

PRADERA

2017

Caring About The Future



Sustainability Report

Chief Executive's Statement

Pradera has a longstanding commitment to sustainability and responsible investment has always been at the heart of our business. A progressive business like Pradera recognises that the need to tackle issues like climate change has never been greater and sustainability is our core strategic capability that is echoed and repeated across countries we operate in.

Through active management of our local asset and property managers, we have made further improvements on our environmental footprint in Europe and launched a few initiatives in 2016 that reflect our commitment to the environment. Thus, we have focused our efforts again on energy savings, water conservation and waste management programmes.

As we are a community conscious company operating locally with ethical values to meet

local needs, we have launched a few more recycling programmes and workshops including power units. By doing so, Pradera has not only demonstrated its commitment to sustainability but also educated communities how and where power units such as used batteries should be disposed of and why they should be kept out of landfills to avoid soil and water pollution.

In 2016, we also focused on health, safety and well-being and carried out workshops to build awareness of healthy lifestyle and eating habits among our local communities. As our long-term strategy, we have created more bicycle stations at our assets to promote environmentally friendly transport options and helped to reduce greenhouse gas emissions and air-pollution.

We have given a testimony that we have hands-on local management teams on ground and over the course of 2016 have rolled out ISO 14001 to the Italian assets of the portfolio. We have also improved the rating for building management services at one asset in Poland from very good to excellent as part of the current scheme of existing BREEAM In-Use Certificates.

Pradera takes great pride in our employees' commitment to shredding and recycling programmes and we are pleased to say that in 2016 we increased the number of trees from destruction from 20 to 34 and we aspire to grow this further.

In addition, Pradera has significantly improved its results across all funds in the 2016 Global Real Estate Sustainability Benchmark and we are proud to announce that Pradera Central and Eastern Fund (PCEF) was awarded a Green Star again.

We are pleased to present Pradera's Sustainability Report for 2017. This report provides an overview of our initiatives and achievements of the past year as well as our targets for this year and beyond.



David Fletcher
Chief Executive

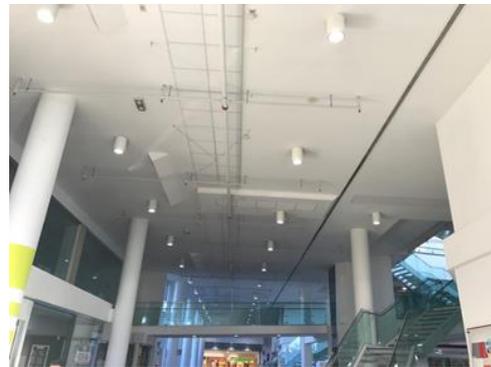
Environmental Performance

ENERGY CONSUMPTION



We have achieved a 19% energy use reduction since 2010 which translates to approximately a 3% average per annum decrease across our property managed funds on a like-for-like basis.

The 2016 energy efficiency highlights include an installation of LED Light Detectors at the Domus Shopping Centre in Rome, Italy. The obsolete lighting equipment was replaced with 1554 LED-type lighting and it will lead to potential savings of 245,000 kwh per annum or a 50% decrease in energy consumption.



WATER CONSUMPTION



Across our portfolio we have achieved a 9% reduction in water consumption since 2010 which translates into a 1.3% average per annum decrease on a like-for-like basis, due to implementation of water conservation programmes.

The 2016 water efficiency initiatives include an installation of water sensors and flow restrictions put on taps at La Sierra Shopping Centre in Cordoba, Spain. The change of sanitary fittings is estimated to contribute to 30% savings in water consumption at the centre.



WASTE MANAGEMENT



Across our portfolio, we have managed to reduce waste directed to landfills by 25% since 2010 which translates to about a 4% average per annum decrease on a like-for-like basis due to several recycling initiatives.

The most prominent initiative was launched in 2016 in Italy at Domus Shopping Centre in Rome and involved a creation of eco-friendly recycling areas for cardboard containers as well as the installation of an eco-compactor machine 'Garby' for plastic bottles and aluminium, which is suitable for shopping centre and urban environments, with its large capacity of 550 litres.



