01. About this report

Lopesan, with its more than 45 years of history has been able to establish as the leading hospitality company on the Canary Islands and among the top ten hotel chains in Spain. This success could be achieved thanks to our commitment to offering high quality services and excellent products. This is the essence of our Group.

Offering high quality goes beyond taking care of our establishments. It requires well preserved surroundings where nature is in harmony with our activity. Therefore, we are determined to preserve the defining natural and cultural wealth of each area.

We are faithful to our roots but also ambitious towards future opportunities. For this reason, as a multinational and dynamic company, we are always in constant diversification of activities, with internationalisation as one of the key pillars of our business growth.

In this strategy, sustainability is the backbone of our expansion and the respect for environment is essential. Bearing in mind that every day more environmentally conscious people are choosing responsible tourism, we need to respond to those demands by establishing sustainable hotels and services, according to these values.

At Lopesan Group we offer our clients what they are looking for, but always enhancing sustainable development. Economic growth is not our only goal but also respect for the environment, the guarantee of providing ideal working conditions for our employees and the contribution to social development. Proof of this is our commitment to a culture of global social responsibility, which is also being reflected in this document. (See information about different actions taken in order to embed sustainability by the Group in 2018.)

- 2 million rooms sold
- +31% economic profitability
- 3,991 employee hours of employee training
- +3 million kWh of renewable energy production
- 490 tons of 0 km fruit produced
- +1.6 million euro of environmental investment
- 20,890 hours of employee training
- +3 million kWh of renewable energy production
- 490 tons of 0 km fruit produced
- +1.6 million euro of environmental investment
Our CEO Speaks

The preparation of this Sustainability Report already is an established action at the Lopesan Group. Each year it reflects the achievements we made in the environmental, social and economic context. In this 2018 issue, the provided information refers to the 11 hotels run by Lopesan on the Canary Islands. These are:

On the other hand, our growth strategy has led us to diversification. Thus, investments in the agricultural and industrial sector as well as others (see details below) have been made. This is why this exercise in transparency also reflects the progress of the Group’s other activities.

In order to prepare this report, once more, we chose the most relevant hotel industry indicators suggested by the Standards of the Global Reporting Initiative (GRI), complementing some of these with approaches provided by the principles of the United Nation’s Global Compact and the UN Sustainable Development Goals (SDGs).

In short, we do publish this Sustainability Report in order to inform all our stakeholders about our performance, including the goals we accomplished and the improvements we must continue identifying and applying in order to achieve an increasing sustainability.

Visit our website
lopesan.com
Once more we are presenting the results of our commitment to sustainability. Awareness about the fragility of our planet and the fight against climate change and its devastating consequences do require active involvement and participation of everyone. Facing the serious deterioration of our oceans, the damage caused by increasingly extreme meteorological circumstances and the most dreadful fires Gran Canaria has ever suffered, no one must turn away from a commitment that should be an essential component of our rationality.

For a hospitality company like ours, environmental quality and climate conditions are factors that go far beyond this commitment to our planet, which every single person should have: They are fundamental aspects for the activity we carry out and have a direct impact on the features of our offer.

Long before these environmental concerns were largely spread out, our company was already aware of this commitment. We have always understood that the term profitability is not only an economic, just like sustainability is not strictly an ecological term. Both concepts go hand in hand in order to ensure viability for future generations.

Therefore, we continued our efforts in order to lessen our consumption footprint, as far as we are able to with the existing technologies. We achieved increasing our recycling rate again. We also increased the production and consumption of renewable energy while reducing our dependence on fossil fuels. We were able to keep diminishing our natural water consumption by improving our treatment and reutilisation policy, while we are still demanding more agility from the local authorities in order to be able to build our own desalination plants. We increased the consumption of Zero Km fruit and vegetable by producing them ourselves, which also leads to diminishing greenhouse gases that are usually generated by bringing food from farther away.

Quality and awareness we should all share: Clients and promoters of tourism. To stand still is the worst we could do. Efficiency needs the best hardware. By appealing to this essential sustainability, we do not get tired of demanding more administrative agility in order to keep creating a new product, which is in harmony with guests who are completely aware of the balance that must exist between their pleasure and environmental consciousness.

A report like this, a company’s description of its actions to achieve sustainability, does not only show statistical figures. Behind all this data, the effort and daily commitment of more than 3,000 employees is being reflected. They make the corporate values their own. It is this collective will that insists in a correct management and treatment of natural resources and thus, in the preservation of our environment.

On the following pages, our effort to offer the best possible results is being displayed.

Francisco López | CEO Lopesan Hotel Group
03. Welcome to Lopesan Group

Lopesan began its activity in 1972 in construction under the name of Hijos de Francisco López Sánchez, parent corporation to the current Group. Over the years the company went diversifying and concentrates nowadays on tourism, in which industry it was able to establish itself as one of the most important national companies.

Our roots are in Gran Canaria, home to our headquarters, from where we began our international expansion to Central Europe and the Caribbean. Today we are the leading hospitality company of the Canaries, thanks our commitment to excellence and our 3,991 employees. These professionals pay attention to every single detail in order to offer our guests the highest quality and an exceptional experience.

Although we do maintain businesses in other sectors to complete our diversification strategy, the activity in tourism has eventually established as the main economic divide of our family-owned company. This also includes those leisure businesses that complete and improve our products in order to enrich the experience we offer.

On the other hand, with our industrial division, we have also maintained our original activity focused on construction and real estate. Furthermore, we established an agricultural branch that focuses on sustainable agriculture and complements the activity in the food industry we have been carrying out for years.

Today Lopesan is possible thanks to seeking constant innovation, offering excellence to our clients and the endeavour of the all the employees who are part of this great team.

The Lopesan activity is based on excellence.

03.1. Mission, Vision and Values

The survival of any business requires the constant adjustment to a more and more rapidly evolving environment, and sustainability is an essential key to achieve this. Optimisation of available resources without losing product quality and service value is indispensable.

Achieving this goal needs great dedication and work in the same direction following common criteria. To adopt the company mission, vision and values is essential for every single member of the Group.

The Lopesan team is philosophically aligned with this culture of social responsibility that results from our environment and people commitment. In this sense, it is our priority to satisfy our customer’s needs by adopting sustainable management and promoting a safe and healthy work environment.

Mission

It is our mission to develop activities in hospitality that provide our guests with high quality products and services by managing the business in a way that adds value to the company as well as to the destinations we are present at.

Vision

Lopesan aims to be a global company that creates happy memories.

Values

Every day we move further towards fulfilling our vision. Therefore, Lopesan Group established five corporate values on which behaviour, attitude, belief and style should be based on:

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

Sustainability allows us to continue growing by adjusting to changes.
03.2. Our Approach to Sustainable Management

At Lopesan Group, we are working on establishing the company guidelines for the next few years. To begin with, respect for environment, concern for people and promotion of social and cultural progress in the Canary Islands in order to develop sustainable management.

Our corporate culture is based on the solid commitment to quality and client satisfaction, always taking into consideration our stakeholder’s opinions about our different activities.

All this can come true thanks to our assimilation of the need to constantly transform our activity. We are continuously innovating in order to develop solutions that increase productivity, improve processes and help obtaining new products and services that create value for our clients and the society.

In order to achieve this, our corporate philosophy revolves around seven key axes that have been developed in different lines which lay the basis for our business model.

1. Quality
   - Ensure client satisfaction
   - Be rigorous in order to achieve our goals
   - Improve constantly by innovating and considering client suggestions

2. Environmental protection
   - Reduce waste
   - Optimise the use of natural resources
   - Keep the Environmental Management System up to date

3. Health and safety
   - Establish a risk prevention system
   - Integrate preventive activities into all levels
   - Promote a preventive culture

4. Human resources
   - Appropriate remuneration and employment policy
   - Develop systems of two-way communication
   - 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 relations of reciprocity, responsibility and mutual benefit
   - Participate actively in the development of the local community
   - Avoid any kind of repression, discrimination or exploitation of minors
   - Prioritise local purchasing
   - Contribute to achieve food sovereignty levels set by the FAO

6. Innovation
   - Promote a culture of innovation
   - Introduce improvements into productivity

7. Information security
   - Disseminate good practices in information security
   - Establish resource protection measures and information assets
   - Create dissimulation channels of our corporate philosophy
03.3. Strategy

The organisational model of the Lopesan Group over the years has evolved to being a centralised management model, capable of providing services to the different hotels, with a corporate structure that concentrates on management knowledge, and lately also with the permanent aim to streamline management service.

