Nigel Keen
Chair of the Remuneration Committee

Remuneration Committee Chair

Nigel Keen
Chair of the Remuneration Committee (as of May 2021)

Nigel Jones
Chair of the Remuneration Committee (retired from the Board in May 2020)

Remuneration Committee members

Kenneth Bradley
Non-Executive Director

Stephanie Coxon
Non-Executive Director (appointed in August 2020)

Dawn Morgan
Non-Executive Director (stepped down in September 2020)

Dear Stakeholder,

As I have just this week completed my first year as a Non-Executive Director with the Group and as chair of the Remuneration Committee, I welcome the opportunity to report on the Committee's work over the 2020 year. I want to thank Nigel Jones for his work on the Committee and as its Chair throughout his tenure on the Board.

Following my appointment to the Board in February 2020 and priory to my appointment to chair the Committee at the AGM in May 2020, the Covid-19 pandemic set-in across Europe, resulting in the first of a series of national lockdowns in all areas of our operations. As a hospitality business this had an immediate and significant impact on our operations, which were forced into an immediate standstill. As a result the Group had to act swiftly and effectively to preserve its position by taking measures to conserve cash, reduce overheads and realign expenditure in balance with demand.

The Committee, at the lead of my predecessor, utilised the flexibility offered by the Remuneration Policy to implement key measures in the early days of the pandemic to maintain cash flow. To support these measures, the senior leadership team voluntarily entered into a number of salary sacrifice schemes as detailed later in the report we therefore needed to use a flexible approach to how we rewarded, motivated and retained key individuals throughout this unprecedented period.

While the impact of the COVID-19 pandemic required us to adapt our approach to the 2020 and 2021 remuneration policies, it did not change the purpose of the Committee nor our fundamental understanding of the importance of remuneration policies to support the sustainability, continuity and success of the Company. We are consistent in our view that the Committee's role is on ensuring the Company's leadership and talent pipeline are motivated to deliver on our long-term strategy, deliver sustainable long-term growth and support our values as a Company.

The Code emphasises the role of the Board, and in particular the Remuneration Committee, in exercising independent judgment, discretion to ensure that remuneration policies override formulaic outcomes where appropriate. Such discretion is required when the formulaic outcome of the remuneration policy does not reflect the actual performance of the company or of the individual executive during the relevant period.

You will see further in the report that this discretion was utilised with respect to safeguarding the Company during the initial weeks of the COVID-19 national lockdowns which coincided with the payment date for 2019 annual discretionary awards.

Remuneration policies are most effective when they set out a framework which supports the long term success of the Company and encourages actions which align with the values, purpose and culture of the Company. We have also had to rethink what tools we have at our disposal to encourage retention and engagement in the face of financial pressure and vast market uncertainty. This was particularly challenging given the Company's suppressed operations during various periods of the year which resulted in the Group undertaking restructuring, utilising government furlough and employment support schemes, voluntary pay cuts, share schemes in lieu of pay and deferred 2019 bonus decisions.

In consideration of severe market conditions affecting all of our markets, the incentive awards previously anticipated by the Remuneration Policy have not been triggered for the 2020 financial year. The Committee has approved a short term remuneration policy (as shall be further elaborated below). The purpose of setting a short-term revised Remuneration Policy is to enable the Company to utilise remuneration to attract, retain and motivate its leadership to drive the strategic vision of the Group successfully while being considerate to the financial impact of 2020.

The Committee further considered workforce remuneration and remuneration policies, particularly in the context of the gender pay gap. In ordinary years, the gender pay gap provides descriptive overview of remuneration at all levels of the workforce, allowing the Committee to seek out targeted follow-on questions and propose actions. 2020 was anything but ordinary. The volatility of COVID-related operational restrictions rendered the gender pay gap figures unreliable. As operations fluctuated so did the size and remuneration of the workforce. With restructuring, salary sacrifices and furloughs impacting workforce remuneration across all regions, the Committee focused its workforce remuneration efforts on building a meaningful short term remuneration policy and charging the Executive Leadership Team with cascading down the key elements of these policies.

Role

The key responsibilities of the Committee include:

– putting in place and periodically reviewing the broad policy for the remuneration of the Chairman, Executive Directors and senior management to ensure fair and responsible rewards and incentives with a clear and proportionate link to corporate and individual performance;
– within the terms of the policy, determining the individual remuneration of each Executive Director;
– reviewing remuneration levels and related policies across the Group especially when determining salary increases, reviewing the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration, and consulting with the CEO in setting the levels of remuneration for the Group;
– approve the design of, and determine targets for and conditions attached to any long term incentive schemes operated by the Group.

The Committee's terms of reference are available at www.pphe.com. The terms of reference are regularly reviewed to ensure compliance with the Code and ongoing strategic alignment with the Company. The Terms of Reference are under review in 2021 and the updated Terms of Reference will be published on our website as and when updated.

Committee Composition

The Remuneration Committee consists of three Non-Executive Directors all of whom are independent. Nigel Keen joined the Committee after having served on a number of remuneration committees and having ample experience as the remuneration committee chair for other listed companies. There were four scheduled Committee meetings in 2020; for information on attendance, please refer to page 97 and 98. Nigel Keen was officially appointed to the Committee at the February 2020 Board Meeting which occurred just after the Committee Meeting, therefore he was Chair for the 2020 year, save for the first meeting of the year.

