



PLANET GUEST
PESTANA SUSTAINABILITY

SUSTAINABILITY REPORT PESTANA GROUP 2016



PESTANA
HOTEL GROUP

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1. CHAIRMAN MESSAGE

It is with great proud that I present you the 2016 Sustainability Report of Pestana Group, where we present the sustainability program of the Group, Planet Guest, namely its main initiatives and results.

The importance that tourism assumes as an economic activity in the markets where we are present makes Pestana Group's sustainability program - Planet Guest - a guiding model of what should be expected for a hotel group that intends to conduct its operation in a sustainable way: Aligning economic responsibility with job creation, local economy development, social responsibility towards employees and local communities, and environmental responsibility throughout the life cycle of our business.

In the case of Pestana's Group, we understand that the three pillars of sustainable development are relevant to the achievement of our business development strategy. Environmentally, because we develop an activity that depends on the environment, and because higher levels of efficiency in our consumption can be a source of competitiveness. Socially, 'because we understand that the well-being of the surrounding communities and of our employees are important for the satisfaction of our clients. Economically, because we know that today, as in the future, our industry is an important player for economies development.

In 2016, Pestana Group grew. With more than 3 million customers, we had a turnover of 360.1 million euros, a growth of 4% over the previous year. With a presence in 14 countries, we reached 106 hotels and 10,798 rooms, with a positive variation of 28% and 8%, compared to 2015, respectively.

In the environmental dimension, our consumption of energy and absolute water per occupied quarter decreased by 4% and 8% in 2016, a result of the effort we have been making to become more efficient.

Our commitment to local communities continued this year, with the donation of 201,000 euros by Pestana Group to the local communities that surround our units, a figure that grew by 9% over the previous year.

In 2016 we have continued to be a reference employer in our industry, although we have registered a decrease of 4% in total employees compared to 2015. It should be noted that 73% of our employees have a permanent contract, which proves the creation of stable employment in a sector in which employability is often associated with seasonality.

The path to get these results is done every day, with passion and enthusiasm, initiative and team spirit, through a set of environmental and social responsibility that our units have been implementing. Our path is also marked by the continuous search for results, with a sense of work and responsibility. It is with this energy that we intend to work in the future, investing and designing, together with our partners, in future projects that we aspire to be successful cases in terms of economic, environmental and social responsibility.





DIONÍSIO PESTANA
CHAIRMAN & OWNER OF THE PESTANA HOTEL GROUP

2. WHY WE ARE PLANET GUEST

The PLANET GUEST program, Pestana Sustainability Program, is an aggregator concept that expresses Pestana Group's position as an organization and collective of people that respects and values the environment, society and corporate ethics.

"We are all Planet Guests", its signature, reflects our deep respect for the Planet and the awareness that natural resources are decisive for the future of our business.

In addition to the environmental dimension, PLANET GUEST also includes the social pillar, which includes activities to support the community and promote responsible employability with the Pestana team. No less important is the guest dimension, which encompasses innovation initiatives in our services, awareness and involvement of clients in our sustainability campaigns.

"We are All Planet Guest" PLANET GUEST - PESTANA SUSTAINABILITY PROGRAM			
COMMUNITIES	ENVIROMENT	TEAM	GUESTS
			

The following sustainability report, which the Group has been publishing since 2009, is a voluntary exercise of accountability to all stakeholders with whom we interact. In it we present the values and policies that structure our way of acting, as well as the initiatives and results of the Planet Guest Program.

3. PLANET GUEST IN NUMBERS

BUSINESS IN 2016

14 Number of countries where Pestana Group is present.

106 Hotel units. 28% more than in 2015.

10.798 Rooms. 8% more than in 2015.

306,1 Million euros of business volume. 4% more than in 2015.

GUESTS IN 2016

3 More than 3 million Customers.

16 Unique Experiences.

875 489 Priority Guest Customers. 22% more than 2015.

IMPACTS ON THE COMMUNITY IN 2016

250 thousand euros of donations to support local communities, donated by customers and Pestana Group. 20% less than in 2015.

201 thousand euros of donations to support the local community donated by Pestana Group. 9% more than in 2015.

188 million euros paid to suppliers. 1% more than in 2015.

6,5 million euros paid in taxes. 21% less than in 2015.

ENVIRONMENT IN 2016

100% of hotels with an efficient consumption program.

8,8 Kg CO2 emissions per customer. 17% less than in 2015.

369.512 comparable energy consumption [Gj]. 1% more than in 2015.

37,18 absolute electricity consumption per occupied quarter [kWh / POR]. 4% less than in 2015.

0,70 comparable water consumption per occupied room [m3 / POR]. 8% less than in 2015.

EMPLOYEES IN 2016

4032 employees. 4% less than in 2015.

41% of women. Equal to 2015.

73% of employees with permanent contracts. Equal to 2015.

2% of employees on a part time basis. Equal to 2015.

18% of employees work in shifts. Equal to 2015.

211 number of accidents. Less 15% than in 2015.

3003 number of employees with performance evaluation. 375% more than in 2015.

4. TRAVEL THROUGH THE HOTEL PLANET GUEST

Madeira

Planet Guest Water

One of the key points of Pestana Porto Santo's sustainability policy is the desalination plant, producing water from sea water for our facilities. It is used for washing outdoor areas, swimming pools, irrigation of gardens and fire tanks. Its daily production can reach 276m³ per day.

Ecuador

Preservation of Turtles

In the area of species preservation, Pestana Ecuador invested in the creation of a nesting zone for turtles, contributing to the preservation of this species.

Miami

Life-saving Soaps

Pestana South Beach in Miami has partnered with "Clean the World" soap recycling program. This program aims to recycle soaps for distribution in less developed countries, where 1.5 million children die each year due to diseases caused by the lack of hygiene products.

Portugal

Pousada de Évora Helps Feed Local Families

Fifteen needy families in Évora started to be supported daily with meals by the local Refood project, which collects surplus food in restaurants, bakeries and hotels in the city. The Pousada de Évora has partnered with Refood to support the institution and the families it supports, with food collections every 2 days.

Brazil

Coat Campaign

For a month, employees and guests of our São Paulo hotel, in Brazil, participated in the coat campaign, which aimed to collect warm clothes for users of Recanto dos maiores, a solidarity institution that supports seniors.

Portugal

Paper for Food

All employees of Pousada de Vila Viçosa participated in the "Paper for Food" campaign of the Food Bank against Hunger. In total 500 kg of paper were donated.

São Tomé

Meal Offering to Social Institution

Pestana São Tomé has signed two social support protocols with the International Red Cross, under which it provides daily meals to Palmares, a social day center. This hotel has also supported the Children's Emergency Center that supports abandoned children, a phenomenon that has had a marked growth. The financial support given has been applied in the purchase of food.

Portugal

Local Economy Promotion

Our hotels in the Madeira region carry out diverse actions to promote local products. In addition to live demonstrations of wood craft, guests can also purchase other products that are part of the region's cultural identity, such as honey cake, Madeira wine, among others.

Portugal

Promotion of Culture

Throughout 2016 Pousada Convento de Vila Pouca da Beira hosted the Cultural and Recreational Association of Vila Pouca da Beira, through the group Melodies and Traditions of Beira Serra. The group had a regular presence in the hotel, where they performed music, dance, singing, story telling, theater exhibitions and local handicraft exhibitions.





Portugal

Books that Support the Professionalization of Children with Trisomy 21

Hotel Cidadela, in Cascais, has made an important contribution to the professionalization of children with Trisomy 21. The support has been given through the donation of a commercial space, where Deja Lu Bookstore was established. Managed by an association that sells donated books, the revenues generated have supported projects to professionalize children with this disease. In this second year of the bookstore, 30 thousand euros were donated to the Association of Trisomy 21, used to support about 60 children.

4.1. PLANET GUEST JOURNEY

Planet Guest, our group sustainability program, brings together a set of measures in the different steps that take place in our business. Below we present you examples of principles and measures that guide the operation of each of our hotels.

