



Second Party Opinion

***Sonae Sierra Sustainability -
Linked Financing Framework***

25.01.2022

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1 EXECUTIVE SUMMARY

Sonae Sierra, SGPS, S.A. (“Sonae Sierra” or “the company”) is a property company and full real estate services provider. Based in Portugal since 1989, Sonae Sierra is owned by Sonae SGPS with 80%, and Grosvenor Group limited with 20%. Currently, Sonae Sierra owns 27 shopping centers and is responsible for the ownership, management, and/or leasing of 124 real estate assets, has 5 projects under development, and manages 12 investment vehicles.

KPMG Portugal has been commissioned by Sonae Sierra to provide a second party opinion on the Sustainability-Linked Financing Framework (the “framework”). The main goal of the assessment is to evaluate if the framework meets the criteria established within the International Capital Market Association (ICMA) Sustainability-Linked Bond Principles 2020 (SLBP)¹ as well as the Sustainability-Linked Loan Principles 2021 (SLLP)².

This framework enables the issuance of sustainability-linked bonds and loans or other finance instruments whose characteristics are linked with sustainability performance targets (“Sustainability-Linked Instruments” or “instruments”). In this document, dated January 2022, Sonae Sierra identified two material Key Performance Indicators (KPIs) to the business:

KPI 1: Greenhouse Gas (GHG) emission intensity reduction (Scope 1 and 2)

KPI 2: Waste Recycling rate increase

Sonae Sierra will assess its sustainability performance through the following Sustainability Performance Targets (SPTs):

SPT 1: Reduce GHG (Scope 1 + 2) Emissions intensity to a maximum of 16.8 kgCO₂e / sq. m GLA by 2025

SPT 2: Increase Waste Recycling Rate to a minimum of 78% by 2025

KPMG is of the opinion that Sonae Sierra’s Sustainability-Linked Financing Framework is aligned with the core components of the Sustainability-Linked Bond Principles (SLBP) and Sustainability Linked Loan Principles (SLLP), and best market practices.

2 METHODOLOGY

As mentioned, the evaluation uses reference the criteria established by SLBP and SLLP. Both are formed by five principles:

Principle One: Selection of Key Performance Indicators (KPIs)

The company must have a clear definition of the KPI(s) as well as the calculation methodology. It is also recommended that they communicate the rationale and process according to which the KPI(s) have been selected and how these indicators fit into their sustainability strategy.

The chosen KPIs must be relevant, core, and material to the company’s overall business strategy. The indicators should be measurable or quantifiable and externally verifiable.

¹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

² https://www.lma.eu.com/application/files/8416/2210/4806/Sustainability_Linked_Loan_Principles.pdf

Principle Two: Calibration of Sustainability Performance Targets (SPTs).

The framework should make a clear reference to the timelines for the target achievement as well as the key factors beyond the direct control that may affect the achievement of the SPT(s). When relevant, the sustainability performance targets should be associated with a verified baseline or a reference point for improvement of the KPI(s). It is also important to mention in what situations recalculations or Pro-forma adjustments of baseline will be necessary.

The defined SPTs should be ambitious, meaningful, and realistic. The target settings must also be based on a sustainability improvement in relation to a predetermined performance target benchmark.

Principle Three: Instrument Characteristics

The instrument will need to include a financial or structural impact depending on whether the KPIs reach or not the predefined SPTs. It is also important to reference any fallback mechanisms in case the SPTs cannot be calculated adequately.

Principle Four: Reporting

The company should publish and keep readily available: information on the performance of the selected KPIs, a verification assurance report relative to the SPT and their related impact, and any other information enabling investors to monitor the level of ambition of the SPTs.

It is critical to keep these reports updated regularly (at least annually) as well as assessing closely KPI performance that could lead to a potential adjustment of the Sustainability-Linked Instruments financial and/or structural characteristics.

Principle Five: Verification

The company should seek external verification of their performance level for each SPT by a qualified external reviewer (i.e., auditor or environmental consultant). These verifications of performance should always be made publicly available.

3 WORK UNDERTAKEN

The present work constituted a high-level review of the available information, based on the understanding that the information was provided to us by Sonae Sierra in good faith. It is important to note that we have not performed an audit or other verifications to check the veracity of the information provided to us. The work was undertaken to form our assessment included:

- Sonae Sierra’s Sustainability-Linked Financing Framework analysis;
- Discussions with Sonae Sierra management;
- Documentation regarding methodology and calculation for the selected key performance indicators and corresponding targets;
- Benchmark analysis using publicly available information;
- Review of Sonae Sierra’s published reports and website including the EES Report (years 2017 to 2020);

- Documentation of findings against each element of the criteria.

4 FINDINGS AND DISCUSSION

A. Principle One: Selection of Key Performance Indicators (KPIs)

KPI1: Greenhouse Gas (GHG) emission intensity reduction (Scope 1 and 2)

KPI # 1 includes the total amount of Scope 1 and 2 emissions from Sonae Sierra's owned and managed portfolio of shopping centers, in operation during the full reporting year, as well as corporate offices in Lisbon and Maia. Other owned but not managed shopping centers therefore, are not included in the calculations. In the considered base year (2019) this indicator had a value of 19,13 kgCO₂e/sq. m.

- Materiality and relevance

The KPI selected is core and material to Sonae Sierra as it was identified as a material issue in the most recent Economic, Environmental and Social ("EES Report") annual reports³. Since 1998 Sonae Sierra identified four key ESG issues: emissions, energy, water consumption, and waste recycling. In this context, the reduction of GHG emissions represents an important pillar for the overall business and a relevant factor for the upcoming years.

Currently, scope 1 and 2 only represent 4.5% of their global GHG emissions, leaving scope 3 with 95.5%, having by far the most significant contribution to their carbon footprint. Such emissions are associated with the activities of tenants and vehicles emissions produced by visitors. Having no control of scope 3 emissions, Sonae Sierra encourages tenants to reduce their GHG emissions from their activities and is working on improving access to their shopping centers.

