



# Grupo Pestana Green Bond Framework September 2019

*“The declaration by the UN of 2017 as the International Year of Sustainable Tourism for Development is a unique opportunity to advance the contribution of the tourism sector to the three pillars of sustainability – economic, social and environmental, while raising awareness of the true dimensions of a sector which is often undervalued”.*

*Taleb Rifai, Secretary General of the World Tourism Organization (UNWTO)*

## 1. Introduction

Grupo Pestana SGPS (“the Issuer”) is comprised of companies that are mainly engaged in leisure and tourism activities and more specifically, in the management and operation of hotels under its property, leasing, management or franchise agreements, and in vacation club operations. Grupo Pestana SGPS is engaged in the promotion of all types of business related to tourism, hotel leisure and recreational activities, as well as participation in the creation, development and execution of new operations, establishments or companies, in the tourist, hotel or any other recreational or leisure business, thus comprising all the different business segments of the Group (Hotel, Vacation Club, Real Estate & Residence, Golf, Brewery, Casino and Wellness).

Grupo Pestana SGPS is headquartered in Lisbon and has more than 2,700 employees. The Issuer is the leader by number of hotels, rooms and beds in the Portuguese hospitality business and top 10 in the Iberian region, with over 8,000 rooms under four brands. Grupo Pestana

The main business to highlight of the Grupo Pestana are:

- Hospitality: with 35 hotels across Portugal, and the management of 35 Pousadas of Portugal. Hospitality comprises 4 main brands, targeting different client segments: Pestana Hotels & Resorts, Pousadas de Portugal, Pestana Collection and Pestana CR7 “Lifestyle hotels”.
- Real Estate: Sale of villas /apartments for touristic use near Pestana’s golf courses or hotel units. The services provided to owners include: maintenance, gardening and housekeeping, among others. The possibility to rent houses to other guests is also available for the owners. The Troia Eco Resort is a history of success within the business line, having gained in the last 4 years significant expression and exposition within the Group
- Grupo Pestana also operate in these segments: Vacation Club (comprises 9 resorts located in Algarve and Madeira) and Golf (5 golf courses in the Algarve and 1 in Sintra).

## 2. Pestana Sustainability Commitment<sup>1</sup>

Grupo Pestana is committed to operate and grow sustainably, minimising the group’s environmental impact, including improvements on how we manage energy, water and waste. Our responsible attitude towards the environment makes us act with the objective of using natural resources in a more rational way, protecting biodiversity and ensuring a sustainable future for future generations, ensuring business continuity in Tourism.

The Pestana PLANET GUEST Sustainability Programme is an all-encompassing concept that conveys the Pestana Group's position as an organisation and a group of people who respect and value the environment, society and corporate ethics.

The strapline “Somos apenas hóspedes do Planeta [We are only guests of the Planet]” reflects our deep respect for the Planet and our awareness that the use of natural resources is crucial to the future of our business.



It incorporates all of the initiatives that promote the sustainability of the Pestana Group in its 3 main areas: Nature, represented by the green line, Society by the orange line, and Economy by the blue line. PLANET GUEST is a unifying concept that transmits the Pestana Group’s position and that of its workers as an organization and a collective of people that respects and cherishes the environment, society and business ethics as factors that are responsible for the balance of world we live in. This concept alludes to the universe of the hotel and tourism industry through the word guest, translating our posture of profound respect and gratitude in relation to the Planet on which we live and of our responsibility to future generations.

<sup>1</sup> <https://www.pestanagroup.com/en/sustainability/>

In addition to the environmental aspects of respecting the environment, PLANET GUEST also encompasses the social dimension, including activities to support local communities, promote education and culture and corporate social responsibility, as well as entrepreneurship projects and the recovery and conservation of listed heritage. The social dimension of Planet Guest has developed taking into account the economic situation in some of the societies in which the Pestana Group operates. The main objectives of the programme's social dimension are to improve people's living conditions and the operation of organisations supporting them. To this end, while there is still a strict assistance-based philosophy to remedy and alleviate social situations, Planet Guest has carried out or is taking part in effective development projects involving the inclusion of workers, interns and fundraising to launch initiatives.

While integrating sustainability across our value chain and mitigating climate-related risk, we are working to reduce our environmental impacts, build and operate sustainable hotels and source responsibly. The PLANET GUEST program is an aggregating concept that conveys the position of Pestana Group as an organization and a group of people who respect and value the environment, society and corporate ethics.