Certification

The use of energy ratings and green building certifications helped us to implement best sustainability practices across our portfolio. Since 2010 we have obtained many Energy Performance Certificates (EPCs) and were granted several BREEAM In-Use certificates. Currently EPCs cover 72% of the total portfolio with the Czech Republic, Poland and Spain covered in full, while BREEAM In-Use certificates cover a third of the portfolio with 100% coverage in Poland and the Czech Republic.

In 2016 we renewed the BREEAM In-Use certificate in Poland at Osowa Shopping Centre in Gdańsk. The centre was ranked very good for Asset itself and excellent in terms of Building Management, improving its results from very good previously.

The ISO 14001 Environmental Management System has been rolled out at the Italian assets of the portfolio in addition to the existing one in Poland.

In 2016 we participated in the annual Global Real Estate Sustainability Benchmark (GRESB) and the Pradera Central and Eastern European Fund (PCEF) was awarded the GRESB Green Star again, while the Pradera European Retail Fund 2 (PERF2) and Pradera European Retail Fund (PERF) improved their results in the 2016 GRESB survey by 7% and 8% respectively compared to 2015.

*Pradera European Retail Fund (PERF), Pradera European Retail Fund 2 (PERF2) and Pradera Central and Eastern Fund (PCEF) are Pradera Managed Funds.

Community Engagement Projects

Recycling workshops

Having a positive impact on society and engaging with our community is one of Pradera's key objectives. As recycling is very high on Pradera's agenda we have launched two community electro-collection recycling events to promote environmental education in Poland and Spain.



**'Become Eco-Crazy' battery recycling event
Galeria nad Jeziorem Shopping Centre in Konin, Poland**

At Galeria nad Jeziorem Shopping Centre in Konin, Poland a 'Become Eco-crazy' battery recycling event was launched in which children from a local primary school brought used batteries and unwanted clothes from homes. During the workshop, they were taught how to recycle batteries and the ways old clothes could be utilised. The event was crowned with the Recycled Fashion Show in which children presented innovative dresses and suits made from recycled materials.



**'Used Battery' recycling educational programme
Llobregat Shopping Centre in Barcelona, Spain**

At Llobregat Shopping Centre in Barcelona, Spain a 'Used Battery' recycling educational programme was launched in which customers were encouraged to bring used batteries from home and recycle them at designated bins at the centre. Thus, two big battery collection containers were located at the centre. Signposts and boards with instructions how and where batteries can be recycled were placed on the walls directing customers to them.



Health and Well-being

Promoting health and well-being in our local communities is another key objective for Pradera. We have organised two workshops in Poland in which we promoted organic food and natural cosmetics at Osowa Shopping Centre in Gdańsk. In those events, we not only raised awareness of a healthy life style but also each participant had an opportunity of fundraising for a charity called 'First Step', a leading local children's charity, which helps disabled children with physical impairment, learning disability or other life-threatening condition.



Regional Fair 'Żuławskie Smaki'
Osowa Shopping Centre Gdańsk, Poland

The event is organised on the first weekend of every month and promotes organic, home grown and ecological products. It also promotes homemade cheese and gives tips on healthy food and natural preservatives that help keep food fresh and last longer.



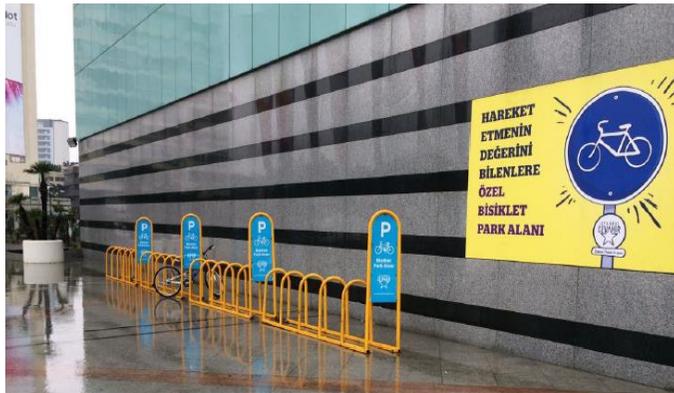
'Eco-Help' event with a fundraising initiative
Osowa Shopping Centre Gdańsk, Poland