The current strategy plan has been developed in a time when the company was (and still is) facing challenges and opportunities of future growth. On one hand, the rapid development of the global hospitality industry is evidently happening, which means that business diversification possibilities are presenting themselves. On the other hand, it also is a fact that the Canaries as a tourist destination are threatened by the geopolitical instability, the economic growth of competing destinations as Egypt, Tunisia and Turkey, as well as the increasing oil prices.

An internal analysis point of view evidences the existence of a clear strength, which is based on the experience in managing resorts with highly efficient results. But it also shows a number of weaknesses: an operation model in the Canaries based on volume, only do build hotels but also offer extra services like leisure, restaurant and commercial areas.

Based on this analysis, following strategic goals were set:

1. Business expansion

The Lopesan expansion plan, on one hand intends the construction of micro destinations, mainly in Latin America, with a new brand architecture that proposes value to the investors/tour operators, and on the other hand the consolidation as the managing firm of hotels that are not owned by the Group. We like to call them micro destinations, as we not only do build hotels but also offer extra services like leisure, restaurant and commercial areas.

2. Lopesan business model: customer-focused

- Complete review of the marketing plan and budget according to the criteria of application, distribution and feedback.
- Determination of CRM model (B2C and B2B) according to the criteria of segmentation and client contact policies.
- Launching of a loyalty programme for B2C and B2B.
- Determination of a management and customer relationship model and redefinition of sales & marketing structure.
- Development of channel strategy and reduction of acquisition costs (segment, product and geography).
- Definition of a digital strategy in order to seize opportunities through digital channels and improve the experience.
- Redefinition of price strategy by customer segment, brand, destination and room type as well as enhancement of revenue management capacity building.

3. HR culture and strategy. Capacity management

The core and priority of our strategy is to attract and conquer talent. At Lopesan we are very aware that our employees are the ones making us different and leading us to excellence.
03.4. Our Brands

The search of satisfying experiences together with our culture of innovation have led us to develop different prestigious brands in order to cover the diverse customer demands.

Thanks to our background, we were able to segment mentioned demands by adjusting our services and products according to their needs. Differently themed, openly structured and original hotels and leisure areas were created.

The result is an atmosphere that makes our destinations attractive to thousands of travellers, each year more and more happy repeaters. Since we began our hotel activity in 1991, we have created an exclusive portfolio of hotels. Five brands with different personalities and essential products that identify each of them.

In total, both chains of the Group (Lopesan Hotels & Resorts and IFA Hoteles) are in charge of managing 22 hotels with more than 15,800 beds. Currently we are present in Gran Canaria, Fuerteventura, Germany, Austria and Dominican Republic.

Our hotels

**Number of beds**

<table>
<thead>
<tr>
<th>Country</th>
<th>Hotel Name</th>
<th>Number of Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>IFA ALPENROSE HOTEL</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>IFA ALPENHOF VIDENTAL HOTEL</td>
<td>102</td>
</tr>
<tr>
<td></td>
<td>IFA BREITACH APARTMENTS</td>
<td>84</td>
</tr>
<tr>
<td>Germany</td>
<td>IFA NÜGEN HOTEL &amp; FERIENMARK</td>
<td>1,176</td>
</tr>
<tr>
<td></td>
<td>IFA FENKARIN HOTEL &amp; FERIEN-CENTRUM</td>
<td>916</td>
</tr>
<tr>
<td></td>
<td>IFA SCHÖNECK HOTEL &amp; FERIENMARK</td>
<td>646</td>
</tr>
<tr>
<td></td>
<td>IFA GRAAL-MÜRITZ HOTEL, SPA &amp; TAGLINGEN</td>
<td>290</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>LOPESAN COSTA BÁVARO</td>
<td>1,233</td>
</tr>
<tr>
<td>Fuerteventura</td>
<td>IFA ALTAMARENA HOTEL</td>
<td>426</td>
</tr>
<tr>
<td>Gran Canaria</td>
<td>LOPESAN COSTA MELOMIERAS RESORT &amp; SPA</td>
<td>2,177</td>
</tr>
<tr>
<td></td>
<td>ABORA BUENAVENTURA BY LOPESAN HOTELS</td>
<td>1,448</td>
</tr>
<tr>
<td></td>
<td>LOPESAN BAOBAB RESORT</td>
<td>1,354</td>
</tr>
<tr>
<td></td>
<td>LOPESAN VILLA DEL CONDE RESORT &amp; THALASSIO</td>
<td>1,122</td>
</tr>
<tr>
<td></td>
<td>ABORA INTERCLUB ATLANTIC BY LOPESAN HOTELS</td>
<td>1,039</td>
</tr>
<tr>
<td></td>
<td>ABORA CADARMA BY LOPESAN HOTELS</td>
<td>812</td>
</tr>
<tr>
<td></td>
<td>ABORA CONTINENTAL BY LOPESAN HOTELS</td>
<td>728</td>
</tr>
<tr>
<td></td>
<td>CORALLIUM DUNAMAR BY LOPESAN HOTELS</td>
<td>556</td>
</tr>
<tr>
<td></td>
<td>CORALLIUM BEACH BY LOPESAN HOTELS</td>
<td>380</td>
</tr>
<tr>
<td></td>
<td>FARO LOPESAN COLLECTION HOTEL</td>
<td>356</td>
</tr>
<tr>
<td>Germany</td>
<td>IFA RÜGEN HOTEL &amp; FERIENMARK</td>
<td>1,176</td>
</tr>
<tr>
<td></td>
<td>IFA FENKARIN HOTEL &amp; FERIEN-CENTRUM</td>
<td>916</td>
</tr>
<tr>
<td></td>
<td>IFA SCHÖNECK HOTEL &amp; FERIENMARK</td>
<td>646</td>
</tr>
<tr>
<td></td>
<td>IFA GRAAL-MÜRITZ HOTEL, SPA &amp; TAGLINGEN</td>
<td>290</td>
</tr>
</tbody>
</table>

...
Welcome to Lopesan Group

About this report

Environment protection

Social responsibility

Our economic performance

Other areas of business

Lopesan Hotels & Resorts
Is the entity that represents the hotels that were built by the Group as well as the management of those and the leisure centres on Spanish and foreign coasts. This brand offers highly distinguished hospitality products and services for every segment.

Our CEO Speaks

Abora by Lopesan Hotels
Is the brand for the hotels located in tourist hotspots. They have been recently refurbished to maximise guest comfort and offer separate areas for families and adults only. Their aim is to make holidays an unforgettable experience, where fun and relaxation are absolutely in harmony.

IFA Hotels
Are all the hotel properties that were taken over by the Group. These hotels are not included in any of the brands, as they all require an investment to adjust their facilities to our standards.

Corallium by Lopesan Hotels
Is the name for the hotels that specialise in offering exclusive wellness services, addressed to those guests who want to keep up their well-being during their holidays. Aim is to establish a benchmark for Adults Only hotels that focus on a healthy and natural lifestyle.

Lopesan Collection Hotels
Is an assortment of hotels with great personality and a high level of service. Their refined and modern architecture as well their location in natural surroundings are key features. Carefully chosen lighting, excellent facilities, the offer of the best local and international cuisine, and the hint of luxury as well as exclusivity do assure our guests an unforgettable experience.

Corporate Social Responsibility Report 2018
04. Environment protection

The protection of our natural surroundings is very important to Lopesan guests, who are more and more environmentally aware and concerned about optimal management of natural resources. Therefore, **environmental protection** is part of the company's key strategy.

