



Real value in a changing world

Sonae Sierra

Review of Progress Against 2009 Public CR Targets

Report

March 2010

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1 Introduction

In 2008, Sonae Sierra (hereafter referred to as simply Sierra) publicly committed to work towards the accomplishment of 24 Corporate Responsibility (CR) targets by the end of 2009, covering all nine CR impact areas, Environmental Management and Risk Management. This report, which has been prepared by Upstream Sustainability Services¹ for Sonae Sierra, intends to provide an independent review of the company's progress towards meeting these CR targets. It is divided into four main sections:

1. Methodology.
2. Summary of progress.
3. Comment on progress against each publicly reported CR target.
4. List of evidences reviewed.

By providing further information and explanation about the target evaluation process, this document is intended to be a point of reference for Sierra's stakeholders and to validate the statements relating to target achievement made in its 2009 CR Report.

To support the accomplishment of the company's long-term objectives, Sonae Sierra also defined 50 additional CR actions to be achieved before the end of 2009. Progress with respect to these actions has also been reviewed by Upstream Sustainability Services and a separate report is available on Sierra's public website.

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

2 Methodology

The level of progress achieved against each of the targets set has been established by scrutinising documented evidence provided by Sonae Sierra. In cases where targets were applicable to around 20 or more different sites or other entities, a sampling approach was used, whereby random samples of additional evidences were requested from a summary list of items. Where further explanations were deemed necessary, direct communication was also made with individuals within the company responsible for target accomplishment. The methodology used in order to determine how complete each target is, as a percentage, varies according to the type of target set.

Performance targets

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

Performance targets have been evaluated and awarded a percentage towards completion. This is calculated by dividing the actual level of performance achieved by the target level of performance which the company was aiming to achieve in 2009.

Of the public targets set for completion in 2009, 22 out of 24 were considered to be performance targets.

Performance target evaluation – worked example

Target: *Maintain the total number of training hours provided to Sonae Sierra employees in 2008.*

Evaluation: *According to externally audited performance data, in 2008 the total number of hours of training provided to Sonae Sierra employees was 43,708. In 2009, the total number of hours of training provided to Sonae Sierra employees was 46,077, an increase in comparison with the 2008 result. The target is therefore evaluated as 100% achieved. If less than 43,708 hours of training had been provided in 2009, the target would have been evaluated at 0%.*

Management targets

A management target is a target which relates to a management process or procedure. Management targets may contain quantifiable elements, but do not measure actual performance relative to a threshold or standard.

Upon setting management targets, Sonae Sierra anticipates the steps which required to achieve each management target. For each step, a weighting (%) is set on an “effort” basis by applying professional judgement. This weighting determines the extent to which the completion of each step contributes to the overall achievement of the target. Management targets have, therefore, been awarded a percentage of achievement in view of the evidence towards completion received by Upstream Sustainability Services in relation to each step necessary for the whole target to be completed, and in accordance with the weighting (%) attributed to each step.

Of the public targets set for completion in 2009, two out of 24 were considered to be management targets.

Management target evaluation – worked example

Target: *Identify the flexible working arrangements which need to be implemented in order for Sonae Sierra to become a recognised leader in this area by 2012.*

Evaluation: *At the beginning of 2009, Sierra assigned the following 'steps' to this target:*

- 1) Review current policies applicable to working arrangements (10%).
- 2) Undertake (or commission an external party to) research to identify best practice in this area and make recommendations for the consideration of Sonae Sierra's HR management (40%).
- 3) Review recommendations and establish detailed plan to achieve 2012 aspiration to become a 'recognised leader' (50%).

Evidences were provided to Upstream to confirm that each step was completed before the end of 2009. The target was therefore awarded 100% achievement. If only evidences of step 1 had been made available, then the target would have been awarded 10%.

