

A large, gnarled tree silhouette against a sunset sky, with a field of tall grass in the foreground.

REPORT
2014

ESPORÃO



ESPORÃO

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OUR COMMITMENTS



02

CHAIRMAN'S STATEMENT

This report, referring to the year 2014, completes the execution of the strategic plan that began in 2012. In this plan, we have defined three basic pillars of development: international expansion, business sustainability and proximity to our customers.

During this three year period, commercial activity was marked by growth in international markets and by the near stagnation of the Portuguese market, but with signs of recovery in 2014. We have taken positive steps in our ability to compete in the most important international markets, highlighting the investment in our own distribution in Angola and the strengthening of our offer and distribution with the integration of new brands in Brazil.

On improving the sustainability of our business, we have grown considerably as a company in recent years. Our environmental performance improved greatly as a result of better agricultural practices, resource management and impact reduction. We still have work to do, particularly in improving our relationship with the communities with whom we operate. The quality of products and business sustainability are the most significant factors of our corporate culture, what makes us being optimistic when anticipating future challenges.

The proximity to our customers and consumers is the pillar where we have more work to do. However, I would like to emphasize the success achieved in projects such as the Wine Tourism of Herdade do Esporão and the impact it has had on the company's projection, the more effective presence on social networks and the positive experience that was test running a concept store. Hence, the pillar of proximity will be the focus of our strategic plan for the period of 2015-2017.

In this three-year period, our products and company were consecutively awarded, with special mentions to the American Wine & Spirits magazine that ranked us as one of the "100 best wine companies in the world," the Drinks Business Sustainability Award and the Green Project Awards (Portugal).

Our focus will now be on the strategies defined for 2015-2017, according to the plan set up by Esporão team, in collaboration with shareholders and business partners, and that the Board of Directors fully supports. We propose therefore to achieve sales in the order of € 50M in 2017, reaching 300ha of vineyards and olive groves certified in organic farming, reduce energy consumption per case sold in at least 15%, significantly increase our online presence and interactivity with our customers and launch innovative products.

As always, I am confident that the entire team of Esporão will continue to change our company from within, pursuing innovation and creating value for all the stakeholders with the same drive and determination shown during our first four decades of history.

José Holtreman Roquette
Chairman of the Board



The quality of products and business sustainability are the most significant factors of our corporate culture, what makes us being optimistic when anticipating future challenges.



OUR REASON FOR BEING

We aim to be a family business that is economically, socially and environmentally sustainable, capable of providing unique products and experiences that improve people's lives.

To make the best products from what nature provides in a responsible and inspiring way.

VISION

"To be a family business that is economically, socially and environmentally sustainable, capable of providing unique products and experiences that improve people's lives."

MISSION

"To make the best products from what nature provides in a responsible and inspiring way."

Esporão was born in Alentejo. It was born from the unconditional willingness to produce the finest wines. This is the basis of everything we do and now extend to other products and regions. Everywhere, nature inspires us and helps us to improve. We respect and protect it, building a more promising future.

We believe that companies should serve society, and not the other way around. We aim is to always operate in a responsible way. This responsibility is neither abstract nor merely collective: it is based on each individual, including everyone who is involved with Esporão.

We encourage non-conformity, change and creativity, seeking to do better but not necessarily more. We have learnt that progress depends on the knowledge we develop and apply, as well as believing in what we do and putting our heart and soul into it.

We aim to be a family business that is economically, socially and environmentally sustainable, capable of providing unique products and experiences that improve people's lives.



VALUES- DEFINING OUR CULTURE

Non-conformity

We want a better world with opportunities and dreams to pursue. We are bold regarding what we propose to do, believing that the effort and persistence to achieve it will help us find new ways forward. We take risks, allowing room for mistakes and a chance to learn from them. Ideas should come from everyone, anywhere and at any time. We create the organizational environment and structure that allow challenges to become opportunities.

Responsibility

We exist as a part of society, in the milieu that surrounds us and within a viable economic context. We take individual and collective responsibility for the impact of our company and work to minimize it. We communicate in an honest and objective way.

Excellence

First we do better then we create more value. We do not accept that "the perfect is the enemy of good". Criticism should be constructive and must be viewed as such. It is our customers and consumers who evaluate us and we are pro-active when interacting with them, responding with improvements.

REVIEW OF THE 2012-2014 STRATEGIC PLAN

The company developed a series of initiatives that led to the execution of its strategic plan.

- **Accelerating the international development** of our business by positioning "Mr. Portugal" in the reference markets for wines. Achieving this goal was of the utmost importance as we were anticipating the difficulties in the domestic market where our leadership position and economic conditions foresaw to be very difficult. It was exactly what happened when we verified that our sales' growth was sustained mainly by the international markets.
- **Developing Business Sustainability.** We identified the critical points of the impact of our activities and actions to minimize these impacts. We did it by placing sustainability at the heart of the decisions we make every day and in the corporate culture of the whole team. We have been recognized with two major awards in this area. Much of the work was done in operational areas related to the environmental impacts of our business and that is certified by external companies.
- **Increasing proximity to our customers and consumers.** We highlight the Wine Tourism of Herdade do Esporão although we acknowledge that we still have much to achieve in terms of a more relevant and pro-active communication with all the stakeholders.

From an economic point of view we have evolved positively in all major indicators, although we have not fully reached our goals. The financial component has been fully complied with, optimizing its capital costs.

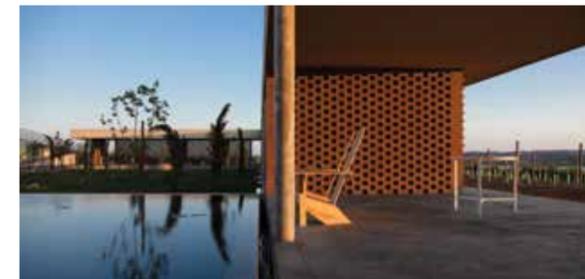
THE NEW 2015-2017 STRATEGIC PLAN

We have identified the macro and micro-economic trends and the uncertainties that might affect us, as well as the internal challenges and responsiveness of our business model concerning the opportunities that we believe are the most interesting to our customers.

Defining strategic pillars:

- I. Increasing expansion of our business. 75% of our sales will come from abroad markets;
- II. Reach new levels of efficiency and quality with sustainability at the heart of everything we do. Efficiently manage our resources and improve the relationship with the stakeholders.
- III. Reinforce our commitment of proximity by digitally transforming our operations and interactions, providing ourselves with closer and better awareness of whom interacts with us;
- IV. Innovation will lead the way for growth in value. The innovation process is vital for enhancing ideas and creating potentially disruptive value.

We have defined infrastructure projects that will help us organize and implement our strategy by increasing the level of reinvestment compared to the last three years.



THE COMPANY



03

THE GOVERNANCE STRUCTURE

Esporão is part of a group of companies whose sole shareholder is the Roquette family. There is a governance model common to all those companies. (Table 1).

BODY	PROFESSIONAL COMPETENCIES
FAMILY COUNCIL/SHAREHOLDERS	Governing Body of the Family / Shareholders. Composed by a representative of each family branch. Mission: Follows the issues related to Family and Business, ensuring decisions that, by their nature or importance should be reserved for Family. It may appoint, from among its members or members of the extended family, elements to committees for specific purposes; oversees its scope.
BOARD OF JHR SGPS	Governing Body of the Holding of José Roquette Group. Composition: 4 directors and at least one must not belong to the family. They are nominated by the Family Council for predefined mandates. Mission: Board of a Holding (SGPS): represents and looks after the interests of the Shareholders; defines Business strategies based on the guidelines of the Family Council; nominates and oversees the Boards of the Subsidiaries on which exercises control. It holds 72,06% stake in Gesparte, which in turn owns 96% of the capital and 99.99% of the voting rights of Esporão Group.
BOARD OF SUBSIDIARIES	Governing Bodies of the Relevant Subsidiaries. Mission: operational and strategic management of the Companies, in accordance with the guidelines of the Board of JHR SGPS. Answers and reports to the Board of JHR SGPS.

Table 1 Governance Model

BOARD OF DIRECTORS

It is the hierarchically higher executive body of Esporão S.A. (Mother Company) who reports directly to the board of directors of JHR SGPS, through its subsidiary Gesparte. All the boards and managements of the subsidiaries report to this Board and are constituted, to this date, by the President of the board of directors and the executive directors of Esporão S.A.. There is still a General Meeting of Shareholders (the highest body) which sets the overall company strategy, approves the action plans and elects the members of the board, and a Statutory Auditor that evaluates and certifies the accounts of the Group. The Board of Directors, which acts for terms of three years implementing a strategic plan presented and ratified by JHR SGPS, consists of:

CHAIRMAN OF THE BOARD José Roquette

José Roquette. Leads the Board of Directors and reports to the Board of Directors of JHR SGPS, which he also presides.

CEO João Roquette

Responsible for general leadership and company's strategy, accumulates the administration of the areas of production, processing, sales, marketing and distribution.

CFO Diogo Corrêa Mendes

Responsible for leading the financial, administrative and human resources areas, information systems and continuous improvement.

NON-EXECUTIVE DIRECTOR José Pedro Roquette

Accumulates the position of Purchasing Manager.



ESPORÃO GROUP

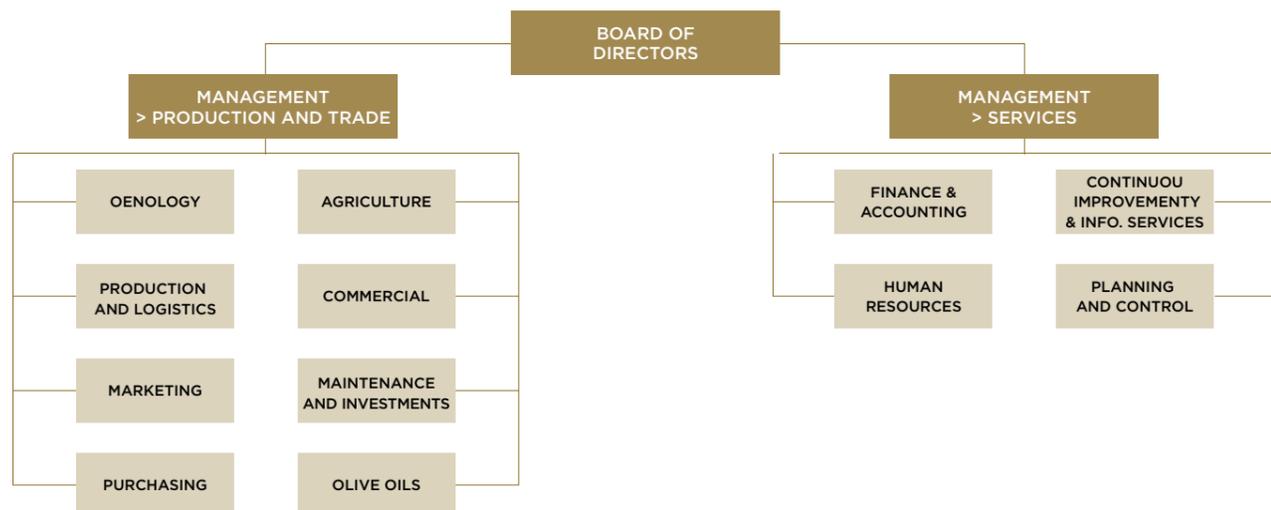


Image 1 Governance Structure of Esporão Group

GOVERNING BOARD

Supporting Body to the Board, frequently reunites with executive directors and all directors, to monitor, discuss and decide on the company's strategic and executive issues, composed by:

CEO – João Roquette

CFO – Diogo Corrêa Mendes

Agricultural Director – Amândio Rodrigues

Commercial Director – Diogo Melo e Castro

Procurement Director – José Pedro Roquette

Enology Director – David Baverstock

Financial Director – Manuel Cabaço

Maintenance Director – Miguel Jorge

Marketing Director – Filipe Caetano

Continuous Improvement and Information Systems Director – Sérgio Pereira

Production Director – Mauro Brandão

Our activity does not present significant risks of conflicts of interest and is therefore not implemented a formal mechanism for conflicts' verification. The method of selection of these constituents is prerogative of JHR, SGPS and of the Chairman of the Board. There are no restrictions of any kind, positive or negative, on gender, ethnicity or religion.

SUBSIDIARIES AND MAIN ACTIVITIES

The group led by Esporão, SA is a public limited company under Portuguese law, with capital of € 5,000,000.00 (five million Euros), founded in September 1973 and registered at the Commercial Registry of Reguengos de Monsaraz under the number 500116377.

The company **Esporão, SA** is headquartered in **Herdade do Esporão** in **Reguengos de Monsaraz**, where it focuses its agricultural and industrial activity, and its offices are in Lisbon, at Avenida do Restelo 44, where the commercial, marketing, financial, administrative, HR, continuous improvement and information systems departments are placed, as well as the Board. Esporão, SA also includes the following subsidiaries:

- **MURÇAS, SA.** public limited company with capital of € 110,000.00 (one hundred and ten thousand Euros), registered at the Commercial Registry of Peso da Régua under the number 500569401. It owns a 150 hectares farm in Covelinhas, Peso da Régua in the Douro Demarcated Region.
- **ESPORÃO AZEITES, LDA.** limited liability company with capital of € 250,000.00 (two hundred and fifty thousand Euros), registered at the Commercial Registry of Serpa under the number 504021036, owns an oil mill in Serpa, in the region of olive oil with Designation of Controlled Origin (DOC), in Moura, Beja district.
- **ESPORÃO VENDAS E MARKETING, SA.** public limited company, with capital of € 10.000.000,00 (ten million Euros), registered at the Commercial Registry of Reguengos de Monsaraz, where it is located, under the number 500254869, and manages the wine tourism facilities and two warehouses of finished product.



- **ESPORÃO PRODUÇÃO BIOLÓGICA, SA.** public limited company, registered under the number 510354068, founded in 2012 and operating since 2013. Concentrates and develops all activities of the group's agricultural production, based on methodologies and principles of organic farming.
- **QUALIMPOR** with CNPJ 00.479.756/0001-65, founded in 1995 and located in São Paulo (Brazil), imports and distributes wines and olive oils of Esporão, Crasto, Taylors and Freixenet in the Brazilian market.

Esporão, SA also includes participation in the following major companies for the good functioning of international business:

- **PRIMEDRINKS, SA.** Subsidiary, non-majority partner and of independent management, carries out marketing and distribution in the Portuguese market.
- **DBRANDS** Headquartered in Angola and managed by us, they are operating and commercializing our products.

- **ESPORÃO WINE & OLIVE OILS** Headquartered in the United States of America, this subsidiary acts on a perspective of business development in partnership with our importer for this market, where we also carry out marketing activities to support our products.

LOCATIONS

Location/Companies	Esporão SA	Esporão Vendas e Marketing	Esporão Azeites	Murças SA	Esporão Produção Biológica
Lisboa	X	X			
R. Monsaraz	X	X			X
Peso Régua				X	X
Serpa			X		



Table 2 Physical presence of the companies of Esporão SA by geographical location:

HERDADE DO ESPORÃO

Since it was founded in 1267, the boundaries of Herdade do Esporão have remained virtually unchanged, despite being the stage of many battles over almost nine centuries. It had many owners, including the Rodrigues de Vasconcelos Master of Santiago, Morgado D. Álvaro Mendes de Vasconcelos who built the Esporão Tower and the Counts of Alcáçovas, who kept the estate in the family until 1973, the year it was sold to José Roquette and Joaquim Bandeira.

The core of Herdade do Esporão holds these three historic monuments: the Esporão Tower, the Esporão Arch and the Nossa Senhora dos Remédios Chapel, the latter related to a devout popular worship in the region that involves local people to form processions whenever the rains are late.

The Esporão Tower, an assertive symbol in society and a demonstration of military strength, is one of the most important towers in the region, illustrating the transition from the medieval to the modern age in Portugal. Today, the Esporão Tower it is the icon of the Herdade do Esporão wines, having regained its former grandeur and importance. It is the most important and representative building of all those at the Herdade do Esporão. On the ground floor of the Tower, you can visit the Archaeological Museum and see an exhibition of items found on the Herdade dos Perdigões regarding the vestiges of pre-historical settlements.



Herdade do Esporão – The Land

Herdade do Esporão is located approximately at 170 kilometres southeast of Lisbon, nearby the historical city of Reguengos de Monsaraz, in the Alentejo and occupies a total area of over 1,800 hectares, 450 hectares of which are vineyards from the most diverse grape varieties and around 80 hectares of olive groves. The estate benefits from the Mediterranean-continental climate, with intense sun exposure, reaching an average of 300 days per year. The climate is also characterized by wide temperature amplitude, with warm summers and short rainy winters, also with significant diurnal thermic amplitudes. The very poor soils are divided between schist-clay (fine grey-red) and granodiorite (granite) derived from eruptive rock. It showcases all the characteristics of the typical southwestern Mediterranean landscape. There are almost 600 hectares of holm oak woodlands typically called montado in a landscape profiled by water, with an 120 hectares reservoir in the northern part of the property and the Caridade stream meandering through the montado, joining with the river Degebe, a Guadiana tributary that shapes the estate south by west. It should also be noted that the Herdade do Esporão heritage includes the 150 hectares of vineyards of Herdade dos Perdigões, located within 5 km distance.

The Vineyards

There are currently 194 grape varieties planted, of which 37 account for the bulk production. These are those best adapted to the Alentejo, the majority regionally improved for many years. We have been pioneers in introducing certain varieties, which have become real ace cards of Alentejo’s modern winemaking, such as Touriga Nacional and Verdelho, which strengthened the identity and quality of the Alentejo wines. Now reaching the age of forty years old, some of these vines can be classified as old vines.

We are currently in the process of converting to organic farming. Despite the vineyard’s considerable dimensions, which covers 450 hectares when at full production capacity, we manage to maintain production control within the values that allow us to enhance the quality of our grapes.



SPECIAL PROJECT – GRAPE VARIETY FIELD

At Herdade do Esporão we have an ampelographic field, which is basically an living exhibition of vines of different grape varieties where 189 varieties were planted as a way to preserve national endogenous genetic heritage and monitor them regarding how they respond to climate changes and different production methods. The goal is to study the potential of the several varieties according to different scenarios.

