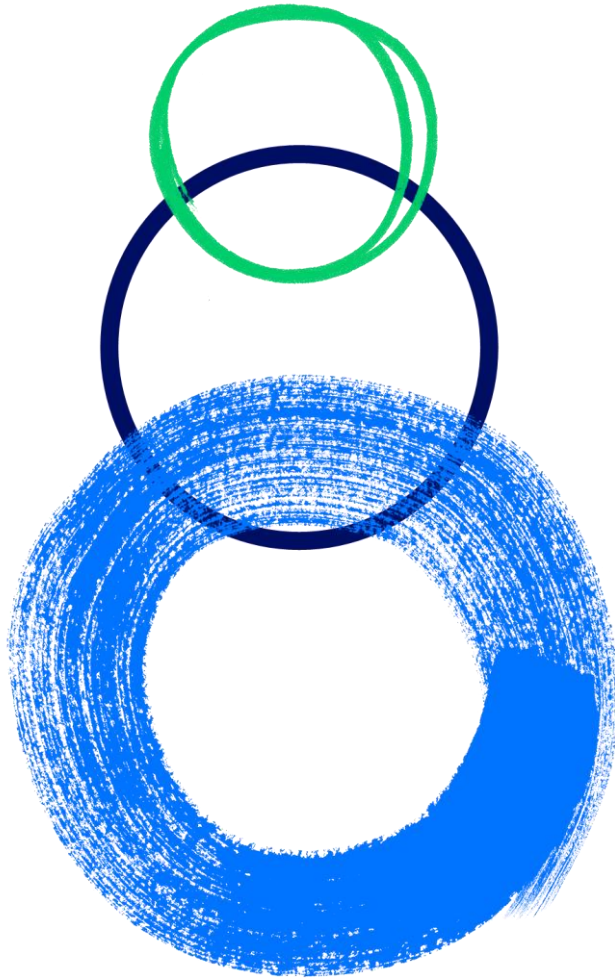


2023

Sonae Companies Zero Deforestation Commitment



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Shared commitment by all Sonae companies

Context

Forests play a vital part in the fight against climate change and in the preservation of biodiversity. Globally, approximately half of the forests are located in tropical and subtropical regions¹, where they are highly productive and serve as home for at least two thirds of the world's biodiversity². In these regions, deforestation occurs at the fast pace of nearly 25 million acres every year, of which the majority refers to the expansion of international trade and the conversion of land use associated to the production of specific commodities such as cattle, palm oil, soya and wood². High levels of deforestation and its repercussions in climate change and biodiversity, stress the need and sense of urgency to develop and implement a commitment that is ambitious and ensures effective results.

Our ambition

Sonae Companies make the commitment of **Zero *Deforestation until 2030*** and, aim preventing natural forests' conversion and contributing towards a positive impact on climate change, preserving biodiversity and the lives of those who depend – directly or indirectly – on forests for their subsistence.

Scope

This commitment covers all activities and processes over which Sonae Companies have direct operational control and is in line with the definitions and recommendations of Accountability Framework³ (within the supply chain).

This commitment reflects a set of actions directed at countries with greater risk of deforestation⁴, for which the following lines of work have been defined:

¹ FAO. 2020. Global Forest Resources Assessment 2020 – Key findings. Rome. <https://doi.org/10.4060/ca8753en>

² IPBES (2019): Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. E. S. Brondizio, J. Settele, S. Diaz, and H. T. Ngo (editors). IPBES secretariat, Bonn, Germany. 1148 pages

³ <https://accountability-framework.org/>

⁴ List of countries at risk of deforestation associated with the report by Carbon Disclosure Project Forest. <https://www.cdp.net/en/guidance/guidance-for-companies>

- Reduce pressure over natural forests associated with the supply chain, ensuring sustainable sourcing of critical commodities⁵;
- Avoid converting natural forests and reduce potential impact on them by direct operations' territorial expansion and business establishments.

The commitment also aims at developing and implementing actions for natural forests' preservation and regeneration and for the fight against deforestation, in order to go beyond the Zero Deforestation goal and give a positive contribution to natural forests.

Goals and targets

Each of the companies involved will trace a response adapted to its business and geography context, based upon the best identified standards and the scientific and technologic knowledge available, in line with the goals of this Commitment and the current legislation. Transversal to all Sonae Companies, the following goals have been defined:

1. At least until 2030, to ensure 100% of sustainable sourcing of critical commodities and sourced from risk countries, through the adoption of certification schemes (which guarantee no deforestation since January 2015⁶) and / or other control and tracking mechanisms.