As a basis for the management of our hotel chain, we established several sustainability criteria within our company by implanting an **Integrated Quality and Environment Management System** as well as an **Occupational Risk Prevention Program**, both being applied at all our entities and centres.

The environmental management being undertaken by the mentioned system certifiedly complies with the **ISO 14001 standards**, granting the integration of environment into the general company management strategy. This certification also positions us as an environmentally responsible company, which gives us competitive advantage and boosts our image among our clients and stakeholders.

This system shows numerous **environmental advantages** like the optimisation of resources and waste, the reduction of negative impacts on the environment and the economic benefits originating from reducing the use of resources, developing more productive procedures as well as avoiding possible fines due to non-compliance of the standards.

Last, it is worth mentioning that every year we do invest environmentally responsible in different management areas to continue improving our performance. Investments that will be amortised in short to medium terms. Thus, in 2018 we reached a maximum in environmental investments at our hotels, twice the amount of 2017. This fact is largely due to the investments that were made in energy efficient systems. Especially the purchase of LED luminaires to update the lighting of the hotel Lopesan Costa Meloneras reached 885,000€.
### 04.1. Energy Efficiency and Carbon Footprint

#### Energy efficiency

Huge part of our activity takes place in a very singular place, unique in Europe but also far away from the electricity grid of the Spanish mainland. This has an impact on aspects like electricity supply.

This situation is a big opportunity for the Lopesan Group to use renewable energy and to achieve being self-sufficient. This transition in terms of energy allows us to adjust to the effects of climate change in a progressive and beneficial manner and thus, to achieve a sustainable development.

At Lopesan using renewable energy by taking advantage of our existing facilities is essential. The sun is an inexhaustible resource and the location of our islands strongly facilitates its incidence. A fact that makes us able to use solar photovoltaic and thermal energy production systems.

#### Energy production

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photovoltaic production</td>
<td>530,677</td>
<td>544,645</td>
<td>501,078</td>
<td>509,940</td>
</tr>
<tr>
<td>Solar thermal energy production</td>
<td>2,930,650</td>
<td>2,495,180</td>
<td>2,407,590</td>
<td>2,200,422</td>
</tr>
<tr>
<td><strong>TOTAL</strong> Production of renewable energy</td>
<td><strong>3,461,327</strong></td>
<td><strong>3,039,825</strong></td>
<td><strong>2,908,668</strong></td>
<td><strong>2,710,362</strong></td>
</tr>
</tbody>
</table>
In 2018 we achieved to slightly increase our photovoltaic production, which straightly goes to the electricity grid, by producing nearly 9,000 kWh more than in 2017.

Nevertheless, the solar thermal production that is being consumed directly at our buildings, has decreased compared to previous years due to an incidence in the performance of the solar energy system of the hotel Abora Continental after its refurbishment last year. We are currently working hard on detecting the problem in order to solve it as soon as possible.

These system failures have also led to an increase of 300,000 kWh in diesel consumption, compared to the previous year.

In order to get a more representative idea of the real consumption, we used a relative value approach, calculated considering the number of stays throughout the whole year.

Like this, we were able to detect that the increase of diesel demand only relatively implied a greater internal energy consumption: an increase of 4% compared to the year 2017, up to 16.8 kWh per stay.

Despite all, the implemented measures to optimise our energy consumption in 2018 have been found to be satisfactory, as we were able to reduce the consumption of propane and electricity.

The applied procedures, that are going to be continued in 2019, are the following:

- Installation of more efficient lighting.
- Improvement of the energy monitoring system.
- Development of a replacement plan for thermal power generation equipment with others of greater operability and efficiency.

Furthermore, information about the CO₂ emission savings, thanks to using solar energy, are shown. These figures are compared to their environmental equivalent, the number of trees carrying out photosynthesis.

Like this, we are adding value to our environmental management, being transparent by sharing this information and at the same time we are stimulating our guest's and employee's awareness.
Carbon footprint

In order to establish the actions that help reducing CO2 emissions, in the first place, we need to know the real emissions of our activity. Therefore, every year we calculate our carbon footprint, considering all greenhouse gas emissions we are generating (including energy consumption, emissions from gas and diesel combustion as well as leakage of refrigerants used for air conditioning).

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel</td>
<td>629,001.16</td>
<td>554,986.68</td>
<td>628,523.46</td>
</tr>
<tr>
<td>Propane</td>
<td>2,034,946.94</td>
<td>1,976,486.62</td>
<td>1,908,739.10</td>
</tr>
<tr>
<td>Refrigerants</td>
<td>5,533,600</td>
<td>2,276,564</td>
<td>2,389,062</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8,197,548</strong></td>
<td><strong>4,808,037</strong></td>
<td><strong>4,926,325</strong></td>
</tr>
</tbody>
</table>

Despite of all the company’s interest in reducing emissions and the nearly 6% decrease of its carbon footprint in 2018, the intensity of emissions increased slightly compared to 2017: 6.4 kg CO2 / stay were produced. This was mainly due to the already mentioned problems we had with our solar energy production.

In order to change these results positively and achieve a decreasing trend for all our emissions, we will continue to enforce strict actions in hope of improving the intensity of our emissions in the next years.
Our hotels established recharging points for electric vehicles.

Our commitment to sustainability is one of the most valued features by our clients when choosing us for their holidays. Thus, we do adjust our hotels to these demands and go beyond and efficient management to offer them services according to their needs.

Therefore, we established recharging points for electric vehicles in order to promote sustainable mobility. This initiative allows our guests to also reduce emissions when moving around and unites them with us in our efforts to minimise climate change effects.

04.2. Water

Water consumption

The Canary Islands are considered an area with high water stress, as resources are even more limited than on the Spanish mainland. Therefore, in adjustment to its low availability, it is absolutely crucial to use water responsibly and promote the conservation of water sources.

Our hotels do demand an important daily amount of water, which is why we are especially aware of avoiding its waste. In order to do so, we implemented actions for efficient water use in our guest rooms, common areas like pools and gardens, and leisure areas like our spa or thalassotherapy center.

The implementation of these measures is being very efficient, as we achieved to reduce our total 2018 water consumption by 9%, compared to the previous year. That relatively means a reduction of 1 litre per stay, which may not sound huge but still represents a progress. That motivates us to continue improving this delicate matter and to keep implementing stricter measures to decrease water consumption.

Water supply

<table>
<thead>
<tr>
<th>Year</th>
<th>Litre/stay</th>
<th>Millions of litres</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>239</td>
<td>830.30</td>
</tr>
<tr>
<td>2016</td>
<td>214</td>
<td>795.70</td>
</tr>
<tr>
<td>2017</td>
<td>228</td>
<td>830.05</td>
</tr>
<tr>
<td>2018</td>
<td>227</td>
<td>761.08</td>
</tr>
</tbody>
</table>

Sea water

<table>
<thead>
<tr>
<th>Year</th>
<th>Litre/stay</th>
<th>Millions of litres</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>4</td>
<td>15.52</td>
</tr>
<tr>
<td>2016</td>
<td>4</td>
<td>16.56</td>
</tr>
<tr>
<td>2017</td>
<td>5</td>
<td>19.43</td>
</tr>
<tr>
<td>2018</td>
<td>7</td>
<td>24.63</td>
</tr>
</tbody>
</table>

TOTAL water withdrawal

<table>
<thead>
<tr>
<th>Year</th>
<th>Litre/stay</th>
<th>Millions of litres</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>243</td>
<td>845.81</td>
</tr>
<tr>
<td>2016</td>
<td>218</td>
<td>812.25</td>
</tr>
<tr>
<td>2017</td>
<td>233</td>
<td>849.47</td>
</tr>
<tr>
<td>2018</td>
<td>234</td>
<td>785.72</td>
</tr>
</tbody>
</table>

It is worth mentioning that we were able to increase the amount of water we collected from the sea in order to use it for thalassotherapy sessions at our centre of the hotel Villa del Conde.

