







"Sonae differentiates itself by innovating throughout its businesses, but also by its strong commitment to sustainable development. Sustainability is an integral part of Sonae's culture and is contributing decisively to the success of our strategy."

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Taking into consideration an integrated vision of the activities we develop and their consequent impact, we work every day to enhance our sustainability performance through innovation, dedication to those with whom we collaborate and by creating a closer relationship with our suppliers, clients and the community.

The aim of the Sustainability Report is to disclose our economic, social and environmental performance to all of Sonae's stakeholders during the year 2014. This information is presented according to the G4 Guidelines from the Global Reporting Initiative (GRI) for the Core Level. The scope of the report includes all of Sonae's business areas, focusing particularly on the Retail Sector (Core Business).

The adoption of the G4 guidelines this year is an additional step designed to provide this report with more technical clarity, as well as a wider scope of the impact of our activities along the value chain with regard to the sustainability performance. This broader view allows us to present in a more detailed way the aspects considered relevant in the context of the defined Sustainability Strategy, in accordance with the materiality threshold used.

This Report is divided in five main sections:

- 1. Sustainability at Sonae includes a description of the company, its business areas, major segments, partnerships, Corporate Strategy, stakeholders' identity, main sustainability indicators, main sustainability highlights, awards and external recognition;
- 2. Sustainability in Retail presents the sustainability strategy and the way in which Sonae manages the value chain of the organisation internally (human resources and products) and externally (suppliers and contribution to society); details of the three axes of our sustainability strategy - Better Purpose, Better Planet and Better People - and upholding the commitments established for 2014;
- 3. Sustainability at Sonae Sierra (Core Partnership) explanation of the activity of this core Sonae partnership, including a description of the strategy and performance of each strategic axis. Sonae Sierra has an independent and comprehensive Sustainability Report in the area of Corporate Responsibility available on their respective website www.sonaesierra.com;
- 4. Appendices Adherence to Principles, Associations and Partnerships with Organisations and a link to access detailed information regarding the GRI indicators.

The information reported here can be complemented by consulting the Table of GRI Indicators, the 2014 Management Report and the Corporate Governance Report associated with the same period, available at www.sonae.pt.

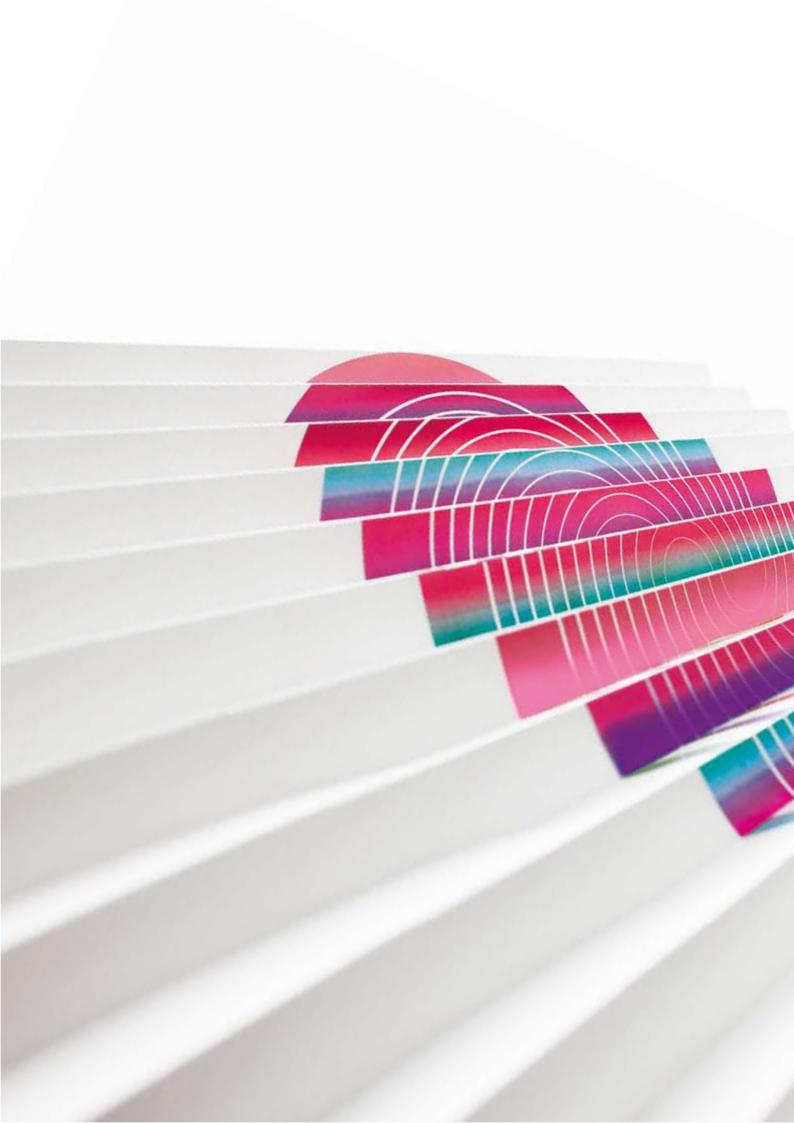
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## Sustainability

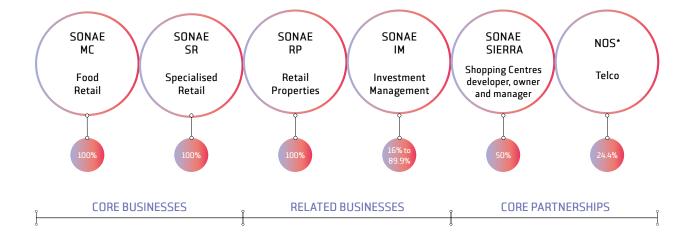
## at Sonae

"Sonae differentiates itself by innovating throughout its businesses, but also by its strong commitment to sustainable development. Sustainability is an integral part of Sonae's culture and is contributing decisively to the success of our strategy. Internationalisation, diversification of our investment style and leverage of our exceptional assets that we manage are the guidelines that drive our actions, framed by the need to create economic value and contribute to social and environmental development. This distinctive approach, based on ethics, rigor and social responsibility, has been distinguished on national and international levels, contributing to Sonae's acknowledgment as a trustworthy partner for business development, and to its continual recognition as the best school of leaders in Portugal".

Ângelo Paupério, Executive Vice-President of Sonae

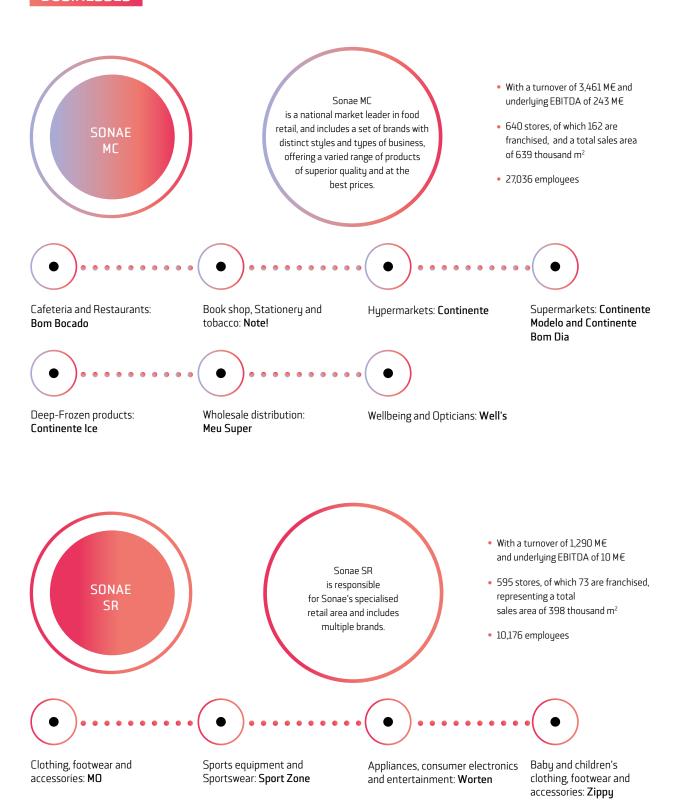
Sonae is a retail company with two core partnerships:

- a) Sonae Sierra (Shopping Centres);
- b) Sonaecom (Telco).



<sup>\*</sup>Participation held through Sonaecom.

## CORE BUSINESSES



## CORE **PARTNERSHIPS**



Sonae Sierra is an international shopping centre specialist, focused on bringing innovation and a friendly touch to the shopping centre and leisure  $industry^{1}\!.$ 

- With a turnover of 225 M€ and EBITDA of 108 M€
- Owns 46 shopping centres with a gross leasable area of 1.9 million m<sup>2</sup>
- Responsible for the management and/or leasing of 88 shopping centres
- 1,106 employees

<sup>1</sup> Owned by Sonae (Portugal) with 50% and Grosvenor (UK) with 50%.



Sonaecom is owned by Sonae, with 88% ownership of the business and its main asset is NOS, SGPS SA, held through ZOPT, SGPS, SA.

## RELATED BUSINESSES



Sonae Retail Properties
(Sonae RP), through the
development of its operations in
Portugal, has as its main areas of focus
real estate management and valuation,
the management of commercial galleries
and the management of three real
estate investment trusts (Imosede,
Imosonae 2 and WTC) through its
affiliate holding company,
Sonaegest.

- With a turnover of 127 M€ and underlying EBITDA of 115 M€
- 33 employees

### INVESTMENT MANAGEMENT



Sonae IM is responsible for supporting the implementation of corporate and business strategies, maximising shareholder return on the company's portfolio, providing active support in the planning and execution of mergers and acquisitions by the core businesses and strengthening Sonae's network of business contacts with other companies, consultants and investment banks.

- With a turnover of 250 M€ and underlying EBITDA of 19 M€
- 2,596 employees



Insurance Brokers: MDS

Travel agencies: **Geostar**  •

DIY and Construction Material: **Maxmat** 



Software & Information Systems: **WeDo**, **Saphety and BizDirect** 



Media: Público

## Worldwide Presence

At the end of 2014, we were active in 67 countries



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This includes operations, third party services, representative offices, franchising agreements and partnerships.



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"At Sonae, we are committed to improving the people's lives and communities in which we operate, sharing the benefits created through our commitment to progress and innovation. The fulfilment of our mission for sustainable growth is clearly evident in the 1.3 million training hours invested in our colleagues' development, in the knowledge sharing initiatives with universities and scientific institutions, in both internal and external actions which foster and promote innovation and in the 6,841 hours of volunteering. All of these initiatives, together with our efforts to provide the best products and the best prices in our stores, contribute to the strengthening of our corporate culture, where sustainability plays a central role".

Luís Filipe Reis, Chief Corporate Center Office

Our corporate strategy is based upon the creation of value through three strategic pillars:

#### INTERNATIONAL EXPANSION

Internationalisation is the foremost strategic priority for future growth and it focuses on core businesses and adjacent business areas. As such, we will make use of all the resources necessary in order to make the most of the opportunity of increasing our presence outside Portugal, transforming Sonae into a large multinational.

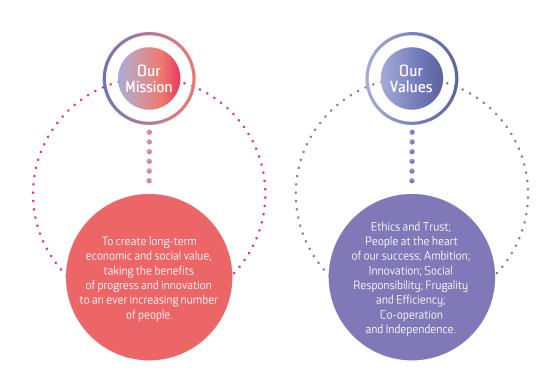
#### DIVERSIFYING OUR INVESTMENT STYLE

Leveraging Sonae's resources and the efficiency of the implementation strategy by adopting the investment styles most appropriate for each business, whether it ranges from full ownership, majority or minority interests, with or without special rights. We may be involved in the capital of companies which we do not control, in situations where we do not possess the necessary resources or where the input of third parties is valued as a factor for the creation of superior economic value.

#### LEVERAGE AND REINFORCE OUR EXCEPTIONAL ASSET BASE IN PORTUGAL

Continue exploring new business opportunities associated with our exceptional asset base held in Portugal, as a way to create a set of options for future growth. A significant part of the capital will be allocated to new projects, depending on their capacity to generate economic growth and value.

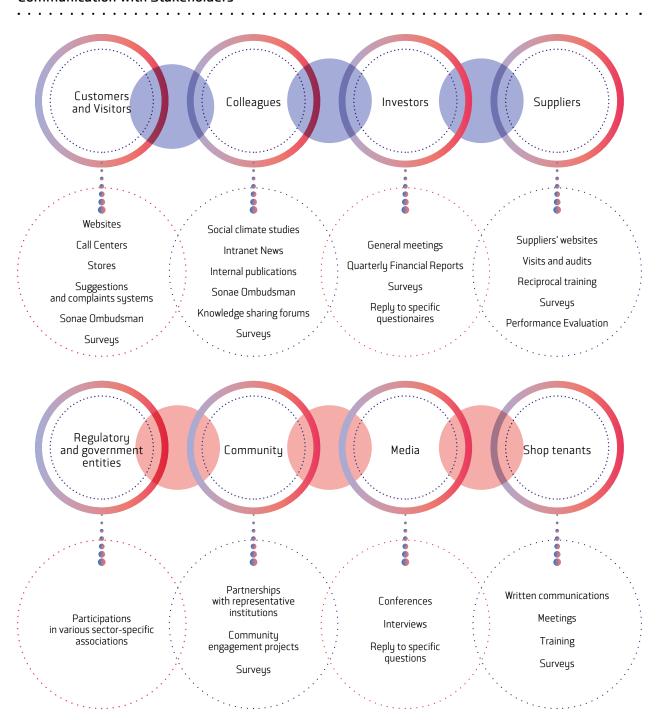
Our focus on internationalisation, diversification of our investment style and leveraging our exceptional asset base in Portugal, allow us to maximise our capacity for growth and value creation through our financial and human resources.



## OUR STAKEHOLDERS

Our stakeholders are crucial to achieve high levels of success, thus their involvement in the activities we develop is essential. For this purpose, we use a diversified base of specific communication channels for each group of stakeholders that allows us to respond and address their concerns and expectations.

## Communication with Stakeholders



## MAIN SUSTAINABILITY

**MANAGEMENT** 

1995

· Launch of the Horizon project, for strengthening environmental management

· Joined the World Business Council for Sustainable Development (WBCSD)

1996

Creation of the Environment Forum, to share experiences and disseminate good practice

1999

· Launch of the Eco2 XXI programme, for the effective implementation of ecoefficiency measures

2000

· Approval of Sonae's Environmental Policy and Environmental Management System

2007

 Publication of Sonae's first consolidated Sustainability Report

2005

Signed the World Safety Declaration

Creation of the Sustainability Forum, which developed from the Environment Forum 2004

 Joined the Global Compact of the United Nations

2001

Creation of BCSD Portugal with Sonae as founding member

· Publication of Sonae's first Environmental Report

2008

· Publication of "Sonae, much more than numbers"

· Subscribed to the Code of Practice on HIV/AIDS

· Subscribed to the United Nations Declaration of Human Rights

2009

· Publication of "A commitment 50 years ahead"

Adoption of the Sustainable Fishing Policy

2010

· Joined the Global Business Oath of the World Economic Forum

- The  $1^{\text{st}}$  Sustainability Forum open to all stakeholders took place under the theme "Sonae for the Better'

2011

· Joined the GEP - Global Enterprise Project

· Joined the Retail Forum for Sustainability (European Comission)

2014

· Joined the European Commission's Forum for Relations between Production and Distribution

2013

 Endorsement of the European Code of Conduct for the Food Supply Chain

2012

 Creation of the Sonae Sustainability Award

· Joined the European initiative to combat waste in retail

Joined the High Level Group on the Competitiveness of the European Retail Sector, a new advisory group of the European Commission. The High Level Group on the Competitiveness of the European Retail Sector is coordinated by the Directorate General for Internal Market and Services and includes representatives from 20 leading business

and academic institutions. Its mission includes the monitoring and evaluation of the measures adopted in the European Retail Action Plan, as well as the identification of actions to strengthen the sector's competitiveness.

Release of the new Code of Ethics and Conduct containing a set of principles and rules for all of the activities of the Sonae Group

Release of the Supplier's Code of Ethics and Conduct, aiming to create ethical relationships and trust in the medium and long-term

## **SUSTAINABILITY** MANAGEMENT

Sonae promotes the adoption of practices which foster the sustainable development of all our activities. In parallel with this school of thought, the Sustainability Forum was set up, in order to manage this issue efficiently and bring together all of Sonae Companies (including Sonae Indústria and Sonae Capital, belonging to the Efanor Group).

The main goal of the Sustainability Forum is to promote experience sharing and discussion of issues that are common to all of Sonae Companies, within the remit of sustainable development. This forum covers various topics such as green taxation, food waste, community support, supplier management and relations, among others.

The mission of the Sustainability Forum is to:

- a) Promote the sharing of information concerning the current initiatives of each business in relation to the theme of sustainability;
- b) Reveal best practices and share knowledge between all of Sonae Companies;
- c) Identify relevant issues common to all Sonae Companies that could stimulate synergies and promote the cohesion of management topics within the context of sustainability;
- d) Establish working groups to discuss current proposals related to sustainability;
- e) Raise the awareness of sustainability issues in all of Sonae Companies;
- f) Make proposals about the most relevant sustainability issues and send them to Sonae's Board of Directors, Sonae Indústria and Sonae Capital.

The Sustainability Forum is composed of members from various Sonae Companies and is coordinated by a sponsor, a chairman and a secretary.

## Sustainability Award

This Award aims to distinguish a specific programme, project or initiative that has been developed within a Sonae Company. The award focuses on the project's contribution to the development of measures that improve the sustainable development of each business and its respective stakeholders, whilst taking into consideration the three key pillars of sustainability: Environmental, Economic and Social.



Our Ethical principles are a cornerstone in the development of our activities and in the daily relationship with our business partners and remaining stakeholders.

In 2014, the new Code of Ethics and Conduct was approved. In order to ensure monitoring and compliance to this code, the Board of Directors appointed an Ethics Committee, whose main objectives are to:

- a) Promote the existence of adequate channels for the dissemination of the code;
- b) Address questions concerning the code;
- c) Verify the existence of internal mechanisms for reporting irregularities;
- d) Suggest changes to the Code whenever necessary;
- e) Provide clarification about the interpretation of the Code;
- f) Receive, evaluate and refer to the respective governing bodies the irregularities anonymously sent to the Ethics Committee;
- g) Regulate their own operations and periodically report their activities to the Board of Directors.

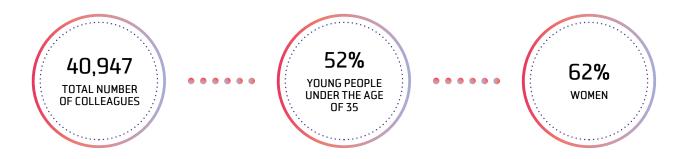
### **New Code of Ethics and Conduct**

In 2014, we released the new Code of Ethics and Conduct, outlining the ethical principles that should be applied to the activities developed by all of Sonae Companies.

Sustainability at Sonae 02



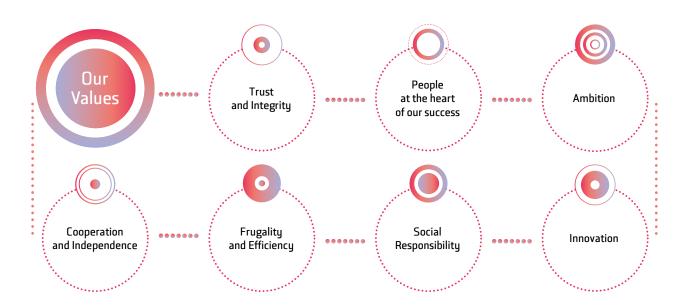
At the end of 2014, we had 40,947 colleagues, featuring a young team and characterised by diverse profiles and gender.

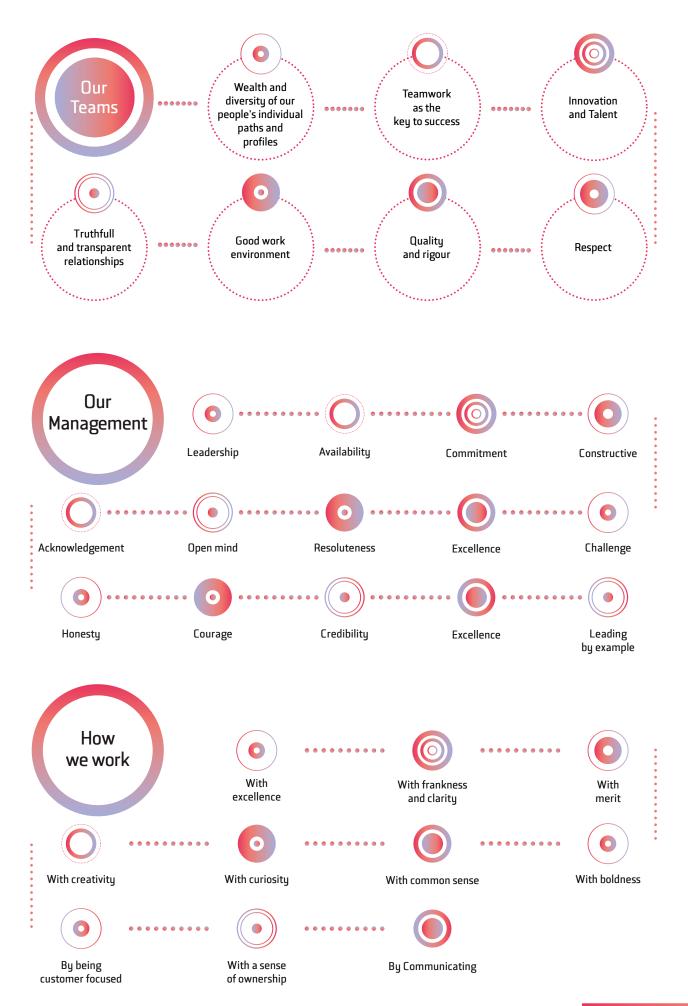


#### **OUR WAY**

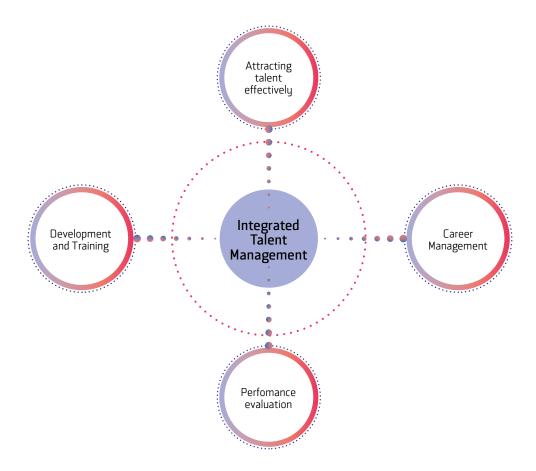


We are motivated on a daily basis by the richness of our history, culture and values. As a result of this heritage, our ethical and behavioural profile is one of the factors that makes us unique, and should be shared by all of Sonae's business areas. In this sense, we present "Our Way", a document that summarises our culture and values and is based on four key pillars: Our Values, How we work, Our Team and Our Managers. We strive daily so that, through the belief in our values, excellence and creativity embodied in our customer oriented work methods, teamwork and top management leadership, we are able to make our people distinct and unique in every geographic area in which we operate.





