



PLANET GUEST  
PESTANA SUSTAINABILITY



# SUSTAINABILITY REPORT PESTANA GROUP '11





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MESSAGE FROM THE PRESIDENT



Dionísio Pestana – President of the Pestana Group

It is with great pleasure that I present you the 2<sup>nd</sup> Sustainability Report of the Pestana Group.

According to the current socio-economic context of Portugal and Europe, it becomes increasingly important to uphold the principles of sustainable development, so this remains one of the Group’s strategic priorities.

During these last two years we have consolidated our Planet Guest program, and we have become true Guests of our Planet. With great pride, and thanks to a group of committed and motivated people, with thoughtful steps, in the period 2010-2011 we have improved our line of work, allowing us to improve our decisions and actions in all aspects of Sustainability.

Regarding the commitment to develop a more sustainable activity, we reached a total of 32 out of 35 goals that we had set ourselves.

In the environmental area I want to highlight in 2011, the appointment of Sustainability Ambassadors in all units in Portugal. This initiative contributed to 4% savings in the total energy consumption and water and to meet the target of 5% reduction in the electricity consumption of Pousadas de Portugal.

We continued to invest in safety, innovation and quality of our services, involving all employees and customers with respect for the communities where we operate. We were able to maintain good results as regards occupancy rates and even have been steadily rising the number of clients (+9%) and room-nights (+21 %) in our hotels.

In 2011, the Campaign “Thanks for Helping”, in all hotels in Portugal, totaled a value of €84.084, donated in full to local institutions of social solidarity, therefore strengthening the bond to the surrounding communities which are essential for the success of our business.

We have created a Code of Ethics with suppliers in order to ensure our joint customers, products and services manufactured or provided under conditions that undoubtedly respect the human rights and the planet. This also enables an upper degree of confidence in our chain of value.

Restoring and preserving history and culture, remains a priority to the Group, mainly through the Pousadas of Portugal. During these two years many initiatives related to Portuguese gastronomy allowed our guests in various parts of the world to get acquainted with known aspects of the Portuguese culture.

The Pestana Group is about to celebrate 40 years as an Organization committed to Sustainable Development. For now, I invite you to learn more about the projects of our Group through this 2<sup>nd</sup> Sustainability Report.

ACTIVITY HIGHLIGHTS OF 2010 AND 2011

Openings:

- Opening of the “Pestana Chelsea Bridge Hotel” in February 2010;
- Opening of the Pestana Berlim Tiergarten in 2011;

Supply chain management:

- The Code of Ethics was published to guide the conduct of the Pestana Group and the relationship with our suppliers in all the locations where we operate.

Contribution to Society:

- Creation of a Volunteer group in Portugal to promote initiatives of social interest;
- The campaign “Thanks for Helping!” supported several charitable institutions with 84.084 euros;
- The promotion of Portuguese cuisine and viniculture included a series of initiatives at the Pousadas de Portugal, namely the “World Travel Market,” “12 Months, 12 Chefs” and the wines weekend. Also the Chelsea Bridge International Hotel and the Pestana Caracas held respectively the “Taste of Portugal” and the Brazilian and Portuguese “gastronomic festivals”;
- Through the project Comunidade Protegida the Pestana Group supported those who became homeless in the floods that took place in Caracas with the amount of € 209,504.

Environmental Management:

- The eco efficiency initiatives implemented in our hotels resulted in the reduction of 4% in energy and water consumption.
- The Pestana Troia Eco Resort & Residences is a candidate for the certification BREEAM (Building Research Establishment Environmental Assessment Method), meaning it complies with sustainability criteria both in its construction and operation stage.
- The Pestana Village, Miramar and Porto Santo received the Green Key, recognition for their good environmental management.
- The Pestana Palms received the TÜI Umwelt Champion award for its environmental practices.

Customer loyalty:

- Growth of 9% in the number of customers, reaching 2,6 million in 2011, and 8% in room-nights with more than 1,6 million.
- Launch of the Pestana Priority Guest, a new customer loyalty program;
- Launch of the Delete/Create program with the aim of eliminating the bad service and create a good customer service.
- In 2011, the Pestana Carlton Madeira, Palms and Miramar received from Trip Advisor the Certificate of Excellence in Service.
- The Zoover Certificate was awarded to the Pestana Village in 2011 and to the Pestana Grand in 2010 and 2011;
- The Pestana Miramar was granted the Style Holidays Gold Award 2011;
- TheTUI Umwelt 2011 was awarded to the Pestana Miramar;
- The Thomas Cook award of Excellence was granted to the Pestana Grand;
- The Luxairtour sales award 2010 was received by the Pestana Grand.
- The Pousada do Palácio de Estoi received the Gold Certificate of Excellent Food Hygiene Standards for its good principles of hygiene and food safety.

Pestana Team:

- The training program “Great leaders - Great Teams - Great Results” was held with the aim of providing managers with leadership skills.



01

## MAJOR BUSINESS MILESTONES 2010/2011





MAJOR BUSINESS MILESTONES 2010/2011



Pestana Berlim Tiegarten, Germany

Awards & Market Recognition

- In 2010, the Pestana brand was distinguished as one of the most valuable in Portugal by the Brand Valuation Forum;
- The President of the Pestana Group was named the best “Entrepreneur of the Year 2011” by Ernst & Young Consultant;
- The Pestana Group was ranked 26th in the European Hotel Survey 2010;
- According to the Corporate 300 Ranking, published by the American magazine “Hotels”, the Pestana Group is amongst the Top 100 hotel companies worldwide;
- Nomination for Best Hotel Chain in the 8th edition of the Publituris Travel Awards.

2010

- Opening of the “Pestana Chelsea Bridge Hotel” in February 2010;
- Commencement of investment with the purpose of building the future Pestana Montevideo;
- Alienation of Energólica, a wind energy producer in Madeira;
- Development of a new marketing model of timesharing, the Pestana Options;
- Launching of the Pousadas de Portugal website;
- Reorganization of the commercial department of the Pestana Portugal hotels, aiming to improve its efficiency and interaction with the market.
- Concession contract of the property located in the building of the Home Affairs Ministry in Lisbon, in order to install a Pousada de Portugal in Terreiro do Paço;
- Setting of the first stone of the Pestana Tróia Eco-Resort & Residences;
- Launching of a new loyalty program – Pestana Priority Guest;
- Launching of the Campaign “Thanks For Helping” (more Information on page 23);
- Nomination of “Sustainability Ambassadors” in Portugal and Mozambique hotels;
- Launching of Wink - Pestana Lifestyle Magazine, the new magazine of the Group;

2011

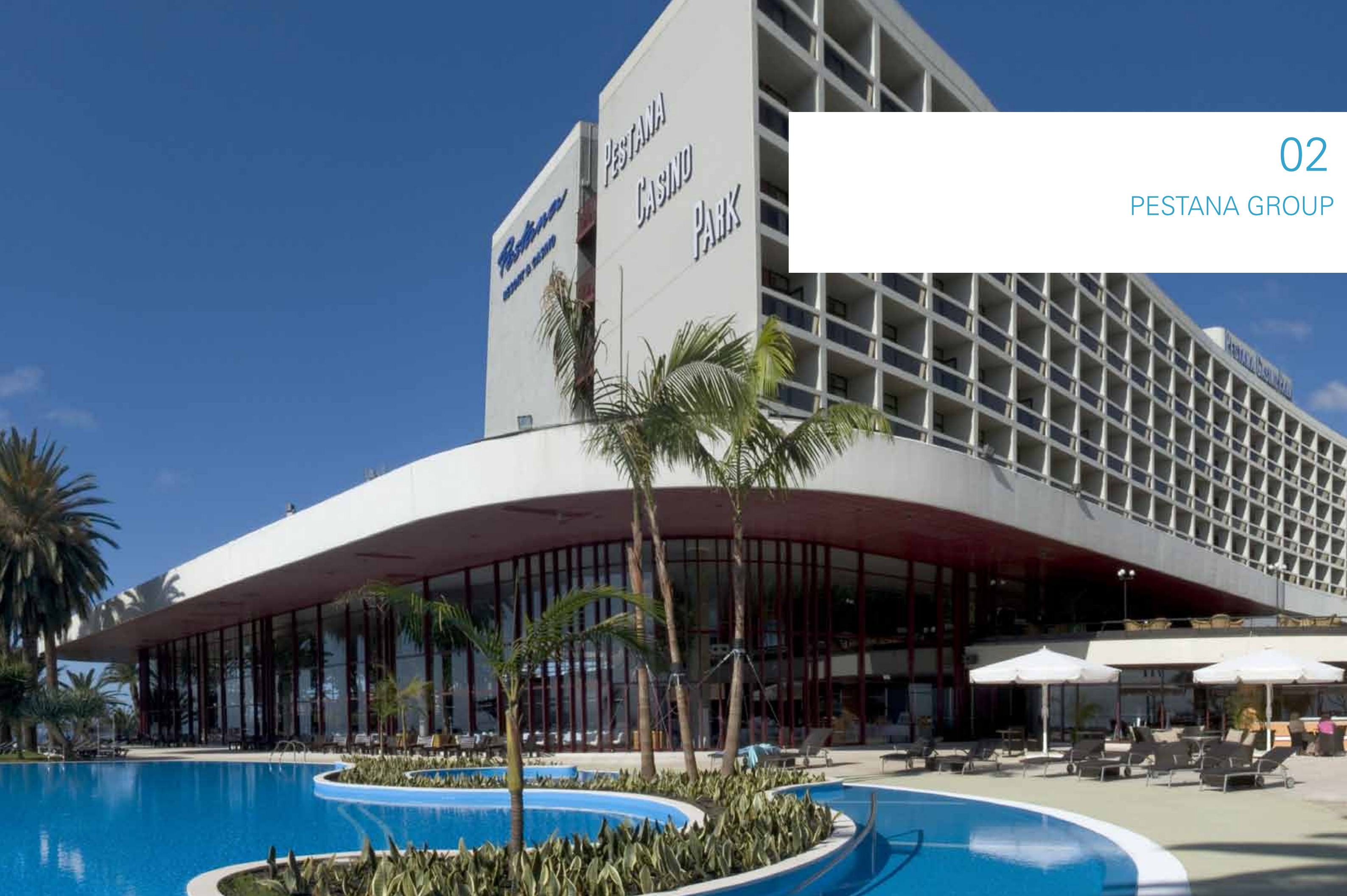
- Opening of the “Pestana Berlin Tiergarten”;
- Remodelling of the Pestana Rio Atlântica;

- The magazine Pestana Inside has become available online.

Targets 2012/2013

Targets	2012	2013
Economical	<ul style="list-style-type: none"><li>• Institutional representation at events and seminars in this area;</li><li>• Sharing of best practices with other companies and organizations.</li></ul>	Adherence to the UN Global Compact
Social	<ul style="list-style-type: none"><li>• Increase the level of performance results of employees, by developing specific training in leadership skills with at least 50% of employees with leadership functions, and integrate into training all employees with performance reviews below 3.00 values;</li><li>• Strengthen the relational skills among employees by developing at least 2 training activities by company, in the behavioural/relational sphere thus ensuring improvements in interpersonal relationships and increasing the Satisfaction Index of customers;</li><li>• Conducting a Diagnosis of the Organizational Climate;</li><li>• Review of the application of the Planet Guest Fund;</li><li>• Launching of the Analysis Project of Functions and Competence Profile;</li><li>• Launch of specific campaigns to collect goods/ items to donate to charity institutions.</li></ul>	<ul style="list-style-type: none"><li>• Ensure more than 35 hours of training per employee;</li><li>• Conclusion of the Analysis Project of Functions and Competence Profile;</li><li>• Implementation of the results of the Diagnosis of the Organizational Climate.</li></ul>
Environmental	<ul style="list-style-type: none"><li>• Electricity savings of 5% (in value);</li><li>• Water savings of 5% (in value);</li><li>• Gas savings of 5% (in value);</li><li>• Support the development of legislation on Energy Certification and Indoor Air Quality (Committee representative of the Portuguese Hotel Association and the Portuguese Tourism Confederation);</li><li>• Cooperation with external entities aiming the development of sustainable projects of the Pestana Group;</li><li>• Creating a digital archive for the projects of Pousadas de Portugal;</li><li>• Central Warehouse Project (Centralization of unnecessary movable assets of Mainland Portugal units for registration, study of future use, disposal, donation);</li><li>• Implementation of Energy and Safety Committees on units with mandatory bimonthly meetings;</li><li>• Implementation of MAPs on units;</li><li>• Purchase of maintenance management software.</li></ul>	<ul style="list-style-type: none"><li>• Nomination of an Energy and Safety Officer that promotes:<ul style="list-style-type: none"><li>• Electricity savings of 5% (in qty);</li><li>• Water Saving of 5% (in qty);</li><li>• Gas savings of 5% (in qty).</li></ul></li><li>• Completion of Energy and Indoor air Quality certification in 50% of the Pousadas and hotels;</li><li>• Legalization of all units on ICS matter;</li><li>• Hiring companies that ensure the maintenance and functionality of the ICS;</li><li>• Development of standard Safety Procedures in coordination with the internal Safety team;</li><li>• Conclusion of the digital archive for the projects of all Pousadas;</li><li>• Central Warehouse Project (Centralization of unnecessary movable assets of Mainland Portugal units for registration, study of future use, disposal, donation);</li><li>• Widespread implementation of practical preventive maintenance procedures and its registration on the acquired software.</li></ul>







PESTANA GROUP



The Pestana Group, whose origin dates back to 1972, on the occasion of the foundation of M&J Pestana - Society of Tourism of Madeira, develops its activity mainly in the Tourism sector, having also interests in the Industry and Services sector.