Wastewater

The state of wastewater being returned to the environment is essential, as its quality has an impact on ecosystems, affecting the natural surroundings of our hotels.

At Lopesan, it is being tried to reduce the volume of wastewater and to treat the unavoidable amount produced. We installed waste water treatment systems at our hotels Costa Meloneras and Villa del Conde that also allow us to use this water to irrigate green areas of mentioned hotels. The wastewater which we are not being able to treat is being discharged into the municipal sewage system.
The 2018 data regarding the amount of treated water reflects an important fall, compared to the year before: from 43.94 million litres in 2017 to 16.88 million litres in 2018. This is due to a failure of the meter that could not be fixed until January 2019. Nevertheless, we do estimate that the actual volume of treated water was higher, as we made improvements to the treatment systems throughout 2018.

<table>
<thead>
<tr>
<th>Year</th>
<th>Treated water (litres)</th>
<th>Water production (Litre/stay)</th>
<th>Total wastewater, according to quality and source (Millions of litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>52.48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>36.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>43.94</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>16.88</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In hospitality industry a correct management of waste that has been produced by guests or maintenance work at the facilities is essential. We are aware of the fact that tourism produces an important amount of waste having a huge impact on the environment. Therefore, we implemented integral waste management system. A number of measures that are being applied in our daily activity:

- Policies and initiatives to minimise our waste: project Zero Paper, sustainable purchasing policies, food waste control at our buffets and reuse of materials.
- Investment in the installation of different facilities: containers, vertical balers and automatic compactors that facilitate waste processing and reduction at our very own hotels.

Throughout this year, we set the ambitious target to reduce single-use plastics. Some of the actions we applied to achieve this are:

- Use reusable polypropylene and polycarbonate glasses at the pools.
- Substitute plastic plates and cutlery with paper plates and wooden cutlery of sustainable origin.
- Use water dispensers instead of plastic water bottles.
04.4. Veneguera Estate Restoration Project

Since 2014, we are landowners of the Veneguera Estate, a very popular place on the island with a long agricultural history. 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 is ideal for subtropical orchards.

This project stands out for the environmental factor of its agricultural recovery that is being carried out by us. This does not only mean the production of traditional local crops but it also emphasizes the environmental value of the land.

We do apply sustainable farming methods that are not only contributing to the local development of our community but also promoting the conservation of the surroundings by increasing biodiversity and protecting the soil.

We are undertaking progressive reforestation efforts to preserve the surroundings. Precisely, in 2018 we planted 165 new seedlings.

We are also promoting a new project linked to the Veneguera estate that consists of capturing CO2 in order to compensate its emissions and thus, minimise climate change effects. We are trying to get our project selected by the Spanish Ministry of Agriculture, Fishing and Food for the CLIMA framework.

Local and sustainable purchasing

This year we maintained our Local and Sustainable Purchasing Policy. Within this commitment and the Zero km food concept, our Veneguera estate produced more than 490,000 kg of fruit, 20% more than in 2017.

In detail: 230,000 kg of bananas; 85,000 kg of oranges; 50,000 kg of mangoes; 43,000 kg of lemons, 14,000 kg of grapefruits; 9,000 kg of avocados and 7,200 kg of mandarins as well as other products with minor consumption as squash, persimmons, grapes, pomegranates, prickly pears, etc.

The novelty of the year was the production of pineapples that reached 20,000 kg, consumed at the hotels of the Group. Due to this successful outcome, for 2019 we are planning to increase the production to 60,000 kg.
05. Social responsibility

One of the main objectives of our strategy as a hotel chain is to achieve the highest satisfaction of our guests. This achievement would not be possible without our employees, who are our key pillar and the ones behind the Group’s success. For this reason, apart from offering the best conditions to our clients, it is our aim to guarantee the well-being of all our staff.

We are convinced that the progress of the communities we are operating in is also essential to our business development. Therefore, we contribute to society in order to create shared value.

05.1. Quality Service

Client satisfaction is one of the main premises of our vision. In consequence, we are constantly working to provide high quality facilities and services for our guests who are the centre of our attention.

In order to keep improving every day, we carry out different surveys. These allow us to learn more about the satisfaction of our hotels guests and detect our weaknesses.

The effort we are making is clearly shown in the results of 2018, that exceed the ones achieved in 2017. This accomplishment shows the trend of our constant improvement regarding client satisfaction since 2015. This pushes us to keep working hard in order to provide top quality and unique, unforgettable experiences.

It is worth mentioning that we especially care about all matters related to privacy policy and personal data that are being provided by our guests. So far, we have not received any complaints regarding this topic in the last years.
05.2. Our Team

Achieving such high level of client satisfaction would not be possible without the fantastic work of our 2,509 employees of our hotels on the Canaries. They are the face of our company and they are constantly in touch with our guests. They are showing outstanding professionalism, friendliness, interest and attitude.

Therefore we aim to maintain permanent staff that believes in the Group’s essence. Figures of the last three years are similar. A fact that is worth mentioning is that in our team women and men are in parity with 51% and 49%, respectively. We are also committed to promote local talent: 74% of our senior managers are from the Canaries.

Every year our staff is consolidating more and more, as the number of permanent employees is increasing. Like this, by strengthening the trust in the Group, we can achieve a major commitment of our staff.

It is worth highlighting that in 2018 a total of 11 maternity and 31 paternity leaves have been conceded with a reinstatement rate of 100% afterwards.

Employee benefits

In order to thank our employees for their effort and dedication, Lopesan provides them with a number of benefits, being some of them the following:

- Private medical insurance agreement with Sanitas that offers our staff since 2017 coverage for hospital and non-hospital healthcare, dental care, and more.
- Hotel, restaurant and spa & thalasso service discounts at the establishments owned and managed by the Group.
- Special rates at the Titan Gym Meloneras for employees and their families.

Another improvement for our employees is the programme “Contigo Más”, that allows them to enjoy discounts and bargains provided by other associated companies, mainly travel, hotel, health, clothing or esthetic businesses.

Equality plan

At Lopesan, we promote diversity and equal opportunities for all. This is being reflected in our equality plan that aims to offer the same treatment to all persons whatever gender, sexual condition, religion, ethnicity, etc. they might be or have.

Concerning the parity of our team, at Lopesan we prioritise the professionalism of staff members, regardless their gender. Like this, we were able to maintain a balance among our core staff and we are also aiming to achieve this same balance among our intermediate and executive managers.
Furthermore, it is important to guarantee the same remuneration for employees doing the same work. Currently only in the case of the hotel Managers, the salary of the women is higher than the men’s. Nevertheless, we were able to reduce the gender pay gap for specialists/strategists and intermediate managers.

For the staff younger than 30, remuneration is very similar, and in some cases female employees do earn more than male employees. This means that in the last years we made progress in reducing the gender pay gap.

We are also working on achieving a greater integration of people with disabilities into the labour market. In this sense, we are employer to 46 persons with functional diversity who enrich the company.

Gender pay gap* | %  
---|---  
Hotel Manager  
3.10  
-4.33  
Intermediate Manager  
14.78  
13.64  
Specialists/strategists  
9.14  
8.83  
Administrative Personnel  
1.86  
2.25  
Operating Personnel  
0.00  
1.58  

* Difference between the gross basic salary of men and women in %.

Furthermore, in order to offer the same possibilities for everyone, our hotels are equipped with easy access facilities like lifts, wheelchair ramps and further services for people with reduced mobility.

Risk prevention

In order to achieve our staff’s commitment, it is essential to care about them in their workplace and offer them ideal health and safety conditions. Therefore, we developed an occupational risk management system at all level of our activity.

Also, 100% of our staff is being represented in the official health and safety committees. During 2018, as in the year before, we celebrated 4 meetings per hotel in order to deal with matters like the Annual Risk Prevention Objectives, risk assessment, health surveillance and emergency proceedings (drills).