#### HOW DO WE MANAGE OUR PEOPLE?



#### 1) Attracting Talent Effectively

We have been increasingly establishing our connection with the community and we have given particular importance to the creation of direct contact opportunities between the business world and students and recent graduates. Through the dynamisation of different initiatives we support personal and professional development of young people and identify young talent to join our teams.

In 2014, Sonae played an active role in bridging the gap between young people and the labour market by:

- a) Participation in Job Fairs at schools and universities, as well as other initiatives promoted by students and student associations;
- b) **Class dynamisation and workshops** and support for academic and research work;
- c) Promotion of **study visits** by students to Sonae (Central Structures and Operations) in order for them to experience contact with the real world of business for the first-time;

- d) Undergraduate, Master and MBA students can participate in mentoring programmes;
- e) Partnership in the **project "Bué d'Escolhas"**, part of the "Escolhas" programme, promoting initiatives focusing on providing skills and development of children and youngsters at-risk;
- f) Participation in the partnership regime of the "Alliance for Youth" initiative, which aims to contribute to the fight against youth unemployment in the Portuguese and European context.

We also contribute decisively to youth training and development during or at the end of their academic course. In 2014, we promoted more than **1,200** internships, giving opportunities to students, recent graduates and the unemployed, to become familiar with the day-to-day work in our stores/ departments and central structures.

We offer internship programmes to high school/professional schools and universities and this provides young people with a prime opportunity to complete practical training under the supervision of top professionals. For the young finalists of secondary education, vocational courses and higher education, in addition to offering direct integration opportunities into our teams, we also promote professional internships for young people so they can apply the knowledge gained throughout their academic training.

Among the various programmes implemented, we would like to emphasise:

#### **Contacto Programme**



Sonae is a pioneering organisation in relation to the launch of internship programmes in Portugal for students in further education. We have promoted Contacto since 1986, and this programme is currently aimed at final year undergraduate and master's degree students and recent graduates of the top Portuguese universities. Through this programme, approximately 20 to 30 young people with high potential join Sonae every year.

The opportunity given to these young people to experience business life, the exposure to creativity and innovation, as well as the opening of a door which connects them to the job market, becomes, in the current economic situation, a fundamental commitment to the next generation. This is an essential initiative that is valuable both to the community and to the company. As the fundamental source of support to this programme, we have developed an exclusive online platform for connecting with universities – **Contacto Network** (www.contactosonae.com).

Contacto culminates in **Contacto Day** - the final phase of selection - which is an annual event aimed at final year students and recent graduates of universities in Portugal, who are selected through the Contacto Network. Around 65 young people have the opportunity to be in contact with Sonae companies' top level management, and to become familiar with the reality of their businesses, development plans and strategies for the future. It also becomes the final phase of the selection process, with an internship being awarded to the best students, which opens doors for the development of personal and professional skills and the possibility of them joining Sonae's staff. In 2014, Sonae Companies awarded **20 internships** through this programme.

#### Movement for Youth Employability

As part of the Movement for Employment - Action Employment Internships offered by the Employment and Professional Training Institute, we have assumed the commitment to offer internships to young people who are in the final stages of their academic training in order to facilitate their integration into the labour market. Between 2013 and 2015, more than 140 young people were selected to perform a 9-month or 1 year internship period in Sonae, with more than half of these contracted by a Sonae company after the end of the internship. Additionally, we assume our social role of actively contributing to job creation in the country, particularly given the difficulty of placing young people in the labour market.

#### 2) Career Management

Our careers' model plays a role in supporting the management of the talent pipeline in Sonae, ensuring alignment between business priorities and professional development expectations of our colleagues. Therefore, this reflects two management approaches: one focused on the planning needs of human resources and the other more directed towards the employee as an actor of their own professional and personal development.

This career management model also promotes our ability to attract talent by contributing to a strong Employment Value Proposition (EVP) for communicating a vision of the possible future paths, and the progression and development plans associated with them. As we value the diversity of profiles and pathways of our people, we support personal and professional development between areas, companies, businesses and geographic areas. In 2014, we directed our attention towards reflecting on this model and the internal mobility process that allows our colleagues to acquire cross-cutting and multipurpose skills.

#### 3) Performance Evaluation

Based on the principles of meritocracy, pluralism and participation, our performance management model - Improving Our People - encompasses all of our colleagues, in all the businesses and locations where we are present. Every year, we invite employees to reflect on their achievements and aspirations, ensuring a performance management interview with each team member. During this interview an opportunity is given to discuss the results achieved in the year under review, sharing expectations and ambitions, the identification of development opportunities and the definition of objectives and action plans.

In this way, we intend to involve employees in their own development, valuing the diversity of pathways and growth and development profiles, to meet the needs and priorities of each business.

Within our framework Improving Our People, we have had in place since 2012, a talent management tool for the most senior colleagues in the organisation and for the colleagues identified with the most growth potential - Improving Our People GT (Growth Toolkit). This tool includes two main phases: a first phase of diagnosis and a second phase based on the design of personal development plans and customised professional needs of the participants, with a time horizon of 2-3 years. The year 2014 was primarily focused on designing solutions and implementation of the development plans mentioned above.

#### 4) Training and Development

The ability demonstrated by Sonae to generate innovative and entrepreneurial leaders internally has proven to be significant to the rapid development and diversification of our business, leading us to occupy leadership positions in the various segments of activity where we are involved.

This conviction is due to investing in the best management practices and development of talent, but more importantly by the introduction of this concern in the daily lives of our leaders.

In line with this, it is up to Sonae to give to its leaders and aspiring leaders the tools needed to develop these skills. Being a leader means developing talent and recognising that the achievement of objectives is dependent on the performance and commitment of extraordinary teams, who have to constantly overcome the challenge of efficiency and continuous improvement.

#### Sonae Management & Leadership Academy

Sonae Management & Leadership Academy in May 2014 promoted the "Fostering Talent" event focusing on sharing knowledge concerning talent and leadership management topics. This session was characterised by different sharing aspects in which several speakers talked about their perspectives and personal and professional experiences.

#### Learning from the inside

Following the focus on internal training through the use of our best "teachers", leaders with undeniable skills in management and leadership, we are left feeling confident about the success of Sonae Academy in the development of critical skills considered for the business.

We proposed as a challenge to our partner Business Schools to develop a model for executive training programmes, with speakers selected from among our senior staff and with support from the Partners.

Examples of this are the "Brands that Make Sense" courses, started in 2013, and "Structured Problem Solving & Communication" and "Business Performance" courses, started in 2014.

Structured Problem Solving & Communication - Expand skills and provide the tools to better conceptualise and solve problems, as well as to improve oral and written communication in a more organised and effective manner.

Business Performance – Provide in depth knowledge of the Planning and Management Control cycle at Sonae, its main tools and indicators, and the role of each colleague in achieving these on a daily basis.

Sonae's Management & Leadership Academy boldly pursues its mission to contribute towards ensuring that all of Sonae Companies' colleagues are better prepared in the areas of management and leadership, evident through an investment in 2014 of 857,900 euros, totaling **37,588 hours** of training and involving **1,333 participants**.

#### Training Centre – Continuous Improvement

Continuous Improvement is a key pillar of our culture and way of work. It is this way of thinking and reflection that is the key to how we can best serve our customers and continue to grow. This stems from our mind set of doing well, without wastage and with higher quality and productivity. In this sense, we developed the IOW (Improving Our Work) school of thought.

The Training Centre is our "Continuous Improvement Academy", an important asset for the IOW movement as a means of disseminating knowledge. The Training Centre focuses on training and skills development of our colleagues on the Lean/Kaizen methodologies, in order to ensure support to the implementation of efficient and continuous improvement strategies in all of the company's areas.

The mission of the Training Centre is to certify our colleagues as practitioners of the efficiency and continuous improvement methods and ensure that knowledge reaches all colleagues of all companies in the same way and is aligned with the principles IOW.

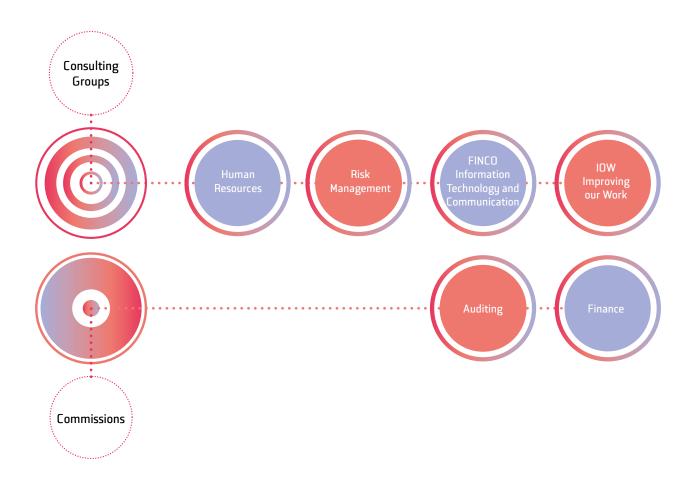
In 2014, the Training Centre had **1,164 participants**, resulting in a total of **37,940 hours of training** in Portugal and Spain.

The Training Centre has a pool of internal trainers of the various Sonae companies, as well as training centres (also internal) in places where continuous improvement is already a reality – Continente stores, Worten stores, Warehouse Logistics, Office, among other Sonae businesses.

#### FORUMS FOR KNOWLEDGE SHARING AND CONSULTING GROUPS

We develop on a regular basis, forums across all of our business areas, with the aim of sharing knowledge and promoting the adoption of good practices. There are currently 9 forums in Sonae for this effect: Administrative and Fiscal Forum, E-commerce Forum, Engineering and Construction Forum; FINOV - Innovation Forum, Legal Forum, Marketing and Communication Forum, Negotiation Forum, Management Planning and Control Forum and Sustainability Forum.

We also have **4 consulting groups**, which meet frequently, with the aim of sharing and coordinating information (organisation of internal training), including the continuous review of existing organisational policies in these areas. Under the consulting group **IOW** - **Improving Our Work**, we have obtained level 4 consolidation for the *Running To Excellence* HR project, improving the result in the audit carried out in comparison with last year. This project was also acknowledged by the Kaizen Institute with 1st Prize in the Large Companies category – Services. In addition, we have **2 commissions**, whose purpose is to act as a platform for knowledge and experience sharing.



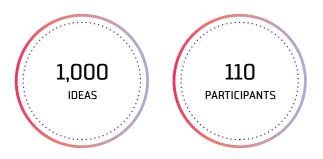
#### INNOVATION AND CREATIVITY MANAGEMENT AND THE SHARING OF IN-HOUSE KNOWLEDGE

Innovation is part of our mission and is reflected in our values. We encourage the creativity of our colleagues, the main actors of innovation throughout the organisation, as such their creativity, initiative, curiosity, boldness and customer orientation are essential conditions for our success.

In 2014, we developed several projects, common to the different business areas, under the remit of innovation applied to creativity and the sharing of in-house knowledge:

ShineOn – Organisation of the 2<sup>nd</sup> edition of ShineOn, a programme that **collects our colleague's innovating ideas** in response to challenges from Sonae MC and Sonae SR's Executive Committees. The final ideas were presented to the Executive Committees, top level Managers and the Innovation Committee, in highly motivating events, which have a significant impact. After each event, the ideas to be implemented are announced. In 2014, this project received an honorable mention in the Sonae *Innovation Awards*.

BizShare Day and Creative Problem Solving Day - Events for knowledge and experience sharing among employees from various business areas, the BizShare Day brought together 80 employees from 20 different business areas in the 2014 edition. The Creative Problem Solving Day (CPS) allowed the capture of about 1,000 ideas from 110 participants. These events encourage the exchange of experiences, promoting the sharing of new perspectives on the topics covered.



SIM Project - The Improvement Implementation System - The SIM Project was instigated by the colleagues of several areas for continuous change in traditionally performed processes, using a methodology resting on the principles of the Improvement Implementation System (SIM), based on Kaizen methodologies. This consists in the creation of information tools focusing on the analysis of all stages of the work process from its approval until its conclusion.





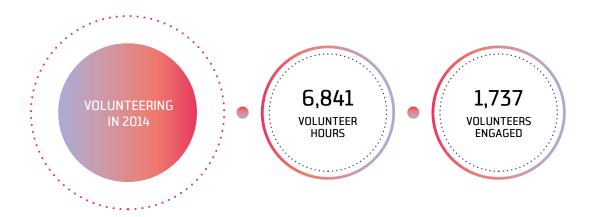
Social Responsibility is one of our values and, as described in our mission, we aim "to create long-term economic and social value, taking the benefits of progress and innovation to an ever increasing number of people." Our actions are based on social concerns and sustainable development policies.

Sonae Activshare aims to develop, consolidate and bring together all actions of Social Responsibility and Volunteering at Sonae.

In 2014, we continued our joint efforts in order to actively contribute towards helping to improve our community, having allocated 9.8 million euros to support 2,105 institutions.

Maintaining our strategy of action, we continue to develop support to the community in six priority fields:

- **Environmental Awareness**
- Culture
- Education and Entrepreneurship
- Health and Sport
- Science and Innovation
- Social Solidarity



#### **CULTURE**

Concerning our corporate responsibility policy, we aim to promote creativity and innovation, to stimulate new trends and to bring the community closer to art, namely through major cultural events that promote enriching experiences of personal and collective development. To achieve this goal, we have established the following major partnerships:

#### Serralves



Sonae is one of the patrons of Serralves, with the aim of promoting culture, by linking the community to art.

The Sonae/Serralves Project, resulting from the partnership, has the following objectives:

- Encourage national artistic production;
- Promote national art on a worldwide basis and exchange among young national and international artists;
- Support institutions dedicated to art;
- Stimulate society's approach to art by supporting and promoting initiatives.

In 2014, the Sonae/Serralves Project celebrated its third edition with a new set of sculptural art pieces by artist Nairy Baghramian (1971, Isfahan, Iran) on display in the exterior of Serralves Museum.

Following this initiative, the Sonae|Serralves Project involved art students from Portuguese universities, who helped with the implementation of the artist's projects, taking advantage of a unique opportunity of professional enrichment and cultural exchange.

#### Casa da Música

Following our continuous effort to promote culture and encourage creativity and innovation, we maintained our status of patron of Casa da Música. In 2014, we were sponsors of Ciclo de Jazz (Jazz Cicle), in which several national and international musicians participated, including some of the most striking and influential figures of contemporary jazz.

#### MNAC - Museu do Chiado

In 2014, Sonae celebrated a sponsorship agreement with the National Museum of Contemporary Art - Chiado Museum (MNAC-MC) for the next five years. The agreement foresees the following projects: construction of three artistic residences through the SONAE/MNAC Art Cycles Project, the creation of Sonae Media Art Award (with its first edition in 2015) to distinguish works in the area of multimedia, supporting the MNAC-MC programme and naming MNAC's multipurpose room "Sonae", a room which will be dedicated to multimedia art.

The SONAE/MNAC ART CYCLES Project aims to support the creation of artistic projects developed by national and international artists, who already have an established career or by emerging artists, who can reflect upon the social, landscape, architectural, historical and communicational transformations in contemporary times. In late 2014, the project culminated with the public presentation at the MNAC-MC, of the exhibition "All the memory of the world, part one" by the visual artist Daniel Blaufuks, who also participated in several master classes at art schools all over the country.

#### **EDUCATION AND ENTREPRENEURSHIP**

Bearing in mind the positive effect, in the medium and long-term, of our investment in society, particularly among children and school children, teachers, schools and households, in 2014 we continued allocating efforts to the development of educational projects. We would like to highlight the following projects:

#### "Porto de Futuro" Project and partnership with the "Agrupamento Escolas do Cerco"



Under the "Porto de Futuro" Project, promoted by the Porto City Hall, Sonae has been a partner of the "Agrupamento de Escolas do Cerco" since 2007. This project provides support to the management and development of schools. It encourages the wider participation of civil society in schools and recognises the fundamental role of education in the sustainable development of a more competitive and dynamic society.

Under this partnership, there are many actions which have been taken (World of Professions, Schools' Group Magazine, Volunteering of skills, among others), as part of the promotion of entrepreneurship, meritocracy, management consulting, encouraging a healthier lifestyle through sports and strengthening links between the school and the community.

In 2014, the **Supervisors for School Success Project** at Cerco School coordinated by the "EPIS" Association - Entrepreneurs for Social Inclusion, must be distinguished. This project aims to train young people to realise their potential throughout life, through Education, Training and Professional Insertion.

This project was implemented through the Cerco School Group, whereby a tutor monitored around 70 students, tutored both in individual or group sessions. Some of the activities developed that we would like to highlight, among other, are the study sessions and the EPIS Merit Scholarship. When comparing the 2013/2014 first term with the first term in 2014/2015, the results have been very positive: the number of students with a positive grade across all subjects went up by 5% and the number of students failing more than 5 courses has declined by 8.2%.

## Bridging the gap between young generations and the market

Sonae is the leader of Action 1 of the Action Plan 2020 by BSCD Portugal. This is a project designed to align companies' needs in terms of job skills and the training received by young generations, who are about to leave school. The working group will focus on the identification of the professional skills needed by these companies by 2020 and will then communicate them to a large group of stakeholders. This strategy is in an attempt to adjust the teaching content in order to promote employability amongst the future generations, by contributing to a better alignment with the needs of the labour market.

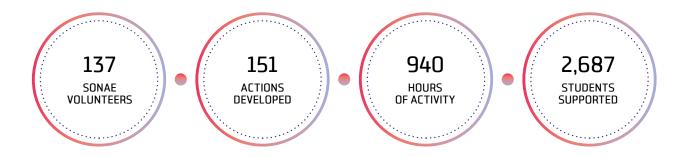
Sustainability at Sonae 03

#### Junior Achievement



Through the Junior Achievement programmes, our communities have benefitted from the skills of our team.

In line with the activities developed since 2007, we have maintained our partnership with Junior Achievement Portugal (JAP), a non-profit organisation that aims to develop a love for entrepreneurship, a taste for risk, creativity, responsibility, initiative and innovation among children and young people. Thus, the JAP stimulates the entrepreneurial spirit among young people through training and helps to prepare them to succeed in a global economy. In 2014, we expanded this partnership to Spain, through a partnership with Junior Achievement Spain (JAS).



#### **SOCIAL SOLIDARITY**

#### "CASA" - A Centre to Support Homeless People

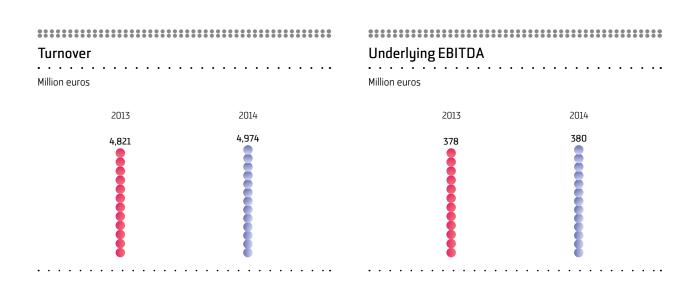
Casa Association – A centre to support homeless people has as its main goal the development of social solidarity actions focused on supporting homeless people, children, adolescents and socially disadvantaged elderly people or victims of violence and abuse, particularly concerning food and accommodation. In 2014, the average number of daily meals distributed at a national level in this project exceeded 6,500, in which 350 tonnes of the food collected for this cause, 130 tonnes were collected in Continente and Continente Modelo stores.

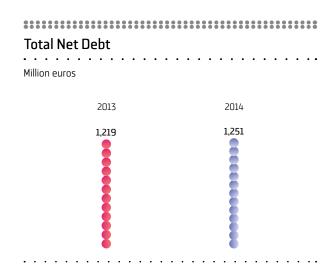
Note: For more actions regarding Sonae Activshare please read "2. Sustainability in Retail - Better Purpose".