Today, the Pestana Group is the biggest Portuguese group in the Tourism sector, and its hotel chain PH&R – Pestana Hotels & Resorts, with about 90 units and 9470 bedrooms – is the biggest chain of Portuguese origin.

The Pestana Group continues the process of mainstreaming its internationalization, having already consolidated presence in 10 countries: Portugal, England, Germany, Brazil, Argentina, Venezuela, Mozambique, South Africa, Cape Verde and São Tomé and Príncipe.

In 2010, as a milestone of its entry in Europe, the Group opened its first unit in London, the Pestana Chelsea Bridge Hotel & Spa, and in May 2011 it opened the Pestana Berlin Tiergarten, in the German capital.

In 2012-2013 it is expected the opening of new International investments already announced by the Pestana Group, in addition to the investments in Portugal, in Tróia, and in the Pousadas de Cascais and Serra da Estrela. Miami, in the United States of America will be the next target, followed by Casablanca, in Morocco and Montevideo, in Uruguay. Luanda will be the first target of the group in Angola.

In the leisure field, apart from 44 hotels, the Pestana Group currently owns 12 Vacation Club resorts, 6 golf courses, three real estate tourism resorts, 2 concessions to casino gaming (Casino in Madeira and Casino in S. Tomé and Príncipe), a share in a charter airline, travel agents and a tourist operator.

Since 2003, the Pestana Group took over the management of the network of Pousadas de Portugal. Currently there are 36 Pousadas operating in Portugal and one in Brazil, the Convento do Carmo, a “Small Leading Hotel of the World.”

MAIN RESULTS OF THE PESTANA GROUP 2010/2011

There was a significant contribution from the Group to the economy, having been generated an economic value of nearly 295 million euros. Although in some locations the generated Turnover was lower than the previous year, as a result of the current market context, the overall result improved when compared to the previous year.

The turnover distributed to employees (wages and benefits) was 72 million euros and the remaining operating costs 196 million euros. Regarding the support to the community, throughout this report countless examples of provided support can be found, namely in-kind, volunteer or pro bono.



	Turnover (€ million)		Costs with employees (€ million)		Other Operational Costs (€ million)	
	2010	2011	2010	2011	2010	2011
Pousadas de Portugal	33,5	32,9	14,5	14,0	20,4	19,6
Madeira	68,4	70,6	15,3	15,1	35,7	35,2
Algarve	44,1	49,3	10,8	13,2	27,4	31,4
Centre Hotels	16,9	17,4	4,1	4,1	9,5	9,7
Other European Countries	17,4	26,1	2,6	3,9	18,0	24,2
South America	74,6	82,5	15,9	18,3	61,0	59,7
São Tomé	6,3	5,1	0,9	1,0	10,1	5,0
Mozambique	6,8	6,8	1,5	1,6	6,0	8,3
South Africa	2,2	2,0	0,3	0,3	1,6	1,5
Cape Verde	2,1	2,1	0,4	0,5	0,9	1,0
TOTAL <sup>1</sup>	272,08	294,73	66,34	71,97	190,55	195,57

Community support (€)						
	2010		2011			
	Customers	Pestana	Campaign “Thanks for helping”		Other donations	
			Customers	Pestana	Customers	Pestana
Pousadas de Portugal	0	153	0	0	0	200
Madeira	28.041	159.000	30.822	30.822	0	138.878
Algarve	0	75	5.165	5.165	69.535	0
Centre Hotels	0	0	4.547	4.547	0	0
Porto	0	0	1.508	1.508	0	0
South America	0	0	0	0	0	209.504
São Tomé	0	4.503	0	0	3.500	5.409
Mozambique	252	321.551	0	0	160	67.633
South Africa	3,717	0	0	0	0	0
Cape Verde	0	8.582	0	0	0	2.358
SUBTOTAL	32.010	493.864	42.042	42.042	73.195	423.982
TOTAL <sup>1</sup>	525.784		581.261			

We have only received government support in our units of Cape Verde (CIT payment of 50%) and in Pousadas de Portugal and Centre Hotels of around € 46.821 under Community support funds (QREN).

Most of our suppliers are local businesses. In hotel units in Portugal, 98% of suppliers are national and in other locations such as São Tomé and Brazil all purchases are made to local suppliers. In Mozambique, 93% of suppliers are local and in South Africa about 80% of the value of the purchases is paid to local companies.

<sup>1</sup> The indicators presented in this table concern the Pestana Group companies from the Pestana Tourism area. See the methodological notes with more detail to understand the scope of these indicators.

APPROACH TO SUSTAINABILITY

In the hotel business, the Pestana Group has assumed a set of guidelines, principles and policies that constitute its approach to sustainability:

*“Creating a long-term value for the company by developing its activity with respect for the environment, local culture and communities, employees and customers”*

Sustainability in the Pestana Group has been a stake leveraged by 2 major objectives: profitability and business development in the long term and the conviction that the right way to achieve it is to ensure the preservation of nature and local heritage and also to have a positive effect in the community. The two objectives are closely related since it is the scenery, the people, the heritage, the identities and local cultures that customers seek and without them the business would hardly be profitable and sustainable. Therefore, our responsibility is increased not only due to an ethical motivation “to do well” but also to sustain a long term activity.

OUR VALUES:

- Positive and proactive attitude;
- Enthusiasm and congeniality;
- Team spirit;
- Ethics and responsibility;
- Top quality;
- Renovation and daring.

OUR MISSION:

To provide unforgettable moments to our customers through:

- Differentiated and innovative products;
- Excellence in service delivery;
- Sustained Profitability;
- A correct posture before society;
- Motivated, qualified and committed teams.



Valle Flôr Restaurant, Pestana Palace, Portugal



Pousada de Cascais, the Cidadela Fortress, Portugal

Sustainability Policies	
Policies of quality and service, ensuring loyalty of guests and employees	We respond to the challenges that the economic context presents us and that clients - increasingly demanding – impose us, through innovation and quality service, guided by accuracy and excellence in our activities. We conduct constant monitoring of our maintenance and management conditions and endow our staff with the necessary skills for their functions. We continuously monitor the satisfaction of our guests in order to identify gaps and issues that can be potentially improved.
Policies of corporate social responsibility, valuing the characteristics of the Pestana Tourism and its impact on communities where they operate	The integration of our units and their activity in communities is a key-factor to our success. Bearing in mind that the existence of hotels contributes to boost the local economy by attracting visitors and creating jobs and, in a contrary perspective, that our units benefit from the attractiveness of regions, we encourage the cooperation with local communities, in a win-win relationship. We favour local hiring, promoting employment and training of people from the community, supporting in many cases the permanence of populations in deprived areas. The Cultural heritage, local traditions and the authenticity of places are also aspects that we want to preserve. From a social perspective, we maintain an attitude of equality and anti-discrimination, before the people who work with us in all units and geographic locations where we operate.
Policies of safety, hygiene and health at work, improving the quality of life with impact on productivity	The health, safety and hygiene at work are factors that strongly influence the motivation and well-being of our employees and therefore their quality of service. For this reason, the SHHW enjoys special attention on the daily activity of the Group, thus reflecting on the daily activity of our hotels. Ensuring the safety of our guests and our heritage is also fundamental. So our staff is prepared to respond to emergencies and our facilities have the characteristics and the necessary equipment to minimize risks. The quality of service coupled with rigorous criteria of quality, safety and food safety will certainly protect the health of those who visit us.
Policies of communication, often communicating clearly and transparently	We engage our stakeholders through different communication mechanisms, either internal or external. At an internal level, the communication flows through the intranet as the main form of dissemination of campaigns and best practices, as well as our magazine dedicated to Internal communication - Pestana Inside – whose main function is to value the work of the whole Pestana team. To customers, we keep information about rationalization of consumption practices, inviting them to join our effort to preserve resources. The information reaches our customers via the WINK magazine, which is now available on our website from this year on, as well as through media communications.
Environmental policies, reducing the impact of our products and activity on the environment	The blending into the landscape and the environmental protection in the surroundings of our hotel units is taken into account from the planning stage of new facilities to its operational stage. We always consider the most efficient, ecological and innovative technologies and measures, whether in terms of project, whether in the construction choices we accomplish including the control and monitoring measures of energy and water consumption, and also of waste management.



PLANET GUEST

The PLANET GUEST program, Pestana Sustainability Program which operates by the slogan “We are only guests of the Planet” continues to incorporate all the initiatives that promote the sustainability of the Pestana Group and gaining ground by asserting itself increasingly as a concept which transmits the position of the Group and its employees as a group of people who respect the planet they live in, and that demonstrate extreme concern over future generations.

CODE OF ETHICS

Adding to the existing policies in 2011, we launched a Code of Ethics that aims to guide our actions and relationship with our suppliers. This code is applied in all the locations where we operate and has been signed by our main suppliers.

The guidelines of the Code are divided in two distinct areas:

- Working conditions: mentioning rules in order to ensure the inexistence of child labor, forced labor and any kind of discrimination; to ensure a safe and healthy work environment and fair remuneration; to ensure the compliance of working hours; to not interfere with the trade union freedom and the right to a collective bargaining by workers.
- Environmental Aspects: in which the Group commits itself in reducing its ecological footprint.

The document also includes actions for compliance of these commitments by suppliers, such as the exchange of relevant information and conducting visits to suppliers’ premises, where that need arises. In case of breaches of the Code, it will be developed a corrective action plan with a deadline agreed with the vendor reserving the right to terminate the business relationship if the situation cannot be solved.



