

GRUPO PESTANA SGPS GREEN BOND

DNV GL ELIGIBILITY ASSESSMENT

Scope and Objectives

Grupo Pestana SGPS (henceforth referred to as "Grupo Pestana") is a group of companies that are mainly engaged in leisure and tourism activities and more specifically, in the management and operation of hotels under its property, real estate for touristic use, leasing, management or franchise agreements, and in vacation club operations. Headquartered in Lisbon Grupo Pestana is leader in the Portuguese hospitality business and top 10 in the Iberian region.

Grupo Pestana is intending to issue an Inaugural Green Bond in the total range of € 50 million (henceforth referred to as "the Bond"). The net proceeds from the issuance of the Bond will be allocated to refinance two existing projects in part or in full. These two projects are The Eco Resort Pestana Troia and Pestana Blue Alvor as eligible green projects.

DNV GL Business Assurance España S.L.U. (henceforth referred to as "DNV GL") has been commissioned by Grupo Pestana to provide a Green Bond eligibility assessment on the Bond. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of the Bond, the value of any investments in the Bond, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the Bond has met the criteria established on the basis set out below.

Responsibilities of the Management of Grupo Pestana and DNV GL

The management of Grupo Pestana has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform GRUPO PESTANA management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by Grupo Pestana. DNV GL is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by Grupo Pestana management and used as a basis for this assessment were not correct or complete.

Basis of DNV GL's opinion

We have adapted our green bond eligibility assessment methodology to create Grupo Pestana -specific Green Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol") - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion. The overarching principle behind the criteria is that a green bond should "enable capital-raising and investment for new and existing projects with environmental benefits".

As per our Protocol, the criteria against which the Bond has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by Grupo Pestana in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of an Grupo Pestana-specific Protocol, adapted to the purpose of the Bond, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by Grupo Pestana on the Bond and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with Grupo Pestana management, and review of relevant documentation and evidence related to the criteria of the Protocol;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV GL's opinion

DNV GL's findings are listed below:

1. Principle One: Use of Proceeds.

The net proceeds from the issuance of the Inaugural Green Bond will be allocated to refinance two existing eligible green projects in part or in full. These two projects are The Eco Resort Pestana Troia and Pestana Blue Alvor. Both eligible projects demonstrate energy efficiency metrics that have a positive environmental benefit.

DNV GL concludes that Grupo Pestana is committed to issuing the Bond in line with Grupo Pestana Green Bond Framework and that the above projects fall within the defined category Energy Efficiency (efficient buildings) of the Green Bond Principles 2018. In addition, refinancing is only eligible for projects financed within the last 3 years.

2. Principle Two: Process for Project Evaluation and Selection.

DNV GL can confirm the project evaluation and selection will be carried out by a Committee composed by senior representatives from Treasury and Finance department, Sustainability department and Engineering and Maintenance department. The Committee has reviewed the proposed two projects with respect to the eligibility criteria and has selected the Eco Resort Pestana Troia and Pestana Blue Alvor as eligible projects for inclusion as eligible use of proceeds. The main selection criteria for a project to be eligible is the energy performance of the assets and the analysis of an Energy Performance Certificate issued by ADENE (Government Energy Agency in Portugal) and DGEG - Direcção-Geral de Energia e Geologia (Directorate for Energy and Geology, a body of the Portuguese Public Administration).

DNV GL has reviewed the evidence and can confirm that the eligible green projects and the governance framework for project selection meets the eligibility criteria defined in the Grupo Pestana Green Bond Framework.

The Grupo Pestana Green Bond Framework also outlines the process by which eligibility is maintained and the actions that will be taken if a project is no longer eligible.

3. Principle Three: Management of Proceeds.

DNV GL has reviewed Grupo Pestana Green Bond Framework and evidence that states the use of proceeds of the bond issuance will be directly allocated to the refinancing of the eligible projects at settlement. The total investments done on the eligible projects do exceed the net Green bond proceeds and therefore Grupo Pestana does not expect any pending allocation. In case of divestment of any of the two eligible green projects, Grupo Pestana will temporarily hold an amount equal to the unallocated proceeds in its accounts in any form of cash or liquidity position or time deposits until the green bond proceeds will be reallocated to other eligible project.

4. Principle Four: Reporting.

DNV GL can confirm Grupo Pestana has committed to annual allocation reporting that will be made publicly available within one year from the date of the Bond issuance. The allocation report will show the total amount allocated to each of both eligible green projects. In addition, Grupo Pestana will provide impact reporting on the expected environmental impacts of the eligible green projects, Eco Resort Pestana Troia and Pestana Blue Alvor. Grupo Pestana Green Bond Framework outlines the key environmental impact indicators to be used for the eligible projects.