It is an insurance to our business and a long-term warranty considering climate change adaptation needs. For this special project, we set aside 10ha of the estate where we planted 2.222 plants in 189 parallel lines, each line representing a different grape variety which includes, in addition to the Alentejo and the Douro grapes, varieties from other world regions.

The Olive Grove

We began producing olive oil in 1997, at a time when we did not have our own olive groves. After 2006, to ensure the quality and absolute consistency of our olive oils, which are made exclusively from Portuguese olives we decided to plant an 80 ha olive grove under the organic farming management model, to add to the existing small and century-old grove, continuing to produce Esporão olive oil using natural methods and processes that are entirely traditional.



The Vegetable Gardens

The rich gastronomy of Alentejo is based on humble and fresh produce, linking its terroir to the timeless taste of true regional recipes. Because of this, knowing that the quality of ingredients was crucial to the authentic flavours of our food, we decided to plant two vegetable gardens in allotments covering three hectares where we grow seasonal produce, mainly fruits, vegetables and greens and also the herbs, so important in the Alentejo gastronomy.

Holm Oak Montado and other Habitats

The landscape of Esporão is dominated by the Holm Oak (Quercus ilex) woodlands, mediterranean scrublands, meadows and grazing lands, the Caridade stream and associated wetlands, including our iconic reservoir and the borders of river Degebe. There are also a few areas of stone pine tree plantations, now being converted



to Montado. With an every increasing collection of approximately 400 species of fauna and flora observed, we would like to underline the fact that 90% of all bird species from the Alentejo have been observed in the estate.

In 2007, Esporão joined the “Business & Biodiversity” EU project and the “Countdown 2010”, an International Union for the Conservation of Nature (IUCN) initiative, becoming the first wine company of the world to join. Since then, several evaluation and monitoring projects regarding biodiversity conservation and promotion have been developed, which led to adjustments in the way it is managed, both in terms of forest management - ex .: end of the stone pine plantation and restoring the holm oak montado - as in agricultural planning - ex .: excluding olive plantation from near the reservoir and allocate to the areas with lower impact on biodiversity - and projects of wine tourism - ex .: proactive monitoring of wildlife related activities.

Wine Tourism and Restaurant

Built in 1997, subject to work improvements in 2012 and part of the World Wine Route, it was the first certified restaurant in Portugal. It aims to demonstrate our values, grounding and origins, respect for nature and its biodiversity, making the Esporão Wine Tourism a sensory experience based on the authenticity of a venue.



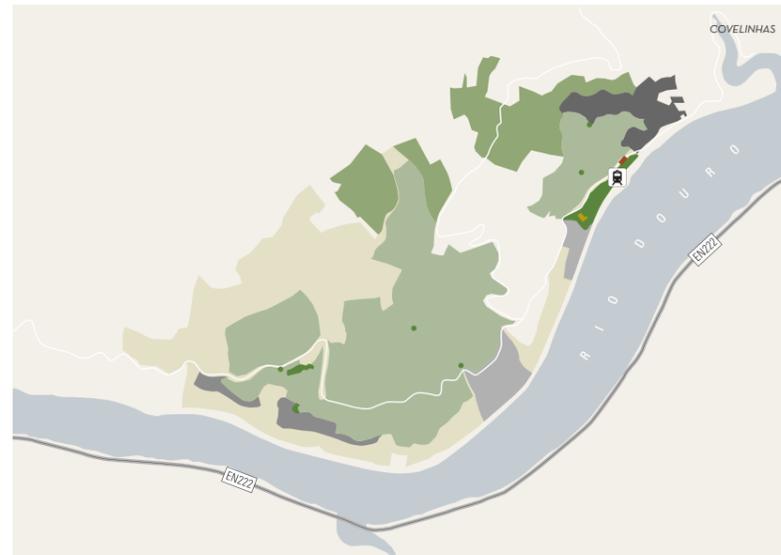
QUINTA DOS MURÇAS

The exact date of the Quinta dos Murças estate foundation is unknown, but historical references appoint to its existence since 1714. The first mention of the property dates back to 1770 and is said that high quality fortified wines were produced to be exported to England. However the vineyard was only really streamlined and modernized in the mid-50s of the twentieth century. In 2008 it became part of the Esporão heritage.

Quinta dos Murças - Land

Quinta dos Murças is a farm situated along 3.2 km on the right bank of the Douro River, near the Covelinhas train station. It is located at the upper Corgo's sub-region, between Peso da Régua and Pinhão, in an area of 155 hectares, where different vineyard ages, heights and exposures occupy 48 hectares of schist, gravel and stony soils. In the upper Corgo the landscape is rugged, dominated by deep valleys and cliffs and tells the natural history of man against the elements. The flora stands out between the cliffs in a demonstration of enormous resilience, in a place where the Winters are cold and Summers are scorching.

- VINEYARD
- FOREST (PLANNED)
- OLIVE GROVE (PLANNED)
- OLIVE GROVE
- OLIVE GROVE AND ALMOND ORCHARDS
- MAIN HOUSE
- CELLAR
- COMMON AREAS
- TRAIN STATION (CP)



Plan 1 Quinta dos Murças - Land

The Vineyards

The Quinta dos Murças has close to 300,000 vine plants, some being considered old vines dating back to 1947. Benefiting from different sun exposures, they are vertically-arranged or in terraces ranging from 300m altitude areas to those closer to the wide riverside. Segregated by plots, the varieties are essentially native - Tinta Roriz, Tinta Barroca, Tinta Amarela, Tinto Cão, Touriga Franca, Tinta Francisca and Touriga Nacional. In addition to the vineyard, Quinta dos Murças also has 6,000 olive trees and a large grove with 800 orange, tangerine and lemon trees besides a considerable area of wild countryside.



	Vineyard (ha)	Olive Grove (ha)	Total Area (ha)
HERDADE DO ESPORÃO	450	80	1 830
Organic Farming Certification	65	80	145
Organic Farming	72		72
Integrated Production	313		313
HERDADE DOS PERDIGÕES	150	0	200
Integrated Production	150	0	0
PORTALEGRE	11	0	11
Organic Farming Certification	11	0	11
QUINTA DOS MURÇAS	48	15	155
Organic Farming	5	15	20
Integrated Production	43		43
Total Agricultural Area - Esporão	659,00	95,00	2 196,00
Total Organic Production - Esporão	153,00	95,00	248,00

Table 3 Summary of Esporão's areas and production methods

FACILITIES

LISBOA

The facilities consist in a 1000 m2 house converted into an office space and warehouse. Here we can find the Support Departments (Financial and Accounting, Sales, Procurement, Marketing, General Services and Human Resources, Planning and Management Control and Continuous Improvement and Information System) in addition to the Administration.

HERDADE DO ESPORÃO

OFFICES

Support the Wine Cellar, Agricultural Production and Maintenance departments, as well as the employees of the Continuous Improvement and Information Systems, General Services and Human Resources departments.

ENOLOGY LAB

Equipped with state of the art scientific equipment, the laboratory work is based on analytical control of all wines from the cellar, from the harvest (or purchase of wine) until bottling.

PRODUCTION STRUCTURE

- **Filling Pavilion, Warehouses and Aging Cellars:** After stabilizing and certifying the wine batches, we proceed to the bottling according to the Annual Production Plan. The wine is stored in the vats placed next to the filling room. The filling pavilion and the new bottles' aging cellar were built in 2008 and divided into six functional units.
- **Red Wine Winery:** It is equipped with different technologies and adapted to the particular wines being produced. One of the sections is reserved for the wine Monte Velho, where the wine ferments in 44,000-litre vats with an automatic pumping system, while a second section has 31,000-litre fermentation vats and different pumping options for the Monte Velho and Defesa wines. A third section has a number of mechanical 16,000-litre presses equipped with automatic robotic presses which were specifically developed for intense maceration and to optimise extraction. These are reserved for Esporão Reserva and single-varietal wines.



- **White Wine Winery:** It was designed to condition two different vinification lines, one for the highest volume wines such as Defesa and Monte Velho and another aimed at a higher segment comprising the single-varietal wines, Esporão Reserva and Private Selection. Equipped with an efficient cooling system, pneumatic presses and stainless steel vats of various capacities, this winery lets you work the grapes respecting and enhancing the natural characteristics of the fruit. The white wine cellar has a basement where the fermentation and aging of white wines in barrels occurs.
- **Lagares Winery:** Lagares Winery is the latest addition and can be seen as the ideal place for new experiences. Built using the so traditional - and almost extinct - rammed earth technique, we installed five marble wine presses for treading. Here we will test the production of wine in large clay (terracotta) pots adequately prepared for storing and ageing the wine.



VIDEO https://www.youtube.com/watch?v=1L8w_FaXCqE

- **Aging Cellars:** Esporão's large barrel tunnel is buried twelve metres deep, providing the best natural temperature and humidity without the need for artificial control or energy and environmental costs. It houses approximately 1,500 bordalesa wood barrels. There are also side niches where we keep and age wine after it has been bottled, plus a room where we keep a collection of our best vintages and a refrigerated cellar for stabilization and storage.
- **The Olive Oil Press:** The olives are selected and separated according to variety, quality and origin. Next, they are weighed and washed before centrifugal extraction. After being milled and during beating we are careful to protect and restrict the contact of the olives with the air, to avoid oxidization. The paste is softly beaten at low temperatures (maximum 27°C) ensuring the aromas and flavours are maintained and then the oil is rapidly extracted. We use ecological horizontal centrifuges that limit the production of effluents and are equipped with automatic cleaning that ensures the process is totally hygienic. At this stage, the Esporão olive oil is ready to be stored in 22,000 and 55,000-litre insulated tanks, awaiting the final phase which consists of creating the different blends of virgin and extra-virgin oil before bottling.

WASTE WATER TREATMENT PLANT (WWTP)

Esporão's WWTP is planned and designed to deal with the charges of seasonal effluents, although technical and operational improvements are predicted.

WINE TOURISM FACILITIES

Designed by architects Miguel Oliveira and João Botelho, it uses traditional techniques and materials of the region. The exclusive furniture makes use of materials found locally like cork, cloth, clay, Estremoz marble and Portuguese pine, renovating and reinventing some traditional furniture in the process. The Wine Tourism facilities comprise the following infrastructure: **Restaurant, Wine Bar and Shop, Multipurpose Room and Gardens.**



THE HISTORICAL CENTRE - THE TOWER, THE ARCH AND THE CHAPEL

Since it was founded in 1267, the boundaries of Herdade do Esporão have remained virtually unchanged. In the centre of Herdade do Esporão, three historic monuments were constructed: the Esporão Tower, the Esporão Arch and the Nossa Senhora dos Remédios Chapel.



HERDADE DOS PERDIGÕES AND PERDIGÕES ARCHEOLOGICAL CENTRE

The Herdade dos Perdigões is located in the same region of Herdade do Esporão, near Reguengos de Monsaraz. When we decided to undertake deep tillage in 1996 to plant a new vineyard at the Herdade dos Perdigões, we accidentally discovered an archaeological complex of over 16 hectares, dating from the Neolithic and Chalcolithic times, between 3500 and 2000 BC.

Composed of several concentric areas, surrounded by moats or palisades, it included a cemetery and a megalithic ceremonial area consisting of several obelisks. This important site roused the interest of the international scientific community and it is currently a reference for research in European pre-history.

Classification of the archaeological complex of Perdigões as a national monument is awaiting approval. After the discovery, we have immediately showed our willingness to take responsibility for studying and preserving this heritage site, accepting the costs of not planting the vineyard on the archaeological site and participating financially in the scientific research that has been undertaken since 1997.



QUINTA DOS MURÇAS

THE HOUSE

The manor house was built in the early nineteenth century and submitted to renovation work in 1940 and 1980. Furthermore, in addition to their architectural features, the nineteenth-century building is valued for its stunning panoramic views of the Douro river and the surrounding vineyard landscape.

THE WINERY

With around 2,000 m² of total area, the winery has a grape reception area, with two separate lines: one with manual selection of grapes oriented for the cellar of the wine presses, to produce the finest wines and a second receiving line, oriented to the cellar of the vintage wines. The *lagares* (wine press) winery, where Quinta dos Murças Reserve and Ports are made, has seven traditional granite wine presses, with temperature control. The maceration of the grapes is made by using the traditional treading method and the pressing is done slowly and gently in an old vertical press. The winery of the vintage wines, where Assobio is produced, is equipped with a pneumatic press and a series of small, stainless steel vats. In the ageing area you will find tuns and barrels for Port maturation, barrels for ageing Reserve and concrete tanks and stainless steel vats for vintage wines. The current capacity of the cellar allows the production of about 300,000 liters of wine.



WWTP

The Wastewater Treatment Plant (WWTP) has been designed to treat an annual volume of about 1,200 m³ of wastewater. The process for the treatment of effluents coming from the winery is a set of sequential steps: sieving; Nutrient correction; Homogenization / aeration; biofiltration; decantation; discharge; filtering; Mineralization of sludge.



SERPA

We began producing olive oil with the Esporão name in 1997, at a time when we did not have our own olive groves, before building one of the most modern olive presses in Portugal, in the town of Serpa. We selected 20 olive growers as partners, who we provided with ongoing training over the year, all located in close proximity to the press, in the heart of the demarcated region of Moura. In 2015 the press of Serpa was sold and all production was transferred to the new press of Esporão.



PRODUCTS AND SERVICES



04

PRODUCTS AND SERVICES

Our main activity is production, marketing and export of the finest wines and olive oils, produced from grapes and olives coming from our olive groves and vineyards, as well as from third parties with whom we keep contracts for supply and monitoring of the various stages of agricultural development. This business model allows the application of modern methods and techniques and complete control over the production process, by intervening at all stages of the productive, agricultural, industrial and commercial process.



HERDADE DO ESPORÃO > WINES

ALANDRA

Fresh and fruity, produced using a number of blended wines, ensuring quality and permanent consistency.

MONTE VELHO

A classic Alentejo wine and a faithful representation of the region that produces it. Over the years it has become one of the major benchmarks in the Alentejo, Portugal and the world, due to its profile and consistent quality.

VINHA DA DEFESA

It shows the character of the grapes of Vinha da Defesa and of other selected plots of the estate. The combination of grape varieties and different vinification processes aim to create a contemporary style, as well as an elegant and intense profile for all three of these wines.

ESPORÃO RESERVA

These wines show a more classic profile and are made from grapes with Designation of Controlled Origin (DOC) Alentejo, selected from the vineyards of Herdade do Esporão. They reveal consistency and the rich and typical character of the best wines of Alentejo.

ESPORÃO PRIVATE SELECTION

Structured, complex and of strong personality these wines are the result of the selection of the best grapes of our terroir and of the creativity of our wine-makers. They are unique wines made in small quantities.

SINGLE VARIETALS

Only produced in certain years when particular grape varieties are exceptional. The grapes are carefully selected and hand-picked from single plots.

SPECIAL WINES

Sparkling Wine and Late Harvest defy the laws established for the Alentejo region.



WINE TOURISM > GASTRONOMY, EXPERIENCES AND PROGRAMS

In order to enable an exciting grassroots engagement, we provide a diverse range of experiences for the over 30 thousand annual visitors. This is our way to demonstrate who we are, how we work and how we hope to connect with our guests in order to provide a memorable visit.

At our restaurant, we reflect the search the simplicity of flavours, high quality products and the seasonal nature of ingredients. We offer a unique cuisine, in perfect balance with what nature provides. We propose a contemporary approach by combining modern knowledge with respect for tradition. Here, we return to the ancestral roots of Alentejo gastronomy with a contemporary approach. Here, we work to get the very best from what the land offers to us, living at "Nature's Pace".

WINE TOURISM SERVICES

- **Tours and Tastings:** discover the secrets of how our wines are made with a guided tour of our wineries and cellars. The barrel tunnel buried 17 metres underground, where the most special wines mature, is one of the tour's attractions. Finish your tour in the wine bar and challenge your senses with a wine tasting.

Guided tour of the wineries and cellars with classic tasting of 2 wines / Guided tour of wineries and cellars with tasting of 4 wines, Alentejo vs Douro / Guided tour of wineries and cellars with tasting of 4 wines / Varietals vs Blends

30 000 visitors per year.

- **Tours and Tastings:** Complement your wine tasting with our suggestions.
Tasting of 4 HE Extra-Virgin Olive Oils / Selected Petiscos at the Wine Bar / Esporão Restaurant

- **Nature And History:** Designed for visitors seeking something beyond wine, an experience of nature and Herdade do Esporão's Heritage.

HE's Historic Heritage / Van Tours of the Herdade / Bird Watching / Bicycle Tours and Picnic

- **For Wine Lovers:** Herdade do Esporão boasts excellent conditions for visitors who want to know more about wine and explore the various sensations it can offer. From the grape to the glass, wines can be appreciated in a number of ways. Whether white or red, light or full-bodied, the variety of wines produced by Esporão make it possible to organize tastings, courses and tours that provide direct contact with production methods, as well as tasting techniques and tips on the best way to serve wine.

Technical Tastings (Vertical Tastings / Blind Tastings / Monocastas and blend creation tastings) / Wine courses

- **Events and Corporate:** Herdade do Esporão boasts a number of different spaces for events, such as receptions, cocktails, meetings, presentations, team-building activities, workshops, lunches and dinners.

Menus for Events and Groups (We offer terroir gastronomy based on natural, high-quality ingredients, creating a cuisine that is constantly developing and created in harmony with the passing of time) / Tutored Tastings / Team Building Activities / Workshops (Creating blends / Outdoor activities at the Herdade / Workshop in the kitchen garden / Cork workshop / Boat trip on the Alqueva dam / Gastronomy workshop)



QUINTA DOS MURÇAS > WINES

ASSOBIO

Range of DOC Douro wines produced at Quinta dos Murças that express the characteristics of the region from which they are originate. Versatile and pair very well with food.

QUINTA DOS MURÇAS RESERVA

DOC Douro Reserve, born from our old vines planted on schist soil respecting nature and following sustainable farming. Classic production with hand-picked grapes, foot-treading in granite tanks and use of an old vertical press. Aged for 12 months in oak barrels and one year in bottles.

QUINTA DOS MURÇAS PORTO 10 ANOS TAWNY

Port wine produced from selected letter grade A grapes, harvested from 20 year-old vines. Aged in barrels for an average period of 10 years.

QUINTA DOS MURÇAS PORTO VINTAGE SINGLE QUINTA

Port wine produced from selected letter grade A grapes, fermented in traditional granite presses with foot treading. This Vintage Port, produced only in years of excellence and in small amounts, displays the potential of Covelinhas region to create Vintage Ports.