GOVERNANCE MODEL

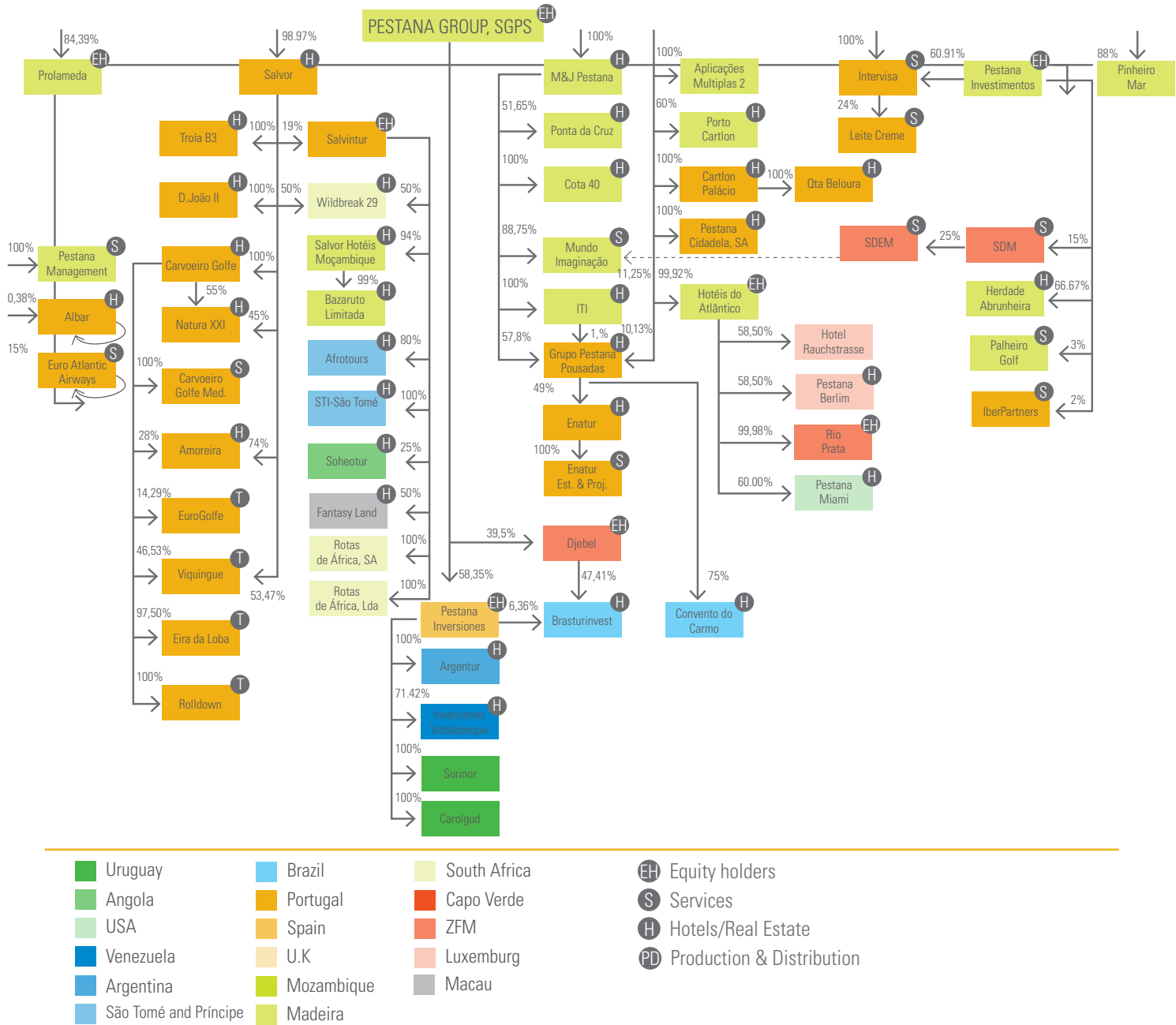
The Board of Directors (BoD) of the Pestana Group is the management body with ultimate responsibility for the company activity on integrated societies.

The BoD consists of 13 directors, all executive, with jurisdiction over the various existing societies in different geographic areas where the Group operates.

PESTANA GROUP BOARD OF DIRECTORS

- Dionísio Pestana (President)
  - Florentino Rodrigues
  - José M. Castelhão Costa
  - José Roquette
  - José Theotónio
  - Luigi Valle
  - Luís Araújo
- Luís Castanheira Lopes
  - Luíza Pestana
  - Paulo Prada
  - Pedro Lopes
  - Pedro Reimão
  - Peter Booth
  - Tomaz Metello

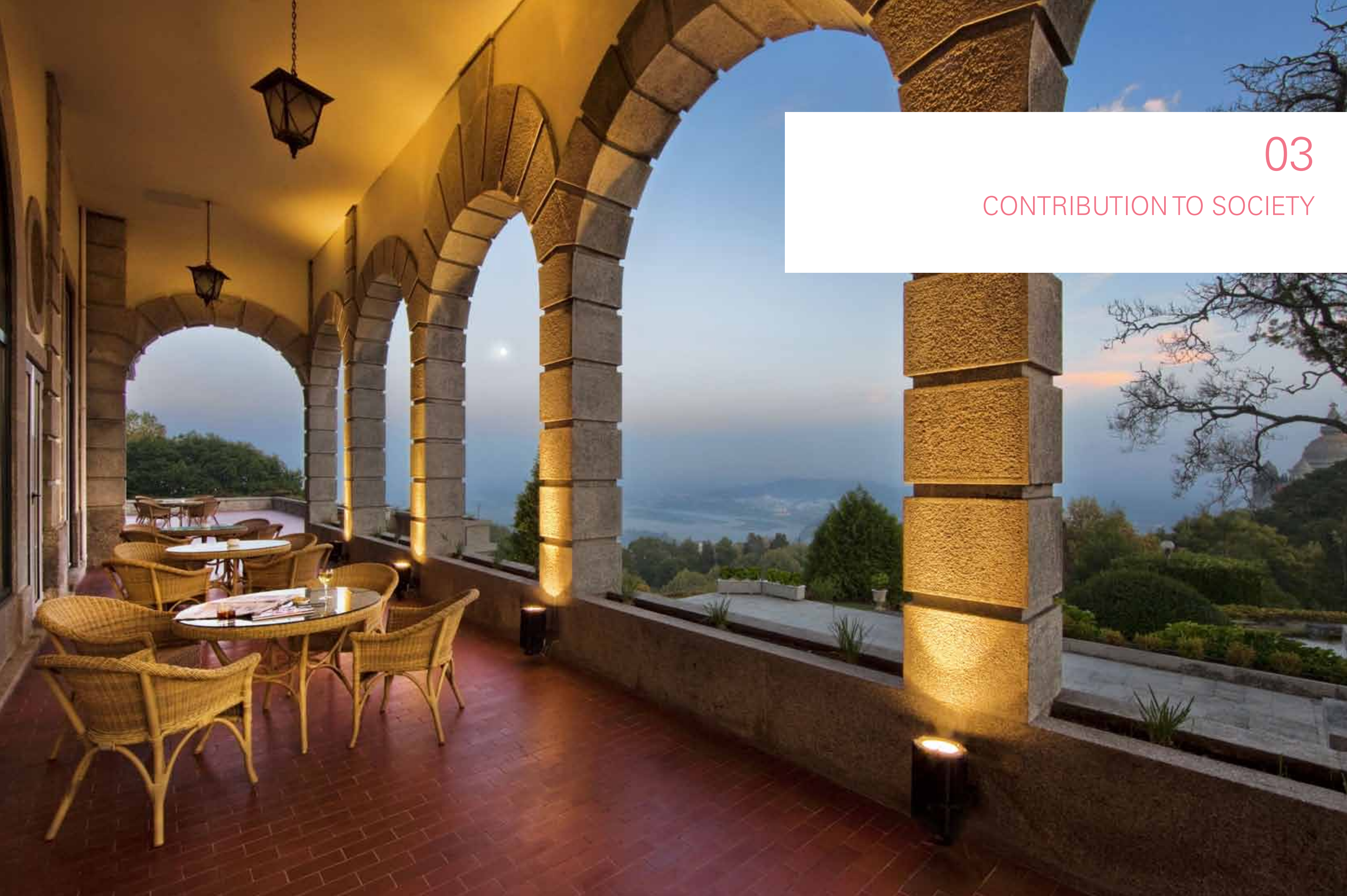
ORGANIZATION CHART OF THE PESTANA GROUP, SGPS





03

CONTRIBUTION TO SOCIETY





CONTRIBUTION TO SOCIETY

*The Group relies on corporate social responsibility policies, valuing the dimensions of Pestana Turismo and its impact on the communities wherever our hotel units operate. We invest in boosting the local economy by generating direct and indirect employment, and attracting and retaining populations in disadvantaged areas of the country.*

*Depending of its surroundings and people, the Group is concerned in involving the local community, by supporting them and encouraging their welfare through local resources optimization and supporting local institutions. The dissemination and appreciation of local culture are also ongoing concerns, always looking forward to pass on to future generations their cultural identity and traditions.*

Employability

In the period 2010-2011 the Pestana Group continued to promote employability, with more than 7.000 employees around the world. The opening of the Pestana Berlin generated around 40 direct jobs, plus about 15 in outsourcing.

In all units, the preference is still to local employees, as well as for the consumption of local products. This way we promote employment in communities where we operate and encourage the development of local companies that boost the economies where we operate. In some geographic locations, like South Africa, São Tome, Mozambique and Brazil the national supply reaches almost 100% of total purchases from suppliers.

Promotion of Local Consumption in São Tomé and Príncipe

Our units in São Tomé are supplied by local companies<sup>2</sup>, therefore supporting the development of national activities.

In the islet of Rolas we buy, each month, to the fishing community a value higher than 100 national salaries, thus giving real expression to local activity.

Employability Support in Inhaca

Inhaca continued to invest in the support project to the local Youth “Youth of the Beach”, which aims to frame the young with no labor into the tourist activity. Tourist guide courses are conducted for the monitoring of tourists, beach cleaning jobs, as well as assistance to vessels that participate in fishing competitions.

The Pestana Inhaca Lodge participated with a space for training, as well as with a monitor to teach the tourist guide course. The contribution resulted in 60.000MT, about €1.750. There were two employees of the Group and about 30 young people involved.

Promoting training and employment in South Africa

The Pestana Kruger Lodge, through the Mpumalanga Tourism Association, promotes internships for tourism students who belong to the local community in the areas of hotel service and tourist guide in coordination with the Echo Africa Safaris. This project is taking place for 12 months and has 6 people involved.

<sup>2</sup> With the exception of products that do not exist in the domestic market and others whose price is prohibitive, in which case we proceeded to direct purchase and import.

Promotion of local culture and cuisine

The Pousadas de Portugal are host to numerous activities seeking to divulge and promote the national culture and cuisine and preserve our traditions, including: nights of Fado, Portuguese wine tasting sessions, thematic fairs on other national products. At the Madeira units we often organize

theme nights to taste the most iconic dishes of the region accompanied, whenever possible, by shows with music and typical dances.

World Travel Market

The Pousadas de Portugal took the excellence of our national flavours to the World Travel Market.

The Chefs of the Pousadas de Portugal presented the best of the Portuguese gastronomy under the program Taste Portugal - The Best Fish in the World, launched by Turismo de Portugal at the World Travel Market (WTM).

12 months 12 chefs

The Pousada Convento de Belmonte received during the 12 months of 2010, 12 of the top chefs in Portugal for a real journey of flavours. To go with this event, it prepared the Special Program for Families, which consisted in offering a children’s menu in case the parents dine at the Pousada.

Wine Weekends at the Pousadas de Portugal

The Pousadas de Portugal presented a new program specially prepared for wine lovers. The Wine Weekends program was available at the Pousadas de Arraiolos, Viseu, Beja, Braga, Condeixa, Estremoz and Oporto. During seven unique weekends, it was possible to discover the best varieties, aromas and flavours from North to South of Portugal.

Tomás Caldeira Cabral, wine expert and wine tourism specialist, supported the Pousadas de Portugal in this action.

Taste of Portugal

The Pestana Chelsea Bridge promoted for a week, together with the Pousadas de Portugal, the campaign Taste of Portugal, a festival to promote Portuguese culture, cuisine and drinks.

Brazilian and Portuguese Food Festival

The Pestana Caracas promoted two Gastronomy Festivals lasting one week each: the Brazilian Food Festival and the Portuguese Food Festival. The Portuguese Festival was attended by chefs Augusto Fernandez and António Joaquim and the Brazilian Festival was attended by the Brazilian chefs Adailton Fonseca and Alexandre Vicky. The goal was to divulge the cooking culture of these two countries.

We invested €21.240 in the Portuguese Festival and €29.566 in the Brazilian Festival.





ÁfricAdança (Dancing Africa)

The Pestana Group sponsored the ÁfricAdança Festival 2011, in Lisbon. This show aims to reward the best performers of African music and was attended by a representative of the Pestana Group to hand over one of the prizes. This event was widely publicized by the media.

Swazy Dancers & Local Craft

The Pestana Kruger Lodge has established an agreement with two local Groups of Traditional Dances for entertaining at the hotel. During their performances these groups sell handicrafts, thus spreading the culture and customs of a people. This activity lasted the entire year of 2011 and involved more than 50 families.

Living Picture of Craftsmen

At the Pestana Promenade it was performed a Living Picture of Craftsmen. It was made available an area next to the reception, where the exhibition of Madeira Embroidery and Wickerwork was done. There was also a manufacturing demonstration of these articles.



Market day, Pestana Carlton Madeira, Portugal

In São Tomé we participated as an institutional partner of the Biennial of Art and Culture 2011, which took place throughout October, having been offered special prices and contributed in the organization of the event, which featured the participation of several local artists and figures of the Portuguese language in the PALOP. The exhibitions were open to the public in several different locations in the city.

Our contribution to social welfare

We act towards increasing the quality of life of the populations that are part of the nearby communities of our hotel units. The support is diverse and we operate in different aspects:

- 1) Volunteering
- 2) Fundraising
- 3) Supporting people
- 4) Collecting goods
- 5) Recovery in disaster situations

1. Volunteering

In Portugal, it was created a Volunteer Bank, in which were promoted actions of social and community interest, performed within projects, programs and other forms of intervention for the benefit of individuals, families and the community.