This commitment to our employee’s health and safety is being reflected in figures: in 2018 only 3 cases of leaves caused by slight work-related injuries/illnesses were reported, which is 8 less than in 2017. They are all related to the carpal tunnel syndrome, in all cases of our hotel housekeeping staff.

Despite the fact that we were able to reduce work-related accidents among male employees, the number of work-related accidents among female employees increased, which makes a total of 177 accidents and 4,463 sick days caused by work-related accidents. This increase is mainly due to cuts and manual handling of loads.
The absenteeism rate in days increased among men and women. In general, we could observe a constant increase of employee absenteeism over the last three years. The main reason for this may be ageing of our staff in certain departments. Therefore, we are aiming to keep improving work conditions in order to optimise this rate.

### Absenteeism by gender

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>20,153</td>
<td>11,793</td>
</tr>
<tr>
<td>2017</td>
<td>23,033</td>
<td>14,640</td>
</tr>
<tr>
<td>2018</td>
<td>26,105</td>
<td>16,414</td>
</tr>
</tbody>
</table>

### Average training hours by employee, gender and professional category

<table>
<thead>
<tr>
<th>Year</th>
<th>Intermediate Managers</th>
<th>Executive Managers</th>
<th>Core staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>17.14</td>
<td>15.17</td>
<td>4.67</td>
</tr>
<tr>
<td>2017</td>
<td>11.02</td>
<td>24.98</td>
<td>7.73</td>
</tr>
<tr>
<td>2018</td>
<td>41.87</td>
<td>22.40</td>
<td>7.16</td>
</tr>
</tbody>
</table>

### Training plans

Achieving excellence is only possible with only the best professionals. We are convinced of our employee’s high potential and in order to boost their talent, we are offering different training programmes for them.

Like this, we teach them abilities and techniques to develop their professional skills. In 2018 we basically maintained the number of employee training hours compared to 2017, so that both staff and company can benefit. This year the average training hours per employee were 8.3.
05.3. Respect for Human Rights

At Lopesan, we are aiming to not commit any kind of human rights violation. Our company policy includes procedures that allow us to identify, assess, prevent and mitigate risks and relatively significant impacts regarding the violation of human rights as well as to take reducing measures in case of.

Among the detected risks are: inequality of treatment and opportunities between men and women, discrimination, sexual harassment, income inequality among employees of the same category, discrimination in case of pregnancy or maternity, abuse of authority, humiliating treatment or child abuse and exploitation.

At Lopesan we do have certain instruments, in form of committees, to cope with mentioned risks and avoid them: Works Council, Safety and Health Committee, Monitoring Committee that oversees the Equality and Child Protection Plan.

Furthermore, we implemented following measures to prevent the violation of human rights:


- Definition of actions and measures to: raise awareness among our staff and train them in matters like equality; eliminate sexist language; avoid discrimination; promote equal opportunities; establish suggestion channels and ensure absolute objectivity in hiring processes.

- Measurement of different gender- and category-specific KPIs like total number of contracts, promotions and total conversions from temporary to permanent contacts. Furthermore, all plans include a monitoring and evaluation protocol for reported cases.

In 2018, 26 work-related legal claims were received from employees in Spain: 18 related to dismissals, 6 objections against employee sanctions, 1 related to holidays and 1 related to remuneration. 16 of those claims were resolved and 10 of them are still pending.

It is noted that in none of the cases we have been sanctioned significantly for breaching the law or non-compliance of social-economic regulations.

05.4. Stakeholders

A manner to enhance our company’s performance is taking into account the opinion of all Lopesan stakeholders. Paying attention to their suggestions and demands allows us to continue improving and to know that we are moving in the right direction.

We regularly do undertake a number of surveys addressed to public agencies, professional associations, clients, employees, suppliers, NGOs and associations in order to learn and evaluate their opinion. This year, unfortunately we have not received any response from the public agencies.

In the last survey, the high participation of our employees is worth mentioning. Second place in number of participation is taken by our suppliers.

The matters that have been selected the most relevant in the social field were human resources and workplace health and safety. Also very important are environmental matters, mainly the fight against climate change and sustainability of the water cycle.

In general, the same trend of past years concerning the most relevant matters was observed, being human resource the most important topic of this year’s survey, too. Hence, these are subjects that are already being dealt with by Lopesan.

Also, other different aspects of interest that have been specified by our stakeholders were: purchasing local produce, charitable involvement of the Group, correct waste management (concentrating on the elimination of plastic), staff training programmes and staff opinion taken into account when managing the corporate social responsibility.

05.5. Contribution to Local Development

Our hotels are absolutely well-integrated in their host communities as contributing to enable a prosperous environment is also beneficial for the Group. Therefore, an important part of our purchases are made from local suppliers, although in 2018 the figure states 2% less than in 2017. We were able though to maintain the purchase of local produce in 18%.

The matters that have been selected the most relevant in the social field were human resources and workplace health and safety. Also very important are environmental matters, mainly the fight against climate change and sustainability of the water cycle.

In general, the same trend of past years concerning the most relevant matters was observed, being human resource the most important topic of this year’s survey, too. Hence, these are subjects that are already being dealt with by Lopesan.

Also, other different aspects of interest that have been specified by our stakeholders were: purchasing local produce, charitable involvement of the Group, correct waste management (concentrating on the elimination of plastic), staff training programmes and staff opinion taken into account when managing the corporate social responsibility.

The matters that have been selected the most relevant in the social field were human resources and workplace health and safety. Also very important are environmental matters, mainly the fight against climate change and sustainability of the water cycle.

In general, the same trend of past years concerning the most relevant matters was observed, being human resource the most important topic of this year’s survey, too. Hence, these are subjects that are already being dealt with by Lopesan.

Also, other different aspects of interest that have been specified by our stakeholders were: purchasing local produce, charitable involvement of the Group, correct waste management (concentrating on the elimination of plastic), staff training programmes and staff opinion taken into account when managing the corporate social responsibility.

The matters that have been selected the most relevant in the social field were human resources and workplace health and safety. Also very important are environmental matters, mainly the fight against climate change and sustainability of the water cycle.
Among the social initiatives we undertook this year, the most important ones were:

**Cirque du Soleil at Expomeloneras**

One of our key projects in 2018 was the development of a partnership with Cirque du Soleil so that they could perform under their Big Top on the site of Expomeloneras, which is located in a top tourist destination. In order to make this project possible, we received cooperation from the City Council of San Bartolomé de Tirajana, the Municipal Council of Gran Canaria and the Government of the Canary Islands.

At the time of writing this report, the project has already happened. It opened on 5 July 2019 and closed with big success, as the average percentage of audience was 80%. Bearing this data in mind, negotiations for the season 2020/2021 are being positive and the chances for repeat in Meloneras are high.

**Leukemia Fundraiser**

Once more we held this traditional gala dinner to raise funds for the Alejandro Da Silva Foundation against leukaemia. The Hotel Lopesan Baobab Resort was host to more than 400 invitees who showed their support. With the raised funds the foundation will be able to keep helping leukaemia patients and their families by supporting health institutions, voluntary service or training programmes.

**Closure of the Maspalomas International Trumpet Festival**

We hosted the closing concert of the 9th Maspalomas International Trumpet Festival at the Expomeloneras. It is the most international competition of the Canaries with great artists of high prestige.

**Cooperation with the Red Cross Employment Plan**

At Lopesan, we have joined forces with the Red Cross in the project Social Business Challenge to Increase Employability. This initiative promotes labour insertion of persons in vulnerable situations by improving their education, orienting them in their search for work and giving them access to practical training.

**II Meeting on Dual Pathology and Addiction**

The Expomeloneras was host to this event with nearly 200 participants, healthcare professionals and healthcare-related companies. At the meeting, the participants shared their experiences in treating patients with any kind of dual pathology.

**Co-Sponsor of the 51st opera season in Las Palmas de Gran Canaria**

In 2018 we co-sponsored the last edition of the Opera Festival, that opened with La Forza del Destino. Opera has a long history on the Canaries that goes back to the 19th century. We are proud of this part of our culture that is also being a major tourist attraction for the region.