Through the Sustainability Accounting Standard Board (SASB)⁴ Materiality Map, energy consumption was recognized as a major ESG issue for the real estate industry. As electricity consumption currently corresponds to approximately 67% of Sonae Sierra's Scope 2 emission, it's safe to assume that GHG emissions (for scope 1 and 2) can also be considered as a relevant ESG factor.

- Consistency with overall company's sustainability strategy

As stated, the impact of GHG emission was considered one of the key ESG risks on the EES report as climate change represents a relevant menace for the overall business, causing physical and local depreciation to the assets. On the other hand, adapting the existing buildings and developing new buildings that perform better in predicted climate change scenarios could help to maintain and enhance assets.

The selected KPI is also aligned with Sonae Sierra's ambition to become carbon neutral by 2040 and therefore respect the European Green Deal. For Europe to become Carbon neutral

³ https://sonaesierra.com/publicdocs/reports2020/2020_EES_Report.pdf

⁴ <https://www.sasb.org/standards/materiality-finder>

by 2050 GHG emissions must be reduced by over 50%, as buildings and construction represent 35% of global emissions, they play a major role in achieving this goal.

Furthermore, to strengthen their sustainable strategy Sonae Sierra set a long-term commitment with the Science-Based Target initiative (SBTi)⁵ and is now formally committed to reducing the value of scope 1 and 2 emission intensity (KPI#1).

- Measurability

This KPI covers all Scope 1 and 2 emissions, which account for approximately 4.5% of Sonae Sierra’s total GHG emissions. This indicator is quantifiable, the emissions are measured in metric tons carbon dioxide equivalent.

Direct emissions (scope 1) are from sources that are owned and controlled by Sonae Sierra such as company car fleet, air-conditioning equipment, boilers, and co-generation plants. On the other hand, indirect emissions (scope 2) result from Sonae Sierra’s activities but are owned by a third party, such as purchased electricity, heating, and cooling. Additionally, scope 2 emissions are calculated in a market-based approach.

For both scopes, the calculation methodology follows credible external sources such as the Greenhouse gas Protocol⁶. The GHG emission calculation tool determines, from the energy consumed and the gas emission factor, the corresponding amount of CO₂ equivalent.

Moreover, the selected KPI is presented in detail on the Economic, Environmental and Social report which is externally verified on an annual basis. Additionally, this indicator is also subject to an internal audit plan (Safety Environment and Health data audits) which ensures every year a material sample of shopping centers is subject to this audit.

| Criteria | Requirements | Evidence | KPMG Findings |
|---|--|---|--|
| Material to core sustainability and business strategy | <p>The KPIs should be material to the company’s core sustainability and business strategy and address relevant environmental, social, and/or governance challenges of the industry sector.</p> <p>The KPI should be of high strategic significance to the company’s current and/or future operations.</p> <p>It is recommended that company communicates the rationale to which the KPI(s) have been selected and how they fit into their Sustainability strategy.</p> | <ul style="list-style-type: none"> - Sonae Sierra Sustainability-Linked Financing Framework - EES Report 2020 - EES Report 2019 - SBTi: SDA Tool - Matriz Materialidade (Sonae Sierra’s website) | <p>It is KPMG’s opinion that KPI#1 is deemed core and material through Sonae Sierra’s Sustainability report.</p> <p>Reduction of scope 1 and 2 emission is also aligned with Sonae Sierra’s ambition to become carbon neutral by 2040 and therefore respect the European Green Deal making the selected KPI crucial for Sonae Sierra’s Sustainability strategy</p> |

⁵ <https://sciencebasedtargets.org/>

⁶ <https://ghgprotocol.org/calculation-tools>

| Criteria | Requirements | Evidence | KPMG Findings |
|----------------------------------|--|---|--|
| Measurability | <p>KPIs should be measurable or quantifiable on a consistent and adequate methodological basis; externally verifiable; and able to be benchmarked</p> <p>Companies are encouraged to select KPI(s) that they have already included in their previous annual reports, allowing investors to evaluate the historical performance of the KPIs selected.</p> | <p>- Sonae Sierra Sustainability-Linked Financing Framework</p> <p>- EES Report 2020</p> <p>- SBTi: SDA Tool</p> <p>-Deloitte: Relatório de Procedimentos acordados</p> <p>-Ficha indicadores : G4-EN15,G4-EN16,WS1</p> | <p>KPMG can confirm that the chosen KPI is measurable, quantifiable and its calculation methodology follows credible external sources.</p> <p>In addition, the selected KPI is externally verifiable</p> |
| Clear definition of selected KPI | <p>A clear definition of the selected KPI(s) should be provided as well as the calculation methodology</p> | <p>- Sonae Sierra Sustainability-Linked Financing Framework</p> | <p>The framework provided by Sonae Sierra has a clear definition of the selected indicators and their methodology for calculation</p> <p>Furthermore, the company communicated the rationale and process according to which KPI #1 has been selected</p> |

KPI2: Waste Recycling rate increase

KPI #2 is defined as the waste recycling rate across Sonae Sierra’s owned and managed portfolio of shopping centers in operation, during the full reporting year. This KPI includes the total amount of waste sent for recycling, anaerobic digestion, and composting. In the considered base year (2019) the company registered a 66% waste recycling rate.

- Materiality and relevance

The KPI selected is core and material to Sonae Sierra as it was identified as a material issue in the most recent EES annual reports. Over the years, waste management has been one of the main factors for Sonae Sierra’s Sustainability plan. In 2020, Sonae Sierra compared its waste recycling rate to other real estate peers (over 10 other real estate businesses) proving its constant commitment on improving waste management systems. According to the last EES report, the circular economy remains a core focus area for accelerating their business and is relevant for sustainable buildings.