**Monitoring
indicator**

% purchased volume indexed to this goal

2. From 2022 onwards, to ensure that 100% of the territorial expansions associated to the direct operations and business establishments (expansion or development of new infrastructures), which occur in risk countries, follow technical guidelines by IFC Performance Standard 6⁷.

**Monitoring
indicator**

% of the area associated with territorial expansion of operations and business establishments in which there was no conversion or deterioration of natural forests

⁵ List of commodities in the scope of the report by Carbon Disclosure Project Forest.
<https://www.cdp.net/en/guidance/guidance-for-companies>

⁶ Depending on the offer.

⁷ IFC Performance Standard 6 determines that, in new projects to be developed in natural habitats (including natural forests), there shouldn't be any conversion or degradation of natural habitats unless all following criteria are verified: 1) There aren't any other viable alternatives in the region for the development of the project; 2) The project has included a consultation with the interested parties, including the Affected Communities, concerning the extension of the conversion and / or damaging of natural forests; and 3) that the conversion and /or resulting damage is reduced according to the mitigation hierarchy.

3. Collaborate, yearly, in initiatives that aim preserving and regenerating natural forests and promoting a widespread fight against deforestation, through the following actions:

3.1. Promote awareness-raising, educational actions about Forests

Monitoring indicator	Number of awareness-raising, educational or promotional actions per year Number of people reached through awareness-raising, educational actions per year
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3.2. Develop actions and projects aimed at preserving and regenerating forests. Promote the plantation of 494 acres of native broadleaf species until 2030, as part of Floresta Sonae, contributing towards carbon offset and preservation of biodiversity

Monitoring indicator	Intervened area (ha) through actions or projects aimed at the conservation and regeneration of natural forests
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4. Participate in collaboration networks and workgroups focused on deforestation-related knowledge development and exchange.

Monitoring indicator	Identification of collaboration networks Sonae Companies are members of
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5. Yearly, beginning in 2022, track, report and publicly share information on the control and traceability mechanisms, origin and source of deforestation-related commodities.

Monitoring indicator	Annual publication of the information
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Governance

All goals, indicators and respective progress related to the implementation of this commitment will be monitored and publicly reported, on a yearly basis, from 2022 onwards, inclusively. The implementation of this commitment will be followed up by the Grupo Consultivo de Sustentabilidade of Sonae Companies.

Considering the need to maintain this commitment up to date and significant in terms of actions against the state of natural forests, this document will be annually reviewed from its publishing date.

Commitment per company

MC

Ambition

Acknowledging the important role of forests in the fight against climate change, preserving biodiversity and subsistence of all those who depend, directly or indirectly, on them, as well as the drivers who have boosted deforestation's fast pace, namely through the production of a set of commodities present in our supply chains and goods, we have the ambition of progressively guaranteeing a sustainable sourcing of the most relevant commodities, through the adoption of certification schemes (which ensure there is no deforestation) and / or other control and monitoring mechanisms, whenever commodities are sourced from countries where there is high risk of deforestation.

For this purpose, we have progressed in mapping the use and origin of those commodities, reviewing requirements for product development – whenever possible by eliminating or reducing its use – and adjusting support procedures.

Scope

In the context of this commitment, we include Continente's own private label and / or exclusive goods, food and non-food products, which have, as main ingredient, the commodities included in the Zero Deforestation Commitment. Also included in the scope of this commitment is the packaging for the products mentioned.

Goals and targets

Transversally to all Continente private label and / or exclusive goods, the following goals are adopted:

- **Palm oil: Palm Oil:** By 2025, ensure that 100% of the palm oil used in our own-brand products come from a sustainable source (certified origin or low-risk countries);
- **Virgin wood fibre (product):** By 2026, ensure that 100% of the virgin fibers used in our own-brand products come from a sustainable source (certified origin or low-risk countries);
- **Virgin wood fibre (packaging):** By 2030, ensure that 100% of the virgin fibers used in our own-brand packaging come from a sustainable source (certified origin or low-risk countries);
- **Cattle (Beef):** By 2024, ensure the mapping of all cattle originating from high-risk regions;
- **Soya (indirect):** By 2023 ensure the mapping of indirect soy in 20% of eligible CNT Butcher products, considering Tier 2, recording information regarding origin (national level or certification).

