

SUSTAINABILITY REPORT LOPESAN HOTEL GROUP 2017



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01 About this report

At Lopesan we made a commitment to sustainable management in all our activities. Being essential for the Canary Islands, where the effects of climate change could have more severe consequences, sustainability became a key fundamental of our tourism branch and the guarantee for the company's short and long term success.

For this reason, we continuously strive to improve our sustainability performance and, for the second year in a row, we publish our Sustainability Report, in which all of Lopesan Group's 2017 activities and results achieved in the various fields of sustainability (economic, environmental and social) are disclosed.

The main information refers to the tourism and hospitality management, which Lopesan is dedicated to in 11 different hotels on the Canary Islands.



| | | |
|--|--|---|
|  IFA HOTELS & RESORTS |  LOPESAN HOTELS & RESORTS |  Lopesan Costa Meloneras |
|  IFA Altamarena |  Lopesan Baobab Resort |  Lopesan Villa del Conde |
|  IFA Faro Hotel |  Abora by LOPESAN HOTELS |  Corallium by LOPESAN HOTELS |
|  IFA Buenaventura Hotel |  Abora Continental |  Corallium Beach Hotel |
|  IFA Interclub Atlantic Hotel |  Abora Catarina |  Corallium Dunamar |

01 About this report

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Other
areas of
business

In the economic section, we also included data of our 7 hotels in Austria and Germany, as well as those of other centres and activities that are complementary or provide services to the hotels in the Canaries. In particular:



Expomeloneras
(Congress Centre)



Interhotelera Española
(Industrial Laundry)



Meloneras Golf
(Golf Course)



Cook and Event (Central
Catering Kitchen)

Additionally, in order to complete the transparency exercise of this report and taking into account that the Group is also active in the agricultural and industrial sector, we opted for disclosing the achievements of these divisions, too.

For the development of this second edition, we chose the most relevant hotel industry indicators suggested by Global Reporting Initiative (GRI) in its STANDARDS version, complementing some of these with approaches provided by the principles of the United Nations' Global Compact and the UN Sustainable Development Goals (SDGs).

The ultimate purpose of this document is the transparent communication of Lopesan's performance to its stakeholders, by providing a balance sheet of the last financial year.

This 2017 Sustainability Report is published on our website and available for consultation.



We bet on sustainable management in all our activities

lopesan.com

Making progress means to be able to adapt to the circumstances of each moment. As in nature, the evolution in business forces us to change in order to adapt to our surroundings. In 2017, once more, and with the same willingness and innovative mind as before in its 46 years of history, Lopesan dealt with the continuous transformation of an activity in constant technological and social evolution and the fusion with its environment.

Profitability is not a strictly economic and sustainability is not a strictly ecological term anymore. Both terms cross paths in the 21st century's economy. Tourism industry is not profitable when not sustainable, or when the landscaped areas are not being improved by building gardens and water bodies, bigger than the constructed surface. In order for projects of this kind to be viable and profitable, we must minimise the use of energy and natural resources with existing technologies and by leading water from the shower to the garden, or the heat of the sun to the hotel's air conditioning.

We are absolutely committed to the need of owning hospitality establishments that adapt to the environmental demands and requirements of a tourist who is conscious of his/her rights but also implied in and aware of preserving the planet we live on. Quality and awareness we should share with customers and promoters of tourism industry. Therefore, we actively push both purposes: create big gardens and achieve the highest level of energy efficiency at our hotels. The hotels we built so far and the ones that are still in need of the necessary permits from the Canary authorities to be built. For this reason, for the sake of sustainability, we do not get tired of requiring a greater administrative agility in order to build new tourism products, fully synchronised with a client who is conscious of the balance between enjoyment and environmental awareness that must exist.

In the process of moulting, 2017 has been a year with important transformations in structural terms and in terms of goals that have been set. The international expansion of the Group became more apparent with the construction of a new, grand hotel complex in Dominican Republic as well as with the approval and the definition of a master plan that will lead us to a lodging capacity on the Caribbean island, similar to the one on Gran Canaria. In 2017 we also decided to expand the horizons of our hotel activity by opening up to the asset management of non- company hotels. Therefore, we created a managing company and carried out a profound conceptual restructuring of both our own and the non- company hotels we are managing. The new brands Abora and Corallium were born.

A report like this, aiming to summarise all actions a company would take to make its activities environmental sustainable, not only collects statistical figures and percentages of waste reduction, the use of renewable energies or all what there is to a sincere consciousness of Corporate Social Responsibility. Behind all these figures and percentages,

there is the daily effort and commitment of every single one of the more than 4000 employees of the company. It's them who make all those goals we set a reality. They made a commitment to the company, and this collective will insists in a correct management and treatment of natural resources, always looking to improve our surroundings by reducing and recycling produced waste and, after all, to fight against climate change and to reduce the carbon footprint.

Parallel to the environmental awareness, what we also do have to promote is the best . possible working environment, and we do want to be very active on this field. All of the more than 4000 employees that are a part of the company should be able to work in a healthy, safe and comfortable environment. Therefore, we keep sticking very strictly to the occupational safety rules.

Our agricultural activity also seems very mentionable to me, as the social benefits that are being achieved by this fusion of the primary sector with hospitality industry are becoming more and more evident: Both activities benefit mutually from each other, as does the Canary community from the improvement and preservation of the rural surroundings, which most definitely are an identifying regional element. Every year, we keep increasing our production and the surface under cultivation at our Veneguera property, a 2800 ha estate of subtropical cultivations, that is supplying our hotels in the Canaries with fruit and vegetables.

With this new report we are rendering accounts. Transparency is another social demand of the digital times we are living in. The customers and the society has a right to know what we are doing to preserve the surroundings in which we are being active. In the following pages you can read more about all our effort to offer the best possible results.

Francisco López
CEO Lopesan Hotel Group



Francisco López (in the center)
together with the management team



Welcome to Lopesan

03

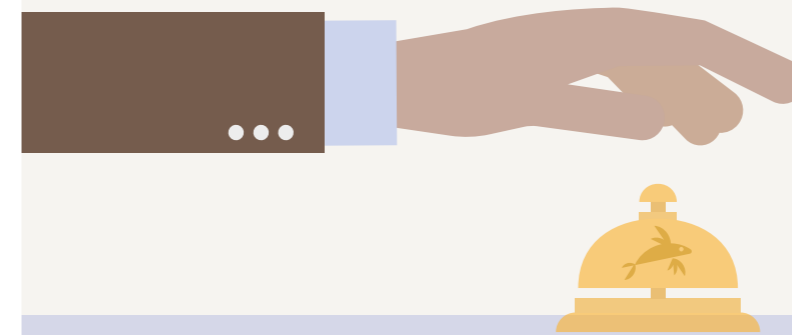
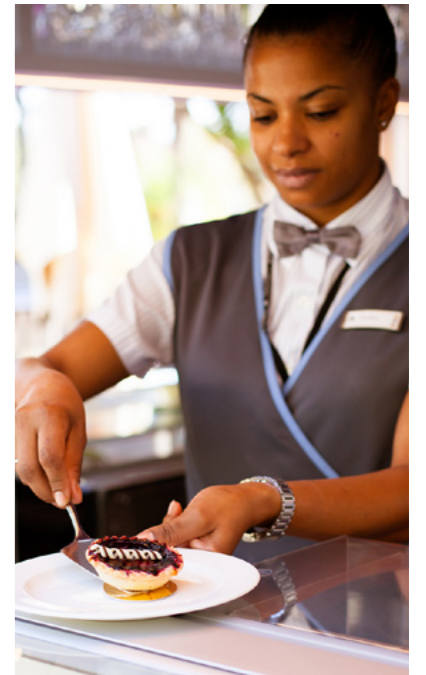
03 | Welcome to Lopesan

We are a global holding enterprise based in Gran Canaria whose origin can be traced back to the year 1972. It started as the family business Hijos de Francisco López Sánchez, parent company to the current Lopesan Group.

Apart from being present in Central Europe and the Caribbean, as tourism company we established as the leader on the Canary Islands and among the top ten in Spain, with more than 4000 employees.

Nevertheless, we have always been aiming to **diversificate our activities and expand the company**: Having started in the construction sector, today we also are the owners of hospitality, real estate and leisure businesses, as well as of companies dedicated to foodservice and sustainable agriculture.

In this way and thanks to our great effort based on innovation, we achieved our status as a leading company that offers unique experiences and highest quality to our clients.



3.1. Our Mission, Vision and Values

As reflected in our mission, our vision and our values, that are based on the commitment to sustainability and people, Lopesan firmly promotes an organisational culture of social responsibility.

Mission

We focus our activities on achieving these **three core principles**:

- Client **satisfaction**.
- **Profitability** of the producing units.
- **Sustainability** of the facilities.

Vision

Based on these three core principles, we created the **vision of Lopesan Group**:

- We are aspiring to **set the benchmark in hospitality management**.
- On our path towards excellence, we are designing management strategies focused on **client satisfaction** and we are committed to a model of ongoing improvement.
- We are aiming to consolidate as an **innovative and participatory organisation**. Our main goal is to develop innovative solutions focused on the increase of productivity, the improvement of processes and the creation of new products and services that contribute to gain value for the customers and the society.
- We strive to set the benchmark in corporate culture that shows **highest respect for environment and its protection**, consciousness for the



We promote an organisational culture of social responsibility

well-being of employees, and commitment to the **social and cultural progress** of the Canary Islands and all other destinations.

Values

In order to fulfil the above mentioned aims, Lopesan Group established **five corporate values** on which behaviour, attitude, belief and style should be based on:

- **Professional Rigour.**
- **Integrity.**
- **Sincerity and Transparency.**
- Commitment to **Quality, Respect for Environment & Preventive Culture.**
- **Internal Promotion.**



3.2. Our Approach to Sustainable Management

The integral nature of our business and its comprehensive development has been favouring a culture of social responsibility at every single one of our entities, the creation of value and the economic and social development of the communities within which we operate.

At Lopesan Group we did embrace the need for **constant transformation** by adopting mechanisms to introduce new products, processes and services through innovation management and, in turn, guaranteeing the completeness of the information.



Our corporate philosophy is based on:

1 Quality

- Ensure **client satisfaction**
- Adapt **processes** according to legal requirements and the demands of clients and stakeholders
- Improve **constantly**

2 Environmental protection

- Reduce the generation of **waste**
- Increase the **efficient use** of natural resources
- Implement an **Environmental Management System**

3 Health and safety

- Establish our own **risk prevention system**
- Integrate **preventive activities** into all levels and actions of the company
- Promote a **preventive culture**

4 Human resources


- Remuneration and **employment policy**
- Develop a **participative style** of management
- Fulfil the **established equality protocols**
- Favour the **professional development** of our employees
- Promote the **labour integration** of persons with disabilities

5 Society and stakeholders

- Establish different channels for the **transmission of suggestions**
- Participate actively in **the development** of the local community
- Prioritise **local purchasing**
- Implement measures to **avoid any kind of repression, discrimination or exploitation** of minors
- Trough our agricultural activity, **we contribute in trying to achieve the level of food sovereignty** asserted by the FAO

6 Innovation

- Promote a **culture of innovation**
- Introduce **improvements** into productivity, process efficiency and cost savings

A person is sitting on the edge of a stone pier, looking out at the ocean. The scene is set during sunset, with a warm, golden light illuminating the sky and the water. The person is wearing a white tank top and dark shorts. The pier is made of large, rectangular stone blocks. The ocean is dark blue with some whitecaps near the shore. The sky is a mix of orange and yellow, with some clouds. The overall mood is contemplative and serene.