OLIVE OILS

SELEÇÃO EXTRA VIRGIN OLIVE OIL

Olive oil produced from four olive varieties Galega, Cobrançosa, Frantoio and Picual. The careful selection of fruit, from the field to the press, resulted in a very complex and persistent olive oil, for more discerning consumers.

DOP MOURA EXTRA VIRGIN OLIVE OIL

The olive oil that represents the region of the Protected Denomination of Origin of Moura, in Baixo Alentejo. Presents itself with strong notes of grass and green leaves, a velvety texture and a smooth almond-like flavour.

AZEITE VIRGEM EXTRA GALEGA

Single variety olive oil made from ripe olives with subtle flavors, with a distinct almond edge, which is typical of Galega, the most emblematic olive variety of Portugal. Certified for the first time as Alentejo Geographical Indication.

CORDOVIL EXTRA VIRGIN OLIVE OIL

Varietal olive oil made from green and ripe olives with sensations of bitter and spicy, characteristics of Cordovil, a very representative variety of Alentejo. Certified for the first time as Alentejo Geographical Indication.

EXTRA VIRGIN OLIVE OIL

A smooth and harmonious olive oil, with a good balance of the fruity flavors typically found in the Alentejo olive varieties.

VIRGIN OLIVE OIL

An olive oil resulting from the combination of several traditional varieties of Alentejo, characterized by its discrete aromas and great smoothness profile.

BIOLOGICAL EXTRA VIRGIN OLIVE OIL

Olive oil produced from olive varieties Arbequina and Cobrançosa in organic production. There is a careful selection of the fruits from the field to the mill, obtaining a full olive flavor.

QUINTA DOS MURÇAS EXTRA VIRGIN OLIVE OIL

Oil produced from the olive varieties Galega and Negrinha de Freixo in organic production, with the olive groves currently under conversion process.

VINEGAR

Produced from selected wines, the red wine vinegar is valued by ageing at least six months in American oak barrels, which makes it soft and fragrant.



ABOUT THE OLIVE OIL

VIRGIN/EXTRA VIRGIN

The most important thing is whether an olive oil is extra virgin (or virgin). There are oils with low acidity, which does not make them virgin or extra virgin - You can have low acidity oil by adding chemically treated oils. We in Esporão have chosen to declare the purity instead of acidity of our olive oils. The labeling virgin and extra virgin are therefore more important than the level of acidity.

ACIDITY

Quantitative analysis can determine the acidity of the oil, measured by weight, defined as a percentage of free oleic acid it contains. This means, the lower



percentage the better. The acidity level is a measure of chemical degradation of the oil. The more the oil deteriorates more fatty acids are released from the glycerides, increasing the free acid level. Cold pressing or cold extraction means "the oil has not been heated to more than a certain temperature (typically 80° F (27° C)) during the process, thus maintaining more nutrients and subjecting them to less degradation.

TASTE

To classify it by taste, olive oil is subjectively evaluated by a panel of professional tasters in a blind tasting. This is also called its organoleptic quality. Seleção Extra Virgin Olive Oil and Extra Virgin Olive Oil received "Gran Prestige Ouro" medals, the highest distinction granted by TerraOlivo 2013, one of the most important international olive oil competitions. Near the Mount of Olives in Jerusalem, a grand jury of international experts distinguished the oils of Esporão among more than 500 competitors from around the world.

LOURINHÃ - BRANDY

Resulting from a partnership with Quinta do Rol, we produced an old brandy in the DOC region of Lourinhã one of only three demarcated brandy regions, alongside Cognac and Armagnac. It is a high quality brandy resulting from the friendship between José Roquette and Carlos Melo Ribeiro and the desire to create a truly special and unique brandy.

MAGISTRA

extra old brandy, produced from David Baverstock's blend of different *aguardentes* aged for at least 10 years in French and Portuguese oak casks.



ALANDRA
WHITE / RED / ROSE



PÉ
WHITE / RED



MONTE VELHO
WHITE / RED



ARCO
WHITE / RED



VINHA DA DEFESA
WHITE / RED / ROSE



MONOCASTAS
WHITE (VERDELHO)



2 CASTAS E 4 CASTAS
WHITE / RED



MONOCASTAS
RED (ALICANTE BOUSCHET; SYRAH;
PETIT VERDOT; TOURIGA NACIONAL)



ESPORÃO RESERVA
WHITE / RED



ESPORÃO PRIVATE SELECTION
WHITE / RED



TORRE
RED



ESPUMANTE
WHITE



LATE HARVEST



MAGISTRA
BRANDY XO



HE OLIVE OILS
SELEÇÃO / GALEGA / CORDOVIL / DOP
MOURA / EXTRA VIRGIN / BIOLOGICAL

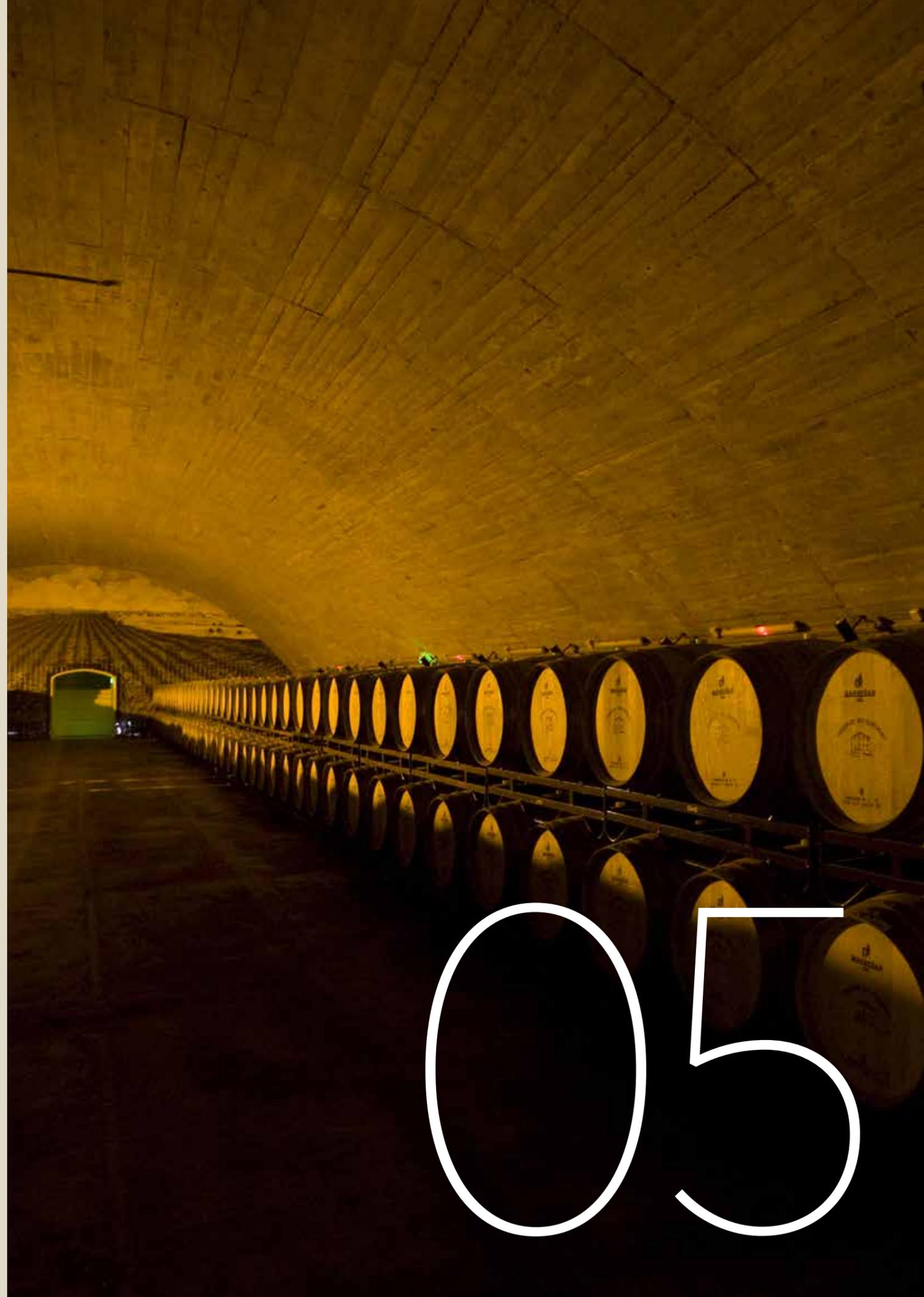


VINAGRE HE
RED

QUINTA DOS MURÇAS
ASSOBIO / RESERVA / PORTO 10 ANOS TAWNY

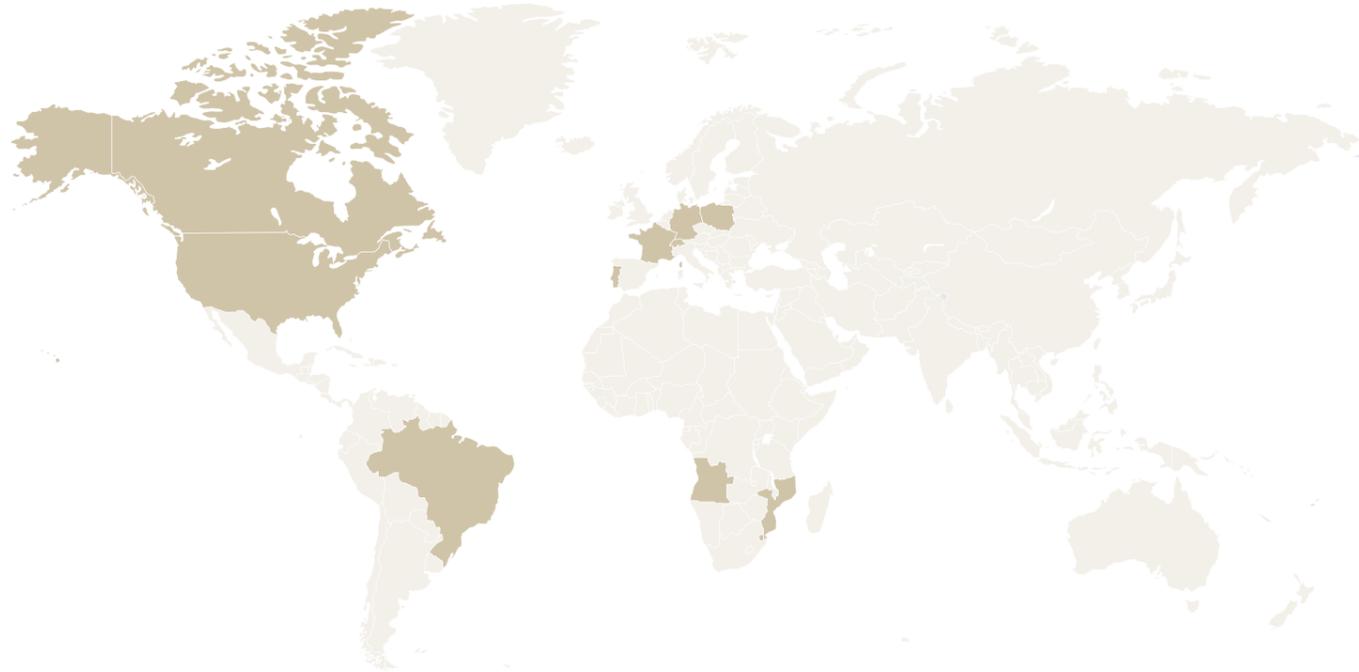


PROFIT OR LOSS
IN THE PERIOD



05

OVERALL SITUATION



Plan 2 Top 10 countries, sales Wine and Olive Oil

ECONOMIC OUTLOOK OF 2014

- In Portugal, the total quality wines in the Food chain represented 9.979M 9L cases, increasing 2.3% in value and decreasing 2% in volume. The average selling price of wine in modern distribution increased 3.7% and is now at € 2.25 (price per 750ml bottle).
- Esporão holds the 2nd position in the ranking of producers, with a 4.2% value share, an increase of 4% vs. 2013. Monte Velho was the co-leading brand in quality wine market in Portugal, a market share of 2.6 for the year 2014.
- Monte Velho is the best-selling brand of the entire portfolio of Esporão, totaling 599,325 9L cases, an increase of 4%. These sales account for 46% of total sales volume, accounting for 7.3 million bottles against the 15.7 million sold last year.
- After Monte Velho, the brand with the highest sales volume is Alandra (32%) that grew by 6%. Olive oil (6.4%) and Esporão Reserva (5%) follow in sales volume.
- The wines Esporão Reserva and Private Selection were released and had the collaboration of the Portuguese illustrator, Alberto Carneiro.
- The sales of Defesa grew by 1%. 438,000 bottles were sold. Single varietals and varietals performed well with a growth of 9%. 150,000 bottles were sold.
- Esporão Reserva and Private Selection sales were in line with 2013 but by being limited production wines it could not keep pace with the demand, thus preventing higher sales. Total sales of these four wines amounted to 830,000 bottles.
- The wines produced at Quinta dos Murças had an outstanding behavior. 290,000 bottles were sold. These sales were catapulted by the extraordinary performance of Assobio range that has grown 170% in one year.
- Launch of two new wines of the Assobio brand, white wine and rosé, thus completing the range.

- Good performance of Olive Oils, exceeding the barrier of a million bottles of 750ml sold.
- Launch of the first organic olive oil, produced from olives of the organic olive grove of Herdade do Esporão.
- Launch of Herdade do Esporão's honey jars.



ECONOMIC RESULTS

The consolidated business volume of the Esporão Group companies grew by 14% in the 2011-2014 four-year period, amounting to 42.4 million euros in 2014. There is some stability in the markets, with average growth of around 4% per year. This global performance is achieved mainly by growth in the domestic market and lower growth in foreign markets.

YEAR	DOMESTIC MARKET	FOREIGN MARKETS	TOTAL	%
2011	17.224	21.406	38.630	3,8%
2012	17.963	21.947	39.910	3,3%
2013	17.078	23.102	40.180	0,7%
2014	18.536	24.631	43.167	7,4%

GVA (gross value added) is stable over the past years and creates value within the company, which is included in the products and services provided to the markets.

	2014	2013	2012	2011
GVA	14.199	14.632	14.394	14.332
%	-3%	2%	3,0%	

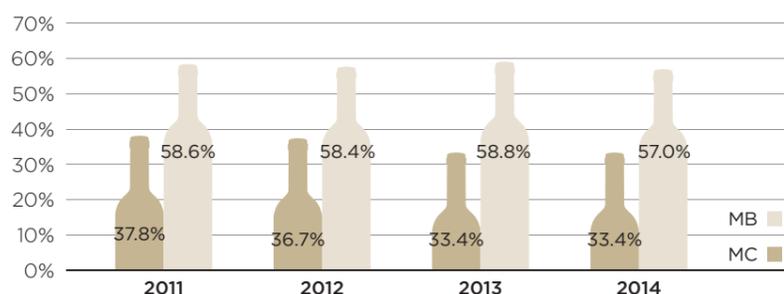
The operating result established for this financial year amounts to EUR 8.4 million, standing at the level of 2013.

Thousands of euros / cases 9L

INDICATOR	2011	2012	2013	2014
ECONOMIC DATA				
Sales value	38.630	39.910	40.179	43.167
Case sales unit	1.279.718	1.292.258	1.266.969	1.361.975
EBITDA	7.742	8.139	8.495	8.488
Net Profit	1.677	1.359	2.718	3.304
Cash Flows	5.495	6.619	5.378	5.880
FINANCIAL DATA				
Total assets	140.046	147.521	140.235	137.224
Share Capital	5.000	5.000	5.000	5.000
Equity (EV)	57.885	60.731	72.765	72.621
Net Debt (ND)	37.119	40.774	39.018	29.275
Investment	4.322	2.576	920	1.661
ND/EV	0,64	0,67	0,53	0,40

In the years 2011-2014 the EBIT and EBITDA indicators grew by 8.4%, reflecting the increase in sales volume and sales margin, as well as the change of all the operating costs of the company. There is a slight reduction of the company's margins which results from a change in the mix of products sold, and also by the growth of sales of products and brands represented in Brazil.

GROSS MARGIN ON SALES



During the year there was a reduction in operating subsidies coming from the State, mainly due to marketing costs not eligible for these subsidies, which would support the expansion of the company.

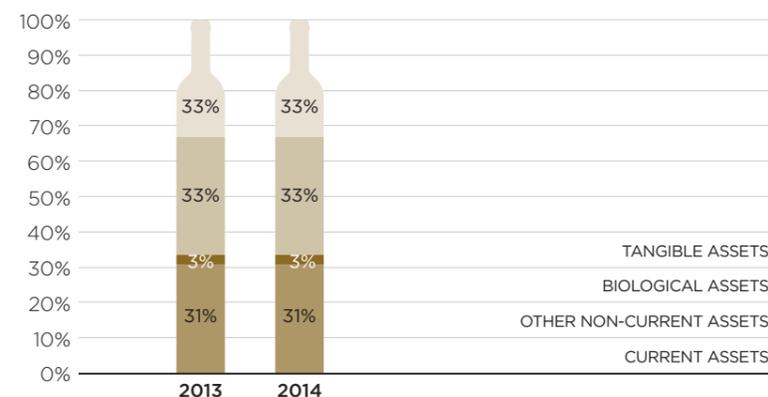
Personnel costs grew by approximately 7% over the previous year, due to the slight increase in the workforce and extension of social benefits to all employees of the Group. Supplies and services showed a decrease of 7.5% as a result of cost containment measures implemented by management.



FINANCIAL RESULTS

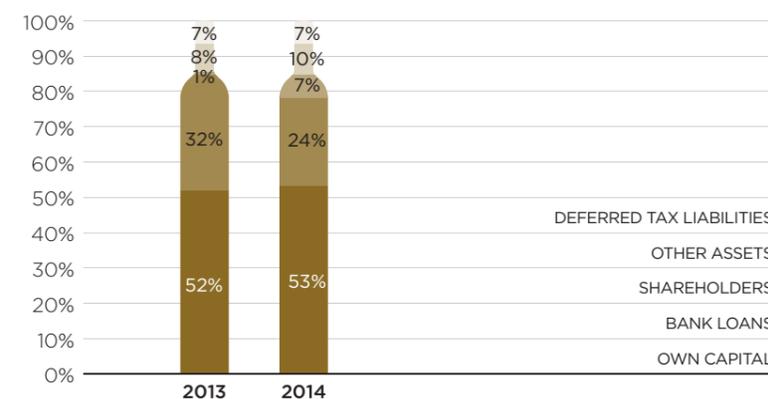
The assets of the Group decreased from 140 to 137 million euros, showing a relatively stable structure of applications and funding.