In São Tomé we participated with a team of 20 people on a volunteering activity of the organization Meninos do Mundo (Children of the World) at the Dr. Ayres de Menezes Hospital, and the Pestana S. Tomé received a thank-you note from these two entities for its participation.

2. Fundraising

In São Tomé we position ourselves as an Institutional partner of the Zunta Mon project - national mobilization campaign to aid famine victims. Following the tragedy in the Horn of Africa we raised over 20% of the €8.000 donated to the NGO ADRA (Adventist Development and Relief Agency) through boxes of donations and charity dinners, which were used by this organization in the affected areas. Our participation entitled us a recognition of merit by the Santomean Government.

€84.084 Donated in the Campaign “Thanks for Helping”.

This campaign which started in the Madeira hotels in 2008, has now been extended to all Pestana Hotels. It consists on inviting all guests of Pestana hotels to donate €1 at the check-out to support social solidarity institutions, and, for every euro donated, the Pestana Group will add €1, duplicating the voluntary support of guests to the institutions.

The funds obtained on the check-out initiative totalized €42.042 (last half of 2012) aimed at encouraging the welfare of local communities contributing to the visibility and meritorious work of institutions and their role in the weaker sectors of society. The supported institutions were selected by the hotel teams Group in each region.

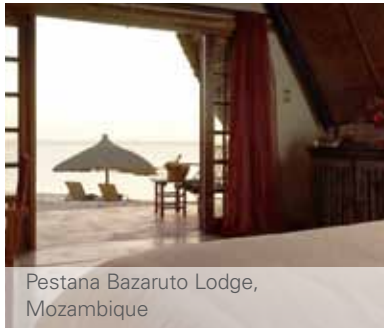
The Pestana Group has doubled the amount donated by guests upon check out totaling € 84.084 donated through this initiative.

Supporting 2.660 people through the Project Thomba Yedo, in Bazaruto

The hotel management has created a fund to support the Thomba Yedo community. This fund derives from fundraising donations from customers. To date, €2.500 were collected and used in local projects.

Funds are also collected through entry fees in the natural park, and snorkeling rental to tourists. 20% of the collected amount is applied in the community, in the project Thomba Yedo. 2.660 people have already been supported.

In addition to monetary support, the Pestana Bazaruto Lodge provides certain areas of the hotel for exhibition and sale of local manufactured products, promoting the culture and traditions of the local community.



Pestana Bazaruto Lodge, Mozambique

3. Supporting people

In some Pestana units, especially at international level, we support local communities, through funds or services provided by the hotels resources, whether they are human or in kind.

The Casino of São Tomé supports Tourism and Culture

0,1% of the gross revenue of the Casino of São Tomé was assigned to a public foundation to the promotion, development and studies of cultural, social, economic, educational, scientific, academic and philanthropic nature. In addition to this support, plus 0,1% of the gross revenue of the Casino of São Tomé was allocated to the Tourism Fund.

Support to the population of the Rolas Islet

Located on the islet of Rolas, the Pestana Equador worries about the local community, supporting the population on its daily activities, including:

- Participation in the daily transportation of children living in the village of Rolas to the Elementary school, located in Portalegre (20 kms by sea) assuring their return to the island in the afternoon;
- Maintenance of the medical office of the Rolas islet, opened to the villagers and hotel employees, having always present a nurse and a doctor monthly;
- Provision of a community television to the Rolas islet village;
- Maintenance and upkeep of the chapel of St. Francis of Assisi in the islet of Rolas.



Loving God Day-care

The Pestana Kruger Lodge has been developing since 2008 a project to support a Day-care, 50 km away from the hotel, where several employees have their children. The purpose of the campaign is to support children with food and wearable clothing, donated by guests, and also in the restoration of the Daycare, using local materials and left over materials from renovations at the hotel.

There are nowadays some guests who learned about the project and joined by adopting some children and donating weekly goods to the school. They do it through Afrika DK Safaris, a Danish Tour Operator. The collected amount is approximately €39.400 and the project involves around 250 people (Employees and guests of the Lodge).

In 2011 two cooperation protocols were created, aiming to promote education and health in São Tomé:

- Cooperation protocol with the ISP – Higher Polytechnic Institute of São Tomé and Príncipe, aiming to promote initiatives seeking scientific, technical and theoretical-practical cooperation, as well as collaboration in some fields of education and specific actions;
- Agreement with the Marquês Vale-Flor Institute, offering special lodging fares and meals that brings to São Tomé groups of doctors, volunteers, of various specialties, on a monthly basis. They are, by far, the organization of greater medical intervention in the country.

4. Collecting goods

The Pestana Group developed a Christmas campaign in many of its units, with fundraising among employees and guests to buy gifts and donations to different institutions.

Solidarity Tree

In the units of Madeira it was also developed The Solidarity Tree action, which consisted on placing a letter on the Christmas tree with a request from a disadvantaged child. Customers could purchase the gift themselves or offer the corresponding value.

The Pestana Casino Park, the Pestana Bay, the Pestana Grand and the Pestana Palms have participated in this campaign. In 2 weeks, about €495 were collected to buy gifts for children living in institutions, due to family abandonment. In total, 16 children received presents.



Testimonies of the Christmas Campaign

Pousadas of Guimarães – Sta. Marinha and Nossa Senhora de Oliveira

In Guimarães the collected gifts were delivered to the “Association of Child Support” that hosts children from 0 to 6 years old. “We delivered toys, books, movies, clothes, milk, among other things. The children were euphoric, almost as much as we were!”

Natália Maia, Sustainability Ambassador



Pousada de Santa Marinha, Portugal

Pousada da Ria de Aveiro

“In addition to the delivery of gifts, the employees of the Pousada da Ria managed to gather among themselves, two Christmas bundles with food that were also delivered. With this action we contributed to the Christmas of this family, making it better and not just one more.”

Arlindo Tavares, Sustainability Ambassador



Pousada da Torreira-Murtosa, Ria de Aveiro, Portugal

Pousada de S. Bartolomeu – Bragança

In Bragança the 30 toys collected were delivered to the work of Priest Miguel.

“They were delighted, because toys were precisely what was missing for the Christmas Party!”

Paulo Jorge Silva, Sustainability Ambassador

Pousada de S. Bento and Pousada de Braga - Gerês and St. Maria de Bouro

The gifts collected in these two Pousadas were delivered to the Reception Centre Rebelo Duarte.

The Christmas action took place on December 16, where employees of both Pousadas shared a special day with these children. In the Reception Centre, after delivering the gifts, both teams prepared a small Christmas snack.

“We were very satisfied with the cooperation of all employees/customers who participated in such a rewarding initiative.”

Carine da Silva, Sustainability Ambassador



Pousada do Gerês-Amares, St. Maria do Bouro, Portugal





5. Recovery in disaster situations

Following the storm that devastated the Madeira island, The Pestana Goup (Hotels and Pousadas) launched two solidarity campaigns to help boost tourism in this destination, in order to reconstruct the natural beauty of the archipelago.

In Rio de Janeiro, the House of the Poor lodged the homeless in result of the rains that hit the state of Rio de Janeiro, in January 2010. To collaborate with the institution, the Pestana Group donated 150 items from the renovation of Pestana Rio, such as beds, refrigerators, lamps, pictures, tables, desks and bedding and towels to this religious charity in Nova Friburgo, RJ. The action lasted 2 months and there were about 50 people involved.

Long live Madeira

This campaign intended to encourage regional tourism, therefore contributing to the revitalization of local economy.

For all bookings over 3 nights, in hotels and Pousadas in mainland Portugal, between 20 March and 15 May, at check out, the customer received an invitation/ voucher that offered him a night in the Pestana hotels in Madeira.

This year go on holiday to Madeira

This was the motto of the campaign that was launched with the support of the Pestana Group, in order to convey the message that the best way to help Madeira, after the tragedy, is through a visit. This was an idea of a local journalist of the Portuguese newspaper 'Expresso' Filipe Santos Costa, who created the movement 'FANS OF MADEIRA', a large group of people - famous, anonymous and companies - that in many different ways contributed to put this campaign out in the street. The initiative, consisting on television and radio spots, printed ads and a website, was presented at the Pestana Palace, which provided the space for the campaign launch.

The Pestana Group also called for aid to victims of the storm in Madeira through the Pestana website.

Simultaneously, the Group has developed several coordinated actions to help on site, including temporary relocation to Group employees and families affected by the situation.

The maintenance teams gave support to employees and family members who expressed difficulties in restoring the basic infrastructure at their homes, as well as by lending beds, blankets, clothing and other objects to fulfill essential needs, and also by facilitating the access of employees and their families to canteens in situations of extreme urgency.

It was also organized a collect of clothes, blankets and cushions from stocks of its units, and its delivery at locations indicated by official entities.

Another aid provided by the Pestana Group was organizing teams, of employees who were not needed in the areas of the hotel gardens, cleaning and maintenance, offering their services to the cleanliness of the city of Funchal.



Pestana Casino Park, Portugal



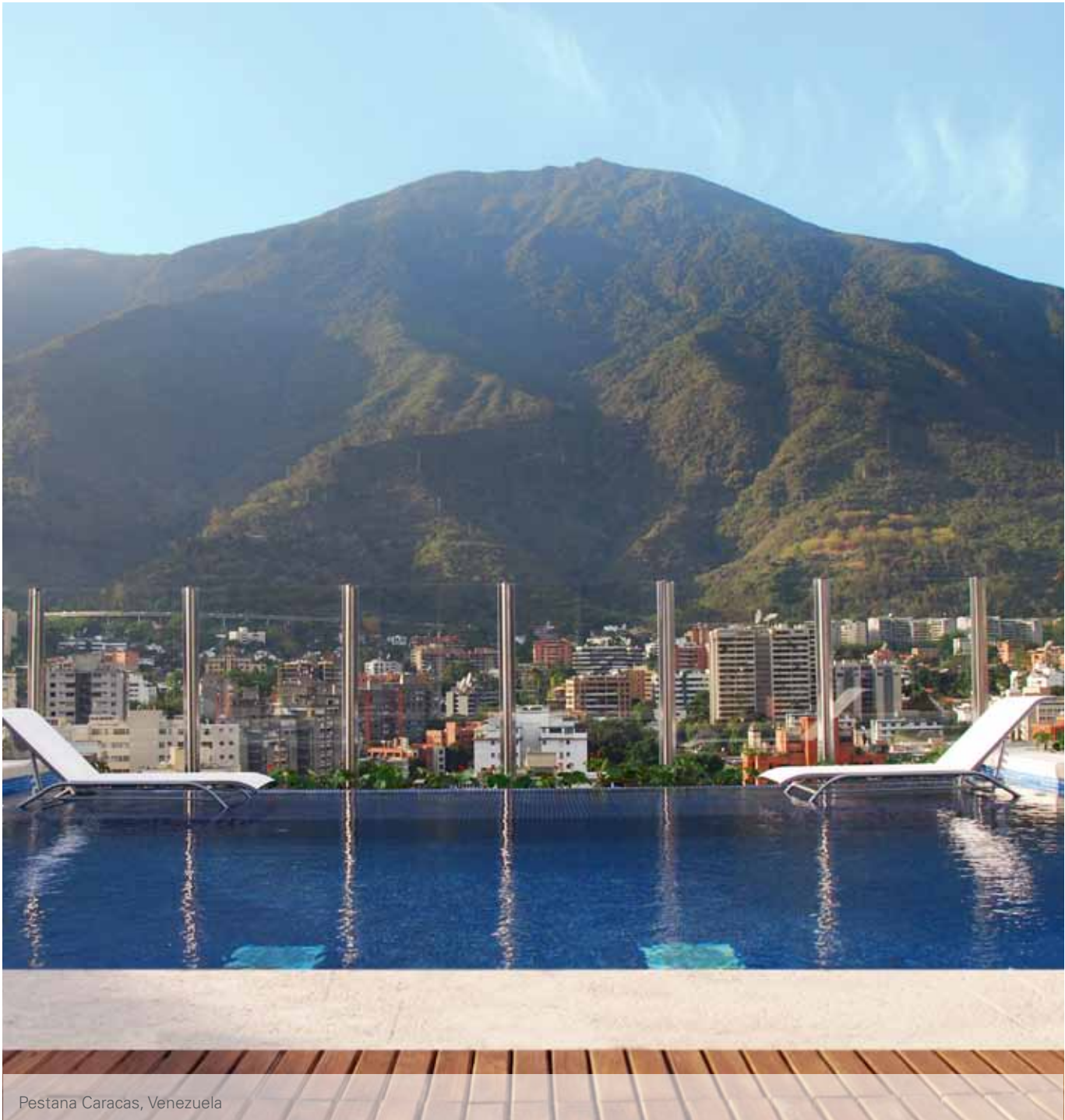
Pestana Porto Santo, Portugal



Pestana Carlton Madeira, Portugal

In Caracas, the Pestana Group granted a support to the Protected Community (Displaced by Rains in Caracas) by housing 12 families (52 people) at the hotel. The investment in

this initiative was of €209.504. This action lasts for a year and It is estimated that it will extend for 1 year more.