«45 years have passed since the beginning of this corporate adventure. But even of more interest for us are the things that still need to happen. For Lopesan, the journey has just begun and sustainability is an integral part of this experience. This vision demands progress in three areas: satisfaction, profitability and sustainability.»

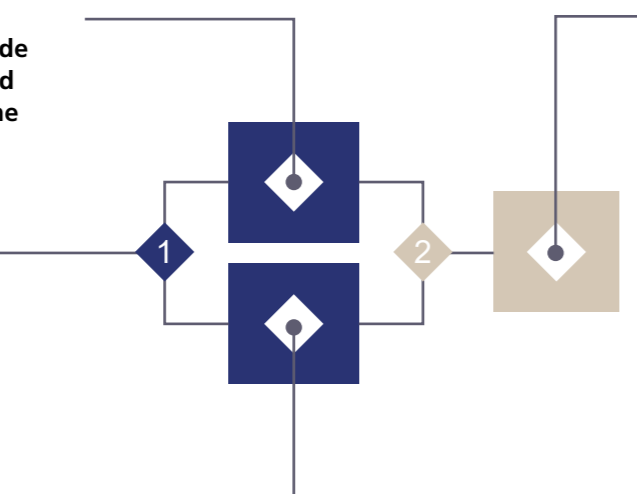
Francisco López Chief Executive Officer

3.3. Our Strategy

The organisational model of Lopesan Group has been evolving over the years:

In a first phase a **centralised structure model, able to provide services to different hotels and control the management of the Group**, has been established

In parallel, a **corporate structure** that acts as a support to the work system, facilitates the implementation of the management system in our new centres and adapts the Group's operational work, has been developed



Lastly, after the consolidation of a central management, objectives (with the emphasis on change management, innovation and adaptability to market transformation) for an efficient service management have been established

This natural evolution results in **new strategic objectives**:



1 Business model based on management

The consolidation of our system, based on technology, management efficiency, ambition to measure effectiveness and strategic goal-orientation, allows Lopesan Hotel Group to make progress. Thereby, it not only constitutes as the managing company of its own assets but also as an enterprise **dedicated to hotel management** with characteristic profitability and management indicators. This consolidation opens doors to the growth of the enterprise via **internationalisation and brands**.



2 Internationalisation

Lopesan is ambitious to **explore new business opportunities**. Thus, our central support structure and the maturity of the company allows us to take the next step towards **internationalisation** and explore new markets. In this sense, we carried out a risk analysis which has given rise to the **opportunity of developing the Lopesan model and product in new destinations**, similar to the Canaries: preferably tourism-oriented islands.



3 Business model based on brand consolidation

One of our main goals since the beginning was the development of **new methods to set and commercialise our offers and services**, always searching for excellence. In order to reach this goal, based on the experience of the Group, we built different brands: Lopesan, Abora by Lopesan, Corallium by Lopesan and L by Lopesan. With this focus on product segmentation, we will be able to define the needs of all different types of clients therefore embrace the Group's **opportunity of expansion**.



4 Talent identification, attraction & retention

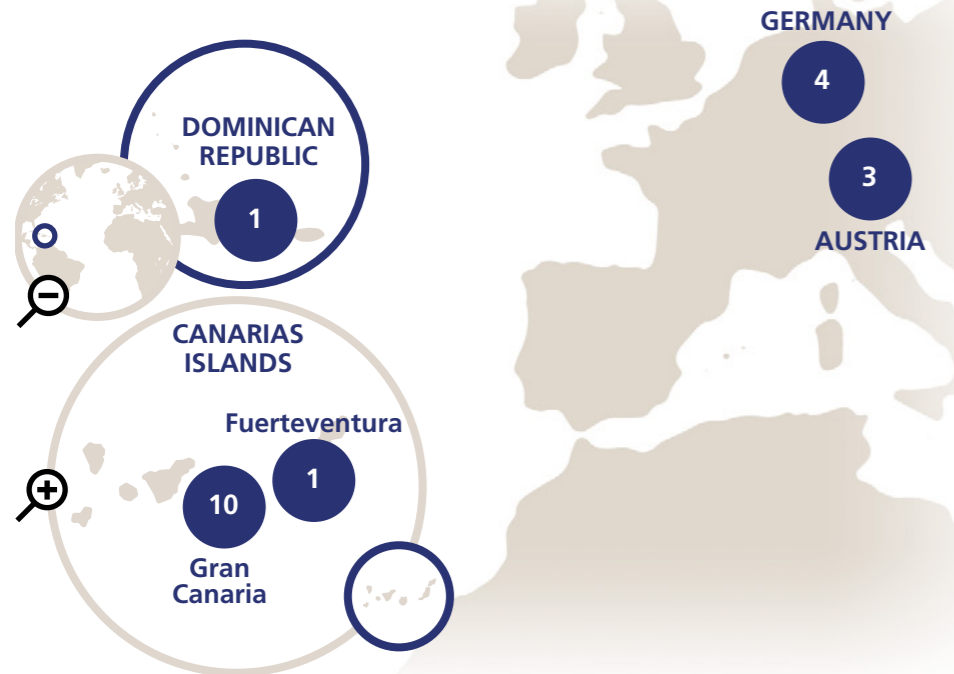
Lopesan's excellence is based upon the professionalism of our staff. It is them who convey the company's image to the client. Therefore, we established the strategic purpose and plan to **identify, attract and retain talent**.

3.4. Our Brands

One of our most exclusive feature is our commitment to customer satisfaction and constant innovation. Thus, we opted to create wide structured, singular and very differently themed hotels and places of leisure, with a very special and unique atmosphere for the thousands of travellers that visit us every year.

Altogether, our **22 hotels** in Gran Canaria, Fuerteventura, Germany, Austria and Dominican Republic, that are managed by the two chains of the Group (Lopesan Hotels & Resorts and IFA Hotels), have more than **16,500 beds**.

Number of hotels



Number of beds

| | | |
|--|--|-------|
| Gran Canaria | | |
| CORALLIUM DUNAMAR | | 506 |
| CORALLIUM BEACH HOTEL | | 380 |
| ABORA CONTINENTAL | | 728 |
| ABORA CATARINA | | 812 |
| LOPELAN COSTA MELONERAS | | 2,177 |
| LOPELAN VILLA DEL CONDE | | 1,122 |
| LOPELAN BAOBAB | | 1,354 |
| IFA HOTEL FARO MASPALOMAS | | 356 |
| IFA INTERCLUB ATLANTIC | | 1,039 |
| IFA BUENAVENTURA | | 1,448 |
| Fuerteventura | | |
| IFA ALTAMARENA | | 426 |
| Austria | | |
| IFA ALPENHOF WILDENTAL HOTEL | | 102 |
| IFA ALPENROSE HOTEL | | 200 |
| IFA BREITACH APARTMENTS | | 84 |
| Germany | | |
| IFA SCHÖNECK HOTEL & FERIENPARK | | 646 |
| IFA GRAAL-MÜRITZ HOTEL, SPA & TAGUNGEN | | 290 |
| IFA RÜGEN HOTEL & FERIENPARK | | 1.176 |
| IFA FEHMARN HOTEL & FERIEN-CENTRUM | | 916 |
| Dominican Republic | | |
| IFA VILLAS BÁVARO | | 1,233 |

Lopesan Hotels & Resorts

It's not only our brand for hotels but also a brand for leisure areas/centers we manage on Spanish and foreign coasts. We offer **highly distinguished products and hotel services**, thanks to our capacity of segmentation, the absence of standardisation and our commitment to innovation.

IFA Hotels

The name IFA Hotels identifies **acquired hotel properties** that cannot be included in one the remaining brands, due to the fact that they are in the need of an investment programme, in order to adapt them to the standards of the brands.

Abora by Lopesan Hotels

The brand for those hotels located in the centre of tourist destinations, recently refurbished and mainly intended to provide **comfort to their guests**. With the purpose to grant indelible memories, this brand guarantees a sum of very special moments for its guests, makes them feel alive and aligns them with the people they love.

Corallium by Lopesan Hotels

Corallium is the brand to identify those hotels that are specifically dedicated to **exclusive wellness services**. It arose with the mission to set a new quality benchmark for "Adults Only" hotels and focuses on providing the continuation of its guests' healthy and natural lifestyle during their stay.

L by Lopesan

These are singular boutique hotels with high class service.





Environment protection 04

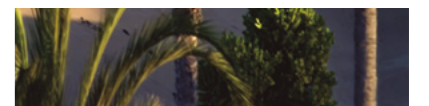
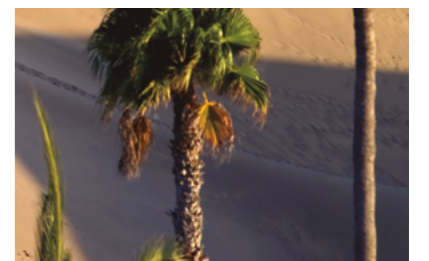
04 | Environment protection

At Lopesan Group, in order to improve the local surroundings of our destinations and keep our impact there as low as possible, we endeavour to **make progress in our environmental performance.**

Therefore we successfully implemented different tools to manage our hotels sustainably. In this sense, our **environmental management system** has been certified since 2004 according to ISO 14001 and adapted to its new 2016 version.

We are aware of the fact that **protecting the environment is a shared responsibility.** At Lopesan we have been investing in renewable energy, energy savings and waste management, as well as in the incorporation of technologies to use reclaimed water for the irrigation of green spaces.

The investment related to the environmental management of our establishments has increased to more than 650,000€ in 2017.



Environment investment



Expenses in waste management

This data includes charges from private sector and municipal taxation; Source of data: Accounting.



Investment in Energy Efficiency System

Source: Investment plan.



Other investments in environmental improvement

Source: Investment plan and accounting.



Maintenance of Environmental Management System

This data includes the cost of ECAS, analytics, internal and external audits. Data source: accounting.



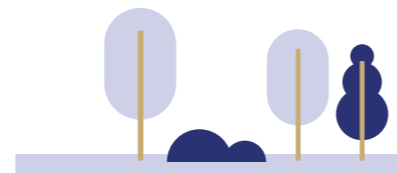
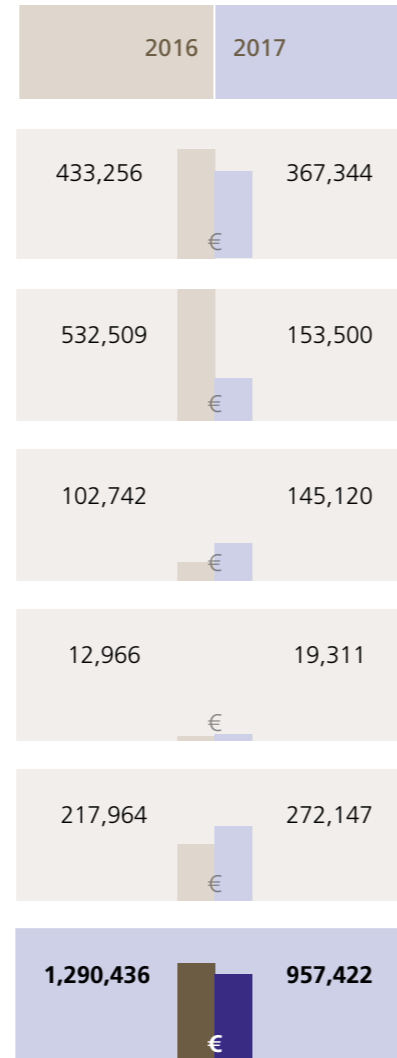
Sanitation fee

Source: Accounting.