ASSETS



FINANCIAL RESOURCES

There is a great stability of the productive assets, tangible fixed and biological assets, resulting of some restraint in the volume of annual investment. Despite the increase of the Group's sales volume, the value of current assets shows a decrease of 6% compared to 2013, due to better management of these assets, which include volume of stocks and receivables from customers.



In terms of funding sources, equity value stabilized at around 72.6 million euros, despite the distribution to shareholders of all results obtained in the previous year. Reduction of overall bank debt of the Group at around 10 million euros, largely as a result of shareholders' contributions by about 5.8 million euros, plus 1.9 million resulting from the shareholders' decision to place at the disposal of the company the profits assigned to them in 2013, and also the application of the value of the cash flows generated by the company's activity during this exercise.

The search for the most appropriate lower cost solutions allowed a decrease of 14% in bank fees and services, compared to the previous year. This performance was achieved either by reducing the bank debt value at about 9 million euros, either by reducing reference interest rates, spreads and banking services. Therefore, the ove-

rall rate of cost reduced from 5.7% to 5.1 %. The ratio NET DEBT / EBITDA goes from 4.72 to 3.5 due to the reduction in the value of bank debt, made by the mobilization of the company's cash flows and the increase of the debt to shareholders

INVESTMENT

In the year 2014 the global investment of the Group reached EUR 1.6 million, maintaining several investment projects started in previous years.

NATURE OF THE INVESTMENT	VALUE (THOUSAND EUROS)
Adjust production of the wineries and pressess	1.045
Adaptation of filling areas	160
Information and communication infrastructure	60
Adjust agricultural production	80
Adequacy of olive oil production	90
Sustainability and diversity	65
Houses Restelo and Murças	100

DISTRIBUTION OF PROFITS

SHAREHOLDER

Regarding the year 2013, shareholders received € 1,907,180. As for 2014 results to be paid in 2015, shareholders would receive € 2,865,085, from which € 1,600,000 has been already paid.



SUPPLIERS

Esporão reaffirms its commitment to expansion, either in established or new markets. Globally the key markets are still Angola, Brazil and the United States of America.

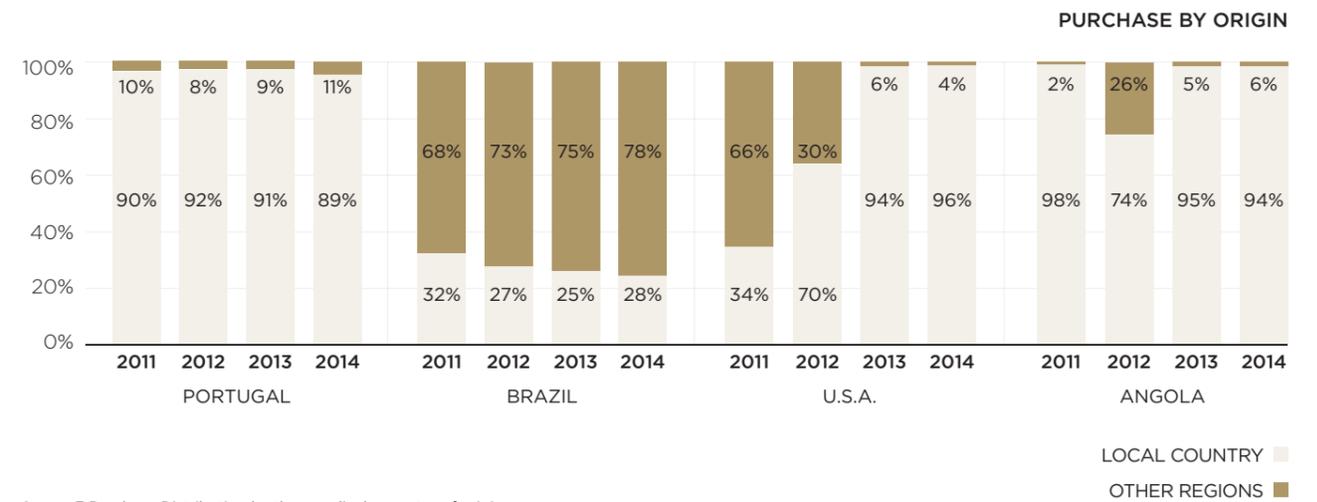


Image 3 Purchase Distribution by the supplier's country of origin

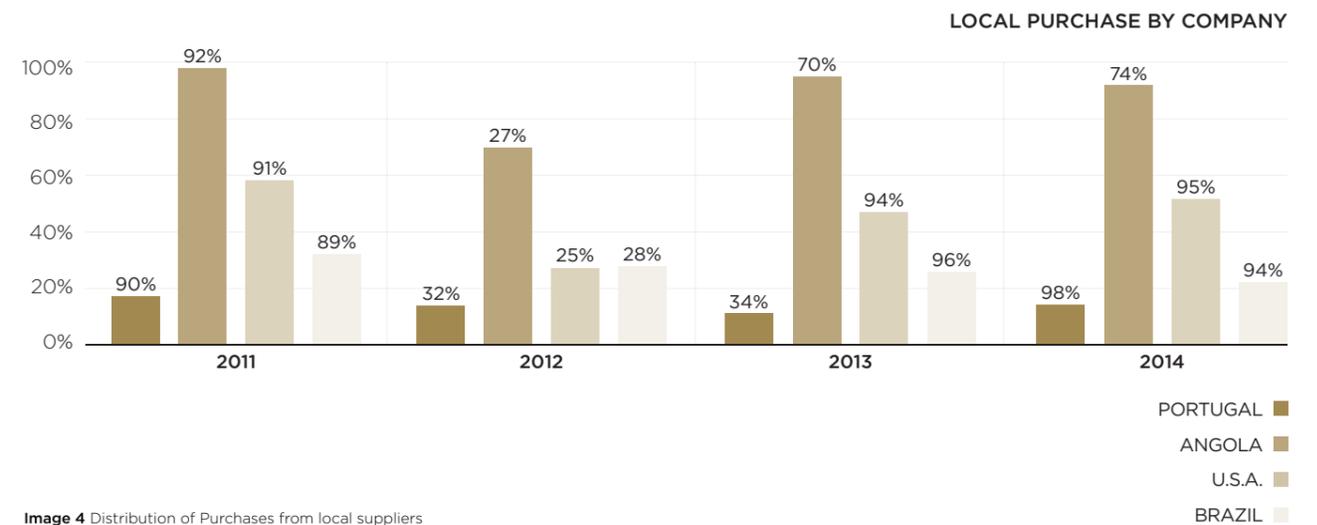


Image 4 Distribution of Purchases from local suppliers

	2013	2014	VARIATION	2013	2014	VARIATION	2013	2014	VARIATION
Esporão, SA	97%	97%	0%	3%	3%	0%			0%
Esporão Vendas e Marketing, SA	67%	63%	-4%	18%	22%	4%	8%	8%	0%
Esporão Azeites, SA	99%	97%	-2%	1%	3%	2%			0%
Murças, SA	96%	97%	1%	2%	2%	0%			0%
Esporão Produção Biológica	100%	100%	0%			0%			0%
DBrands	5%	6%	1%			0%			0%
Esporão Wines & Olive Oils	4%	2%	-2%	3%	3%	0%	94%	96%	2%
Qualimpor	54%	60%	6%	13%	18%	5%			0%
TOTAL	76%	73%	-3%	6%	8%	2%	2%	2%	0%

Table 4 Distribution of purchases per region and per supplier - Portugal, Europe, and North America

COMPANY	SOUTH AMERICA			ASIA			AFRICA		
	2013	2014	VARIATION	2013	2014	VARIATION	2013	2014	VARIATION
Esporão, SA		0%	0%			0%			0%
Esporão Vendas e Marketing, SA	5%	3%	-2%	0%	0%	0%	2%	4%	2%
Esporão Azeites, SA		0%	0%			0%			0%
Murças, SA			0%			0%			0%
Esporão Produção Biológica			0%			0%			0%
DBrands			0%			0%	95%	94%	-1%
Esporão Wines & Olive Oils			0%			0%			0%
Qualimpor	23%	22%	-1%			0%			0%
TOTAL	4%	4%	0%	0%	0%	0%	10%	13%	3%

Table 5 Distribution of purchases per region and per supplier - South America, Asia and Africa

We managed to lower the average payment period to 90 days after the month of delivery, and provided a financial instrument (confirming) where the supplier can anticipate this value, provided they pay the cost of anticipation.

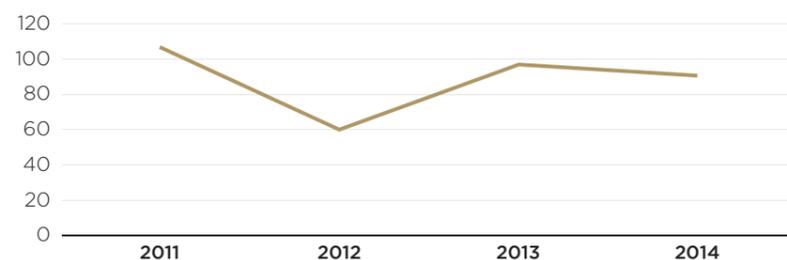


Image 4 Average payment period to suppliers

COMMUNITY

We supported private welfare institutions completely free of any material counterpart, except as foreseen in the law on support of social patronage. During the year 2014 the granted benefits amounted to € 56,374.

STATE

COUNTRY	2012	2013	2014
Portugal ¹	1.731.354 €	2.076.870 €	1.198.525 €
Direct	1.267.386 €	1.587.966 €	746.300 €
Indirect	463.968 €	488.904 €	452.225 €
Brasil ²	3.153.080 €	3.306.903 €	2.758.864 €
Direct	3.153.080 €	3.306.903 €	2.758.864 €
Total	4.884.434 €	5.383.773 €	3.957.389 €

Table 6 Taxes paid in Portugal and Brazil¹

We emphasize the importance of support given by EU entities to marketing activities in international markets, which in recent years has supported projects of communication and promotion of our products in US markets, Brazil and Angola, and more recently extended this support to six more countries outside the European Community, by co-financing 50% of the costs incurred, which enables the company to carry out marketing activities in these important markets, which without this support would be difficult to implement.



¹ Information on tax payments in the United States and Angola is not included.
² Direct taxes in Portugal include IRC, IMI, stamp duty, VAT, costs of the employer with Social Security. Indirect taxes include fines, state fees (CVRA, IVV) and other indirect taxes.
³ Direct taxes in Brazil include ICMS, PIS, COFINS amounts, import taxes, income tax, social contribution, payroll tax.

COUNTRY	2014	2013
Receivables from the state		
VAT	466.765	534.681
Corporation income tax (deducted from advance payments to the State)	719.202	619.828
Other receivables from the state	676	461
	1.186.643	1.154.970
Payables to the State		
Corporate income tax (deducted from advance payments to the State)		
Income tax	263.764	152.282
VAT	1	-
Social Security Payments	129.665	113.589
Other payables to the State	(0)	-
	393.430	265.871
State and other public entities	793.213	889.099

Table 7 Breakdown of Receivables and Payables to the Portuguese State



PRODUCTION RESULTS

	HERDADE DO ESPORÃO			QUINTA DOS MURÇAS			TOTAL		
	2013	2014	VARIATION	2013	2014	VARIATION	2013	2014	VARIATION
Agricultural Production (Kg)	13 747 400	11 945 447	-13%	274 313	378 277	38%	14 021 713	12 323 724	-12%
Own grapes (Kg)	3 444 410	3 795 866	10%	153 929	159 280	3%	3 598 339	3 955 146	10%
Purchased grapes (Kg)	6 254 340	5 629 520	-10%	104 224	211 270	103%	6 358 564	5 840 790	-8%
Own olives (Kg)	63 415	163 603	158%	16 160	7 727	-52%	79 575	171 330	115%
Purchased olives (Kg)	3 985 235	2 356 458	-41%	0	0		3 985 235	2 356 458	-41%
Winery/Press	11 717 381	11 007 054	-6%	114 971	182 030	58%	11 832 352	11 189 084	-5%
Produced wine (L)	6 880 000	6 898 834	0%	113 121	180 245	59%	6 993 121	7 079 079	1%
Purchased wine (L)	4 094 063	3 720 753	-9%	0	1000		4 094 063	3 721 753	-9%
Produced olive oil (L)	713 711	369 599	-48%	1 850	785	-58%	715 561	370 384	-48%
Purchased olive oil (L)	29 607	17 868	-40%	0	0		29 607	17 868	-40%
Bottling	10 617 303	11 682 096	10%	169 599	263 062	55%	10 786 902	11 945 158	11%
Wine (L)	9 894 003	10 980 143	11%	167 749	262 318	56%	10 061 752	11 242 461	12%
Olive oil (L)	723 300	701 953	-3%	1 850	744	-60%	725 150	702 697	-3%

SALES RESULTS

In 2014 we sold our products in 56 countries.

MARKET	2013	2014	Annual Variation		
Portugal	699 304	55%	767 293	57%	9,72%
Brazil	124 033	10%	128 475	9%	3,58%
Angola	107 611	8%	93 787	7%	-12,85%
United States	72 407	6%	84 847	6%	17,18%
Switzerland	21 695	2%	20 054	1%	-7,56%
Canada	18 064	1%	19 049	1%	5,42%
Germany	13 211	1%	18 092	1%	36,94%
Belgium	20 670	2%	13 536	1%	-34,51%
China	14 177	1%	7 198	1%	-49,23%
Travel Retail	11 660	1%	21 883	2%	87,66%
England	10 487	1%	11 267	1%	7,00%
Holand	6 224	0%	5 074	0%	-18,48%
Australia	1 337	0%	406	0%	-69,62%
Finland	1 104	0%	500	0%	-54,69%
France	38 082	3%	40 153	3%	5,44%
Poland	27 572	2%	31 833	2%	15,46%
Swaziland	23 342	2%	9 019	1%	-61,36%
Luxembourg	11 261	1%	8 517	1%	-24,37%
Mozambique	9 431	1%	10 397	1%	10,23%
Dutty-Free	8 131	1%	3 469	0%	-57,33%
Cape Verde Rep.	6 082	0%	5 837	0%	-4,03%
Denmark	3 401	0%	4 883	0%	43,59%
Macao	2 850	0%	2 031	0%	-28,74%
Other Markets	14 834	1%	54 234	4%	265,60%
TOTAL	1 266 969	100%	1 361 975	100%	7,50%

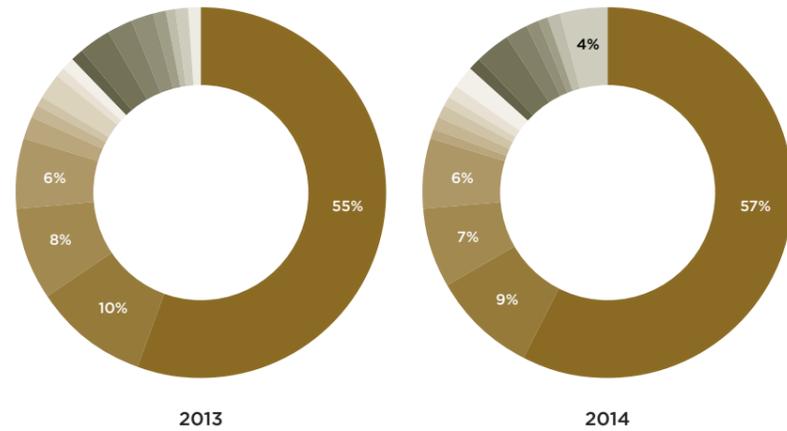


Table 8 Wine and Olive Oil sales per Country

SALE VALUE OF THE PRODUCT RANGE	Value € - Real
Monte Velho	15 660 095 €
Alandra	5 685 674 €
Esporão Reserva	5 583 853 €
Virgem Extra	1 349 178 €
Vinha da Defesa	1 244 670 €
Assobio	942 387 €
Pé	864 201 €
Super Premium	843 885 €
DOP	828 574 €
Virgin	750 146 €
Premium	741 668 €
Varietals	697 521 €
Quinta dos Murças	287 215 €
Other Olive Oils / Vinegar	136 020 €
Sparkling wines	106 458 €
Other wines	98 382 €
Arco	57 559 €
Port Wine	51 676 €
Services and other products	7 238 €
Grand Total	43 167 362 €