	PROJECT	CONSTRUCTION	OPERATION
ENVIRONMENT 	<ul style="list-style-type: none"> Inclusion of architecture and engineering solutions that promote more efficient consumption; Using, where feasible, of renewable energies; Protection of natural resources and biodiversity; Protection and rehabilitation of buildings with cultural value. 	<ul style="list-style-type: none"> Adoption of environmental management plans on site. 	<ul style="list-style-type: none"> Efficient consumption program in 100% of the hotel units with measures to reduce energy and water consumption; Waste management; Support for initiatives that protects local biodiversity.
EMPLOYEES 		<ul style="list-style-type: none"> Adoption of security plans for our employees and our partners / suppliers. 	<ul style="list-style-type: none"> Continuous training of our team of employees; Respect for equal opportunities.
COMMUNITY 	<ul style="list-style-type: none"> Use of hotel solutions that promote the well-being, health and safety of future occupants of buildings; Use of natural materials; Involvement of local institutions in the development of the project. 	<ul style="list-style-type: none"> Local job creation during the construction of the hotel unit; Acquisition, when possible, of local services and products. 	<ul style="list-style-type: none"> Support the welfare of local communities with job creation and training for the staff; Promotion of local economic development with activities associated to tourism ; Support for social causes and community institutions; Support economic local development through purchases from local suppliers.
GUESTS 	<ul style="list-style-type: none"> Adoption of solutions that promote the well-being, health and well-being of our guests. 		<ul style="list-style-type: none"> Participation of our guests in the social responsibility initiatives of Grupo Pestana; Education guest's campaigns for resource preservation and respect for local culture.

5. PESTANA GROUP: OUR BUSINESS IN 2016

5.1 PESTANA GROUP ACTIVITY IN 2016

With 106 units in 14 countries, Grupo Pestana closed 2016 with 360.1 million euros in revenues, 4% more than in 2015. It also recorded an EBITDA of 94.8 million euros, more 7% than the previous year.

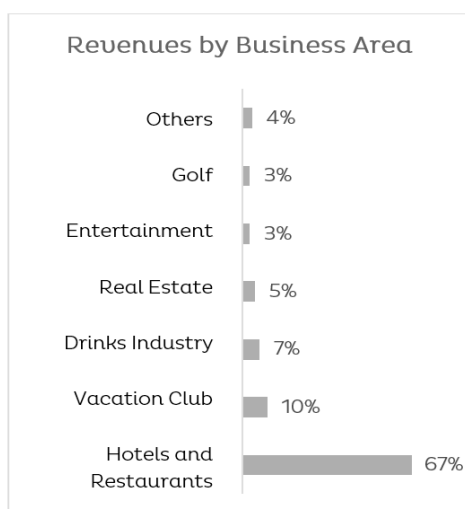
MAIN ECONOMIC KEY PERFORMANCE INDICATORS IN 2016	△ 2015 - 2016
360,1 Million euros of revenue.	+ 4%
94,8 Million euros of EBITDA (includes financial investment income and expenses)	+ 7%
64% Average occupancy rate	- 1 p.p.
More than 3 Million guests	
188,7 Million euros paid to suppliers	+ 1%
88,3 Million euros of employee costs	- 0,2%
9,3 Million euros of direct and indirect taxes	- 4,1%
674 Thousand euros of financing received from the Government	+ 300%

5.2. EVOLUTION OF THE MAIN BUSINESS AREAS

In 2016, revenue and distribution of operating income by business area remained mainly the same as in the previous year, with the hotel and restaurant business representing, in 2016, 67% and 71%, respectively. The vacation club business unit accounted for 10% and the beverage industry 7%.

Real estate activity, which accounts for 5% of the group's revenues, and which is mainly developed in Portugal, in the Troia and Carvoeiro projects, continued to grow by 25.6% in 2016, after having grown by 27% in 2015.

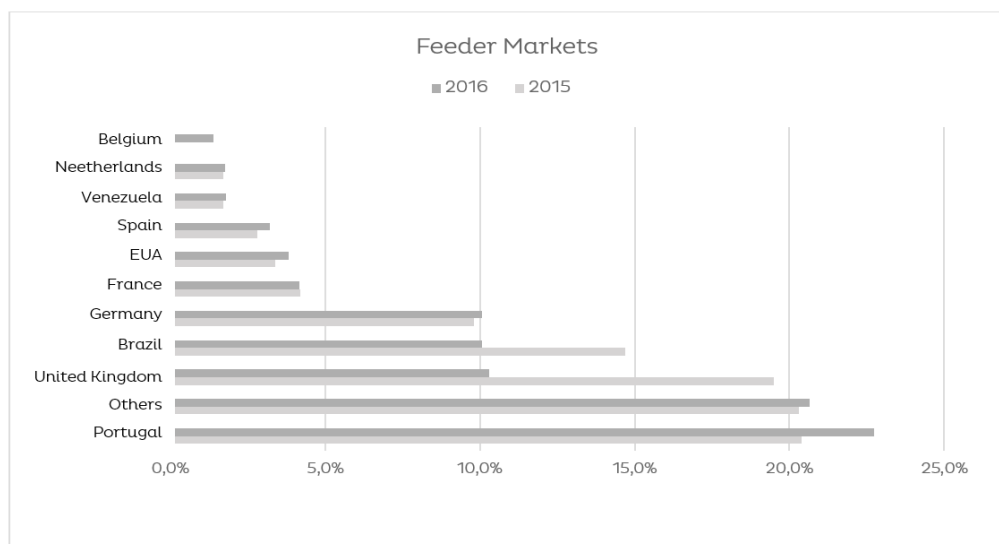
Golf accounted for 3.1% of the Group's revenues in 2016, growing 10.5% in revenues and 19% in gross operating income compared to 2015, supported by 6 golf courses: Alto Golf, Pinta, Gramacho, Silves and Vila Sol in the Algarve, and Beloura, in Lisbon. The Casino activity had a 2.2% weight of the Group's activities, with Madeira Casino being the main responsible for the revenues of this segment.



5.3. HOSPITALITY

With more than 3 million customers, the Group had an average occupancy rate of 64% in 2016, with a negative change of 1 pp compared to 2015. The market share by country of origin of the Group's customers remained the same to 2015, with Portugal, United Kingdom, Brazil and Germany representing the greatest weight.

The main feeder markets remained the same as in the previous year: Portugal, the United Kingdom, Brazil, Germany and France, highlighting the continued growth of domestic demand, with a 22.7% share in 2016.

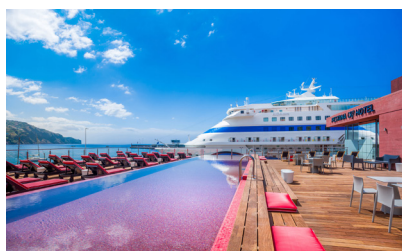


5.4. OPENINGS / REFURBISHMENT IN 2016

In addition to the opening of new units and the refurbishment of some assets, 2016 was marked by the opening of the new CR7 hotel segment, a lifestyle hotel in partnership with Cristiano Ronaldo. In 2016 Pestana CR7 Lisboa and Madeira were opened. Openings are planned for New York and Madrid.

OPENINGS / REFURBISHMENT

(Full information on acquisitions, sales can be found in the Annual Report)



Pestana CR7 Madeira opened in June 2016, with 48 rooms.



Pestana CR7 Lisbon, opened in August 2016, with 89 rooms.



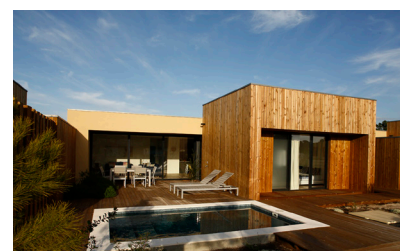
Pestana Bahia Beach hotel in São Miguel, Azores - Portugal, opened in May 2016 with 102 rooms, after being refurbished.



Pestana Alvor Praia opened in May 2016, after refurbishment with 202 rooms.



Pestana Algarve Race, opened in the second half of 2016, with 75 rooms.



Launch of the 4th phase of Our Troia Project.

