in paragraph 4 above, nothing has come to our attention that causes us to believe that, in all material aspects, the sustainability information included in, or publicly available and related to the EESR 2018, referred to in paragraph 1 above, has not been reliably and consistently prepared and that it does not conform, in all material respects, with the disclosure requirements of the GRI Standards for the "in accordance – core" option, and whenever applicable with GRI CRESO, as well as with the criteria defined by Sonae Sierra.

Lisbon, 5 April 2019

Deloitte & Associados, SROC S.A.
Represented by João Carlos Frade

Feedback Form

At Sonae Sierra we aim to conduct our business in a way that is sensitive and responsive to our stakeholder's needs and concerns. We hope that you found our Economic, Environmental and Social Report interesting, and would be grateful if you could take a few minutes to provide us with some feedback on this report.

Please complete the questions below and return your form either by email to sustainability@sonaesierra.com or by post to Rua Galileu Galilei, 2, 3º piso, 1500-392 Lisbon, Portugal. You can also submit your Feedback Form online [\[here\]](#).

Can you tell us...

1. ABOUT YOU.

Which stakeholder group do you belong to?

- Investor/financier Local community member
- Tenant NGO/charitable organisation
- Shopping centre visitor/customer Media
- Sonae Sierra employee Government/local authority
- Supplier Student
- Other, please specify _____

Which country do you reside in? _____

2. PLEASE RATE THE EXTENT TO WHICH YOU AGREE WITH THE FOLLOWING STATEMENTS:

[Scale 1 = Strongly disagree; 6 = Strongly agree]

- 1 2 3 4 5 6** This report included information that is of interest to me
- 1 2 3 4 5 6** I liked the style and layout of this report
- 1 2 3 4 5 6** I was able to find the information I was looking for
- 1 2 3 4 5 6** The report integrated information on Sonae Sierra's financial, economic, environmental and social performance well
- 1 2 3 4 5 6** The report presented an honest and accurate account of Sonae Sierra's performance

3. USING A SCALE OF 1 TO 6 (1 = Very Poor; 6 = Excellent), HOW DO YOU RATE:

- 1 2 3 4 5 6** Information about Sonae Sierra's strategic direction and business model? ([Pages 24](#) to [32](#))
- 1 2 3 4 5 6** Information on how Sonae Sierra creates value? ([Page 30](#))
- 1 2 3 4 5 6** Information about risks and opportunities faced by Sonae Sierra? ([Pages 33](#) to [34](#))
- 1 2 3 4 5 6** Information about the future outlook for Sonae Sierra? ([Pages 28](#) to [29](#))
- 1 2 3 4 5 6** Information about the governance within Sonae Sierra? ([Pages 66](#) to [69](#))
- 1 2 3 4 5 6** The integration of financial, economic, environmental and social information?
- 1 2 3 4 5 6** The extent to which information was provided on relevant ('material') topics?

Is there any information on Sonae Sierra's economic, environmental and social performance which you felt was missing from this report? If yes, please describe what this was _____

Are there any particular aspects of economic, environmental and social performance which you feel that Sonae Sierra needs to improve on? If yes, please explain which ones _____

What do you see as being the main social, economic and/or environmental challenges for Sonae Sierra in the next five to ten years? _____

Do you have any additional suggestions on how Sonae Sierra can continue to create shared value (for its business and society)?

Why did you consult this report? _____

Please use the space below to provide your own comments on this report or any other aspect of Sonae Sierra's economic, environmental and social performance. _____

Do you give us permission to publish your comments in our future sustainability communications?

Yes, I do give permission. You can publish my comments under the name of _____

No, I do not want my comments to be published.

THANK YOU