Table 9 Sale value of the Product Range

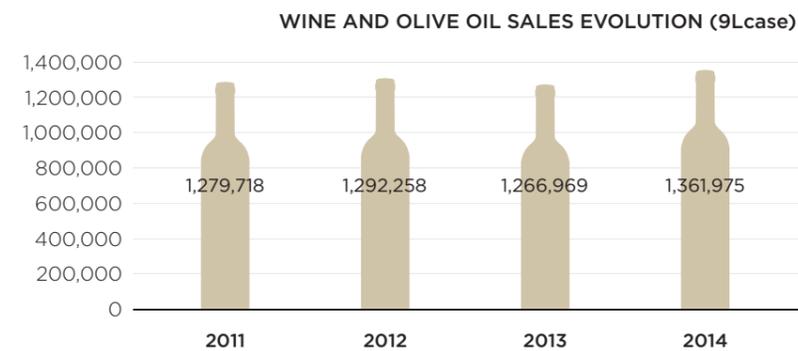
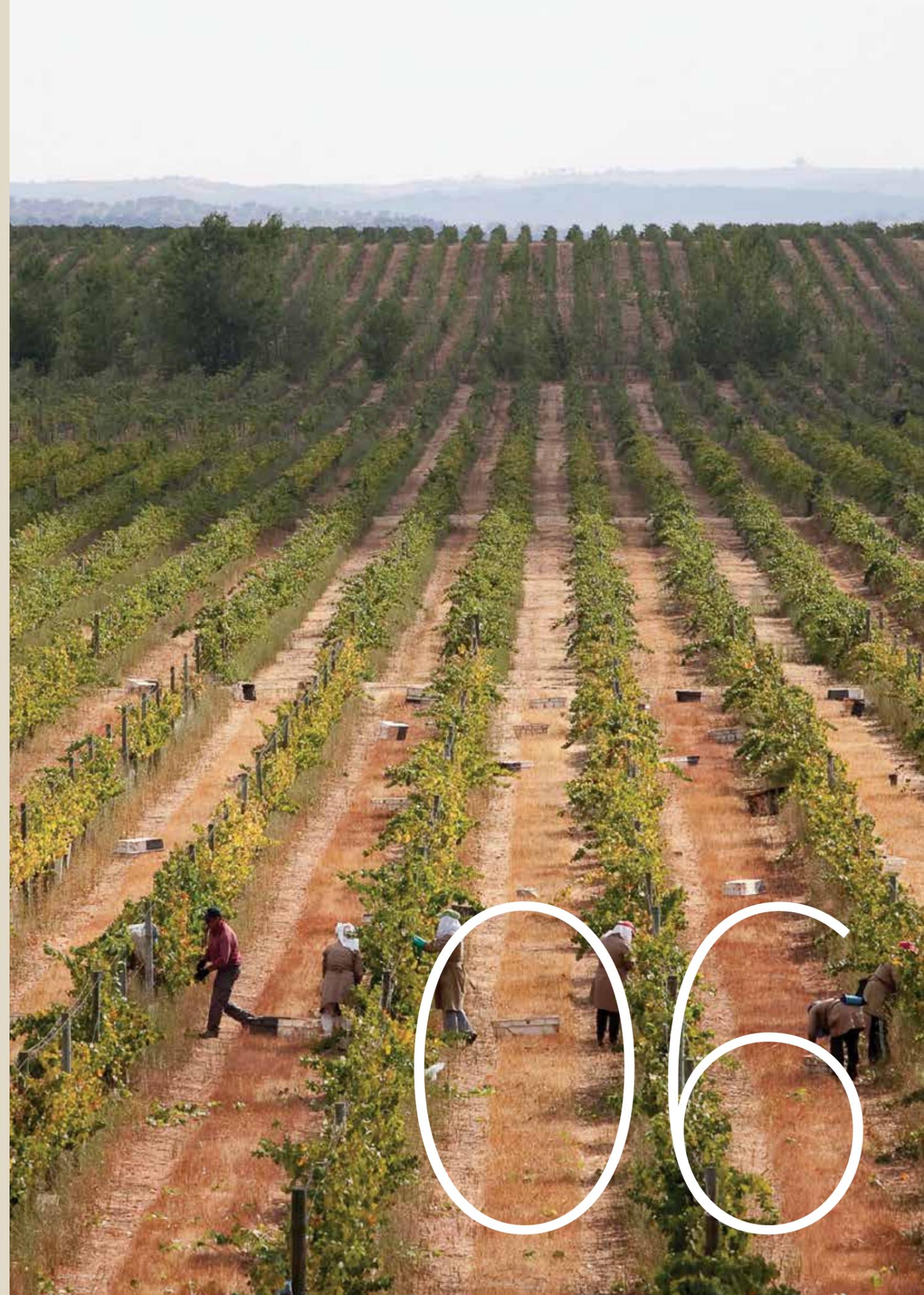


Image 5 Evolution of the Wine and Olive Oil Sales (in equivalent of 9l cases)

STAKEHOLDERS



BUSINESS ECOSYSTEM

Stakeholders are groups or organizations with a direct or indirect influence in the company's strategy, which may affect or might be affected by its actions, policies and objectives. These groups benefit from the success of a company in the same way that can be adversely affected by the failure of the same – the keystone effect. The involvement of all stakeholders and direct or indirect interference, from the suggestion of a supplier to the complaint from a consumer, aims to increase customer satisfaction level, quality of products and services and contributes to continuous improvement of processes. The business ecosystem of Esporão comprises the following stakeholders (Image 6):

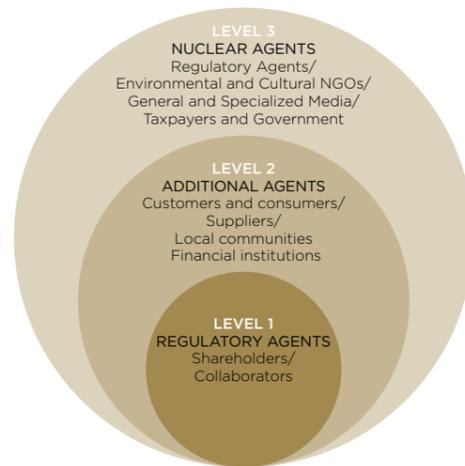


Image 6 Representation of the of Esporão's stakeholder ecosystem, on the basis of the degree of importance of the various actors in the definition and implementation of business strategy.

CORE AGENTS

Those who have direct action in the definition and implementation of business strategy.

SHAREHOLDER

Committed to creating prosperity to our collaborators, the communities where we operate, the environment and, especially, to our customers.

COLLABORATORS

They are the heart of the company. Their commitment to the mission, vision and values is essential, as well as their personal fulfillment in addition to professional achievement. Their contribution is the real driving force for sustainability.

COMPLEMENTARY AGENTS

Those who have indirect but decisive influence on the definition and implementation of business strategy. They are facilitators and key stakeholders to generate synergies and symbioses.

CLIENTS AND CONSUMERS

Those who buy or influence the purchase of our products in different markets and the basis of our entire business model.

LOCAL COMMUNITIES

We are part of the local communities in which we operate and are intimately connected and interested in establishing deep ties with our neighbors, local authorities and civil society, integrating ourselves in it and integrating it in our activity, working with local businesses, bringing visitors to the region and creating value in the regions where we operate.

SUPPLIERS

Supply is essential for the development of our productive activity. We seek to build a healthy, close and mutual relationship, based on ethics, integrity and trust.

FINANCIAL INSTITUTIONS

Boosters of our project they are an interested party on the results, given the financial commitments they took on.

REGULATORS

Those who play an essentially sectoral role and / or of contexts that influence the business strategy but do not interfere in the definition and implementation of the same.

ENVIRONMENTAL AND CULTURAL ASSOCIATIONS AND AGENCIES

Strongly committed to protecting the environment and promoting our cultural identity and heritage, they are the source of knowledge and sharing that will help us to connect to our origins.

TAXPAYERS AND THE STATE

We are guided by the laws of the countries where we operate and sell our products, including timely and correct payment of taxes. We are supported by the Portuguese Government and the European Community, which includes financial support to increase our activity and economic, social and ecological outcomes in different communities.

MEDIA AND SPECIALIZED CRITICS

We acknowledge the critics through visits and contacts with journalists and 19 published press releases.



COLLABORATORS

We have a remuneration model that frames the individual profile with the market value of the position, ensuring internal fairness. This model predicts the growth and recognition in accordance with the development and acquisition of new skills, the reward according to the fulfillment of goals and individual challenges aligned with the organization's strategy. Most positions are evaluated annually on their skills, on the nature of the position and on the results based on goals' achievement. This process is centered on the Performance Management System (SGD) where the goals of each area and employee are managed. We make two assessments per year in each end of the semester.

Additionally, we annually make the 360° review that allows us to analyze the performance of each collaborator giving a comprehensive perspective of its skills and areas for improvement. Every 3 years we do a more thorough assessment on certain cultural aspects of the company.

The process of the board of directors' assessment follows exactly the same method of evaluation of the remaining bodies of the company. The goals of the executive directors are common amongst themselves, defined by a strategic map. Once a year, the Chairman of the Board meets with the directors to assess their performance.



PERSONNEL

Esporão has a team of 249 employees, classified according to the following information:

LOCATION	2013	2014
Portugal	254	249
Brazil	14	19

Table 10 Total number of Employees

LOCATION	GENDER	2013	%	2014	%
Brazil	Women	6	2,24%	8	2,99%
Brazil	Men	8	2,99%	11	4,10%
Portugal	Women	153	57,09%	150	60,24%
Portugal	Men	101	37,69%	99	39,76%
Total	Women	159	59,33%	158	58,96%
	Men	109	40,67%	110	41,04%
	ABSOLUTE	268		268	

Table 11 Total number of Employees by Gender



CATEGORY	GENDER	2013	%	2014	%
Senior Management	Women	0	0,00%	0	0,00%
	Men	11	4,10%	12	4,82%
	Total	11	4,10%	12	4,82%
Middle Management	Women	11	4,10%	11	4,42%
	Men	13	4,85%	7	2,81%
	Total	24	8,96%	18	7,23%
Supervisors and Team managers	Women	2	0,75%	5	2,01%
	Men	7	2,61%	7	2,81%
	Total	9	3,36%	12	4,82%
Highly qualified professionals	Women	0	0,00%	0	0,00%
	Men	0	0,00%	0	0,00%
	Total	0	0,00%	0	0,00%
Qualified professionals	Women	27	10,07%	24	9,64%
	Men	21	7,84%	23	9,24%
	Total	48	17,91%	47	18,88%
Semi-qualified professionals	Women	95	35,45%	93	37,35%
	Men	36	13,43%	36	14,46%
	Total	131	48,88%	129	51,81%
Unqualified professionals	Women	18	6,72%	17	6,83%
	Men	13	4,85%	14	5,62%
	Total	31	11,57%	31	12,45%

Table 14 Employees per Professional Category and Gender



LOCATION	CONTRACTUAL BOND	GENDER	2013	%	2014	%
Brazil	Permanent	Women	6	2,24%	-	-
Brazil	Permanent	Men	8	2,99%	-	-
Portugal	Fixed Term	Women	8	2,99%	11	4,10%
Portugal	Fixed Term	Men	12	4,48%	8	2,99%
Portugal	Indefinite duration	Women	5	1,87%	4	1,49%
Portugal	Indefinite duration	Men	1	0,37%	8	2,99%
Portugal	Permanent	Women	140	52,24%	135	50,37%
Portugal	Permanent	Men	88	32,84%	83	30,97%
TOTAL		Women	159	59,33%	150	55,97%
		Men	109	40,67%	99	36,94%

Table 12 Total number of Employees per Gender and Contractual Bond

GENDER	ENTRIES	2013 VARIATION	EXITS	2013 VARIATION	ABOLUTE VARIATION	%
Men	64	59%	58	53%	6	2%
Women	38	24%	35	22%	3	1%
Total	102	40%	93	37%	9	4%

Table 13 New entries and exits of Employees 2014 review

GOVERNANCE BODIES	GENDER	2013	%	2014	%
Administration	Women	0	0,00%	0	0,00%
	Men	3	1,12%	2	0,80%
	Total	3	1,12%	2	0,80%
Direction	Women	0	0,00%	0	0,00%
	Men	9	3,36%	10	4,02%
	Total	9	3,36%	10	4,02%
Management	Women	10	3,73%	11	4,42%
	Men	14	5,22%	7	2,81%
	Total	24	8,96%	18	7,23%
Supervision	Women	1	0,37%	5	2,01%
	Men	5	1,87%	7	2,81%
	Total	6	2,24%	12	4,82%

Table 15 Employees per Governance Body and Gender

GOVERNANCE BODIES	AGE	2013	%	2014	%
Administration	<30	0	0,00%	0	0
	30-50	2	0,75%	1	0,40%
	>50	1	0,37%	1	0,40%
	Total	3	1,12%	2	0,80%
Direction	<30	0	0,00%	0	0,00%
	30-50	6	2,24%	6	2,41%
	>50	3	1,12%	4	1,61%
	Total	9	3,36%	10	4,02%
Management	<30	0	0,00%	1	0,40%
	30-50	21	7,84%	14	5,62%
	>50	3	1,12%	3	1,20%
	Total	24	8,96%	18	7,23%
Supervision	<30	0	0,00%	1	0,40%
	30-50	4	1,49%	7	2,81%
	>50	2	0,75%	4	1,61%
	Total	6	2,24%	12	4,82%

Table 16 Employees per Governance Body and Age

MINORITIES AND DIVERSITY

We do not keep any record of our employees regarding their cultural, religious, racial or other origin that may be considered discriminatory. No decision or action taken by Esporão uses or is supported by this type of information.

RIGHTS AND GUARANTEES

In accordance with Portuguese legislation all employees are covered by collective bargaining agreements, either through membership of the company either through ordinances.

The hiring of permanent employees is carried out by using the support of local institutions, the Institute of Employment and the Office of Professional Integration of the Municipality of Reguengos. The demand for professionals always starts in coordination with these local structures.

Hiring temporarily or seasonally is mostly made by recurring to people from the local community, with the exception of national and international trainees that we receive annually at harvest time, given the universality of academic institutions involved.

The vast majority of management positions are occupied by employees who joined the organization still very young, many of them as interns. At that time local supply of qualified professionals was very scarce. Currently 16% of the managers are from the local community in the operating units of Herdade do Esporão and Quinta dos Murças. However, many of these managers have integrated into local communities and are now part of these.

All deadlines for legal notification to employees of any change in their condition of employment are respected, as defined in the collective bargaining agreement. There is no known case of discrimination in the entire Esporão group. All maternity leaves are fulfilled in accordance with the law and there is no negative correlation between enjoying these licenses and the rate of employee.

There is no obstacle of any kind to freedom of association of our employees to their employer or others.

There are not and therefore are not authorized and least of all legal, any kind of child labour, slave or forced labour in any of the locations in which we operate. Given the activity of Esporão, there is no need for training our employees on issues related to human rights.

There is no training on policies or practices of corruption. Esporão is not aware of any cases of active or passive corruption involving their employees.

In Portugal there are no indigenous people. Therefore no such incidents are registered.

HEALTH AND SAFETY AT WORK

WORK ACCIDENTS

GENDER	DAYS WORKED			WORK ACCIDENTS			LOST DAYS			ABSENCE DAYS		
	2013	2014	VARIATION	2013	2014	VARIATION	2013	2014	VARIATION	2013	2014	VARIATION
Women	35547	36208	2%	3	7	133%	73	89	22%	2849	2656,25	-7%
Men	22489	23897	6%	5	10	100%	263	115	-56%	848	545,5	-36%

Table 17 Number of Days Worked, Work accidents, lost days and absence days by gender.

GENDER	RATE OF WORK ACCIDENTS		VARIATION	RATE OF LOST DAYS		VARIATION	RATE OF ABSENTEEISM		VARIATION
	2013	2014		2013	2014		2013	2014	
Women	0,00%	0,02%	0,02%	0,01%	0,03%	0,02%	0,93%	0,91%	-0,02%
Men	0,00%	0,04%	0,04%	0,05%	0,06%	0,01%	0,45%	0,28%	-0,17%

Table 18 Rate of accidents at work, frequency of lost days and absenteeism rate by gender.

Esporão has developed a program for prevention of accidents at work and occupational diseases, specifically designed for each of the professional groups and includes a manual and a training program. This program is reviewed annually. We have no knowledge of the existence of chronic professional diseases among our employees. Our processes and procedures for health and safety at work are annually audited by an external entity. There is not a formal committee of employees regarding safety and health. The organic structure of Esporão has internal entities responsible for complying with applicable legislation and monitoring the safety of all employees.

INTERNSHIPS

In 2014 we developed 32 internship programs, in cooperation with several governmental and/or academic institutions:

- 30 Internships integrated into professional training.
- 2 Professional internships in the Restaurant and Kitchen.

We developed 12 months professional internships in the Restaurant and Kitchen that have resulted in 2 new employment contracts.

A total of 6,753 hours in internships were promoted.

COMPANY	NUMBER OF INTERNS	INTERNSHIP AREA	SCOPE	HOURS PER INTERNSHIP 2014	TOTAL HOURS
Esporão	3	Agricultural	Academic Internship - 11th Grade	270	810
Esporão	21	Agricultural	Academic Internship - 10th Grade	8 hours per week 3 months (80 hours)	1680
Esporão	1	Waiter (Wine Tourism Restaurant)	Professional Internship (Financed by the Professional Institute of Employment and Vocational Training) - Started in 2013 and ended in 2014	1730	1730
Esporão	1	Cook (Wine Tourism Restaurant)	Professional Internship (Financed by the Professional Institute of Employment and Vocational Training) - Started in 2013 and ended in 2014	1557	1557
Esporão	2	Professional Course of Electronics, Automation and Control Technician - Level III	Academic Internship	140	280
EVM	3	Professional Course of Rural and Environmental Tourism Technician	Academic Internship - Agrupamento de escolas nº 1 de Reguengos de Monsaraz	200	600
EVM	1	Bar and Restaurant technician	Adult Training - B3	96	96

Table 19 Areas and Scope of the Internships



TRAINING

581 hours of training in several areas were conducted, as indicated by the department directors or following the trainees' own suggestions.

GENDER	2013	2014	VARIATION
Women	221	309	40%
Men	362	272	-25%

Table 20 Hours of training per gender

GENDER	2013	2014	VARIATION
Senior Managements	100	16	-84,0%
Middle Managements	85	134	57,6%
Supervisors and Team managers	33	32	-3,0%
Highly qualified Professionals	0	0	0%
Qualified Professionals	91	245	169,2%
Semi-qualified Professionals	259	135	-47,9%
Unqualified Professionals	15	19	26,7%
TOTAL	583	581	-0,3%

Table 21 Hours of training per category

A program of training and certification, with Wine & Spirit Education Trust stamp of approval is being developed, covering Commercial, Marketing and Wine Tourism areas, to ensure internal recognition and national and international value of our collaborators

Training programs for employees in transition to retirement are not developed. We also do not develop training programs or policies related to human rights as it is not an issue in Portugal.

PERFORMANCE EVALUATION

Performance reviews are conducted every six months for management positions and annually for the remaining ones. The system is implemented since 2007, and has since been expanded and improved in contents and format. All collaborators are covered by this process, and there is no distinction by gender. All reviews are permanently available for consultation by the covered collaborators, digitally and online. The universe of performance analysis by this process includes all employees except those involved in the activities of the vineyard. The vineyard staff are subject to weekly performance analysis based on a set of productivity indicators related to the activities in the vineyard. This analysis is shared and discussed with the whole team and plans for improvement are outlined whenever necessary and applicable.

BENEFITS AND WAGES

WAGE RATIOS

Internal and external equity is the goal of our policy of human resource management, combined with a constant concern for the working conditions of our employees:

- There is no employee with wages below the Portuguese minimum wage, according to the legislation in force.
- The lowest salary earned in the administrative position is 30% higher than the minimum wage.
- The food allowance is 41% higher than the minimum required by law for the sector.