## MAIN SUSTAINABILITY INDICATORS

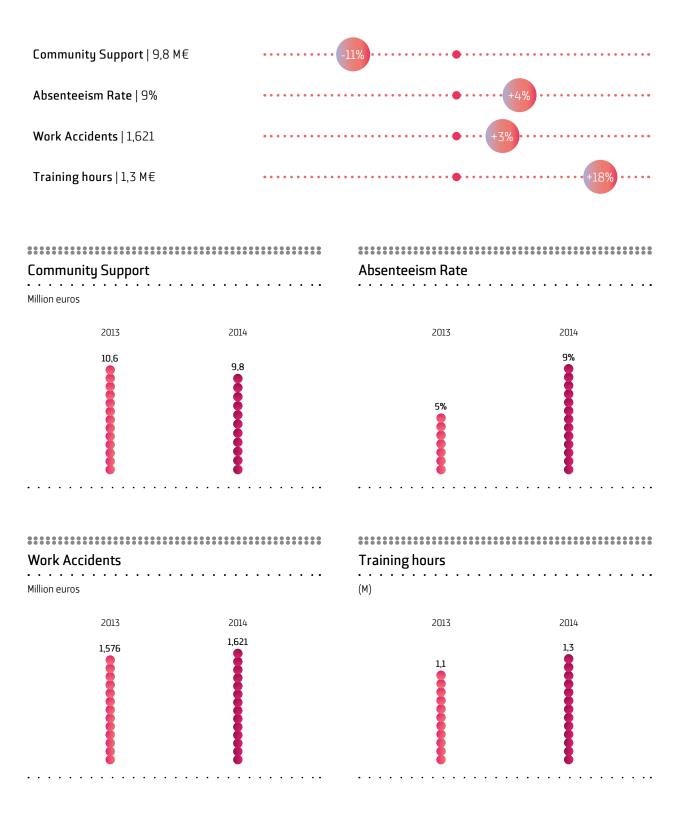
#### **ECONOMIC PERFORMANCE**



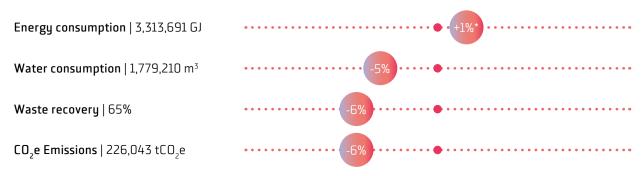




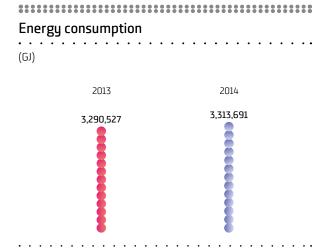
#### **SOCIAL PERFORMANCE**

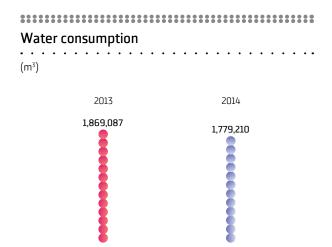


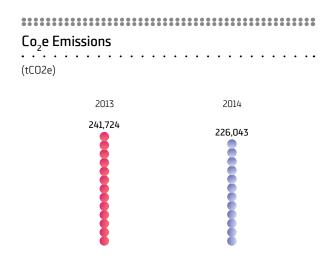
#### **ENVIRONMENTAL PERFORMANCE**



<sup>\*</sup>This increase is due to the organic growth of the Retail area of the company







## AWARDS AND EXTERNAL **RECOGNITION**



Sonae has been recognised for the fourth consecutive year as one of the "World's 100 Most Ethical Companies".



Carbon Disclosure Project has distinguished Sonae for the second consecutive year among the 125 listed companies in the Iberian Peninsula, in the Performance and Leadership indexes, highlighting the environmental performance and quality of the information reported, respectively. We are the only Portuguese company present in both indexes and we obtained the highest rating (A level) in the Performance index.



Readers Digest "Brands of Trust 2014" recognised:

- Continente for the 13th consecutive year in the category of hyper/supermarkets;
- Worten for the 6<sup>th</sup> consecutive year in the category of Non-Food Retailer;
- Zippy for the 2<sup>nd</sup> consecutive year in the category of Children's Clothing;
- Well's awarded for the first time in the category of Parapharmacy;
- Sport Zone, awarded for the first time in the Sports wear category;
- Distinguished as Environmental Brand of Trust 2014, with first place in the super/hypermarket category.



In the Marketing Awards of the "Meios & Publicidade 2014" magazine, the following campaigns were acknowledged:

- "Mission Smile 2013" awarded the "Bronze" prize in the Social Responsibility category;
- "Confidence" awarded the "Silver" prize in the category Products of Major Consumption Food.



For the fourth consecutive year, Hay Group has elected Sonae as "The Best Company for Leadership" in Portugal.



The Running To Excellence (RTE) project of the Human Resources Department was awarded by the Kaizen Institute with 1st prize in the category of Large Companies – Services.

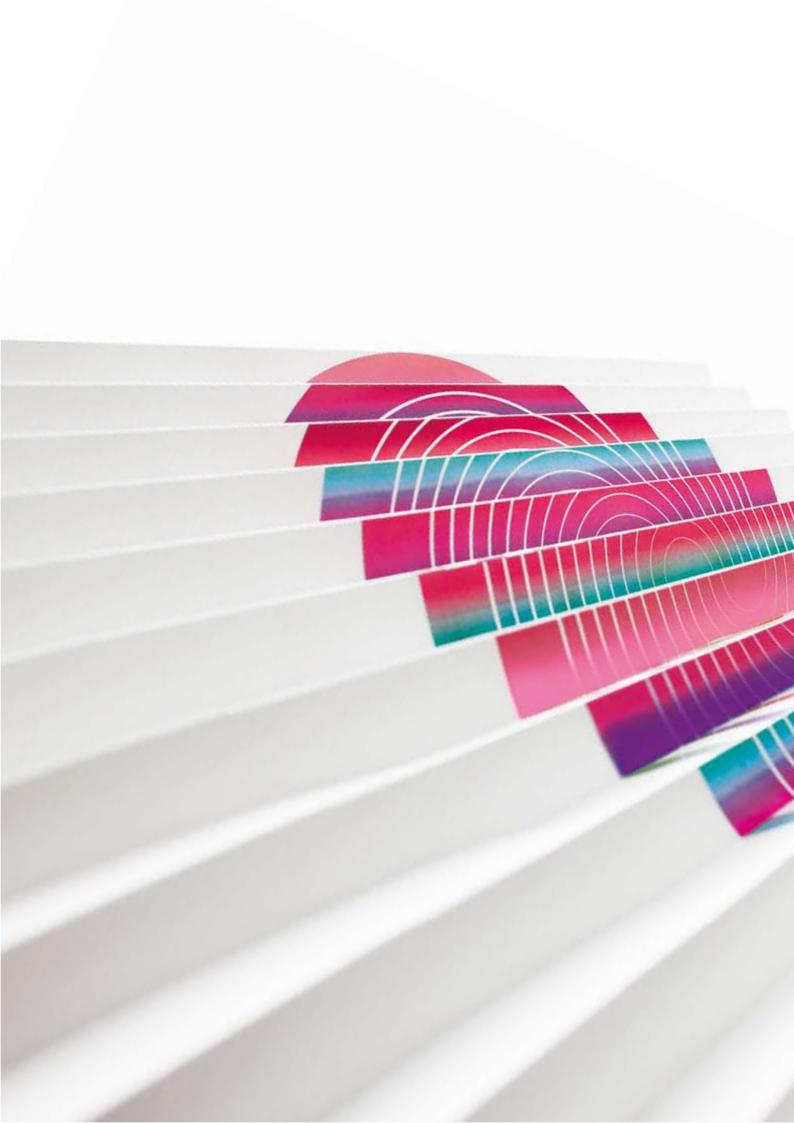
#### **SONAE SIERRA**

Sonae Sierra has strengthened its international reputation through the development and management of innovative products, new projects and shopping centres. In 2014, it was awarded different types of awards and certificates, most notable are the following:

- Honoured by the ICSC Solal Marketing Awards as winner of the Gold Award for Digital Integrated Campaigns for our PromoFans® platform.
- Presented with three prizes (two Gold and one Silver) at the ICSC Latin American Shopping Centre Awards.
- Named Best Retail Developer Latin America in the 2014 Global 100 Awards.
- Honoured for the sixth consecutive year by the Euromoney Magazine Real Estate Awards winning Best Developer Overall, Best Retail Developer and Best Mixed Developer in Portugal.

Two new ISO 14001 and OHSAS 18001 certifications were obtained for Health, Safety and Environmental Management Systems at two operational shopping centres. The DGNB Gold at one shopping centre and BREEAM in-use Good/Very Good at two shopping centres were also obtained.

 $For additional information, please {\tt refer} to {\tt ourwebsite} {\tt athttp://www.sonae.pt/en/sonae/awards-and-achievements/please} {\tt ourwebsite} {\tt athttp://www.sonae.pt/en/sonae/awards-and-achievements/please} {\tt ourwebsite} {\tt athttp://www.sonae.pt/en/sonae/awards-and-achievements/please} {\tt ourwebsite} {\tt ourwebsite$ 





# Sustainability

# in Retail

"Deflation in the area of food retail in Portugal combined with a strong competitive environment in the first half of the year brought new challenges to the industry. At Sonae MC, we have always tried to support families through promotional activities generating effective savings, at the same time as ensuring a more comprehensive offer and launching new products and services. Simultaneously, we were committed to sustainable growth, as such we have deepened partnership ties with national production, extended the Meu Super network of partners and we have invested in innovation in order to create competitive advantages. These efforts were acknowledged by Portuguese families, evident as Continente has solidified its leadership position in Portugal and once again ensured the renewal of the Brand of Trust award."

Luís Moutinho, CEO Sonae MC

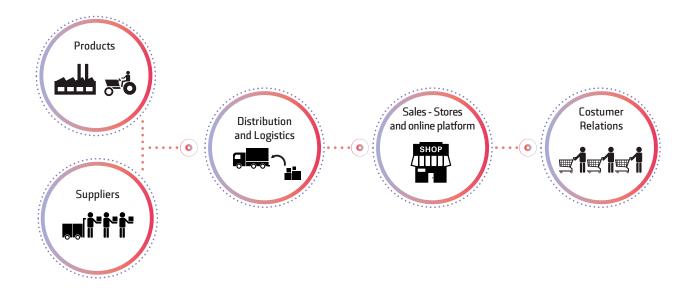
"Sonae SR has reinforced the sustainability of its operations in 2014, consolidating its activity in the Iberian Peninsula and extending the internationalisation of its activities. During the year, we have strengthened our strategic initiatives to promote the efficiency of operations and tried to stand alongside our clients, strengthening their bond and loyalty through promotions and developing new store concepts. We have fortified social responsibility initiatives, launching the project Love in a Box in Zippy and extending our social responsibility programme to Spain. The clients' acknowledgment of the work carried out, along with the recovery in consumption and the tireless effort of our teams, has enabled us to report a sales growth of 6.6%, with sales per m<sup>2</sup> growing more than 10%."

Miguel Mota Freitas, CEO Sonae SR

# OUR SUPPLY CHAIN

The efficient management of the Supply Chain is increasingly becoming a competitive feature for any company in the retail sector. For Sonae, the path followed is guided by solidification of the relationship with our suppliers and progressive alignment of the supply chain management with the organisation's sustainability strategy.

The figure below graphically illustrates our supply chain, as well as the main elements that characterise it:



Sustainability in Retail 04



#### **Products**

- Food 16 % of products are own brand products (47% of products in the fresh food portfolio) marketed in 2014
- Continente Producers Club 251 members in 2014.
- Non- Food Products
- Textile 90% are own brand products
- Sports 72% are own brand products
- Electronics 8.6% are own brand products



#### Suppliers

- 40% are national suppliers;
- 58% of suppliers audited according to financial, environmental, social and employment criteria;
- 1,283 suppliers audited in 2014.



#### **Distribution and Logistics**

- 7 logistics warehouses;
- 3,693,700 Km travelled for product distribution.



#### Sales - Storesand online platform

- 1,304 stores in 2014, up by 9% compared to 2013;
- 70,991 Continente online users;
- 425,651 home deliveries.



#### **Costumer Relations**

- 4,543,076 customers who have benefited from card discounts;
- 1,829 customers who received advice through the Hiper healthy Movement in 2014;
- 106 thousand customer complaints and suggestions analysed in 2014.

# OUR WAY TO A SUSTAINABLE LIFE

#### SUSTAINABILITY STRATEGY

#### The challenges of the Retail Sector

Companies in the Retail Sector currently face a number of challenges resulting from new industry trends. Among others, there is greater consumer demand regarding the information attached to the products, the preference for products that promote and do not jeopardise health and wellbeing, the search for more sustainable consumption, a growing concern about food safety and the origin of the products, and the pressure for companies to minimise their environmental impact.

According to RobecoSAM¹, easier access to information has boosted greater consumer awareness, which materialises either in their choices, as well as in the level of information required on products. More specifically, there is a tendency for consumers to give priority to products that promote their health - nutritionally healthier products and even products with proven absence of toxic substances and other chemicals which are harmful to our health. Also the preference for more energy efficient products is growing, as consumers become more sensitive to the impact and responsibility towards the environment. In order to make their choices in a conscious and informed way, consumers expect to find more information available associated with the products they buy. This evolution in the consumer profile poses challenges to the retail businesses, particularly in the development of healthier products and with different nutritional characteristics, in the provision of safer health products (with special focus on the children's range) and also in marketing more energy efficient and safe products, complementing these efforts with increased quantity and quality of information displayed in the product labelling.

Food safety and product origin are also aspects valued by customers, and are directly associated with the company's image and brand trust. Thus, through the associated risks and the direct impact on customer satisfaction, the value chain management has proven to be fundamental, especially regarding the own brand products.

As climate changes and water scarcity, energy and raw materials become more relevant to society, so does the tendency to inquire and hold companies accountable for their impact on the environment. As such there is pressure to adopt more sustainable and efficient practices and in the retail sector, in addition to energy consumption, the optimisation of packaging design and materials stands out.

#### Materiality

In 2014 we carried out a materiality review, in order to update the main issues and confirm that our sustainability strategy continues to respond to these issues.

This review was based on three aspects - stakeholders' expectations, industry trends and benchmarks. The stakeholders' expectations analysis took into account the stakeholders' feedback in 2012, with confirmation of the identified theme and particular focus on the customers' expectations and consumers in general. Complementing this analysis with the identification of the main sector's challenges, as well as a benchmark analysis for material themes and the main practices of peer companies, we arrived at the material issues presented below. This review also allowed us to analyse the actual materiality of each subject for each business area (Sonae SR and Sonae MC) and organisational boundaries ("Within Sonae" and "Outside of Sonae").

<sup>&</sup>lt;sup>1</sup>The Sustainability Yearbook, 2014

#### **Material Themes**

	Within S SONAE SR	Sonae SONAE MC	Outside of Sonae
Environmental, labour and human rights criteria for suppliers	<b>√</b>	<b>√</b>	<b>✓</b> All the suppliers
Transparency and trust along the value chain	✓	✓	✓ All the suppliers; Community; Regulatory and Governmental Entities
Ethics in the Supply Chain	✓	<b>~</b>	✓ All the suppliers; Community
Influence suppliers on the preservation of natural resources	✓	✓	<b>√</b> All the suppliers
Local Production	✓	✓	✓ CPC Suppliers and Own Brand; Community
Product Compliance / Quality	✓	<b>✓</b>	✓ All the suppliers; Customers and Visitors; Media
Public Health	✓	<b>√</b>	✓ All the suppliers; Customers and Visitors; Media; Regulatory and Governmental Entities
New consumer interaction technologies	✓	<b>v</b>	✓ Customers and Visitors
Product Adaptation and Innovation	✓	<b>v</b>	✓ Customers and Visitors; Community
Packaging Innovation and Optimisation	<b>V</b>	<b>v</b>	✓ Own brand suppliers; Other suppliers
Combating Food Waste		<b>v</b>	<b>√</b> Community
Nutrition		<b>√</b>	✓ Own brand suppliers; Other suppliers; Customers and Visitors; Regulatory and Governmental Entities
Healthy Life Styles	✓	✓	✓ Customers and Visitors; Community
Support to Local Communities	✓	✓	<b>√</b> Community
Health and Safety in Stores	✓	✓	✓ Employees; Customers and Visitors
Human Capital Investment	✓	✓	
Water, energy and GEE emissions	<b>√</b>	✓	✓ CPC; SONAE MC Own Brand Suppliers
Waste Management	✓	✓	✓ Own brand suppliers; Customers and Visitors; Own Brand
Transport and Distribution Optimisation	✓	<b>√</b>	✓ Fleet Suppliers - Supply Vehicles

The current sustainability strategy in Sonae was defined in 2012, for the period of 2013-2015, and aims to support the retail business to achieve its strategic goals, managing the social, environmental and economic aspects that are material to the organisation.

This strategy has three axes of performance Better Purpose, Better Planet and Better People. The performance in each of these axes has associated commitments, which we clearly assume, which in turn materialise into solid actions across the entire company, with goals, accountable and transparent implementation timetables for the entire company. Concerning the material themes identified this year, as a result of the materiality review, we have confirmed that this sustainability strategy continues to respond to these issues.

#### Better Purpose – Commitments

- Promote the adoption of healthy lifestyles and keep Sonae's customers informed, providing them with the knowledge they need to make responsible, nutritionally balanced choices;
- Endeavour to promote social wellbeing in the communities where Sonae is present, contributing towards strengthening citizenship and social cohesion.



- · Responsible Offer and Informed Choice
- · Own Brand Product Responsibility
- $\boldsymbol{\cdot}$  Contribution to Sustainable Fishing
- · Increase Sharing and Promote Social Wellbeing



Nutrition | Public Health

Product Conformity / Quality | Product Adaptation and Innovation | Public Health

Preservation of Natural Resources | Ethics in the Supply Chain

Combat Food Waste | Healthy Lifestyles | Local Communities Support

#### **Better Planet - Commitments**

 Focus on continuous improvement in order to attain top environmental performance, not only as a differentiating factor but as a basic condition for the sustainable development of Sonae's business.



- Efficient Management of Environmental Performance
- · Sonae's "Footprint"
- · Environmental Impact of Packaging



Water, Energy and GEE Emissions | Waste Management | Distribution and Transport Optimisation

Distribution and Transport Optimisation | Water, Energy and GEE Emissions

Packaging Innovation and Optimisation | Distribution and Transport Optimisation

#### **Better People - Commitments**

- Promote wellbeing and invest in the development of employees' skills and abilities, continuously enriching Sonae's culture;
- Integrate sustainability into the supply chain and align supplier practices with Sonae's policies.



- · Human Capital Development
- · Internal Satisfaction and Wellbeing
- · Supply Chain Responsibility



Human Capital Management

Health and Safety in Stores | Healthy Lifestyles

Environmental, Working and Human Rights Criteria | Transparency and Trust | Ethics in the Supply Chain | Local Production

In the next sections, we will demonstrate how we responded to these issues in 2014, explicitly presenting the main initiatives and results - framed under each axis of our sustainability strategy.



#### RESPONSIBLE SUPPLY AND INFORMED CHOICE



We aim to adapt our product portfolio in order to respond more effectively to the needs and expectations of consumers on a daily basis. We care about ensuring that the products we sell are subject to rigorous quality and safety control processes and are a responsible and balanced offer capable of **improving the nutrition and health of the general public**. Additionally, we believe that communication and information disclosure regarding health, nutrition and the quality of our products to consumers is essential to promote an informed choice and a healthy lifestyle.

Sustainability in Retail

#### **Health and Nutrition**

It is essential to transmit to consumers, information that can facilitate the choice of quality food products that are healthy and safe. In this context, we have a Nutritional Policy with the main goal of ensuring compliance with legal and internal requirements in the development of own brand products, improving the nutritional profile of food products in order to provide an informed choice to our customers. This policy, which is based on recommendations of the World Health Organisation and various national and international stakeholders, aims at, promoting a healthier lifestyle and contributing towards improved health and nutrition.

#### Optimisation of the nutritional profile

In order to promote an increasingly responsible offer, we continued to develop the optimisation of the nutritional profile of Continent's own brand products, with the involvement of the respective suppliers in the process. The optimisation of the nutritional profile of these products can reduce the salt content, total fat, saturated fat and sugar, as well as eliminate hydrogenated fats and provide enrichment of micronutrients (vitamins and minerals).

### ColorADD® in the Traffic Light Nutrition Labelling

The launch of new food products on the market raises the degree of complexity inherent to the consumer choice process. Since consumers are increasingly more demanding in the purchase of products, namely food products, and following the trend of healthier nutritional lifestyles, the "Nutritional Traffic Light" is an important source of clarification for consumers to make a more informed and responsible choice.

ColorADD® is a colour identification system for people who are colour blind, and consists of a code that identifies the colours. In general, Continent's own brand products with the "Nutritional Traffic Light" have this system in place.

The introduction of the code in ColorADD® on the "Nutritional Traffic Light" began concerning the renewal of the labels of Continent's own brand products, in 2014. This will continue in 2015 for the labels of new products and products which are being reformulated.

#### Traffic Light Colors and ColorADD®

The traffic light colours are not related to the recommended daily intake (RDI), but to other limits that can be found on the conversion cards of nutritional traffic light.



Signifies that the food has a high concentration of fat, saturated fat, sugar or salt.

- This product should only be consumed in small amounts or occasionally



#### YELLOW

Signifies that the food has a medium concentration of fat, saturated fat, sugar or salt.

-This product is a good option



#### GRFFN

Signifies that the food has a low concentration of fat, saturated fat, sugar or salt.

- This product is a healthier option



#### GRFY

The grey colour assigned to the energy has no nutritional significance.

The symbols ( ) ( ) found in the nutritional traffic light are part of the colour-coding system for people who are colour-blind - ColorADD®. www.coloradd.net



#### **Hyper Healthy Movement**

For the fourth consecutive year, the *Hyper Healthy Movement* included the implementation of a number of initiatives in order to promote a shift in eating habits and a healthier lifestyle for children, youth, adults and seniors.