This workshop on making bespoke natural cosmetics, toiletries and beauty products was targeted at eco-mums, who received hands-on experience in making natural and organic skin care, make up, spa, bath, massage and aromatherapy products along with an introduction to some in-depth understanding of the raw materials used. Each participant had an opportunity of fundraising for the disabled children's charity 'First Step'.



Mobility and Safety

Pradera continues to promote the use of alternative transportation to help reduce greenhouse gas emissions and air-pollution. We have initiated additional community engagement programmes at our Turkish and Polish properties.



New bicycle parking spaces at Cevahir Shopping and Entertainment Centre in Istanbul, Turkey

At Cevahir Shopping and Entertainment Centre in Istanbul, Turkey the mall management promotes a healthy life style. For this reason, bicycle parking lots have been installed next to the centre to encourage visitors to use bicycles more often. The parking spaces have been created in high-visibility areas and painted them yellow to make them easily seen.



'I like bike' & 'School is cool' family picnic events Pasaż Łódzki Shopping Centre in Łódź, Poland

At Pasaż Łódzki Shopping Centre in Łódź, Poland two bicycle picnic events were organised for families, the main theme being a promotion of healthy and safe lifestyles. The character of the event was also educational as attendees had an opportunity to learn about traffic and safety rules. The event was enriched by many attractions such as engraving customers' bicycles by municipal police.

Head of Sustainability's Summary

Sustainability is a core business capability for Pradera as it is embedded in our decision-making and is fundamental to the way we create long-term value for our stakeholders.

Last year we again demonstrated that through responsible actions and behaviours, we protect and enhance the environment, build trust and operate ethically to the highest standards of corporate governance. This approach is helping us to build strong business partnerships, while leaving lasting positive legacies in our communities. Throughout 2016 we made progress and proved that our hands-on local asset management teams are vital for successful implementation of sustainability initiatives.

For this reason, we have made progress on the ISO 14001 Environmental Management System certification front in Italy and we now ensure that service providers secure responsible sourcing of cleaning materials and products at our portfolio. We have also continued with an upgrade of LED lighting programmes, water conservation programmes and achieved higher landfill diversion rates across our portfolio. Pradera rolled-out sustainability workshops for property managers and tenants and carried out tenant satisfaction surveys in several locations.

Our local asset management teams have further strengthened links within our communities and by doing so we create better environments and better communities whilst building a better business. In 2016 GRESB survey we were awarded, for the second successive year, the Green Star for the Pradera Central and Eastern European Fund.

Although Sustainability can often be perceived as focused only on 'green' issues, a balanced programme should focus equally on social and business factors to be truly effective. Pradera continues to build a better business through its commitment to sustainability. For us, responsible business delivers consistent operational excellence, inspires employee values and builds trust with investors through strong ethical governance. As we now have a solid base we will continue to build on it and remain resilient towards environmental and social change. Thus, we will continue to collaborate with our property managers, tenants and suppliers to deliver sustainable long-term solutions.

Our key objectives for the next 12 months include:

- A continuation of LED lighting upgrade programmes to reduce energy usage;
- A further roll-out of a comprehensive recycling plan to achieve higher landfill diversion rates;
- Ongoing implementation of our water conservation programme to reduce water usage;
- Propagating green awareness and strengthening the links with our communities;
- A roll-out of green leases where possible.

The above achievements and planned future objectives, however, would not be possible without the Management Board's involvement and continued engagement of our local asset and property managers, whom we thank for their contribution.



Alison Rehill-Erguven
Head of Sustainability
Managing Director and Board Director