**Volunteering in the Veneguera reforestation**

We are aiming to enhance solidarity among our employees by carrying out volunteer work like the reforestation of 200 pine and juniper trees on the Veneguera Estate in 2018. The participation of our employees and their families and friends was high.
Participation in the Smart Green Island Makeathon 2019

Our innovation team took part in the 3rd edition of the technological event, that was joined by more than 200 professional and students of 40 international universities as well as numerous companies like Lopesan. We brought up the challenge to create a “smart hotel room” in which guests can control the room equipment (lights, temperature, etc...) via app or website and that is also sustainable and self-sufficient.

Donation to food bank

One more year, we cooperated with the Red Cross in donating food coming from our hotels to people in need like homeless people. Therefore, we keep part of the menus in order to be collected by the cooperating associations.

ExpoMeloneras, open to culture

Taking advantage of the excellent facilities provided by the ExpoMeloneras congress centre, we were able to attract artists and host different events in 2018:

- Latest theatre production of the popular actor and humorist Milán Salcedo, “En mis trece 2.0”.
- Presentation of the most private Pedro Ruiz show, “Confidencial”.

Strengthening relationship with Chinese government

We participated in developing the visit of a group of 20 Chinese journalists to the island of Gran Canaria in order to learn more about its potential and richness. Not only as a tourist but also as a cultural, artistic and culinary destination with unique landscape. Therefore, we offered the hotel Lopesan Costa Meloneras as an operational base for the group during their stay.

Host to the meeting of the Canarian study group on dental and oral health

About 100 professionals, odontologists and stomatologists, gathered together at the hotel Lopesan Costa Meloneras, where they shared knowledge in order to search for excellence in several multidisciplinary treatments.

Garden gourmet days

The restaurant La Toscana of the hotel Lopesan Costa Meloneras was host to this culinary event, offering dinner menus elaborated with fresh garden vegetables of highest quality like green asparagus or artichokes. These were merged with typical Canaria products like avocado and black potatoes.

Loewe- Sabina golf tournament

Lopesan Meloneras Golf hosted the first Loewe- Sabina golf tournament with the participation of around 100 players. It took place on a course with high level of difficulty and ended with the awards ceremony after lunch at the very same course.
05.6. Acknowledgements and Awards

Once more, our effort has been rewarded. In 2018 we obtained different awards for our achievements. This motivates us to give the most of Lopesan and keep moving towards excellence. These awards have been the following:

**Order of Police Merit (Cross with white badge)** Hotel Lopesan Costa Meloneras

The Spanish Ministry of Home and the General Police Department awarded us in recognition of the civil merits achieved and the services provided by our hotel during the visit of the President of the People’s Republic of China, Xi Jinping. This visit to Spain took place in 2016 and our contribution to extremely high safety and security measures was absolutely satisfying.

**Honoured as “Salvavida” (Lifesaver) for our role in preventing drownings**

This honour is related to the awareness-raising campaign ‘Canarias, 1,500 km de costa’ (Canaries, 1,500 km of coastline) that brings together a number of tips about how to act in case of accidents that could happen in aquatic environment. Given the importance of this topic, at our hotels we spread those tips among our guests, which led us to obtain this award.

**Award for “Best Tourist and Golf Destination”**

In the 16th edition of the Premios Madrid, held by Madridario, the exclusive area of Meloneras, developed by our Group in the south of Gran Canaria, has been awarded. The value and quality of this tourist area could be created thanks to our emblematic hotels and their varied leisure, entertainment and wellness offer.

**World Travel Awards 2018**

The hotel Lopesan Costa Meloneras has been considered as “Best European Resort Casino” and “Best Sports Resort in Spain” at the World Travel Awards 2018 that honours high quality and hotel excellence. These trophies make the hotel one of the most awarded ones in the history of this prestigious “Oscar of tourism industry”.

The hotel Lopesan Baobab received the honour of being awarded with “Leading Resort in Spain”.

**Ákara Restaurant, “Best International Cuisine”**

Our African restaurant Ákara, located in the hotel Lopesan Baobab, has been awarded with the “Our Bueno Canarias Heineken” honour for its quality and singular cuisine. The exclusive and distinguished restaurant offers dinner with dishes like marinated and fried crocodile with herb & cardamom salad or Guinea chocolate mousse with chia.

**11 hotels awarded as “Top Hotel Partner” by Schauinsland Reisen**

The tour operator Schauinsland Reisen recognised 11 of our hotels as Top Hotel Partners for their integrity, flexibility and loyalty with the German company over the years, certifying our high competitiveness.

**Hospitaller Order of the Brothers of Saint John of God honours our selfless work**

The Hospitaller Order of the Brothers of Saint John of God awarded us for participating as a collaborative company. With this, the Brothers of Saint John of God highlighted our decade-long dedication and selfless service.

**Acknowledgements and Awards**

Once more, our effort has been rewarded. In 2018 we obtained different awards for our achievements. This motivates us to give the most of Lopesan and keep moving towards excellence. These awards have been the following:

**Order of Police Merit (Cross with white badge)** Hotel Lopesan Costa Meloneras

The Spanish Ministry of Home and the General Police Department awarded us in recognition of the civil merits achieved and the services provided by our hotel during the visit of the President of the People’s Republic of China, Xi Jinping. This visit to Spain took place in 2016 and our contribution to extremely high safety and security measures was absolutely satisfying.

**Honoured as “Salvavida” (Lifesaver) for our role in preventing drownings**

This honour is related to the awareness-raising campaign ‘Canarias, 1,500 km de costa’ (Canaries, 1,500 km of coastline) that brings together a number of tips about how to act in case of accidents that could happen in aquatic environment. Given the importance of this topic, at our hotels we spread those tips among our guests, which led us to obtain this award.

**Award for “Best Tourist and Golf Destination”**

In the 16th edition of the Premios Madrid, held by Madriderio, the exclusive area of Meloneras, developed by our Group in the south of Gran Canaria, has been awarded. The value and quality of this tourist area could be created thanks to our emblematic hotels and their varied leisure, entertainment and wellness offer.

**World Travel Awards 2018**

The hotel Lopesan Costa Meloneras has been considered as “Best European Resort Casino” and “Best Sports Resort in Spain” at the World Travel Awards 2018 that honours high quality and hotel excellence. These trophies make the hotel one of the most awarded ones in the history of this prestigious “Oscar of tourism industry”.

The hotel Lopesan Baobab received the honour of being awarded with “Leading Resort in Spain”.

**Ákara Restaurant, “Best International Cuisine”**

Our African restaurant Ákara, located in the hotel Lopesan Baobab, has been awarded with the “Our Bueno Canarias Heineken” honour for its quality and singular cuisine. The exclusive and distinguished restaurant offers dinner with dishes like marinated and fried crocodile with herb & cardamom salad or Guinea chocolate mousse with chia.

**11 hotels awarded as “Top Hotel Partner” by Schauinsland Reisen**

The tour operator Schauinsland Reisen recognised 11 of our hotels as Top Hotel Partners for their integrity, flexibility and loyalty with the German company over the years, certifying our high competitiveness.

**Hospitaller Order of the Brothers of Saint John of God honours our selfless work**

The Hospitaller Order of the Brothers of Saint John of God awarded us for participating as a collaborative company. With this, the Brothers of Saint John of God highlighted our decade-long dedication and selfless service.
Guaranteeing economic growth and thus, the business continuity, also is an aspect included in the concept of sustainability. Since our beginnings, 47 years ago, Lopesan has progressively improved. Not only our hotel management but also our new divisions that arose from our diversification strategy in order to offer innovative, enriching products like the agricultural and industrial branch.

The figure of sold rooms per year of the Group has practically maintained stable, considering the results of hotels in the Canaries, Austria and Germany. Nevertheless, in 2018 sales volume decreased but the average daily rate (ADR) was higher. This decrease in sales volume is due to having closed three hotels for refurbishment this year, which is an important fact when analysing the economic performance.