Additionally, following the Sustainability Accounting Standard Board (SASB) Materiality Map, Product Lifecycle Management was considered a key ESG factor for the real estate services industry.

- Consistency with overall company’s sustainability strategy

Since the early 2000s, waste management has been a key factor for Sonae Sierra’s Sustainability plan, making waste recycling rates (KPI# 2) a crucial aspect for the overall business strategy. The selected KPI is also aligned with EU policy that aims to contribute to the circular economy by extracting high-quality resources from waste as much as possible.

Over the years Sonae Sierra has been engaged in increasing its recycling rate. In addition, raw material selection is also an important factor for Sonae Sierra’s waste management system. When it comes to material selection the company follows their Safety, Health, and Environment Development Standard (SHDS) that prohibits them to use materials that are known to have a negative impact on the environment and on the health being of building occupants.

- Measurability

KPI #2 covers all waste sent for recycling across Sonae Sierra’s owned and managed portfolio of shopping centers in operation during the full reported year, measured in tonnes. This indicator is quantifiable, the total waste and recycled waste are both measured in tons, and its methodology is robust and detailed.

As stated, the considered recycled waste includes waste sent for recycling, anaerobic digestion, and composting, on the other hand, the total waste includes the total of waste produced across Sonae Sierra’s owned and managed portfolio of shopping centers in operation during the full reporting year. This data is captured from a detailed map, of each site, with waste produced during the reporting period, by type of waste, type of destination, and with identification of the classification of hazardous and non-hazardous waste.

Moreover, the selected KPI is presented in detail on the Economic, Environmental and Social report which is externally verified on an annual basis. Additionally, this indicator is also subject to an internal audit plan (Safety Environment and Health data audits) which ensures every year a material sample of shopping centers is subject to this audit.

| Criteria | Requirements | Evidence | KPMG Findings |
|---|--|---|--|
| Material to core sustainability and business strategy | <p>The KPIs should be material to the company’s core sustainability and business strategy and address relevant environmental, social, and/or governance challenges of the industry sector.</p> <p>The KPI should be of high strategic significance to the company’s current and/or future operations.</p> <p>It is recommended that company communicates the rationale to which the KPI(s) have been selected and how they fit into their sustainability strategy.</p> | <ul style="list-style-type: none"> - Sonae Sierra Sustainability-Linked Financing Framework - EES Report 2020 - EES Report 2019 - Matriz Materialidade (Sonae Sierra’s website) | <p>It is KPMG’s opinion that KPI#2 is deemed core and material through Sonae Sierra’s EES report</p> <p>For the past 20 years, waste management has been a key ESG factor for Sonae Sierra’s overall business making it one of the most relevant issues for its sustainability strategy</p> <p>The selected KPI is also aligned with EU policy that aims to contribute to the circular economy by extracting high-quality resources from waste as much as possible</p> |

| Criteria | Requirements | Evidence | KPMG Findings |
|----------------------------------|---|--|---|
| Measurability | <p>KPIs should be measurable or quantifiable on a consistent and adequate methodological basis; externally verifiable; and able to be benchmarked</p> <p>Companies are encouraged to select KPI(s) that they have already included in their previous annual reports, allowing investors to evaluate the historical performance of the KPIs selected</p> | <p>- Sonae Sierra Sustainability-Linked Financing Framework</p> <p>-EES Report 2020</p> <p>-Deloitte: Relatório de Procedimentos acordados</p> <p>-Ficha indicadores : G4-EN15,G4-EN16,WS1</p> | <p>KPMG can confirm that the chosen KPIs are measurable, quantifiable and its calculation follows a robust and detailed methodology</p> <p>In addition, the selected KPI is externally verifiable</p> |
| Clear definition of selected KPI | <p>A clear definition of the selected KPI(s) should be provided as well as the calculation methodology</p> | <p>- Sonae Sierra Sustainability-Linked Financing Framework</p> | <p>The framework provided by Sonae Sierra has a clear definition of the selected indicators and their methodology.</p> <p>Furthermore, the company communicated the rationale and process according to which KPI #2 has been selected</p> |

KPMG’s Opinion

Both KPIs are deemed core and material through the Sonae Sierra EES report. Since 1998 Sonae Sierra identified four key ESG risks (emissions, energy, water consumption, and waste recycling), two of which are directly related to the selected KPIs (emissions and waste management). The materiality exercises have been updated on a yearly basis and have confirmed the alignment of these topics with business strategy and stakeholder expectations.

In addition, KPI #1 is aligned with the long-term commitment with the Science-based target initiative, and KPI #2 is allied with EU policy that aims to contribute to a more circular economy by extracting high-quality resources from waste.

The selected indicators are calculated following a robust and detailed methodology and are independently assured by a third party confirming their ongoing measurability and verifiability.

Based on the evidence reviewed, KPMG can confirm that the selected KPIs are relevant, core, and material to the company’s overall business and present high strategic value to the current and future operations. The rationale behind KPI selection as well as its definition, measurability, and, verifiability are well defined in the framework.

B. Principle Two: Calibration of Sustainability Performance Targets (SPTs)

SPT1: Reduce GHG (Scope 1 + 2) Emissions intensity to a maximum of 16.8 kgCO₂e / sq.m GLA by 2025

As mentioned, SPT #1 is directly related to the commitment to SBTi making it a key component to Sonae Sierra’s broader sustainability and business strategy. Considering the 2°C scenario and a timeline of 5 years, a reduction of GHG emissions intensity (Scope 1 and 2) to a maximum of 16.80 kgCO₂e/sq.m was established which results in a cumulative reduction of 12% between 2019 and 2025.