CATEGORY	2013	2014	VARIATION
Senior Managements			
Middle Managements	92%	87%	-6%
Supervisors and Team managers	111%	97%	-13%
Highly qualified Professionals			
Qualified Professionals	96%	114%	19%
Semi-qualified Professionals	79%	117%	49%
Unqualified Professionals	90%	98%	8%

Table 22 Wage ratio of women vs. men by professional category (in Portugal)

BENEFITS ATTRIBUTED TO EMPLOYEES AND TEMPORARY WORKERS

Temporary and seasonal workers enjoy most of the benefits and working conditions granted to full-time employees, which includes transportation, food allowance, medical services at work and safety training in the workplace. The major distinction is made in terms of functional or hierarchical development and growth, which is not accessible when the duration of the contracts is short.

VOLUNTARY BENEFITS

- The Esporão Group grants tolerance for missing work in some days that are not national holidays, such as Carnival Day and December 24th.
- To each of the permanent employees, on their birthday, the board offers a box of wine and congratulations.
- Public transport is available to the collaborators working on the vineyard, winery, production and logistics in Herdade do Esporão.
- There are several cafeterias available to collaborators, located next to the various workplaces.
- The canteen of wine tourism started to produce, every day, about 100 takeaway meals for the agricultural staff.
- An event celebrating Children’s Day is usually held and collaborators and their respective families participate. This event is also used to promote a culture of sustainability among us all.

SUPPLIERS

The Esporão Group implements a policy of requirements to suppliers that depends on the type of services or raw materials that they provide:

- **Grapes and olives:** suppliers should provide only raw materials from the region in which we operate. Additionally, there are food safety requirements, certification standards (integrated production) and environmental conditions that are recommended. There is a manual available that details all selection requirements and the method of evaluation.
- **Wine:** suppliers are also specifically evaluated by Esporão, based on very specific controls for each delivery such as contaminants, pesticides, origin, inter alia.
- **Components:** existe igualmente um manual específico que, além de indicar e detalhar a forma de avaliação e seleção, indica a preferência ou necessidade de certificações ambientais e alimentares.
- **Wine Tourism Food Products:** são também alvo de seleção e avaliação específica.
- All remaining suppliers are evaluated globally as to its quality by the ones responsible for buying their products.

COMMITMENT WITH THE SUPPLIERS

- We believe in the importance of establishing and maintaining an excellent relationship with our suppliers, based on mutual support, cooperation and respect for commitments.
- Thus, we commit ourselves to act in seeking benefits for the community and the establishment of relations of partnership and added value.
- We view our supplier as a critical partner and indispensable to achieve our goals, always giving priority to the establishment of lasting ties based on common long-term objectives.
- Quality being a keystone of our products, we commit ourselves with our customers to create excellent products and to establish strict criteria in our own involvement with our suppliers. We will actively seek to maintain and / or obtain quality and environmental certifications to the most demanding level and, especially, establish partnerships with our suppliers that allow mutual continuous improvement and real partnering.
- We are committed to an ecologically responsible behavior by establishing criteria and tangible ways of acting that promote environmental sustainability.
- We are committed to be a financial stability factor by seeking to honor and fulfill all our commitments, both in value and in time, with special attention to timely payments. We assume the “Prompt Payment Commitment to Suppliers” promoted by ACEGE on the settlement of all invoices within the payment deadline.
- We will demand from our collaborators an impartial and reliable behavior in their relationship with our suppliers. We promote an environment in which corruption or personal favoritism are strictly forbidden, praising the transparency and impartiality of our actions.



SUBCONTRACTERS

Several channels of communication with subcontractors are available. There are several privileged forms of communication with subcontractors. The main ones are stated below:

SERVICE SUBCONTRACTED	WHO MUST REPORT
Pest control	Maintenance Director
Bottling	Production and Logistics Director
Contract for construction and / or alteration and / or demolition	Maintenance Director
Equipment and infrastructure maintenance	Maintenance Director
Calibrations, legal verifications	GAC
WWTP Maintenance	Maintenance Director
Fire extinguishers maintenance	Maintenance Director
Waste collection	Maintenance Director
Vineyard operations (namely plantation, etc)	Agricultural Director
Tartaric stabilisation of the wine	Enologists
Others	GAC / Department Director

Table 23 Communication process between the subcontractor and Esporão

CLIENTS

We are part of a value chain in which we consider our clients as the main end consumers of our products. (Image 7).

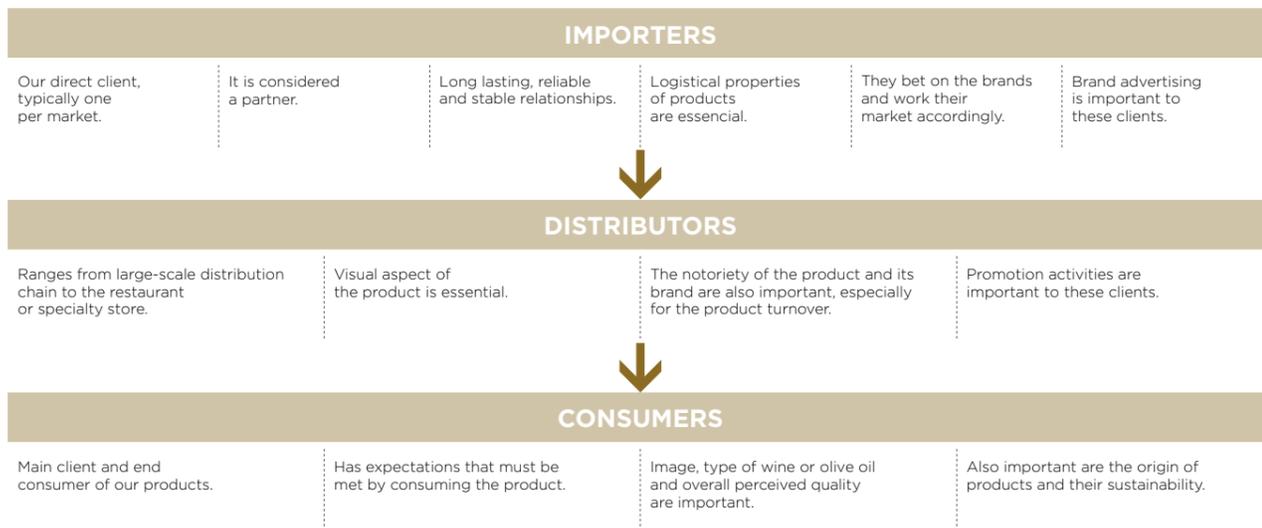


Image 7 Example of part of our value chain regarding our customer's universe.



STAKEHOLDER ENGAGEMENT

COMMUNICATION CODE AND ETHICAL PROMOTION

Our communication obeys the laws and principles of responsible communication in the various countries where we operate, either directly (share distributors) or indirectly in partnership with local stakeholders for the distribution of our products.

We do not conduct any activity in markets where products with alcohol are prohibited. Our marketing activities are decided jointly with the distributors that assess and validate what can and should be done in accordance with the rules of each market.

We have been actively involved in initiatives that contribute to ethical and responsible communication, as member of APAN (Portuguese Association of Advertisers) and having been part of the advisory group for self-regulation and responsible communication promoted by ACIBEV. As an active member of the program "Wine in moderation", we defend and promote that being the wine an alcoholic beverage should be enjoyed in moderation, and that its excessive consumption can be detrimental to health and a balanced life.

All our internal and external communications are based on our ethical principles of objectivity and respect for the integrity of our communication, without leading to deception those who may be affected by it, contributing to responsible consumption.

Esporão had no reported incidents related to marketing communications for the period in question, either in Portugal or in other countries, and there is no record of any incident in the past. Similarly, there was no claim related to breach of privacy or personal information of our clients.

We use several instruments of communication with our stakeholders, internally and externally:

EXCLUSIVELY INTERNAL LEVEL

MINUTES OF DIRECTION MEETINGS

Bimonthly, reports all the operational decisions.

PERFORMANCE NOTEBOOK

Monthly. Reports the main activity of each area as well as the economic and financial performance of the company. Digitally available to all employees and to the board of directors and published on the company's intranet. It is presented to the Board of Directors of Esporão on a quarterly basis and every six months to the Board of JHR.

OPEN DISCUSSION

Annual meeting between the administrator of each area and the whole team, where you promote the approach and alignment between hierarchies, speaking of the vision, strategy and business goals, gathering recommendations, suggestions and ideas to improve the business.

INTRANET

Internal website for collaborators. It is a fundamental tool to the entire company because it is in the Intranet that many of the processes, procedures and information can be found.

We have been actively involved in initiatives that contribute to ethical and responsible communication.



STAFF MEETING:

Annual meeting with administrators, directors and managers of all areas, where you summarize the past year, present the budget and build on the objectives set for the following year

MANAGEMENT REVIEW

Annual meeting with all Directors and Board where the performance of our quality and environmental system is analyzed.

STRATEGIC SCOREBOARD

A set of indicators on a strategic scoreboard approach, that are measured and reported every six months to the board of Esporão Group, is defined. These indicators are structured in a sequence of cause and effect and grouped in employees, community and environment, clients and shareholders.

INTERNAL AND EXTERNAL LEVEL

DIGITAL MARKETING & SOCIAL MEDIA

Presence on Facebook, Youtube, Instagram and Twitter.



VIDEO <https://youtu.be/GoaZPEkTSMI>



COMPLAINTS AND SUGGESTIONS

Multiple channels are available for any interested party to contact our organization. There is a formal process for analyzing and responding to these requests.

INTEGRATED REPORT (ACCOUNTS AND SUSTAINABILITY)

Official document prepared annually detailing the company's business and its financial results. It gathered the former Annual Report and Accounts and the Sustainability Report. The Sustainability Report has been published since 2014.

MEETINGS AND EVENTS WITH LOCAL ENTITIES

Several annual meetings involving local entities in Reguengos de Monsaraz and in Covelinhas, Peso da Régua, are promoted, for an active and bidirectional participation in several of the activities described in this report.

WEBSITE

Renewed Internet website, where we gather all institutional information, addressed to all stakeholders.



COMMUNITY ENGAGEMENT

Among the various actions that took place, those with greater emphasis on environmental and social terms are:

ACIBEV

As a member of the Grupo Marketing of ACIBEV - Wines and Spirits Association of Portugal, we were involved in implementing the new "self-regulation Code of commercial communication of alcoholic beverages (wines and spirits)";

CANTE ALENTEJANO

Participation in the promotion for the inscription of Cante Alentejano, a traditional form of polyphonic singing, on the Representative List of Intangible Cultural Heritage of Humanity and sponsorship of the film 'Alentejo, Alentejo' release, directed by Sérgio Treffaut.

CASA DAS AVÓS

Partnership with "Casa das Avós", a Social Welfare Association in Monsaraz, for services exchange regarding Wine Tourism. .

LAUNCH OF THE LAGARES WINERY

Presentation to national and international media of the building of the new Lagares Winery in Herdade do Esporão and involvement of the local community with the visit of students from various schools in the region and of different age groups.



PARTICIPATION IN EVENTS RELATED TO SUSTAINABILITY

We participated and supported other events such as the 'Greenfest' in the area of sustainable practices, 'Doc Lisboa' and 'Port Post Doc' in the field of cinema, 'OutJazz' and 'LISBON #JardimSonoro' in music

PLATFORM 'SAVE THE TUA'

As a member, we participated actively in a permanent work group dedicated to saving the Tua River, in the Douro valley basin, from the expected damages caused by a new dam which is already being build. We made a special edition of 1,000 bottles of red Assobio, whose revenues fully reverted to finance the campaign "Save the Tua, Protect the Douro!". We also gave support on public relations, communication and events conducted by the Platform;

RELATIONSHIPS WITH VOCATIONAL SCHOOLS

Partnerships with vocational schools of Alentejo were created, in order to receive trainees in Enology and Wine Tourism. The Laboratory team also made part of their time available to monitor small lab works, performed by vocational students of enology and viticulture.

VISITS OF SCHOOLS FROM REGUENGOS

Several schools from Reguengos de Monsaraz visited Herdade do Esporão for sessions of information and knowledge on various topics: sustainability projects, renewable energy, biodiversity promotion, water preservation, organic gardens.

BRANDING ACTIVITIES

The following branding activities with social and environmental relevance stood out:

2ND GASTRONOMIC FESTIVAL MONTE VELHO

We carried out the 2nd Gastronomic Festival Monte Velho which gathered 60 restaurants in Portugal for 3 days. We developed a micro-site (PC version and mobile) and a geographically segmented media campaign. Support contents were developed for the brand.

2015 ESPORÃO AGENDA

Designed by Madalena Martins, the 2015 Esporão Agenda carries the Esporão culture and results from the reuse of waste coming from its operations, carefully transformed by the hands of people presently in correctional facilities, and users of the reintegration workshop of the Family Assistance Office .

ONLINE INTERACTION

We have continuously activated our social media platforms, especially Facebook, launched Esporaoworld on Youtube and Instagram #Esporaoworld. We renewed Esporão's website and produced 40 videos for Youtube and Instagram and for the website. In 2014, we had reached 65,237 fans on Facebook at the end of December 2014 vs. 24,016 in January (+ 172%).

KIOSK AT THE MERCADO DA RIBEIRA

For five months we open the Kiosk Esporão at Mercado da Ribeira in Lisboa, based on the concept of wines Test# & Esporão moments. Our communication focused on social media in various platforms (#esporaonaribeira), inviting people to experience and taste rare and unique products or in bottles of large formats. Promotion activities were made and online contests to promote our direct contact with people.



RELATIONSHIP WITH THE SPECIALIZED MEDIAS

We promoted the recognition of the specialized and renowned critics, through visits and contacts with national and international journalists who have the capability to endorse our brand and products for awards, and issue reviews and opinion makers' recommendations. We have issued 40 press releases and presented the new wines of Quinta dos Murças (Assobio, Reserva and Port wine) to journalists, launched the Organic Olive Oil and the Monte Velho, Esporão Reserva and Private Selection wines .

SUNSET ESPORÃO

In terms of wine tourism, we highlighted the Sunset Esporão initiative throughout the summer, where gastronomy, being part of the universe of Esporão, music and our wellness philosophy and sustainability were widespread.

SAVE THE TUA, PROTECT DOURO

Quinta dos Murças, in the Douro valley region, is part of Esporão's heritage since 2008. Since then, we have become one of the active voices in the campaign "Save the Tua, Protect Douro". This campaign aims to raise awareness at the level of the national and international community to the consequences of the construction of the hydroelectric dam of Foz Tua, given the imminent destruction of the Tua Valley and its century-old railway line that comprise the Alto Douro Wine Region, World Heritage since 2011.

In addition to the absence of economic reasons to justify the construction of the dam, which will produce only 0.1% of the country's energy needs at roughly twice the price we currently pay the kWh, thus increasing the already huge existing tariff deficit, the harmful and irreversible effects of the dam construction are very relevant with main emphasis on the visual impact of the concrete wall at the mouth of the river Tua, the drowning of one of the richest wild riverside ecosystems in Portugal and climate change may worsen the conditions of production of Douro and Port wines.

The negative dimension of environmental, economic and social impacts caused by the dam construction makes it imperative to safeguard this heritage that is part of our heritage and cultural identity and an essential part of the development of the region, if we consider winemaking and tourism as strategic sectors for the future.

As part of its contribution to the Platform "Save the Tua" Esporão decided to launch a special edition of 1,000 bottles of the awarded 2011 red wine Assobio, produced at Quinta dos Murças.

The special edition of the 2011 Assobio featured a photograph of the Tua river, courtesy of the photographer Duarte Belo, and refers to the platform website, inviting all citizens to mobilize for this cause through the dissemination of the campaign, participation in initiatives promoted by the the platform, referring to the website <http://www.salvarotua.org/>.



ESPORÃO AND THE SOUND OF 'CANTE ALENTEJANO' (TRADICIONAL POLYPHONIC SINGING)

Esporão associated with the release of "Alentejo, Alentejo", a film by the director Sérgio Tréfaut and Faux Producer. Considered the "Best Portuguese Film" at IndieLisboa 2014, this film is a tribute to one of the oldest traditions of the Alentejo of polyphonic singing, showing that Cante is alive and is the identity feature of generations. At a time when Cante Alentejano is a candidate for UNESCO Intangible Cultural Heritage of Humanity, several actions to support are taking place nationwide. In parallel with the presentation and launch of Sergio Tréfaut film also starts the Cante Route, from September to November, with the participation of several restaurants offering various snacks and Alentejo flavors. The wines Monte Velho of Esporão, region classics, join the typical Alentejo gastronomy.

AWARDS AND ACKNOWLEDGEMENTS

COMPANY AWARDS

- **European Business Awards for the Environment** - Innovation Award for Sustainability (EBAEpiS), in the category of "Products and Services"
- **Wines & Spirits (EUA)** - 1st place, Top 100 Wineries of the year

ESPORÃO MAKES THE TOP 100 WINERIES OF THE YEAR BY WINE & SPIRITS

The North American magazine *Wine & Spirits*, a world reference in the wine sector, has just published the "Top 100 Wineries of the Year", a list which selects the top 100 producers of wines in the world in 2014. Esporão is, for the first time, among the chosen.

Esporão, producer of wines and olive oils from Alentejo and Douro, integrates the 2014 list of "100 best producers of the year", elected by the International Wine & Spirits magazine. The selection was made by this magazine critics' and experts' panel who tasted more than 12,500 references since the beginning of the year in search of the best wines to present to their readers.

The "TOP 100 Wineries of the Year" gathers only consistent quality brands that have achieved superior levels and high scores. The choice of Esporão is justified by "exceptional performance" during the tests.

In addition to this recognition, the Esporão wines will be highlighted in the annual shopping guide of *Wine & Spirits* magazine, a special edition followed by wine enthusiasts worldwide.

For Esporão, "This recognition is the result of 40 years of working together in search of new quality levels, the focus on expansion of our company and the growing excitement around the Portuguese wines in the US, the world's largest wine market".