TOTAL

Expenses and environmental investments



2017 shows a decrease in investment because in 2016, as a strong commitment to energy efficiency optimisation, a new system of energy monitoring was implemented at every single hotel of the company. Nevertheless, other investments in environmental improvement have increased due to the replacement of equipment (evaporators, impeller pumps, pool filter systems, etc).

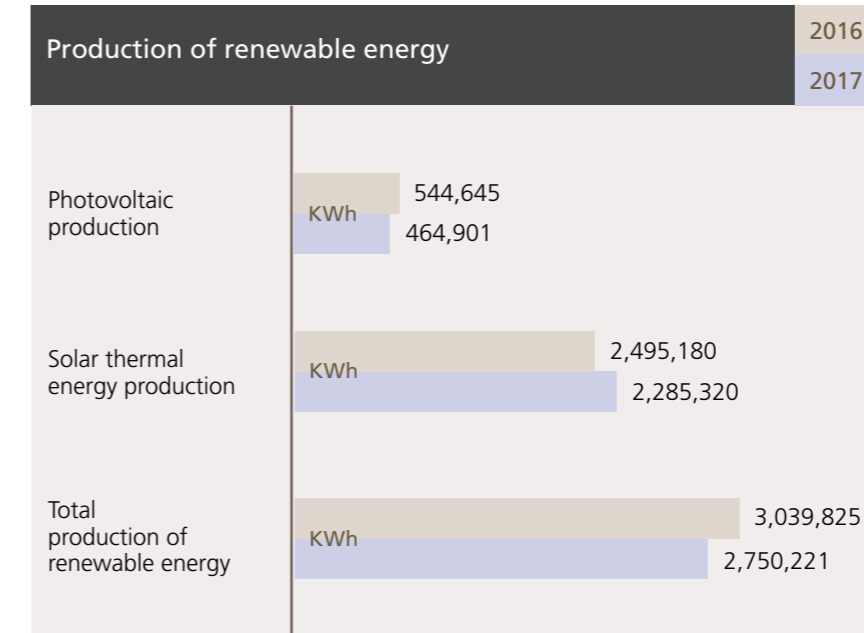
4.1. Energy efficiency and carbon footprint

Energy efficiency

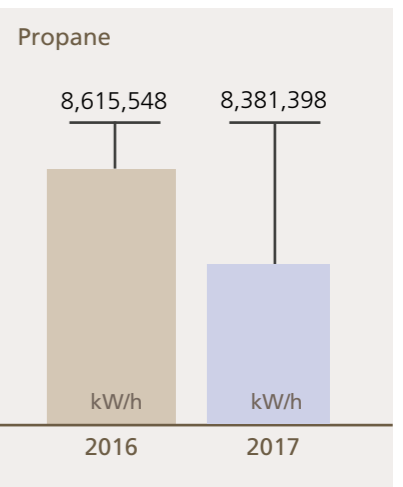
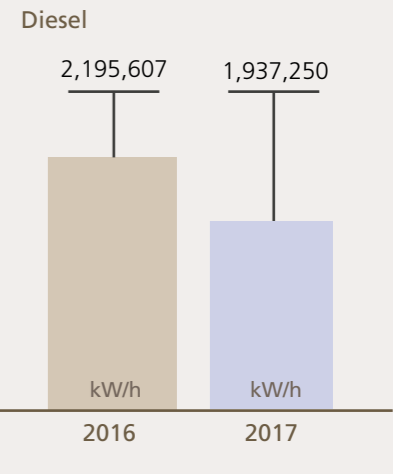
Efficient energy use is one of the key factors to achieve sustainable development and the contribution to climate change mitigation.

At Lopesan we strive to use energy more and more efficiently. Therefore, we took actions to **reduce the consumption of those fossil fuels** we usually use: diesel and propane.

Additionally, the use of renewable energies also plays a central role: our hotels are equipped with solar panels. On one side, we are able to supply solar thermal energy to our own buildings, and on the other, we generate energy with a photovoltaic system that is connected to the utility grid. These systems generated more than 2.7 million kWh during 2017, which is equivalent to a CO₂ saving of 1161 tons.



Diesel and propane consumption data



During 2017 a one-off energy consumption increase of 0.9% was reported, which is due to the occasional use of propane to heat sanitary water at Hotel Costa Meloneras, a minor solar thermal energy production and the reduced performance of the boiler at the hotel Interclub Atlantic (a problem that has been solved by the end of the year).

However, we keep striving to achieve energy savings on a larger scale and in this sense, for 2018 we scheduled a number of actions in order to improve our efficient energy use:

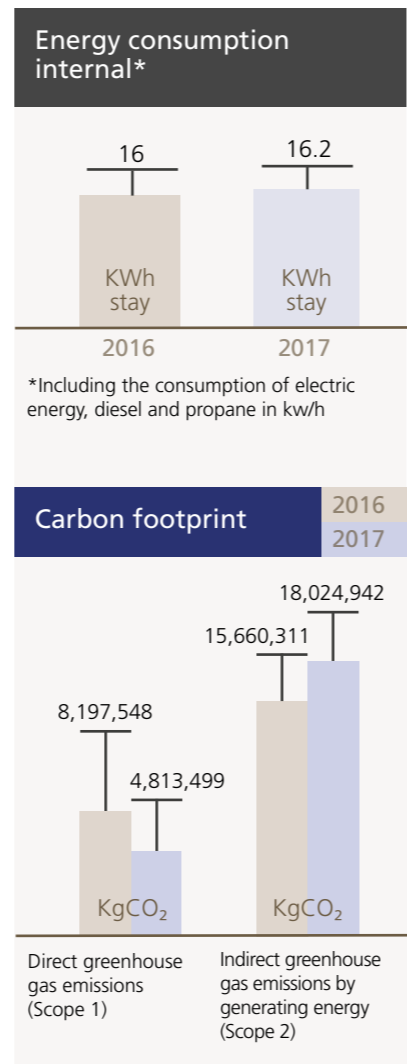
- Replace existing luminaires by more efficient ones.
- Improve the utility of the new energy monitoring system.
- Carry out the substitution plan of thermal generation equipments with a COP (coefficient of performance) lower than 0.7 in useful heating, or 2.0 in useful cooling.

Furthermore, we consider it of great importance to **raise awareness regarding energy saving among our clients and the general public**. Therefore, **we established the PILEV** (Punto de Información de Energías Verdes/ Green Energy Information Point) project, which was developed in cooperation with the University of Las Palmas de Gran Canaria and the University Foundation Las Palmas.

The project consists of spreading the real-time reading of the network equipment that monitors and displays the produced electric energy, as well as the CO₂ reduction, achieved by the solar and photovoltaic installations of our hotels.

Carbon footprint

At Lopesan we **calculate our carbon footprint** so that we can identify the areas with higher generation of emissions and, accordingly, take



specific actions to reduce it. Therefore, we evaluate the total greenhouse gas emissions of our hotel activity, including the energy consumption, gas and diesel combustion emission, as well as the leakage of refrigerant gases used for air conditioning.

In terms of intensity (Kg CO₂ per stay), we achieved to reduce our carbon footprint by 2.5%, which was basically due to the decrease by 50% of direct emissions, thanks to a lower consumption of fossil fuel, the 60% reduction of refrigerant gas consumption (compared to 2016), and the implementation of preventive techniques to avoid leakage.

Indirect emissions have also been lower than last year.

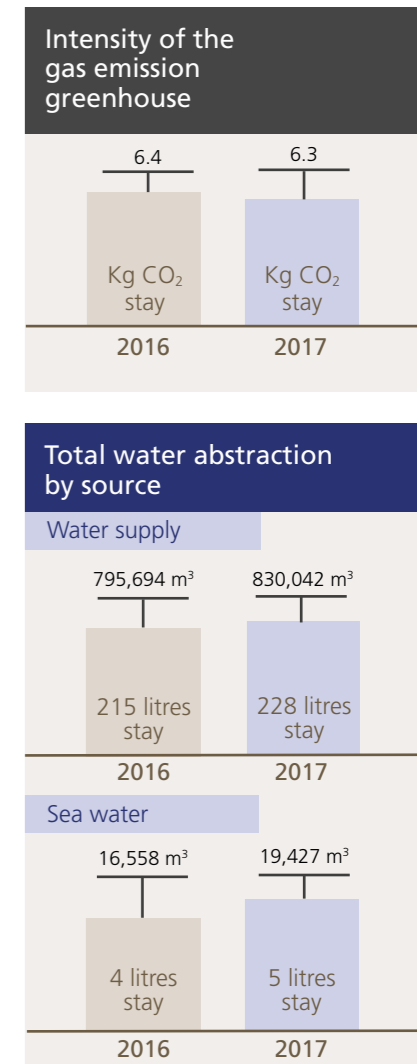
4.2. Water

Water consumption

Water is of crucial importance. Therefore, **it has to be used sensibly**, especially in water-stressed regions, like Spain and in particular the Canary Islands, where our main performance is carried out. Hospitality is directly linked to water consumption: In the rooms, the common areas of the hotels, and especially the pools, gardens and complementary leisure areas like the hotel spas.

Thus, we strive to **manage this essential resource sustainably**. And, although the consumption of water supply in 2017 increased by 6.2%, compared to 2016, we do keep taking actions to decrease its use and return to a reduction trend.

The increase of the quantity of water consumed is due to the fact that our hotels Lopesan Baobab and Abora Catarina suffered a slight deviation. In the case of Lopesan Baobab, the water consumption in swimming pools increased, which is why improvement works are



being carried out. Abora Catarina was closed for three months but the irrigation of the gardens has led to increase the quantity of water consumed per stay.

In the other hotels, water consumption behaviour remained stable in lodging, while deviations in pools and irrigation systems have been detected.

Wastewater

Wastewater may cause the contamination of our nearby water sources, which most certainly will have a negative effect on our activity and the natural habitats of the area. Therefore, at Lopesan we take great care of its treatment and its volume.

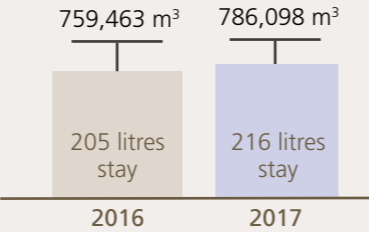
In this sense, despite of the fact that wastewater at most of our hotels is being discharged into the municipal sewage system, we implemented treatment systems at the hotels Lopesan Costa Meloneras and Lopesan Villa del Conde. In having done so, part of the wastewater of these two hotels is treated to such quality level, that it can be used for the irrigation of the gardens.

