



SONAE SIERRA

**Sustainability-Linked Financing
Framework**

25 January 2022

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INTRODUCTION

About Sonae Sierra

Business Overview

Sonae Sierra is a property company and full real estate services provider committed to delivering solutions to meet its client ambitions.

We develop, manage, and invest in sustainable assets and provide investment, architecture & engineering, 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.

At Sonae Sierra we identify market opportunities, partner with real estate investors, and deliver 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.

Sonae Sierra operates from corporate offices located in more than 10 locations providing services to clients in geographies as diverse as Europe, South America, North Africa, and Asia.

Incorporated in Portugal in 1989, Sonae Sierra is owned by Sonae, SGPS (Portugal) with 80% and Grosvenor Group Limited (United Kingdom) with 20%.

Our Portfolio

- **Owner of 27 Shopping Centres** with a total GLA of **1.25 million sq. m** and an OMV of about **7 billion euros**
- Responsible for the ownership, management and/or leasing of **124 real estate assets**
- **5 projects under development**
- Currently managing **12 investment vehicles.**

Sustainability Strategy

Our approach to sustainability is supported by our Sustainability Policy and it focuses on creating shared value across three levels:

- Through engagement with our partners to ensure high sustainability standards across our investment portfolio
- Through engagement with our clients to implement greener standards for their own assets, through the active marketing of our sustainability services
- Through embedding sustainability into our corporate operations and human resources.

In doing so, we protect the long-term value of our assets by managing operational risks and increasing resource efficiencies; we deliver an outstanding service and experience to investors, partners, service clients, tenants and building visitors; and we reduce our corporate office impacts and attract and retain talented people in our Company.

Our track record, coupled with the quality of our services and our ability to create financial and social value throughout the entire real estate asset lifecycle, constitute a competitive advantage, and have enabled our business to expand across multiple countries and be distinguished by more than 200 industry awards and several distinctions.

Sustainability is at the heart of everything we do.

It is profoundly embedded in our DNA since 1998, long before other companies in the sector and long before it became a requirement, making us pioneers and at the forefront of the industry in driving the evolution of sustainable practices.

According to the World Economic Forum Global Risks Report, if environmental considerations are not confronted in the short term, environmental degradation will intersect with societal fragmentation to bring about dramatic consequences.

In fact, according to the 2021 Global Risks report, 4 of the top 5 most likely risks are environmental, and 1 is social. In the top 5 impact risks, 3 are environmental and 1 social.

Considering the urgency of environmental key challenges and following the most recent evolution of our business strategy, in 2020 we also revised our sustainability strategy, to continuously address the environmental and social challenges, while achieving competitive and more successful business results.

We revised our materiality matrix to reflect the new business strategy.

Our sustainability strategy is organized in two strategic priorities:

- I. Future-proof the lived environment
- II. Safe, healthy & engaged workforce

I. Future-proof the lived environment

With this strategic priority we will serve the human and business needs of tomorrow's cities, by future-proofing the built environment and operations through responsible investment criteria and sustainability solutions.

Operating Context

- Increasing regulation governing Sustainability, including safety, health and environmental (SHE) aspects
- Pressure from investors and other stakeholders to ensure that Sonae Sierra operates according to high ESG standards
- Shortages of natural resources will lead to an increase in their costs, demanding a new approach to the way we develop and manage assets.

Our Approach

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

- Specific roadmap for decarbonization to tackle climate change
- Adopt responsible investment criteria
- Ensure the adoption of circular economy principles across our operations
- Provide the best sustainability initiatives for local communities.

Intended Results

- Ensure that risks towards people, assets and ecosystems are minimised
- Address environmental and social challenges (e.g. climate change)
- Increased competitiveness and supporting business' long-term profitability
- Communities engaged with sustainability.

Shared Value Created

- Operational efficiencies & risk management
- Enhanced reputation and brand value
- Long-term asset value protected
- Lower environmental impact
- Improved eco-efficiency
- Local community safety and well-being
- Reduced operational and insurance costs
- Increased revenue
- Higher quality service for clients, tenants & visitors
- Increased client and tenant preference
- Protected license to operate
- Stakeholder engagement
- Enhanced shareholder value.

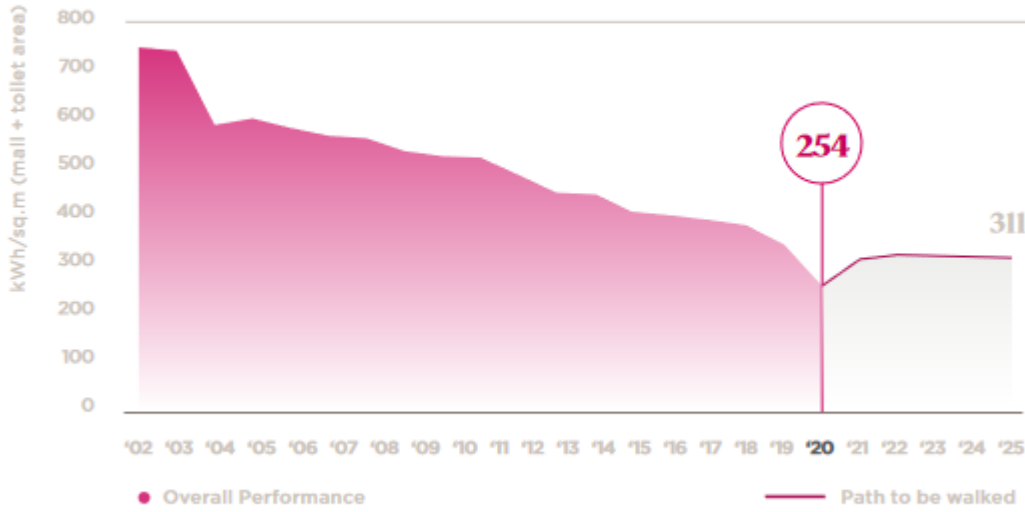
Our performance to date

Not only have we consistently improved our environmental performance, but we have avoided over €15.1 million in costs in 2020 from eco-efficiency improvements in energy, water and waste introduced since 2002.

The following charts illustrate our progress against the key performance indicators that have guided actions with respect to energy efficiency, GHG emissions, water efficiency, waste management and recycling, and safety and health.

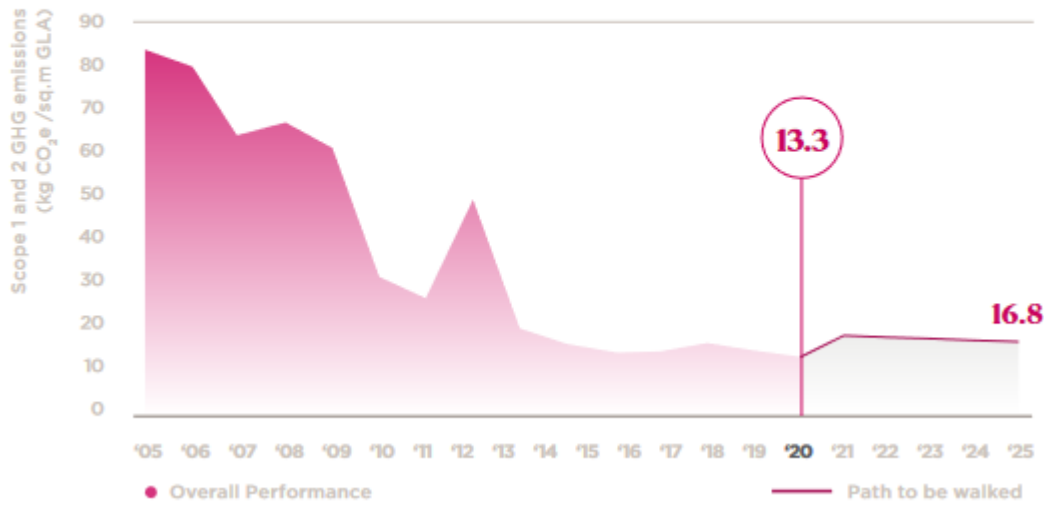
Each year, we track our progress against annual targets and actions and our performance is externally verified. Our long-term objectives are reviewed on a regular basis, with the most recent review taking place in 2019 when we updated our previous 2025 commitments with more stretching goals. In 2020 the atypical operation caused by the pandemic, caused some abnormal oscillations in the performance indicators, therefore we have not yet updated our long-term commitments.