In line with previous years, the *Hyper Healthy Movement* developed three types of initiatives to promote the improvement of health:

#### a) Nutritional Counseling

In order to assist the consumer in choosing products with the most appropriate nutritional contents considering their needs, the nutritional advice initiative was developed. It is designed to facilitate the responsible selection of food products by consumers. Through an internal team of nutritionists, we provide complimentary clarification and nutritional advice in Continent stores.

In 2014, through this initiative, we were able to carry out **4,277** screenings, **1,829** nutritional advice sessions, **772** follow-up visits and **1,301** assisted purchases with the support of Personal Nutritional Shoppers.



We have provided advice to more than 40 thousand customers since 2009

#### b) Awareness activities

Following the objectives of our nutritional policy, we held a series of awareness-raising actions aimed at children and young people of school age, adults, seniors and groups at risk. In 2014, awareness-raising actions of different types were developed with different themes such as the importance of fruit and vegetables, the importance of breakfast, fish consumption and the need to make informed and conscious choices when making purchases.

**264 Awareness Actions** were carried out, attended by **6,624 participants**, of which 4,877 were children and young people of school age (from pre-school to high school).

Following the protocol of previous years, our colleagues were largely involved in training sessions, screenings and nutritional advice sessions in relation to the Hyper Healthy Movement.



Since 2010, there has been over 900 awareness actions with more than 23,300 participants

#### c) Seminars, Events and Partnerships

As a result of the necessity to change people's eating habits, in 2014 we continued to establish partnerships with organisations related to our nutrition policy and the objectives of the *Hyper Healthy Movement*. Thus, we worked in partnership with various stakeholders for the implementation of programmes, actions and relevant educational activities.

In this context, in 2014 we continued to take part in lectures and other events at several universities and organisations, for the purpose of promoting the *Hyper Healthy Movement* and raising awareness of the "Nutritional Traffic Light", with the main objective to promote a healthy diet and lifestyle. The seminars were held in the following educational institutions and entities:

- Education Institutions Portuguese Catholic University, Faculty of Nutrition and Food Sciences of the University
  of Porto, Egas Moniz Institute of Health Sciences and CESPU Advanced Polytechnic and University Cooperative;
- Other entities Portuguese Association of Nutritionists and the Portuguese Institute of Nutritionists.

As well as maintaining the partnerships established in previous years, we have established a new partnership with the Beatriz Ângelo Hospital in Santo Antonio dos Cavaleiros, in order to monitor patients of the Cardiac Rehabilitation Programme from the hospital's Department of Cardiology. We also strengthened our partnership with the Portuguese Association for the Protection of Diabetic People.

Furthermore, we have participated in the development of various promotional campaigns for healthier and conscious eating habits and in events organised by us in partnership with relevant organisations, namely:

- Food Fortnight, held for the 6<sup>th</sup> consecutive year, which this year included the Continent mini-chefs as event ambassadors;
- For the 4<sup>th</sup> consecutive year, we have maintained our partnership with Esposende City Hall in order to train students from this municipality in various aspects regarding dietary habits;
- Distribution of vegetable samples in Parliament and in the Ministry of Agriculture, in partnership with the Portuguese Association of Nutritionists (APN) to promote the importance of vegetable consumption on a daily basis;
- Under the 5<sup>th</sup> National Sea Kit I Competition, the Hyper Healthy Movement was present as a member of the jury; it
  offered 360 snacks and the prize for 2<sup>nd</sup> place in the contest. The event was given a boost with the appearance of
  Leopoldina, who interacted with the children there.

#### RESPONSIBILITY IN OWN BRAND PRODUCTS



In the development process of our own brand products, we are careful to ensure that, through the adaptation and innovation of products we contribute in different ways to: (i) promoting a responsible offer and informed choice by the customer; (ii) encouraging the adoption of healthier lifestyles and improving public health; (iii) providing an offer which ensures the highest standards of quality and safety.

#### Food Retail

The production of our Own Brand (OB) fresh products implies an increased degree of responsibility concerning the distributed products, as it is necessary to control their quality and safety, and ensure that they contribute to a healthier life and household savings, including through innovation and adaptation of products to the needs of the general public.

#### Quality and Product Safety

The quality and safety of our products is an essential factor in ensuring consumer confidence. OB products are subject to rigorous sensory analysis from product conception and are even controlled during the commercialisation period. During 2014 there were around 540,000 physical chemical analyses performed in internal laboratories. Additionally, in relation to the food products, there is special care to ensure the highest quality from the first development phase. An example of this is our **take-away products that are cooked at a low temperature**, which allows us to stand out in the market given the superior quality of the meat, as a result of the cooking method used.

#### Healthy lifestyle

Regarding the adoption of a healthy lifestyle, we aim to develop a set of initiatives regarding the OB in order to promote healthier eating among consumers:

Launch of the "Continente Equilíbrio" Light Potatoes - Potatoes that have not been genetically modified, enabling us to offer our clients a natural, very tasty product with a higher nutritional value. This product was developed in partnership between Sonae MC, HZPC - a potato seed multiplier company - and a producer from the Continente Producers Club.



**Naturally dried fruit mixes** - In order to provide our customers with healthier options, we launched various mixtures of dried fruit intended for consumption as balanced and healthy snacks and as supplements for breakfast and salads.

Participation in culinary events - Participation in Family Party Events (Porto), 20th Congress of Soups (Tomar), Agricultural Fair (Santarém) and Flavors Market, enabling the tasting of our products in the Take-Away category with the adoption of a healthier diet in mind.

#### Innovation and adaptation of products to the general public needs

Partnership with Schools for the Hotel Industry – Held in the Schools for the Hotel and Tourism Industries in Lisbon and Porto, the 2<sup>nd</sup> edition of the competition Easy & Good Continente contributing to the exchange of know-how between the academic and business world, mainly through the use of Continente's Own Brand products for the future Chefs of Portugal and the launching of the contest's winning meal.

#### Launching of innovative products in the Portuguese market

The development of the new range of **OB** hams stemmed from the need to offer our customers a new value proposal in this market segment, which we believe had not yet reached maturity. A new range of hams was launched, which only includes products meeting a minimum curing time of 9 months - the time that we believe necessary to produce a quality ham, and where the distinguishing features of each of the products are clearly communicated, providing our customers with a better understanding of this product which is part of Portuguese tradition.



The Continente matured Meat and Selection were developed to provide customers with access to cuts of meat that did not exist in the Portuguese market: Tasty, succulent and tender cuts of meat. In order to obtain these qualities, the cuts of meat undergo a process of maturation, a natural and controlled process to tenderise the flesh that occurs in the muscle fibres and enables us to produce meat with a much more tender texture and richer flavour.



#### Contribution to household saving

In our take-away category, we developed **more economic family packages** to encourage the consumption of quality take-away meals in a family environment at a more affordable price, thus also contributing to family savings in general.

#### Product development

The process of innovation and development of our own brand products of non-food retail is characterised by a rigorous process regarding product quality and safety by addressing specific consumer needs:

Shower Gel and My Label Body Lotion for atopic skins - shower gel and body lotion developed especially for people with dry skin and atopic tendency, without any use of allergens and preservatives.

Moving Baby Nappy Range – Launch of a new range of "Moving" Baby Nappies, dermatologically tested and which have a thinner design allowing greater adherence to the baby's body and better movement and comfort.

#### Quality and Product Safety

One of our priorities is to ensure the quality and safety of our own brand products, by controlling the whole process from preparation of the products to their in-store availability. To achieve this goal, we focused on the certification of the develop¬ment of our own brand products, monitoring compliance, quality and safety of these products and the feedback received.



- Consumer Satisfaction with our Own Brand products as a strong factor in business success;
- Guaranteeing that the development of our Own Brand products is the result of an ongoing concern to comply with all the requirements, with thorough procedures, so that they can be part of the objectives themselves;
- Ensuring more professional organisation to improve operational efficiency, raise the company's productivity and ensure that our people are highly satisfied in their work;
- Strengthening relationships with suppliers to ensure that the products obtained are of the desired quality;
- Strict compliance with the applicable regulations in all areas of our business.

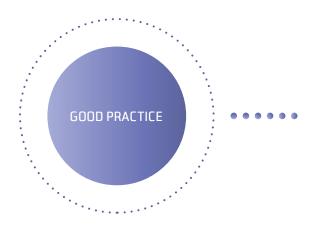
#### **Development of Own Label Products Certification**

In 2014, we continued our efforts to ensure the certification of the own brand developing process. In this sense, we revalidated this certification process for Sonae's own labels like Sonae MC and Worten, according to the international reference for quality management ISO 9001.

#### Quality monitoring and safety of Own Brand products

We have a team of skilled professionals dedicated to carrying out periodic checks on products, including audits and laboratory tests, in order to ensure compliance with quality and safety standards. These checks are carried out based on the annual plans for collection and control of products being commercialised in each article category.

Following the measures concerning the monitoring of the quality and safety of OB products, we have invested in improving the degree of traceability by identifying the respective manufacturing lot and we have implemented, together with suppliers, various improvement and optimisation initiatives, particularly in terms of changes regarding materials and manufacturing processes.



- The production process is monitored by internal and external technicians, and the different stages of production are validated;
- External agencies are subcontracted to carry out inspections in the factories of origin;
- Upon receipt of the goods, tests are performed in laboratories located in the warehouses;
- The products are tested before delivery to the stores.

#### FAZ Project - Fruits and Vegetables from A to Z

In 2014, we began the FAZ Project - Fruits and Vegetables from A to Z, which has as its main objective the improvement of the quality standards for fruit and vegetables, as well as undertaking various initiatives involving suppliers, across the value chain, aiming at making the processes linked to this type of product more efficient sustainable.

Under this project, a set of initiatives was developed directed primarily to the area of Quality, including:

#### a) Sensorial panels

In addition to the sensory analysis laboratory in the central offices in Carnaxide, which has been in existence since 2012, 3 more sensory analysis laboratories have been set up in: Azambuja, Maia and Gaia Shopping Centre Continent Store. The testers in any of these laboratories are in-house colleagues. In this way we intend, through our in-house colleagues, to monitor the quality of the Continente own brand products and offer a much more thorough understanding of this quality.

#### b) Direct deliveries from suppliers in store

Considering the plans to increase the number of local suppliers during 2015, we developed an initiative to promote the direct delivery of the products to stores under the FAZ project. In this context, concerning local suppliers, the delivery of the products is made directly to the stores, without the need for centralise distribution. Thus, the reduction of logistical costs is possible, as well as the reduction of environmental impacts and greater freshness of the products delivered.

Sustainability in Retail

#### c) Technical monitoring programme for suppliers

This initiative essentially consists of technicians monitoring the quality of some of the seasonal campaign fruit suppliers, thus reducing the number of returns to our warehouses, store returns and customer complaints. For example, in 2014 this type of monitoring was carried out in relation to the chestnut and cherry campaigns. We intend to extend this programme to several other suppliers during the year 2015, given its positive impacts regarding both parties.

#### d) Panel of experts in fruits

In 2014, a project was developed in Maia and Azambuja warehouses concerning the establishment of a panel of experts from the Department of Quality and Research, with specific training in certain fruits. This panel enables a more precise surveillance of the quality of our fruits, resulting in an improved quality. An extension of this project is planned for the year 2015.

#### Continente+



The Continente+ application for smartphones (compatible with Android and IOS operating systems), launched in 2013 and revamped in 2014, allows Sonae's colleagues to:

- a) Assess Continente's own brand products;
- b) Consult the history of the assessments conducted;
- c) Make new product suggestions.

In the future, we intend this application to be used by our customers. Thus, with the support of new technologies and by relying on the involvement and the sharing of opinions and suggestions from our colleagues and in the future, from our customers, we can receive feedback on Continente's own brand products. We can also monitor their quality and identify opportunities to improve them in order to enhance customer's confidence in our brand.

#### Quality and Safety - Electronics Products

All products offered by Worten are subject to strict quality and safety testing, to ensure that they meet the legal and internal requirements, considering their useful life and life expectancy. In this way, the recycling of the products is easier and health hazards are reduced as well as the amount of waste and energy consumption, allowing us to ensure the safety of the product to the end consumer.

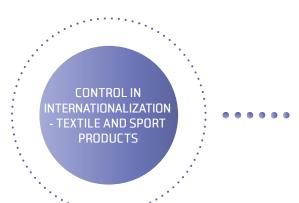
#### Quality and Safety - Textiles & Sports Products

In order to ensure compliance with the specific requirements of the different international markets, we pay special attention to the approval of the products in the children's area of the Zippy brand in terms of quality and safety requirements during the product development phase.

Internationalisation requires continuous work within the research and evaluation of requirements to sell children and sports textiles in new markets. Additionally, we have invested in the improvement of the customisation process and the correction of products in warehouses or factories in accordance with the established requirements. At the same time the products are subject to verification and control through random toxicity testing performed in the warehouses, according to product safety legislation and evaluation keeping in mind the possible presence of chemicals which may be harmful to our health.

In 2014, as part of our growing presence in various geographic areas, we tried to allocate permanent efforts to the improvement of the monitoring of own brand textile products, from the children's area to ensure in particular, compliance with the requirements for the marketing of these products in specific markets, as well as the adaptation of existing product ranges to the characteristics of these markets.

In 2014, as part of our growing presence in various geographic areas, we tried to allocate efforts to the improvement of the monitoring of our own brand textile products.



#### "Case Study" - Product Certification to Egypt

- Several random tests were made to more than 100 products, each one subject to various trials given extremely strict requirements compared to European and American legislation.
- The process lasted for three months and, given its annual expiration date, efforts will be made on the time consuming process of certification renewal in 2015.

The entry process to a given market requires a prior study to assess the existence of specific requirements and product regulation, which may prevent or restrict the entry of our brand to the respective countries. Therefore, there are two necessary phases prior to the export process:



Research, evaluation, study and preparation of the technical requirements in accordance with the demands of the specific product in markets (e.g.: preparation and certification procedure of textile and sports products regulated for the Egyptian market (see highlight).



Product adaptation, especially in terms of labelling, marking and compliance with legal requirements, preparation of disclosable technical evidence, in order to ensure compliance with the specific requirements of markets and imposed standards on the market (e.g.: new performance parameters, toxicity and fire resistance in the US).

#### Compliance and quality checks of own brand products

In 2014, in order to ensure compliance and quality of OB products, more than 634,000 tests were carried out in internal and external laboratories on products from different categories:



#### **OB Product Labels**

In 2014, we implemented some improvements in product labelling, in particular by simplifying the use of symbols and icons for easier message interpretation, so that the consumer can make a more informed choice in the use of the product. At the present time, we are developing multilingual packaging labels, for the internationalisation of some brands.

Furthermore, a new regulation was implemented concerning packaging, regarding the information that should be presented on Continente's own brand products. This Regulation defines the type of information, both mandatory and optional, which should be included on these product labels, as well as the specifications that each piece of information should respect (e.g.: font size, image size, etc.).

# "Worten Resolve" - Customer Support Project



This service provides support for all the after-sales customer services in store, in particular the checking, testing and troubleshooting of product faults and in doing so it:

- · Addresses easily-resolved (technical) complaints made by customers, by solving problems on the spot.
- Provides easy repair troubleshooting for customers, so the item can be delivered immediately to the customer.
- Provides support services, such as sale of accessories and/or components, to complement the repair needed.

In addition to troubleshooting, Worten Resolve has led to a reduction in the amount of waste electrical and electronic that would be potentially generated.

#### **Customer Feedback**

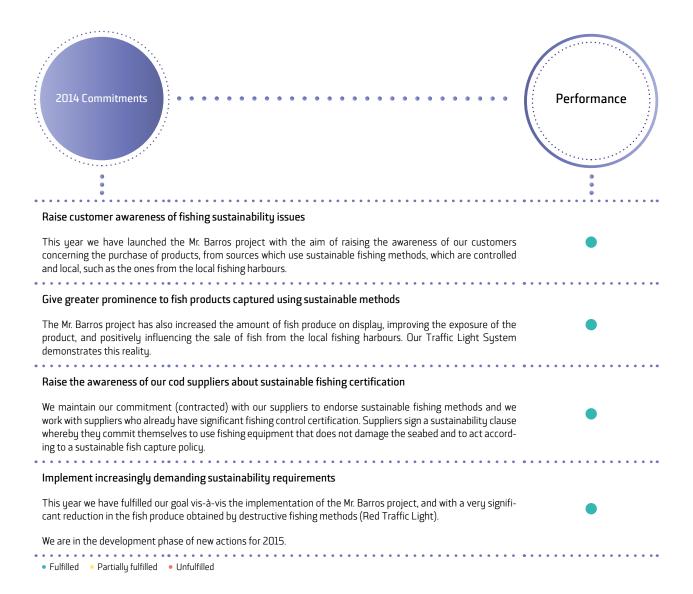
The opinion of our customers is of the utmost importance, and their satisfaction is a key aspect to achieving success. Therefore, we pay full attention to customer complaints and feedback in relation to our products and services.

Sonae Ombudsman is available to all of our colleagues, customers, suppliers and the general public. The duty of the Ombudsman is to provide a response to any claims, complaints or suggestions made and forward them to the relevant Sonae business area and monitor the respective follow-up answers.

The Suggestion and Complaints Management System aims to manage and process complaints, through monitoring and resolution with the customer. This system allows us to not only solve problems identified by the end customer, but also the implementation of improvement measures in order to prevent future claims. In 2014, about 106 thousand complaints and suggestions were detailed and thoroughly examined, so that we could improve the aspects identified regarding customer support. In order to assure compliance with the highest customer service standards in the management of complaints and suggestions, we have proceeded with the renewal of the Suggestions and Complaints Management System certification according to ISO 10002. In addition, approximately 20 internal and external audits of the system are carried out in order to ensure compliance with the system requirements and to foster continuous improvement.

Sonae Ombudsman - provedoria@sonae.pt

#### CONTRIBUTION TO SUSTAINABLE FISHING



In order to ensure the preservation of natural resources and the sustainability of marine ecosystems, minimising the impact derived from the pressure of human activities, we have defined a Fishing Sustainability Policy containing a set of principles and commitment actions in order to address this theme.

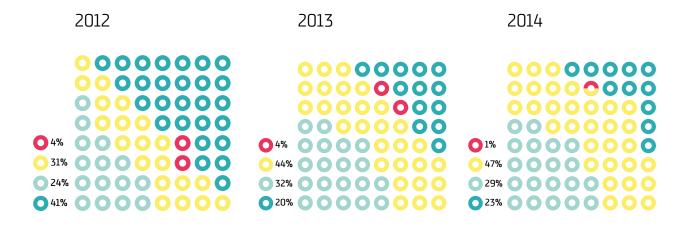
This policy has the following major advantages: (i) guaranteed avoidance of suppliers blacklisted by Greenpeace; (ii) introduction of new tags in Fresh Fish (PPA - Proof of Purchase at Local Fishing Harbours); (iii) choice of suppliers, according to fishing methods used; (iv) compliance with legislation on scientific names and minimum fish sizes; (v) transmission of trust and loyalty to consumers.

For more information about the Fishing Sustainability Policy, go to the Sonae website:

http://www.sonae.pt/en/sustainability/environmental-policy/

#### Traffic Light System

The Traffic Light System, developed by the fisheries business unit to classify the capture methods used according to their impact on the environment, allows the evaluation of the sustainability practices of fish suppliers taking into account the fishing method used. In 2014, the results were the following:



- Fishing methods used are harmful to other species/habitats
- There are some problems regarding the fishing methods used
- Fishing methods pose little risk to the species
- Aquaculture

In comparison with recent years, we have found a reduction in the use of fishing methods that are harmful to other species or habitats (Red Traffic Light), in contrast to a slight increase registered with regard to the proportion of fish suppliers in which there were some problems with the fishing method used (Yellow Traffic Light).

#### Sonae's Fish Supplier Requirements

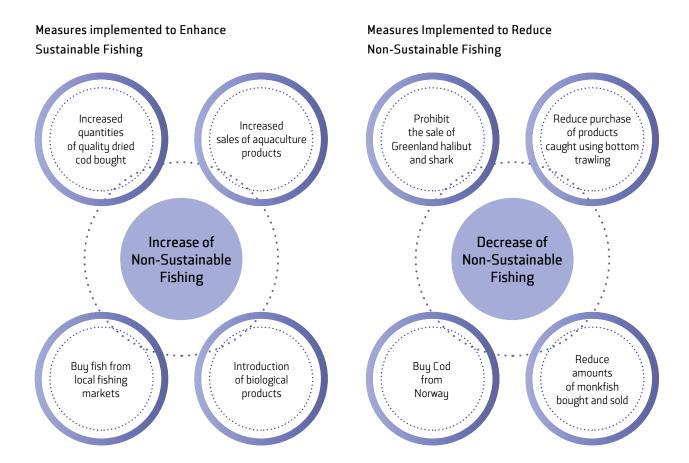
When suppliers sign a contract with Sonae, they agree to the following:

- (i) Comply with and meet the legally established maximum fish catch quotas,
- (ii) Operate their fishing equipment so as to avoid harm to the seabed and ecosystems,
- (iii) Act in accordance with a sustainable fish capture policy and
- (iv) Only supply fish caught on vessels not "blacklisted" by Greenpeace with an undertaking to submit documentary proof of compliance whenever requested. Additionally, the documents accompanying the goods are required to include information on species, batch, capture zone and method. Moreover, this information and the vessel names, certificates, names of captains and port of landing must be updated on an annual basis.

Additionally, quality audits of suppliers are carried out to ensure the execution of the requirements set by Sonae.