In 2017, we basically maintained the volume of the water discharged into the municipal sewage system. But there is to be highlighted that the **volume of water, purified** in the hotels that are in possession of a treatment system, increased by 21%.

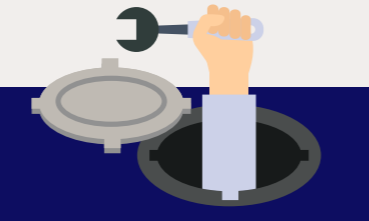
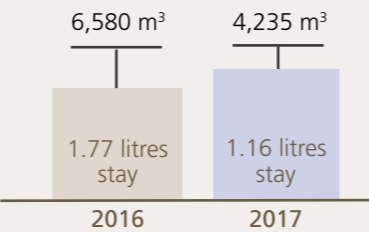
Furthermore, due to the thalassotherapy centre, at the hotel Lopesan Villa del Conde **wastewater of marine origin is generated**.

Total wastewater, according to quality and destination

Wastewater discharged into municipal sewage system



Wastewater discharged into the well filter (brine)



4.3. Waste

Waste generation in our activity is due to our clients' stay as well as to maintenance operations carried out within the facilities of our buildings.

At Lopesan, we have been applying certain practices in **integral waste management** at our hotels for years:

- Policies and initiatives to minimise our waste: project Zero Paper, sustainable purchasing policies, food waste control and reuse of materials.
- Investment in different means and resources: containers, vertical balers and automatic compactors.
- Staff training programmes and awareness- raising activities for correct waste management, involving suppliers.
- Information activities for and with clients to achieve a correct use of containers when recycling.

Despite of the fact that these measures allow us to make progress in our waste management, in 2017 there has been a 5% increase of total waste production per stay. However, our reduction policies for dangerous waste are giving very good results: a significant decrease of 37.4% has been observed this year.

Furthermore, it is worth stressing that a 3.4% more waste has been selectively collected and delivered to waste management entities, while residual waste has been reduced by 1.51% .

2018 main objectives will insist in applying the dangerous waste reduction policies, increasing recycling / reducing residual waste, as well as decreasing the use of plastic (especially disposables) and finding reusable and compostable alternatives.



4.4. Veneguera state restoration project

In our aim to link tourism industry with the primary sector of the Canaries, in 2014 we acquired our Veneguera estate, traditionally dedicated to agriculture and located within the Roque Nublo Rural Park, a designated Biosphere Reserve in some areas.

The 2,800 hectares of the estate have been agriculturally exploited for more than a century. Its microclimate, ideal for subtropical orchards, and its water wells contributed substantially to the development of the area's primary sector in the first half of 20th century. At the time, 3,000 people worked the land and could be supplied by its fruits.

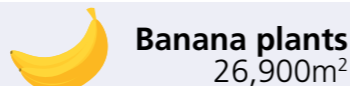
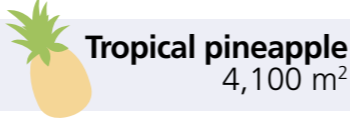
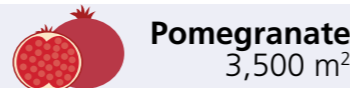
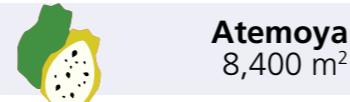
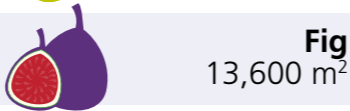
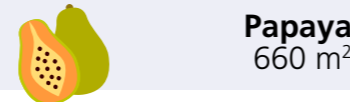
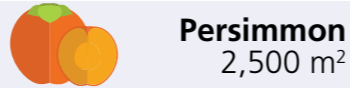
Our agricultural production focuses on the cultivation of bananas, mangos, avocados, citrus and several other tropical fruits. In order to nurture our productive activity at Veneguera estate, our entity 'Agrícola Tabaibal' signed an agreement of cooperation with the agricultural organisation COAG-Canaria in 2017.

The signing of this agreement means our consolidation in the agricultural sector. Furthermore, we can count on the support of COAG-Canaria in order to achieve a more environment friendly production, to preserve the surroundings of the estate and to reinforce its rural condition.

In 2017 we increased the surface area under cultivation by 8 hectares, summing now a total of 65 hectares. 3 of those hectares have been being organically worked since 2016.

In our eagerness to improve our productivity and increase the diversity of tropical cultivations, according to the estate's exceptional climate conditions, in 2017 we introduced new crops on the 8 hectares:

Nuevos cultivos



Persimmon: 2,500m², Passion fruit: 240m², Papaya: 660m², Fig: 13,600m², Atemoya 8,400m².

The yields of crop varieties introduced in 2016 have been increased: Tropical pineapple: 4,100m², Longan: 17,000m², Pomegranate: 3,500m² and the cultivated area of banana trees increased by 26,900 m².

Despite of the increase of surface area under cultivation, the general production decreased by 9.6%, compared to the year before. This is basically due to the renovation of 4 hectares of banana plants, that take 18 months to carry fruits.

The commitment to self-cover the fruit supply of our hotels, enhances both of the sectors, lets our clients try local produce, and improves the quality of gastronomy.

Our intention is to keep reinforcing the rural character of the estate: Through agricultural exploitation and by applying actions to preserve its surroundings. In order to make progress in these preservation actions, we kept following the commitment to progressive reforestation: to the 400 already restocked seedlings in 2016, we added 239 more seedlings, 136 pine trees and 103 junipers.





Veneguera estate, Roque Nublo Rural Park, Gran Canaria



Commitment to society

05



05

Commitment to society

The development of our Group is directly related to the progress of the communities we are operating in. Therefore, they must be part of our strategy in order to achieve common targets.

5.1. Quality service

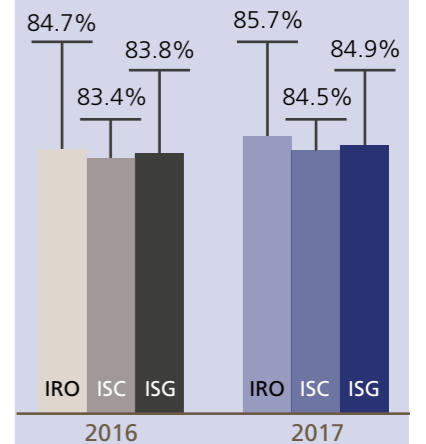
Our clients are the centre of our hospitality management, which is why we are striving at its maximum to guarantee their satisfaction at all times. Therefore, we perform an analysis based on the surveys sent to our clients, once their stay is concluded.

Based on this client experience analysis, we can detect their needs and motivations in order to cover them 100%.

In the 2017 analysis, we accomplished to maintain the improvement trend by achieving satisfaction objectives and improving the previous year's results: 84.9% was the general index of satisfaction (GSI) we obtained. This index is calculated based on the results of the online reputation index (ORI) and the internal customer satisfaction index (CSI).

One of the main concerns of our clients is **the protection of personal data** they voluntarily provide by using access applications or purchasing online. At Lopesan, we are very aware of the importance of this matter and we do conduct follow-ups of the complaints regarding breaches of privacy and loss of customer data. In 2017 no incident was observed.

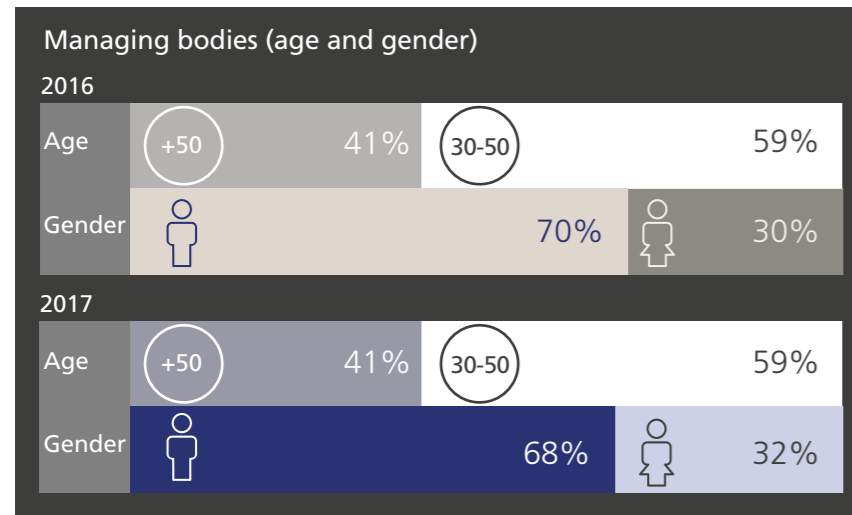
Client satisfaction survey



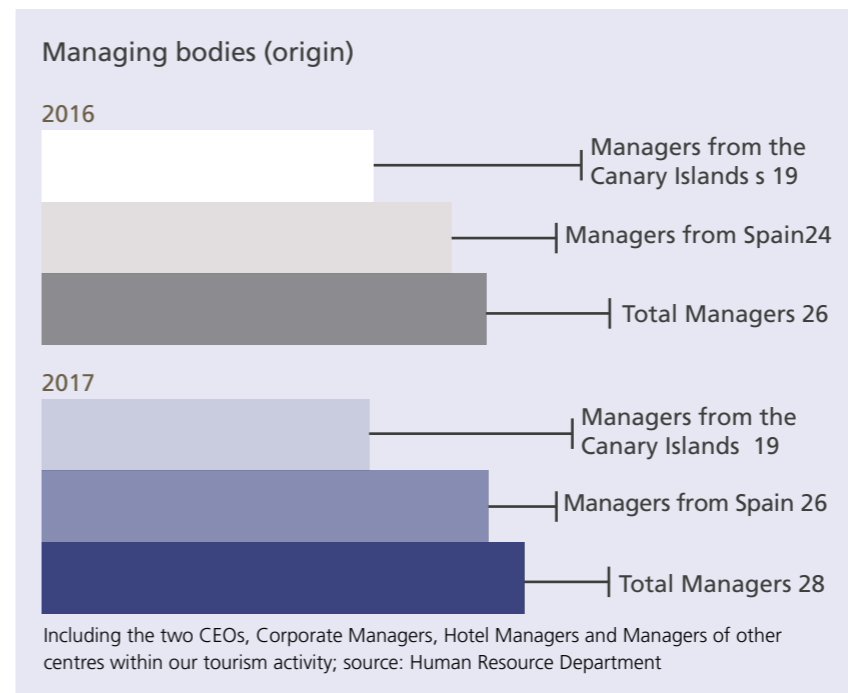
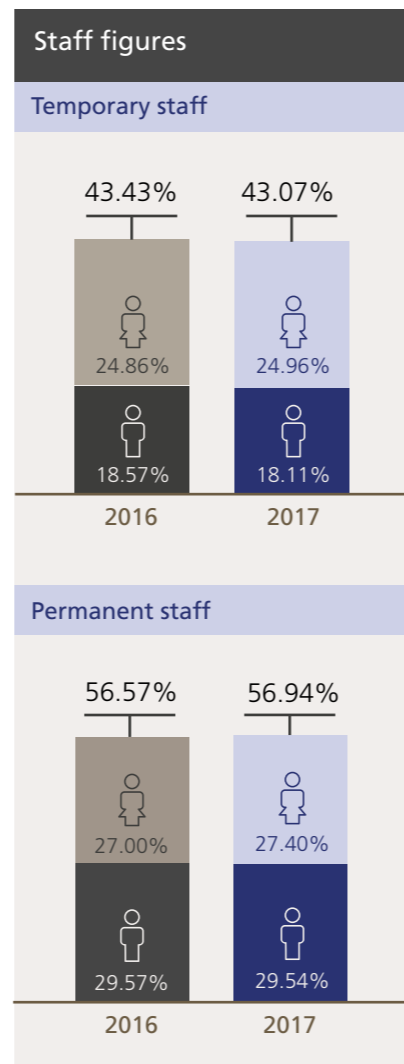
5.2. Our team

At Lopesan, we seek to **create and maintain permanent staff** at our hotels, offering guarantees for decent work. We are constantly growing and during 2017 we created 26 new positions. We currently are employers to **3,255 professionals**. More than half of them are employed in terms of a permanent contract and **52% of our staff are women**.