**Electricity efficiency of the owned portfolio⁴
(kWh/ sq.m mall and toilet area)**



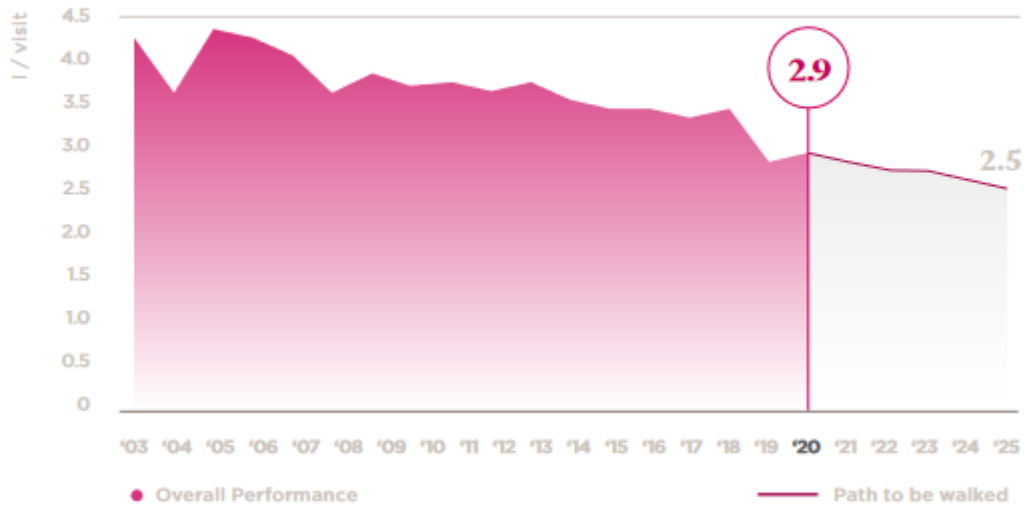
4) The decrease in 2020 is due to less consumption as a result of Covid-19.

**GHG Emissions: Scope 1 and 2 GHG Emissions⁴
(kg CO₂e /sq.m GLA)**

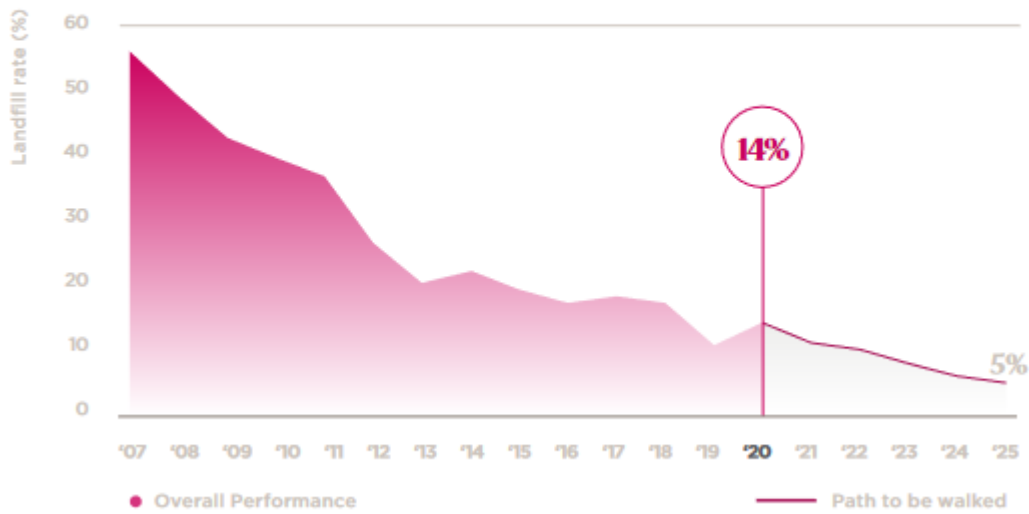


4) GHG emissions are expected to increase in 2021 following the unexpected decrease in 2020 due to Covid-19.

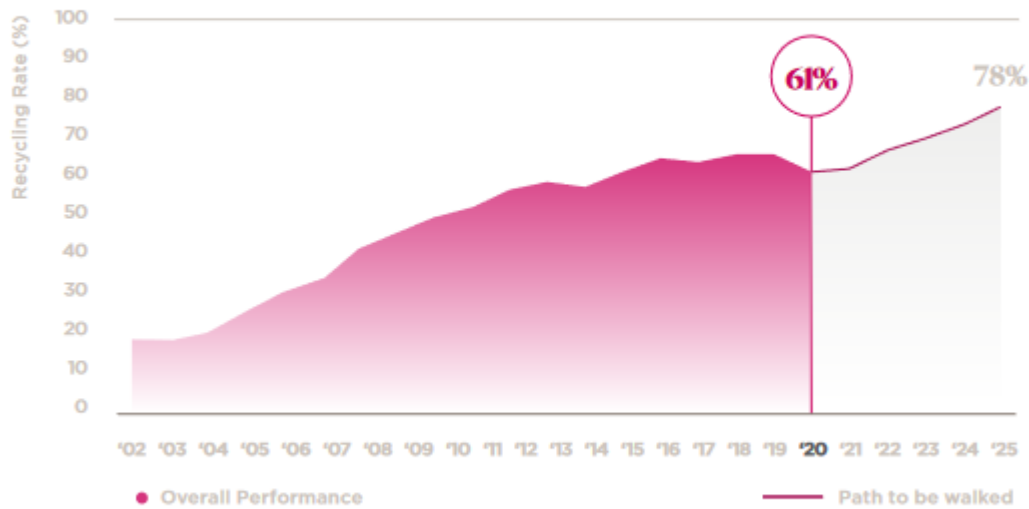
Water efficiency (excluding tenants) of the owned portfolio (l/visit)



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

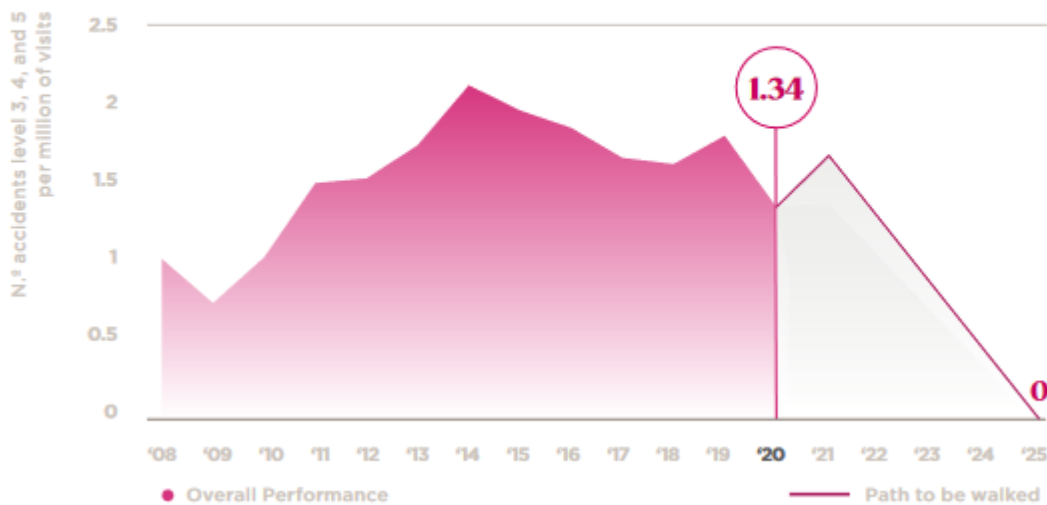


Waste recycling as a proportion of waste produced across³ the owned portfolio (% by weight)



3) The decrease in waste recycling is explained by changes in the supplier and to contaminated wastes.

Level 3, 4 and 5⁵ accident rate in our owned portfolio



5) Level 3, 4 and 5 accidents are defined as those resulting in medical assistance, lost workdays/life disruption, and fatality/permanente disability, respectively.