3 Summary of progress

3.1 Summary of progress against 2009 CR targets

Figure 1: Pie chart

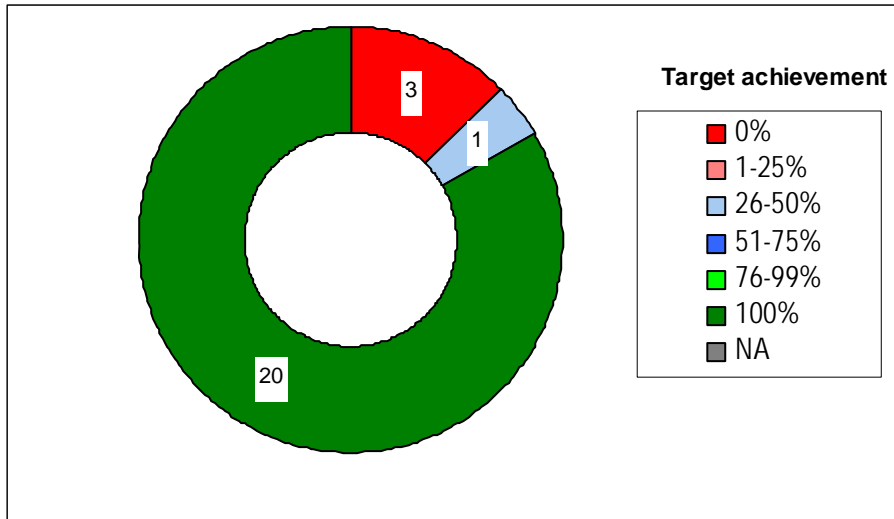


Figure 2: Summary of progress against 2009 CR targets, by impact area

CR Impact Area	Number of targets	0%	1-25%	26-50%	51-75%	76-99%	100%	N/A
Environmental Management	3	-	-	-	-	-	3	-
Energy and Climate	1	-	-	-	-	-	1	-
Water	1	1	-	-	-	-	-	-
Waste	3	-	-	-	-	-	3	-
Biodiversity and Habitats	1	-	-	-	-	-	1	-
Suppliers	3	-	-	-	-	-	3	-
Tenants	2	-	-	-	-	-	2	-
Communities and Visitors	1	-	-	-	-	-	1	-
Employees	3	-	-	1	-	-	2	-
Safety and Health	5	1	-	-	-	-	4	-

Risk Management	1	1	-	-	-	-	-	-
TOTALS	24	3	0	1	0	0	20	0

4 Comment on progress against each 2009 CR Target

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

2009 CR Targets	% achievement	Comments on the extent of target achievement
ENVIRONMENTAL MANAGEMENT		
Achieve ISO 14001 certification at a further four owned shopping centres under management.	100%	<p>Sonae Sierra achieved ISO 14001 certification for the Environmental Management System (EMS) of a further four operational shopping centres:</p> <ul style="list-style-type: none"> • AlbufeiraShopping in Portugal • El Rosal in Spain • Gli Orsi in Italy • Alexa in Germany.
Achieve ISO 14001 certification at 100% of construction sites prior to inauguration.	100%	<p>In 2009 Sonae Sierra inaugurated two new shopping centres (Manauara Shopping in Brazil and Loop5 in Germany). Both of these centres obtained ISO 14001 for the Environmental Management Systems covering construction work during 2008.</p> <p>Sierra also inaugurated one expansion, GuimarãeShopping and one refurbishment project, AlbufeiraShopping (both in Portugal). These were not considered by the company to be "major projects" hence a simplified EMS (with no certification process) was implemented.</p>
Ensure that all projects achieve at least 40% of the maximum possible points for applicable Leadership Standards (as defined by the Environmental Standards for Retail Development (ESRD)).	100%	<p>All four projects completed by Sonae Sierra in 2009 applied the ESRD standards.</p> <p>According to the ESRD Final Audit reports, all of these projects achieved at least 40% of the maximum possible points for applicable Leadership Standards. The levels of points achieved with respect to the Leadership Standards were as follows:</p> <ul style="list-style-type: none"> • Loop5 – 65% • Manauara Shopping – 48% • GuimarãeShopping expansion – 82% • AlbufeiraShopping refurbishment – 74%.
ENERGY AND CLIMATE		
Achieve a 0.4 % reduction of kWh consumption (per m ² of mall and toilet area), in comparison with the 2008	100%	Sonae Sierra reduced global average kWh electricity consumption per square metre of mall and toilet area by 5% in 2009 in comparison with