On the basis of the information provided by Grupo Pestana and the work undertaken, it is DNV GL's opinion that the Bond meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".

for DNV GL Business Assurance Services UK Limited

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About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

1 SCHEDULE 1: DESCRIPTION OF CATEGORIES/ASSETS TO BE FINANCED THROUGH BOND

The proceeds from the issuance of the Inaugural Green Bond will be allocated to refinance two existing eligible green projects in part or in full. These two projects are The Eco Resort Pestana Troia and Pestana Blue Alvor as set out below:

Eligible Green Project Category	Eligible Projects	Type of hotel	Location	Eligibility Criteria
Energy Efficiency (efficient buildings)	The Eco Resort Pestana Troia	Resort	Troia Peninsula	Both eligible projects demonstrate energy efficiency metrics that have a positive impact and show that the construction and operation of these projects have been done in a sustainable and technologically advanced way, beneficial to the environment.
	Pestana Blue Alvor	5-star-hotel	Alvor	An Energy Performance Certificate issued by ADENE (Government Energy Agency in Portugal) and DGEG - Direcção-Geral de Energia e Geologia (Directorate for Energy and Geology, a body of the Portuguese Public Administration) based on EU defined standards with Portuguese Government metrics for New Buildings, has served as evidence for the eligibility criteria.

SCHEDULE 2: GRUPO PESTANA-SPECIFIC GREEN BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Type of bond	<p>The bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Bond • Green Use of Proceeds Revenue Bond • Green Project Bond • Green Securitized Bond 	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Grupo Pestana Green Bond Framework September 2019 • Information Memorandum 	<p>Grupo Pestana have committed to this Bond issuance falling into the category of a Use of Proceeds Bond.</p>
1b	Green Project Categories	<p>The cornerstone of a Green Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Grupo Pestana Green Bond Framework September 2019 • Information Memorandum 	<p>We conclude that the legal documentation confirms the utilization of proceeds is appropriately described and commits to adhere to the Grupo Pestana Green Bond Framework.</p>
1c	Environmental benefits	<p>All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Grupo Pestana Green Bond Framework September 2019 • Information Memorandum • Energy Performance Certificate (“Certificado Energético”) Hotel 	<p>The Grupo Pestana Green Bond Framework outlines the environmental benefits that will be realised by this Bond issuance.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
			Pestana Blue <ul style="list-style-type: none"> • Energy Performance Certificate ("Certificado Energético") Pestana Troia Eco Resort & Residences, lote 3.38, Artigo Matricial 31,98 • Energy Performance Certificate ("Certificado Energético") Conjunto Turístico Pestana Eco Resort & Residences, Artigo Matricial nº 3210. 	
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	Evidence reviewed: <ul style="list-style-type: none"> • Grupo Pestana Green Bond Framework September 2019 	Grupo Pestana Green Bond Framework confirms that Proceeds will be used 100% for refinancing of Eco Resort Pestana Troia and Pestana Blue Alvor

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-	The issuer of a Green Bond	Evidence reviewed:	We conclude that the investment decision process is

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
	decision process	<p>should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles; • The criteria making the projects eligible for using the Green Bond proceeds; and • The environmental sustainability objectives 	<ul style="list-style-type: none"> • Grupo Pestana Green Bond Framework September 2019 • Minutes of meeting of the Pestana Green Finance Committee 	well documented in the Grupo Pestana Green Bond Framework and committed to under this issuance.
2b	Issuer's environmental and social and governance framework	In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Grupo Pestana Green Bond Framework September 2019 • PLANET GUEST Sustainability Programme 	We conclude that, from the information provided, Grupo Pestana's approach to managing environmental and social sustainability is in line with the objective of the Bond.

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure	The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects.	Evidence reviewed: <ul style="list-style-type: none"> Grupo Pestana Green Bond Framework September 2019 	We conclude the Bond will be tracked in an appropriate manner with a clear process as set out in the Grupo Pestana Green Bond Framework.
3b	Tracking procedure	So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	Evidence reviewed: <ul style="list-style-type: none"> Grupo Pestana Green Bond Framework September 2019 	Proceeds will be directly allocated to refinancing of the eligible projects at settlement. Pending allocations are not expected as the investment done exceeds the Green Bond net proceeds. In case of disinvestment green bond proceeds will be reallocated to other eligible projects. We conclude the Bond will be tracked in an appropriate manner
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary	Evidence reviewed: <ul style="list-style-type: none"> Grupo Pestana Green Bond Framework September 2019 	We conclude that Grupo Pestana has disclosed how it will manage any unallocated proceeds.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		investment instruments for the balance of unallocated proceeds.		
3d	Over-collateralisation	n/a	Evidence reviewed: <ul style="list-style-type: none">• Grupo Pestana Green Bond Framework September 2019• Information Memorandum	We conclude that the financing needs of the two nominated projects is bigger than the value of the Bond issuance.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	Evidence reviewed: <ul style="list-style-type: none"> Grupo Pestana Green Bond Framework September 2019 	We can confirm Grupo Pestana commits to annual allocation reporting and impact reporting on their website. The Grupo Pestana Green Bond Framework sets out the key impact indicators to be energy use and carbon reductions.