It is important to state that the value of KPI #1 for the year 2019 has been recalculated, corrected from 15.3 kgCO₂e/sq.m to 19.1 kgCO₂e/sq.m. This adjustment was based on the changes to Sonae Sierra's portfolio, as only 80% of the properties remain in the current carbon footprint scope. The initially reported data as well as the Pro-forma 2019 baseline, have been audited for a limited level of assurance.

- Ambition, Baseline and Benchmarks

With the following historical data regarding KPI #1, it is possible to evaluate the indicator performance between 2017 and 2020:

| KPI #1 | 2017 | 2018 | 2019 | 2020 | Target 2025 |
|---|------|--------|-------------|--------|-------------|
| Scope 1 & 2 (KgCO₂e/sq.m) | 21.7 | 18.7 | 19.1 | 13.1 | 16.8 |
| Annual variation (%) | - | -13.8% | +2.0% | -31.0% | - |
| Cumulative reduction (%) | | -11.9% | | | -12% |
| Total Reduction 2017-2025 | | | -22% | | |

As mentioned, the primary goal is to reduce Scope 1 and 2 emissions intensity to a maximum of 16.8 kgCO₂e/sq.m until 2025 considering a baseline of 2019. The year 2019 was considered the most accurate representation of the Sonae Sierra emission profile as it is the most recent full year of activity unaffected by the Covid-19 pandemic. In addition, it also aligned with the baseline year submitted to SBTi.

As shown above, the company’s past performance has varied over the years. From 2019 to 2020 a significant decrease in emissions (- 30%) and between 2018 and 2019 there was an increase of 2%. It is important to note that, in 2020, annual emissions declined significantly,

essentially, due to restrictions applied on public spaces in the pandemic context which led to a large decrease in energy consumption.

From 2017 to 2019 there was a total of 11.9% decrease in emissions and throughout 2017 to 2020 an average of 13% decrease per year of direct and indirect emissions intensity. Such results can lead to the assumption that SPT#1 is not ambitious, however, it is important to highlight that 2020 was an atypical year as energy consumptions were at their lowest leading to very low emission values.

With the targeted decrease of 12% by 2025 there will be a total reduction of 22% between 2017 and 2025, leading up to a significant decrease in emission for scope 1 and 2.

In the following table, Sonae Sierra emission data was analysed and forecasted using two approaches: by applying a continuous decrease to obtain the expected value of 16.8 kgCO₂e/sq. m, and by using the average annual reduction of the 2017-2019 period throughout 2021 to 2025. It's important to note that 2020 emission values were not considered in the analysis as low energy consumption led to unrealistic CO₂ emission values.

| GHG emissions Scope 1 & 2 (kgCO ₂ e/sq. m) | Reported Data | | | | Forecast | | | | Target |
|--|---------------|-------|------|-------------------|----------|--------|--------|--------|-------------|
| | 2017 | 2018 | 2019 | 2020 ⁷ | 2021 | 2022 | 2023 | 2024 | 2025 |
| Sonae Sierra | 21.7 | 18.7 | 19.1 | 13.1 | - | - | - | - | - |
| Forecast values (by target approach) | | | | | 18.6 | 18.2 | 17.7 | 17.3 | 16.8 |
| Reduction (%) baseline 2019 (by target approach) | | | | | -2.4% | -4.8% | -7.1% | -9.3% | -12% |
| Forecast values (by linear approach) | | | | | 18 | 16.9 | 15.9 | 15.0 | 14.1 |
| Reduction (%) baseline 2019 (by linear approach) | | -5.9% | | | -5.9% | -11.4% | -16.5% | -21.4% | -25.9% |

Based on historic reduction and assuming a linear approach forecast we would expect a higher emissions reduction by 2025 (with an expected value of 14.1 kgCO₂e/sq. m) of scope 1 and 2 emissions than the defined target.

To further analyse Sonae Sierra's performance, the following data compares Sonae Sierra's emission intensity with peers of the real estate industry

⁷ 2020 data was not considered in the present analysis as Covid-19 pandemic led to unrealistic emission value

| GHG emissions Scope 1 & 2 (kgCO ₂ e/sq.m) | 2017 | 2018 | 2019 | 2020 | Target |
|---|-------------|-------------|-------------|-------------|-------------|
| ⁸ Peer 2 | 21 | 14 | 9 | 5.2 | 0 (2030) |
| Peer 5 | 48 | 48 | 39 | 33 | |
| Peer 7 | - | - | 26 | 18.9 | |
| Sonae Sierra | 21.7 | 18.7 | 19.1 | 13.1 | 16.8 |

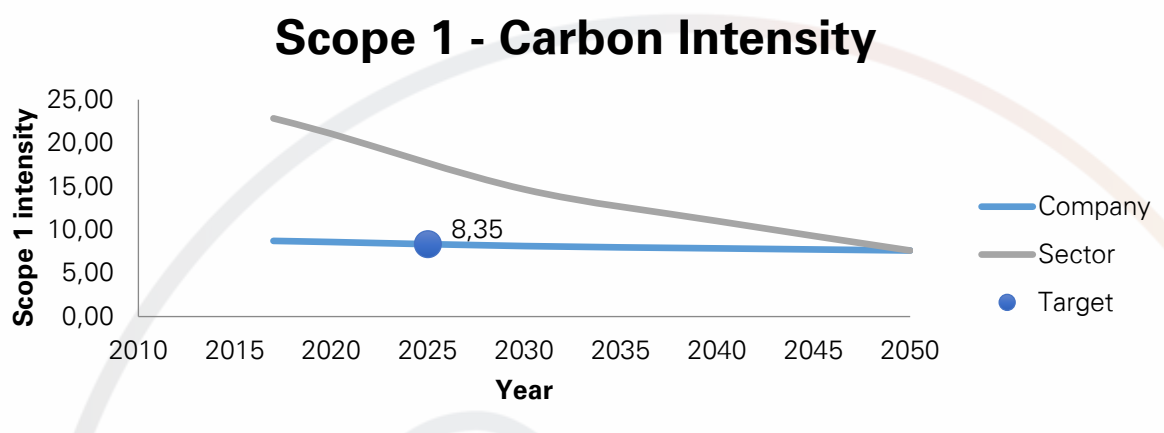
When comparing with existing available benchmarks it is observable that Sonae Sierra has a good starting point of the indicator which also creates an additional challenge to achieve significant reductions.