II. Safe, healthy & engaged workforce

With this strategic priority we will ensure a diverse, inclusive and engaged workforce by developing employees’ skills and productivity within a safe, healthy and empowering culture.

Operating Context

- Competition for talent

- High importance of people's competencies, skills, relationships and productivity, within our business strategy
- Increasing focus on workplace wellness - promoting health and wellbeing to increase employee productivity, satisfaction and retention.

Our Approach

- 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 awareness of best of health and wellbeing best practices
- Guarantee safe workplaces for our workforce, promoting a safety culture through our best-in-class Safety, Health & Environment Management System (SHEMS)
- Ensure a diverse workforce by promoting diversity and defining quotas for gender equality
- Guarantee high Top Talent Retention Rates
- Foster engagement among our workforce.

Intended Results

- Offer hands-on training that provides immediate value
- Capitalise on our in-house expertise to develop our talent
- Become a beacon for professional development
- Promote sustainable lifestyles among employees
- Guarantee a safe workplace
- Achieve a diverse workforce.

Shared Value Created

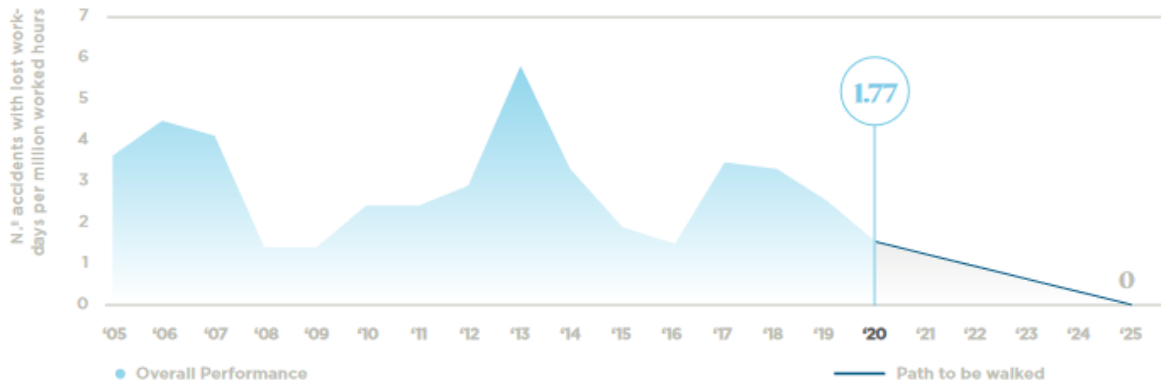
- Enhanced intellectual capital
- Higher levels of staff satisfaction, engagement & productivity
- Talent attraction & retention
- Superior client service
- Enhanced shareholder value.

Our performance to date

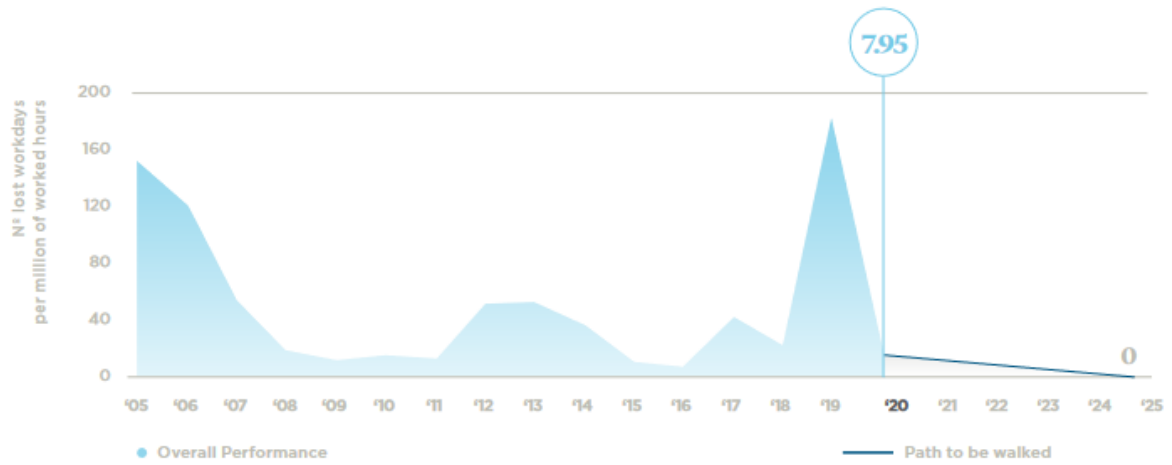
We can highlight some of the following achievements:

- The formation of the Sierra Academy, a training platform that sets a reference standard for know-how and skills in the sector, whilst nurturing Sonae Sierra's values, increasing internal networking and knowledge sharing, and fostering talent
- The development of several initiatives to improve employee wellbeing and promote resilience as part of 'Project Be Well' that aims to tackle the causes of work-related stress.

Accident rate (LWCAFR) among the workforce













Accident severity rate (ASR) among workforce



United Nations Sustainable Development Goals

Sonae Sierra's activity is also designed to meet the United Nations Sustainable Development Goals (SDGs). There 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. Although, we do not have a direct impact on all areas through our business model and core activities, we nonetheless support the goals and maximise our contribution to their objectives where material. We are committed to the United Nations Sustainable Development Goals (SDGs), and we have adapted our sustainability strategy to more effectively address these ambitious goals. We identified the most relevant SDGs for our business (where we can deliver greater impact) and integrated them in our sustainability strategy to guarantee we contribute to their successful achievement in the best way. The following table highlights the most relevant Goals to our business, along with examples of the positive contribution we make through our activities.

SDGs	HOW WE CONTRIBUTE
	Promote more sustainable lifestyles among visitors and contribute to higher levels of employee resilience and productivity through improved health and wellbeing.
	Promote environmental and social-focused events with local communities. Support the professional development of our employees through a well-established education and training programme.
	Continually aim to promote gender equality and diversity within the company.
	Increase the water efficiency of our assets, use innovation and technology to rethink how water is used and managed in our owned assets; minimise water pollution through our Safety, Health and Environmental Development Standards (SHEDS) when needed by the asset owner; monitor waste water discharges at our owned certified assets.
	Increase the energy efficiency of our assets and implement measures to increase our energy self-sufficiency to reduce our reliance on fossil fuels.
	Support local economic development through job creation and skills development opportunities. Safeguard labour standards in our supply chain. Promote innovation and productivity in our company through improved work practices and operational efficiencies and employee engagement and training.
	Use innovation to reduce water and energy use across our owned portfolio and third-party assets through our Bright © and Dive © programmes. Encourage innovation across the whole supply chain to reduce the consumption of materials and improve water and energy resilience.
	Design eco-efficient, attractive real estate assets that reduce resource consumption, serve the needs of the local population and enhance public spaces, local amenities and infrastructure in line with the planning requirements of local authorities and our own SHEDS. This is only applicable to owned Shopping Centres. Work with town councils to implement systems that enable the efficient use of resources.
	Improve the eco-efficiency of our assets focusing on energy, water and waste production and prohibit the use of materials that are known to have negative impacts on the environment and on the health and wellbeing of building occupants.
	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.
	Collaborate with industry partners, industry bodies and associations to promote and share best practices and innovation in tackling the sustainability challenges facing the industry.

Rationale for Sustainability-Linked Financing Framework

Sonae Sierra has established this Sustainability-Linked Financing Framework as a means to further communicate to investors and other stakeholders Sonae Sierra's ESG strategy and commitments towards carbon neutrality by 2040 and adapting its operations to a Circular Economy by linking Sonae Sierra's upcoming financing with meaningful and ambitious ESG targets. Additionally, through the incorporation of sustainability-linked instruments within its funding policy, Sonae Sierra further demonstrates its commitment to embed its sustainability pledge in all functions across its organization.

SUSTAINABILITY-LINKED FINANCING FRAMEWORK

Sonae Sierra's Sustainability-Linked Financing Framework ("Framework") has been established in accordance with the Sustainability-Linked Bond Principles 2020 version ("SLBP")¹, as administered by the International Capital Markets Association ("ICMA"), and the Sustainability-Linked Loan Principles 2021 version ("SLLP")², as administered by the Loan Market Association ("LMA"), and follows the five core components:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Sustainability-Linked Instruments Characteristics
4. Reporting
5. Verification.