With that target, we have set up a number of programs in our company to:

- Support and relations with the Local Communities
- Promote social inclusion, education and culture
- Respect for the Environment, with programs like "Say no to Plastic", "Paper for Food". Biodiversity Preservations, All Pestana's Portugal hotels count with "Green Key Certification"
- Restore and Preserve of Listed Heritage
- Support to Entrepreneurship Projects

Planet Guest affirms its desire to improve and innovate its environmental and socio-economic actions every day. This position is fully in keeping with the mission and values expressed in the Pestana's Code of Conduct that guides its delivery in all geographical destinations in which the Pestana Group operates.

Planet Guest also believes that the success of the Pestana Group stems from the implementation of a consistent and permanent strategy of seeking, selecting and investing in new and sustainable opportunities.

### 3. Grupo Pestana - Green Bond Framework

As part of our commitment to sustainability, Grupo Pestana decided to issue an inaugural green bond, linking its financing to the refinancing of two existing eligible green projects; The Eco Resort Pestana Troia and Pestana Blue Alvor. For this purpose, we have set up a Green Bond Framework (the "Framework"), which addresses the four key pillars of the ICMA Green Bond Principles.

- (i) Use of Proceeds
- (ii) Project Evaluation and Selection
- (iii) Management of Proceeds
- (iv) Reporting
- (v) External Review

It is our intention to follow best practices in the market as the standards develop. This Framework may be updated and amended from time to time. Any such updated and amended Framework will be published on the Pestana's website<sup>2</sup> and will replace this Framework.

---

<sup>2</sup> <https://www.pestanagroup.com/en>

## i). Use of Proceeds

The net proceeds from the issuance of the Inaugural Green 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 (“Eligible Green Projects”) as set out below:

Eligible Green Project Category	Eligible Projects	Eligibility Criteria
Energy Efficiency:	The Eco Resort Pestana Troia  Pestana Blue Alvor	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 and are doing in a sustainable and technologically advanced way, beneficial to the environment.  Eligible projects have been, and are being carried out in accordance with the Pestana Sustainability program and regulatory Policies, Social Responsibility Policies and Compliance Policies.  An Energy Performance Certificate (“Certificado Energético”) recognized by the market Internationally and nationally, based on EU defined standards with Portuguese Government metrics for New Buildings has served as mandatory and main evidence for the eligibility criteria.

### Eligible Projects:

**A) The Eco Resort Pestana Troia:** a history of success, having gained in the last 4 years significant expression and exposition within the Group. Applying innovative methods of construction in order to preserve the ecological aspect of this project, has granted its success, in one of the last exclusive beach eco resorts of Europe with an extension of 4 kilometres of Atlantic beach.

**B) The five-star Pestana Blue Alvor:** an all-inclusive 551 key hotel in Alvor, Algarve, in a plot of land with 12.8 hectare between Pestana Alto Golf and Pestana Alvor Praia hotels and Pestana Delfim, with direct route to the “Três irmãos” beach in Alvor. This hotel is the first in Portugal to be built from scratch to the sophisticated all-inclusive 5-star market and focused on sustainability and nature. This hotel opened in May 2019

Eligible Project Name	Location	Type of Hotel	Stage	Operational date	Invested until Sep 2019	Refinancing or Financing	Energy Certificate
The Eco Resort Pestana Troia	Troia Peninsula	Resort	Operation	2015	Eur86Mn	Refinancing	Yes
The Pestana Blue Alvor	Alvor	5-star-hotel	Operation	May 2019	Eur38Mn	Refinancing	Yes

These two Eligible Green Projects for the inaugural Green Bond issuance are further described in the Appendix of this document.

## ii).Project Evaluation and Selection

The Project Evaluation and Selection Process will ensure that the proceeds of the Grupo Pestana Green Bond are allocated to the two existing projects described above and that fall under the Eligible Green Projects Category, as set out above.

A dedicated Pestana Green Finance Committee (the “Committee”) has been created to ensure compliance with the Green Bond Framework and oversee the entire issuance process. The Committee is composed of 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 Committee has analysed these eligible projects proposed by the Engineering and Maintenance team and has requested a report to understand the performance of the proposed projects. This report has included the description of both assets and data related to the energy performance of the assets (or the estimated energy performance). In addition to this, the Committee has analysed the Energy Certificate of the two projects provided by a third party in order to be able to assess the compliance with the Eligibility Criteria.

The Committee has used the Energy Performance Certificate (EPC) called “Certificado Energético” obtained by ADENE (Government Energy Agency in Portugal) and Direção Geral de Energia e Geologia in order to study each of the Eligible Projects. Certification involves a qualified engineer visiting the projects and assessing their energy performance. This certificate is a way to evaluate the facility about its energy efficiency on an A + (very efficient) to F (poorly efficient) scale.