result.		the 2008 result.
WATER		
Attain a 2% reduction in total water consumption per visit, in comparison with the 2008 result.	0%	Sonae Sierra increased total water consumption per visit by 6%, aggregated across all shopping centres in the owned portfolio. In 2008, global average water efficiency was recorded as 3.6 litres per visit, compared to 3.8 litres per visit in 2009.
WASTE		
Achieve a minimum average recycling rate of 43% across the owned portfolio.	100%	Sonae Sierra achieved an average recycling rate of 46% across the global owned portfolio in 2009.
Reduce the rate of waste sent to landfill by 1% across the owned portfolio, in comparison with the 2008 result.	100%	Sonae Sierra reduced the rate of waste sent to landfill across the global owned portfolio by 13% in 2009 in comparison with 2008. In 2008, 48% of waste was disposed of in landfill, compared to 42% in 2009.
Increase the global recycling rate of all Sierra offices by 2%, in comparison with the 2008 result.	100%	Sonae Sierra increased the global recycling rate across Sierra corporate offices by 18% in 2009 in comparison with 2008. In 2009, 67% of corporate offices' waste was recycled, compared to 57% in 2008.
BIODIVERSITY AND HABITATS		
Achieve 100% compliance with execution of approved recommendations of the Preliminary Environmental Evaluation (or equivalent study). ²	100%	All approved recommendations of the Preliminary Environmental Evaluations (PEEs) were implemented on both projects completed during 2009: Loop5 in Germany and Manauara Shopping in Brazil.
SUPPLIERS		
Ensure that 100% of contracts signed during 2009 with main service suppliers for Development (i.e. contracts above €2M) include clauses for minimum requirements in relation to safety, social and environment standards.	100%	<p>Sonae Sierra ensured that 100% of contracts signed with main service suppliers with a value of more than €2 million included clauses for minimum requirements in relation to safety, social and environment standards.</p> <p>In Portugal, this covered contracts signed with six suppliers on the GuimarãesShopping, Torre Ocidente and LeiriaShopping projects.</p> <p>In Spain and Romania, no new contracts were signed with development suppliers in 2009.</p> <p>In Italy, Germany, Greece and Brazil, none of the contracts signed in 2009 were of a value higher than €2 million, although in Brazil all of the contracts signed on Goiânia, Uberlândia and Londrina projects did still</p>

² Applicable projects completed in 2009.