#### Contribution towards sustainable fishing

We have implemented a set of measures that contribute towards sustainable fishing, by ensuring a growth in sustainable fishing and, in turn, promoting a decline of non-sustainable fishing:

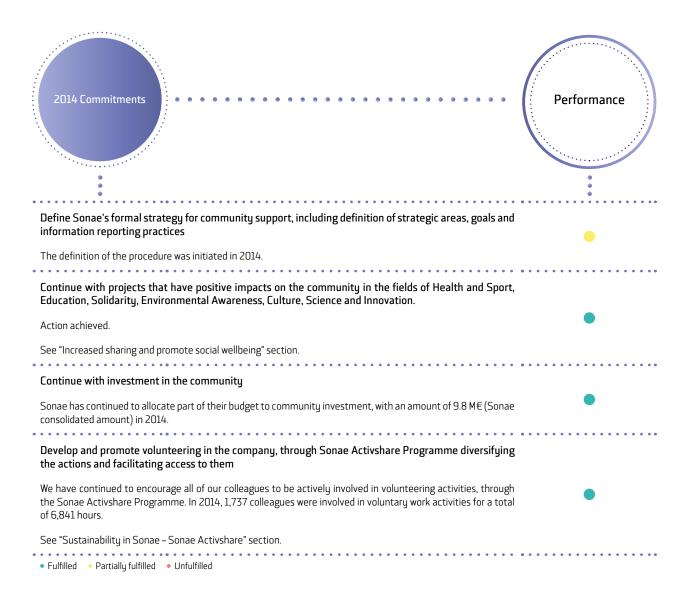


In addition to these measures, one of our primary objectives is to alert consumers to the problems underlying non-sustainable fishing, and contribute to this cause by preventing the selling of endangered species.

In this sense, we have implement the following actions:

- a) Provide greater degree of visibility to products from more sustainable fishing methods;
- b) Carry out awareness activities, lectures, events and partnerships within the Hyper Healthy Movement;
- c) Display the CCL Label (Local Fishing Harbour Purchasing Certificate) in fresh fish stalls and place explanatory posters of this label at the local fishing harbours;
- d) Promote sustainable fishing through contact with the MSC (Marine Stewardship Council).

#### INCREASED SHARING AND PROMOTE SOCIAL WELLBEING



#### **Projects and Initiatives**

At Sonae, we are aware that we can actively contribute to the development of the communities in which we operate. This gives us the opportunity to contribute to increased sharing and promote social wellbeing, through the participation and implementation of projects and initiatives in areas that are aligned with our sustainability strategy: (i) environmental awareness; (ii) culture; (iii) education and entrepreneurship; (iv) health and sport; (v) science and innovation; (vi) social solidarity.

Promoting the participation of our customers, suppliers and our teams, in projects and initiatives that have been developed in this area, in 2014, in the area of Retail, we allocated 8.5 million euros for this purpose, resulting in support to 1,517 institutions. During this year, among others, the following projects and initiatives under the environmental awareness, health and sports and social solidarity pillars stood out:

#### **Environmental Awareness**

Equipa Worten Equipa - EWE (Worten) - Launched in 2009, EWE is a Worten social responsibility project which aims to contribute to an environment free from harmful waste, while supporting those most in need. Thought this project we offer €50 in the form of new equipment to charities for each tonne of WEEE delivered. Over the past six years, EWE has collected over 27,000 tonnes of WEEE and has supplied over 14,000 new appliances to 1,483 institutions, which represents direct support to more than **362,000 people** in need.

Gift Gorongosa National Park Collection (Note! and Continente) - A creation by Note! from the "Gift Collection". A collection with unique designs dedicated to Gorongosa National Park (Mozambique), in order to raise funds to support the redevelopment of the park and to the educational project in the local communities. This collection was sold in the pre-Christmas period in 40 Continente and Note! stores.

Greencork Campaign (Continente) - In partnership with Quercus, Continente is promoting the cork gathering campaign "Greencork" for the 2014/2015 period. This initiative aims to develop activities to promote cork and the gathering of cork to recycle. 3 school groups and the IPSS were awarded with the highest number of collected corks. In 2014, about 30 tonnes of cork were collected for recycling, which was then reverted back to the planting of indigenous trees. 90% of these corks were collected in Continente stores.

#### **Health and Sports**

Through Sport Zone, Sonae promotes the organisation of sporting events such as the Women's Race, Deeply - National Junior Surfing Circuit, Gira Volley-ball, Sport Zone Night-time Run, Sport Zone Half Marathon, Sport Zone Island and Sport Zone Soccer Camp.

#### Social Solidarity



Missão Sorriso (Continente) – In 2014, the Mission Smile raised over 2 million euros through various initiatives: two food gathering campaigns (in total, products were collected for the preparation of about 720,000 meals); the sale of "Leopoldina and the Iberian Lynx Game" in Continente stores; the Rádio Commercial concert "Xmas in the Night"; sale of the Sonetos Gift Basket from Continente Online and also the toy collecting campaign, in which 60,000 toys were distributed at Christmas time, from the Bank of Donated Goods to needy children around the country. To make this happen, colleagues and customers were involved as well as 6,000 Red Cross volunteers in the food collection actions.

Solidarity Packaging – SOS Children Villages (Worten Spain) – In 2014, at Christmas time, Worten Spain launched a Christmas gift wrapping service in order to raise funds for the Association of SOS Children's Villages. Volunteers from this association were present in eight stores, and wrapped Christmas presents from our customers, as well as presenting the organisation's activities concerning supporting children and families in vulnerable situations.

Love in a Box (Zippy) – a solidarity project initiated by Zippy in 2014 "Love in a Box" sold more than 40,000 box-presents in Zippy stores during the month of December, raising more than 20 thousand euros towards this campaign. The funds raised from this campaign promoted by Zippy in partnership with the Portuguese Red Cross (CVP) and RTP will be put towards the purchase of nursery equipment to be distributed by the Portuguese Red Cross, making the lives of thousands of children happier.

Make-A-Wish (Well's) – For the second year, Well's and the Make-A-Wish Foundation have teamed up to make a special wish come true, bringing hope, happiness and strength to children and young people with a life-threatening medical condition. As always, Portuguese society has exceeded our expectations. Between November 2014 and January 2015, the campaign raised more than €75,000, through the sale of Christmas labels (14 per pack) for €1.

PERA Project (Continente) – The PERA project (School Programme for Food Replenishment), developed in partnership with the Ministry of Education, is intended to support children in need and at risk of extreme poverty. In this sense, Continente provided breakfast to 902 children in 19 schools in Porto, alerting students and their respective families to the importance of healthy eating habits and breakfast.

The Big Hand Project (Continente) - The Big Hand Project is a non-governmental organisation, which aims to help children in need in Mozambique, by finding sponsors around the world. In 2014, Continente reinforced its support to this amazing initiative sponsoring 40 children who will benefit from being given the opportunity to attend school, receive adequate meals and clothes. A small contribution for us, a life changing opportunity for these children.

Associação Dariacordar Partnership (Continente) - Aware of the Cause of the Dariacordar Association and the "Zero Waste Movement", Continente has entered a collaborative partnership with the Association, in order to allow surplus food products still suitable for consumption to be collected and distributed to those in need.

#### A standing commitment to our customers and customer benefits

We believe that we can contribute to the wellbeing of our customers in many ways. We continue to strengthen our relationship and our standing commitment to our customers by providing them with a number of benefits and discounts, including discount tickets, Well's discounts, the Continente Card or Sport Zone Card that include loyalty promotion mechanisms, bringing significant benefits in the context of household savings.

Using the Continente Loyalty Card, in addition to discounts on future purchases, our customers and their families can enjoy a variety of benefits when purchasing fuel and special offers in relation to gymnasiums, health care, cultural and sports events. Additionally, through an accumulated balance on the Sport Zone Card, they can take advantage of discounts on various sporting goods. In 2014, more than 4 million customers had the opportunity of benefitting from the card and vouchers.



Consists of the inclusion of various CTT (National Postal Service) services in Note! stores and Continente hypermarkets, promoting better proximity and ease of access to such services by the general public. Thus, we contribute to the accessibility of CTT services by local communities, particularly those outside major urban centres, by making this service more widely available and with an extended timetable.



#### MANAGEMENT OF EFFICIENT ENVIRONMENTAL PERFORMANCE



#### **Management and Good Environmental Practices**

When reflecting upon the work that we have completed to minimise our environmental impact, in 2014 we have again strengthened the series of our Environmental Certifications according to the ISO 14001 international standard, both in Portugal and in Spain.

This year, we have obtained:

- The maintenance of the Corporate Certification of Sonae Retail (Sonae MC & Sonae SR), already achieved in 2007;
- Maintenance of 17 certifications involving warehouses, Continente stores, Worten stores in Portugal and Spain, and the meat processing centre;
- The renewal of 11 certifications, namely in Continente warehouses and shops;
- 13 New Certifications concerning Continente and Worten stores.



Aware of our responsibility towards the environment and society, we aim towards the adoption of progressively more efficient practices in all our operations - both in terms of existing stores, as well as new facilities, major renovations and home deliveries.

Furthermore, our significant efforts in this area are further evident through the use of refrigerant gases for the preservation of food products that have less environmental impact, the management of waste generated through our activities, or waste products deposited by customers in the stores.

We also have an Environmental Dashboard in every Continente and Worten store - a monitoring tool for environmental indicators (water, energy, fuel, waste, etc.). The monitoring and reporting of the environmental performance of each store, as well as all the work completed on projects that support the achievement of environmental certifications inspire and motivate Sonae's teams to find more sustainable ways.

# LEED Certification in the new openings and store refurbishments

In our new openings and store refurbishments, we focus on the implementation of the best environmental practices in the industry, and this performance is confirmed through the major refurbishment, which will take place at the end of the year in the Matosinhos Continente Store, where we even intend to obtain a LEED Gold Certification.

**LEED Certification** - Leadership in Energy and Environmental Design - is a system for assessing the sustainability of buildings.

#### **Refrigerant Gases**

The quality assurance of our products depends, among others, on ensuring proper storage of food, mainly in our food storage systems (Continente). In this context, we use refrigerant gases in the cold production facilities, and one of our concerns is to reduce the environmental impact associated with this.

In 2014, we continued the efficiency improvement programme in our cold production facilities, without neglecting the issue of the use of ODGs (Ozone Depleting Gases) and GHGs (Greenhouse Gases) - a situation to which we dedicated special attention. In this context, we have been decreasing, in recent years, the use of R22 gas - a substance which is destructive to the ozone layer. The year 2014 was marked by the eradication of the use of this gas in our refrigeration plants in the last two stores where it was still in use.

In addition to eradicating its use, we have been developing and implementing alternatives, with the goal of drastically reducing the use of gases with high GWP<sup>2</sup>, through its replacement by the designated "Natural Gases" (with little or zero GWP).

Usage in 2014 (%)	Variation relative to 2013 (pp) Pp - percentage point
0%	- 1 pp
74%	- 5 pp
4%	- 2 pp
5%	+ 3 pp
5%	+ 2 pp
3%	+ 2 pp
1%	+1pp
8%	- 1 pp
	(%)  0%  74%  4%  5%  5%  3%  1%

Despite being a more environmentally positive solution, it is internationally recognised that the use of "natural gas" in warm geographic areas, particularly in Southern Europe, is an area for which there is still experimental and technological progress to be made.

In our case, we attempted to use the "natural gas" R744 (CO2), R290 and R717 (NH3), supplemented with other refrigerant gases and/or glycol, according to technologically viable options. As a result of our efforts, in 2014 there was an increase in the use of "natural gas" and a decrease in the use of more noxious refrigerant gases – the eradication of R22; the reduction of R404 and R427 (by 5 pp and 2 pp respectively).

<sup>&</sup>lt;sup>2</sup> GWP (Global Warming Potential)

#### Waste management

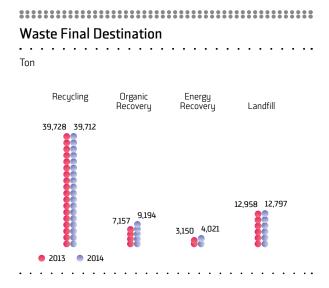
At Sonae, we want to be an example of operational and environmental excellence, but also a vehicle for society to minimise their impact on the environment. Therefore, in addition to the waste that is generated by our retail activity, we also manage waste deposited by customers in our stores. In 2014, we handled 65,723 tonnes of waste - 4.3% more than in the previous year.



Summarising the Waste Management in 2014, we would like to highlight the following:

- A reduction of waste associated with our plastic packaging (-7%) and wood (-34%) over the previous year and a residual growth in Cardboard waste - mainly resulting from changes in packaging implemented by Continente concerning both its Own Brand and other suppliers (see Environmental Impact of Packaging);
- The continuation of our efforts to increase the production of Municipal Solid Waste (MSWs), with the consequent avoidance of waste sent to landfills

   in 2014 we overcame the important target of 80% of waste sent to Recovery;
- An increase in the hazardous waste electrical and electronic equipment (WEEEs) deposited by customers of about 29%;
- A general reduction in the depositing of the remaining waste by customers (e.g. non-dangerous WEEEs, batteries, lamps, coffee capsules, etc.);
- A significant increase in the amount of waste clothing (from 83 tonnes, in 2013 to 199 tonnes, in 2014), reflecting the development of the Clothing Recovery Project.



# **Clothing Collection Project**

After an experimental phase in the 2nd quarter of 2014, the clothing collection project was started, with an increase in the number of stores that carry out collection. This project aims to combine the proper management of such waste by supporting those most in need, whilst also contributing to promote environmental citizenship by the communities where our stores operate.

The project consists of collecting clothes from the collection points in stores and managing the clothes in the following way:

- (i) The clothes in the best condition are sold in shops created for this purpose, with the money raised channeled to charitable organisations;
- (ii) The remaining clothes in good condition are donated;
- (iii) The clothes in poor condition are recycled.

We work in partnership on this project with three institutions in the context of social support and the development of textile waste - Humana Portugal, Sarah Trading and Ultriplo.

We closed 2014 with 25 stores serving as collection points, 5 of them joined during the last quarter of 2014. At the end of 2014, 199 tonnes of clothing had been collected.

#### Waste Minimisation along the entire value chain

We intend to respect the environment, not only in terms of our operations, but also throughout the whole value chain.

As mentioned, we promote awareness and monitor our suppliers, in particular concerning members of the Continente Producers Club, promoting more sustainable practices and also to achieve production which is better suited to consumer preferences. We also aim to raise awareness among our suppliers to reduce material associated with their packaging. In this way, we ensure that the environmental impact associated with the products that we distribute, including the amount of waste generated, is lower. These initiatives are described in more detail in the Environmental Impact of Packaging in this section, and also in the Better People section.

In addition to the initiatives directed to our suppliers, we have others that contribute to the minimisation of waste associated with our activity. In the food area, we have a central unit that controls and reduces the amount of food products which are bought but not sold. This unit is helping to reduce the potential generation of waste. Regarding items in good condition but that cannot be sold, we have a number of reuse mechanisms for these products described in more detail in the Better Purpose section.

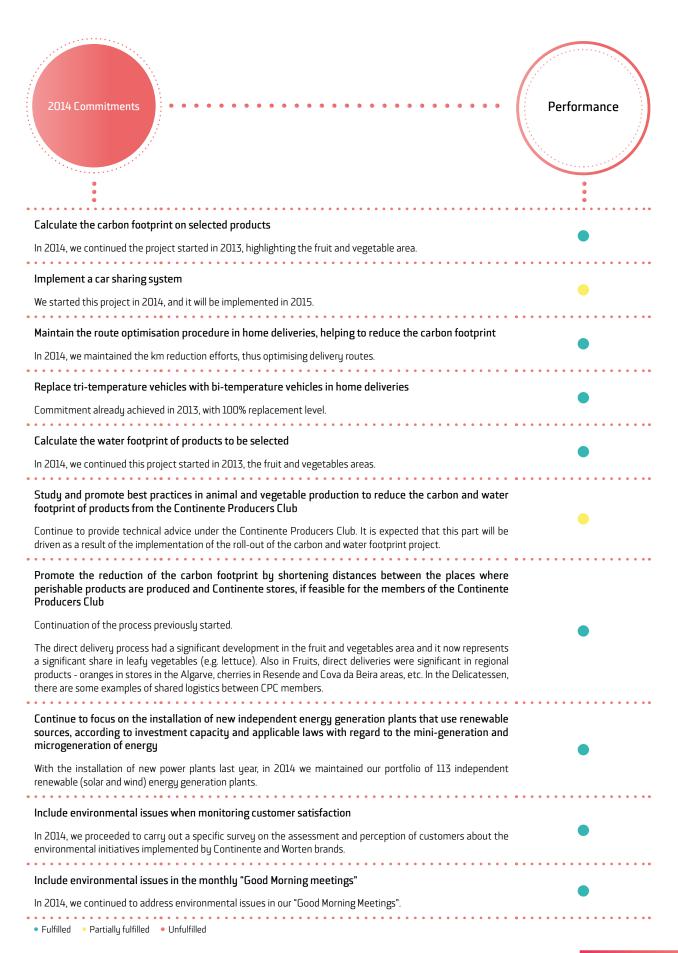
Also as part of waste minimisation, we have the Depreciated Product (electrical and electronic) Management Unit (UTRAD), the purpose of which is to minimise unsold merchandise throughout the entire value chain by recovering depreciated items to sell in Outlet stores. Thus, items with small defects derived from operational failures are recovered for depreciated sale, rather than being sent to be recycled. In 2014, through this service, it was possible to achieve a recovery rate of 70% regarding depreciated merchandise.

Providing a supply of reusable bags in our stores, we intend to encourage customers to reuse bags, thereby contributing to the reduction of waste associated with customer purchases. In 2014, the sale of reusable bags (Continente and APED) in our stores increased 8.8% from the previous year, also with an increase of 4.3% when using a comparable set of stores.

With the increasing trend in online sales, home delivery becomes ever more important and therefore it is also crucial to act in this matter. Among others, we are in the process of the gradual replacement of freezer bags with rigid cool boxes (more eco-friendly). So in 2014, we had already achieved a utilisation rate of freezer bags of less than 25%.

This year we have continued to use plastic bags in home deliveries, having achieved a reduction of 4.5% from the previous year.

#### SONAE "FOOTPRINT"

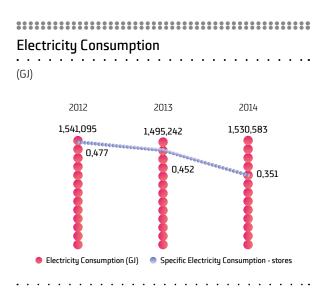


#### Energy

Minimising our environmental impact also includes reducing energy consumption. We aim to contribute to this reduction, by improving our own performance (energy consumption within Sonae) and promoting good performance throughout our value chain.

Considering the nature and extent of our activity in retail, energy consumption is one of the main environmental impacts of our activity. This consumption is mainly composed of electricity (approximately 76.3% of the total energy consumed by the Retail business in 2014), and fossil fuels are the second largest form of consumed energy. In 2014, we recorded a slight increase of 2.5% in total energy consumption, and this reached a value of 2,005,830 GJ.

In the overall Retail business of Sonae (including stores, warehouses and manufacturing centres), the electricity consumption in 2014 was approximately 425.2 GWh (1,530,583 GJ). When compared to 2013, there was an increase in electricity consumption of 2.4%, which we can attribute to the verified organic growth, whereby the food section has a significant impact.



Furthermore regarding electricity consumption, the following should be noted:

- The recorded increase is due to the growth of our store network we increased from 900 to 926 stores in 2014 –
  and the increase of cold aisles in Food Stores
- There was a reduction of the energy consumption in virtually all the shops across all our business segments.

Despite the increase in absolute electricity consumption, there was a significant reduction in specific energy consumption (SEC) from stores and warehouses, by sales area, which was about 0.35 GWh/1000 m² (22.2% less than in the previous year). This reduction is a result of the initiatives that we have implemented, and that this year were particularly focused on the optimisation of the performance of refrigeration plants, adjusting the set-points of airconditioning equipment of the sales area, as well as the optimisation of lighting and raising the awareness of our colleagues.

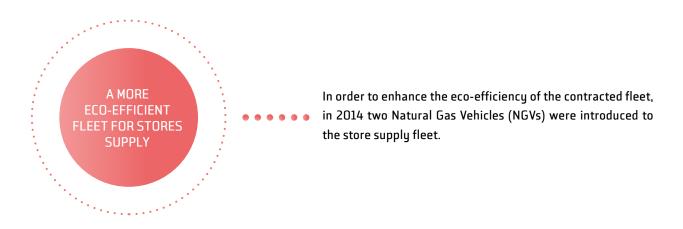
# Power consumption reduction initiatives in 2014

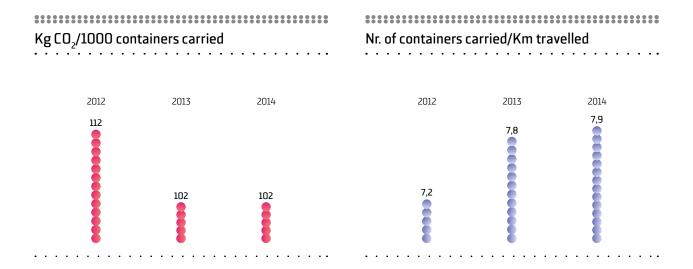
- · Performance optimisation of refrigeration plants:
- Installation of suction and floating condensation systems;
- Development of a remote monitoring platform of refrigeration plants;
- Regulation of air-conditioning set-points in sales areas.
- Lighting optimisation in different areas of the store, with:
- Replacement of higher consumption lights by LED lights;
- Installation of LED lights in new stores (exclusively); Installation of automatic lights reducing waste and energy consumption
- · Raising the awareness of our colleagues.
- Various environmental awareness initiatives concerning our colleagues (Desk Calendars, Quarterly Newsletters " Environment+", etc.) under the theme of Energy.