On this regard, as of August 2019 the Certificado Energético for both assets shows the following information:

Eligible Project Name	Location	EPC	Date of issued	Valid until	Reviewed by Pestana	Energy Class (“Classe Energética”)	KPIs
The Eco Resort Pestana Troia	Troia Peninsula	Yes	2016	2026	Yes, annually by an external audit	A	<ul style="list-style-type: none"> <li>• Heating environment: 54% more efficient than the reference</li> <li>• Cooling environment: 31% more efficient than the reference</li> <li>• Hot Water: 80% more efficient than the reference</li> <li>• Renewable Energy Contribution: 51%</li> <li>• CO2 Emissions: 0.81 tonnes/year</li> </ul>

The Pestana Blue Alvor	Alvor	Yes	2016	2022	Yes, annually by an external audit	B	<ul style="list-style-type: none"> <li>• Heating environment: 68% more efficient than the reference</li> <li>• Cooling environment: 58% more efficient than the reference</li> <li>• Hot Water: 27% more efficient than the reference</li> <li>• Lightning: 55% more efficient than the reference</li> <li>• Renewable Energy Contribution: 15%</li> <li>• CO2 Emissions: 1.034 tonnes/year</li> </ul>
------------------------	-------	-----	------	------	------------------------------------	---	--

An exclusion criteria is applied in the case of any material adverse event related to ESG matters, defined as an event that has a material adverse effect at the Eligible Project level that result in litigation that ends up material regulatory sanctions or fines related to environmental and social matters

On an annual basis, the Committee will review the allocation of the proceeds to the Eligible Use of Proceeds and determine if any changes are necessary (for instance, in the event that projects have been sold or otherwise become ineligible). The Committee will create meeting minutes.

With the objectives of assuring transparency, the following general guidelines will be followed by the Committee:

- When this Green bond is matured, allocated eligible projects can be refinanced and re-allocated into new Green Bonds if they still follow the eligibility criteria
- In the case of divestments or if a project no longer meets the eligibility criteria, the green bond proceeds will be reallocated to other Eligible Projects within Grupo Pestana
- The Green Finance Committee will monitor the Energy Certificate reports during the lifetime of the bond. On this regard, Pestana will request for the external expert to do a Energy Certificate report annually

The Committee will also be responsible for managing any future updates to the Green Bond Framework, including any expansion of the use of proceeds requirements. Any changes to the Green Bond Framework will be published on Pestana's website<sup>3</sup>.

### iii). Management of Proceeds

The proceeds from 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 the rare case of divestment of any of the two Eligible Green Projects, 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. Pestana Green Finance Committee will oversee the allocation of the proceeds into the two Eligible Green Projects up to an amount equal to the net proceeds of Green Bond issued during the lifetime of the bond.

Pestana has internal systems in place to track proceeds of its bonds, and to monitor the performance of the Eligible Projects.

<sup>3</sup> <https://www.pestanagroup.com/en>

#### iv). Reporting

An annual allocation reporting will be made publicly available within one year from the date of the inaugural Green 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, in line with the best practice guidance on impact reporting. Impact reporting will be made available on at least once a year, subject to the availability of the relevant data.

Potential key environmental impact indicators for these two Eligible Projects will include:

Eligible Project Category	Eligible Projects	Impact Metrics
Energy Efficiency	<ul style="list-style-type: none"> <li>Eco Resort Pestana Troia</li> <li>Pestana Blue Alvor</li> </ul>	<ul style="list-style-type: none"> <li>Energy use in new buildings or retrofitted buildings: <ul style="list-style-type: none"> <li>◦ kWh/m<sup>2</sup> of GBA (Gross Building Area)</li> </ul> All indicators measured in absolute and relative terms (by room occupied or by nr of guests or by nr of houses occupied, etc)</li> <li>Carbon reductions in new buildings or retrofitted buildings <ul style="list-style-type: none"> <li>◦ kgCO<sub>2</sub>/m<sup>2</sup> of GBA</li> </ul> All indicators measured in absolute and relative terms (by room occupied or by nr of guests or by nr of houses occupied, etc)</li> </ul>

Allocation and impact reporting will be made public on Pestana's website<sup>4</sup>

#### v). External Review

##### a. Second Party Opinion

Pestana Group Hotel will engage DNV.GL to provide an External Review in the form of a Second Party Opinion on the Pestana Group Hotel Green Bond Framework, and confirm its alignment with the four pillars of the Green Bond Principles ICMA 2018.

This Second Party Opinion will be made public at Pestana's website<sup>5</sup>

##### b. External Verification

Grupo Pestana can commit to engage an assurance provider, or an External Reviewer to assess the compliance the bonds issued against the Grupo Pestana Green Bond Framework on an annual basis.