		include CR-related clauses.
Ensure that 100% of bids and contracts signed during 2009 with main service suppliers for Property Management (i.e. cleaning, security, maintenance and waste removal) include clauses for minimum requirements in relation to safety, social and environment standards.	100%	100% of bids and contracts signed with main Property Management service suppliers (i.e. cleaning, security, maintenance and waste removal) included clauses for minimum requirements in relation to safety, social and environment standards. This included all contracts signed in 2009 and also most contracts signed in 2008 that were valid in 2009, covering all countries where Sierra operates.
Increase the proportion of paper purchased from recycled sources for use in Sonae Sierra offices in Portugal, Spain, Germany, Italy, Greece and Romania to 85%.	100%	In 2009, 98% of paper purchased by Sonae Sierra for use in Portugal, Spain, Italy, Germany, Greece and Romania was recycled paper.
TENANTS		
Achieve an average tenant satisfaction level of 3.5 or above in each Sierra owned shopping centre.	100%	Sonae Sierra undertook tenant satisfaction surveys in all shopping centres that had been owned and in operation for the full reporting year, with the exceptions of Albufeira Shopping in Portugal and Alexa and Münster Arkaden in Germany (where the surveys were not performed within the same time schedule). An average tenant satisfaction level of 3.5 or above was achieved in 47 out of 47 applicable shopping centres.
Achieve an average tenant satisfaction level of 4 or above in at least 80% of the Sierra owned shopping centres.	100%	Average tenant satisfaction levels of 4 or more were achieved in 41 out of 47 applicable shopping centres (87%), meaning that this target was fully achieved.
COMMUNITIES AND VISITORS		
Invest 2.5% of the available marketing budget (after services and fixed items) of owned centres in operation and under development in at least two community related initiatives.	100%	During 2009, Sonae Sierra invested a total of €848,222 from the available shopping centres' marketing budget in community initiatives. Each of the 50 owned shopping centres in operation and the two completed development projects invested at least 2.5% of their available marketing budget in at least two community-related activities. These ranged from environmental awareness exhibitions, workshops and campaigns to sponsorships of cultural events to fund-raising activities for charities to support children with illness or disabilities.
EMPLOYEES		
Improve the results of the Employee Satisfaction Survey in relation to the following themes by 10%: work conditions and work life balance, in	50%	In 2009, the results of the Employee Satisfaction Survey in relation to "working conditions" improved by 10.7%, from 3.27 in 2008 to 3.62 in 2009, thus achieving the target set. However, the results in relation to "work life balance" improved only by 1.9%, from 3.042 in 2007 to 3.1 in

comparison with the 2007 results.		2009. This target is therefore, 50% achieved.
Identify the flexible working arrangements which need to be implemented in order for Sonae Sierra to become a recognised leader in this area by 2012.	100%	Sonae Sierra completed all steps required to accomplish this target. In 2009 the company reviewed current policies applicable to working arrangements and undertook research to identify best practices in flexible working arrangements to make recommendations for consideration of Sierra's CR Steering Committee (CRSC). These findings were used to draft three proposals for Flexible Work Practices and an accompanying implementation timeline.
Maintain the total number of training hours provided to Sonae Sierra employees as recorded in 2008.	100%	In 2009, the number of hours of training provided to Sonae Sierra employees was 46,077, compared with 43,708 in 2008.
SAFETY AND HEALTH		
Achieve zero fatalities due to work accidents across the Sierra portfolio.	100%	No fatalities occurred due to work accidents across the Sierra portfolio in 2009.
Reduce the number of days of staff absence due to work accidents or occupational diseases, in comparison with 2008, per million hours worked, aiming towards zero.	100%	In 2009 Sonae Sierra reduced the number of days of staff absence due to work accidents or occupational diseases per million hours worked in comparison with 2008. The Lost Work Day rate fell by 25% between 2008 and 2009, from 162.9 to 122.5.
Reduce by 10% the number of non-conformances per hour of observation resulting from Safety Preventive Observations in Reference Sites and when comparing the average results of 2008 with the average figures of 2009.	100%	In 2009, the number of non-conformances detected per hour of Safety Preventive Observation (SPO) on reference sites ³ decreased by 28% relative to 2008. In 2008 an average 7.9 non-conformances per hour were recorded compared with 5.7 in 2009.
Decrease the number of work accidents and occupational diseases involving Sonae Sierra employees per million hours worked, in comparison with 2008, heading towards zero.	0%	Between 2008 and 2009, the number of work accidents involving Sonae Sierra's direct employees increased from 1.43 to 1.49. The occupational disease rate among Sonae Sierra employees was zero in 2009 compared to 0.46 in 2008.
Decrease by 10% the Lost Workday Case accidents Frequency Rate (LWCAFR) in Construction Works, considering 2008 figures.	100%	The Lost Workday Case Accidents Frequency Rate (LWCAFR) in construction works decreased by 41%, from 12.7 in 2008 to 7.5 in 2009.