In 2019, Sonae Sierra had considerably low values compared to Peer 5 and Peer 7, has shown in the previous table, Sonae Sierra had an emission intensity of 19.1 kgCO₂e/sq.m and on the other hand, Peer 5 and Peer 7 had 39 kgCO₂e/sq.m and 26 kgCO₂e/sq. m respectively. Regarding emission reduction, Sonae Sierra has similar reduction rates compared to other companies of the sector.

Here, it is also evident that 2020 lead to significant emission reductions, as shown in the above data, Peer 2 had a total decrease of 42% leaving Sonae Sierra with the second higher decrease of 31% between the years 2019 and 2020.

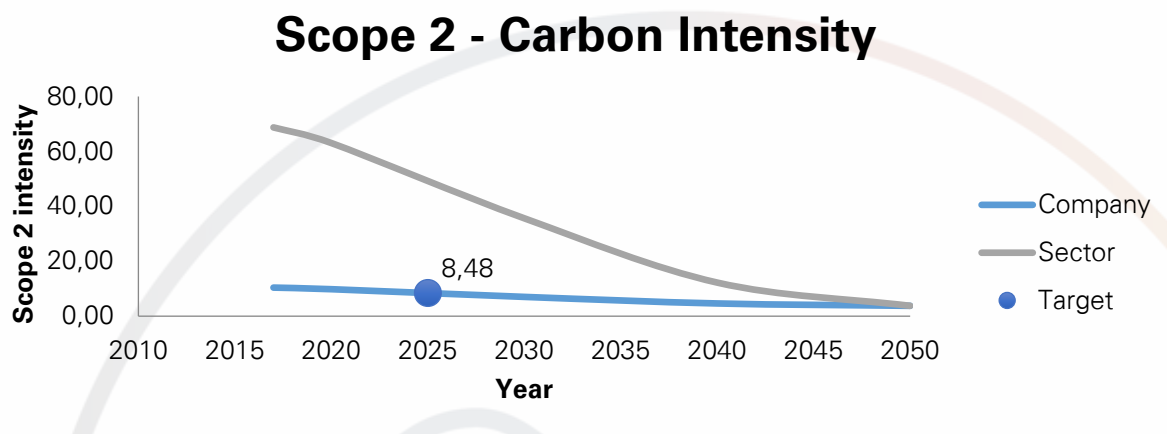
Additionally, as one of the few companies with specific targets for this type of emissions, Sonae Sierra is already in a favourable position compared to its competitors.

In order to have a wider view of the GHG emissions impact in the real estate industry, Sonae Sierra 's Scope 1 and 2 emission intensity was compared with the overall sector. It is important to note that the following data was directly imported from the SBTi Target setting tool⁹.



⁸ Peer reference follows the one established in Sonae Sierra Sustainability-Linked Financing framework

⁹ <https://sciencebasedtargets.org/resources/files/Business-Ambition-FAQ.pdf>



When comparing Sonae Sierra’s baseline for 2019 (8.72 kgCO₂e/sq.m and 10.40 kgCO₂e/sq.m, for scope 1 and scope 2 emissions respectively) it is noticeable that it is significantly lower than the real estate sector as a whole, according to the SBTi. Therefore, the pathway for reduction and towards neutrality is also distinct between the company and its peers. These results reinforce the very positive positioning Sonae Sierra already registers in this indicator, and reassures that the targets set for 2025 are ambitious because the company needs now to enhance efforts to address marginal efficiency improvements that produce the targeted reduction of scope 1 and scope 2 emissions.

Furthermore, being aligned with the Science-Based target initiative’s (SBTi’s) science-based criteria ensures that its targets are ambitious against regional and international targets and also aligned with the company goal to be carbon neutral by 2040.

We consider, therefore, this specific target to be ambitious.

- Strategy to Achieve SPT

Sonae Sierra has identified different methodologies for achieving SPT objectives; efficient light systems in combination with controls and sensors, renovation of the heating and cooling systems and increasing their isolation conditions, implementation of photovoltaic panels, and investment in green electricity procurement practices. Currently, 79% of the purchased electricity is green and Sonae Sierra aims to increase this percentage up to 96%. All the previous measures will correspond to an estimated investment of 34M€.

In addition, a recalculation policy is presented in the Framework. Sonae Sierra is committed to recalculating KPI #1 baseline or/and SPT #1 to reflect recalculation events that affect positively or negatively the value of KPI #1. Such recalculation events include: changes in Sonae Sierra’s owned and managed portfolio, new calculation methodology of GHG Scope 1 and 2 emissions, the discovery of data errors, and changes in regulation from regulatory bodies relevant to KPI #1 or SPT #1.