Pestana Caracas, Venezuela







RESPECT FOR THE ENVIRONMENT

*On its daily activity, the group incorporates the best environmental practices with the goal of reducing its environmental impact and promoting the continual improvement of its performance. 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.*



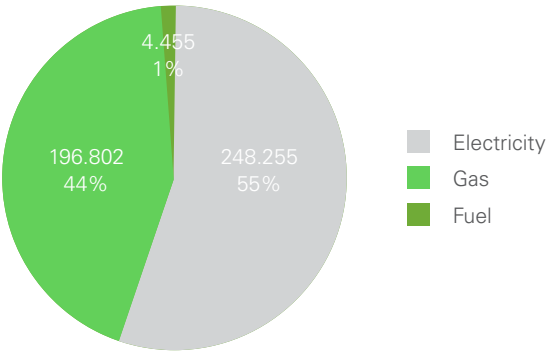
Energy

At our hotel units we consume different types of energy: electricity, used for hotels lighting, heating systems, ventilation and air conditioning and for operation of other equipment; Gas, in kitchen equipments and boilers; Fuel and diesel, in engines and other equipment;

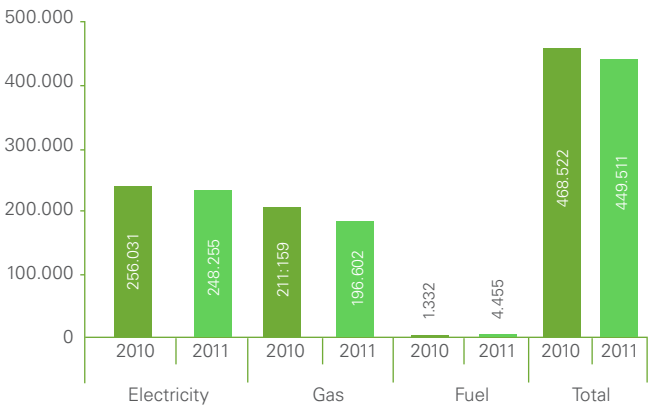
In the period 2010-2011, the total energy consumption was 449.511 GJ, being 55% on electricity consumption and the remaining in the above mentioned fuel types. During this period, the total consumption decreased by 4%, as a result of the implemented efficiency measures. Electricity consumption was reduced by 3% and gas consumption by 7%.

Energy consumption per customer was 0,169 GJ and 0,74 GJ per square meter.

Energy Consumption (GJ)

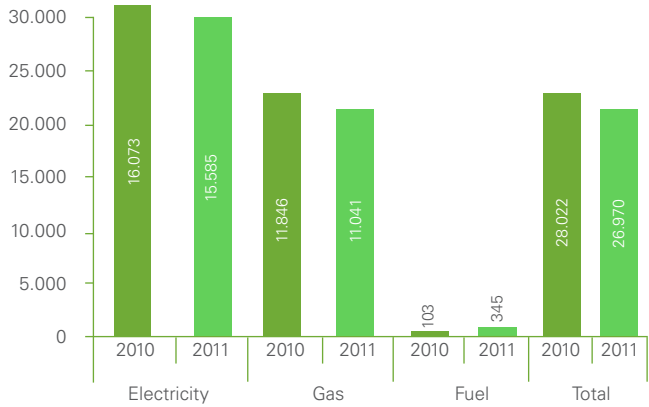


Energy Consumption (GJ)



CO<sub>2</sub> emissions, resulting from energy consumption, reached 26.970 tCO<sub>2</sub>, representing a reduction of 4%, following the trend of energy consumption reduction.

CO<sub>2</sub> emissions (tCO<sub>2</sub>)



In the use of our facilities, for each guest we issued 10,2 KgCO<sub>2</sub>e and, for each occupied room, 18,7 KgCO<sub>2</sub>e and 44,4 KgCO<sub>2</sub>e per square meter.

	Energy Consumption (GJ)	CO <sub>2</sub> Emissions (KgCO <sub>2</sub> e)
Per occupied room	0,312	18,7
Per client	0,169	10,2
Per m²	0,740	44,4

A set of measures that we have continuously implemented in our hotel units have contributed to achieve these results.

Measures of energy management

- Definition of goals and measurable targets that were continuously monitored through daily registrations;
- Implementation of programs with specific measures for each work area (Reception, Housekeeping, Laundry rooms, F&B, Kitchens, Gardens, Pools, Maintenance, etc.);
- Conducting training activities of awareness raising and dissemination of good environmental practices;
- Placement of awareness signs for customers;
- Energy Management:
  - Grouping guests by areas, thus avoiding consumption in unoccupied areas;
  - Elimination of Energy consumption of unused equipment;
  - Replacement of equipment for more efficient ones (for ex. bulbs);
  - Control of the operation of electrical systems in rooms by the room key, allowing its use when the room is being used and its switch off when the guest leaves the room;
  - Monitoring the temperature in Hotel communal areas;
  - Motion sensors in walkways and in lower permanence areas.



**Pestana Carlton Madeira enhances energetic savings**

At the Pestana Carlton Madeira the replacement of lamps for efficient lighting systems has been gradual. So far this initiative has involved an investment of 500 €/month.

More than 80% of the building is equipped with energy-saving lamps and motion sensors.



**Eco-Efficiency in Chelsea**

At the Pestana Chelsea there is an ongoing concern with the environment. In 2011 we established a goal of reducing electricity consumption in 20%, by:

- Reducing lighting to 80% of its capacity;
- Using motion sensors from 22h onwards;
- Having room corridors with lighting to 50%



**Pestana Grand saves energy**

As a result of replacing halogen lamps by energy-saving bulbs, the Pestana Grand has been obtaining significant energy savings, hence contributing to reducing the hotel energy bill.

The annual estimated savings is of €8:000 taking into account the substitution of lamps in the reception, entrance of rooms, restaurant, spa and toilets.

**Eco-Efficiency Committees in Brazil**

Eco-Efficiency Committees were formed in all Pestana Group units in Brazil, with the leadership of Maintenance Heads and the engagement of employees from different areas. In the unit of São Paulo alone, the electricity savings in 2011 exceeded €24.000.



**Pestana joins WWF's Earth Hour**

Every Pestana Hotel and all the Pousadas de Portugal participated, for the second consecutive year, in the initiative Earth Hour, organized by the World Wildlife Fund, which demonstrates the Group's management and commitment in the environmental area.

On 26 March, between 20:30 and 21:30, the Pestana Group hotels and the Pousadas de Portugal turned off the lights and encouraged guests to do same, in an initiative that aims to raise population awareness for the depletion of natural resources, namely energ.

**Water**

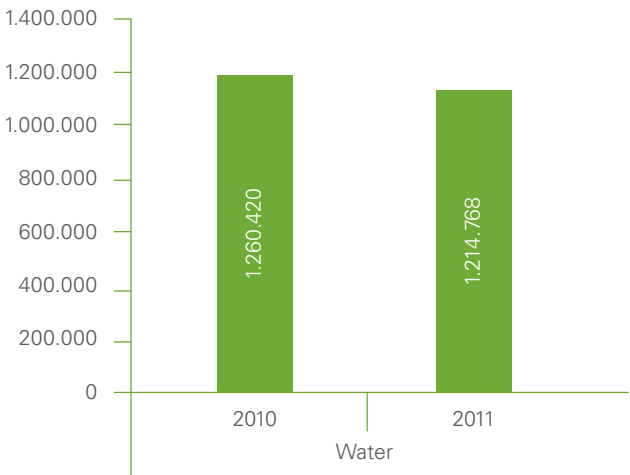
One of the most important resources for the functioning of our units is water. It is used in guest rooms, kitchens, for watering green areas, filling pools, washing floors, among others.

The consumption of public water supply reached approximately 1.215 m³, representing a 4% reduction in the period 2010-2011. In 2011, the consumption reached 842 liters per occupied room, 457 liters per guest and 1999 liters per square meter.

Some units have water boreholes to supply them, whose water is not accounted for, it is the case of units in São Tomé and Príncipe which lack water meters.

To reduce water consumption, three of our units have desalinization systems, which allow sea water treatment, transforming it into water suitable for consumption in our hotels.

**Water consuption (m³)**



Water consumption (l)	
Per occupied room	842
Per customer	457
Per m²	1.999

**Water Management Measures**

- Definition of objectives and measurable targets, continuously monitored through daily periodicity records;
- Implementation of programs with specific measures by work area (Reception, Housekeeping, Laundry Rooms, F&B, Kitchens, Gardens, Pools, Maintenance etc.);
- Conducting training activities of awareness raising and dissemination of good environmental practices;
- Placement of awareness signs for the customer;
- Water management:
  - Placement of water-saving systems on the taps and showers of rooms and kitchens;
  - Calibration of toilet flushes in order to reduce the water discharge;
  - Existence of toilet flushes with dual flush;
  - Daily monitoring of water consumption in order to detect any loss or waste;
  - Recovery of levadas water for irrigation of gardens, in the Madeira units;
  - Automatic watering and drop-by-drop systems making more efficient the irrigation and defining irrigation periods, wherein the evaporation is lower (morning and late day).

**Harnessing water at the Pestana Carlton Madeira**

The whole irrigation is done by drawing water from the spring and reusing water from levadas, being translated into a €2.000 saving.



Waste Management

Waste management is also a concern of the Pestana Group in its units. In this context we have as principle to promote waste reduction and encourage recycling as well as the reuse of waste and materials.

Waste Management Measures

- Separation of recyclable waste, including packaging, glass, paper/cardboard, cooking oil, organic waste, light bulbs and batteries, among others.
- To choose durable materials, recycled and recyclable (whenever possible and economically feasible).
- Gradually we have been eliminating individual portions of purchased products in order to reduce the production of packaging waste.

Green Cork

Hotel units in Madeira participated in the Green Cork program, which aims to recycle cork stoppers. It was an activity developed throughout 2011 in partnership with Quercus, a Portuguese environmental association.

The units had cork collection points, having collected over 10 kg of cork stoppers in each hotel. This initiative aims to:

- Reduce cork waste;
- Defend the cork as an ecological product of national origin;
- Defend the cork-oak forests, by planting new trees (native Mediterranean species).



Compost Production in the Pestana Carlton Madeira:

At the Pestana Carlton Madeira it is produced a 100% organic fertilizer, from garden waste, through a composting method. In order to do that, all the organic waste is screened and a composting bin is used to biologically process the waste into compost - a natural fertilizer.



Pestana Carlton Madeira, Portugal

Biodiversity

In Portugal there are 2 Pousadas integrated in protected areas (Pousada de Santa Clara and Pousada do Infante) and hotels located in Mozambique and South Africa occupy respectively 6.500 m<sup>2</sup> and 50.000 m<sup>2</sup> in protected area. These units are therefore subject to biodiversity preservation rules, which are supervised by management entities of national parks. In this context, our units cooperate with the initiatives undertaken by these entities.

The Pestana Bay helps in conservation activities at the beach that surrounds the hotel, in cooperation with the entity that manages this public domain Frente Mar Funchal. Every time situations are detected that require intervention either from the Hotel or Frente Mar Funchal teams are selected to solve situations. The Hotel helped in the recovery of wooden walkways in poor conservation conditions and in the cleaning of accumulated trash in the pebbles.

Biodiversity Promotion in South Africa and Bazaruto

The hotels promote an effective supervision to protect local fauna and flora, such as: protection of pythons, bats and other unprotected animal species that might appear in the surroundings of the Kruger Lodge unit. And in Bazaruto the protection of sea turtles, dugongs and other protected fish species. They also developed local awareness raising actions in order to not destroy the dunes, to prevent timber felling and coral destruction, and to not remove fish from the island.