5.5. AWARDS

Throughout 2016, our units, as well as Pestana brand, received several awards and distinctions in the market, of which we highlight the following:

- ▄▄▄ Pestana Hotel Group elected as one of the 36 Superbrands 2016 of the Portuguese market;
- ▄▄▄ Pestana Porto Santo elected in 2016 as one of the 25 best luxury hotels in Portugal by Travelers' Choice of TripAdvisor;
- ▄▄▄ Pestana Hotel Group was elected Trusted Brand 2016, an election of Reader's Digest readers;
- ▄▄▄ Pestana Caracas received the World Travel Awards for Best Hotel in Venezuela in 2016;
- ▄▄▄ Pousada de Lisboa received the National Prize for Urban Rehabilitation.

6. SUSTAINABILITY RESULTS

The sustainability results we present in this chapter are focused on 3 distinct areas: local community support, environment and staff.

The sustainability results stem from a set of voluntary Policies that express Pestana Group's commitment to social and environmental aspects associated with our business, such as safety, health and safety, community support, quality of service and environment.

PESTANA SUSTAINABILITY POLICIES
Occupational health and safety policy, improving the quality of life of our employees, with an impact on productivity.
Corporate social responsibility policy, valuing the external social dimension of our business, and its impact on the local communities.
Quality and service policy, that aim to increase the loyalty of guests and employees. Communication policy, which promotes dialogue in a clear and transparent way.
Environmental policy, which seeks to reduce the impact of our products and our activity in the environment.



SUSTAINABILITY RESULTS		
Support to Local Communities	Environmental Performance	Social Performance (Pestana Team)

6.1. ENVIRONMENTAL PERFORMANCE

The Challenge of Our Business Sector

Respect the nature, reducing the environmental impacts associated with our buildings. Use of environmental resources responsibly. Qualify the development and management of sustainable tourism in protected areas, considering environmental priorities, local people and visitors.

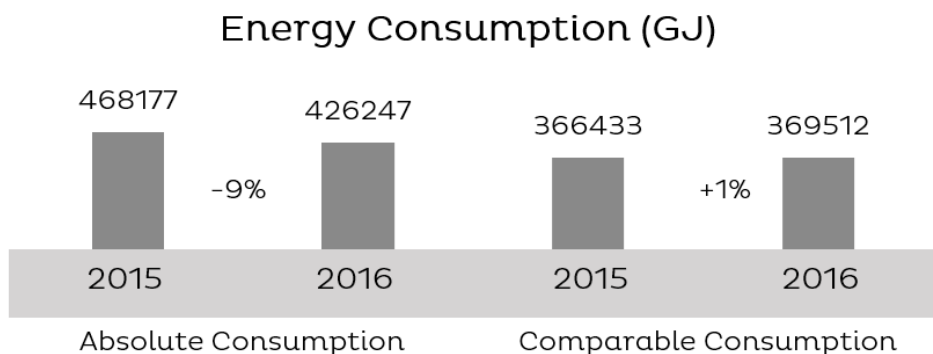
Pestana Group Answer

It is the policy of Pestana Group to make better use of the natural resources of our planet. With it we seek to guarantee the quality of life in the future, also contributing to the reduction of operating expenses through more efficient consumptions. Some Pestana units are located in, or near, protected areas. Because they have relevant ecological attributes, these areas need greater protection of their resources. It is the Group's policy to respect and preserve them, as well as participate in protection initiatives carried out by their management entities.

Environmental performance per occupied room reveals efficiency gains in the consumption of electricity, water and natural gas, where consumption has changed negatively, both in terms of absolute consumption and consumption among comparable hotel units. On the other hand, we have experienced a loss of efficiency in diesel, where there were absolute increases of 59% and 105% in comparable hotel units.

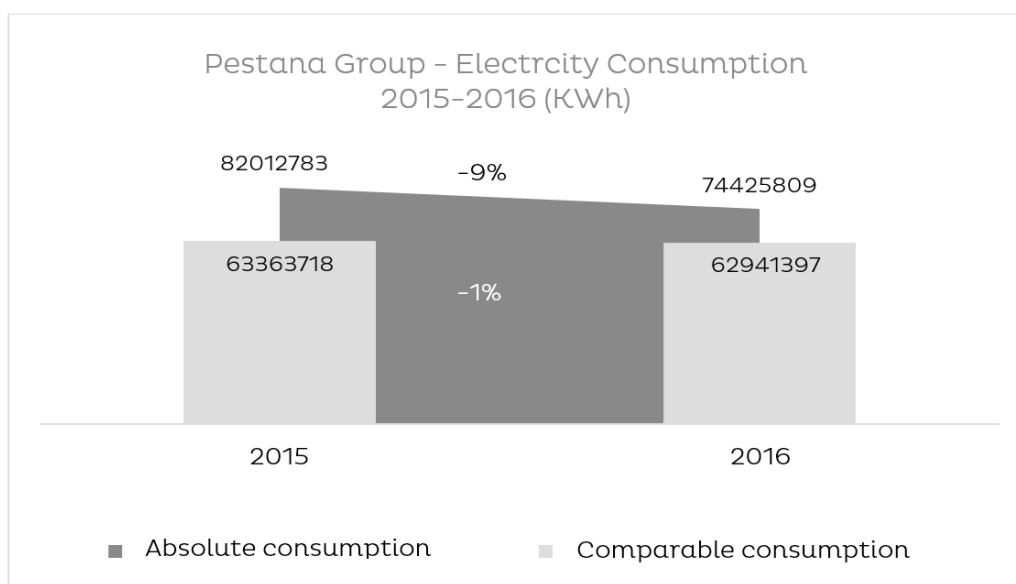
PESTANA GROUP ENVIRONMENTAL PERFORMANCE PER OCCUPIED ROOM(POR)			
OUR COMMITMENT	PERFORMANCE INDICATOR	ABSOLUTE VARIATION 2015-2016	VARIATION 2015-2016 IN COMPARABLE UNITS
<i>Increase the level of efficiency in the consumption of resources in all hotel units</i>	Electricity [kWh/POR]	-4%	-2%
	Water [m ³ /POR]	-8%	-8%
	Natural Gas [m ³ /POR]	- 4%	- 1%
	GPL [kg/POR]	+ 1%	+ 1%
	Fuel [L/POR]	+59%	+105%

Absolute **energy** consumption has a negative variation of 9% between 2015 and 2016. In comparable units there is a 1% increase. In terms of energy profile, electricity, as in previous years, continues to have the heaviest weight, followed by GPL, with 63% and 20%, respectively.