In addition to these initiatives, we emphasise the independent generation of energy from renewable sources within our "Trevo" project. In 2014, we maintained our portfolio of 113 independent energy generation plants using renewable sources - 112 using photovoltaic technology (solar power) and 1 using wind technology. 43 of the 113 power plants are micro-generation plants and 70 are mini-generation systems. These power plants can generate a total installed power of around 5.1 MWp. This year the combined output of these plants, all feeding into the relevant national grid, was 7,257 MWh. Through our production and respective feeding into the national grid, we helped to prevent the emission of around 3,411 tonnes of CO2 into the atmosphere. In comparison to 2013, while maintaining the same generation plants, we found an increase of 20.6% both in the energy production and in the CO2 emissions avoided.

## **Transport and Logistics**

Transport efficiency is a crucial factor in reducing the environmental impact of our activity. In this sense, we tried to improve the contracted fleet by strengthening the demands on transport companies in terms of use of vehicles with a higher level of eco-efficiency. By the end of 2014, 98% of vehicles met with the Euro 4 standard or higher (increase of approximately 4pp. over the previous year), and 70.5% of the vehicles even met the Euro 5 standard or higher. In total, the contracted fleet have travelled about 34.7 million kilometres, resulting in the emission of 27,983 tonnes of  $CO_2$ . This type of emission has increased by about 4.3% when compared to the findings in 2013, mainly due to the increase of kilometres and the use of larger vehicles with a positive impact on the performance of our supply chain logistics.





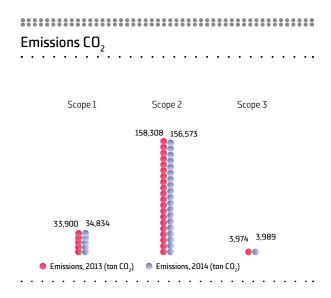
Coupled with the area of shipping, logistics is an essential activity for our business. In order to optimise the reduction of the environmental impact of our activities, we aimed to achieve a higher level of logistics efficiency, particularly in terms of home deliveries and supply stores. Regarding the supply stores, 7.9 containers per km travelled were transported. The emissions per transported container remained in line with the previous year, with a value of around 102 kg of 100 kg of 1

# Greenhouse Gas Emissions (GHG)

In 2014, overall GHG emissions were 195,396 tonnes CO<sub>2</sub>e, corresponding to a decrease of 0.4% over the previous year.

These emissions are divided into three distinct areas:

- Scope 1 emissions (direct) for the fuel consumption in terms of stores, fleet engaged in the transportation of products and goods and the transportation of our colleagues;
- Scope 2 emissions (indirect) related to electricity consumption;
- Scope 3 emissions (other indirect emissions) related to waste management.



The main source of GHG emissions, the electricity consumption, corresponds to the emission of about 156,573 tonnes  $\rm CO_2e$ . It should be noted that despite the growth of energy consumption by about 2%, emissions were reduced by 1%, associated with the estimated/used emission factors for all suppliers.

There was an increase in GHG emissions Scope 1, also with a slight increase recorded of the same level of Scope 3. The latter increase was mainly due to the total production increase of 12% in MSWs. This situation was lessened by a larger amount of organic waste submitted to recovery (+ 28.5%) and energy recovery (+ 27.6%) and a 1.2% reduction waste in landfills.

# Evolution of GHG emissions over the previous year



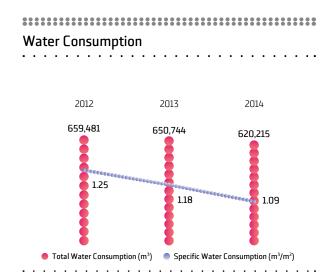
#### Water

At Sonae, we have been implementing a number of measures to moderate water consumption, control and reduce waste in our facilities. Among others, we highlight the use of more efficient equipment and the identification and quick resolution of accidental leakage. In addition, we have invested in raising the awareness of our colleagues, promoting behavioural changes that as a whole make all the difference.

There are also specific initiatives for recycling and reuse of water. This is the case concerning Sonae Tower Service Centre located in Maia, which has received the GOLD LEED<sup>3</sup> certification, where the water from showers and washbasins is reused in toilets, and rain is captured and used in irrigation systems. According to the design data, the reuse of water in the building allows a saving of about 80% of water consumption. Also, the remodelling that was carried out in the Meat Processing Centre was used to redefine the water supply system of some equipment, with the aim of the partial reuse of wastewater treated at the Residual Treatment Plant.

As a result of these and other measures, with a total consumption of 620,215 m<sup>3</sup> of drinking water in Continente Hyper and Supermarkets, in 2014 we had a reduction of 4.7% from the previous year, despite significant organic growth. The decrease was of 11.3% when using a comparable set of stores.

For the specific consumption - water consumption per store area - we recorded a decrease of 7.6% in 2013, and this year of  $1.09~\text{m}^3$  per  $\text{m}^2$  of sales area. When analysed in reference to a comparable set of stores, the specific consumption was reduced by 10.8%.



<sup>&</sup>lt;sup>3</sup>LEED Certification - Leadership in Energy and Environmental Design - is a system for assessing the sustainability of buildings

# **Carbon and water footprints**

Last year, we started an experimental project to calculate the carbon and water footprints of products, after having already made the experimental calculation of these footprints for selected products of the Butchery, Fishery and Delicatessen. According to what we had planned for 2014, this year we focused on this calculation for the Fruit and Vegetable area.

Thus, in late 2014, we had developed calculation tools for 13 different products, from five different areas, namely:

- Butchery Beef and Veal; Pork
- Fishery Sardines; Octopus; Black Sword Fish
- Delicatessen Full Ham; Sliced ham; Flamengo Cheese Block
- Vegetables Potatoes; Lettuce; Tomatoes
- Fruits Gala Apple; Strawberries

Although we are still in the primary development phase, we want first and foremost to improve our understanding of the potential impacts in both the products and our suppliers, paving the way to help suppliers to improve their environmental and economic performance.

The process should be continued in 2015, with the expectation that over the next years we will keep the focus on primary sector products and, notwithstanding this, if desired, start the learning curve for other types of products.

#### **Environmental awareness**

We aim to continually improve the energy efficiency of our equipment supply and encourage our customers to make more responsible choices.

The energy labelling of the equipment is of great importance to us, because through it we can inform the customer about the energy efficiency of products that we offer and thus promote more conscious and responsible choices. In this context we would like to highlight, in 2014, the increase in the number of the pieces of equipment with energy labelling, with the inclusion of vacuum cleaners, which now also have the information of the respective energy<sup>4</sup> class on the label.

As in previous years, in 2014 we continued to progressively market more efficient equipment. More specifically, 90% of the equipment we sell is Class A or higher, and we have recorded very significant results both in terms of appliances and televisions, as well as in terms of vacuum cleaners.



In 2014, Worten launched a campaign from 19th March to 1st of April, with discounts of 30% in Equipment A +++ and 20% on the purchase of equipment A ++. During this campaign, the main Worten stores offered all customers who had purchased equipment with energy class A +++ and A ++, the ADENE Energy Efficiency Guide - Agency for Energy - information and "environmentally friendly" advice. In order to attract the most customers, this Worten campaign was advertised in all potential communication channels: television, radio, print media, Online Channel and Store communication.

Our Equipa Worten Equipa project regarding the waste collection of electrical and electronic equipment (WEEEs) is still ongoing. In 2014, we managed to counter the downward trend from last year and increase the amount of WEEEs collected - in 2014, we collected an additional 8% more of WEEEs than in 2013. Furthermore, through other initiatives such as "Worten Resolve" - service support to customers for checking, testing and trouble-shooting on products in store – we have contributed towards the increase in the useful life of electrical and electronic equipment and have thus significantly reduced the amount of WEEEs.

Finally, in 2014, we continued with our awareness initiatives for environmental issues, directed to both our customers and to our colleagues.

<sup>&</sup>lt;sup>4</sup>There are a number of energy efficiency classes, the most efficient class is A and the least efficient is class G. Within each class, the + symbol identifies a higher level of energy efficiency.

# Better Planet

Regarding our customers, we distributed about 500,000 copies of the "Guide to Good Environmental Practices" in all Continente Shops, Modelo Continente and Continente Bom Dia. Through this guide, which informs you and outlines the best practices in energy consumption, electricity, fuel, water and waste management, we aim to promote responsible environmental behaviour among our customers. Additionally, we detail how Continente acts vis-à-vis these issues, with the main measures implemented and their outcomes, with the intention of challenging and inspiring our customers through our good example.

On the other hand, we want to ensure that our colleagues remain alert and committed to environmental issues. As such, it should be noted that in our "Good Morning meetings" - daily kick-off meetings in food stores - environmental topics are included, as well as the level of analysis of environmental performance, in particular when more significant deviations from the expected norms are identified.

#### **ENVIRONMENTAL IMPACT OF PACKAGING**



We are aware that packaging is one of the main environmental impacts associated with the retail business and we continue to promote the reduction of packaging materials, not only regarding the reduction of the primary packaging of the product itself but also in terms of shipping boxes. Thus, we aim to reduce the environmental impact of the products that we distribute.

Regarding primary packaging, we intend to optimise the packaging whilst also ensuring the quality of our products. In this sense, we have been making small changes to a number of own brand products, which has resulted in significant reductions of plastic and card.

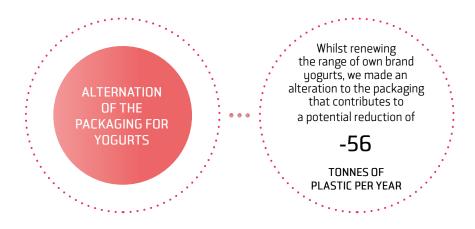
The materials used for shipping boxes represent a significant component of the environmental impact of our products. In order to reduce these materials, we have been working with all suppliers, not only our own brand suppliers.

In this context, we would like to highlight the development and requirements imposed on our suppliers and the criteria related to the packing of items. Among others, the following is relevant:

- Identification of situations when you are not allowed to use shipping boxes;
- Presentation of alternative solutions to shipping boxes;
- Defining a set of rules and guidelines for the characteristics of the shipping boxes according to the type of product in question.

This initiative contributes to a significant reduction of waste either in warehouses or in stores. In addition to the benefits associated with the environmental aspect, there are other advantages such as the standardisation of products, with greater assurance of quality and safety, and the reduction of costs associated with packaging.

In 2014, we contributed to altering the primary packaging and the shipping box of 309 different products, including school bags, pillows and airtight boxes, which led to a reduction in terms of cardboard and plastic of between 8 and 15%, respectively.



# **BETTER PEOPLE**

#### **DEVELOPMENT OF HUMAN CAPITAL**



#### Increase the proportion of women in management positions

We are current in this direction, and the present situation shows:

Non-Qualified to G1 – 54.7% Women in management positions

Management and Top Management – 34.2% Women in management positions

Universe: all women in management positions.

#### Continuously monitor internal diversity indicators

Leadership Diversity

- $\bullet \ \ \text{Nationality} 17.7\% \ \text{of leadership positions occupied by colleagues who are non-Portuguese nationals}$
- Gender 54.7% Women in leadership positions
- Generational 19.9 % Generation Y in leadership roles

#### Diversity

- · Nationality 16% are non-Portuguese nationals
- · Gender 67% women
- · Generational 48% Generation Y

#### Maintain medium to long-term strategic Human Resources planning

In line with the strategic business planning cycle, the medium and long-term planning process of our human resources was carried out.

#### Continuing the internationalisation of Human Resources policies and processes

Existence of policies and processes at the international level, specifically with regard to the management policies for performance and talent, training policy and the development of salary and mobility policies.

# Keep streamlining the Human Resources structure in order to increase efficiency and achieve improved response to business requirements

Taking into account that the HR strategic axes for 2014 given below, all our actions and resources were designed with a view to fulfil these strategic guidelines. These, in turn, are in line with the theme of being streamlined, efficient and close to our business needs.

- 1. Moving Forward & Closer evolve in a direction that is more open, more international, with a greater presence in the market and being closer to our customers
- 2. Step up identify, develop and strengthen skills, our people and our team
- 3. Speed up challenge and contribute to the businesses reaching their objectives more quickly
- 4. Faster, Better & Value Added drive promote a culture of greater speed, simplicity, efficiency and added value
- Fulfilled Partially fulfilled Unfulfilled



In 2014, we had 38,726 colleagues in the Retail area, an increase of 3% over the previous year. Of these, 67% were women and 8% were international collaborators, namely from Spain, Brazil, China and Turkey.

## Attracting Talent Effectivelly

Identifying and attracting talent is one of our goals and we have been developing programmes and initiatives with various universities and schools, namely:

#### Call For Solutions - Portugal and Spain

Call for solutions is an open innovation programme that invites some final year Masters students from the best Portuguese and Spanish universities to carry out an internship at Sonae, contributing with ideas and solutions to overcome the challenges presented by Sonae's various companies. This programme aims to bring added value to our business and it allows us to identify young talent, exposing these students to a real work environment at a very early stage of their careers. During a 4-5 month period, we focus on promoting the development of both their personal and professional skills, allowing them to take part in this privileged opportunity to prepare themselves for the job market. In 2014, 31 challenges were proposed to those final year Masters students, whom we considered to have the potential to come and join the ranks of Sonae, after their internship.

# Awards and Acknowledgments - Human Capital



A Sonae SR was elected the company in Portugal with "The Best Employee Motivation and Engagement Strategy" in the 3rd edition of the Human Capital Masters 2014, organized by IFE - International Faculty for Executives.



The Labor Relations Team of Sonae was nominated, in the Employment category for the "Best Team" prize, awarded by the International Law Office (ILO) and the Association of Corporate Counsel.

#### **Call for Summer**

The Call for Summer is an internship programme that invites university students to undertake a summer internship at Sonae, contributing to the resolution of a proposed business challenge. With this programme, we intend to give students some experience in a real work environment for the first time, exploring areas of professional interest/integration. In 2014, there were 27 young people from Portuguese universities involved in this initiative.

#### Agile Marathon

After its success in Portugal, we decided to replicate this project in Spain, where Sonae SR already has a strong hold and significant turnover.

In 2014, 90 students from 8 Spanish Universities attended the event and in a creative, stimulating but relaxed environment, they developed innovative applications for mobile technologies for Worten's online business in Spain.

# Advantage Project

The Advantage Project began in 2014 with the aim of promoting the development and implementation of the sustainable, proactive and empowering management of age diversity.

This project aims to respond to the demographic changes that have been observed by capitalising on the potential cooperation among colleagues of different ages. The main goal is to promote at Sonae, management that accompanies people's life cycle, looking for advantages both for the company and our colleagues.

This project is the result of a partnership with two universities, the Faculty of Psychology and Educational Sciences of the University of Porto and ISCTE - University Institute of Lisbon.

#### **Training and Development**

At Sonae, we think of training and development as the primary means for our colleagues to reach their true potential and develop new skills. In addition to the initiatives undertaken at a cross-sectional level, in 2014 we undertook a set of training and development actions specifically directed at the Retail area, with the aim of improving the key skills of our colleagues.



Following the reinforcement of the acquisition, development and consolidation of the to be attributed to Official Accounting Technicians who attend internal training workshops certified by the Portuguese Accounting Institute.

\*OTOC – Portuguese Accounting Institute

#### Sonae Retail School

The Sonae Retail School is a global training system organised into **schools and academies** aligned with our different strategic business areas. In 2014, several programmes were developed focusing on different functional areas, characterised by custom-designed contents and taught by a highly qualified team. Following Sonae's internationalisation process these training sessions covered two distinct geographic areas: Portugal and Spain. In total, **164,566 training events** were carried out, which is the equivalent to a 50% increase from the previous year.

We believe that, through training, we develop skills, reinforce motivation and retain the best talent in the organisation. As such during the course of 2014, we strengthened internal development actions across the areas of Administration, Audit and Procedures and Information Systems, allowing us to meet the professional development needs of our colleagues.



#### Perishables School – An example of excellence

As part of the Sone Retail School, the Perishables School's mission is to help create a culture of distinction in terms of our colleagues' knowledge and professional skills, contributing to operational efficiency, sales growth and customer confidence.

The school aims to create active and continuous learning opportunities, consolidate and develop employee knowledge in a progressive and consistent way, contribute to an operational improvement in critical business processes and to be an internal and external quality benchmark.

In 2014, about **5,690** trainees attended training events at the Perishables School, with a total of **225,429** hours taught.

As part of the marketing of the Continent brand, the Perishables School participated in the Flavors Market and in thematic Workshops offered to customers, demonstrating the quality of the training given to our colleagues in the fresh produce area. The School also participated in the television show called Chef's Academy, with the support of their trainers in the practical workshops.

Better People

## Vocational Course in Logistics, in partnership with the Lisbon School of Commerce

Sonae has applied, in partnership with the Lisbon School of Commerce, to train young people within the Logistics Technician Vocational Course, a challenge launched by the Ministry of Education and Science to educational institutions and companies for the joint development of high school vocational courses. This action aims to train professionals for their integration in the labour market.

In this way, we are contributing towards creating better conditions for the fulfilment of mandatory schooling, a decrease in the number of early school leavers and the development of knowledge and scientific, cultural, technical practical and professional skills that allow better integration of young people into the labour market within an area that needs support in terms of human resources qualification. The course, which began in 2014, is a 2-year course.

#### **Mentoring Programme**

In 2014, we implemented the first edition of the Mentoring Programme in the Information Systems & Innovation (ISI) division. This programme, designed to facilitate the professional and personal development of our colleagues and promote their performance in the medium and long-term, targets recent ISI integrants, in mobility functions, in international mobility or in skills development.

#### Performance Evaluation

## Upward Feedback - The Team Voice

**Upward Feedback** is a bottom-up development tool that delivers a unique opportunity for our colleagues to provide feedback to their leaders and thereby, to contribute to their personal and professional development.

The 2014 edition was a period of strengthening and consolidation of this tool, and covered about **2,150 management units** in Portugal and Spain, **+ 10%** more than the previous year.

Upward Feedback foresees the communication of results to each management unit, supported by three development areas: Activity Manager, Development Promoter and Commitment Inspirer. The individual report presented thus allows for the identification of strengths and areas to improve on, which serve as an anchor for the on-going process of change and personal growth.

# Tracking our Talent

One of the main satellite processes to Improving Our People in terms of development is the Tracking our Talent project, designed to monitor critical talent segments at various functional levels: colleagues with very good levels of performance and high development and growth potential, as well as colleagues with poor performance and low potential levels. In 2014, this process covered 622 colleagues, in Portugal and Spain, for which several initiatives were identified and implemented, bearing in mind the enhancement of their development and/or adjusting their integration.

#### WELLBEING AND INTERNAL SATISF ACTION



# Occupational Medicine

At Sonae, Occupational Medicine aims to stimulate a strong culture of health promotion and protection at the workplace as an important factor of the company's sustainability, through the competence, rigor and ethics of their health professionals.

It aims to guarantee a healthy environment that ensures a good quality of life at work and safeguards the health and physical, mental and social wellbeing of all colleagues. We contribute thereby, to the reduction of absenteeism, occupational illnesses and workplace accidents.

#### Initatives developed:

- Health Surveillance We monitor our colleagues' health by carrying out medical examinations, according to the legislation. In 2014, we conducted 34,574 tests, issued 10,348 electronic prescriptions and performed 3,611 diagnostic tests;
- Medical Services We have an internal Occupational Medicine service featuring 156 offices within our facilities, in which about 100 health professionals work;
- Occupational Health Management System At the end of 2014 the implementation of the "Medicine One Business" system, which allows better management of activities and a better analysis of the indicators of occupational health, was in its final stage;
- Plan for integrating new colleagues When starting their jobs in the company, colleagues receive training concerning Workplace Medicine, Work and Best Practices in Health;
- Monitoring of Workplace Accidents Evaluation of 600 incidents, particularly the most severe and prolonged in order to promote better care during assistance by the medical services, and when returning to work.

#### Promotion of Health

Considering that we can contribute to the improvement of our colleagues' health, we encourage the adoption of healthy lifestyles. In this sense, we have developed a set of initiatives:

- Vita Salutis Interactive Platform A platform that offers information on health-related topics throughout the year. It allows the assessment of cardiovascular risk, providing guidance towards healthy practices;
- Health Campaigns Celebration of national and international health days, across the organisation, in collaboration with external partners from the Health Sector. Some examples include: Women's Day, European Week of OHS, May Month of the Heart, World Food Day. Other Public Health issues are also addressed due to the impact they may have on colleagues and customers;
- Anti-flu vaccination programme Flu vaccine free of charge to colleagues and disclosure of good practices regarding its prevention;
- Nutritional Counselling Promotion of local nutritional advice actions through workshops, screenings and tastings, in collaboration with the Department of Food Quality;

- Psychosocial Risk Approach at Work In April, during the European Health and Safety Week, we provided information on this subject, through publications, questionnaires, posters and flyers. We also promoted a conference for managers, with a specialist in the area;
- Blood/Bone Marrow Donations Promotion of blood and bone marrow donations in association with the Portuguese Blood and Transplant Institute (IPST). At the end of 2014, we had about 1,000 bone marrow donors enrolled in the IPST;
- Automated External Defibrillation (AED) Implementation of the AED Programme in 166 units, aiming to strengthen the response capacity and provide relief in cases of cardiac arrest. The investment made during 2014, benefited all of the stores under the Sonae brand with more than 2,000 m2 throughout the country. A specific training programme on Basic Life Support and AED was developed according to the training model of the American Heart Association, with at the end of 2014, around 1,000 first level rescuers, qualified to use AED in the case of cardiac arrest. Sonae's AED programme is licensed by the National Medical Emergency Institute (INEM) and quality control is assured by the companies "Ocean Medical" and "Saving Lives".

# Occupational Health and Safety (OHS)

At Sonae, we are committed to the implementation of a zero accident culture and we intend to ensure that the health and safety of our colleagues and customers is never at risk. Strategic and focused action is of maximum priority. The performance of Sonae's OHS area focuses, above all, on the prevention of accidents, occupational illnesses and the improvement of the wellbeing of our colleagues.