The structure of the main managing bodies of the Group, consisting of the Hotel Operations Committee, the Operational Management Committee and the General Managers as well as the Department Managers of each hotel, is the following:



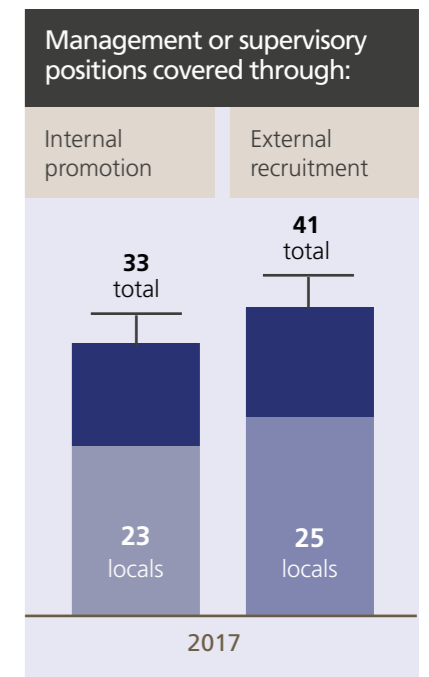
At Lopesan we focus on **recruiting local talent** and we stay true to our **internal promotion** policy. 68% of our managers are local (from the Canary Islands).



44% of the vacancies in management or supervisory positions have been covered through internal promotion, and 65% of the total vacancies have been covered with local employees.

Equality plan

From the Group's management, we promote a human resource politics, based on the equality of all persons, whatever gender, sexual condition, religion, ethnicity, etc. they might be or have. Therefore, we are taking actions to avoid discrimination and we are working hard in order to achieve our equality plan's objectives. This effort can be observed in our 2017 results, as there was no case of discrimination reported.



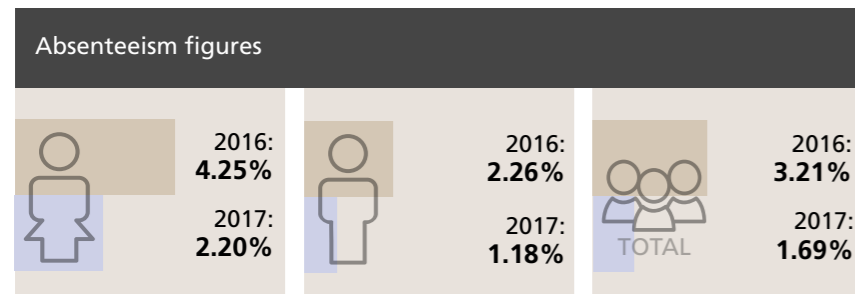
Risk prevention

Regarding the occupational risk prevention in our hospitality activities, in 2017 the accident rates were kept on a sustained declining trend. In general, our incident rates are below the industry's average rates. These achievements have been made thanks to the integration of preventive activity at all levels of the organisation.

100% of the produced accident - related injuries were reported as slight.

Furthermore, concerning occupational diseases, 7 employees have been affected.

Regarding common illnesses, we achieved to lower the rate of absenteeism due to sickness.



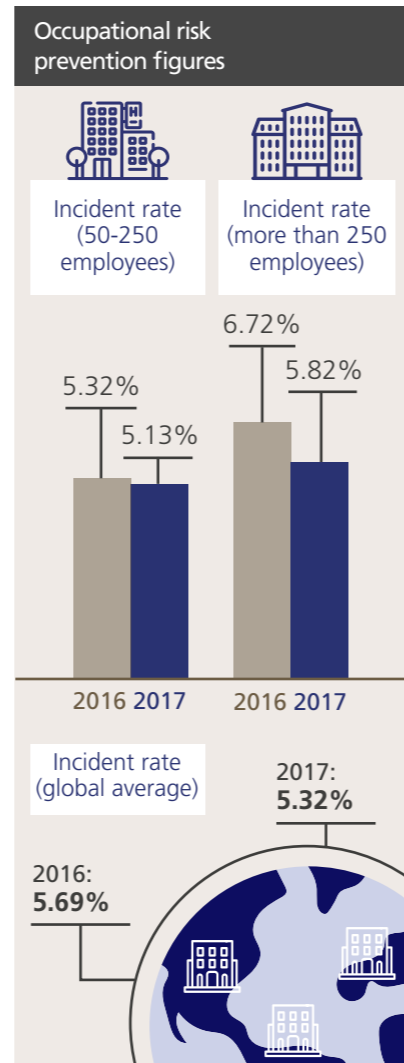
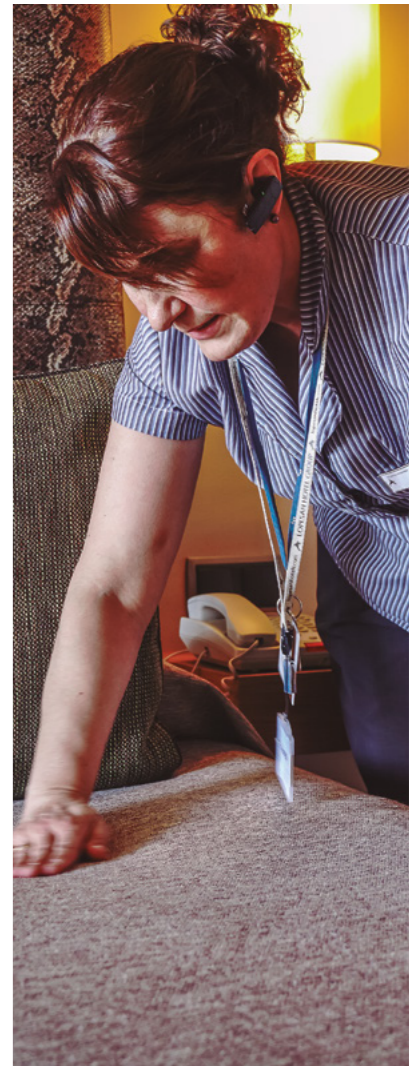
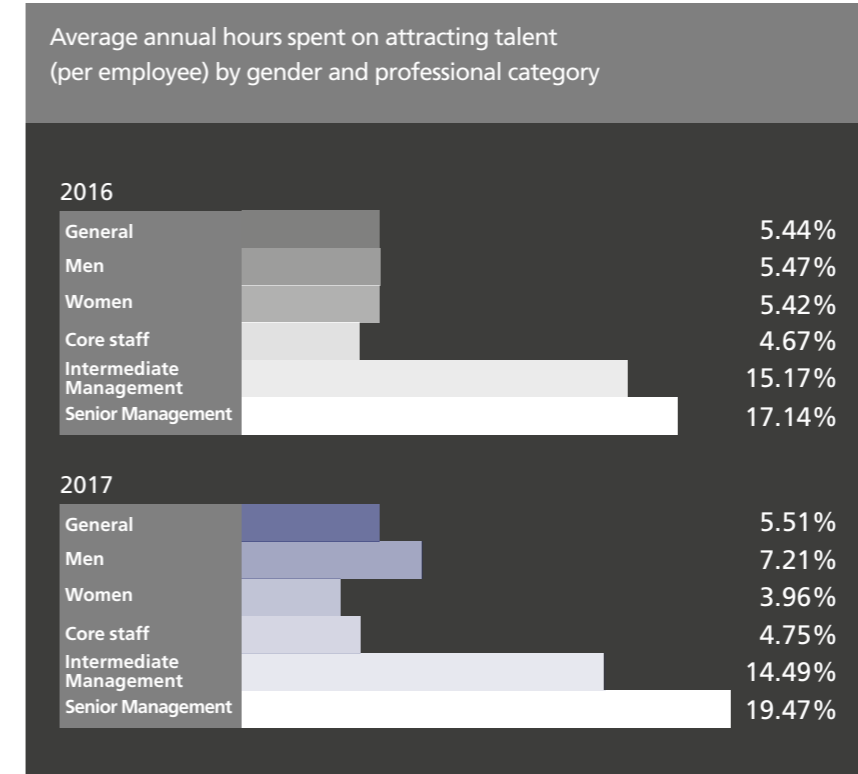
In order to improve these indicators we keep carrying out different actions to promote health and healthy habits: "Tu salud es lo primero" (Your health comes first) is a campaign in cooperation with the Spanish Association Against Cancer, which provides our employees information about healthy eating, cardiovascular health, emotional well-being, etc. on a monthly basis.

Furthermore, in cooperation with Fundación Mapfre, we do inform our employees about healthy habits through posters in the different centres.

Training plans

At Lopesan, we are strongly committed to **talent development**. One of the objectives of our sustainable management strategy is improving the process of talent identification, recruitment and retention.

For this purpose we are investing in training our employees to improve their skills and develop their professional capacity. In 2017, we increased the average annual hours spent on attracting employees to 5.51 (hours per employee).



5.3. Stakeholders

At Lopesan, we take into account the **views of all stakeholders**. Therefore, we carried out a survey that included the 20 most relevant topics for the Group, in order to identify those that matter the most to our stakeholders.

The survey has been sent to local authorities, professional associations, clients, employees and suppliers.

The obtained results clearly show that **occupational safety and health is the most important topic** to our stakeholders. A result that most certainly is related to the high employee participation.

Furthermore, other relevant topics in order of importance are: the sustainability of the water cycle and the fight against climate change, client satisfaction, ethics and integrity, human resources, preservation of biodiversity and circular economy.

In this sense, the interest of our stakeholders in **environment as well as in social components** is reflected in these results and in accordance with the efforts we have already been making.



5.4. Support of local development

Given the importance of supplies for the functioning of our hotels, especially at our restaurants, certain selection and evaluation criteria of suppliers have been developed and implemented.

Considering the top 100 of our suppliers list, we achieved that 87% of our purchases were made from local suppliers based on the Canaries, and that 18% of those purchases were **local produce**.