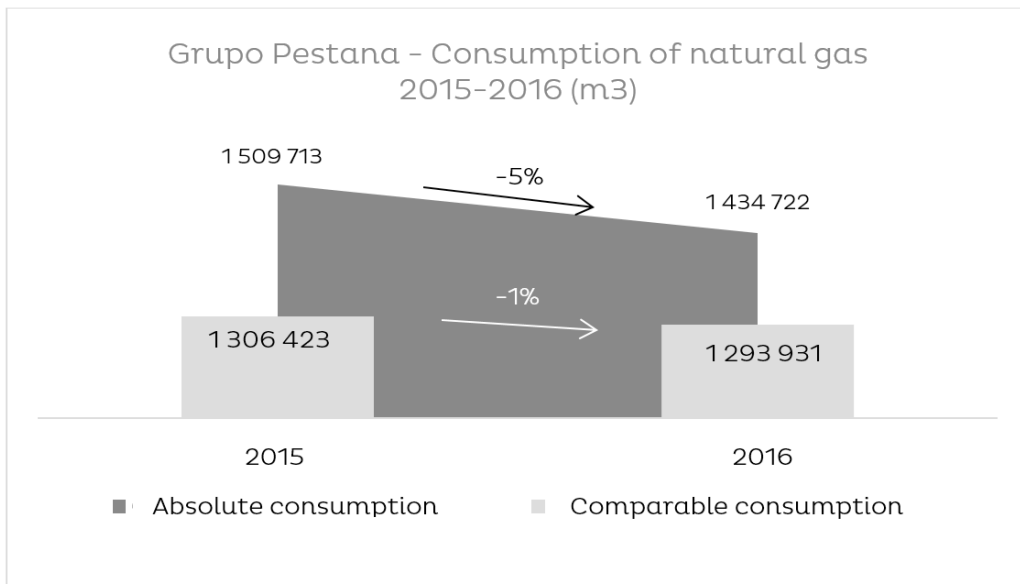


6.1.1. PERFORMANCE BY ENVIRONMENTAL ASPECT

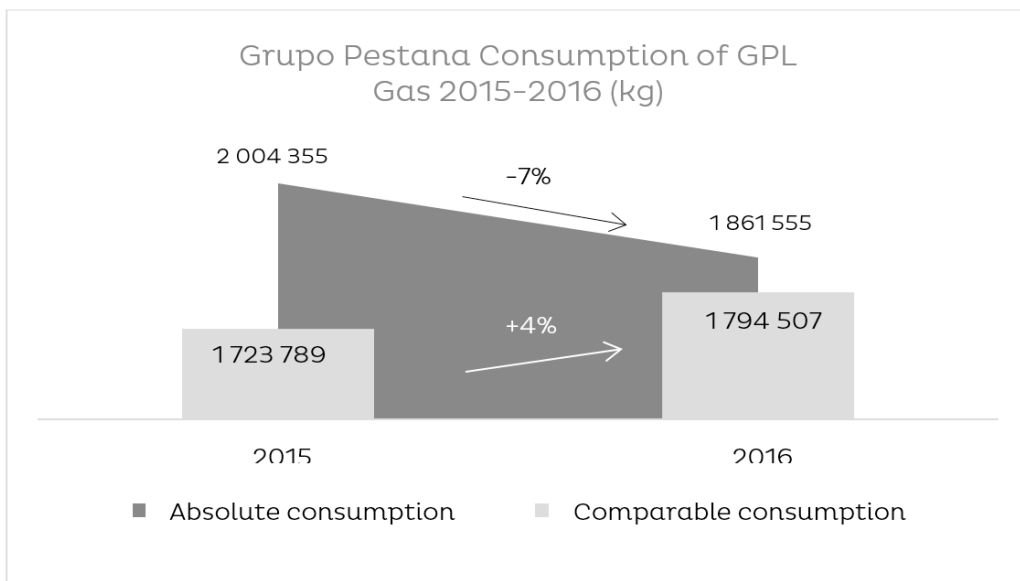
The absolute consumption of **electricity** shows a decrease of 9% in 2016 compared to the previous year. The variation of consumption among comparable hotels shows a decrease of 1%.



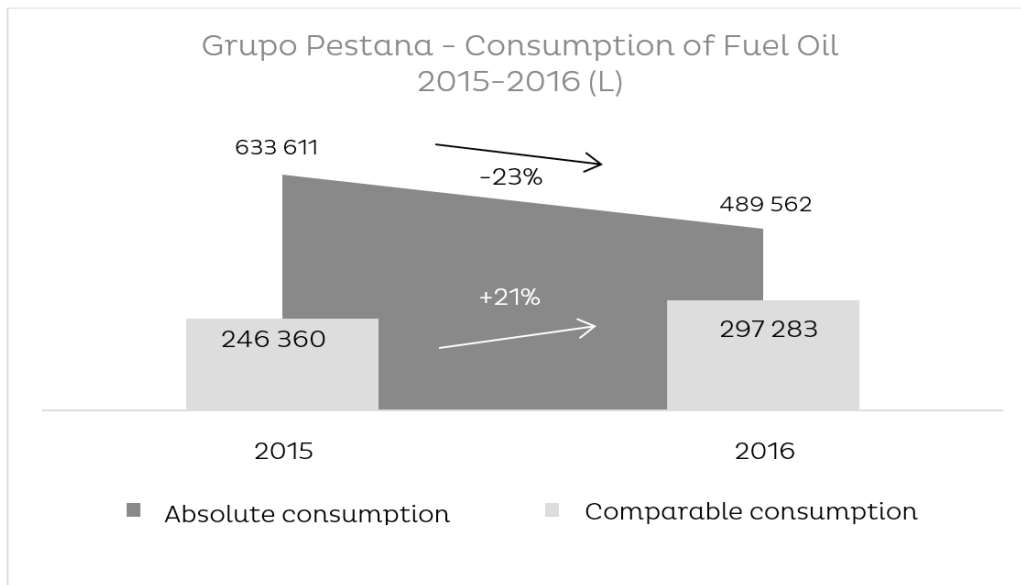
The consumption of **natural gas** also saw a decrease in 2016 of 5% and 1% in absolute and comparable terms, respectively.



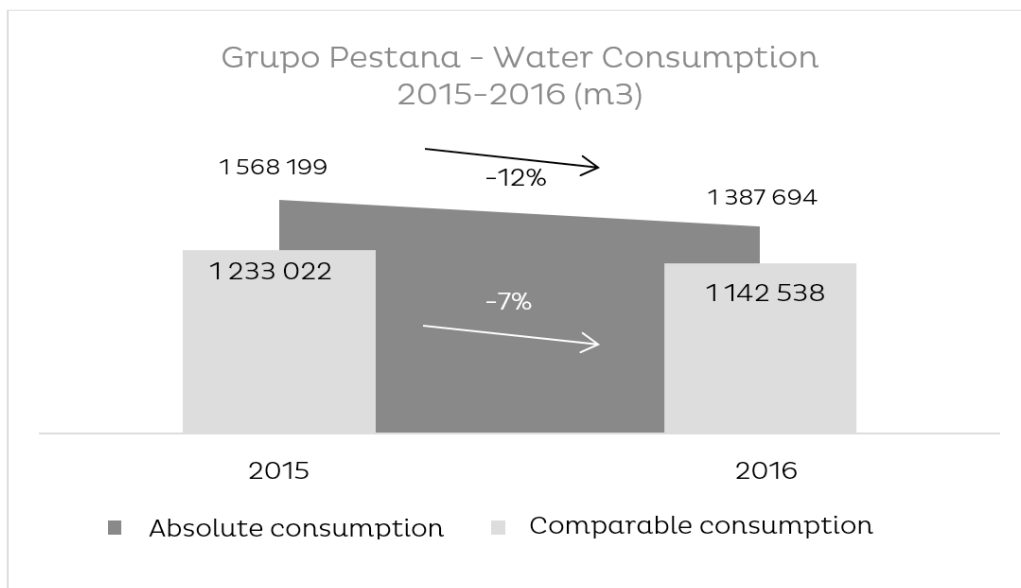
GPL Gas consumption fell by 7% in absolute consumption and in comparable hotel units increased by 4%.



Absolute **Fuel Oil** consumption decreased by 23% in 2016 compared to 2015, with a positive change of 21% in consumption between comparable hotel units.