Our profitability maintained always above 30% in the last few years, reaching 31.11% in 2018. In order to calculate this percentage we have to consider the indicators EBITDA (Earnings before interest, taxes, depreciation and amortisation) and TOR (Total Operating Revenue).

Both indicators have been at similar level over the years, which means that profitability has been, too. This year the EBITDA was lower than in 2017 thus, profitability reduced, although not significantly.

On the other hand, in hospitality it is usual to measure the KPI RevPAR (Revenue per available room) that is calculated by dividing a hotel’s total guestroom revenue by the room count and the number of days in the period being measured. This allows us to evaluate the financial performance of the chain. In this case, a growing trend since 2015 has been observed.
In conclusion, we can state that the company consolidated its growth, although we must not stop working to keep improving by developing a sustainable business model based on quality and innovation.
At Lopesan we achieved what we are now thanks to a business strategy that has been focusing on diversification for years. This strategy brought us to lead businesses in areas beyond hotel management, like ancillary tourism services we offer our guests, construction-related activities or the industrial production and sustainable agriculture.

Being present in the three sectors goes hand in hand with a constant process of transformation and innovation by developing new products, procedures and services. Like this we are being able to access new markets and expand our brand internationally.

Last, we always do ensure that the philosophy of the Group’s core activity is also present in all our other businesses: the commitment to environment and people.

The Group is present in the three sectors of the economy:

**Primary sector**
We carry out sustainable agricultural production with crops that are native to the Canaries.

**Secondary sector**
We are active in construction and industrial production.

**Tertiary sector**
In order to complete the experience of our guests, we offer high quality leisure services.

07.1. Ancillary tourism services
We know that offering varied and distinct leisure options does not only upgrade our services, it also provides our guests with unforgettable and exclusive high quality experiences, that are essential for choosing us and building loyalty among our customers.

Therefore, we created ancillary tourism businesses with following services: food and beverage, events, conferences at the congress centre, laundry service for the hotels, golf courses, Spa and thalassotherapy centre, hotel management, tailoring services, pools and parking garages.

In this segment, we were able to achieve very positive results, as we could increment profit by 11%, compared to 2017: a total revenue of 65,023,882 € at all centres.

<table>
<thead>
<tr>
<th>Our ancillary tourism businesses are:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook and Event</td>
</tr>
<tr>
<td>ExpoMeloneras</td>
</tr>
<tr>
<td>Lavanderia interhotelera (Laundry)</td>
</tr>
<tr>
<td>Meloneras Golf</td>
</tr>
<tr>
<td>Corallium Spa Lopesan Costa Meloneras</td>
</tr>
<tr>
<td>Corallium Thalasso Lopesan Villa del Conde</td>
</tr>
<tr>
<td>Lopesan Hotel Management</td>
</tr>
<tr>
<td>Centro de Costura (Tailoring centre)</td>
</tr>
<tr>
<td>IFA Canarias Piscina (Pool)</td>
</tr>
<tr>
<td>Parking Oasis</td>
</tr>
</tbody>
</table>
Environmental performance

In environmental terms, as in our hotel activity, we applied different measures with the aim to minimise our impact. In this sense, this year’s figures were very positive as we were able to improve our environmental performance also in these businesses.

First, although we consumed more diesel, we diminished the fuel, oil, propane and electricity consumption compared to 2017. Thanks to this, we were able to reduce the intensity of our greenhouse gas emissions by 16%.

Second, we also have been able to reduce our water consumption by 18% and thus, the water that has been discharged into the municipal sewage system.

But the most important environmental achievement in 2018 was the 45% decrease of waste generation thanks to a lower number of prunings and thus, less quantity of non-dangerous waste like paper, cardboard, glass, oil and organic waste. However, in the case of dangerous waste, an increase has been observed: Contaminated plastic and metal containers, spray cans, waste electrical and electronic equipment (WEEE), contaminated materials, synthetic oil, LEDs and oil filters.

Our contribution to society

Concerning social matters, in 2018 we underwent a staff reduction that affected about 100 people. We now are employers to 591 persons, 69 with permanent contracts. In this branch, the parity between male and female staff is worth a special mentioning, not only among core staff but also among intermediate and executive managers.

Over the years, a total of 4,200 training hours have been provided to all employees, an average of 7.1 yearly hours per employee.
07.2. Agricultural Division

Being able to harvest our own agricultural products and offer our guests an exotic variety of locally and sustainably grown fruit, is another major attraction.

This production of our agricultural division, which is being carried out at our Veneguera Estate, represents an additional value for Lopesan. In 2018, the agricultural production reached 786 tons, 28% less than in 2017. This decrease is due to the replanting of banana trees, main crop of the estate, in order to improve and optimise future cultivation. The total number of plants did not change, which is why it was not possible to harvest the same amount of produce.

However, we achieved positive results in terms of the crop surface, which will mean an increasing production in the next few years. In this sense, in 2018 we farmed 71 ha of land, 4% organically.

Environmental performance

In 2018, our diesel consumption increased in comparison with the year before, which affected the intensity of greenhouse gas emissions: 74.2 Kg CO₂ per produced ton.

Regarding the water consumption at the estate, primary indicator of this activity, we observed a decrease of 20% in absolute values: from 556,879 m³ to 463,129 m³. In relative terms, the volume per produced ton increased 35%, due to the already mentioned future production improvement.

On the other hand, we have reduced the volume of waste generated both non-hazardous and hazardous by 8%, to a total of 6.92 Kg per ton produced.

### Environmental performance

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensity of greenhouse gas emissions (Kg CO₂/Produced ton)</td>
<td>43.90</td>
<td>74.20</td>
</tr>
<tr>
<td>Total water consumption (m³)</td>
<td>556,879</td>
<td>463,129</td>
</tr>
<tr>
<td>Water consumption (m³/Produced ton)</td>
<td>436.77</td>
<td>589.19</td>
</tr>
<tr>
<td>Waste (Kg/Produced ton)</td>
<td>7.53</td>
<td>6.92</td>
</tr>
</tbody>
</table>

Our contribution to society

In social terms, the agricultural division maintained a stable number of staff with 49 employees. That means that there have been new hires in 2018, both of them women. It is worth mentioning that the number of permanent contracts increased by 5%, a total of 73% of staff.

In 2018, we reinforced the capacity building of our staff in this sector and we were able to triplify the hours of training, reaching 168 yearly hours in total and an average of 3.4 yearly hours per employee.

### Staff of agricultural division

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Male</td>
<td>39</td>
<td>39</td>
</tr>
</tbody>
</table>

### Average annual training hours per employee

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.3</td>
<td>3.4</td>
</tr>
</tbody>
</table>
07.3. Industrial Division

This branch undertakes exclusively the industrial activities of the Group, which is mainly related to construction and includes our asphalt, emulsion, precast and concrete plants as well as a construction company and a machinery workshop.

In this branch, a slight decrease of revenue has been observed compared to the year before, closing 2018 with a total earnings of 33,518,408 €. We have also applied measures to improve our environmental and social performance, in order to offer better working conditions to our employees.

Environmental performance

Our environmental performance throughout 2018 has shown worse results than the year before. These were due to earthmoving and excavation work we had to carry out. Nevertheless, this fact does not demotivate us in our aim to improve. It actually invites us to keep strengthening our commitment in order to achieve a more sustainable management and better results of our industrial branch.

The intensity of our greenhouse gas emissions increased by 9% compared to 2017. This increment is mainly due to a higher diesel consumption at the machinery workshop and the short distance journeys of the lorries (which means higher consumption) that have been working at the earthmoving and excavation work sites.

Regarding the water consumption, there was an increase of 37% in relative terms. This was also due the type of work we undertook, as earthmoving and excavation works do require a constant soil wetting in order to avoid dust contamination.

Nevertheless, in the case of waste, we were able to achieve an important reduction of 43%, compared to the year before. This is thanks to having diminished the volume of non-dangerous waste to less than half. Dangerous waste could also be reduced.
Our contribution to society

In 2018 we increased the number of employees in our industrial businesses: 199 compared to the 163 employees in 2017. In this branch only 9% are female employees, a fact that is quite usual in this sector.