MC also aims at contributing, whenever viable and applicable, towards developing and implementing initiatives directed at natural forests' conservation and regeneration, as well as fighting against deforestation, through awareness-raising and joining relevant workgroups and other initiatives that seek to preserve and regenerate forests, including the carbon offset project (for the small vehicles fleet) within the scope of Floresta Sonae.

Governance

At MC, we have been working on various initiatives that reflect our commitment in contributing positively to the fight against climate change and for biodiversity conservation while, in collaboration with our suppliers, we ensure the quality of our products. In line with this commitment, we shall review our internal procedures with additional criteria that ensure that we continue mapping the use of critical commodities; evaluate its use, to choose commodities with less footprint and / or ensure a more efficient and responsible use; reduce the respective impact by controlling the origins, certifications and the incorporation of recycled commodities, whenever possible and applicable; work with our suppliers, partners and teams in order to raise their awareness on the subject; and co-operate in forest conservation and regeneration actions and projects.

Moreover, a yearly evaluation of the progress will be conducted, considering the predefined measures and the state of natural forests and relevant developments concerning context, knowledge, available technology and legal framework. We will also assess the need to review the scope and the ambition of Zero Deforestation Commitment. Results of this assessment will be reported annually.

Worten

Ambition

Worten aims at promoting excellence, quality and performance of its products, as well as their sustainability. In that sense, Worten aims to give its contribution, working with its partners to ensure commodities used in its products and packages, particularly wood, come from sustainable sources.

Scope

For this purpose, we have included in our Zero Deforestation Commitment all products and respective packaging of our private labels (Becken, Mitsai, Kunt, Goodis, KUBO and Nplay).

Goals and targets

Ensure 100% of sustainable sourcing until 2030 in our private label products as far as commodities associated with deforestation are concerned:

- Wood (primary packaging): until 2030, all wood present in our products' packaging, sourced from a deforestation risk country , shall be certified and / or recycled;
- Natural rubber (product): until 2030, we shall implement traceability mechanisms for the origin of this commodity and establish selection criteria, giving preference to source from countries that are not associated with deforestation risks.

Worten also aims at contributing, whenever viable and applicable, towards developing and implementing initiatives directed at natural forests' conservation and regeneration, as well as fighting against deforestation, through awareness-raising and joining relevant workgroups and other initiatives that seek to preserve and regenerate forests, including the carbon offset project (for the small vehicles fleet) within the scope of Floresta Sonae.

Governance

As we implement the defined goals, we will keep our commitment and rigor associated to our products' selection and development processes, incorporating criteria that ensure no deforestation is caused by our products' commodities and, in particular, in our paper and cardboard packaging.

Moreover, we aim at continuing to improve our packaging through eco-design processes, reducing, whenever possible, paper consumption (user manuals and other options) and optimising our packing processes, seeking to follow up and take a leadership position on the best market standards and state of the art technological solutions.

Annually, we will conduct an assessment and make a report of the noted progress, considering the goals defined.

Zeitreel

Ambition

In the scope of its activity, Zeitreel seeks to ensure a responsible sourcing of commodities associated with deforestation, namely cellulose-based fibres or animal-based leather, included in textile and footwear production, wood in childcare goods, and cardboard and paper packaging.

Scope

Zeitreel seeks to develop its fight against deforestation in collaboration with its suppliers, to speed up the implementation of sustainable sourcing. For this purpose, we establish goals that are directed to the products of all Zeitreel private labels, including cellulose-based fibres, animal leather, wood and packages (primary, including labels). In addition, Zeitreel wishes to collaborate and influence its suppliers to adopt zero deforestation commitments in their own brands.

Goals and targets

Ensure sustainable sourcing in Zeitreel's private label products until 2027, for the commodities associated with deforestation, namely:

- Cellulose-based textile fibre: until 2027, textile fibre coming from timber present in our products and sourced from a country at deforestation risk will be certified and/or recycled;
- Animal-based leather: until 2027, we will implement traceability mechanisms for the source of this commodity, establish selection criteria, preferring sourcing from countries that aren't associated with deforestation risks;
- Wood (product and primary packaging): until 2027, all wood present in furniture and in products' packaging, sourced from a deforestation risk country, will be certified and / or recycled.

Zeitreel also aims at contributing, whenever viable and applicable, towards developing and implementing initiatives directed at natural forests' conservation and regeneration, as well as fighting against deforestation, through awareness-raising and joining to relevant workgroups and other initiatives that seek to preserve and regenerate forests, including the carbon offset project (for the small vehicles fleet) within the scope of Floresta Sonae.