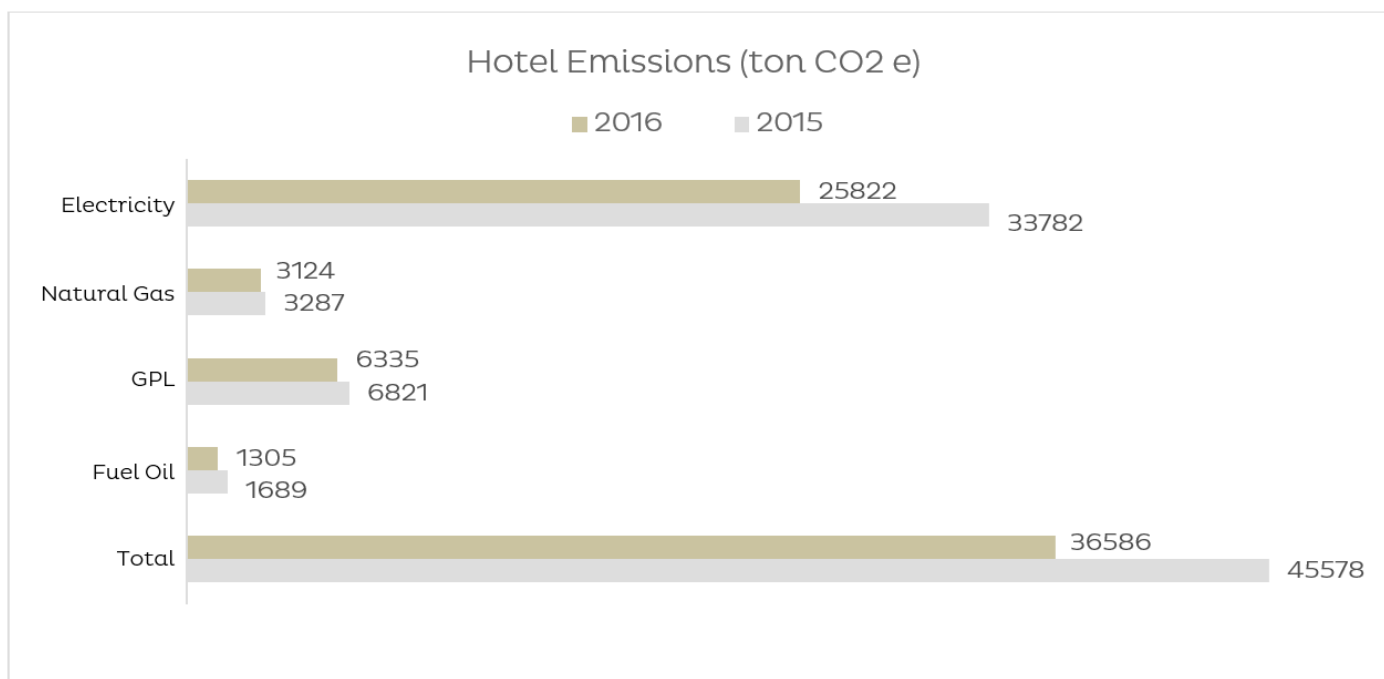


Water consumption in all units fell by 12% and 7% in comparable hotel units.



Absolute emissions of **CO2** associated with buildings show a decrease of 20% Electricity assumes the largest weight in terms of emissions, followed by propane and natural gas.

Emissions per customer were 8.8 kg CO2 eq / customer in 2016, down 17% on the previous year.



6.1.2. DESCRIPTION OF INITIATIVES IMPLEMENTED TO IMPROVE ENVIRONMENTAL PERFORMANCE

The environmental responsibility of Pestana Group is present throughout the business cycle, from the design phase through to the operation phase. In 2016 the main initiatives implemented were associated with energy, customer environmental awareness, recycling and protection of the environment and biodiversity.

We design objectives for a more efficient consumption of ENERGY	We have implemented ENVIRONMENTAL CAMPAIGNS to improve the AWARENESS of our CUSTOMERS	RECYCLING Initiatives	Campaign and initiatives to PROTECT THE ENVIRONMENT AND BIODIVERSITY
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ENERGY

The search for higher efficiency levels has been mainly focused on energy. In this area, we continued to develop our monitoring system that allows us to monitor our consumption (which includes, in addition to energy, water), allowing a detailed analysis of the environmental performance of each hotel unit.

The system has been implemented by geographical areas since 2014. In 2016, the energy committee, which was created previously in each hotel unit and where those responsible for each operational area participate, continued to identify measures to increase efficiency. In 2016, the following initiatives were implemented, which helped to stabilize the Group's energy consumption.

INITIATIVES IMPLEMENTED TO INCREASE ENERGY EFFICIENCY IN 2016

In **Alentejo** and **Bahia Praia - Açores** units, and with a direct investment of Grupo Pestana, SI-MAC, the System of Monitoring and Alert of Consumption, was implemented;

At **Pestana Bahia Praia - Açores**, a 300 kW biomass plant was installed for hot sanitary waters, which will replace 46% of the consumption of butane gas;

At **Pestana Palace - Lisbon**, the energy efficiency project was continued, which could boost annual energy savings of 20%;

At **Pestana Alvor**, the energy efficiency project was continued, which will boost an annual reduction in energy consumption of 17%. A photovoltaic installation with 40 Kw_p was also made, which produced 6% of the electricity consumptions in 2016. It is expected to increase to 12% of annual consumption in the next years;

At **Pestana Viking - Lagoa**, the integrated energy efficiency project was implemented. It intends to allow energy savings of 45%, mainly in the consumption of diesel;

At **Pestana Casino Park - Madeira** an energy efficiency project was implemented, with the installation of variable speed pumps and LED lighting, which aims to reduce electricity consumption by 5%.

▮ ANOTHER ENERGY INITIATIVES

In order to reduce energy consumption, the following actions are part of the modus operandi of our units:

▮ Efficiency programs with specific measures In order to reduce energy consumption, the following actions are part of the modus operandi of our units by area of activity (Reception, House-keeping, Laundry, F & B, Kitchens, Gardens, Pools, Maintenance, etc.)

▮ Carrying out training, awareness-sessions and communication of good environmental practices;

▮ Information campaigns for customer awareness regarding efficient consumption;

▮ Energy management:

- Aggregation of guests by zones avoiding consumption in unoccupied areas;
- Elimination of consumption associated with equipments that do not need to be connected;
- Replacement of equipment with more efficient ones (eg light bulbs);
- Control of rooms electrical systems through the room key;
- Control of the ambient temperatures in the common areas of the hotel;
- Sensors in zones of passage and of less permanence.

▮ RECYCLING AND CIRCULAR ECONOMY

Giving a Second Life to Materials Consumed

It is a common practice in the Pestana units to promote recycling practices, particularly of the most important consumed materials such as paper, plastic, glass, lamps and batteries, in addition to organic waste.

Hotel Dom João II GIVES 250 kg of paper

In 2016 hotel Dom João II delivered 250 kg of paper for recycling. This paper was delivered to the food bank against hunger, which later switches to food.

▮ ENVIRONMENTAL AWARENESS OF CUSTOMERS

Awareness of guests towards responsible water consumption

In our units we educate our guests towards a more responsible water consumption, through flags that highlight the need to preserve this resource, especially in areas of water scarcity, such as Africa, where we have several units. These campaigns have economic significance, since a lower water consumption translates into a reduction of costs of our operation.

Planet Guest Water

In 2016 we continued to use the planet guest bottle, with the aim of reducing glass production (because the bottles are reused and washed). The water used to refill the bottles comes from the public network (Porto Santo desalination plant). In the rooms, guests have access to information that appeals to refill the water bottles.

Desalination Plant

One of the key points of Pestana Porto Santo's sustainability policy is the desalination plant, producing water from sea. This water is used for washing our outdoors« areas, swimming pools, as well as irrigation of gardens and fire tanks. Its daily production can reach 276m³ per day.

Organic Products

Organic farming has been a priority for many Pestana units. Many of the products used in the preparation of guest meals are locally grown biologically.

▮ PROTECTION OF ENVIRONMENT AND BIODIVERSITY

Preservation of Giant Blankets by the Pestana Bazaruto Lodge

When a diving instructor discovered a gigantic blanket station a 15-minute boat ride from Pestana Bazaruto Lodge, the hotel management knew he would have to support the preservation of this species. This is how the partnership with the Marine Mega Fauna Foundation was born, for the study and research of giant mantas and whale sharks on the island of Bazaruto. This partnership allows the resort's guests to participate in the study and research activities of these extraordinary animals and their migratory routes, thus contributing to its preservation. It is noteworthy that in just 6 other places in the world it is possible to have encounters of this nature.

Marine resources preservation Pestana Ecuador supports turtle nesting

Pestana Ecuador was responsible for the creation of a turtle nesting zone, contributing to the preservation of this specie. It has also carried out actions to raise environmental awareness among the population, alerting them to the economic value of local natural resources, such as whales and dolphins, much appreciated by tourists. He also invested in the opening of 14 kilometers of rails within the Ilhéu das Rolas, allowing tourists, but also the population, direct contact with local flora and fauna. The 5 hotels in São Tomé of the Pestana Group have also been responsible for promoting cleaning actions in adjacent localities and beaches, in some cases with the participation of volunteers from the local community.