Pestana Kruger Lodge, South Africa

Official Pousadas “7 Natural Wonders of Portugal”

The Pousadas de Portugal teamed up with the 7 Natural Wonders of Portugal, an initiative that makes known the natural beauties of our country, thus becoming known as “Official Pousadas”.

With over 40 destinations from north to south, including the Azores, the Pousadas de Portugal hosted the 7 Wonders team along the locations where a Special Road show passed by to promote each of the Natural Wonders put to the vote.

Its motto focuses on the idea that “If we want to protect something, first we must learn to appreciate it.”



Pousada do Gerês-Caniçada, S. Bento, Portugal

100% organic menu

On the International Day of Biodiversity the Pousadas de Portugal wanted to join this cause and teamed up with Brio, Organic Supermarket to promote biodiversity preservation.

At the Pousadas in the Lisbon Region there has been made available a 100% Organic Menu, combined with a set of gastronomic initiatives at the Pousadas Gastronomic Month. The menu was made only with Biological Products acquired at Brio.



Pousada de Alvito, Castelo de Alvito, Portugal

In loco production

In the year 2011, at the Pestana Palace, there were improvements in the Chef's vegetable garden, and some ingredients began to be produced in order to be used in the kitchen. Part of the herbs are grown at the hotel and, in every menu of Valle Flor, there are own produced ingredients. This action involved the entire kitchen staff (14 employees), and it had a residual cost in seeds. The results, however, were very satisfactory by the unique signature given to the served dishes.



Recognition of Environmental Management Practices

Over the years we have been recognized for implementing good environmental practices by various organizations, whether Governmental, tourism industry Guides, environmental rankings or others.

Pestana Village and Miramar receive Green Key

The Green Key is an international award of Environmental Education which promotes Sustainable tourism through recognition of good practice. In order to ensure that the tourism sector opts for a more sustainable acting, the Green Key Diploma is implemented in tourist units that are concerned with a better environment.

The Pestana Village and Miramar received in 2011 this award for their good environmental management practices.

Results obtained at the Pestana Village:

- Reduction of undifferentiated waste of 8%;
- Reduction of energy consumption per occupied room of 17,9%;
- Reduction of gas consumption per occupied room of 26,9%.



Pestana Village Aparthotel, Portugal

Tui Umwelt Champion Award

The Tui Umwelt award aims to reward hotel units that comply with a set of environmental requirements, having as main objective the environmental protection and social responsibility for it. The Pestana Palms received this award in 2010 and 2011.

Pestana Tróia Eco Resort & Residences

In the period 2010-2011 we began marketing the Pestana Troia, a project that takes sustainability as the fundamental factor in the development of the enterprise. Its main objectives are:

- To reduce the contribution to climate change and adapt to its impacts;
- To support the creation of a dynamic local community and integrated with its surroundings;
- To develop a real and alive location, with its own identity, and respectful of its surroundings;
- To preserve and enhance the ecological system of its surroundings;
- To increase the use of healthy means of transport;
- Using efficiently the resources, including water, waste residues and materials, during the stages of construction, operation and demolition;
- Reducing the impact of materials during the whole life cycle of the unit;
- To create opportunities for hosting corporate business activity that respond to local needs and which generate employment in the local community and its surroundings;
- Ensure that buildings contribute to the global sustainability of the unit.

This unit is following the environmental certification process according to the BREEAM system (Building Research Establishment Environmental Assessment Method) which presupposes the compliance of sustainability criteria in different areas by one of the most prestigious international entities in this matter.



Pestana Tróia Eco-Resort & Residences, Portugal

The Pestana Casino Park is an “Eco-Friendly Establishment” and the Pestana Palms an “Eco-Ally Establishment”

The Regional Secretary of Tourism and Transport of Madeira recognizes once a year companies allied to environmental sustainability, attributing Environmental Quality Tourism Badges, of 3 levels: eco-friend’ (excellence), ‘eco-ally ’(gold) and ‘eco-attitude ’(silver) to companies operating in the region.

In 2010 and 2011 was attributed to Pestana Palms the Environmental Quality Tourist Badge “Environment Allied Establishment”(Gold) and the Pestana Casino Park received the “Environmental Friendly Establishing”(excellence), which results from the evaluating of the following parameters:

- Integration in the natural and social dimensions;
- Energy and water resources;
- Environmental Management and Innovation;
- Utilities;
- Training.

The attribution of the Environmental Quality Tourism Badges “Eco-Friend” implies the compliance of strict and demanding environmental actions. Some of the distinguishing procedures that this hotel implements are:



Pestana Casino Park, Portugal

- Heat recovery from chillers to heat the water used in the rooms and pool;
- The main restaurant has temperature sensors ensuring a proper air conditioning management. The air conditioning is only switched on when required and at 90%;
- Rooms’ balconies are equipped with double glazing;
- Rooms feature switches that turn off the air conditioning whenever the balconies doors are open;
- We recommend customers to participate in our sustainability program, reporting on the bedrooms clothing exchange 2 times a week and towels on costumer request;
- There are recycling containers spread over the hotel with calls to its use;
- We work with certified suppliers and use in our departments (F&B/Housekeeping) biodegradable cleaning and disinfection products;
- It has been created an environmental committee that oversees and encourages the good environmental practices.



Pestana Palms, Portugal

Pestana Porto Santo receives Green Key and Blue Flag

*“After having received the Green Key Award in recognition of the good environmental management developed, the Pestana Porto Santo, now sees its beach receiving a Blue Flag. This is one more pride reason for the Pestana Group, since it takes care of safety and quality at their units “*

*José Theotónio, Pestana Group Director.*



05

INNOVATION, QUALITY AND SAFETY AT  
CUSTOMERS' SERVICE





INNOVATION, QUALITY AND SAFETY AT CUSTOMERS' SERVICE

*The Pestana Group bets in innovation in all aspects of the operational management in order to improve its products and create long-term value, trying to anticipate the needs of its customers and increasing their satisfaction levels.*

*In all units, the Group has teams that are responsible for the implementation of rules, standards and policies thus ensuring a greater safety for its guests, employees and assets of the company.*

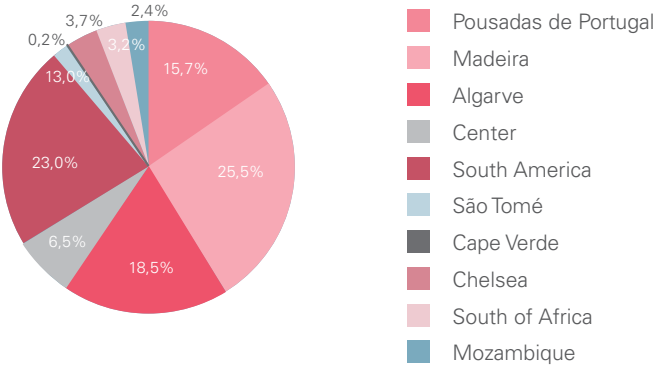
Quality of Service

The ultimate proof of the quality of our service is demonstrated by the results we present you. Year after year businesses have grown. In 2011, even in the current context of economic crisis, we have reached over 2,6 million customers, an increase of 9% over the last year. The room nights followed the same trend with an increase of 8% between 2010 and 2011 with more than 1,6 million. Online sales also show a positive growth of 13%. On average, at the different geographic locations, occupancy rates reached 81% in high season and around 30% in low season. The most sought-after geographies, such as Brazil and Venezuela can reach a maximum occupancy rate close to 100% with large variations when compared to the minimum rates that can go down to 11%.

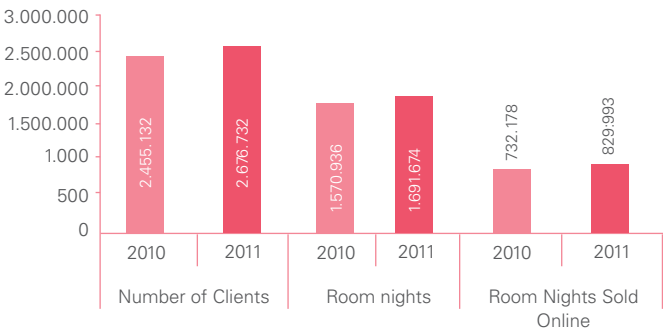
Eliminate/Create

It was issued to the teams the challenge of eliminating the bad service and turning it into a good service. In order to do this, the weaknesses of our services were identified in all sections and the needed changes to improve them were made, therefore contributing to a better overall quality of service in all areas.

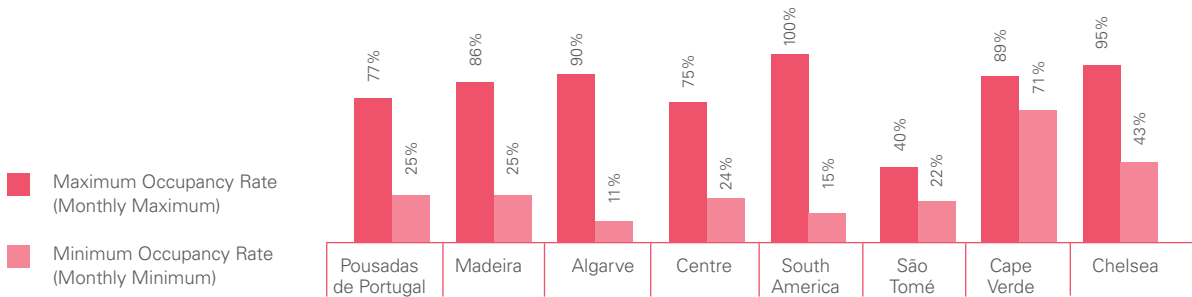
Distribution of customers by geography 2011



Evolution of Business Indicators<sup>3</sup>



Occupancy rates in 2011



<sup>3</sup> The online sales information present in the graph does not include hotels in South Africa and Mozambique.

Assessment of customer satisfaction

Regardless of the Customer feedback, there is in all units a high concern in maintaining a high personalized contact with customers. We conduct and encourage customers to answer to a satisfaction questionnaire.

This year, in response to the LRA Blue Alerts (management satisfaction system), we also invited the Client to express his opinion on sites that rate users' opinion, namely Trip Advisor and Holiday Check.

eBuzz Project – Brazil

It consisted on the use of the platform eBuzz Connect, which monitors and manages the feedback from guests on reported travel, social networking sites like Trip Advisor, Booking, Expedia, and blogs, enabling to monitor our positioning when compared to the competition and setting objectives.

These objectives are reflected in the perceived quality, being a buying decision factor by customers.

Result: Over 146 comments answered in 3 months, and a 10% improvement in the positioning of the Pestana Rio.

Closer relationship with customers

At the Pestana Palms, Pestana Village, Pestana Carlton and Pestana Miramar were held Guided tours to the gardens. The visits, that took place once a week, make known the available products, services and activities to guests, improving disclosure and communication with them.

Your home, in Madeira

This action provided our customers a weekly visit, to the internal services of the Hotel to let them know how we are equipped, how do services reach them, hygiene and safety conditions, among others.

Charm Operation Tui Alemanha

In order to improve our relationship with this operator, the Pestana Carlton Madeira made contact with all of Tui Alemanha guests in order to meet their expectations in several areas.

Excellence in service

As a result of the feedback from customers who were housed at the Pestana Carlton Madeira, the Pestana Palms and the Pestana Miramar, these units received in 2011, the Certificate of Excellence in Service from Trip Advisor, an opinion site, acknowledged as the most visited website in the world. This certificate resulted in greater recommendation of the hotel's services by customers.

Besides this distinction, our hotels and restaurants also received:

- The Zoover Certificate, awarded in 2011 to the Pestana Village and in 2010 and 2011 to the Pestana Grand;
- The Style Holidays Gold Award 2011, given to the Pestana Miramar;
- The TUI Umwelt 2011, awarded to the Pestana Miramar;
- The Thomas Cook Award of Excellence, given to the Pestana Grand;
- "Luxairtour Sales Award 2010", given to the Pestana Grand.



Pestana Buenos Aires, Argentina

Safety

Some of the safety measures that we implemented for customers and employees, at our units are:

- Continuous training of security teams in all units;
- The units are supplied with fire safety equipment (blankets in the kitchen, fire hydrants, extinguishers, sprinklers and smoke detectors) and emergency signaling at the highest risk places, according to the security plan for each unit;



- Regular simulation drills are conducted in accordance with the emergency plan of each unit;
- Conducting tests for alcohol in Hotels, in order to control alcohol consumption during the work time of employees, making workplaces safer and promoting the quality of service;
- In some units there are safety and health committees;
- All units follow a code of good practices in food safety, which is based on the principles of HACCP in all stages: receiving, refrigeration/preservation, freezing, cooking and regeneration of food. The information is available to all employees on the intranet.