The Framework aims at covering any of Sonae Sierra's upcoming sustainability-linked finance instruments, whether Sustainability-Linked Bonds, Sustainability-Linked Loans, or other finance instruments whose characteristics are linked with sustainability performance targets ("Sustainability-Linked Instruments").

Sonae Sierra may review this Framework from time to time, including, but not limited to, its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of KPMG or any such other qualified provider of second party opinion. The updated Framework, if any, will be published on Sonae Sierra's website (www.sonaesierra.com).

1. Selection of Key Performance Indicators (KPIs)

Sonae Sierra has selected the following two Key Performance Indicators (KPIs) for inclusion (one or both) in Sustainability-Linked Instruments issued under this Framework, which are relevant, core and material to our overall business and embody two of our top sustainability commitments:

- **KPI #1:** Reduction of GHG (Scope 1 + 2) Emissions Intensity
- **KPI #2:** Increase of Waste Recycling Rate

KPI #1: Reduction of GHG (Scope 1 + 2) Emissions Intensity



UN SDG 13: Climate Action

EU Environmental Objective 1: Climate Change Mitigation

Definition and Scope of KPI #1

GHG (Scope 1 + 2) Emissions intensity, from Sonae Sierra's owned and managed portfolio of shopping centres in operation during the full reporting year and

¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

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

corporate offices in Lisbon and Maia, measured in kilograms of Carbon Dioxide equivalent (kgCO₂e) per square meter (sq. m) of Gross Leasable Area (GLA)³.

The numerator used to calculate this KPI includes the total amount⁴ of Scope 1 and 2 emissions from Sonae Sierra's owned and managed portfolio of shopping centres in operation during the full reporting year and corporate offices in Lisbon and Maia, measured in kilograms of Carbon Dioxide equivalent (kgCO₂e), calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard methodology, with the following considerations:

- Fleet fuel consumption is included for all our fleet in all the European countries where we operate, due to its materiality (10% in 2019⁵) in our total Scope 1 emissions
- Electricity of Maia office in Portugal is not included in Scope 2 emissions as is not known because it is in a shared floor/building with no individual meters (Scope 2 emissions from the corporate office in Lisbon are fully included, though they represent only 0.6% of our total Scope 2 emissions).

The denominator includes the total GLA⁶ of Sonae Sierra's owned and managed portfolio of shopping centres in operation during the full reporting year, measured in square meters (sq. m). The Maia and Lisbon offices' areas are not included in the denominator.

Sonae Sierra's owned and managed portfolio of shopping centres includes those owned and managed through subsidiaries, associates and joint ventures.

Currently, the list of properties considered for the calculation of this KPI is the following:

Greece	Fashion City Outlet
Italy	Gli Orsi
	Le Terrazze
Portugal	ArrábidaShopping
	CascaíShopping
	Centro Colombo
	Centro Vasco da Gama
	Estação Viana Shopping
	GaiaShopping
	GuimarãesShopping
	MadeiraShopping
	MaiaShopping
	NorteShopping

³ GLA - Gross leasable area is the amount of space in a commercial building that can actually be rented by a tenant. In most cases, this includes basements, mezzanines, or upper floors that a tenant can potentially utilize. Typically GLA is measured from the centre of a wall or other partition that separates tenants (such as retail stores in a shopping mall) from the lease line in common areas. It also fully takes into account any walls that are not shared with other tenants. (<https://www.commercialrealestate.loans/commercial-real-estate-glossary/gla-gross-leasable-area>).

⁴ 100% of Scope 1 and 2 emissions from the properties are considered, independently of Sonae Sierra's ownership share in such properties.

⁵ In the current and following sections on KPI #1 and KPI #2 we refer to 2019 as it was the most recent full year of activity unaffected by the Covid-19 Pandemic.

⁶ Total GLA of the shopping centres, independently of Sonae Sierra's ownership share in such shopping centres.

	Parque Atlântico
	Portimão Retail Center
	SerraShopping
	ViaCatarina Shopping
	Lisbon Offices
	Maia Offices
Romania	ParkLake
Spain	GranCasa
	Luz del Tajo
	Max Center
	Plaza Mayor
	Valle Real
	Área Sur

Other currently owned but not managed shopping centres and therefore not included for the calculation of this KPI are Jardin Plaza Cucuta, in Colombia, Designer Outlet Málaga, in Spain, and Parque D. Pedro, in Brazil.

Sierra corporate offices in geographies outside of Portugal are not included for the calculation of this KPI as they are not material.

Scope 1 (direct) emissions are from sources that are owned and controlled by Sonae Sierra such as the company car fleet, air-conditioning equipment (fugitive emissions), boilers, and co-generation plants.

Scope 2 (indirect) emissions result from Sonae Sierra's activities but are owned and controlled by another organization such as purchased electricity and purchased heating and cooling.

Table 1: Detail of Scope 1 and Scope 2 emissions, 2019

2019			
Scope 1	tCO2e	%	
Natural Gas	7,207	77%	
LPG	16	0%	
Fleet Fuels	916	10%	
Fugitive Emissions	1,239	13%	
Sub-Total	9,377	100%	46%
Scope 2	tCO2e	%	
Electricity	6,910	62%	
Cold Water	4,273	38%	
Hot Water	0	0%	
Sub-Total	11,183	100%	54%
Total	20,560	100%	

Scope 2 emissions are calculated based on the market-based approach, as in several locations Sonae Sierra purchases energy from renewable sources, and exclude emissions associated with energy purchased on behalf of tenants (which accounts for Scope 3 emissions).

Carbon offsets are not considered in the calculation of this KPI.

Rationale for KPI #1

To support the European Green Deal, the European Commission published in 2020 the 8th Environment Action Programme⁷, which has among its six priority objectives: achieving the 2030 greenhouse gas emission reduction target⁸ and climate neutrality by 2050.

According to the 2020 UNEP Emissions Gap report⁹, to be on track for the 1.5-degree goal, the world needs to reduce global emissions by over 50% by 2030 and work towards carbon neutrality by 2050. As the buildings and construction sector accounts for 35% of final energy use and 38% of energy and process-related carbon dioxide (CO₂) emissions globally, the retail real estate (RRE) sector will have to play a major part in achieving this vision¹⁰.

GHG emissions have long been a material area for Sonae Sierra. GHG emissions were reported for the first time in 2004 using the GHG protocol¹¹.

Sonae Sierra's 2020 materiality review reconfirmed that Climate Change Resilience remains one of the core focus areas for acceleration of our business, as GHG emissions is crucial for Sustainable Buildings.

Reducing GHG emissions intensity is a key strategic goal for Sonae Sierra, within our commitment to address Climate Change, the biggest environmental challenge the world faces, and our ambition to become carbon-neutral by 2040.

⁷ https://ec.europa.eu/environment/strategy/environment-action-programme-2030_en

⁸ To at least 55%, compared to 1990.

⁹ <https://www.unep.org/emissions-gap-report-2020>

¹⁰ A Paris-proof Retail Real Estate Sector, Buildings Performance Institute Europe (BPIE), February 2021 (<https://www.bpie.eu/paris-proof-retail-real-estate/>).

¹¹ Sonae Sierra Corporate Responsibility Report 2004, page 29.

For the purpose of this Framework, we have chosen to focus on GHG Scope 1 and 2 Emissions on the basis that they are both within Sonae Sierra's control and material to our business. An Intensity KPI is used to accommodate for some variation in the portfolio and because it is the only way we can compare our pathway against the SBTi Services-Commercial building sector.

We nevertheless recognize the materiality of the Scope 3 emissions for our shopping centres portfolio, as they represented, in 2019, 96% of Sonae Sierra's total emissions. Although Scope 3 emissions are not controlled by Sonae Sierra, but rather indirectly impacted by our value chain, we have been working to reduce them by:

- creating awareness among employees to reduce business travel and use lower carbon intensity ways of transport
- increasing the recycling rate in our corporate offices and owned portfolio
- creating awareness among tenants to implement best practices to reduce electricity consumption
- connecting our owned shopping centres to public transports
- developing green travel plans to promote the use of public transport and other more sustainable means of travel among the shopping centres' visitants
- creating awareness campaigns among employees to promote a more sustainable commuting.