Green Key Award for 8 Pestana hotels

Some hotels within the Pestana Hotel Group have been distinguished for the sixth consecutive year with the Green Key, a certificate that distinguishes hotels that promote sustainable tourism by practicing correct environmental management in their units. Pestana Carlton Madeira, Pestana Casino Park, Pestana Grand, Pestana Palms, Pestana Promenade, Pestana Miramar, Pestana Village and Pestana Bay were awarded the Green Key Award 2015 for their contribution to a sustainable individual and collective awareness.

Hotel Dom João II wins sustainability award

Pestana Hotel Dom Joao II has competed, as it has been happening in the last 3 years, to the international award of sustainability, Travel Gold. As in previous years, the hotel has been awarded the highest award in terms of international sustainability - TRAVEL GOLD CERTIFICATE - valid from 2016 to 2018.

6.2. SUPPORT TO LOCAL COMMUNITIES

The Challenge of Our Business Sector

Depending from the local communities, a hotel must be permanently attentive to the needs of the populations that surround it. It should encourage the social welfare of local communities, supporting diverse social institutions that works in the weakest areas of society.

Grupo Pestana Answer

In the development of its activity, Grupo Pestana is concerned with contributing to the well-being and quality of the local community, promoting its development.

PESTANA GROUP COMMUNITY SUPPORT IN 2016: MAIN INDICATORS

250 thousand euros. Total value of support given to the community

67 thousand euros donated through the campaign "Thank you for helping". 65% less than the previous year

201 thousand euros donated by Pestana Group in 2016. This value accounts for financial donations associated with all 2016 social responsibility projects, 9% more than in 2015

6.2.1. "THANK YOU FOR HELPING" CAMPAIGN

"Thank you for Helping" is the social responsibility campaign transversal to all Pestana hotel units in Portugal. Upon checkout, guests are invited to add 1 Euro to their account to help institutions from the local community in need. Pestana Group doubles the amount donated, adding another Euro to each voluntary contribution of its guests. In 2016 this campaign managed to collect 67 thousand euros.

6.2.2. KEY LOCAL COMMUNITY SUPPORT INITIATIVES

In addition to the "Thank you for Helping" social responsibility campaign, each hotel develops specific initiatives that respond to the specific needs of the social context in which each one operates. In 2016 the social responsibility initiatives of Pestana Group were focused on the following areas:

TYPES OF SUPPORT	AREAS COVERED BY THE SOCIAL RESPONSIBILITY INITIATIVES OF PESTANA GROUP	
Donation of Goods Financial Support Volunteering Fundraising	We promote the ARTISTIC creation	We protect the BIODIVERSITY
	We support EQUAL OPPORTUNITIES FOR ALL	We are partners for the PUBLIC HEALTH AND SAFETY
	We promote ENTREPRENEURSHIP	We support POVERTY ALLIVIATION
	We seek to positively impact the development of LOCAL ECONOMY	

▮ POVERTY ALLIVIATION

Pousada de Évora Partnership with ReFood to feed families

The ReFood project, created in 2011 by the North American Hunter Halder, aims to collect food that is not used in hotel and catering establishments and distribute it to needy families.

Fifteen needy families in Évora started to be supported daily with meals by the local ReFood project, which collects food surpluses in restaurants, bakeries and hotels in the city. Pousada de Évora has partnered with ReFood to support the institution and the families it supports, with food collections every 2 days.

Coat Campaign Warms up winter

During a month, employees and guests of the hotel unit of São Paulo, Brazil, participated in the clothing campaign, which aimed to collect warm clothes for users of Recanto dos maiores, a solidarity institution that supports seniors in need.

Make a wish Portugal

In February 2016, Pestana Palácio do Freixo hosted and participated in the organization of the “Make a wish Portugal” charity dinner, whose mission was to collect funds for children and young people’s wishes, between the ages of 3 and 18, with serious, progressive, degenerative or malignant diseases. Making a wish sends a positive message of hope, strength and joy to a child when she needs it most.

Paper for Food Campaign

All employees of Pousada de Vila Viçosa participated in the “Paper for Food” campaign of the Food Bank against Hunger. In total 500 kg of paper were donated.

Daily Meals Ofert

The Pestana Hotel Group in São Tomé has signed two social support protocols with two relevant social institutions operating in this country. With the International Red Cross, the protocol aims to offer daily meals to the Palmares day center, promoted by the São Tomé Casino. The protocol with Marquês Valle-Flor Institute aims to provide special accommodation and food. This is a relevant partnership since the Institute has made a great contribution to the improvement of health care in the country. This hotel has also supported the Children’s Emergency Center that supports street children, a phenomenon that has had a marked growth. The financial support given has been applied in the purchase of food.

Pestana Tropic supports disadvantaged children

Every Thursdays this hotel unit prepares and offers lunch to 50 children and young people from troubled neighborhoods, in an initiative carried out in partnership with ICCA (Cape Verdean Institute for Child and Adolescent Support). This hotel unit also provides support to 20 disadvantaged children.

Pestana Hotels in da Madeira Give clothes and toys

Hotels in Madeira organized a campaign to collect clothes, books and toys, together with employees and clients, to donate to children that live in two social institutions in that region. The delivery was made at a Christmas party where the goods collected were offered.

Solidarity Christmas Pousada de Estremoz

In 2016, as in previous years, Pousada de Estremoz offered toys, blankets and clothes to social institutions of its local community. The goods offered were collected from customers and employees.

“WE ARE TOGETHER “- Tilizinwe Community Development Project

In Pestana Bazaruto resort, the needs of the local community, Machulane, are evident: without access to potable water, electricity or health care, the population depends on fishing and the sale of handicrafts for their survival. With 90% of illiterate adults, and only 60% of children attending school, the hotel management has developed an ambitious community development project that aims to generate social value in the medium and long term.

AMBITION	WHAT WE HAVE DONE
Generate alternative income opportunities for the local population while preserving their culture	<ul style="list-style-type: none">- Construction of a community center where didactic activities are carried out. English and digital literacy classes (computer use) take place in the center. It is in this center that is organized the craft market, much visited by tourists- Training of community members in the hospitality sector. To date 15 graduates have been awarded with employment at the hotel for the skills they have gained in training.- The gardening services are acquired by the hotel to the Tilizinwe association, and run by members of the local community. The hotel also contracts the cleaning of the beach to community members.- Some members of the community make tourist visits to hotel guests. The guide gets 80% of the price of the visit, giving 20% to the project fund to be reinvested.- During school holidays the hotel offers traineeships to young people from the local community, enabling them to acquire new skills and professional experience.- Community members grow various produce in a vegetable garden that supplies the hotel.

<p>Promote access to basic goods such as food, health, water and electricity</p>	<ul style="list-style-type: none"> - Construction of a health center. The funds for its construction were raised through auctions co-promoted by the hotel - Construction of a community store where basic food products are available at low price. In articles where there is a margin the profit is reinvested in the community project.
<p>Support the education and healthy growth of the island's children</p>	<ul style="list-style-type: none"> - Sponsorship of school education for 8 children. Since there are only 7 years of schooling on Bazaruto Island, the hotel is sponsoring the costs associated with the stay of the 8 children on the nearest island with the next levels of schooling - Concerned about the malnutrition to which the children of the local community are exposed, the hotel has developed a campaign that guarantees a daily meal for each child. This initiative has been possible with the support of guests, who before their departure often end up leaving to the local community some products and offerings.
<p>Develop a culture that preserve the island's resources and promotes community participation in the management of these resources</p>	<ul style="list-style-type: none"> - Environmental awareness sessions aimed at children and adults in the community. - Support for marine conservation classes and swimming lessons for children in partnership with the Marine Mega Fauna Foundation, which has carried out intense work on environmental education. Before the start of the project only 17 people from the Machulane community knew how to swim. In addition to the training of 7 instructors from the community, the project also gave classes to 45 children.

▮ CONTRIBUTION FOR EQUAL OPPORTUNITIES

Support the purchase of orthopedic equipment for Portuguese Association of Disabled People

The Madeira hotels also collected and delivered, in 2016, several kg of plastic caps to the local delegation of the Portuguese Association of Disabled People. This initiative, integrated in the national campaign, "Give a cap to the indifference", aims to collect funds for the acquisition of orthopedic material.