More information at <http://www.wineandspiritsmagazine.com/top100/wineries.html>

PRODUCT AWARDS

ORIGIN	WINE	CATEGORY	VINTAGE	ORGANIZATION / PUBLICATION	AWARD / RANKING
Alentejo	2 Castas	White	2013	Wine Spectator	87
Alentejo	2 Castas	White	2012	Wine Enthusiast	88
Alentejo	4 Castas	Red	2011	Wine & Spirits "Years Best Portugal Reds"	90
Alentejo	Esporão Reserva	Red	2011	International Wines & Spirits Competition	Gold Medal
Alentejo	Esporão Reserva	Red	2010	Joshua Green "My 50 Great selection"	My 50 Great selection
Alentejo	Esporão Reserva	Red	2011	Mundus Vini	Gold Medal
Alentejo	Esporão Reserva	Red	2011	Prowein Tasted Journal	89,5
Alentejo	Esporão Reserva	White	2012	Prowein Tasted Journal	87
Alentejo	Esporão Reserva	White	2012	San Diego International Wine Competition	Gold Medal
Alentejo	Esporão Reserva	White	2013	Sommelier Challenge	Gold Medal
Alentejo	Esporão Reserva	Red	2010	Wine & Spirits "Years Best Portugal Reds"	92
Alentejo	Esporão Reserva	Red	2010	Wine Enthusiast	92 >

ORIGIN	WINE	CATEGORY	VINTAGE	ORGANIZATION / PUBLICATION	AWARD / RANKING
Alentejo	Esporão Reserva	White	2013	Wine Spectator	86
Alentejo	Esporão Reserva	Red	2011	San Diego International Wine Competition	Gold Medal
Alentejo	Esporão Reserva	White	2013	Wines of Portugal Challenge	Premium Gold Medal
Alentejo	Monte Velho	White	2012	Wine Enthusiast	86
Alentejo	Monte Velho	Red	2012	Wine Enthusiast	85
Alentejo	Monte Velho	White	2013	Wine Spectator	85
Alentejo	Private Selection	White	2013	Wine Spectator	90
Alentejo	Private Selection	White	2012	Prowein Tasted Journal	88
Alentejo	Private Selection	Red	2008	Wine Enthusiast	92
Alentejo	Verdelho	White	2013	50 great Portuguese Wines in Germany - Hendrik Thoma	
Alentejo	Verdelho	White	2013	Concours Mondial Bruxelles	Gold Medal
Alentejo	Verdelho	White	2012	Wine Enthusiast	87
Alentejo	Verdelho	White	2013	Wine Spectator	86
Alentejo	Verdelho	White	2013	Wines of Portugal Challenge	Gold Medal
Alentejo	Verdelho	White	2012	Joshua Green "My 50 Great selection"	My 50 Great selection
Douro	Assobio	Red	2011	Concours Mondial Bruxelles	Gold Medal
Douro	Assobio	Red	2011	Prowein Tasted Journal	90
Douro	Assobio	Red	2011	Wine Enthusiast	94
Douro	Assobio	Red	2011	Mundus Vini	Gold Medal
Douro	Assobio	Red	2011	Wine & Spirits "Years Best Portugal Reds"	85
Douro	Quinta dos Murças Reserva	Red	2010	Concours Mondial Bruxelles	Gold Medal
Douro	Quinta dos Murças Reserva	Red	2009	Prowein Tasted Journal	93,5
Douro	Quinta dos Murças Reserva	Red	2009	Wine Enthusiast	93

'EUROPEAN BUSINESS AWARDS FOR THE ENVIRONMENT' AWARD

Esporão was the big winner of the "European Business Awards for the Environment" - Innovation Prize for Sustainability (EBAEpiS) in the category "Products and Services".

Promoted by the Portuguese Environment Agency (APA), this distinction recognizes our holistic and innovative approach in the adoption of various practices of sustainable agriculture. To João Roquette, CEO of Esporão, "the adoption of sustainable agriculture practices is crucial to the quality and fertility of soils, plants and consequently the quality of the final products. The long-term perspective of Esporão's business defines the need for preservation of natural resources essential to the continuity and success of the company."



GOOD FARMING
PRACTICES



07

HERDADE DO ESPORÃO

The main goals of sustainable agricultural management techniques are to recover, maintain or increase soil fertility, promote balance between pests and their natural enemies such as predators and parasites, reduce the amount of water used in irrigation, take the by-products generated in our activity and produce fertilizers to be used in our cultures, maintain and promote animal and plant variability of ecosystems, and preserve plant material in danger of disappearing from national grape vine variety catalogue.

PRODUCTION METHODS

INTEGRATED PRODUCTION

Agricultural production system of high quality food and other products using natural resources and mechanisms of natural regulation in place of production factors harmful to the environment in order to ensure in the long-term viable agriculture.

ORGANIC FARMING

Production of food and other plant products which does not use synthetic chemicals such as fertilizers and pesticides.

PLANT PROTECTION PRODUCT MANAGEMENT

The Food and Veterinary Directorate General prepared a "Plant Protection Product List for Vine Culture" to promote high-quality production, impacting as little as possible the environment. It is this document that the Agricultural Director relies on to choose plant protection products for use in protecting vineyards both in the Integrated Production as in Organic Production.



A FEW SUSTAINABILITY GOOD PRACTICES BEING DEVELOPED AT THE VINEYARDS AND OLIVE ORCHARDS, HE

- **Composting:** All the by-products generated by our activity (stalks, grape seeds, olive leaves, olive pomace and pruning waste) are used to build a compost heap that in the end will give a compound naturally produced and rich in essential nutrients for our crops.
- **Irrigation water control:** Before starting a campaign strict supervision of the entire system is required in order to avoid losses by rupture and misalignments. Thus, all pipes are checked (over 2,000 km of dripline) and pressures is adjusted;
- **Drainage:** Drainage is made by natural water lines that cross our fields and cultures. Therefore, when designing the land for installing a new culture, we preserve the natural streamline, or restore it using ditches and green infrastructures;
- **Soil Maintenance:** Control of natural vegetation in the inner rows of the vineyard is done mechanically rather than chemically. We do not apply herbicides in Esporão since 2011. In planting between the rows there are several forms of management: annual sowing for green compost (soil incorporation of legumes sown between rows, aiming to improve soil structure and provide the nitrogen the plant needs for its natural development), green cover using the spontaneous vegetation and seeded green covers.
- **Mulching:** Mulching aims to prevent the development of spontaneous flora in the vine row, increase fertility and conserve soil moisture.
- **Natural Enemies Enhancement:** A survey of the vineyards pests (Yellow spider mite, Green Leafhopper, Grape Moth, Cochineal Cotton) and their main predators and parasitic natural enemies was carried out. After this survey, we evaluated the most suitable plant species for supporting these aids, including the following species: Rosehip, Honeysuckle, Blackberry, Blackthorn, Laurestine, Pomegranate, Mediterranean buckthorn, bay laurel and Elderberry.
- **Bat Boxes:** We spread bat boxes that function as refugia or nests along the vineyards and olive groves to help us naturally and sustainably combat pests, considerably reducing the need for pesticides, thus helping to recover the organic life of the soil and the fauna..



QUINTA DOS MURÇAS

The good practices for the Douro valley are to some extent similar to those developed for the Alentejo, with the proper adaptations concerning the landscape and geomorphology. We highlight some good practices being developed at the Quinta dos Murças:

PRODUCTION METHOD

The production methods are Integrated Production and Organic Farming.

SYSTEMATIZATION, CLEANING AND LAND LEVELING

The systematization of the land consists in preparing the soil for planting, being necessary to proceed with the following operations: cleaning and leveling; the land has to be prepared to form terraces or plant vertically-trained vines; deep ploughing; basic fertilization; stone removal. Cleaning and leveling of the land consists of clearing vegetation, logging or digging-up old tree roots, followed by removing this material to the nearest access roads. The destoiça, which consists on digging-up tree roots, is usually quite time consuming because it is often necessary to open boilers around it.

GROWING VINEYARDS IN THE DOURO VALLEY - THE SUSTAINABLE WAY

For the slopes of Quinta dos Murças, we adopted two solutions prepare the land:

Initial slope of the hill	Solution
Up to 35 to 40%	Vertically-trained vines, on unlevelled earth slopes and work roads 7 m wide.
→35 to 40%	Narrow terraces (2,10 to 2,30 m wide), with 1 row of plantation at 0,30 to 0,50 m from the slope's shoulder.

Vertically-trained vines have more advantages, such as:

- a) For the same distances between vines, they have higher planting densities and avoid the need for cleaning and continuous maintenance of the slope of the vines planted on terraces.
- b) Varietal distribution is easier and more correct, the gradient variation of the depth and the natural fertility of the soil along the same row is smaller, or at least more predictable.
- c) Alignments are straight, while on the terraces they draw curves, making the construction of hedges more difficult and demanding greater number of struts at irregular intervals.
- d) The incidence of disease is low, either because the natural ventilation of the vines is better, either because the efficiency of spraying is higher.
- e) Protection from the erosion of rains achieved by building a slope on uneven land between plots (with the advantage of reducing the initial slope of the slope) and the seeding and controlled growth of weeds between the rows.
- f) The landscape value is higher.

Alternatively we construct narrow terraces, with only one plantation row and a width of 2.30 m that allows the use of mechanical cleaning equipment on the slopes, enhancing the natural seeding of herbs each autumn. Keeping clean slopes of herbs promotes erosion. Due to toxicological and environmental hazards, the chemical cleaning of slopes is an inadequate choice. In the construction of narrow terraces we use its 3% longitudinal tilt to allow, along each level, the flow of excessive rainfall. The terraces even have a necessary inclination inwards.



ENVIRONMENT,
NATURAL
RESOURCES
AND ECOSYSTEMS



DIRECTIVES AND ENVIRONMENTAL LEGISLATION GENERAL PROVISIONS

In general and as part of our sustainability strategy, we follow the European Community directives and the national legal framework (as well as the other countries in which we operate) in order to always comply with current legislation and, ideally, anticipate the most demanding requirements from an environmental point of view of the EU and national policy. We are particularly attentive to the following issues:

- **Safer agricultural and forestry practices**, which include the principles of Integrated Pest Management and Organic Farming and similar practices;
- **Water Resources and Sustainable Water Use**, not only in terms of production activities but also in the protection of endogenous water resources and associated habitats;
- **Climate Change and Greenhouse Gases**, with concerns that go far beyond the emissions and the carbon footprint, we aim for adaptation strategies and good management practices to curb the effects of climate change;
- **Waste Management and Circular Economy**, besides the waste management obligatory requirements we want to be aware of national and EC directives towards promoting green and circular economy, in order to rationally use raw materials and subsidiaries as well as by-products of our production system, preferably in upcycling;
- **Nature Conservation and Biodiversity Economics**, is part of our plan as an increasingly sustainable company to protect and wisely manage the goods and services of our ecosystems and the species and habitats that are in our care. We believe it has an intrinsic value for us and the society, which can be further valued and demonstrated.

WASTE MANAGEMENT

In terms of waste generated by territorial management unit (Table 4), two points should be noted:

- In **Serpa** there was a very significant increase, derived from cleaning of settling tanks. By 2012 the cleaning of the tank sludge was made internally and forwarded to the local city council landfill (Serpa), with no volume control. The difference between 2013 and 2014 is that due to the fact that in the year 2013 there was a larger cleaning of the settling tanks, because in addition to collecting the sludge from them, it was necessary to aspirate a portion of the effluent of the pond evaporation, once it was achieving its maximum level.
- **The city council waste collection** are not considered because there is no volume control (ex.: 'ecopontos' of Lisbon Murças, etc.). The exception is for 'ecopontos' located in Esporão, as the company responsible for collecting, since March 2014 has the 'ecopontos' geo-referenced, which allows access to the quantities collected of each type of waste (paper, plastic and glass).



LOCATION	2011	2012	2013	2014
HERDADE DO ESPORÃO	138 348	210 470	216 749	210 452
SERPA	2 640	4 616	115 962	88 760
MURÇAS	-	82	27	46
GRAND TOTAL	140 988	215 168	332 738	299 258

Table 24 Amounts of waste generated (kg) for territorial management unit

WASTE Kg	DESTINATION	2012	2013	2014
TREATED SLUDGE (HE)	LANDFILL	43 994	59 580	79 400
TREATED SLUDGE (EA)	LANDFILL	-	102 762	74 960
CARDBOARD	RECYCLING	74 862	59 573	60 253
GLASS	RECYCLING	47 440	73 030	34 028
PLASTIC	LANDFILL	17 560	1 760	17 440
COMPOUND PLASTIC METALLIC PACKAGES	RECYCLING	13 024	11 224	11 666
OLIVE OIL EXTRACTION WASTE	RECYCLING	-	-	1 661
SEWAGE CLEANING	LANDFILL	-	4 980	5 300
SCRAP	RECYCLING	2 500	8 680	3 000
CONTAMINATED PACKAGING WASTE	RECYCLING	-	-	2 137
CONTAMINATED DIRT AND SANDS	LANDFILL	872	14	1 420
OIL WASTES	LANDFILL	509	2 336	838
LAB CHEMICALS AND WASTE	REFINING	1 869	2 547	754
OIL FILTERS	PROCESSING	-	-	412
METAL SCRAP	RECYCLING	110	-	358
WOOD WASTE	RECYCLING	6 580	3 995	-
COOKING OILS	RECYCLING	2 770	1 840	-
ADSORVANTS	UPCYCLING	93	291	220
SOLVANTS	RECYCLING	-	-	215
USED TIRES	RECYCLING	65	125	132
ASBESTOS CEMENT TILES	LANDFILL	2 200	-	-
WEEE	LANDFILL	720	-	-
LIGHT BOLTS AND LAMPS	RECYCLING	-	-	61
LAMPS	RECYCLING	-	-	4

Table 25 Type of waste generated (Kg)

MITIGATING THE IMPACTS OF OUR PRODUCTS AND SERVICES

We conducted the following initiatives in order to reduce the impact directly associated to our products and services:

- Changing the coils labels of non-recyclable waxed paper to plastic.
- Passámos a devolver aos nossos fornecedores de cápsulas, rótulos, contra-rótulos e etiquetas os "resíduos" dos mesmos para posterior re-utilização.
- Reciclamos os óleos alimentares utilizados, transformando em sabão azul e branco para uso interno.
- Using old packaging from cardboard and wood for the Wine tourism sales service as well as for internal transport.
- Raising awareness among the collaborators to share transportation to work or using bicycles.
- Using water from the well in reusable bottles, for consumption of wine tourism customers.
- Using rechargeable batteries in all the wine tourism equipment.

ENERGY AND ECO-EFFICIENCY

As for **direct energy consumption** we highlight the following points:

- **Olive Pits:** Significant increase in the olive pit consumption due to the operation of two boilers of Esporão Azeites. The olive pits are used as fuel for the operation of the boilers.
- **Solar energy:** Solar energy generated in Herdade do Esporão is sold in full. There is no information on solar energy prior to 2014 because the solar panels only became operational in January 2014 in the case of the dam and in August 2014 in the case of the winery.

ESPORÃO SOLAR

Because the path of sustainability cannot be travelled without the sun, we installed two solar parks in Esporão, thus making the best use of the Alentejo climate. Today we can say that we produce 50% of the energy we consume. But the way we look is energy self-sufficiency through renewable sources.



VIDEO <https://www.youtube.com/watch?v=DrlaABc--kU>

FOSSIL FUELS / NON RENEWABLES	LOCATION	2012	2013	2014
ROAD DIESEL	HERDADE DO ESPORÃO	1 652	1 901	2 007
RED DIESEL (AG)	HERDADE DO ESPORÃO	2 591	1 924	2 055
NATURAL GAS	HERDADE DO ESPORÃO	133	299	154
NATURAL GAS	LISBOA	0,3	1,7	2,1
ROAD DIESEL	QUINTA DOS MURÇAS	106	167	174
RED DIESEL (AG)	QUINTA DOS MURÇAS	85	84	129
NATURAL GAS	QUINTA DOS MURÇAS	43	42	35
ROAD DIESEL	SERPA	234	150	174
NATURAL GAS	SERPA	1	1	-
TOTAL		4 846	4 570	4 729

Table 26 Consumed (GJ) non-renewable energy per territorial management unit

RENEWABLE ENERGY	LOCATION	2012	2013	2014
OLIVE PITS_HEATERS	SERPA	321	623	844
SOLAR PANELS_WINERY	HERDADE DO ESPORÃO	-	-	375
SOLAR PANELS_DAM WALL	HERDADE DO ESPORÃO	-	-	465
TOTAL		4 846	4 570	4 729

Tabela 27 Consumed (GJ) renewable energy per territorial management unit

As for indirect energy consumption (Tabela 8) it is importante to refer that:

- **HVAC Management:** There has been a 16% reduction in **Wine Tourism** due to awareness raising, but also better management of air conditioning and ventilation systems
- 14% reduction in the **Winery** (Includes Wine Tourism)
- **Quinta dos Murças:** 20% reduction in the winery through underfloor heating control (works only when heating is required in the winery).

GREENHOUSE GASES

In this section we pay particular attention to CO₂ equivalent emissions:

- The greatest variation in the increase of CO₂ equivalent emissions by sales volume was at the level of components. Despite the reduction in components' weight, particularly in bottles, in 2014 a larger number of components were purchased, resulting from the increase of bottled wine (in 2014 more 1,000,000 L were bottled). The diversity of export items and promotional packs also increased.