#### Initiatives we promote:

- DuPont Project Diagnosing Safety Management at Sonae MC, carried out by the world renowned company DuPont, which resulted in a set of measures to be implemented in 2015 with significant involvement from the company's top and middle management;
- Medical Consultations for our colleagues we provide Medical Consultations for our colleagues concerning OHS matters, covering issues related to Health and Wellbeing. Every year we provide an annual medical consultation for all of our colleagues, with the rate of participation being 91% (25,633 responses). The results of the consultation are analysed and shared with the units for the subsequent definition of preventive measures, with the aim of improving working conditions, and increasing our colleagues' wellbeing;
- Ergonomic studies project Development of an ergonomic study project of logistics warehouses and manufacturing centres, in order to increase the safety, health, wellbeing and comfort of our colleagues, preventing musculoskeletal disorders:
- 4th edition of the "Abril, Segurança Mil" campaign promotion of a set of awareness events in the area of Health and Safety. The main focus of this campaign is to lower the rate of absenteeism and accidents, as well as improve levels of satisfaction and wellbeing in health and safety, increasing our colleagues' motivation concerning the preventative measures taken and good practices in these areas. Among the initiatives developed, we would like to highlight our strong focus on stimulating initiatives aimed at improving the understanding of work-related stress and psychosocial risks and promoting the management of these risks;

- Sonae Safety Day This award aims to foster a culture of health and safety among colleagues, and distinguish the Best Health and Safety Practices at Work of each unit in order to reduce unsafe behavior, work accidents and occupational illnesses, implemented by the unit with the employees' direct and effective participation;
- Safety Alerts The proactive sharing of information on health and safety, across the entire organisation, aims to
  inform and raise awareness on the risks and the preventive measures necessary to mitigate this risk. This process
  of sharing information is carried out on a monthly basis via email to all units and also serves as support to "on-thejob" awareness actions.

#### Occupational Health and Safety (OHS) Training

Knowing that training and information on occupational risks are a key awareness tool for all colleagues at Sonae, in 2014, 172,291 hours of training in OHS were conducted.

In 2014, we reviewed and updated 6 of our training programmes: Safety Ambassadors (Sonae MC and Sonae SR); Integration plan for new colleagues (Sonae SR); Training on central structure risks and administrative jobs (Sonae CC); OHS Behavioural Training (Sonae MC) and OHS Leadership Training (Sonae MC).

- Training of Safety Ambassadors In 2004, we implemented the Safety Ambassadors project, aimed at creating a
  "safety ambassador" in each unit, focusing on the wellbeing of all of our colleagues. After 10 years of implementation,
  we reviewed the whole model and we renewed training given to all ambassadors, strengthening the competence
  and value of these ambassadors. In 2014, 1,033 trainees participated in a total of 9,776 training hours.
- Leadership Training A strong and effective leadership is fundamental with regard to OHS issues. For this reason, we provided training to all Operations and Store Managers, during the second semester of 2014 with a total of 230 trainees.

#### Supplier Health and Safety Manual

Health and safety at work is one of our top priorities and we are committed to promoting health, safety, and wellbeing conditions of our colleagues as well, and whenever possible, to all of our suppliers.

The Supplier Health and Safety Manual is in its "pilot" stage in the Continente Cascais store. In 2015, our goal, under the DuPont project, is to revisit the issue of service providers and assess how the supplier manual should be extended to the whole organisation or if the topics should be integrated into institutional procedures.

Regarding the health and safety criteria – the "minimum requirements", can already be found under the procedures. They were released under the supervision of the Procedures Management to the entire organisation.

## Wellbeing and Internal Satisfaction

The motivation and performance of our colleagues is directly related to their wellbeing and satisfaction, so we try to listen and understand their concerns and then decide how to proceed in the most appropriate way.

#### **ZY Plus**

A project to transform Zippy's culture. A revolutionary value proposal project aimed at a (new) culture. A culture that is more market-oriented, towards the product and our customers, with better clarity of the brand vision, better insight into our customers, improved product strategy and the delivery of value to our customers aligned with the product strategy. In pursuing these goals, initiatives regarding the Brand GPS (focus on vision), Customer Centricity (focus on the client), New Culture (focus on attitude), Value Creation (focus on the product) and Brand Value Delivery (focus on efficiency) were developed.

In our unstoppable drive to add value to the product, a (sub) project focused on and towards attitude was created. Attitude that ensures that our colleagues are aligned with the new culture of the Zippy brand, a more inspired and inspirational attitude, bolder and more curious, happy and productive. An attitude whose purpose is to give meaning to employer branding, promoting diversity and multiculturalism, the development of skills related with the product and the transformation of Zippy into a Great Place to Work, more appealing, both internally and externally. An attitude which brings us increasingly closer to our colleagues.

#### **Sonae Sharing Views**

**Sonae Sharing Views** is the periodic diagnosis of the Social Climate in order to measure the level of wellbeing of our colleagues.

Given that the last edition of Sharing Views took place in late 2012, the last two years have been devoted to the implementation of several initiatives following input given by our colleagues. In 2014, in particular, we would like to highlight the following:

# "Somos Sonae" (We Are Sonae) Programme

The "Somos Sonae" (We are Sonae) Programme is an initiative for social support called Portugal + Happy – in partnership with the Red Cross, designed for our colleagues in need and experiencing social vulnerability, who do not have the means to resolve certain problems on their own. The type of support provided is very diversified and adjusted to the specific situation of each colleague: ranging from legal advice, financial advice, the management of family finances, health, basic goods and services and any other type of help should it be deemed necessary and appropriate.

During 2014 around 200 colleagues were supported under this programme, with a total investment of 155,000€.

We believe that our businesses can contribute to the promotion of wellbeing both within and outside our units.

In the Manufacturing Centres, we focus on the development of actions based on two main areas: the promotion of wellbeing and happiness in individuals and teams and strengthening the social support structure for the individual and households. At the same time, we continue our permanent intervention in psychosocial risk factors within our activities.

#### **SMILE**

In 2014, we continued our **SMILE** programme – the promotion of wellbeing, and created the LINK programme – directed towards social support:

The SMILE programme addresses the concept of positive mental health, investing in feelings of positive wellbeing, the presence of personal qualities including self-esteem, optimism and the ability to take the initiative, develop and maintain mutually satisfactory interpersonal relationships and the ability to deal with adversity (resilience).

When designing these programmes, we incorporated psychoeducation and interventions aimed at the development of individual empowerment.

It has as its main goals:

- Training individuals to deal effectively with the demands of their professional activities;
- Educate on the adoption of a healthy lifestyle;
- Improve communication skills and interpersonal relationships;
- Learning to deal with stress and anxiety resulting from the requirements of the tasks;
- Improving the individual's coping strategies;
- Greater awareness of their behaviour and emotions, expressing them in a positive way.

We evaluate this programme using the Wellbeing at work (EBET) scale and the evolution of the level of psychological wellbeing (EMMBEP), both with an increase of about 25% in mainly positive emotions and wellbeing manifested at work. At the same time we have been reducing our levels of absenteeism.

#### LINK

LINK focuses on training and information related to support and rights available in the social network of an area of residence. It analyses the situation, forwards any aid requests from our colleagues, with the follow-up support evaluation and attribution being the responsibility of the institutions contracted for this purpose.

Requests focus mainly in areas such as family support (elderly and in need), food support, legal support (debt renegotiation and heritage preservation), social housing, health support, child benefits (rights and obligations), domestic violence, among others.

In 2014, we received 203 requests for help, with 44 successfully resolved, 63 are being supported and the rest are still being assessed by the various institutions. 7 training sessions were conducted on the topics of family allowances, school subsidies and retirement processes. We work in a network with 23 institutions in the region where we operate.

## Flex Tu Eliges - Spain

The Flex Tu Eliges (Flex You Decide) is a flexible remuneration programme for Sonae's colleagues in Spain, consisting of the voluntary and individual choice of part of the remuneration being paid through a range of benefits provided by the company with tax benefits for our colleagues. These benefits are mainly of a social nature: health insurance for oneself and one's family, nursery school vouchers and transportation, vocational training, among others. Through an online platform, accessible by our colleagues anywhere, they can make choices according to their preferences and personal and family circumstances.

## Advantage Programme for Sonae Colleagues

This programme aims to provide our colleagues access to privileged discounts on goods and services through partnerships with various entities operating in areas such as Banking and Insurance, Culture and Leisure, Health, Education and others. The increasing geographic reach and diversity of these partnerships allows even more colleagues to benefit from preferential and favourable conditions when accessing different products and services.

#### SUPPLY CHAIN RESPONSIBILITY

2014 Commitments  Performance
Implementation of the Supplier Manual, which includes the Supplier Policy and Supplier Code of Conduct
Code of Conduct for Suppliers prepared.
Increase in the number of own brand suppliers audited, including qualification and selection audits
With the exception of textile and sports suppliers, we have reinforced the number of audits to suppliers, namely concerning electronics, food and non-food products.
Increase in the number of textile suppliers with Social, Ethical and Environmental certification
In 2014, it was not possible to increase the number of certified textile suppliers due to priorities with the internationalisation process and the costs involved.
Ensuring the maintenance of the Continente Producers Club certification, in accordance with its technical specification
Continente Producers Club certification renewed.
Creation of a formal procedure for the evaluation of non-conformities detected during supplier audits
Assessment procedures of non-conformities found in supplier audits have ben formalised.
• Fulfilled • Partially fulfilled • Unfulfilled

We believe that in order to ensure a higher degree of efficiency and control during our own brand development process a comprehensive view is required, namely across our supply chain. In 2014, we renewed the certification of our own brand development process, according to International Reference Standard EN ISO 9001.

We have performed a review of all of our controlled brand suppliers. This assessment consists of calculating 7 different indicators that allow the suppliers' performance to be evaluated at different levels. One of the relevant indicators in this process consists of carrying out selection and qualification audits in order to ascertain compliance with our policies. Inclusion in the audit process is mandatory, except for certified suppliers whose origin is not included on our list of risk countries. If the country of origin is considered a risky one, this should be subject to an audit, regardless of having a valid certification. During the different evaluation stages, about 300 requirements are checked on aspects related to quality, ethics in the supply chain, environment, health and safety in factories, labour rights, among others that have to be met by our national and international suppliers. As a result of the audits carried out, depending on the relevance and assigned rating, strategies are defined for process optimisation and improvement actions implemented.

In 2014, audits were carried out of 1,283 suppliers of food products, non-food products and electronics. During this process, we confirmed the presence of a single supplier with a result lower than expected in terms of identified non-conformities and was consequently subject to the implementation of a Corrective Action Plan. During 2015, a check of the state of execution of this very same plan will be performed, in order to ensure that the actions outlined are properly implemented.

Products from own brand suppliers are subjected to an inspection and qualification process in which tests are performed in relation to several quality, safety and environment standards, among others, in order to ensure compliance with the standards required by Sonae (see the "Own Brand Product Responsibility" section).

We encourage, along with our suppliers, the implementation of improvement actions and optimisations at the product level, resulting in a change of the materials used and their manufacturing processes.

SONAE JOINS
THE HIGH LEVEL
GROUP ON THE
COMPETITIVENESS
OF THE EUROPEAN
RETAIL SECTOR

Sonae is the only Portuguese retailer joining this European Commission Advisory Group. Coordinated by the General Directorate of Internal Market and Services, the aim of this group is to provide assistance in the development of policies that stimulate the sector's long-term competitiveness, integrating business and academic representatives from 20 leading institutions. Its mission includes the monitoring and evaluation of measures adopted in the Action Plan for European Retail, as well as the identification of actions to strengthen the sector's competitiveness.

## **Certification of Sonae Suppliers**

The supplier's certification process aims to create a partnership with suppliers, particularly in quality control activities. This process, supported by the assessment of quality management and continuous improvement, provides a higher level of trust and transparency and allows us to achieve improvements in the levels of supply costs and lead time<sup>5</sup>.

The supplier's certification is a compromise between the supplier and Sonae on the management of the quality of products supplied. In order to obtain this certification, the supplier must obtain a rating of "Excellent" on the quality index, Supplier Quality Index (IQF), over the previous two years and they must also be of strategic importance to the business, essentially in terms of the importance of the type of product and variety supplied, the previous purchases and future forecasts of the business relationship that Sonae may develop with them.

## Communication and Relations with the Suppliers

We are continuously looking to stimulate communication and maintain a relationship based on transparency and trust with our suppliers. By ensuring clear communication and a good relationship with suppliers, we believe that we contribute to the development of a chain of more efficient and sustainable value, in particular by:

- Greater level of mutual help with the improvements to be implemented by suppliers;
- More extensive knowledge of the conditions and manufacturing methods of suppliers;
- Sharing of the IQF Report with suppliers in order to enable identification of areas for improvement.



Sonae launched the Code of Conduct for Suppliers, based on the belief that strengthening partnerships with suppliers is a way to maximise trust, respect and mutual value creation. This code defines a set of rules governing the relationship between Sonae and its suppliers, particularly in terms of:

- (i) Working conditions;
- (ii) Protection and environmental sustainability;
- (iii) Quality and product safety.

We also have the Supplier Portal, an important and exclusive communication channel that allows a closer and more efficient relationship in the supply chain management. The Supplier Portal enables a quick, secure, integrated and consistent exchange of documents and information, optimising business activities and improving the overall quality of services delivered to the customer.

<sup>&</sup>lt;sup>5</sup>Period between the entry and exit of a product in the inventory

# **Electronic Suppliers**

All of Worten suppliers are subject to an initial audit, which must be renewed within three years. In 2014, several audits were carried out under the recovery plan presented so that all suppliers have a valid audit. The audits cover aspects such as quality certification, environment, packaging and storage of the product, safety and hygiene, ethics and social responsibility. In addition, specific requisites are also included in particular regarding electrical safety, electromagnetic compatibility and energy efficiency. In 2014, 69 foreign suppliers were audited from a total of 141 suppliers.

#### LVD - Electrical Safety

The European Low Voltage Directive (LVD), which defines the electrical safety requirements, must be fulfilled by all the products in our portfolio in order to ensure their safety for the end customer. For this, the suppliers send their entire technical dossier and an initial sample for analysis (through external partnerships with ISQ – the Institute of Soldering and Quality, IEP – the Portuguese Electrotechnical Institute, CATIM – Centre for Technological Support to the Metalworking Industry, SGS Portugal, SA and TÜV Rheinland Group).

# **EMC** - Electromagnetic Compatibility

All products must comply with the standards of electromagnetic compatibility according to the European norms, Electromagnetic Compatibility (EMC). In this way, the suppliers submit the tests carried out on their products by their laboratory partners. This requisite eliminates the health risks, among others, to the customer.

#### Energy Efficiency

All the products in our portfolio are chosen by taking into account that their energy efficiency is the best possible one (according to the requirements of each line of product). In 2014, 90% of sales were rated as class A or higher with a significant increase in the sales of products rated as A++++ (about 6,000 products). Throughout the year, the vacuum cleaners were included in the evaluation of equipment efficiency. This requirement guarantees a reduction in electrical consumption.

## **Textile and Sport Suppliers**

At Sonae, the textile and sports business areas represent a crucial part of our ambition in terms of our internationalisation strategy. Our presence in a growing number of geographic areas implies a special focus by our collaborators and resources in the development of the actions necessary to ensure compliance with these requirements and adaptations to the products according to the specificities of the intended markets. Thus, during the year, we directed all of our attention to this issue, however it was not been possible to continue the process of carrying out audits to textile and sport suppliers, so we consider this aspect a priority to address in the future.

## Adaptation of Products and Labelling



Also as a result of the internationalisation strategy, efforts were directed at the customisation process and product correction whilst in storage or in factories, particularly in terms of specific marking and labelling for foreign markets.

We are promoting social inclusion by continuing to incorporate the ColorADD® code in the labelling of all of the products of the Zippy/MO brands, enabling anyone who is colour blind to easily identify the colours through symbols.

#### Continente Producers Club



The Continent Producers Club (CPC), which is the result of our commitment to promoting domestic production, is one of the main means of communication with top quality producers, contributing to regional and national economic development. At the end of 2014, the CPC had 251 members and registered, in the same year, an increase of about 10% in the volume of purchases, totaling 233 million euros. In addition to the 14 areas covered previously, in 2014 we included soups and ready-meals under the Take-Away category of the CPC. In 2014, we also assured the renewal of the CPC certification under a specific benchmark.

This year we held the 5<sup>th</sup> edition of the Producers Club Innovation Prize, rewarding the best producers of the CPC in different areas of innovation such as in products, processes, organisation and marketing. The winner of this edition was the "Integration of the Supply Chain Project - Sustainable Growth" from the producer Montiqueijo from the Meats and Cheese section.

# Better People



Producer Montiqueijo was awarded the 5th edition of the CPC Innovation Prize as acknowledgment of their performance in the innovating "Integration of the Supply Chain Project -Sustainable Growth".

This project focused on areas such as product control from source, milk production improvement and implementation of a traceability system, growth of production units, improving cooling areas and curing chambers, plastic packaging reduction and product innovation.

As a result of the effort dedicated to these areas, Montiqueijo achieved excellent results, namely:

- An increase of 30% in milk and cheese production;
- A reduction of more than 50 tonnes in plastic consumption;
- Domestic production equating to making up 30% of the energy consumed;
- A significant reduction in power consumption.

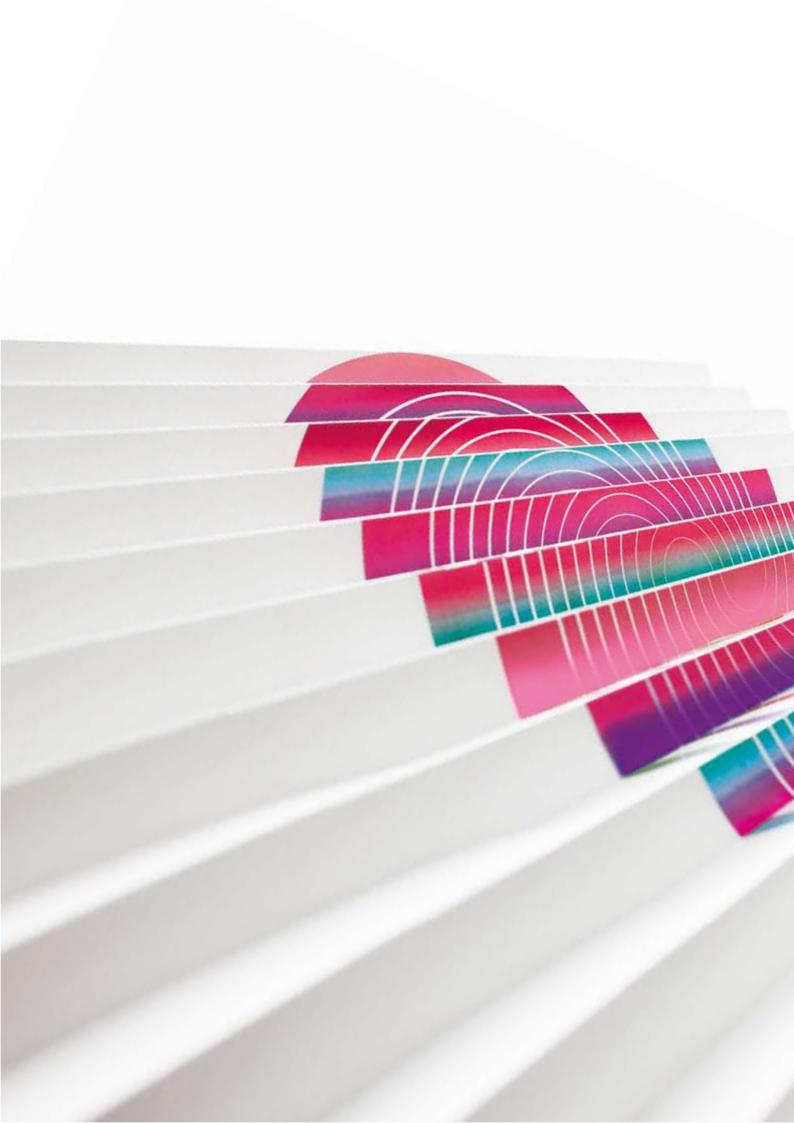
#### Strict Criteria ensures Quality Assurance

We use strict certification criteria for CPC suppliers, which have a wider framework and cover the most demanding requirements when compared to general market criteria. CPC producers are audited on an annual basis and must meet the required criteria. Thus, our framework in multiple areas ensures compliance with parameters from the field to the production units, especially the Olive Oil and Wine's demanding framework, currently unparalleled in domestic and international markets. In terms of compliance with specific criteria, we place emphasis on the child range products of the Fruits and Vegetables category from the CPC producers, in which the maximum waste allowed is 50% when compared to conventional products.

#### **Involvement with Producers**

The CPC provides Sonae greater quality assurance and food safety. In addition to promoting domestic production, the CPC offers a variety of advantages for producers such as planning and production flow, experience-sharing opportunities, access to the Innovation Award and, in the specific case of Wines, integration in the annual Wines Selection for the Golden Grape Awards. The CPC promotes the development of partnerships between producers in order to foster integration of raw materials in several processed and modified products. In this way, producers ensure the market placement of their products, under the CPC's strict quality assurance requirements.

For example, in 2014, the CPC producers of seeded fruits participated in the Peach and Nectarines Workshop where the best international practices were shared with the improvement of the flavour of the Peaches and Nectarines in mind. This workshop gave way to a scientific programme coordinated by the Agronomy Institute (LU) under the title "Quality Improvement Programme of Peaches and Nectarines". There were also meetings held between Meat producers and Butchers and consequently partnerships were established to reduce logistical costs. Additionally, a cooperation agreement was established with the Veríssimo de Almeida Plant Pathology Laboratory - VAPPL, Agronomy Institute allowing producers of Fruit and Vegetables, Wine and Olive Oil, access to detection techniques of unusual diseases and pests or those difficult to identify.