Pousada de Vila Viçosa Supports Red Cross campaign

Pousada de Vila Viçosa collected 5 kg of caps from the various sections of the hotels. The campaign aimed the acquisition of wheelchairs by the Red Cross.

Books that support children with Trisomy to become professionals

The Cidadela hotel, in Cascais, has made an important contribution to the professionalization of children with Trisomy 21. The support has been given through the donation of a commercial space, where Deja Lu Bookstore was launched. The bookstore is managed by an association that sells donated books. The revenues generated by sales have supported projects to professionalize children with this disease. In this second year of the bookstore, 30 thousand euros were donated to the Association of Trisomy 21, used to support about 60 children.

Pestana Grand Solidarity with the Association that works with autism

The Pestana Grand promoted a clothing collection campaign that was delivered at APPDA, the Portuguese Association for Developmental Disorders and Autism of Madeira.

Pestana Village&Miramar Gives summer to the elderly

Pestana Village & Miramar organized summer activities for groups of seniors, in partnership with Garouta do Calhau Association. With this partnership the hotel has provided a more active summer to about 30 seniors.

Hotel Dom João II Celebrates child's day

On June 1, when the children's day is celebrated in Portugal, the Hotel Dom João II invited the children from a social institution at psychosocial risk to snack at the hotel. The children came to eat and play in the gardens of the hotel, and had a different way to celebrate the date.

Grupo Pestana partner of EPIS Entrepreneurs for Social Inclusion

The Pestana Group has established an agreement to support EPIS - Empresários pela Inclusão Social, whose mission is to promote social inclusion in Portugal. The organization is focused on training young people in need, through education, training and professional inclusion. Within the scope of this partnership, Pestana Group will be a supplier and partner of EPIS, through services such as merit traineeships to EPIS university students, participation in the EPIS Volunteer Program or award of social grants. In this context, the group has already awarded the first grants of merit for teaching, by supporting three students for three years, allowing them to continue their studies in higher education.

Grupo Pestana partner of KANIMAMBO

GRUPO PESTANA support the mission of KANIMAMBO, the Association that works with Albinism. The support is given through the offer of free rooms, up to 35 nights of accommodation, in double rooms at the Hotel Pestana Rouuma (Maputo), subject to certain conditions.

▮ PROMOTION OF PUBLIC HEALTH AND SAFETY

Second life of soaps Saves children's lives

Pestana South Beach, in Miami, has partnered with "Clean the World" soap recycling program. This program aims to recycle soaps for distribution in less developing countries, where 1.5 million children die each year due to diseases caused by the lack of hygiene products.

Health and Public Safety of Ilha das Rolas Saúde Assured by Pestana Ecuador

Pestana Ecuador has been responsible for maintaining the local medical post and for hiring a nurse. It also supports the acquisition of medicines for clients, staff and members of the community. He has also been financing the ambulatory service, which does not exist on the island, as well as the maintenance of the local police station, ensuring the salaries of the police. It was also the hotel that had financed local fountain, allowing access to water by the local community.

Hotel Pestana Sintra Supports Firefighters with Food

In order to contribute to a greater welfare of the firemen during the fire season of the summer of 2016, the Hotel Pestana Sintra donated food to the fire company of S. Pedro de Sintra.

▮ FACILITATORS OF ENTREPRENEURSHIP

CR7 Funchal

Facilitates meetings of entrepreneurs

Pestana CR7 in Funchal promoted the AFTERWORK initiative, a set of networking events where entrepreneurs meet after a day of work to exchange contacts, share experiences, get to know each other and present new ideas in a simple, bold and cosmopolitan way. They also give local projects the opportunity to activate their brands and make themselves known to the market.

▮ ART

Pousada de Cascais redesigns artistic map of the city

With the creation of the Citadel Art District

The Cidadela Art District is an innovative artistic space created by Pestana Group. It was born in 2014 as an art center for visitors and guests, reinforcing Cascais's position as a cultural territory, in conjunction with the Cascais Cultural Center and Paula Rego's House of Stories. This innovative initiative exemplifies the role a hotel group can play in strengthening the cultural positioning of a city. It has 6 live creative studios, allowing guests and visitors to watch the creative process. These 6 studios, donated free of charge for periods of one year, were occupied by a group of contemporary Portuguese artists: Paulo Arraiano, Pedro Matos, Susana Anágua, Duarte Amaral Netto, Bruno Pereira and Paulo Brighenti. The 6 artists were responsible for creating 6 author rooms at the Pousada de Cascais, as well as for the facilitation of several lectures and workshops.

Grupo Pestana Partner of the Art Institute

Grupo Pestana supports the Art Institute. The mission of this organization, based in New York, is to promote Portuguese art and culture in that city and in the world. It provides an intercultural space of inspiration, being a catalyst for an innovative artistic dialogue between the various communities of New York and Portuguese artists.

▮ SUPPORT TO THE LOCAL ECONOMY

Units of Madeira

Promotion of local products

The hotels Colombos and Pestana Porto Santo, in Madeira region, carry out various initiatives to promote local products. In 2016 a craft fair on a weekly basis with local artisans, allowed local talents to show their work and raise their income. This initiative has been in place since 2012. Another step we have taken to boost the local economy has been the protocol signed with local farmers, in which both parties undertake to buy and supply, locally produced agricultural products, mostly of the times without resorting to the use of fertilizers or pesticides, thus benefiting organic farming and the freshness of the products made.

Pousada Convento de Vila Pouca da Beira

Promotes local culture

Throughout the year 2016 Pousada Convento de Vila Pouca da Beira hosted the Cultural and Recreational Association of Vila Pouca da Beira, through the group Melodies and Traditions of Beira Serra. The group had a regular presence in the hotel, where they performed music, dance, singing, story telling, theatre, exhibitions and local handicraft exhibitions. The Cultural and Recreational Association of Vila Pouca da Beira was founded in 2009 with the clear objective of enhancing and promoting the artistic heritage of the Village, which has about 300 inhabitants.

As a member of GRACE, an association that includes companies and institutions committed with sustainability, Grupo Pestana has been sharing their own sustainability practices with GRACE members. It also worked in the elaboration of a reference document about sustainability in the tourism sector "Challenges and Opportunities of Social Responsibility in the Tourism Sector". Elaborated in 2014, the document describes the main social and environmental risks for the sector, presenting examples of initiatives implemented to mitigate them.

6.3. INTERNAL SOCIAL PERFORMANCE

The Challenge of Our Business Sector

Having professionals with the suitable technical and personal skills to perform their duties.

Pestana Group Answer

Pestana Group understands the fundamental role that its employees play in the Group. We have as policy to recruit qualified employees for the functions they perform. Our human resources policy also includes a set of management processes for the development and retention of our best employees.

MAIN HUMAN RESOURCES INDICATORS IN 2016

4032 employees. 4% less than in 2015.

41% of women. Equal to 2015.

73% of employees with permanent contracts. Equal to 2015.

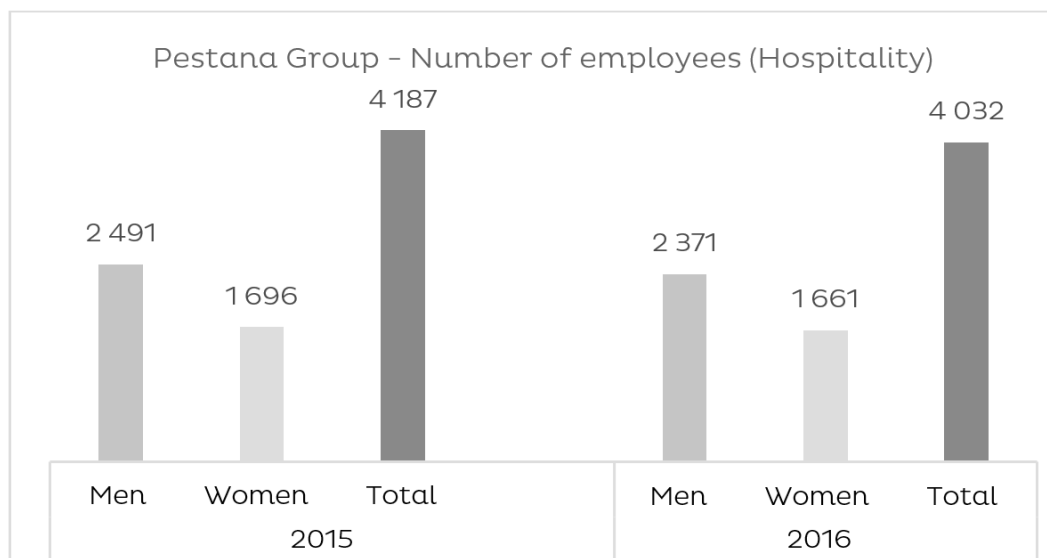
2% of employees on a part time basis. Equal to 2015.