Governance

Through its Ethics and Practice Code, included in Vendor's Manual, Zeitreel will seek to involve its suppliers in the commitment to the forest, eliminating the risk of sourcing commodities from ancestral and threatened forests. As such, the use of commodities that contribute to deforestation will be eliminated, promoting the transition, by our suppliers, to the use of certified commodities and the adoption of traceability mechanisms that ensure the absence of deforestation from their activities. In addition, we will continue to foster the development of alternative fibres and solutions, namely by eliminating unnecessary cardboard and paper packaging.

In our suppliers' assessment and classification processes, Zeitreel includes a dimension of availability of commodity certifications in products and packaging, as well as the existence of traceability processes. Through its local offices, Zeitreel seeks to follow up on its suppliers, namely by promoting the broadcast of knowledge in deforestation issues.

Zeitreel will also provide its teams with expertise on eco-design, namely by seeking to eliminate the consumption of unnecessary materials, as well as on deforestation risks associated with certain commodities, ensuring, this way, its commitment with forests in decision-making process through responsible sourcing.

Annually, we will conduct an assessment and make a report of the noted progress, considering the goals defined.

Sierra

Ambition

With a strong portfolio of real estate assets, Sierra is constantly innovating. In every project we see an opportunity to create something unique and, at the same time, add value to the company and society, and this is precisely what we do with every project. We recognise that forest protection is one of the main concerns of society, globally, both for its important contribution against climate change, but also for being the habitat of numerous species.

Considering our activity, this issue becomes especially relevant in the development of new projects, refurbishments and expansions, both in material procurement and in the type of land plots they're developed in.

Development in virgin territory (with no previous occupation) – usually rich in biodiversity and frequently playing a vital part in ecosystems – may have an impact on biodiversity, and so, Sierra has a long history addressing the issue. Despite not being one of the companies' material sectors anymore, we have maintained the concern with Biodiversity and wish to ensure the least impact possible in projects which have majority direct control.

In the development of new full-development, refurbishments and expansions projects, particularly in the context of our procurement, we can contribute positively to forests through the creation of partnerships with our suppliers, which ensure the absence of deforestation in materials to be acquired in the future.

Scope

This commitment shall include the following assets and development projects:

- New full-development projects, refurbishments and expansions of assets in which Sierra is a majority owner (>50% ownership);
- • New full development projects and expansions assets in which Sierra is a majority owner (>50% ownership), in countries at risk⁸.

Goals and targets

In new projects of full-development, refurbishments and expansions in which Sierra is a majority owner (>50% ownership), we assume the goal:

- Wood: From 2023, only certified and / or recycled wood (and by-products) will be used.

In new full development projects and expansions in which Sierra is a majority owner (>50% ownership), in countries at risk, we assume the goal:

- From 2022 onwards we shall not convert and / or deteriorate natural forests, following IFC Performance Standard's technical guidelines.⁹

Sierra also aims to contribute, whenever viable and applicable, to the development and implementation of initiatives directed at preserving and regenerating natural forests and fighting deforestation, through awareness-raising and other actions seeking to preserve and regenerate forests, including the carbon offset project (for the small vehicles fleet) in the scope of Floresta Sonae.

⁸By the time of this commitment, the only countries at risk where Sierra owns assets are Colombia and Brazil. In none of them does Sierra own 100% of the assets.

⁹IFC Performance Standard 6 determines that, in new projects to be developed in natural habitats, unless all following criteria are verified: 1) There aren't any other viable alternatives in the region for the development of the project; 2) The project has included a consultation with the interested parties, including the Affected Communities, concerning the extension of the conversion and / or damaging of natural forests; and 3) that the conversion and /or resulting damage is reduced according to the mitigation hierarchy.

Governance

The commitment applies to the various business units that must ensure its fulfilment and will be divided into annual targets that will be internally and externally assessed.

We will work with our suppliers, ensuring that, in the development of new assets, refurbishments and expansions, only materials that do not cause deforestation are used; and review processes to make sure there is a proper implementation of the subscribed goals.

In spite of being outside the scope in projects and assets without the capital majority, namely in Colombia and Brazil, the commitment will be shared with the various partners to foster their fulfilment in all projects and assets.

In initiatives that are turned into targets, the result of the annual audit to these targets will be made publicly available.

Sonda