| Criteria | Requirements | Evidence | KPMG Findings |
|-------------------------------|--|--|--|
| Ambitious target settings | The SPT should be ambitious to the company’s business and should be consistent with the overall sustainability strategy | <ul style="list-style-type: none"> - Sonae Sierra Sustainability-Linked Financing Framework - EES Report 2020 - EES Report 2019 | <p>SPT #1 is directly related to the commitment to SBTi making it a key component to Sonae Sierra’s broader Sustainability strategy.</p> <p>With the 2019 baseline and the targeted decrease of 12% by 2025, there will be a total reduction of 22% between 2017 and 2025, leading up to a significant decrease of emission for scope 1 and 2. With such results, KPMG concluded that SPT #1 can be considered an ambitious target.</p> |
| Benchmark approach | <p>The target settings should also be based on benchmarking approaches:</p> <p>The company’s past performance (it is recommended a measurement track of, at least, the last 3 years)</p> <p>The SPT position compared to other peers of the industry or sector standards</p> <p>Referenced science-based scenarios</p> | <ul style="list-style-type: none"> - Sonae Sierra Sustainability-Linked Financing Framework - EES Report 2020 - EES Report 2019 | <p>Sonae Sierra presented four years (2017,2018,2019 and 2020) of historical data.</p> <p>When comparing with past performance and market peers, it is clear that the chosen target goes beyond the “Business as usual “scenario.</p> <p>As mentioned, being aligned with science-based criteria can ensure that its targets are ambitious against regional and international targets.</p> |
| Disclosures on target setting | <p>In the Framework, they should make a clear reference to:</p> <p>The timeline for the target achievement, trigger events, and frequency of SPT</p> <p>The verifiable baseline or reference point selected for the improvement of the KPI as well as the rationale of the baseline</p> <p>Situations of recalculation or Pro-forma adjustments of baselines</p> <p>Type of actions that are expected to drive the performance towards the SPTs as well as their expected respective</p> | <ul style="list-style-type: none"> - Sonae Sierra Sustainability-Linked Financing Framework - Discussions with Sonae Sierra Management - EES 2020 - EES Investments 2021 | <p>KPMG can confirm that the Framework refers to:</p> <p>The timeline of SPT #1 target achievements.</p> <p>The reference point for the SPT will be 2019 as it is the most accurate representation of their emission profile and is also aligned with the baseline year set with SBTi.</p> <p>The framework adequately defines the situation that could lead to recalculation of KPI, SPT, and the baseline (changes in Sonae Sierra’s owned and managed portfolio, new calculation methodology of GHG Scope 1 and 2 emissions, the discovery of</p> |

| Criteria | Requirements | Evidence | KPMG Findings |
|----------|---|----------|---|
| | <p>contribution, in quantitative terms wherever possible</p> <p>Other key factors beyond the company’s control that may affect the achievement of SPT</p> | | <p>data errors, and changes in regulation from regulatory bodies relevance to KPI #1 or SPT #1).</p> <p>Sonae Sierra has identified different methodologies for achieving SPT objectives; efficient light systems in combination with controls and sensors, renovation of the heating and cooling systems and increasing their isolation conditions, implementation of photovoltaic panels, and investment in green electricity procurement practices</p> |

SPT2: Increase Waste Recycling Rate to a minimum of 78% by 2025

Over the years waste management has been a key factor for Sonae Sierra’s Sustainability plan, in addition, an increase of recycling rates is also aligned with EU policy that aims to contribute to the circular economy by extracting high-quality resources from waste as much as possible.

By the new European standards¹⁰, sustainable products should be the new norm, and reducing resource use, retaining value in the economy, waste prevention, design for recycling, and reuse should always be a part of the new strategic framework. Until 2035 EU is committed to increase the recycling rate to over 65%, by comparing it with SPT #2, Sonae Sierra is already in advance compared to the European target.

- Ambition, Baseline and Benchmarks

With the following historical data regarding KPI #2, it is possible to evaluate the indicator performance between 2017 and 2020:

¹⁰ https://www.europarl.europa.eu/doceo/document/ENVI-PR-652387_PT.pdf

| KPI #2 | 2017 | 2018 | 2019 | 2020 | Target 2025 |
|---------------------------------|------|------|------------|------|-------------|
| Recycled Waste (%) | 64% | 66% | 66% | 61% | 78% |
| Annual variation (%) | - | +3% | 0% | -7% | - |
| Cumulative increase (%) | | +3% | | | +18% |
| Total increase 2017-2025 | | | +22% | | |

As mentioned, the goal is to increase the recycled waste percentage, to have, in 2025, a minimum of 78% of recycled waste. Sonae Sierra selected 2019 as its baseline as it is the most accurate representation of their waste management values and it is the most recent full year of activity unaffected by the Covid-19 pandemic.

As shown above, the company's past performance has varied over the years. From 2019 to 2020 a significant decrease of 7% and between 2017 and 2018 there was an increase of 3%. From 2017 to 2019 there was a total of 3% increase in recycled waste and throughout 2017 to 2020 an average of 1.3% decrease per year.

With the targeted 78% of recycled waste by 2025, there will be a total of 18% increase of recycled waste from the base year (2019) and a total of 22% compared to 2017. Such results can lead to the assumption that SPT#2 presents ambition compared to the company's past performance.

In order to understand Sonae Sierra's position regarding waste recycling rate in the market, the following data compares Sonae Sierra performance with 10 real estate peers:

| KPI # 2 ¹¹ | 2017 | 2018 | 2019 | 2020 | Target |
|-----------------------|------------|------------|------------|------------|---------------|
| Peer 1 | 73.0% | 76.0% | 78.0% | 57.0% | 85% |
| Peer 2 | 42.0% | 35.0% | 35.0% | 37.0% | - |
| Peer 3 | 37% | 36,0% | 39,0% | 44,0% | 70% (2030) |
| Peer 4 | - | 49,2% | 49,9% | 49,2% | - |
| Peer 6 | 52,9% | 54,6% | 33,6% | 35,2% | - |
| Peer 7 | 31,2% | 26,6% | 27,0% | 33% | 60% (2022) |
| Peer 8 | 54,0% | 59,0% | 60,0% | - | - |
| Peer 9 | 33,2% | 50,8% | 49,9% | 25,2% | - |
| Sonae Sierra | 64% | 66% | 66% | 61% | 78% |

As shown in the table above, Sonae Sierra already presents a considerably high recycling rate compared to its peers. In 2019, Sonae Sierra had 66% of recycled waste, on the other hand, companies like Peer 2, Peer 6, and Peer 7 had values below 35%.