Table 2: Breakdown of Scope 1, 2 and 3 emissions, 2019

2019		
	tCO2e	
Scope 1	9,377	2%
Scope 2	11,183	2%
Sub-Total	20,560	4%
Scope 3		
Tenants' Electricity	90,726	19%
Air Travel	1,107	0%
Rail Travel	3	0%
Hotel Accommodation	79	0%
Commuting	618	0%
Materials	0	0%
Visitors' Trips	385,588	81%
Waste	740	0%
Sub-Total	478,860	100%
Total	499,420	100%

Sonae Sierra joined in 2019 the Science Based Targets initiative (SBTi) to reduce its emissions in line with climate science. We are now defining the near-term and long-term targets, including Scope 3 emissions for tenants' electricity and for

visitors, using the recently launched SBTi Net Zero Standard (aligned with 1.5°C scenario). We aim to submit these targets for validation by SBTi during 2022.

KPI #2: Increase of Waste Recycling Rate



UN SDG 12: Ensure sustainable consumption and production patterns

EU Environmental Objective 4: Transition to a circular economy

Definition and Scope of KPI #2

Waste recycling rate, across Sonae Sierra's owned and managed portfolio of shopping centres in operation during the full reporting year, measured by the total waste recycled as a proportion of waste produced.

The numerator used to calculate this KPI includes the total amount of waste sent for recycling, anaerobic digestion, and composting, measured in tonnes, across Sonae Sierra's owned and managed portfolio of shopping centres in operation during the full reporting year.

The denominator includes the total amount of waste produced, measured in tonnes, across the same Sonae Sierra's owned and managed portfolio of shopping centres in operation during the full reporting year.

Sonae Sierra's owned and managed portfolio of shopping centres includes those owned and managed through subsidiaries, associates and joint ventures.

Currently, the list of shopping centres considered for the calculation of this KPI is the following:

Greece	Fashion City Outlet
Italy	Gli Orsi
	Le Terrazze
Portugal	ArrábidaShopping
	CascaíShopping
	Centro Colombo
	Centro Vasco da Gama
	Estação Viana Shopping
	GaiaShopping
	GuimarãesShopping
	MadeiraShopping
	MaiaShopping
	NorteShopping
	Parque Atlântico
	Portimão Retail Center
	SerraShopping
	ViaCatarina Shopping
Romania	ParkLake
Spain	GranCasa
	Luz del Tajo
	Max Center
	Plaza Mayor
	Valle Real

Área Sur

Other currently owned but not managed shopping centres and therefore not included for the calculation of this KPI are Jardin Plaza Cucuta, in Colombia, Designer Outlet Málaga, in Spain and Parque D. Pedro, in Brazil.

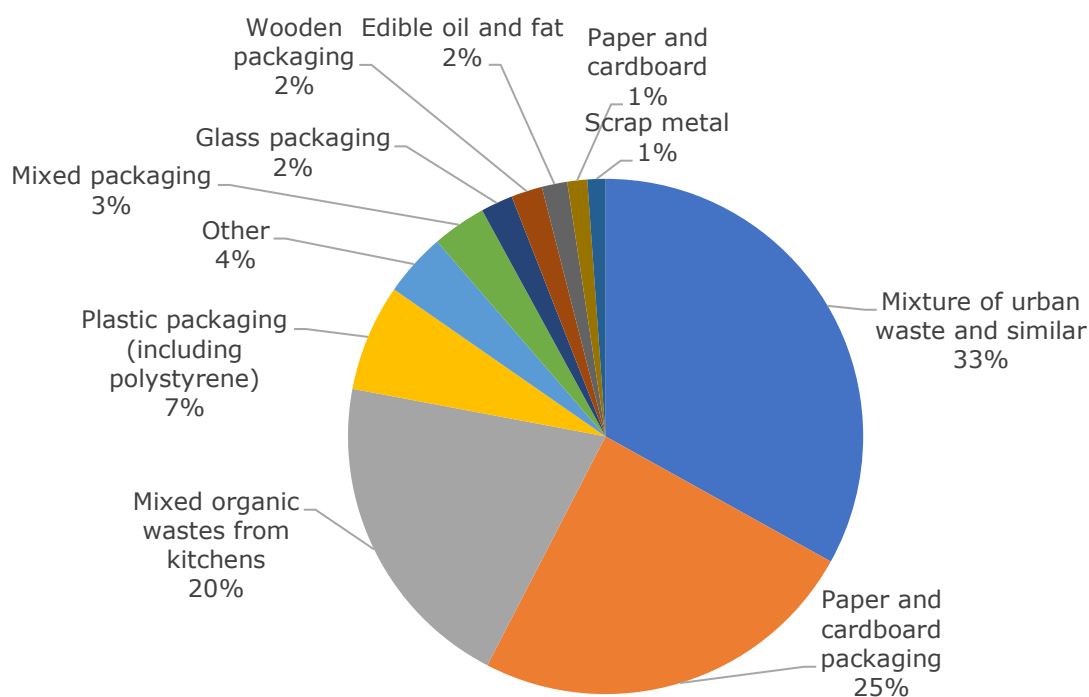
In 2019, our owned and managed portfolio of shopping centres generated 26,046.45 tonnes of waste, with the following weight (in tonnes) of waste by disposal method:

Table 3: Weight of Waste by Disposal Method (tonnes), 2019

Disposal Method	Quantity (tonnes)	%
2 - Recycling	11,769.02	45%
4 - Energetic Valorisation	3,661.23	14%
6 - Landfill	3,165.57	12%
3 - Composting	2,969.56	11%
3 - Anaerobic Digestion	2,527.72	10%
4 - Incineration with Energy Recove	1,866.61	7%
5 - Wastewater Treatment Plant	50.60	0%
5 - Elimination/ Treatment	20.33	0%
1 - Reuse (returnable packaging)	15.81	0%
5 - Incineration without Energy Rec	0.01	0%
Grand Total	26,046.45	100%

The types of waste, and their respective share in the total waste generated, in 2019 were as follows:

Types of waste generated (%), 2019



The types of waste are classified according to the European Waste Codes (<https://ec.europa.eu/eurostat/documents/342366/351806/Guidance-on-EWCStat-categories-2010.pdf/0e7cd3fc-c05c-47a7-818f-1c2421e55604>).

The disposal methods are aligned with the EU Waste Framework Directive, which defines a 'hierarchy' to be applied in waste management: waste prevention and re-use are the most preferred options, followed by recycling (including composting), then energy recovery, while waste disposal through landfills should be the very last resort.

The disposal method of the waste produced, and respective quantities, are provided by the waste disposal contractors, that are officially licensed for that job.

Rationale for KPI #2

To support the European Green Deal, the European Commission published in 2020 the 8th Environment Action Programme¹², which has among its six priority objectives: advancing towards a regenerative growth model, decoupling economic growth from resource use and environmental degradation, and accelerating the transition to a circular economy.

Managing waste in an environmentally sound manner and making use of the secondary materials they contain are key elements of the EU's environmental policy. The EU waste policy (https://ec.europa.eu/environment/topics/waste-and-recycling_pt) aims to contribute to the circular economy by extracting high-quality resources from waste as much as possible. It also aims to protect the environment

¹² https://ec.europa.eu/environment/strategy/environment-action-programme-2030_en

and human health and help the EU's transition to a circular economy. It sets objectives and targets to:

- improve waste management
- stimulate innovation in recycling
- limit landfilling.

Buildings generate significant amounts of materials and waste. Managing waste effectively can contribute to the overall resource efficiency of a building and therefore improve its environmental footprint.

Long considered a material area for Sonae Sierra's business, Waste Management has been part of our Environmental Management System since 2000 when we started its implementation in our operating shopping centres¹³.