Pousada do Porto, Palácio do Freixo, Portugal

### Guide “Boa Cama Boa Mesa” of the newspaper Expresso

The Pousada of Santa Maria do Bouro and the Hotel Pestana Palace, as in 2009, were awarded with a Golden Key. The recently opened Pousada do Porto was the big winner in the category of hotel units, with a Platinum Key awarded by the Guide “Boa Cama Boa Mesa”.

Concerning the Pousada do Freixo, the Guide states the following:

“Having a design of merit, this Pousada offers quality, comfort and serenity (...) The BCBM 2010 team recognized in the Pousada do Porto the merits of a rehabilitation project of an industrial and historical heritage, the fact that it takes advantage of a prime location allowing a hotel unit of this city a direct contact with its river, and the quality of its whole service, with emphasis on the restaurant.”

Concerning the Pestana Palace:  
“Enchantment is the best word to define a stay at this hotel”



Pestana Palace, Portugal

### Hospitally Assurance Certificate

The Pestana Casino Park published safety manuals, compiling a series of safety rules at the various hotel activities, including: safety rules in painting, cleaning, among others.

These manuals also warn our employees to the importance of safety labeling, identifying the meaning of the symbols used in the labels of products.

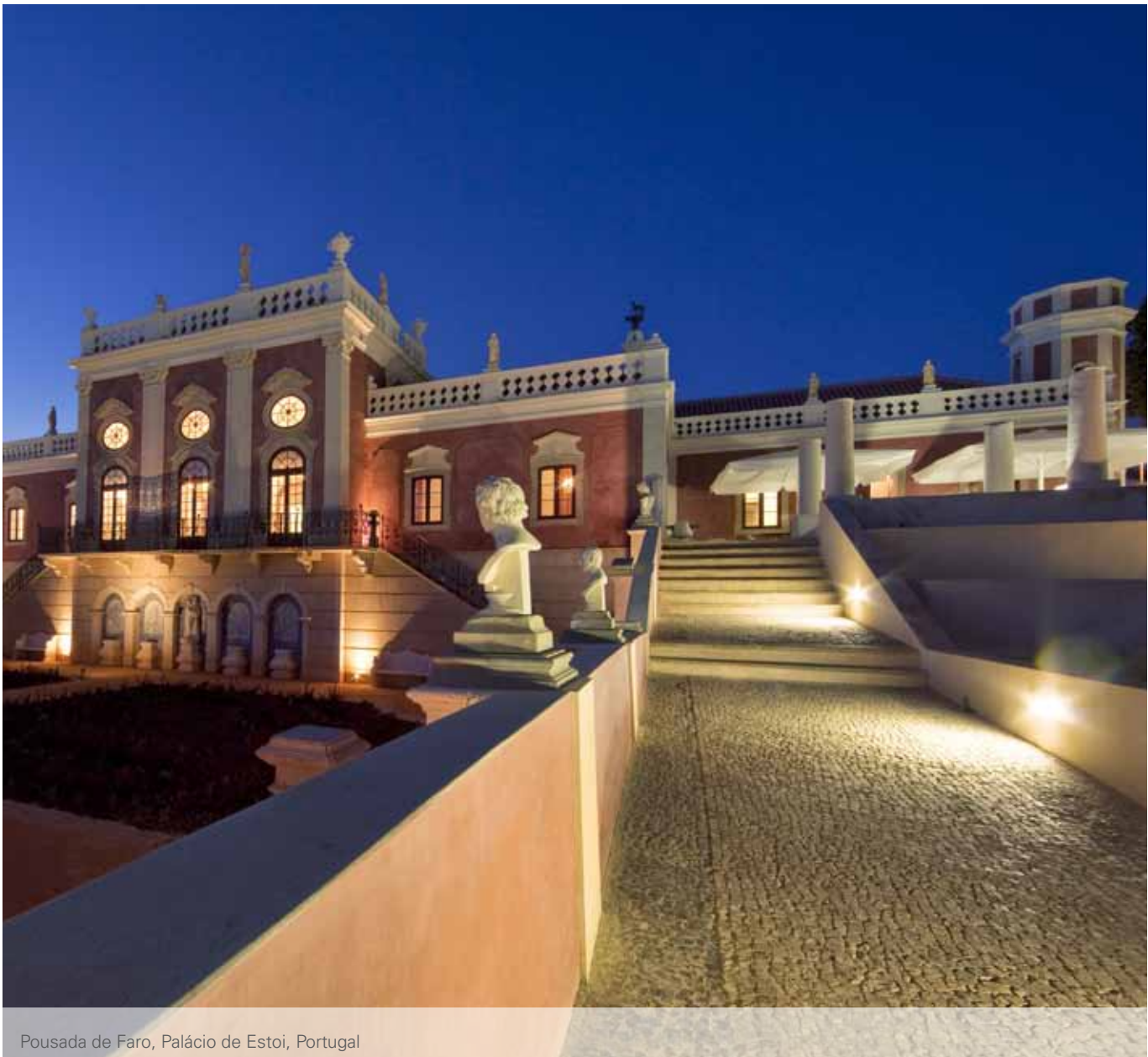
### Safety training

In terms of safety, the Pestana Chelsea offers training for all employees in handling objects, falls, fires, risk evaluation and initiation to health and safety at work. Work accidents are registered by the health and safety officers and if the employee is absent for more than 3 days, the accidents are reported to the “Wandsworth Council,” according to the UK law.

### Gold Certificate of Excellent Food Hygiene

The Pousada of the Estoi Palace received the Gold Certificate of Excellent Food Hygiene Standards based on the principles of HACCP.

This certification process began in May 2009 being only 32% completed; by the end of 2009 67% was already concluded and 80% for the first time in February 2010.



Pousada de Faro, Palácio de Estoi, Portugal



06

PESTANA TEAM





PESTANA TEAM

*It is essential to have professionals with the technical expertise and the adequate profile to perform their duties in all sectors.*

*The Pestana Group recruits qualified employees for the role they play and with potential to grow within their companies. In addition, the Human Resources develop a set of management processes to retain their best employees.*

The human resources policy of the Pestana Group has the following principles:

- To adapt the individual to his function and allow his self-improvement;
- To estimate the development potential and define the profile of employees;
- To train both technical and behavioral features;
- To motivate, encourage, reward or retrain for other functions;
- To improve communication and interpersonal relations.

Constitution of the Pestana Team

The Pestana team has around 7,000 employees worldwide. The hotel sector employs more than half of the total employees<sup>4</sup>.

We now present the Team of employees of the hotel units of the Group (except for the Berlin and Chelsea units).

In these units, the Pestana Group employs 4.001 people, in which 59% are women and 41% men. Compared to 2009, there was an increase of 102 elements, keeping almost the same overall structure.

Regarding the ages of the employees, the team is quite balanced, with 35% of employees between 25 and 34 years old, 27% between 35 and 44, and 19% between 45 and 54. The remaining employees fall under age groups with smaller percentages.

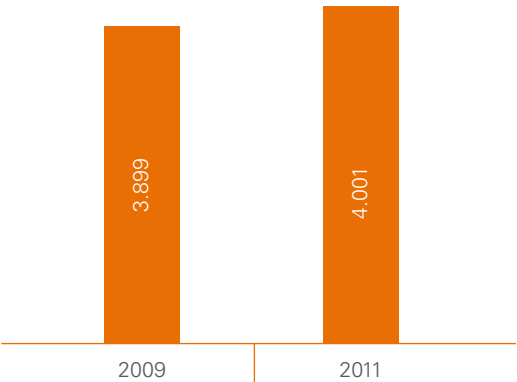
The overwhelming majority are permanent workers (72%), 20% have a fixed-term contract and 8% through outsourcing. By region, our employees are distributed across 10 different countries: Portugal, São Tomé, South Africa, Mozambique, Venezuela, Brazil, Argentina, Cape Verde, Germany and the United Kingdom. The existence of a larger number of units in certain geographical locations, is also reflected in the number of existing employees on those locations.



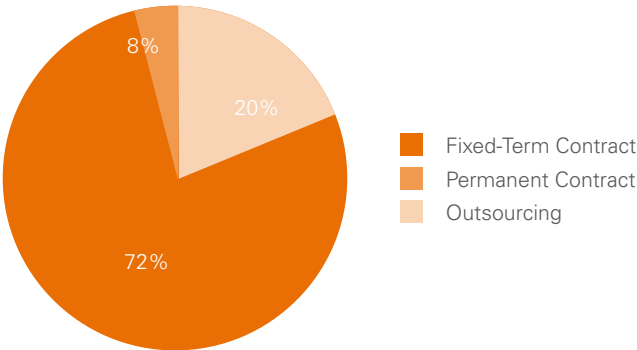
<sup>4</sup> The indicators presented in this chapter include employees of the Pousadas de Portugal and hotels in Portugal, South Africa, Mozambique, Cape Verde, São Tomé, Brazil and Venezuela. Excluded are the Chelsea and Berlin units,

the employees of the corporate center and other business areas of the Pestana Group, because they were not available at the time this report was being drafted.

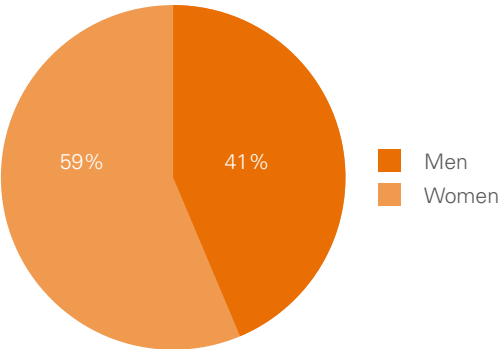
Number of employees (hotels)



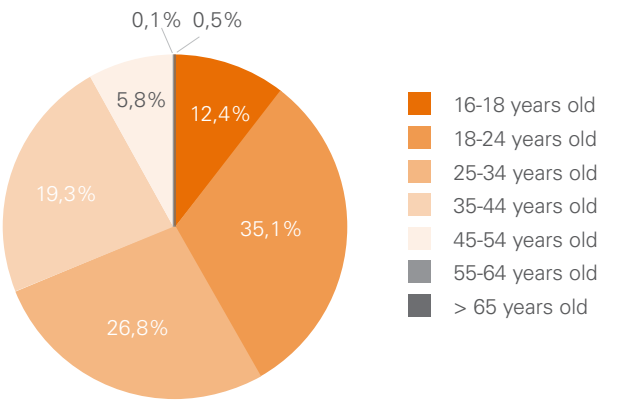
Employees by type of contract (hotels)



Employees by gender (hotels)

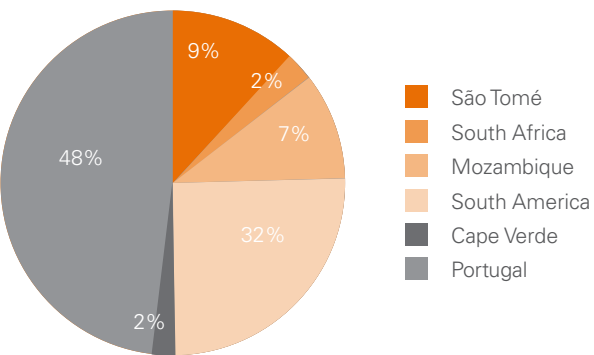


Employees by age group (hotels)





Employees by region (hotels)



Training and development

Growing Together is a program developed by the Pestana Group, which seeks to develop human resources and prepare them for the development of their careers creating, by itself progression opportunities within the company. The Growing Together program has well defined objectives and it enables the acquisition of skills in the commercial and management areas.

In 2011, employees received about 44.613 training hours, approximately 12 hours per employee, especially in languages (44%) and the remainder in hotel and restaurant techniques, food hygiene and safety, behavioural, support service, computers and others.



Great Leaders - Great Teams – Great Results

The behavioural training project of the Pousadas de Portugal for the year 2010, under the motto Great Leaders - Great Teams - Great Results was developed to provide managers with several leadership skills so that, through the effective management of their teams, they could achieve the expected results for that year.