According to this sample, from 2017 to 2019 Sonae Sierra was the second company with a higher recycling rate and in 2020 had the highest rate of 61%. In addition, the target setting follows an ambitious route as it is the second-highest rate target with the compared businesses.

- Strategy to Achieve SPT

As already mentioned, waste management has been a focus of Sonae Sierra's sustainability plan for the last 20 years, thus having a considerable maturity in the subject and already made considerable improvement on their waste management system. For the new target, additional operational measures will be implemented such as increase of segregation of organic waste, improvement of plastic separation, and awareness of tenant's employees to manage efficiently waste.

In addition, a recalculation policy is presented in the Framework. Sonae Sierra is committed to recalculating KPI #2 baseline or/and SPT #2 to reflect recalculation events that affect positively or negatively the value of KPI #2. Such recalculation events include: changes in Sonae Sierra's owned and managed portfolio, new calculation methodology for recycled waste, the discovery of data errors, and changes in regulation from regulatory bodies relevant to KPI #2 or SPT #2.

¹¹ Pier 5 recycling rate was not publicly available

| Criteria | Requirements | Evidence | KPMG Findings |
|--------------------------------------|--|--|---|
| <p>Ambitious target settings</p> | <p>The SPT should be ambitious to the company’s business and should be consistent with the overall sustainability strategy</p> | <ul style="list-style-type: none"> - Sonae Sierra Sustainability-Linked Financing Framework - EES Report 2020 - EES Report 2019 | <p>Over the years waste management has been a key factor for Sonae Sierra’s Sustainability plan, in addition, an increase of recycled waste is also aligned with EU policy that aims to contribute to the circular economy by extracting high-quality resources from waste as much as possible.</p> <p>With the targeted 78% of recycled waste by 2025, there will be a total of 18% increase of recycled waste from the base year (2019) and a total of 22% compared to 2017. Such results can lead to the assumption that SPT#2 presents ambition compared to the company’s past performance.</p> |
| <p>Benchmark approach</p> | <p>The target settings should also be based on benchmarking approaches:</p> <p>The company’s past performance (it is recommended a measurement track of, at least, the last 3 years)</p> <p>The SPT position compared to other peers of the industry or sector standards</p> <p>Referenced science-based scenarios</p> | <ul style="list-style-type: none"> - Sonae Sierra Sustainability-Linked Financing Framework - EES Report 2020 - EES Report 2019 | <p>The Framework presented four years (2017,2018,2019 and 2020) of historical data.</p> <p>When comparing with past performance and market peers, it is clear that the chosen target goes beyond the “Business as usual”scenario.</p> <p>Sonae Sierra has a considerably high recycling rate compared to its peers. In addition, the 2025 target is considerably more ambitious compared to other companies in the sector.</p> |
| <p>Disclosures on target setting</p> | <p>In the Framework, they should make a clear reference to:</p> <p>The timeline for the target achievement, trigger events, and frequency of SPT</p> <p>The verifiable baseline or reference point selected for the improvement of the</p> | <ul style="list-style-type: none"> - Sonae Sierra Sustainability-Linked Financing Framework -Discussions with Sonae Sierra Management - EES Report 2020 - EES Investments 2021 | <p>KPMG can confirm that the Framework refers to:</p> <p>The timeline of SPT #2 target achievements.</p> <p>The reference point for the SPT will be 2019 as it is the most accurate representation of their current waste management performance.</p> |

| Criteria | Requirements | Evidence | KPMG Findings |
|----------|---|----------|--|
| | <p>KPI as well as the rationale of the baseline</p> <p>Situations of recalculation or Pro-forma adjustments of baselines</p> <p>Type of actions that are expected to drive the performance towards the SPTs as well as their expected respective contribution, in quantitative terms wherever possible</p> <p>Other key factors beyond the company’s control that may affect the achievement of SPT</p> | | <p>The framework adequately defines the situation that could lead to recalculation of KPI, SPT, and the baseline (changes in Sonae Sierra’s owned and managed portfolio, new calculation methodology for recycled waste, the discovery of data errors, and changes in regulation from regulatory bodies relevance to KPI #2 or SPT #2).</p> <p>Sonae Sierra has identified different methodologies for achieving SPT objectives.</p> |

KPMG’s Opinion

Both SPTs use clear baselines (2019) and include at least three years of historical data. It is KPMG’s opinion that the selected SPTs are market-leading within the European real estate peers and by analysing KPIs past performance (between 2017 and 2020) it is clear that the targets go beyond the “Business as usual”.

Additionally, Sonae Sierra presented a transparent SPT/KPI and baseline re-calculation policy as the portfolio is actively managed and may suffer changes throughout the years.

C. Principle Three: Instrument Characteristics

According to Sonae Sierra Framework, the failure and/or the success to meet the SPTs at respective observation dates will impact the financial characteristics of the sustainability-linked instruments, in the form of:

- If the instrument is impacted by the failure: in the form of a step-up in the coupon, a premium payment at maturity or a combination of both, and/or
- If the instrument is impacted by the success, in the form of a step-down in the coupon, a discount payment at maturity or a combination of both.

If Sonae Sierra does not make publicly available information on the performance of the KPI and the corresponding SPT, within 6 months of the target date, or the relevant KPI(s) and the respective SPT(s) cannot be calculated or observed adequately, the step-up in the coupon and/or premium payment will be triggered or the step down in the coupon/ a discount payment at maturity will not be triggered according to the type of instrument in place.