Sonae Sierra's 2020 materiality review reconfirmed that, together with Climate Change Resilience, Circular Economy also remains a core focus area for acceleration of our business, as both GHG Emissions and Waste Management are crucial for Sustainable Buildings.

The waste recycling rate translates our key objective to reduce the environmental impact from Sonae Sierra's operating assets and to contribute to the transition to a circular economy. The focus on recycling, including composting and anaerobic digestion, is completely aligned with the European hierarchy of waste management.

2. Calibration of Sustainability Performance Targets (SPTs)

The two established ambitious Sustainability Performance Targets (SPTs), one for each selected KPI, are fully aligned with Sonae Sierra's sustainability strategy and targets, as published in our Economic Environmental and Social Report (EES Report) of 2020¹⁴, and represent both our trajectory towards achieving carbon neutrality by 2040 and our commitment to adapting our operations to a Circular Economy.

SPT #1: Reduce GHG (Scope 1 + 2) Emissions intensity to a maximum of 16.8 kgCO₂e / sq. m GLA by 2025, equivalent to a minimum 12% reduction vs. 2019 Baseline

Observation Date for SPT #1

31 December 2025.

2019 (pro-forma) Baseline for SPT #1

19.1 kgCO₂e / sq. m GLA.

For the year of 2019, Sonae Sierra has reported a value of 15.3 kgCO₂e / sq. m GLA for KPI #1. However, since 2019 Sonae Sierra's owned and managed portfolio of shopping centres has changed. Only 80% of the properties from 2019 remain in the current carbon footprint. Two properties were included (Portimão Retail Center and Fashion City Outlet) and 6 properties were excluded (Alexa, 8^a Avenida, AlgarveShopping, Albufeira Retail Park, LoureShopping, RioSul Shopping).

¹³ Relatório Ambiental Sonae SGPS 2000, pag 14-15.

¹⁴ https://sonaesierra.com/publicdocs/reports2020/2020_EES_Report.pdf

Although the selling of part of those properties was completed in 2019, their environmental performance for the entire year was still included in Sonae Sierra's 2019 EES Report.

Data from Portimão Retail Center was not included in 2019 because it was not available.

The 6 properties that were excluded had a below average carbon intensity (half of them even had zero carbon emission's intensity), while the most carbon intensive properties remain within the current portfolio. These sites have their main emissions from co-generation and purchased cold/hot water sources rather than from electricity purchase. In total, these emissions sources contribute to around 40% of the Sierra's total GHG emissions (Scope 1 and Scope 2).

Consequently, we have recalculated the 2019 value for KPI #1 so that its perimeter reflects our current owned and managed portfolio of shopping centres. Considering the current portfolio, the carbon intensity in 2019 changes from 15.3 kgCO₂/m² GLA to 19.1 kgCO₂/m² GLA.

Both the initially reported and the pro-forma 2019 Baseline have been audited for a limited level of assurance by Deloitte.

2019 was selected as Baseline because it was the most recent full year of activity unaffected by the Covid-19 Pandemic.

Rationale and ambition of SPT #1

SPT #1 corresponds to our long-term objective for 2025, as stated in our sustainability strategy¹⁵, and is fully aligned with our ambitious pathway towards achieving carbon neutrality by 2040.

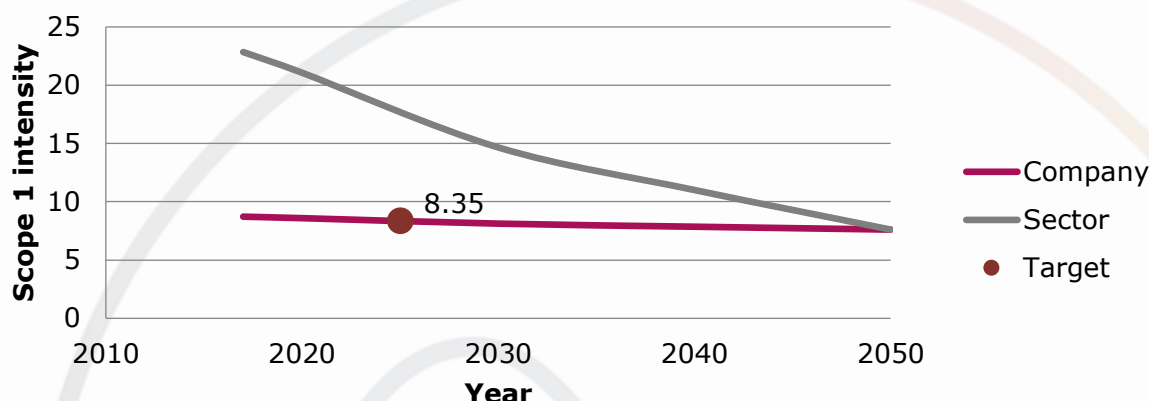
As signatories to the 'Paris Pledge for Action' pledge, Sonae Sierra defined its long-term objective of GHG Scope 1 and 2 Emissions for 2025 using the Science Based Target initiative tool.

SPT #1 was set by using the Science Based Target Setting Tool (version SBTi V8.1, with the Sector Decarbonization Approach for Services/Commercial buildings, consistent with the 2°C scenario of global temperature increase vs. pre-industrial levels), which produced the following results:

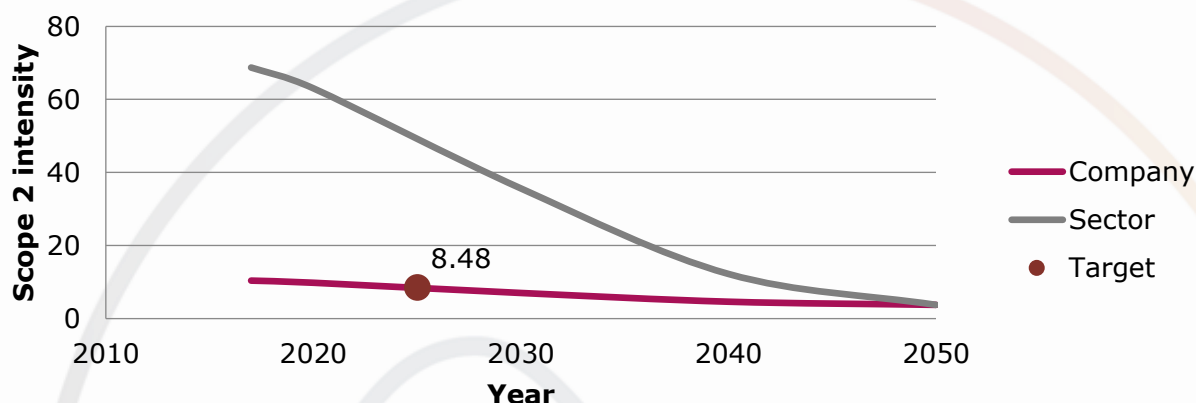
Services / Commercial Buildings			
	Base year 2019	Target year 2025	Variation
Scope 1 emissions (tCO ₂ e)	9,377.07	9,068.10	-3%
Scope 2 emissions (tCO ₂ e)	11,183.14	9,202.59	-18%
Scope 1+2 emissions (tCO₂e)	20,560.22	18,270.70	-11%
Scope 1 carbon intensity (kgCO ₂ /s)	8.72	8.35	-4%
Scope 2 carbon intensity (kgCO ₂ /s)	10.40	8.48	-19%
Scope 1+2 carbon intensity (kgCO₂/s)	19.13	16.81	-12%

¹⁵ <https://www.sonaesierra.com/corporate/en-gb/about-sonae-sierra/sustainability/our-sustainability-strategy/long-term-objectives.aspx>

Scope 1 - Carbon Intensity



Scope 2 - Carbon Intensity



Sonae Sierra has continuously been reducing the carbon intensity of its shopping centres portfolio over the years (a cumulative reduction of 84% since 2005) and this is the main reason for our very low carbon intensity in comparison to the sector. Our primary strategy to achieve this has been through the implementation of energy efficiency initiatives to reduce consumption and of a procurement policy to purchase green electricity in the shopping centres located in Iberia.