In order to resolve issues that are directly related to the impact of our tourism activity on society along the entire value chain, **different projects in cooperation with public or private entities** have been developed. In 2017, the following deserve special mention:

Donation to the food bank Las Palmas

During 2017, on a weekly basis we **donated 250 kg of fruit** from our Veneguera estate to the food bank Las Palmas. Afterwards, these were delivered to people with limited resources. Furthermore, we started to donate material from our headquarters, beginning with 6 PCs.

Participation at the event 'V Hack For Good'

Supporting this type of initiatives reflects our values, mainly for promoting technologies and academic knowledge as well as providing solutions to current problems of the society. The event poses challenges to face mentioned problems and at Lopesan we wanted to participate by proposing the design of an app or platform for **hotel chains and NGOs in order to channel donation requests**. NGOs would be able to access the stock of the tourism companies and could request materials according to their needs.

Food aid

We keep contributing to food supply for people in need by donating around 6000 meals to NGOs or reception centres like Red Cross or **Caipsho** (reception and intervention centre for homeless people).



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|-------------------------|--------------------------|--------------------------|------------------------------|-------------------------------------|--------------------------------|-------------------------------|

Incorporation of Pepper, the robot

Within our commitment to innovation and technologies, the incorporation of the **first semi-humanoid robot, able to communicate and interpret human emotions**, to our team has to be highlighted.

Apart from representing a technological action, it is part of the **initiative "Think in Innovation Lite", launched by the company to its employees** in order to collect ideas on the functions the robot could play. The winning ideas, apart from winning a prize, have been carried out by the IT team and shown at the Lopesan Baobab Resort.



Cooperation with the Elder Museum

In 2017, we signed a cooperation agreement with the **Elder Museum for Science and Technology Foundation**, that allows the museum's visitors as well as our hotel guests to benefit from the programmes both centres offer. These benefits are also applicable to the **local population**, which means that, by opening the cultural space to Las Palmas residents, the agreement is becoming increasingly relevant.



Participation in the corporate challenge race

We joined this initiative once again with the aim to **encourage the union between employees of different departments** through collective training sessions and, at the same time, to **promote sports and a healthy lifestyle**.

With 90 registered employees (managers, office staff and personnel of the hotels as well as the construction company) we, once more could give sense to the popular saying: "Sport brings people together".



| | | | | | | |
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Mango and Avocado Trade Fair

We cooperated with the food bank at the II Mango and Avocado Trade Fair in Mogán. At the fair, Lopesan Hotel Group sold about 250 kg of fruit from our Veneguera estate and the amount collected from these sales was entirely donated to the Las Palmas food bank.



Craft market

With the previous permit of the Gran Canaria local authorities, market stalls were set up at the gates of Lopesan Costa Meloneras and Lopesan Villa del Conde once a month, where 18 craftsmen and women could offer their products to the hotel guests.



Charity gala Alejandro da Silva

About 400 people were brought together at this charity event to raise funds for the **Alejandro Da Silva Foundation** against leukaemia. This event, which has been held since 28 years, took place at the Hotel Lopesan Baobab Resort with the aim to improve life quality of patients that suffer from the disease and their families.



International Diabetes Day

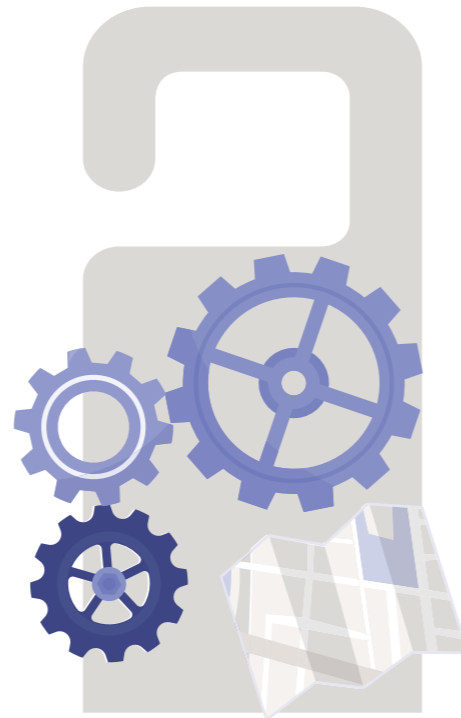
Lopesan wanted to be part of the International Diabetes Day by co-organising the workshop "Yo tampoco tengo límites" (I do not have boundaries either), together with the pharmaceutical company **Menarini**. For this occasion, the hotel Lopesan Villa del Conde joined the International Diabetes Association of Las Palmas with a blue lightened façade for two nights in a row.



IFA vocational training model, of interest to Angela Merkel

The German Chancellor shows interest in the dual vocational training programme, developed by IFA, part of Lopesan Group, in Germany. This programme includes an agreement to promote the mobility of young professionals without employment and provides theoretical and practical training in two of our hotels in Germany.

Apart from these projects, we also cooperated with different sports, charity and cultural associations. 80 sponsorships, donations or other types of coaction were carried out. Very mentionable among them are: *Manos Unidas Charity Festival, Charity Golf Tournament Dona Vida, Smile For Life, Down Syndrome Association Las Palmas*, breakfasts with authorities and media, local athletes sponsorships, gastronomy shows and *Maspalomas Rallye*.

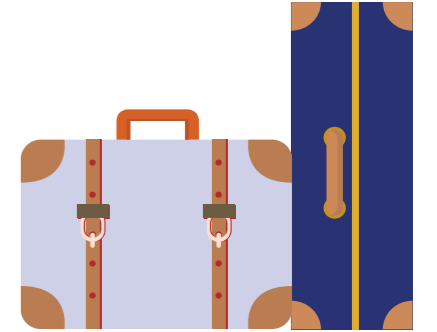


5.5. Acknowledgements and awards

The responsible management solutions of our hotels, have led us to achieving the following awards:



Premio GC Turismo Sostenible
(Gran Canaria Award for Sustainable Tourism)
Our hotel Lopesan Costa Meloneras received this award for **“good environmental practices we applied to our waste management”**.





Award to Veneguera project
Acknowledgement granted by the Government of Gran Canaria for the defence and improvement of this protected landscape in the southwest of the island. For more information on the project see page 28.




Award to hotel Costa Meloneras granted by Der Touristik
At the ITB in Berlin, the hotel Lopesan Costa Meloneras has been awarded by the German tour operator Der Touristik for being **the hotel with the highest quality** of the season 2016-2017.





 **Apollo Tour Operator**
 Apollo Tour Operator grants its Customer Choice Award to the hotels Lopesan Costa Meloner, Villa del Conde, Baobab and IFA Faro.


 **'Best Location'**
 IFA Dunamar awarded for "Best Location" by Schauinsland Travel; special recognition to Lopesan Costa Meloner


 **'World Travel Awards'**
 Winners at the 'World Travel Awards': Costa Meloner for European Resort with Casino and Baobab for Spanish Resort.





 **'Indulgent Escapes'**
 Villa del Conde won the Quality Award under the category 'Indulgent Escapes' granted by Jet2Holidays.

 **Loved by Guest**
 Costa Meloner and Villa del Conde awarded by the booking engine Hotels.com under the category 'Loved by Guest'.

 **Gastronomy Awards of Diario de Avisos**
 Ákara Restaurant (at the Baobab) winner at the XXXII Gastronomy Awards of Diario de Avisos.

 **Award by Der Touristik tour operator**
 Villa del Conde, Baobab and IFA Faro granted with Apollo Award by Der Touristik tour operator

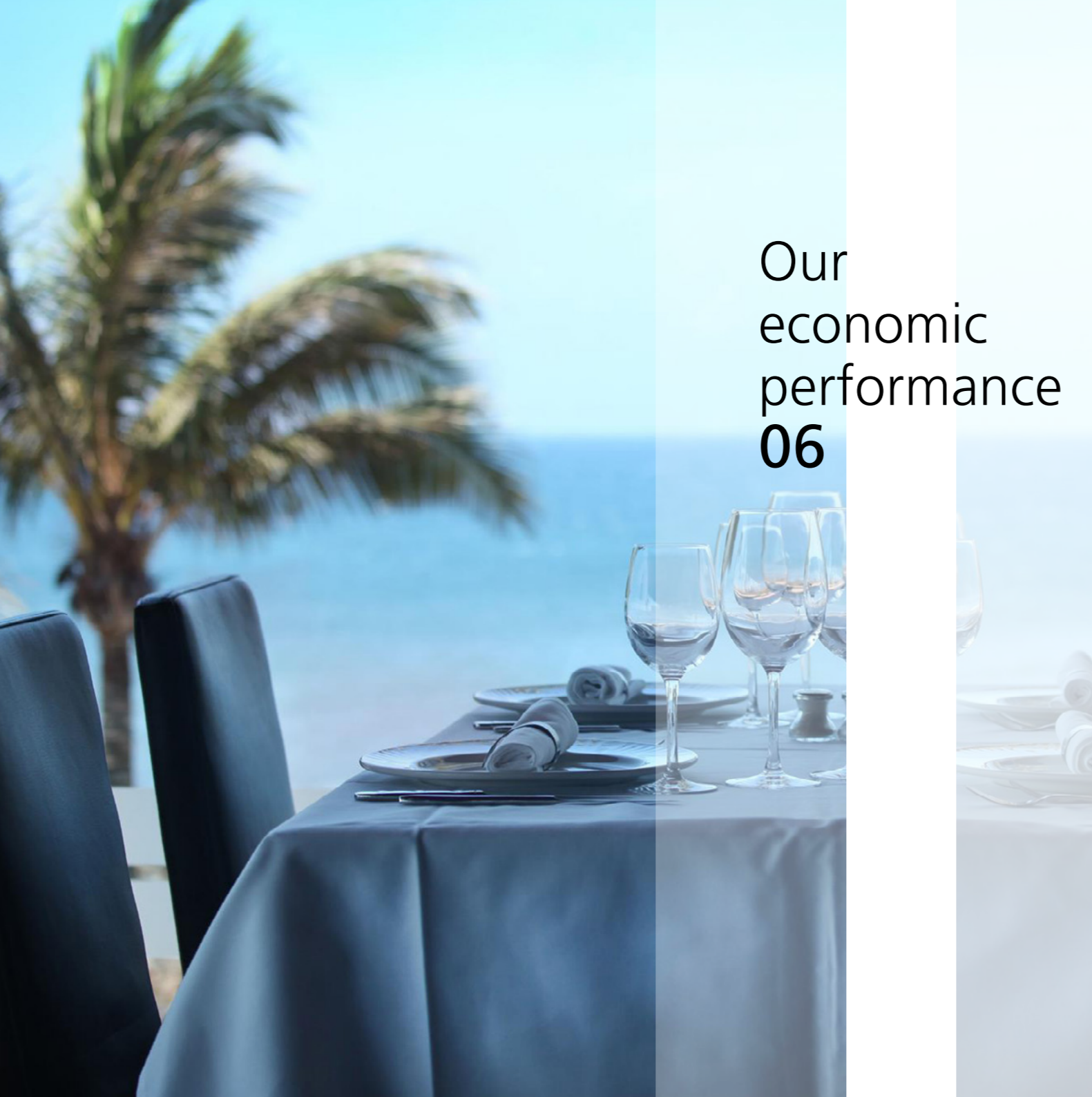
 **Sunny Hearts Awards**
 Costa Meloner awarded for being the Best Hotel in Spain by Thomas Cook.