# Sustainability at Sonae Sierra

(Core Partnership)

"We are positive about the outlook for the next year and beyond. Our strongbusiness performance and financial position mean we are ready to take advantage of opportunities to consolidate and grow our business. Our Sustainability Strategy will continue to support innovation across our operations by focusing on our long-term resilience"

Fernando Guedes Oliveira, CEO Sonae Sierra

SONAE SIERRA AT A GLANCE

Sonae Sierra is a specialist at the cutting edge of shopping centre investment, development, management and the delivery of professional services in geographies as diverse as Europe, South America, North Africa and Asia.

Passionate about bringing innovation and excitement to the shopping industry since 1989, Sonae Sierra has been interpreting trends and spearheading a movement that has defined the shopping centres of the future. Through our integrated strategy of investment, development and property management, we have built an indisputable track record and a unique understanding of the business and markets we operate in.



Currently we are present in 14 countries: Portugal, Algeria, Azerbaijan, Brazil, China, Colombia, Germany, Greece, Italy, Morocco, Romania, Russia, Spain and Turkey.

2014 was a good year for Sonae Sierra. Supported by specialized knowledge, commitment to innovation and long-term vision, we achieved a Net Profit of €96.3 million and presented an EBITDA of €107.8 million. In addition, like-for-like tenant sales increased by 3% across the European portfolio and by 7.8% in Brazil. Our global occupancy rate reached 96%. Construction continued on our most important development, ParkLake in Romania which is due to be completed in 2016 and already achieved 70% of the GLA signed and/or committed.

Significantly, in May we confirmed our first development in Morocco. Zenata Shopping Centre represents a €100 million joint venture investment in which we are minority partner in line with our capital light approach and demonstrates how our strategy to expand into emerging markets via our professional services business has borne fruit. Delivering services to third parties in new markets enables us to gain key insights before making direct investments in a capital light mode.

Other significant achievement includes our agreement with designer outlet specialist, McArthurGlen, to create the first designer outlet in southern Spain, a €115 million development, offering 30,000 m² of GLA adjacent to Plaza Mayor in Spain.



# ACHIEVEMENTS



Announced a joint venture with McArthurGlen to develop the first designer outlet in southern Spain, adjacent to Plaza Mayor in Málaga.

Sierra Portugal Fund acquired full ownership of AlbufeiraShopping and CC Continente de Portimão, in Portugal. Sierra Fund sold La Farga in Spain and Sonae Sierra reduced its 50% stake in Le Terrazze in Italy to 10%, while remaining responsible for the centre's management. Completed
refurbishment works
at NorteShopping
in Portugal and
proceeded with works
in a further six centres
in Portugal, Germany,
Spain and Brazil.



Commenced construction works and successfully proceeded with the leasing of ParkLake in Romania achieving 70% of GLA signed and/or committed by the end of the year.

Announced the development of Zenata Shopping Centre in Morocco, a joint venture with Marjane, Al Futtaim and Société D'Aménagement de Zenata (Groupe CDG).



Enhanced several shopping centres' tenant mix with a positive impact on footfall and sales.

Expanded our portfolio under management in Italy and Germany with the management of seven new centres totaling 214,500 m<sup>2</sup> GLA.

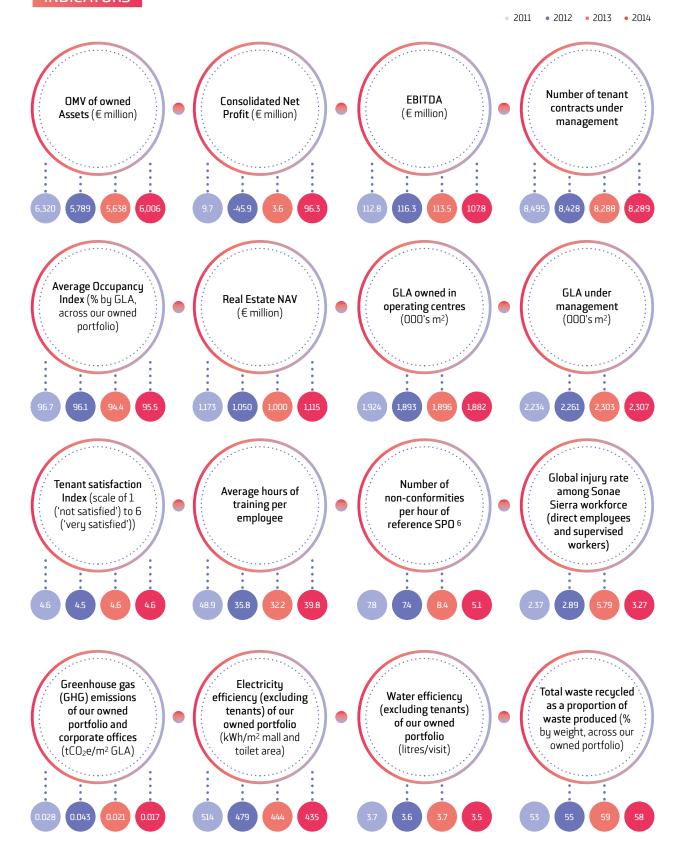
Rolled-out dive and bright projects to deliver cost savings by targeting reductions in energy and water use.



Signed 41 new service contracts across Europe, North Africa and Asia with a combined value of €22.6 million. First agreement
to provide management
services in Russia
through
a joint venture
partnership with
OST Development.

# KEY PERFORMANCE

# **INDICATORS**



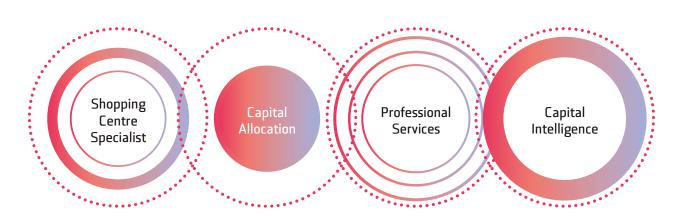
<sup>6</sup> Safety, health and environment Preventive observations (SPO) are a form of safe behaviour audit undertaken at our shopping centres in operation.



Our business strategy comprises four axes to allow our business to expand its market presence, deliver sustainable financial returns and create added value for shareholders. It also encompasses a focus on five sustainability priorities, devised to enable us to sustain the 'capital stocks' of resources and relationships which we are dependent upon in the medium to long-term. By executing our sustainability strategy alongside our business strategy, we aim to create a virtuous circle whereby we address the principal sustainability risks facing our operations in order to safeguard our continued capacity to do business.

Effective risk management underpins both our business and sustainability strategy by ensuring that risks associated with all our business activities are tightly managed and controlled.

# Four strategic dimensions



#### SHOPPING CENTRE SPECIALIST

We aim to maximize the value captured along the complete value chain of the shopping centre business. For this, we will keep an integrated approach, covering development, investment and management of shopping centres. We define ourselves by our sector focus and not by the amount of financial capital committed to properties. In all cases, we will strive for the creation of innovative shopping concepts that will adjust and evolve in order to be the preferred choice of the customer.

#### CAPITAL ALLOCATION

We aim to increase our exposure to developments. This will be achieved through a combination of acquiring exposure to new development opportunities and reducing our exposure to investment properties. We will also shift from a mature market concentration to a greater weight towards emerging markets. Our market priorities will be Brazil, Emerging markets with significant shopping centre potential and also Germany and Italy where the objective is to reduce financial capital employed and adopt a developer approach. Portugal and Spain will continue to be core stable markets for the Company but with no prospects for new developments. For Greece, the objective is to realize value in an orderly way.

#### PROFESSIONAL SERVICES

We will continue to reinforce a professional services component focused on development, leasing and property management services. This enables us to optimize the resources of the Company under market fluctuations and improve know-how on markets, partners and projects.

#### **CAPITAL INTELLIGENCE**

We will reinforce a capital-light approach in the use of equity. For this, we will use partnerships with the purpose to minimise the financial capital invested in a given operation allowing us to share risk, maximise returns through service delivery and improve know-how.

With increasing focus from investors and retailers on prime assets that dominate their catchment areas, market dominance is one of the more relevant variables when assessing shopping centre strength and medium-term potential. We will aim to maintain the financial capacity to commit to ambitious and relevant shopping centre projects, namely in terms of accessing funds in debt markets. For this, we will aim to keep a relevant balance sheet size associated with prudent financial ratios.

## SUSTAINABILITY STRATEGY

We have identified five long-term priorities that will deliver shared value for our business, society and the environment. Addressing such issues is intended to address the principle sustainability risks facing our operations and safeguard our continued capacity to do business.

#### SAFE PEOPLE AND ECO-EFFICIENCY

Making sure that our shopping centres are consistently run to the highest standards of safety and eco-efficiency is a day-to-day priority for Sonae Sierra as a means to safeguard human and natural capital. We operate a best in class, integrated Safety, Health and Environment Management System (SHEMS) which enables us to effectively manage safe people and eco-efficiency aspects. Through our SHEMS, we provide a better service and/or workplace to tenants, shopping centre visitors, professional services clients, employees and suppliers whilst reducing operating costs for our business.

#### SUSTAINABLE LIFESTYLES

We will use our reach and public influence to encourage visitors to make the right choices. This involves promoting healthy, green and local goods and services; improving wellbeing through health activities in our shopping centres; and creating a sense of place. This approach enables us to increase visitors' satisfaction and loyalty, thereby increasing footfall in our shopping centres, and adds to our brand value as we visibly support health, wellbeing and environmentally-conscious behaviour.

#### LEVERAGING KNOWLEDGE

We aim to empower our employees by building their skills and knowledge, unleashing their potential on an individual basis and raising the standard of knowledge attainment at a collective level in the communities where we operate. By doing so, we can enhance the intellectual capital of our organisation and the external pool of talent from which we aim to attract ambitious people to join our workforce.

#### PROSPEROUS RETAILERS

We are taking action to partner with current and potential tenants to make their businesses more resilient, in particular enabling small, local and sustainable businesses to thrive in circumstances in which they might not have done so otherwise. At the same time, this approach supports our business strategy by allowing us to promote new concepts that deliver unique experiences to customers. Consequently, we can sustain our income streams and maintain innovation at the heart of Sonae Sierra's business values.

#### RESOURCE RESILIENCE

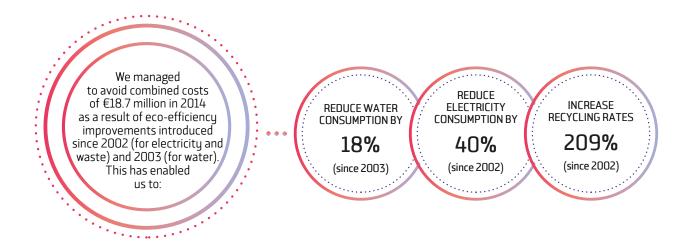
We are investigating ways to future-proof our assets by becoming energy independent and reusing water on our sites, exploiting the latest innovations and technology in natural resource management to rethink processes. This will protect our assets against natural resource shortages and cost increases, and reduce operating costs in the short to medium term through alternative energy and water management strategies. Altogether, this approach will enable us to reduce the detrimental impacts of our Company on the environment and help us to maintain the essential services that nature provides.

# SUSTAINABILITY PERFORMANCE IN 2014

Our Sustainability Strategy was developed to bolster our Company performance in order to position us strongly in the face of social and environmental challenges. Recent trends reinforce the importance of sustainability features which are increasingly valued by investors when investing in properties.

The quality of Sonae Sierra's own sustainable business practices and portfolio was acknowledged again in 2014 through our high ranking in the Global Real Estate Sustainability Benchmark (GRESB), where we: maintained our 'Green Star' designation, were ranked at third place in the European retail sector, fifth among all European countries and were in the top 3% of participants worldwide. Our company stood out for improving its score across all indexes except Policy & Disclosure, where we could not achieve better than maintaining our previous score of 100%.

Our approach to reduce the environmental impact and improve our operational efficiency continues to act as a key differentiator for our company by adding value to our offering as a service provider and business partner. Thus, following the principles of our Sustainability Strategy, we achieved notable results principally in terms of Safe People and Eco-Efficiency, Sustainable Lifestyles, Leveraging Knowledge, Prosperous Retailers and Resource Resilience.



#### Safe People and Eco-Efficiency

In 2014 we further improved the operational efficiency of our shopping centres, enabling us to make good progress towards our long term environmental performance goals and contributing to a 2.3% reduction in service charges compared to 2013. We achieved progress with respect to all our key objectives covering GHG emissions, energy use, water use and waste:

#### **GHG Emissions**

A GHG emissions rate of 0.017 tonnes of CO<sub>2</sub>e per m<sup>2</sup> of GLA, a 19% reduction compared to 2013, meaning we exceeded our target of 0.0216 of  $CO_2e$  tonnes per  $m^2$  of GLA. Overall, we have achieved a reduction of 80% since 2005, our baseline year, and are on track to achieve our long term goal of an 85% reduction by 2020.

#### Energy

An average electricity consumption of 435 kWh per m<sup>2</sup> of mall and toilet area, a 2% reduction compared to 2013. We achieved our 2014 target of 444 kWh per m<sup>2</sup> and remain on track to meet our long-term goal to attain a maximum electricity consumption of 400 kWh per m<sup>2</sup> by 2020.

We introduced an innovative new financing mechanism across five shopping centres in Spain to encourage the replacement of conventional fluorescent lighting in car parks with LEDs, leading to forecasted gross savings of €3.5 million across their entire lifecycle. For more information, see the case study on Sonae Sierra's website.

#### Water

An average water consumption of 3.5 litres per visit, a 5% reduction compared to 2013. We exceeded our 2014 target of 3.89 litres per visit and remain on track to meet our long-term objective to achieve a level of water consumption at or below three litres per visit by 2020.

At Shopping Plaza Sul in São Paulo, Brazil, we introduced a closed loop water recycling strategy, reusing 57% of wastewater generated on site and saving R\$28,000 (€9,000) per month. Our actions have helped to ease pressure on public water resources in a notoriously water-stressed region. For more information, see the case study on Sonae Sierra's website.

#### Waste

An average recycling rate of 58% across our global portfolio, meaning we exceeded our 2014 target to attain a minimum recycling rate of 56.7% across our owned shopping centres and guarantee the proportion of waste (by weight) sent to landfill does not exceed 25.8%. Our long-term objective is to ensure that we maintain a recycling rate of at least 65% by 2020.

#### Safety and Health

In 2014 we were pleased to record a 44% drop in the global injury rate for Sonae Sierra employees and supervised workers. Unfortunately, we were not able to deliver the incredibly high results we expect concerning safety and health performance amongst our service suppliers and shopping centre visitors. Most importantly, in 2014 a fatality occurred in one of our shopping centres involving one of our tenants' service suppliers, and we also saw increases in the number of incidents involving both visitors and service suppliers in our shopping centres.

In response to these events, we have held several in-depth meetings with service supplier representatives, employees and supervisors in order to discuss the nature of the incidents occurring and identify actions to mitigate this trend. We have strengthened our awareness-raising efforts and requested shopping centre teams to reinforce their SHE Preventive Observation (SPO) programme vis-à-vis service suppliers.

While we strive to implement the best possible safety and health management practices and procedures across all our operations, the avoidance of incidents still rests significantly on the safe behaviour practices of individuals, and we continue to persevere in our training, engagement and awareness-raising initiatives with our sights set on reducing the frequency of accidents going forwards.

#### Sustainable Lifestyles

Our long term focus on sustainable lifestyles is supported on the promotion of positive behavioral change in relation to environmental, social, health and wellbeing issues. Hence, in 2014 we launched 'Help Spot' with a view to positioning Sonae Sierra and each of our shopping centres as leading catalysts for socially responsible volunteer work. This project aims to boost volunteering in Portugal and is present in all 21 Sierra shopping centres across the country.

In 2014 we also expanded our Café Memória (Memory café) project in partnership with the Alzheimer Portugal Association. With eight Café Memória now present in our shopping centres, this project has reached more than 1,270 participants since its launch. Although not part of our sustainability strategy, it provides an important social function by offering meeting places for dementia patients, their families and carers to share support and experiences, ultimately improving their quality of life and reducing the sufferings associated with social isolation.

#### Leveraging Knowledge

As part of the continuous investment on our people and their wellbeing, in 2014 we developed 'Be Well': an academic partnership with no associated investment cost which enabled us to gain comprehensive insight into workplace stress risks present within our company and develop a detailed mitigation plan to improve employee health and wellbeing.

With the retail sector undergoing a period of rapid change, we need to ensure that our Company has the talent, agility and flexibility required to remain ahead of the game. In this context, we will continue to engage and partner with educational, social and industry institutions in order to leverage knowledge and promote ongoing skills development and innovative thinking across our Company, among our tenants and within our local communities.

We worked with a local university to gain greater insight into the risks of workplace stress in our company. The collaboration has led to the development of a programme to boost the health and wellbeing of our workforce. For more information, see the case study on Sonae Sierra's website.

#### **Prosperous Retailers**

2014 saw the roll out of 'Coop Stores'- a format of the 'Flash Stores' concept - which are orientated towards supporting entrepreneurs and small businesses in line with our sustainability strategy's long-term focus on prosperous retailers. A Coop Store is a space composed of mini-shops in the same store and allows operators to share space while splitting the associated operational costs. Through the year we had five Coop Stores in operation across two countries. The stores contribute with additional rental income and enable us to further diversify our tenant mix and respond to consumer interest in new brands and retail concepts. 20% of Coop Store participants have gone on to become tenants.

On the digital front, we have enjoyed ongoing success from our PromoFans® promotions platform. Promoting the notion of "your shopping centre with discounts", PromoFans® is based on the smart shopper concept and combines convenience and digital reach with the retail offer and experience of our shopping centres. Two years after its launch, it remains a unique and unparalleled concept, and has reached more than 510,000 registered users across Portugal and Spain.

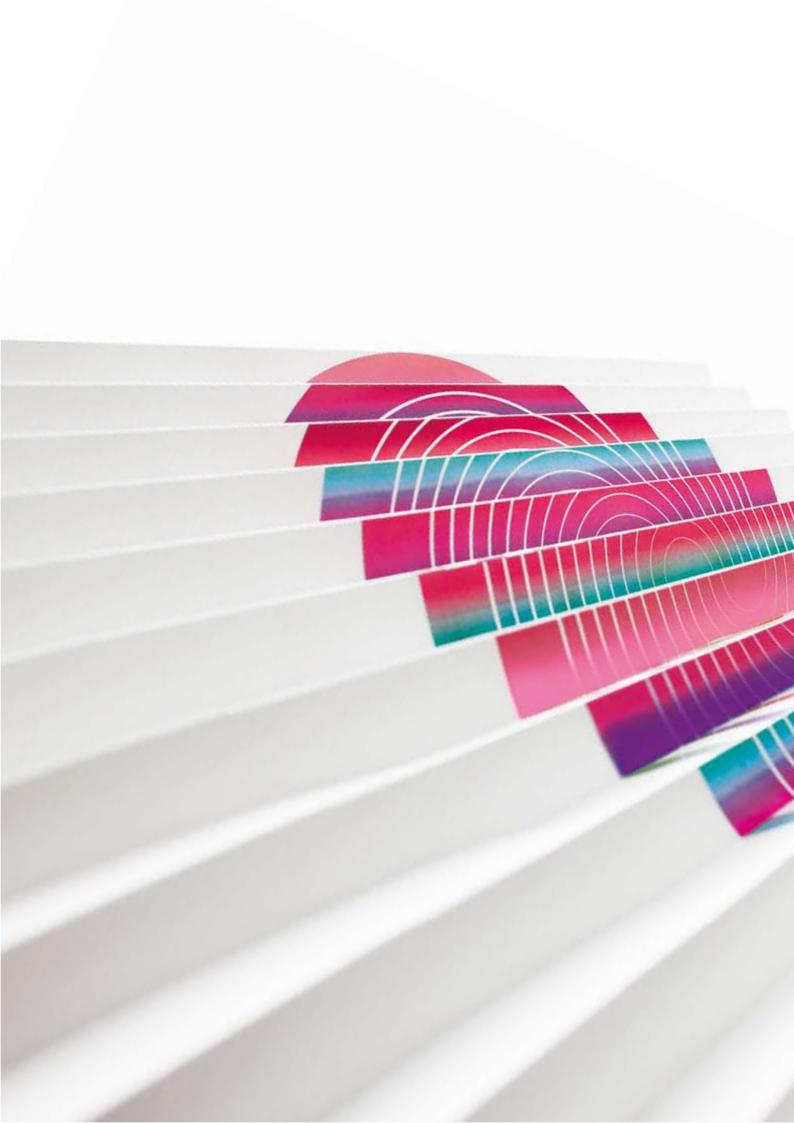
#### Resource Resilience

We need to strive towards true resource resilience: on-site energy generation; water reuse systems and waste minimisation and/or a closed loop waste management approach. Whilst some of our more ambitious potential projects to generate on-site energy do not currently offer favourable returns, we are confident that our resource resilience strategy will support us in the medium- to long-term. In 2014 we did proceed to develop a series of new standards for shopping centre energy and water equipment and installations in order to facilitate the investment in water reuse and photovoltaic systems, and increase operational efficiency.

We expect our sustainability strategy to continue to support innovation across our operations by focusing on our long-term resilience, thus positioning us strongly in the face of social and environmental challenges. The work we have been developing over the years puts us in an excellent position to ensure our businesses' long-term future and create shared value for our business and society.

For more information about our sustainability performance, please consult our report "Economic, Environmental and Social Report 2014" available on the following link:

http://www.sonaesierra.com/en-gb/sustainability/reports/reports/2014.aspx





# Appendices

### COMPLIANCE WITH PRINCIPLES AND MEMBERSHIP OF ASSOCIATIONS AND PARTNERSHIPS WITH ORGANISATIONS



















