The historical LfL performance (for the current portfolio) is as follows¹⁶:

	2017	2018	2019	2020	2025
ton CO ₂ e	21,599	19,439	20,560	14,183	
GLA (sq. m)	993,569	1,039,856	1,074,910	1,085,610	
kgCO₂e/sq. m	21.7	18.7	19.1	13.3	16.8

¹⁶ The reported (externally verified for a limited level of assurance) kgCO₂e/sq. m for the same years was: 2017: 16.5; 2018: 14.8; 2019: 15.3; 2020: 13.3. From 2017 to 2020 the portfolio changed significantly. In total, 24 shopping centres were sold and 3 new shopping centres acquired. For calculating the LfL numbers, Lisbon and Maia offices emissions were also added (from 2018, incl., onwards) and business flights' emissions were eliminated (from 2018, incl., onwards).

To achieve the target for 2025 (16.8 kgCO₂e / sq. m GLA, equivalent to a 12% reduction vs. 2019 Baseline), it will require significant effort on further reducing energy consumption and sourcing energy from renewable sources.

Route for achieving SPT #1

Despite the different initiatives that Sonae Sierra has undertaken over the last 20 years, we believe it is still necessary to proceed with a Renovation Strategy of our buildings portfolio to further improve energy efficiency and reduce greenhouse gas emissions.

To improve energy efficiency, measures to be implemented, corresponding to an estimated investment of €34 million, include:

- **New High-Efficient Lighting Systems:** efficient lighting systems using the most recent technologies in different areas of the buildings (including shopping centres, car parks, technical corridors, etc.) in combination with controls and sensors
- **Heating and Cooling Systems:** renovation of the heating and cooling systems of their assets through the acquisition or refurbishment of: Highly efficient Chillers; Cooling Towers; Thermal Stations for Heating production; Heating Ventilation Air Conditioning (HVAC)
- **Increasing Insulation Conditions:** renovation or installation of Skylight window films/glazing systems to assure a more efficient insulation and heat maintenance.

To reduce the dependency on fossil energy sources and the emission of greenhouse gases from our buildings, we intend to invest in the implementation of photovoltaic panels for local production of energy and building operation based on renewable energy sources. We also want to continue our green electricity procurement practices. In 2019, 79% of the electricity purchased was green, and our aim is to increase to 96% in 2025. For now, it is impossible to buy green electricity for the shopping centres located on the Portuguese Islands, Madeira and Azores.

Potential obstacles in achieving SPT #1

Our partners in the investment properties must share our vision/ambition to contribute for the decarbonization of the shopping centre portfolio. The pace to implement this vision depends, to a certain extent, on each shopping centre context and decisions will be taken according to the specific situation. Extraordinary events like the covid pandemic lockdown may create financial constraints, limiting the implementation of some of the planned measures.

A sharp increase on the green electricity price may also limit the execution of our current procurement policy.

Please note that factors that support and/or might put at risk the achievement of SPT #1 and/or SPT #2, as relevant, are to be disclosed in the relevant documentation of the Sustainability-Linked Instruments to be issued under this Framework, in line with applicable regulation.

Recalculation Policy for SPT #1

We will recalculate KPI #1 baseline and/or SPT #1 to reflect Recalculation Events that, individually or in aggregate, affect positively or negatively the value of KPI #1 by at least 5% cumulatively versus the 2019 Baseline.

Recalculation Events include:

- Changes in Sonae Sierra's owned and managed portfolio of shopping centres
- Changes in the calculation methodology of GHG Scope 1 and/or Scope 2 emissions
- Changes in the emissions' factor from the thermal and electricity grid
- Changes in data reported due to better data accessibility, including the discovery of data errors
- Changes in regulation from regulatory bodies relevant to KPI #1 and/or SPT #1.

Independent assurance of any recalculation of the KPI #1 baseline and/or SPT #1 will be obtained by Sonae Sierra and the corresponding reset KPI #1 baseline and/or SPT #1 will be updated onto the Framework and published at Sonae Sierra's website (www.sonaesierra.com) – please refer to Section 4. Reporting and Section 5. Verification for more details.

Update of SPT #1 following validation of targets by SBTi

SPT #1 corresponds to our current long-term objective of GHG (Scope 1 + 2) Emissions intensity for 2025, as stated in our sustainability strategy¹⁷, and has been defined using SBTi's setting tool (version SBTi V8.1, with the Sector Decarbonization Approach for Services/Commercial buildings, consistent with the 2°C scenario of global temperature increase vs. pre-industrial levels).

We are now in the process of defining our near-term and long-term targets, including Scope 3 emissions for tenants' electricity and for visitors, using the recently launched SBTi Net Zero Standard (aligned with 1.5°C scenario). We aim to submit these targets for validation by SBTi during 2022.

If the SBTi validated target for GHG (Scope 1 + 2) Emissions intensity with reference to 2025 is more ambitious than our current target reflected in SPT #1, we will update SPT #1 so that it reflects such more ambitious target, and the then outstanding Sustainability-Linked Instruments issued under this Framework that incorporate SPT #1 in their terms will become linked to the updated SPT #1.

In case the SBTi validated target for GHG (Scope 1 + 2) Emissions intensity relates to a year falling later than the Observation Date for SPT #1 (i.e. 31 December 2025), we will calculate the updated SPT #1 for such Observation Date using linear interpolation and assuming a constant trajectory of improvement each year.

Any update of SPT #1 following validation of targets by SBTi will be reflected onto the Framework and published at Sonae Sierra's website (www.sonaesierra.com) – please refer to Section 4. Reporting for more details.

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

Observation Date for SPT #2

31 December 2025.

2019 Baseline for SPT #2

Waste Recycling Rate in 2019 of 66%.

2019 was selected the Baseline because it was the most recent full year of activity unaffected by the Covid-19 Pandemic.

¹⁷ <https://www.sonaesierra.com/corporate/en-gb/about-sonae-sierra/sustainability/our-sustainability-strategy/long-term-objectives.aspx>

Data from Portimão Retail Center was not included in 2019 because it was not available.

The 2019 Baseline has been audited for a limited level of assurance by Deloitte. The changes occurred since 2019 in Sonae Sierra's owned and managed portfolio of shopping centres have only a marginal impact on the 2019 reported value for this KPI, therefore no recalculation of the 2019 reported value is necessary.

Rationale and ambition of SPT #2

SPT #2 corresponds to our long-term objective for 2025, as stated in our sustainability strategy¹⁸, and translates our commitment to continue adapting our operations to a Circular Economy.

The 2025 objective was defined based on historical performance. It also took into consideration the results of waste audits performed in shopping centres in operation and the waste management programmes developed for each. The potential for recycling is not the same for all assets as it depends on two main factors: the shopping centre tenant mix that has implications on the amount of organic waste produced; and the local capacity to compost, or valorise, this kind of waste.

The improvement that has been achieved in the recycling rate throughout the last 20 years at Sonae Sierra's shopping centres under operation is significant, but there is still potential for optimization. Although Sonae Sierra is already an industry leading performer in waste recycling, it is still committed to a materially improved and ambitious Waste Recycling Rate target that requires measures going beyond "business as usual".

The KPI #2 past performance since 2017 (audited to a limited level of assurance by Deloitte) and target for 2025 are as follows:

2017	2018	2019	2020	2025
64%	66%	66%	61%	78%

The changes occurred since 2017 in Sonae Sierra's owned and managed portfolio of shopping centres have only a marginal impact on the reported values for this KPI (1pp in 2017 and 2018), therefore no LfL historic performance values are presented.

Sonae Sierra is performing above most of its sector peer companies and it has also defined a more ambitious target.

¹⁸ <https://www.sonaesierra.com/corporate/en-gb/about-sonae-sierra/sustainability/our-sustainability-strategy/long-term-objectives.aspx>

	2017	2018	2019	2020	TARGET
Peer 1	73%	76%	78%	57%	85% (2025)
Peer 2	42%	35%	35%	37%	
Peer 3	37%	36%	39%	44%	70% (2030)
Peer 4	n.a.	n.a	n.a.	57%	
Peer 5	n.a.	49%	50%	49%	
Peer 6	53%	55%	34%	35%	
Peer 7	31%	27%	27%	33%	60% (2022)
Peer 8	54%	59%	60%	n.a.	Increase 10 % (2022)
Peer 9	33%	51%	50%	25%	
SIERRA	64%	66%	66%	61%	78% (2025)

Source: Sonae Sierra and Peer websites

Route for achieving SPT #2

Sonae Sierra made significant progress over the last 20 years in terms of waste management. Most waste handled by Sonae Sierra is largely generated by tenants' activities. Our site managers at each shopping centre 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. The main driver for higher recycling rates is the capacity to segregate and dispose the organic waste (for composting or anaerobic digestion).