The resulting report will be made public at Grupo Pestana 's website<sup>6</sup>

#### Appendix: Eligible Projects for the allocation of the inaugural Green Bond

**A) The Eco Resort Pestana Troia** is located on the Troia Peninsula, in Grândola municipality, Carvalhal parish. The Troia Peninsula is located south of the city of Setúbal, on the left bank of the Sado estuary, constituting a long sandy sandbank that separates the inner part of the Sado estuary

<sup>4</sup> <https://www.pestanagroup.com/en>

<sup>5</sup> <https://www.pestanagroup.com/en>

<sup>6</sup> <https://www.pestanagroup.com/en>

(northeast) from the Atlantic Ocean (southwest). The planned investment for the construction of this resort is about 95 million euros.

This tourist development supports a gated community of 104 hectares, with a maximum occupancy of 955 beds, which includes three tourist villages and a social area (restaurants, bars and small shops), a swimming pool complex and a service area such as reception, administration, spaces of commerce and restoration. Here is a brief description of what Pestana Troia has to offer its guests:

- Land of 100 hectares with a 2 km virgin beach front, in private condominium;
- It is 1 km from the Troia Resort golf course;
- It is about 3 km from the Marina and Casino de Troia Resort;
- Comporta golf courses are 10 km from the resort;
- Exclusive villas of 200 to 300 m<sup>2</sup> in lots with 1,000 to 2,500 m<sup>2</sup>;
- Townhouses;
- Central core with commerce and essential services, Club House with indoor and outdoor pool, Fitness Center and SPA, tennis court, multipurpose playground, bike path, Kids Club and Adventure Park.

The green areas that the resort preserves consist of:

- Nature reserve areas belonging to the Natural Ecological Reserve, where interventions are restricted;
- Green areas of protection, where it is necessary to preserve the tree formations;
- Green framing areas, where there is the adventure park, golf driving range, maintenance circuit and clickable footpaths;
- Green areas for recreation and leisure, including the playground, mini golf, tennis courts and clickable footpaths;
- Green areas and tree alignments integrated in the road / pedestrian structure.

This privileged location of the Eco Resort requires special care related to the preservation of natural resources, enhancement of the natural and cultural heritage, minimization of environmental impacts, as well as the qualification and diversification of the tourism offer and its contribution to a unique identity in the peninsula's image of Troia.

**B) The five-star Pestana Blue Alvor:** Pestana Blue Alvor is located in Praia do Alvor, Portimão municipality. The Hotel, with a total floor area of 18,864 m<sup>2</sup>, includes 20 buildings located on a plot of 10 hectares, 750 meters from the sea. The surrounding area is slightly urbanized. The Hotel has the following infrastructures with the following areas:

- Reception with about 240 m<sup>2</sup> of usable area;
- Bar Shows, with about 619 m<sup>2</sup> of usable area;
- Nursery with about 157 m<sup>2</sup> of usable area;
- Thematic Restaurant, with about 614 m<sup>2</sup> of usable area;
- Main Restaurant, with about 886 m<sup>2</sup> of usable area;
- SPA with pool, with about 325 m<sup>2</sup> of usable area;
- Building Services and Staff accommodation, with about 977 m<sup>2</sup> of usable area;
- Buildings with 43 double rooms and 1,133 m<sup>2</sup> of usable area each;
- Buildings with 35 Double Rooms (16 Suites and 3 Bedrooms) and 964 m<sup>2</sup> of usable area each;
- Buildings with 35 Double Rooms (16 Suites and 3 Bedrooms) and 964 m<sup>2</sup> of usable area each;
- Building with 99 Double Rooms (48 Suites and 3 Bedrooms) and 1,531 m<sup>2</sup> of usable area;
- Building with 99 Double Rooms (48 Suites and 3 Bedrooms) and 1,531 m<sup>2</sup> of usable area;
- Buildings with 27 Double Rooms (12 Suites and 3 Bedrooms) and 746 m<sup>2</sup> of usable area;
- Building with 59 double rooms and 1,549 m<sup>2</sup> of usable area



The Pestana Blue Alvor is the first all-inclusive 5-star hotel built from scratch for families in the Algarve, Portugal. Guests here have access to all the comforts of a luxury resort, including meals, cold drinks, swimming pools, spa treatments, fun at the kids club, and challenges on the playing fields and access to the magnificent beaches of Alvor. The 120,000 square meters of the resort (the size of 12 football pitches), its proximity to the sea and the spacious green areas provide guests with a holiday that truly puts them in touch with nature. In order to maintain air quality and reduce pollution, only electric vehicles can circulate inside the resort.