 **Holiday Check Awards 2017**
 Lopesan Villa del Conde, between the most distinguished hotels.





Lopesan Baobab Resort
Meloneras, Las Palmas de Gran Canaria



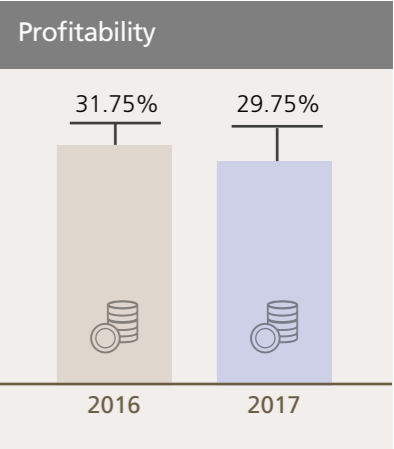
Our economic performance 06

06

Our economic performance

Economic progress is the key factor for a company's sustainability. At Lopesan, the data produced by our activity have been very positive this year. This information, plus the more than 45 years of experience in hotel management are reflected in the **profitability of our business**: 29.75% in 2017, which is slightly less than in 2016.

Thus, the **EBITDA** (an accounting measure calculated using a company's net earnings, before interest expenses, taxes, depreciation, and amortization are subtracted, as a proxy for a company's current operating profitability) increased by 7.1% between 2016 and 2017. This data, as well the profitability data demonstrate a slightly lower increase compared to the previous year, despite of the Group's maintaining growth. A fact that is basically due to the circumstance of the 2% less rooms sold in 2017. Nevertheless, the company's 2017 revenues did increase and exceeded the 360 million Euros.

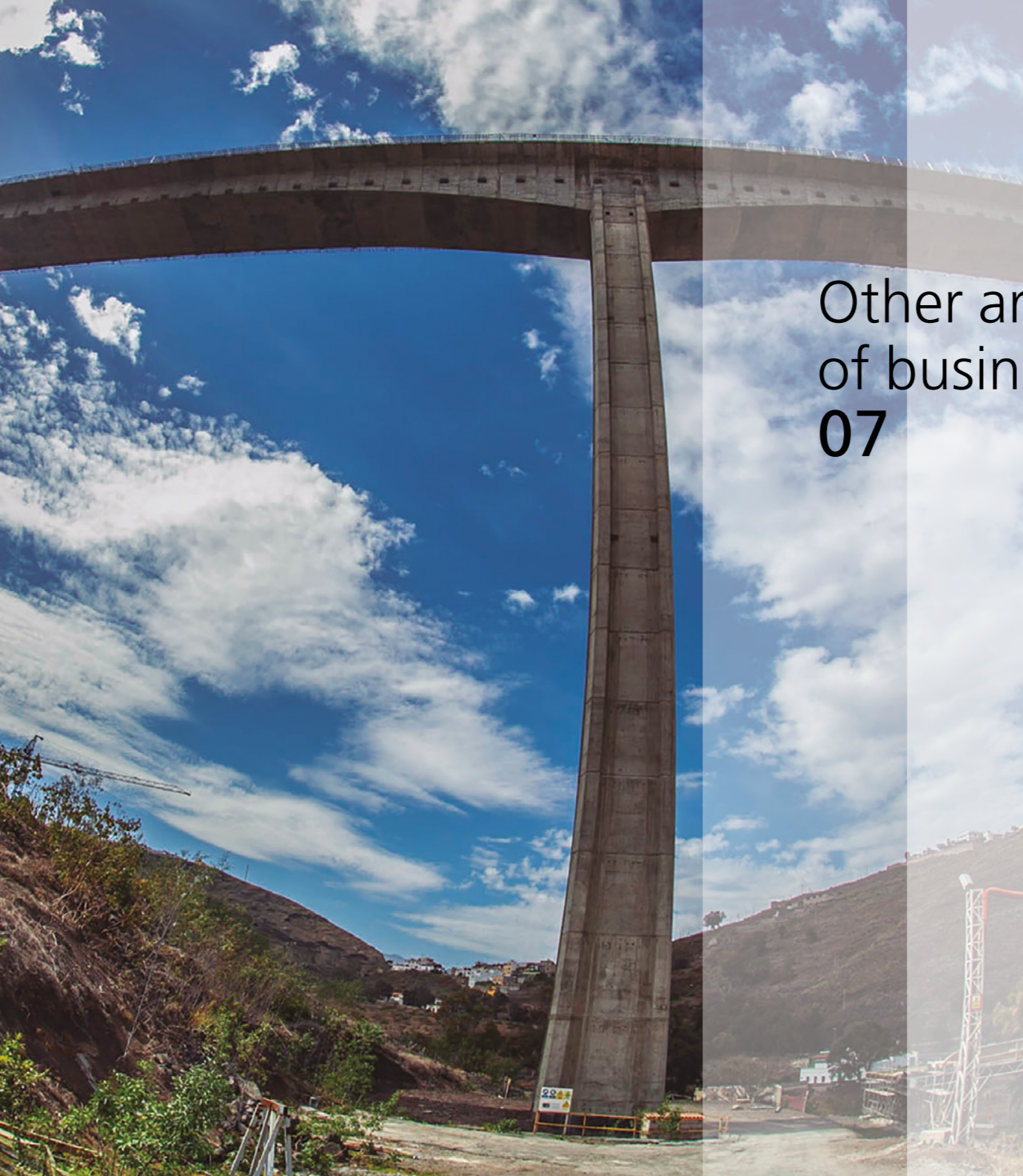


| EBITDA | |
|--------|---------------|
| 2016 | € 99,850,392 |
| 2017 | € 107,497,003 |

Both data allow the Lopesan Group to maintain its market positioning and perform further and innovate hotel management actions at both local and international level.

| Rooms sold | |
|------------|-----------|
| 2016 | 2,393,663 |
| 2017 | 2,345,740 |





Other areas of business 07

07

Other areas of business

The innovative and entrepreneurial spirit of Lopesan Group led us to the diversification of our activity. Although we do maintain our original activity in the construction and industrial production business, we currently focus more on tourism industry. We also initiated our activity in agri-food industry and sustainable agriculture so that we are present in all three economic sectors.

This diversification allows us to access new markets, expand our brand and grow professionally as well as commercially.

7.1. Agricultural division

Our agricultural production is carried out at our Veneguera estate, a project that is described in section 4.5 of this report. Apart from the already mentioned production information of the estate and the progressive reforestation we are performing in accordance with the Gran Canaria Government, in this section we would like to highlight the environmental and social performance.



Environmental performance

In our agricultural production, we are aware of environmental protection. Therefore, we do apply a number of actions in order to consume natural resources efficiently and reduce contamination.

In this sense, in 2017 we were able to reduce the diesel consumption per produced ton by 5%. This fuel is used for the operation of the agricultural machinery.

In this business area we also **calculate our carbon footprint**, having achieved a 5.48% decrease of our total emissions, compared to the previous year.

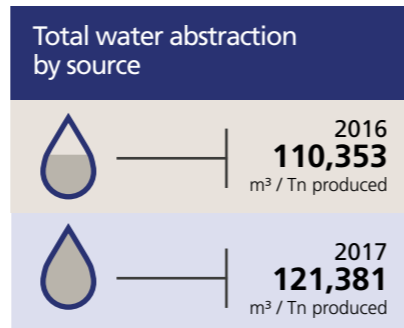
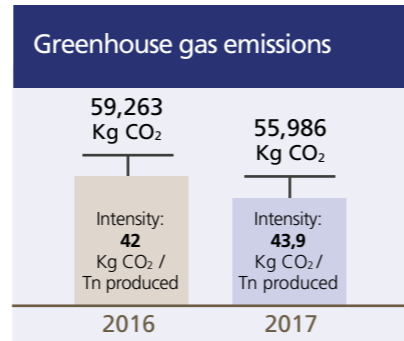
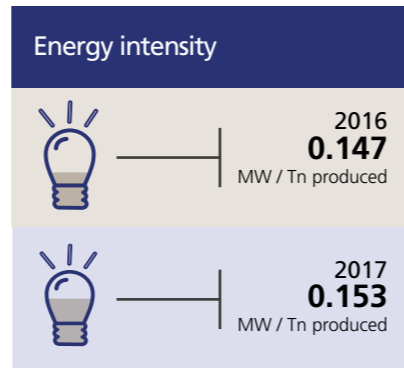
By contrast, the emission intensity indicator shows an increase of 4.5%, which is due to the lower fruit production of 2017. Although it will take some time to produce fruit, renovating 4 hectares of banana plants and planting new crops required much machinery work and, therefore, a high diesel consumption.

Also, regarding the **water consumption**, the rate per produced ton increased by 10%, which is due to the expansion of the fruit cultivation surface (the surface must be irrigated but there will be no harvest until in a few years) and to the renovation of 4 ha banana plants.

Our contribution to society

Thanks to our agricultural activity we were able to **offer employment to 46 more people** (66% of them with permanent contract and 17% are women).

Through the cooperation agreement with COAG, **our agricultural employees take part in training programmes** (e.g. occupational risk prevention, handling of plant protection products or specific training in production of a particular crop) in order to fulfill the mandatory requirements of the sector.



7.2. Industrial division

At Lopesan Group, we complete our economic activity with industrial development. In this area we own and exploit asphalt, emulsion, precast and concrete plants as well as a construction company and a machinery workshop.

Their environmental management is of great importance for us and we do dedicate a portion of assets to environmental investment in order to improve their performance.

| Environmental investment | 2016 | 2017 |
|---|----------------|----------------|
| Expenses in waste management This data includes charges from private sector and municipal taxation; Source of data: Accounting | 167,690 | 198,051 |
| Other investments in environmental improvements Source: Investment plan and accounting | | 292,900 |
| Maintenance of Environmental Management System ISO 14001 This data includes ECAS costs and expenses for analyses, internal/ external audits; Source: Accounting | 17,113 | 17,882 |
| Sanitation fee Source of data: Accounting | 244 | 317 |
| TOTAL Expenses and environmental investments | 185,046 | 509,150 |

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Environmental performance

In 2017 we achieved an important reduction of fuel consumption in our industrial division. This is due to less earthworks and the therefore reduced fuel consumption of transport trucks.

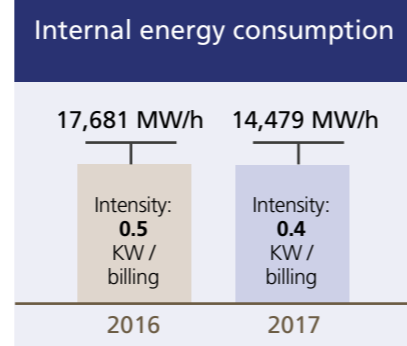
Furthermore, we achieved to reduce electricity consumption while carrying out the sector- specific activities: In figures **our energy consumption decreased by 20%**.

This progress in energy efficiency and the decrease in fuel consumption led us to **lessen our carbon footprint** by 15%, compared to 2016.