To achieve the recycling rate target, additional measures must be implemented, namely:

- Segregate organic waste in more shopping centres and send it for composting or anaerobic digestion (only 17 of 24 are currently doing it)
- Improve the segregation of plastic that is still mixed with undifferentiated waste
- Increase awareness/training of tenants' employees and of shopping centres' cleaning service providers to manage efficiently the waste.

Potential obstacles in achieving SPT #2

Proper waste management requires intensive human resources allocation, and its effectiveness is very dependent on people behaviour.

The level of recycling rate is also dependent on the availability of local disposal systems to treat recyclable and organic waste.

Extraordinary events like the covid pandemic lockdown may create financial constraints that impact the operational capacity to manage properly the waste, limiting the implementation of some measures necessary to increase the recycling rate.

Please note that factors that support and/or might put at risk the achievement of SPT #1 and/or SPT #2, as relevant, are to be disclosed in the relevant documentation of the Sustainability-Linked Instruments to be issued under this Framework, in line with applicable regulation.

Recalculation Policy for SPT #2

We will recalculate KPI #2 baseline and/or SPT #2 to reflect Recalculation Events that, individually or in aggregate, affect positively or negatively the value of KPI #2 by at least 5% cumulatively versus the 2019 Baseline.

Recalculation Events include:

- Changes in Sonae Sierra's owned and managed portfolio of shopping centres
- Changes to the calculation methodology of recycled waste
- Changes in data reported due to better data accessibility, including the discovery of data errors
- Changes in regulation from regulatory bodies relevant to KPI #2 and/or SPT #2.

Independent assurance of any recalculation of the KPI #2 baseline and/or SPT #2 will be obtained by Sonae Sierra and the corresponding reset KPI #2 baseline and/or SPT #2 will be updated onto the Framework and published at Sonae Sierra's website (www.sonaesierra.com) – please refer to Section 4. Reporting and Section 5. Verification for more details.

3. Sustainability-Linked Instruments Characteristics

The proceeds of Sustainability-Linked Instruments issued under this Framework will be used for general corporate purposes, unless otherwise stated.

Each such Sustainability-Linked Instrument will incorporate one or both of the KPIs (and respective SPT) outlined in this Framework.

The financial characteristics of a given Sustainability-Linked Instrument will be impacted by the failure and/or by the success of Sonae Sierra to meet the relevant SPT(s) at the respective Observation Date in the following way:

- If by the failure, in the form of a step-up in the coupon¹⁹, a premium payment at maturity or a combination of both, and/or
- If by the success, in the form of a step-down in the coupon²⁰, a discount payment at maturity or a combination of both.

For a given Sustainability-Linked Instrument, such impact on its financial characteristics shall be commensurate and meaningful relative to its original financial terms.

If a Sustainability-Linked Instrument incorporates the two KPIs, each KPI may be assigned with a different impact in the coupon step-up/step-down and/or the premium/discount payment, as applicable.

The specific characteristics of a given Sustainability-Linked Instrument issued under this Framework, including, but not limited to, the relevant KPI(s), SPT(s), step-up/step-down coupon amount and/or premium/discount payment amount, will be identified in the relevant documentation of such Sustainability-Linked Instrument.

If, (i) following an SPT Observation Date and within the time limit prescribed in the Sustainability-Linked Instrument documentation (which shall not be more than 6 months after such SPT Observation Date), Sonae Sierra does not make publicly

¹⁹ A step-up in the Margin in case of Floating Rate Sustainability-Linked Instruments.

²⁰ A step-down in the Margin in case of Floating Rate Sustainability-Linked Instruments.

available information on the actual performance of the relevant KPI(s) relative to the respective SPT(s), together with the Verification Assurance Certificate, in accordance with the Reporting and Verification sections of this Framework, or (ii) for any reason, the performance level of the relevant KPI(s) relative to the respective SPT(s) cannot be calculated or observed as prescribed, or not in a satisfactory manner (non-satisfactory manner to be understood as the Verification Assurance Certificate to be provided by the appropriately qualified independent party containing a reservation or such independent party not being in a position to provide such certificate):

- For a Sustainability-Linked Instrument impacted by the failure, but not by the success, to meet the relevant SPT(s), the step-up in the coupon and/or premium payment, as applicable, shall be triggered
- For a Sustainability-Linked Instrument impacted by the success, but not by the failure, to meet the relevant SPT(s), the step-down in the coupon and/or discount payment, as applicable, shall not be triggered
- For a Sustainability-Linked Instrument impacted by both the failure and the success to meet the relevant SPT(s), the step-up in the coupon and/or premium payment, as applicable, shall be triggered.

4. Reporting

In order to provide investors and other stakeholders with adequate and updated information about the progress made on the KPIs and the achievement or not of the SPTs, we will communicate on the KPIs and SPTs annually at least until we have reported on the performance of the KPIs on the SPTs Observation Date, publishing and keeping readily available and easily accessible up-to-date information and reporting on our website (www.sonaesierra.com).

We intend to include in our annual Economic, Environmental and Social Report ("EES Report") made publicly available on our website:

- Up-to-date and externally verified (please refer to Section 5. Verification for more details) information on the performance of the KPIs
- Other 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 impact on the KPIs and/or the SPTs, and, more generally, information relevant to the analysis of the KPIs and/or the SPTs.

When feasible and relevant, we may further include in our annual EES Report:

- Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, 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.

Additionally, following an SPT Observation Date, we shall make publicly available on our website a report outlining the actual performance of the KPIs relative to the respective SPTs as well as the related impact, and the timing of such impact,

on the financial characteristics of Sustainability-Linked Instruments issued under this Framework, together with the Verification Assurance Certificate confirming such performance of the KPIs relative to the respective SPTs (please refer to Section 5. Verification for more details).

Following the occurrence of a Recalculation Event leading to a recalculation of a KPI baseline and/or a SPT, we will publish on our website (included in our EES Report or otherwise) information on such recalculation, together with the associated verification assurance report (please refer to sub-sections "Recalculation Policy for SPT #1" and "Recalculation Policy for SPT #2" under Section 2. Calibration of Sustainability Performance Targets (SPTs) for more details).

Upon an update of SPT #1 following validation of targets by SBTi, we will also publish on our website (included in our EES Report or otherwise) information on such update (please refer to sub-section "Update of SPT #1 following validation of targets by SBTi" under Section 2. Calibration of Sustainability Performance Targets (SPTs) for more details).

5. Verification

Stakeholders' confidence is of utmost importance for Sonae Sierra. We ensure independent verification and assurance of our ESS Report. In connection with this Framework and the Sustainability-Linked Instruments issued under it, we will further ensure:

Pre issuance

Sonae Sierra's Sustainability-Linked Financing Framework has been reviewed by KPMG Advisory - Consultores de Gestão, SA who has provided a Second Party Opinion (SPO), confirming the alignment with the ICMA Sustainability-Linked Bond Principles 2020 and the LMA Sustainability-Linked Loan Principles 2021. The SPO will be available on Sonae Sierra's website (www.sonaesierra.com).

Post issuance

Sonae Sierra's annual performance of each KPI will be included in our annual ESS Report and will be verified to at least a limited level of assurance by an appropriately qualified independent party as part of the independent verification and assurance of our ESS Report.

Additionally, following an SPT Observation Date, Sonae Sierra's actual performance of the KPIs relative to the respective SPTs will be verified to at least a limited level of assurance by an appropriately qualified independent party, which shall issue a Verification Assurance Certificate.

Our annual ESS Report as well as the Verification Assurance Certificate confirming the performance of the KPIs relative to the respective SPTs will be made publicly available on Sonae Sierra's website (www.sonaesierra.com).

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