EMISSIONS	T CO ₂ EQ			
	2012	2013	2014	VARIATION
PACKAGING	16 754	14 451	16 219	8,7%
PURCHASED RAW MATERIALS	4 062	3 746	2 221	-7,5%
ELETRICITY	959	1 234	968	-1,3%
FOSSIL FUELS	403	358	349	0,0%
WASTE	385	395	268	-0,6%
STATIONARY COMBUSTION	72	114	103	-0,1%
SECONDARY MATERIALS	54	54	49	0,0%
HIRED EQUIPMENT	11	9	7	0,0%
MISSIONS FROM LEAKAGE	-	-	4	0,0%
TOTAL	22 700	20 361	20 187	-0,9%

Table 28 Emissions of CO₂ equivalent (g) per article compared to the reference value of a 9l case

EMISSIONS	CO ₂ EQ by sales g/Case9L			
	2012	2013	2014	VARIATION
PACKAGING	13 226	11 764	12 396	5,4%
PURCHASED RAW MATERIALS	3 207	3 049	1 698	-44,3%
ELETRICITY	757	1 004	739	-26,4%
FOSSIL FUELS	318	292	266	-8,6%
WASTE	304	322	205	-36,4%
STATIONARY COMBUSTION	57	93	79	-15,1%
SECONDARY MATERIALS	42	44	37	-14,3%
HIRED EQUIPMENT	9	8	5	-33,9%
MISSIONS FROM LEAKAGE	-	-	3	0,0%
TOTAL	17 919	16 575	15 428	-6,9%

Table 29 Emissions of CO₂ equivalent (g) per article compared to the reference value of a 9l case

EMISSIONS	g/Bottle (0,75L)		
	2012	2013	2014
PACKAGING	1 102	980	1 033
PURCHASED RAW MATERIALS	267	254	141
ELETRICITY	63	84	62
FOSSIL FUELS	27	24	22
WASTE	25	27	17
STATIONARY COMBUSTION	5	8	7
SECONDARY MATERIALS	4	4	3
HIRED EQUIPMENT	1	1	0
MISSIONS FROM LEAKAGE	-	-	0
TOTAL	1 493	1 381	1 286

Table 30 Emissions of CO₂ equivalent (g) per article compared to the reference value of a 0,75l bottle

In terms of scope of the source of emissions, we point out the following:

- There was a reduction in CO₂ equivalent emissions due to lower consumption of electricity.
- In terms of Scope 3 a slight increase was found, as despite the reduction of waste, raw materials and subsidiaries, there was an increase in the purchase of packaging in 2014.

EMISSIONS	2012	2013	2014
SCOPE 1 - DIRECT	465	473	462
MISSIONS FROM LEAKAGE	-	-	110
STATIONARY COMBUSTION	72	114	110
FOSSIL FUELS	403	358	349
SCOPE 2 - ELETRICITY	959	1234	968
ELETRICITY	959	1234	968
SCOPE 3 - INDIRECT	21 266	18 655	18 757
WASTE	385	395	268
SECONDARY MATERIALS	54	54	49
PURCHASED RAW MATERIALS	4 062	3 746	2 221
PACKAGING	16 754	14 451	16 219
TOTAL	22 700	20 361	20 187

Table 31 Scope of the origin of CO₂ equivalent emissions (kg) for all territorial management units

LOCATION	2012	2013	2014	%
HERDADE DO ESPORÃO	20 598	18 234	18 129	90%
SERPA	1 920	1 955	1 486	7%
MURÇAS	163	153	554	3%
LISBOA	19	19	18	0%
TOTAL	22 700	20 361	20 187	100%

Table 32 Scope of the origin of CO₂ equivalent emissions (kg) per territorial management unit

WATER AND WATER RESOURCES

LOCATION	ORIGIN	USE	CONSUMPTION (m ³)		
			2012	2013	2014
Herdade Esporão	Groundwater	Winery, Wine Tourism, Filling, Offices	19 318	16 772	15 044
Herdade Esporão_Rega	Dam, smaller reservoirs	Vineyard irrigation	367 500	614 062	582 971
Herdade Esporão_Rega	Groundwater	Vineyard irrigation, Offices	-	95 713	78 045
Quinta Murças	Douro River	Winery, Offices	-	1 077	1 913
Quinta Murças, Rega	Douro River	Agricultural irrigation	1 426	1 150	910
Restelo	EPAL	Offices	298	442	473
Serpa	Groundwater	Press, Filling, Offices	4 471	2 343	2 116
		Total	393 013	731 559	681 472

Table 33 Water consumption (m³) per point of origin and territorial management unit



The variation in consumption in Quinta dos Murças is mainly due to increased consumption in the winery resulting from winemaking increase (about 70,000 L more). On the management of water resources see also 'Good Agricultural Practices'.

PEST AND WEED MANAGEMENT AT HERDADE DO ESPORÃO

The fungal diseases had little impact on production in 2014.

MILDEW

The low rainfall that occurred during the vegetative growth period was insufficient for the germination of oospores that cause infections of mildew. The treatments were effective.



OIDIUM

The oidium outbreaks identified in the previous year did not developed in the year 2014. Despite appearing sporadically infected plants, these infections have had no impact on production. The treatments were effective.

BOTRYTIS

Because of rainfall that occurred from September 16, together with the abnormal attack in the region by grape moth, there were some plots that showed obvious signs of gray mold. The area affected with an impact on production was 62.29 ha, corresponding to 14.9% of the vineyard area.

YELLOW SPIDER MITE

Similar to previous years, it was an extremely difficult year concerning Yellow spider mite. About 13.9% of the vineyard area (57.99 ha) was affected by yellow spider mite attacks. To point out that despite the value of the affected area in 2014 being identical to the 2013, attacks were not so damaging. The most affected areas were the plots in organic production. The product used in the vineyards in organic production for controlling this pest was not effective.

GREEN LEAFHOPPER

The leafhopper affected the quality of production in 13.49% of the vineyard area (56.09 ha). The most affected areas were the plots in organic production. The product used in the vineyards in organic production for controlling this pest showed greater efficacy than the product used in the previous year.

GRAPE MOTH

2014 was the first year in which the grape moth caused the first damage. This is due to the less hot summer we had this year. The grape moth is highly susceptible to heat. After 32° C their eggs lose viability. As the summer was milder it had all conditions to multiply. We begin to observe the first nests flowering and immediately installed traps to monitor their presence.

Overall and beside what was already mentioned, we noticed an increase of wood diseases throughout 2014. The appearance of cochineal cotton pest also starts to have some impact on the quality of production. All information regarding the monitoring of pests and diseases and their control is managed through the Pest and Disease Registry and in the Field book available at the Agricultural Department on the Intranet.

Herbicides	2012		2013		2014	
	Area (ha)	Amount (kg and L)	Area (ha)	Amount (kg and L)	Area (ha)	Amount (kg and L)
Residual	0	0	0	0	0	0
Systemic	105	168	105	168	140	228
Contact	16	26	48	78	48	78
TOTAL	121	194	153	246	188	306

Herbicides	Area (ha)	Amount (kg and L)	Area (ha)	Amount (kg and L)	Area (ha)	Amount (kg and L)
Systemic	2 978	3 281	3 069	2 921	1 726	2 432
Organic	1 003	3 965	1 457	7 368	2 368	27 658
TOTAL	3 981	7 246	4 526	10 289	4 094	30 090

Herbicides	Area (ha)	Amount (kg and L)	Area (ha)	Amount (kg and L)	Area (ha)	Amount (kg and L)
PRODI=IPM	960	591	717	170	774	146
Organic	199	796	66	83	593	1 362
TOTAL	1 159	1 387	783	253	1 367	1 508

Table 34 Application of Plant Protection Products in the Vineyard of Herdade do Esporão

ECOSYSTEMS AND BIODIVERSITY

The commitment to protecting biodiversity has been formalized in 2007 with the signed commitment to the "Business & Biodiversity" project and "Countdown 2010" initiative, under which a code of practice for winemaking, olive growing and forestry was defined. The goal was to promote biodiversity as an asset, develop strategies concerning ecotourism and leisure services that value the entire ecosystem, enhancing environmental management as a part of agricultural management and nature conservation.



FLORA AND HABITATS OF HERDADE DO ESPORÃO

10 new species of flora were identified, all of them in set-asides of the vineyard and olive grove, increasing the flora list to 328 plant species. None of the new species has a high conservation status.

In terms of habitats with conservation value about 20 types were identified, distributed by the various areas of the estate and in different states of conservation.



AREA	HABITAT	CODE (ABBREVIATED) OF THE HABITATS DIRECTIVE	REPRESENTATIVITY	CONSERVATION STATE	TENDENCY
Dam and surrounding	Willow stream-side gallery	N.A.	Medium	Favorable	Stable
Dam and surrounding	Banks and flood buffer	8230 - Siliceous rock with pioneer vegetation	High	Favorable	Stable
Dam and surrounding	Banks and flood buffer	3270 - Rivers with muddy banks	Medium	Favorable	Stable
Dam and surrounding	Banks and flood buffer	3150 - Natural eutrophic lakes	Low	Favorable	Stable

AREA	HABITAT	CODE (ABBREVIATED) OF THE HABITATS DIRECTIVE	REPRESENTATIVITY	CONSERVATION STATE	TENDENCY
Dam and surrounding	Banks and flood buffer	3140 - Hard oligo-mesotrophic waters	Low	Favorable	Stable
Forest and Montado	Holm Oak woodlands	9340 - woodlands of Quercus ilex and Quercus rotundifolia	Medium	Degraded	In restoration phase
Forest and Montado	Orchid meadows	6210 - Semi-natural dry grasslands, important orchid sites	High	Favorable	Stable
Forest and Montado	Grasslands	N.A.	High	Favorable	Stable
Forest and Montado	Stone Pine plantations	N.A.	Medium	Degraded	In the process of elimination and restoration for Montado
Forest and Montado	Holm Oak Montado	6310 - Dehesas with evergreen Quercus spp.	High	Favorable	Stable / In restoration phase
Forest and Montado	Scrubland	5330pt2 - Piornais de Retama sphaerocarpa	Medium	Favorable	Stable
Caridade Stream	Ash gallery	91B0 - Thermophilous Fraxinus angustifolia woods	High	Degraded	Stable to Degradative
Caridade Stream	Scrubland	5330pt2 - Broom scrublands phaeocarpa	Medium	Favorable	Stable
Caridade Stream	Streamside Oleanders	92D0 - Southern riparian galleries and thickets	Medium	Favorable	Stable
Caridade Stream	Reeds	N.A.	High	Favorable	Stable
Caridade Stream	Reed beds	6420 - Mediterranean tall humid grasslands	High	Favorable	Stable
Caridade Stream	Aquatic Communities	3260 - Water courses of plain to montane levels	Medium	Degraded	Degradative
Caridade Stream	Aquatic Communities	3140 - Hard oligo-mesotrophic waters	Low	Degraded	Degradative

Table 35 Types of Habitat and Conservation Status

SOME OF THE CORE ACTIVITIES AND PROCESSES IN THE MANAGEMENT OF ECOSYSTEMS AND BIODIVERSITY OF HERDADE DO ESPORÃO ARE:

- **Forest area and natural habitats:** In addition to the vineyards and olive groves, beyond the dam, there are 1000 hectares of forest area and semi-natural habitats with conservation value, and some of these areas are already listed for ecological restoration projects and conversion of forest plantations of stone pine for holm oak and biodiverse grasslands;
- **Afforestation of drainage ditches and protection Hedges:** The afforestation of open trenches is essential to avoid the collapse of its banks and soil erosion. The protective hedges are fundamental to creating ecological corridors within the vineyard, promoting fixing natural enemies and creating excellent nesting sites for birds;
- **Project 'Minimum Ecological Flow':** We carried out a placement of equipment for control of minimum ecological flow rate that would provide the release of water from the breakwater during the months of summer (between spring and autumn, when appropriate) in order to maintain acceptable levels of water in the Caridade stream;
- **Project 'Testing the resistance of Holm Oak Trees to Climate Change':** In 2010, under the REINFFORCE project, coordinated nationally by the Superior Institute of Agronomy, intended to evaluate the effect of climate change on the Atlantic forest, was installed in Esporão a group of different sources of Holm oak (Quercus ilex L.) trees from Croatia, Spain, France and Portugal. The work resulted in a master's thesis in Forestry and Natural Resources in ISA entitled "The Origin of the Plant Material in response to Climate Change", directed by Professor Maria Helena de Almeida and performed by Priscila Alexandra Cabrito Brás;
- **Project "Bats":** Using the support of ultrasonic recordings and analysis, five species of bats were identified. We also realised that bats fed within the estate but then sheltered and reproduced outside. They eat some species of moths responsible for causing damages in the vineyard. As such, we resorted to the installation of bat boxes, so that they use them as shelter and reproduce themselves near our crops. Thus, we now have one more natural pest control tool.
- **In 2006 there was a project for olive trees plantation around the dam area.** However the area was reclassified by us to be of high conservation value for the species and riverside and wetland habitats. Therefore, this area started being managed as conservation and ecological restoration area. Now it is a protection site for a considerable diversity of emblematic species of fauna and flora, from the otter to the osprey, and is one of the most visited places by tourists and nature lovers.

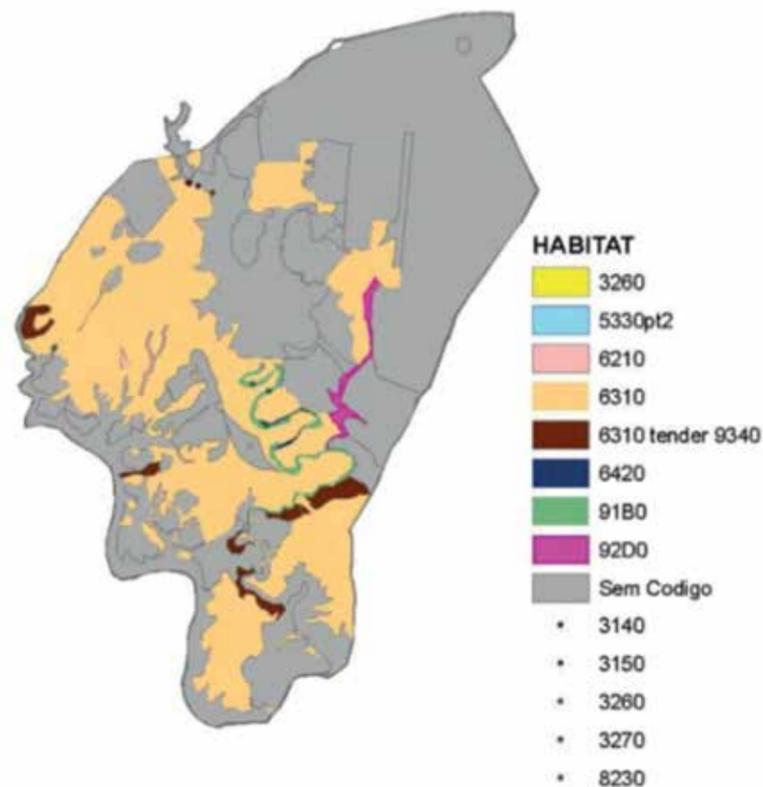
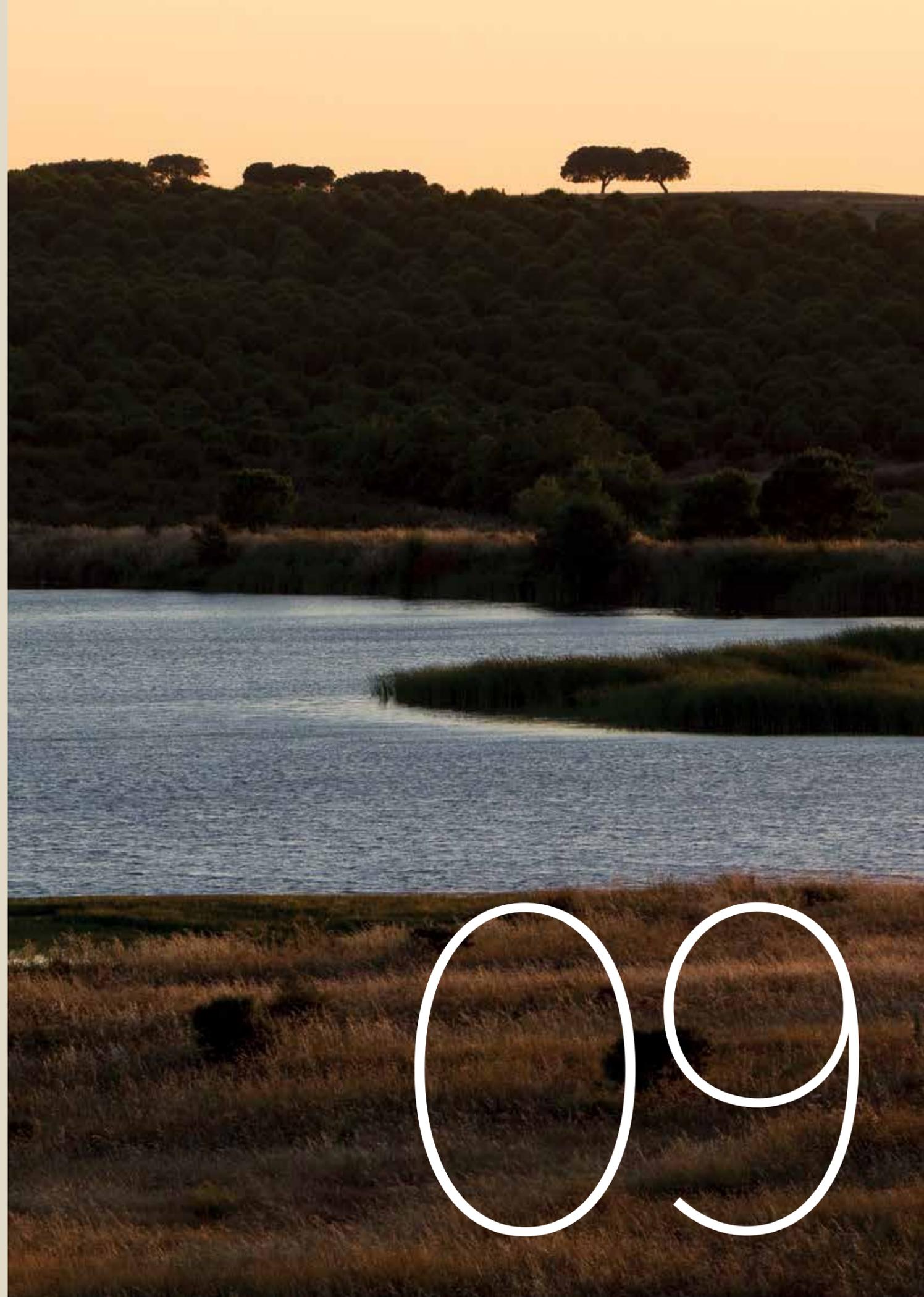


Image 8 Map of Habitats in Herdade do Esporão



A FINAL THOUGHT



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"I believe that one of the fundamental attitudes of a man should be the ability to recognize in himself, in case of a lack of understanding or a lack of action, the origin of the shortcomings that he notices in the environment surrounding him; we only start to actually improve when we stop complaining about others and start complaining about ourselves, when we decide to give to the world what seems to be missing in it; in short, when we move from an attitude of pessimistic censorship to an optimistic creative attitude, not optimistic about the present state, but about future results".

Agostinho da Silva