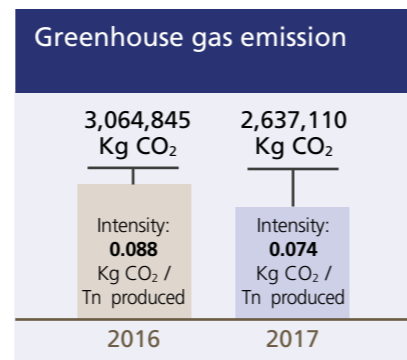
Regarding the waste management, the generation of **non- dangerous waste** has been increased due to a greater use of paper and card, packaging, plastic, wood, bituminous mixtures and mixtures of construction and demolition waste. A decrease of municipal solid waste, concrete and soil as well as stones has been observed.

The generation of dangerous waste shows a high decrease, thanks to our reduction policy regarding this type of waste. En 2017 the most mentionable data was the decrease of mineral oil generation by more than 50%.

All wastes are sent to authorised agents.

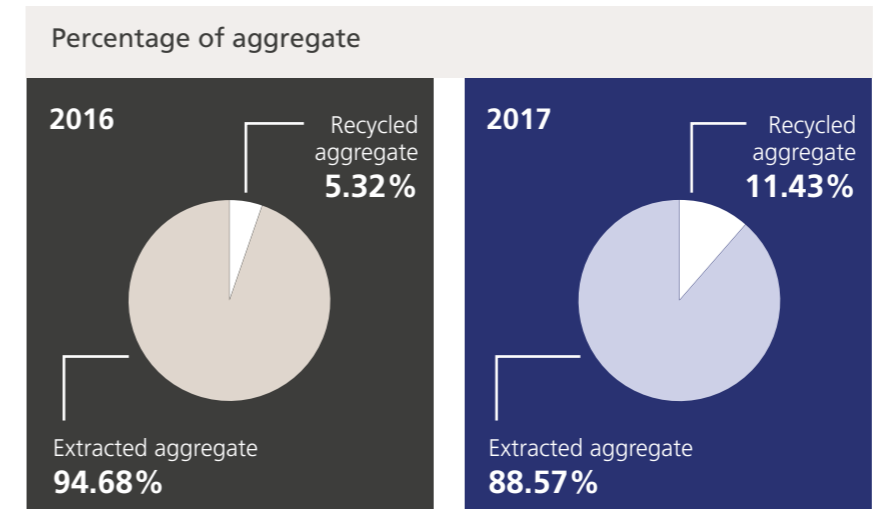


In 2017 we reduced our carbon footprint by 15%



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Furthermore, we keep increasing the use of recycled material. In 2017 we doubled the percentage of the used recycled aggregate in relation to the total number of used aggregates. The aggregate is being recycled from construction and demolition waste in our own facilities of our own works. We are authorised waste evaluators.



Our contribution to society

In the industrial sector, we contribute to the development of the local community. In this sense, we are employer to **155 professionals**, of which 60% are employed with permanent contracts.

All people who are active in this sector are **represented in official safety and health committees**.

Regarding the accident rate, more incidents have been reported: the rate of incidence is 7.2 points, which still is half of the sector's average rate. 100% of the injuries were slight.





Lopesan Costa Meloneras Resort, Spa & Casino
Meloneras, Las Palmas de Gran Canaria

| GRI Standards Indicator | Description | Location / Direct answer |
|--------------------------------|--|---|
| 102 GENERAL DISCLOSURES | | |
| Organisational profile | | |
| 102-1 | Name of the organisation | Lopesan Group |
| 102-2 | Activities, brands, products and services | https://www.lopesan.com/en/ |
| 102-3 | Location of headquarters | Welcome to Lopesan. Page 9 |
| 102-4 | Location of operations | Welcome to Lopesan. Page 9 |
| 102-6 | Markets served | Our Brands. Page 18 |
| 102-7 | Scale of the organisation | Our Brands. Page 18 |
| 102-8 | Information on employees and other workers | Our Team. Pages 34-35 |
| 102-9 | Supply chain | Welcome to Lopesan. Pages 16-17 |
| 102-12 | External initiatives | Welcome to Lopesan. Page 17 |
| Strategy | | |
| 102-14 | Statement from senior decision-maker | Our CEO Speaks. Page 6 |
| 102-15 | Key impacts, risks, and opportunities | Our CEO Speaks. Pages 6-7, Strategy. Pages 16-17 |
| Ethics and integrity | | |
| 102-16 | Values, principles, standards, and norms of behavior | Our Mission, Vision and Values. Pages 10-11 |
| 102-17 | Mechanisms for advice and concerns about ethics | Our Approach to Sustainable Management. Pages 11-13 |

Governance

| | | |
|--------|---|-----------------------|
| 102-21 | Consulting stakeholders on economic, environmental, and social topics | Stakeholders. Page 38 |
|--------|---|-----------------------|

Stakeholder engagement

| | | |
|--------|--|-----------------------------|
| 102-40 | List of stakeholder groups | Welcome to Lopesan. Page 13 |
| 102-42 | Identifying and selecting stakeholders | Stakeholders. Page 38 |
| 102-43 | Approach to stakeholder engagement | Stakeholders. Page 38 |

Reporting practice

| | | |
|--------|--|--|
| 102-50 | Reporting period | 2017 |
| 102-51 | Date of most recent report | 2016 |
| 102-52 | Reporting cycle | Annual |
| 102-53 | Contact point for questions regarding the report | Himar Rodríguez . < hrodriguez@lopesan.com > |
| 102-54 | Claims of reporting in accordance with the GRI Standards | About this Report. Page 5 |
| 102-55 | GRI content index | Table GRI (page 56-57) |

103 MANAGEMENT APPROACH

| | | |
|--------|--|---|
| 103-2 | The management approach and its components | The management approach and its components |
| 103-3 | Evaluation of the management approach | Evaluation of the management approach |
| 102-56 | External assurance | This 2017 Sustainability Report has not obtained external assurance |

201 ECONOMIC PERFORMANCE

| | | |
|-------|---|-----------------------------------|
| 201-1 | Direct economic value generated and distributed | Our Economic Performance. Page 49 |
|-------|---|-----------------------------------|

202 MARKET PRESENCE

203 INDIRECT ECONOMIC IMPACTS

| | | |
|-------|---|--|
| 203-1 | Infrastructure investments and services supported | Other Areas of Business. Pages 51-55 |
| 203-2 | Significant indirect economic impacts | Our Economic Performance. Page 49 and Other Areas of Business. Page 53 |

204 PROCUREMENT PRACTICES

| | | |
|-------|---|-----|
| 204-1 | Proportion of spending on local suppliers | 87% |
|-------|---|-----|

301 MATERIALS

| | | |
|-------|--|---|
| 301-1 | Materials used by weight or volume | Other Areas of Business. Page 55 |
| 301-2 | Recycled input materials used | Waste. Page 27 and Other Areas of Business. Page 54 |
| 301-3 | Reclaimed products and their packaging materials | Other Areas of Business. Page 55 |

302 ENERGY

| | | |
|-------|--|---|
| 302-1 | Energy consumption within the organisation | Energy Efficiency and Carbon Footprint. Page 24 |
| 302-3 | Energy intensity | Energy Efficiency and Carbon Footprint. Page 24 |

| | | |
|-------|---------------------------------|---|
| 302-4 | Reduction of energy consumption | Energy Efficiency and Carbon Footprint. Page 24 |
|-------|---------------------------------|---|

303 WATER

| | | |
|-------|----------------------------|--------------------|
| 303-1 | Water withdrawal by source | Water. Pages 25-26 |
| 303-3 | Water recycled and reused | Water. Page 26 |

304 BIODIVERSITY

| | | |
|-------|---|---|
| 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Veneguera Estate Restoration Project. Pages 28-29 |
| 304-3 | Habitats protected or restored | Veneguera estate: Surface under cultivation: 65 ha. Percentage of organic cultivation: 5%. Reforestation seedlings: 239 |

305 EMISSIONS

| | | |
|-------|---|---------------------|
| 305-1 | Direct (Scope 1) GHG emissions | 4813499 Kg CO2 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 22838441 Kg CO2 |
| 305-4 | GHG emissions intensity | 6,3 Kg CO2 per stay |
| 305-5 | Reduction of GHG emissions | 2,50% |

306 EFFLUENTS AND WASTE

| | | |
|-------|-----------------------------------|---|
| 306-2 | Waste by type and disposal method | Waste. Page 27 and Other Areas of Business. Page 54 |
|-------|-----------------------------------|---|

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|-------|---|--|
| 306-3 | Significant spills | No significant spills were observed in 2017 |
| 306-5 | Water bodies affected by water discharges and/or runoff | Wastewater of most of our hotels is being discharged into the municipal sewage system, although some hotels already have treatment systems installed |

307 ENVIRONMENTAL COMPLIANCE

| | | |
|-------|--|---|
| 307-1 | Non-compliance with environmental laws and regulations | No significant fines have been received in 2017 |
|-------|--|---|

308 SUPPLIER ENVIRONMENTAL ASSESSMENT

| | | |
|-------|---|-----------------------|
| 308-1 | New suppliers that were screened using environmental criteria | Stakeholders. Page 38 |
|-------|---|-----------------------|

401 EMPLOYMENT

| | | |
|-------|--|-----------------------|
| 401-1 | New employee hires and employee turnover | Our Team. Pages 34-35 |
|-------|--|-----------------------|

403 OCCUPATIONAL HEALTH AND SAFETY

| | | |
|-------|--|---|
| 403-1 | Workers representation in formal joint management-worker health and safety committees | Industrial Division. Page 55. All people who are active in this sector are represented in official safety and health committees |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days and absenteeism, number of work-related fatalities | Our Team. Page 36 |

404 TRAINING AND EDUCATION

| | | |
|-------|--|-------------------|
| 404-1 | Average hours of training per year per employee | Our Team. Page 37 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 100% |

405 DIVERSITY AND EQUAL OPPORTUNITY

| | | |
|-------|--|-----------------------|
| 405-1 | Diversity of governance bodies and employees | Our Team. Pages 34-35 |
|-------|--|-----------------------|

406 NON- DISCRIMINATION

| | | |
|-------|--|---|
| 406-1 | Incidents of discrimination and corrective actions taken | 0 |
|-------|--|---|

413 LOCAL COMMUNITIES

| | | |
|-------|--|--|
| 413-1 | Operations with local community engagement, impact assessments, and development programs | Support of Local Development. Pages 38- 42 |
|-------|--|--|

414 SUPPLIER SOCIAL ASSESSMENT

| | | |
|-------|--|-----|
| 414-1 | New suppliers that were screened using social criteria | All |
|-------|--|-----|

416 CUSTOMER HEALTH AND SAFETY

416-1 Assessment of the health and safety impacts of product and service categories Our Team. Page 36

417 MARKETING Y ETIQUETADO

417-2 Incidents of non-compliance concerning product and service information and labelling No non-compliance has been reported.

417-3 Incidents of non-compliance concerning marketing communications No non-compliances with regulations and voluntary codes concerning marketing communications, advertising, campaigns or sponsorships have been produced.

418 CUSTOMER PRIVACY

418-1 Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data None in 2017

419 SOCIOECONOMIC COMPLIANCE

419-1 Non-compliance with laws and regulations in the social and economic area None in 2017






LOPESAN
HOTEL GROUP