³ These are sites chosen by Sierra's Executive Board to represent a proxy of the whole portfolio.

RISK MANAGEMENT

Develop a new Project Control Tool and apply it in a new project during 2009.

0%

The plan for this project was changed in 2009, and a new system is now being studied that involves software applications already used by Sonae Sierra. The work will now involve changes to current systems to enable the production of historical and prospective development project cost flows. A supplier has already been identified to perform this work, but no formal agreement was established before the end of 2009.

5 List of evidences reviewed

In order to confirm the statements made in section 4 above, Upstream Sustainability Services reviewed a range of documents provided by Sonae Sierra and validated by an independent auditor. A list of the principal documents reviewed with respect to each CR impact area (including Environmental Management and Risk Management) is provided below.

Environmental Management

- Scanned copies of valid ISO 14001 certificates obtained for the Environmental Management System of the four operational shopping centres and construction works of the two new shopping centre projects inaugurated in 2009.
- ESRD Final Audit Reports for Loop5, Manauara Shopping, GuimarãesShopping and AlbufeiraShopping, developed by external supplier Edifícios Saudáveis.

Energy and Climate

- Externally audited performance data for electricity consumption (kWh) per square metre of mall and toilet area across the global portfolio in 2009 and 2008.

Water

- Externally audited performance data for water consumption (litres) per visit across the global portfolio in 2009 and 2008.

Waste

- Externally audited performance data for the global average waste recycling and landfill rates (%) for 2008 and 2009, aggregated across all shopping centres.
- Externally audited performance data for the global average recycling rates (%) for 2008 and 2009, aggregated across all Sierra's main corporate offices.

Land use

- List of approved Preliminary Environmental Evaluations (PEE) recommendations for Loop5 and Manauara Shopping.
- Site Supervision Report for Loop5, containing details and photographic evidence of the measures implemented and sample evidences of the measures implemented at Manauara Shopping.

Suppliers

- PDF copies of all six applicable contracts signed with main Development service suppliers during 2009, all of which included CR-related clauses.
- Copies of the S&H and Environmental manuals applied to construction works at the GuimarãesShopping, LeiriaShopping and Torre Ocidente projects.
- Scanned copies of all applicable contracts signed with Property Management suppliers in Portugal, Spain, Italy and Greece, all of which contained CR clauses.
- Scanned copies of a sample of five signed contracts with Property Management suppliers in Romania and five in Brazil, all of which contained CR clauses.
- List of all paper purchased by Sonae Sierra in 2009 in each country, including date, invoice number, type of paper and quantity, as well as sample copies of invoices for paper purchased in each office.

Tenants

- Externally audited data record showing the tenant satisfaction scores achieved at each applicable Sonae Sierra shopping centre.

Communities and Visitors

- Externally audited performance data for total available marketing budget and marketing budget spend on community-related activities, for each Sierra shopping centre and completed development project.
- Further details of investments in community-related activities across a sample of 18 shopping centres as well as both completed development projects. Including photographic evidences, scanned copies of invoices paid and flyers relating to community events held.

Employees

- Consolidated results of the Employee Satisfaction Survey.
- PowerPoint presentation developed by the Human Resources team, including review of Sierra's current practices with respect to flexible working arrangements, research into best practices and three proposals for Sierra to become a leader in this area by 2012, including a time schedule for the implementation of these measures.
- Externally audited performance data recording the number of hours of training provided to Sierra employees for the years 2008 and 2009.

Safety and Health

- Externally audited performance data recording the fatality rates, injury rates, occupational disease rates and lost work day rates in 2008 and 2009.
- Externally audited data record showing that an average 5.6 non-conformances per hour of SPO were detected on reference sites in 2009.
- Externally audited performance data recording the Lost Workday Case Accidents Frequency Rates (LWCAFR) in 2008 and 2009.

Risk Management

- Confirmation from the Risk Management CR Working Group that the CR Target was not achieved and an explanation of the reasons for this (by email).



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