In general, it is intended the achievement of the following personal and collective goals:

- Higher Sustained Performance;
- Differentiating Contributions;
- Customer Loyalty;
- Motivated employees.

This project consists of several phases of work over the year, involving 44 heads of the Pousadas de Portugal, in an internal collective effort to achieve the proposed results.

The kick-off of this project was dedicated to an outdoor activity, which took a whole day, in order to foster the team spirit, which resulted in a fantastic day.

Human rights and labour conditions

In the period 2010-2011, there was no knowledge of any violation of employees’ human or labour rights. The Portuguese legislation on these rights is strictly enforced and at voluntary will the units have mechanisms to report these incidents, to ensure responsible action towards our human resources department.

In this context the Pousadas de Portugal have a committee that employees can use to report any practice that goes against human and labour rights. In other geographical locations such acts may also be communicated to the Board of Human Resources.

There is also freedom of association and collective bargaining. 37% of the employees in the hotel area are unionized.

Evaluation Model and performance recognition

The rating model is based on two areas: the operational area, related to the “know how to do,” and the behavioural area, related to “know how to behave.” The evaluation system is a dynamic process that aims to improve the relationship between employees and managers, having also an essentially pedagogical feature.

The evaluation may be:

- Annual and it is mandatory for all those with at least a 6-month experience in a certain position.
- Biannual and it is mandatory for all those who are in the company for more than 6 months and less than 3 years.
- Extraordinary, and optional, it can be performed whenever an evaluator deems fit. It is usually recommended for situations of contract renewal or promotion.
- Experimental, which aims to enable learning on how to rate and should be held whenever it is necessary to launch a new evaluation system in a recently acquired unit.
- Self-evaluation, all employees are encouraged to conduct their own evaluation.

Every year, at the Pestana Meeting the Annual Awards are given to the units with the best performance in various categories, such as the “Productivity Award” and the “Sustainability Award”. Similarly the “Employee of the Month Award” and the “Employee of the Year Award” are given in all Group units as a stimulus to the performance and motivation of our employees.

Besides these awards, employees with good professional performance, and according to the obtained evaluation, are given an annual bonus to which contributes the working goals that are established at the beginning of the year.

We worry about the stability of our employees, so in the case of changes of function or workplace location employees are notified 30 days in advance. Likewise we guarantee equal pay for men and women, belonging to the same professional category.

It is in force a pension plan for the employees of the Pousadas de Portugal, with a defined contribution. According to this plan, the cost in each financial year regarding this benefit corresponds to the value of the Company’s contribution for the year to the respective fund.

Social Welfare of Employees

In Venezuela, the collective bargaining agreement includes a clause that indicates the yearly organization of one activity for the employees outside the hotel facilities, to encourage socializing and sharing with families. In addition, there was also a futsal tournament with the participation of the management team of the hotel.

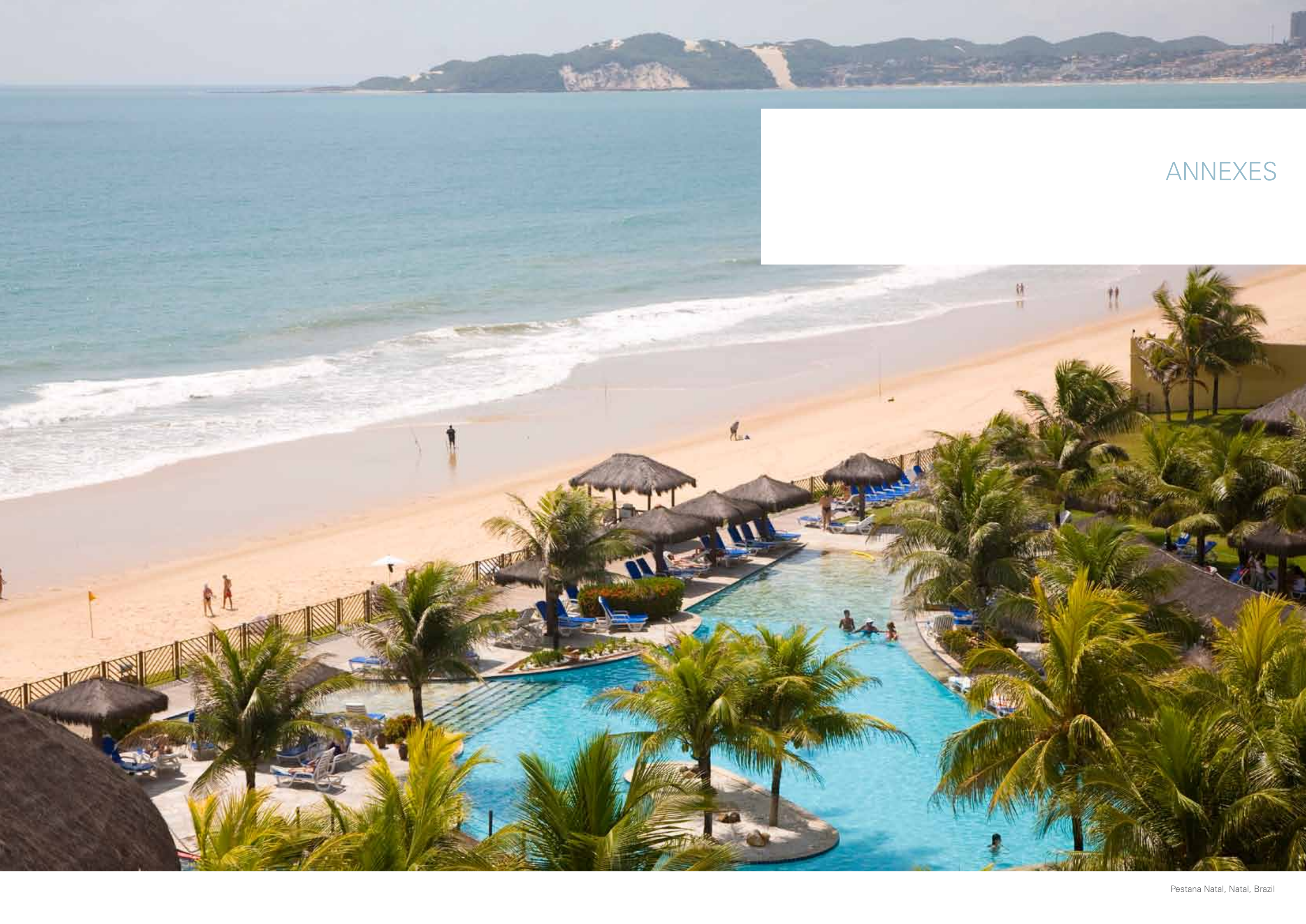
This initiative helps to improve the organizational climate and demonstrates our social responsibility before the employees and their families.

Regarding health and safety at work, in the year 2011 there were 40 work accidents in the hotels<sup>5</sup> of the group, and there were no deaths.



<sup>5</sup> The hotel units from South Africa, Berlin and Chelsea are excluded from this indicator.





ANNEXES



ANNEXES



Methodological Notes

The data presented on this report is based on the enterprise information systems, the labour and environmental legislation, and the principles voluntarily adopted by the company.

We present data concerning the period 2010-2011 and, when possible, we depict the performance evolution compared to the last report concerning 2009. The information has not been subject to an external verification. The sustainability reports of the Pestana Group are published twice a year.

The presented contents, the priority issues and stakeholders, were selected in line with the earlier published report, based on the know-how of many years of the Group's activity and in public documentation of the industry and peers.

Scope

The scope of the report refers to the activity of the hotels of the Pestana Group, in Portugal (including Pousadas de Portugal, and Hotels in Madeira, Centre and North and Algarve), São Tomé and Príncipe, South Africa, Cape Verde, Mozambique, South America, Chelsea and Berlin. Whenever the scope of the indicators is incomplete, this fact is mentioned in the text or at these methodological notes.

Considerations about performance indicators:

- Profile Indicators

Indicator 4.5: The allocation of the salary does not arise from results of social and environmental performance.

Indicator 4.7: Existing procedures fall within the scope of the recruitment procedure.

Indicator 4.12: The Pestana Group is a member of the BCSD Portugal and participates in the activity of GRACE - Group of Reflection and Support for Corporate Citizenship.

- Economic Indicators

The calculation of economic indicators followed the methodologies commonly used in the Annual Report.

In the table with key indicators for the economic and financial performance of page 13 are being reported the following Group companies in the following geographic locations:

- Madeira: M&J Pestana - STM, S.A.; ITI-Soc.Inv.Turist, S.A.; Ponta da Cruz - SIGH, S.A.; Mundo da Imaginação, S.A.;
- Pousadas de Portugal: Pousadas Pestana Group;
- Centre Hotels: Carlton Palácio, Porto Carlton, Quinta da Beloura Golfe; Guiatur;
- Algarve: Salvor-Soc.Inv.Hoteleiro; Carvoeiro Golfe, S.A.; Eurogolfe, S.A.; Soc. Imobiliaria Tróia B3; Soc.Inv.Hot. D. João II; Viquingue-Soc.Tur.,S.A.; Pássaro Amarelo-Real.Tur.; Carv. Golfe - Soc. Med.Im; Rolldown Golfe; PinheiroMar;
- Europe: Atlantic Holidays Limited (consolidated information); Hotel Rauchstrasse 22; Pestana Berlin SARL; Pestana Berlin Tiergarten;
- Mozambique: Salvor Hotéis Moçambique; Bazaruto Limited;
- South Africa: Wild Break 29 (PTY) LTD;
- Cape Verde: Empreendimento Turísticos;
- São Tomé: Afrotours, SARL; Rotas África, Lda; São Tomé Invest, S.A.;
- South America: Argentur Inv. Tur. S.A.; Invers. Vistalparque, CA; Brasturinvest Inv.Tur.S/A (consolidated information).

The 2011 information regarding Mozambique is still provisional data.

The calculation of data from countries that do not use the Euro, were performed using the average exchange rate of the year they refer to.

Indicator EC5: The salaries of our employees are at least equal to the minimum wage of the respective geographic location. For the countries that do not have a mandatory minimum wage, the reference is the public administration salary, as in São Tomé.

Indicator EC7: Informally we prefer hiring local employees. As for positions of top management, they are held by Portuguese Directors.

- Labour Indicators

Indicator LA14: There is equal pay for men and women of the same professional category.

- Product Responsibility Indicators

Indicator PR8: There were no complaints of this kind.

- Environmental Indicators

We used the following unit conversions and sources of information:

FACTORS USED FOR CONVERSION OF ENERGY UNITS AND CO <sub>2</sub> EMISSION FACTORS		INFORMATION SOURCES
ELECTRICITY	1 kWh = 0,0036 GJ CO <sub>2</sub> emission factors = 0,226 Kg CO2e/kWh	ERSE, 2011
FUEL	PCI = 40,36 CO <sub>2</sub> emission factors = 77,4 Kg CO2e/GJ	APA, 2009
NATURAL GAS	PCI = 38,74 CO <sub>2</sub> emission factors = 56.1 Kg CO2e/GJ	APA, 2009
DIESEL	PCI = 43,31 CO <sub>2</sub> emission factors = 74,1 Kg CO2e/GJ	APA, 2009

Declaration of the GRI level

This report was prepared in accordance with the guidelines of the Global Reporting Initiative for sustainability reporting. It presents a self-declaration of level B.

GRI LEVEL		C	C+	B	B+	A	A+
Mandatory	Self-declaration			x			
Optional	Verification by a 3 <sup>rd</sup> party						
	Verification by GRI						



GRI TABLE

1. STRATEGY AND ANALYSIS	
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4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	16, 17, 22, 41, 46, 48
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EN22. Total weight of waste by type and disposal method.	NA
EN23. Total number and volume of significant spills.	NR
EN24. Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	NA
EN25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff.	NR

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EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	31 - 37
EN27. Percentage of products sold and their packaging materials that are reclaimed by category.	NA
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HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	NA
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HR4. Total number of incidents of discrimination and corrective actions taken.	48
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HR5. Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	48
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HR6. Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	48
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SO2. Percentage and total number of business units analyzed for risks related to corruption.	NA
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.	NA
SO4. Actions taken in response to incidents of corruption.	NA
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SO5. Public policy positions and participation in public policy development and lobbying.	NA
SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	NA
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SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	NA
COMPLIANCE	
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	NA
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PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	NA

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PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	NR
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	41
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PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	NA
PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	NA
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PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	52
COMPLIANCE	
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	NA

NR - Not relevant | NA - Not available | NA - Not applicable





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