According to the established instrument characteristics, it is possible to conclude that they are relevant and adequate for the established purpose. KPMG can confirm that the financial instruments defined in the context of this framework are impacted based on KPI performance under SPTs.

| Criteria | Requirements | Evidence | KPMG Findings |
|---------------------------------|---|--|--|
| SPT Financial/structural impact | Financial and/or structural impact involving trigger events based on whether the KPIs reach the predefined SPTs | - Sonae Sierra Sustainability-Linked Financing Framework | <p>Sonae Sierra has committed to adjusting the financial characteristics of the instrument, based on whether the KPIs reach the respective target on the observation date (2025). These changes may include:</p> <ul style="list-style-type: none"> - Coupon Step-up / Step down - Premium payment - Discount payment <p>The adjustment will be triggered if Sonae Sierra does not make publicly available information on the performance of the KPI and the corresponding SPT, within 6 months of the target date.</p> |
| Fallback mechanism | Any fallback mechanism in case the SPTs cannot be calculated or observed adequately | - Sonae Sierra Sustainability-Linked Financing Framework | <p>The step-up / step down in the coupon and/or premium payment / discount payment will be also impacted if SPTs are not observed adequately.</p> <p>In addition, Sonae Sierra has a robust recalculation policy that significantly decreases the risk of not obtaining KPI and SPT values. In this case, a fallback mechanism is not required.</p> |

KPMG's opinion

KPMG can confirm that the financial characteristics of the instruments issued under the given framework are impacted based on KPI performance under SPTs following the SLB and SLL principles. Due to the robust recalculation policy, a fallback mechanism is not required.

D. Principle Four: Reporting

Sonae Sierra has committed to including on the annual Economic, Environmental, and Social Report (EES Report) the following information:

- Up-to-date and externally verified information on the performance of the KPIs
- Relevant information enabling investors and other stakeholders to monitor the progress of the KPIs towards the SPTs and to observe the level of ambition in respect of the SPTs, which may include updates in our sustainability strategy, governance considerations having an

impact on the KPIs and/or the SPTs, and, more generally, information relevant to the analysis of the KPIs and/or the SPTs.

When possible and relevant their EES annual report will also include:

- Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the performance on the KPIs
- Illustration of the positive sustainability impacts of the performance improvement
- Disclosure of any risks and factors that might affect the performance of the KPIs and/or the achievement of the SPTs.

| Criteria | Requirements | Evidence | KPMG Findings |
|----------------------|--|--|---|
| Reporting | <p>Companies should publish and keep available:</p> <p>Up-to-date information on the performance of the KPI, including baselines</p> <p>Verification assurance report of the SPT</p> <p>Any information enabling investors to monitor the level of ambition of the SPT</p> | - Sonae Sierra Sustainability-Linked Financing Framework | <p>Sonae Sierra is committed to including in their annual EES report (that will be made available on their website):</p> <p>Up-to-date and externally verified information on the performance of the KPIs</p> <p>Relevant information enables investors and other stakeholders to monitor the progress of the KPIs towards the SPTs</p> <p>In addition, information may also include:</p> <p>A qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the performance on the KPIs</p> <p>Illustration of the positive sustainability impacts of the performance improvement</p> <p>Disclosure of any risks and factors that might affect the performance of the KPIs and/or the achievement of the SPTs.</p> |
| Second Party Opinion | <p>Companies should have a second-party opinion report.</p> <p>The report should be conducted by a reviewer with relevant expertise,</p> | - Sonae Sierra Sustainability-Linked Financing Framework | <p>A second party opinion is being conducted by us, KPMG. The present assessment includes a detailed evaluation of the selected KPIs, SPTs, benchmark, baselines, and the credibility of Sonae Sierra’s strategy to achieve them.</p> |

KPMG's opinion

Sonae Sierra has committed to reporting annually on the KPIs and SPTs which will be made publicly available. KPMG is of the opinion that Sonae Sierra will be reporting in the lines of the SLB and SLL principles.

E. Principle Five: Verification

As mentioned, the verification of the selected KPI will be assured through Sonae Sierra EES annual report. This report will be verified in a limited level of assurance by an appropriately qualified independent party. Furthermore, following the SPT observation date (2025), Sonae Sierra's performance of the KPI and respective SPT will, once more, be appropriately verified by an independent party that shall issue a verification assurance certificate.

In addition to the information available in the EES report, a verification assurance certificate confirming the performance of the KPIs relative to the respective SPTs will be made publicly available as well.

| Criteria | Requirements | Evidence | KPMG Findings |
|-----------------------|---|---|--|
| External Verification | Companies should seek independent and external verification of their performance level against each SPT for each KPI by a qualified external reviewer with relevant expertise | - Sonae Sierra Sustainability-Linked Financing Framework -DBV: Report Audits 2022-2024 | It is clear for KPMG that Sonae Sierra is committed to assuring that the KPIs and SPTs are externally verifiable (including in the observation date, 2025) |

KPMG's opinion

KPMG confirms that Sonae Sierra has committed to obtaining verification and making it publicly available, in line with the SLB and SLL principles.

5 DISCLAIMERS

This review aims to provide an opinion on the sustainability strategy and credentials within the Sustainability-Linked Financing Framework established by Sonae Sierra and based on the information that has been provided to KPMG. The review is strictly limited to the integration of two environmental factors: KPI 1: Reduction of GHG emissions intensity (Scope 1 and Scope 2); KPI 2: Increase in waste recycling rate and to version of 25 of January of the framework.

Any material changes to this framework invalidate this opinion. This review does not cover other broader sustainability aspects (e.g. social issues, ethics, or governance) nor the labelling of the instrument which is the decision of Sonae Sierra.

This review is not a verification, certification, or assurance. In this process, KPMG did not interview stakeholders outside of Sonae Sierra universe, nor did it perform on-site verifications to test the reliability of the information provided. The reliability, completeness and accuracy of the information collected is the sole responsibility of Sonae Sierra. Sonae

Sierra is fully responsible for the achievement of the objectives set out in its policies, and for their implementation, monitoring and attestation. This review does not focus either on the financial performance of the instrument or on the effective allocation of the resources generated through it. KPMG is not responsible for any consequence arising from the use of this opinion by third parties in making investment decisions and any other business transaction.

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