18% of employees work in shifts. Equal to 2015.

211 number of accidents. Less 15% than in 2015

3003 number of employees with performance evaluation. 375% more than in 2015.

O número de colaboradores diminuiu 4% em 2016 face ao ano anterior, totalizando um total de 4032 colaboradores de hotelaria. Em 2016 as mulheres representam 41% dos colaboradores.



The human resources policy of Pestana Group is based on the following principles:

- Adapt the individual to the role and allow their self-improvement.
- Assess the potential of development of each employee and allow their development.
- Training in both technical and behavioral areas.
- Motivate, accelerate, reward or change the employee to other functions.
- Improve communication and interpersonal relationships

Pestana group, mainly in the Portuguese market, makes a relevant contribution to the sector's employability. 73% of employees have permanent contracts. Only 18% work in shifts. In 2016 we have registered an 81% increase in the number of employees who received a performance evaluation. The number of accidents with absence from work reduced 17% from 2015 to 2016, with a total of 123 accidents.

INDICATORS	2015			2016		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
% of employees with permanent contract	75%	79%	73%	74%	78%	73%
% of shiftworkers	20%	15%	18%	21%	14%	18%
% of employees that belongs to an union	22%	17%	20%	23%	25%	24%
% of employees with performance evaluation	24%	21%	23%	82%	81%	81%
Nº of work accidents with absence from work (n.º)	93	56	149	81	42	123

In a constant effort to reach excellence levels in Pestana's team, the Group has committed to several activities to achieve its objectives:

▮ TRAINING

The training activity had a total of 31,612 hours of training in 2016, which represents an average training volume per employee of 8 hours.

WEIGHT OF HOURS OF TRAINING BY PROFESSIONAL CATEGORY	2015	2016
Board Members	0,2%	1,9%
Chief Operating Officers	0,5%	0,5%
National Directors	5,6%	2,1%
Regional Directors	10,4%	8,3%
Directors Assistants and other key leaders	14,4%	4,0%
Heads of Department	16,2%	10,1%
Other Functions	52,8%	73,1%

ASSESSMENT MODEL

The assessment model is based on two areas: the operational area, related with the know-how, and the behavior area, associated with “knowing to be”. The evaluation system is a dynamic process that aims to improve communication between the evaluator and the evaluated, and is also essentially pedagogical.

The annual assessment is mandatory for all employees with a minimum of 6 months of experience in the function. Each semester an assessment is mandatory for those who have been in the service of the company for more than 6 months and less than 3 years. The extraordinary evaluation is free, and may be carried out whenever it's appropriate.

PERFORMANCE RECOGNITION

We practice the following initiatives in this area:

- The awards Employee of the Month and Employee of the Year are a common practice for all the Group's units, rewarding employees' commitment and enthusiasm;
- Employees with good professional performance receive an annual bonus;
- Annually, in Pestana Meeting, the Annual Awards are given to the units with the best performance in several categories.

HEALTH AND SAFETY

In Venezuela, the flu vaccine was available to all employees. The hotel made an investment of \$ 7,000. 42% of employees participated in this campaign.

The Bahia unit in Brazil developed the Health for All program, which aims to promote the health of employees by offering tests that allow the team to know their health status. The unit invested \$ 20,000 in this program. 80% of the employees participated in the program that presented positive results: after one year the employees' health index increased by 10%.

In the African countries where we are present there are lectures about and safety and health at work, especially for prevention of diseases with great impact in these regions such as typhoid, malaria and tuberculosis. Awareness-raising is also carried out for the prevention of sexually infectious diseases such as HIV / AIDS.

FOOD SAFETY

Grupo Pestana complies with all the training required by law in matters of food safety, giving its employees the respective training certification.

WAGES

In all our units we have salaries at least equal to or higher than the National Minimum Wage. The salaries of male and female employees, belonging to the same professional category, are equal.

▮ BENEFITS




Grupo Pestana grants some of its employees a set of benefits that contribute to a better level of well-being, such as medical plan and life insurance. In some countries, the group also pays a transport voucher to its employees.

7. FUTURE COMMITMENTS

Grupo Pestana has identified the following areas of action, which will allow us to grow and add value to the economy through investment and job creation:

- ▮ Growth based on the acquisition and management of urban hotels, promoting the diversification of feeder markets and the reduction of cash flow seasonality;
- ▮ Reinforcement of pricing model and operational management, betting on clear but flexible standards. Continuous improvement of quality of service, and mitigation of environmental impacts that influence operating costs;
- ▮ Reinforcing the building of our brand culture, investing in its adaptation to the digital environment, brand experience and CRM;
- ▮ Strengthening the human capital and meritocracy culture, improving the capacity to attract and retain the best employees;

In the Planet Guest pillars, the sustainability initiative of the Pestana Group, we highlight the following commitments:

FUTURE COMMITMENTS	
SUPPORT LOCAL COMMUNITIES 	<ul style="list-style-type: none"> • Extension of “Thank you for Helping” campaign; • Study of tools that can be used for a better evaluation of the value created with the initiatives implemented; • Training of Planet Guest ambassadors on sustainability; • Boost of local economy through local farming and procurement of local products and services;
ENVIRONMENT 	<ul style="list-style-type: none"> • Continuity of the environmental investments that allow a reduction of the operational costs and increase of the efficient consumption of resources; • Accounting for the carbon footprint per hotel unit; • Environmental training for employees; • Environmental awareness of guests; • Construction of green offer for business clients; • Reinforcement of initiatives to preserve biodiversity;
TEAM 	<ul style="list-style-type: none"> • Investment in training; • Ensure food safety and quality; • Implementation of measures that promotes gender equality; • Involvement of the team in volunteer programs and social responsibility;

8. ANNEXES

ABOUT THIS REPORT

This report presents the Sustainability Policies and Performance of Pestana Group for the year 2016. Throughout the document the environmental and social practices are presented, as well as the results generated by PLANET GUEST, the sustainability program of Pestana Group.

The topics included in this report reflect the material sustainability aspects of our business sector. We disclose our management approach, the initiatives implemented and the performance indicators associated with them.

The process of preparing this report and the indicators disclosed are based on the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines. A summary set of economic, environmental and social indicators were selected for publication, considering the most significant for Pestana hospitality business. It is our intention to consider the use, in the next reporting exercise, of GRI standards.

SCOPE OF INFORMATION

This report presents practices and performance indicators of the hotel units of Pestana International Holdings SA. The notes described below clarify some of the indicators presented:

Financial indicators

The financial indicators refer to Pestana International Holdings SA

- ▮ Other operating income corresponds to Other income and gains;
- ▮ Payments to suppliers correspond to expenses with FSE, CMVMC and other expenses and losses;
- ▮ Payments to employees correspond to personnel expenses;
- ▮ Total operating costs are Operating income excluding turnover and other operating income;
- ▮ Taxes paid corresponds to current IRC (according to R & C, does not include deferred taxes, IMI's, IMT's or others);
- ▮ Financial support received by the government corresponds to the variation of the balance sheet items excluding the impact on profit or loss

For further detail please see our Financial Report.

Environmental Indicators

The environmental indicators are related with all hospitality units, in all markets.

Human Resources Indicators

The human resources indicators are related with all hospitality units, in all markets.

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