The number of permanent contracts increased, too, reaching now 62%. This is a sign of a more and more consolidated staff.

Last, it is worth mentioning that in 2018 we maintained the number of work-related accidents but with a higher number of sick days. The total incident rate decreased by 18%, which is a major achievement for this sector, where usually the incident rate is high. All the produced accidents were minor injuries. We were also able to reduce the absenteeism rate by 14%, compared to year before.

In short, at Lopesan we keep making great efforts to improve our **environmental performance** as well as our social contribution, as we are strongly committed to our **natural surroundings and people**. This commitment is increasingly consolidated in our corporate philosophy that covers all the businesses of the Group.
<table>
<thead>
<tr>
<th>GRI Standards Indicator</th>
<th>Description</th>
<th>Location / Direct answer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>102 CONTENIDOS GENERALES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organisational profile</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-1</td>
<td>Name of the organisation</td>
<td>Lopesan Group</td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products and services</td>
<td><a href="https://www.lopesan.com/es/">https://www.lopesan.com/es/</a></td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>Welcome to Lopesan. Page 10</td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations</td>
<td>Welcome to Lopesan. Page 10</td>
</tr>
<tr>
<td>102-6</td>
<td>Markets served</td>
<td>Our Brands. Page 18</td>
</tr>
<tr>
<td>102-7</td>
<td>Scale of the organisation</td>
<td>Our Brands. Page 18</td>
</tr>
<tr>
<td>102-8</td>
<td>Information on employees and other workers</td>
<td>Our Team. Pages 40-45</td>
</tr>
<tr>
<td>102-9</td>
<td>Supply chain</td>
<td>Local Development Support. Pag 47</td>
</tr>
<tr>
<td>102-12</td>
<td>External initiatives</td>
<td>Estrategy. Page 16-17</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td>Our CEO Speaks. Page 8</td>
</tr>
<tr>
<td>102-15</td>
<td>Key impacts, risks, and opportunities</td>
<td>Our CEO Speaks. Page 8, Strategy. Pages 16-17</td>
</tr>
<tr>
<td><strong>Ethics and integrity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-16</td>
<td>Values, principles, standards, and norms of behavior</td>
<td>Our Mission, Vision and Values. Page 11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI Standards Indicator</th>
<th>Description</th>
<th>Location / Direct answer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>102-17</strong></td>
<td>Mechanisms for advice and concerns about ethics</td>
<td>Our Approach to Sustainable Management. Pages 12-13</td>
</tr>
</tbody>
</table>

**Governance**

| 102-21 | Consulting stakeholders on economic, environmental, and social topics | Stakeholders. Pages 46-47 |

**Stakeholder engagement**

| 102-40 | List of stakeholder groups | Stakeholders. Pages 46-47 |
| 102-42 | Identifying and selecting stakeholders | Stakeholders. Pages 46-47 |
| 102-43 | Approach to stakeholder engagement | Stakeholders. Pages 46-47 |

**Reporting practice**

| 102-50 | Reporting period | 2018 |
| 102-51 | Date of most recent report | 2017 |
| 102-52 | Reporting cycle | Annual |
| 102-53 | Contact point for questions regarding the report | Himar Rodriguez. <hrodriguez@lopesan.com> |
| 102-54 | Claims of reporting in accordance with the GRI Standards | About this Report. Pages 5-6 |
| 102-55 | GRI content index | Table GRI (page 72-77) |
| 102-56 | External assurance | This 2018 Sustainability Report has not obtained external assurance. |

**103 MANAGEMENT APPROACH**

| 103-2 | The management approach and its components | Our Approach to Sustainable Management. Pages 12-13 |
| 103-3 | Evaluation of the management approach | Strategy. Pages 16-17 |
## 201 ECONOMIC PERFORMANCE

**201-1** Direct economic value generated and distributed

Our Economic Performance. Pages 59-60

## 202 MARKET PRESENCE

**203 INDIRECT ECONOMIC IMPACTS**

**203-1** Infrastructure investments and services supported

Other Areas of Business. Pages 62-70

**203-2** Significant indirect economic impacts

Our Economic Performance. Pages 59-60 and Other Areas of Business. Pages 62-70

## 204 PROCUREMENT PRACTICES

**204-1** Proportion of spending on local suppliers

82%

## 301 MATERIALS

**301-1** Materials used by weight or volume

Other Areas of Business. Pages 62-70

**301-2** Recycled input materials used

Other Areas of Business. Pages 62-70

**301-3** Reclaimed products and their packaging materials

Other Areas of Business. Pages 62-70

## 302 ENERGY

**302-1** Energy consumption within the organisation

Energy Efficiency and Carbon Footprint. Pages 25-27

**302-2** Energy intensity

Energy Efficiency and Carbon Footprint. Pages 25-27

**302-3** Reduction of energy consumption

Energy Efficiency and Carbon Footprint. Pages 25-27

**302-4** Reductions in energy requirements of products and services

Energy Efficiency and Carbon Footprint. Pages 25-27

## 303 WATER

**303-1** Water withdrawal by source

Water. Pages 30-32

## 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 34-35

**304-3** Habitats protected or restored

“Veneguera estate: Surface under cultivation: 71 ha. Percentage of organic cultivation: 4%.”

## 305 EMISSIONS

**305-1** Direct (Scope 1) GHG emissions

4,926,325 Kg CO₂

**305-2** Energy indirect (Scope 2) GHG emissions

16,608,550 Kg CO₂

**305-4** GHG emissions intensity

6,4 Kg CO₂/stay

**305-5** Reduction of GHG emissions

2,22%

## 306 EFFLUENTS AND WASTE

**306-2** Waste by type and disposal method

Waste. Pages 32-33

**306-3** Significant spills

No significant spills were observed in 2018.

**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 2018.
### 308 SUPPLIER ENVIRONMENTAL ASSESSMENT

| 308-1 | New suppliers that were screened using environmental criteria | Contribution to Local Development. Page 47 |

### 401 EMPLOYMENT

| 401-1 | New employee hires and employee turnover | Our Team. Pages 40-45 |

### 403 OCCUPATIONAL HEALTH AND SAFETY

| 403-1 | Representación de los trabajadores en comités formales trabajador empresa de salud y seguridad | Our Team. Pages 40-45 |
| 403-2 | Tipos de accidentes y tasas de frecuencia de accidentes, enfermedades profesionales, días perdidos, absentismo y número de muertes por accidente laboral o enfermedad profesional | Our Team. Pages 40-45 |

### 404 TRAINING AND EDUCATION

| 404-1 | Workers representation in formal joint management-worker health and safety committees | Our Team. Pages 40-45 |
| 404-3 | Types of injury and rates of injury, occupational diseases, lost days and absenteeism, number of work-related fatalities | 100% |

### 405 DIVERSITY AND EQUAL OPPORTUNITY

| 405-1 | Diversity of governance bodies and employees | Our Team. Pages 40-45 |

### 406 NON-DISCRIMINATION

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

### 412 HUMAN RIGHTS ASSESSMENT

| 413-1 | Operations that have been subject to human rights reviews or impact assessments | Respect for Human Rights Page 46 |

### 413 COMUNIDADES LOCALES

| 413-1 | Operations with local community engagement, impact assessments, and development programs | Contribution to Local Development. Pages 50-53 |

### 414 SUPPLIER SOCIAL ASSESSMENT

| 414-1 | New suppliers that were screened using social criteria | 100% |

### 416 CUSTOMER HEALTH AND SAFETY

| 416-1 | Assessment of the health and safety impacts of product and service categories | Quality Service. Page 39 |

### 417 MARKETING AND LABELLING

| 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 2018 |

### 419 CUMPLIMIENTO SOCIOECONÓMICO

| 419-1 | Non-compliance with laws and regulations in the social and economic area | None in 2018 |