Remuneration Committee's Focus 2020

Function	Actions in 2020
Remuneration Policy	– Reviewed Remuneration Policy
Executive Director and senior management remuneration review	– Reviewed Executive Director remuneration – Reviewed C-Suite remuneration
Sets targets and incentive schemes	– Reviewed and considered incentive scheme
Workforce remuneration and benefits policies	– Reviewed gender pay gap and pay differential – Reviewed Expenses Policy

The Deputy Chairman, Chief Executive Officer, Deputy Chief Executive Officer and Chief Operating Officer, Chief Financial Officer and Chief Corporate & Legal Officer are invited to attend meetings as appropriate depending on the items on the agenda. The Committee considers their views when reviewing the remuneration of Executive Directors and other senior executives; however, no Directors are involved in the consideration of their own remuneration and only members of the Committee have the right to vote at Committee meetings.

The Committee seeks independent advice as appropriate.

Remuneration Policy 2019/2020

The 2020 Remuneration Policy was devised by the Remuneration Committee in 2019, with the support of external expert remuneration consultants, Pearl Meyer, and crafted in consideration of the Code as well as secondary legislation and updated guidelines by major proxy advisers and governance teams of major institutional investors as explained in the Annual Report 2019. This Remuneration Policy was approved by the Board in February 2020.

The onset of COVID-19 has, however, presented a unique set of challenges for the Committee. The virus significantly impacted our operations throughout the year and meant that we had to think carefully about the application of the Policy in 2020. We had to continue to incentivise executive performance at a time where our leadership and senior management were being asked to demonstrate significant resilience. At the same time, we had to ensure the executive experience is commensurate with that of the Company overall, its shareholders, employees and other stakeholders.

The Remuneration Policy was written so that the Committee is able to exercise discretion and overwrite formulaic outcomes. The Committee used its discretion and voluntary steps taken by various levels of leadership to apply the Remuneration Policy for 2020 as noted below.

Executive remuneration – 2020 basic salary and 2019 Discretionary Bonus

The team members and leadership have shown extraordinary fortitude throughout the 2020 year. In support of the Company, a number of positions undertook voluntary salary sacrifices, deferments, share options in lieu of salary, and donated salaries to charitable endeavours. Such efforts are summarised as follows.

The Chairman of the Board has voluntarily forgone his full salary for the second financial quarter in 2020 and deferred his salary for the third and fourth quarters.

The Chief Executive Officer has voluntarily forgone his full salary for the second financial quarter in 2020 and deferred his salary for the third and fourth quarters.

The four Non-Executive Directors have voluntarily contributed 50% of their salaries in the second quarter and 20% in the third and fourth quarters to Hospitality Action, a charity organisation for the hospitality industry. Also Dawn contributed amounts in Q2-Q3.

The Chief Financial Officer, Deputy Chief Executive Officer, Chief Corporate and Legal Officer, and 38 other members of the senior leadership team have voluntarily forgone 20% salary for three months of the 2020 year and deferred the same amount for a further four months of the year.

Across our regional offices, many team members voluntarily sacrificed 10% of salary for three months and deferred the same for a period of four months.

During the pandemic, the Committee and wider Board constantly revisited the matter of the 2019 discretionary bonuses. At the time of each review, the Committee assessed that near-term financial pressures would require the Company to prioritise cash flow and therefore proceeding with payment of 2019 discretionary bonuses would not meet the current needs of the business during the extraordinary time. The payment of the 2019 discretionary bonuses has been postponed until such time as the Company deems appropriate. As the Company met its financial targets for the 2019 financial year, bonuses of the C-Suite remain deferred with a long stop date for payment of December 2022, subject to good leaver provisions.

Shares in lieu of salary for leadership positions

As of November 2020, members of the Leadership Team accepted a salary sacrifice in the same amount, for the 12-month period commencing in November 2020 and ending on 31 October 2021, in exchange for a grant of nil cost options in the amount of the base salary sacrificed. These options have a one year vesting period followed by a six month holding period. As a means of incentivising key leadership positions to remain with the Company, these salary sacrifice scheme included an element of the long term incentive plan as provided under the 2020 Remuneration Policy – see below.

2020 Share Incentive Plan

The long term Incentive element of the Remuneration Policy allows for a share option plan.

Accordingly, in November, the Company drew from the LTIP provisions of the Remuneration Policy and granted a modified version of the long term share option portion of the Remuneration Policy for certain leadership positions as part of the newly approved PPHE Executive Incentive Plan 2020. The grant was subject to certain conditions as set out in the table below and coincided with the shares is lieu of salary referred to above.

With regard to the Chief Financial Officer and Executive Director and the other members of the C-Suite, the long term share options granted in 2020 shall vest in equal tranches, with 33.33% vesting each year for three years. The remaining Leadership Team were granted share options under the plan with full vesting after three years. In providing the options in this manner, the Company has not complied with Provision 36 of the Code which requires a minimum of five year vesting period. However, the Committee believes that in diverging from the Code on this occasion, it was done with the spirit of the Code in mind, which allows for flexibility in applying the remuneration policy and emphasises the importance of utilising remuneration policies to promote long-term success of the Company.

Ensuring the Executive Leadership is motivated, rewarded and incentivised to continue in their roles is congruent to the Company's long-term strategy.

The PPHE Executive Incentive Plan 2020 is subject to reasonable and appropriate malus and clawback provisions, in compliance with Provision 37 of the Code.

The Remuneration Policy operated as intended by promoting the long-term sustainable success of the Company and supporting its strategy.

Summary of the 2021 Remuneration Policy

Over the course of 2020 it became apparent that the Group's existing remuneration policy needed updating and was no longer appropriate in the near term, in light of the difficult market conditions caused by the COVID-19 pandemic. The Committee therefore deemed it prudent to consider a short-term remuneration policy which will be applicable also for the 2021 year which was considerate to the financial pressures sustained by the Group due to the COVID-19 pandemic, a primary element of which was the share incentive plan described above.

The main updates to the previous remuneration policy relate to the adoption of a new long term incentive plan details of which are set out in the table below. However, a summary of the Company's policy on each element of remuneration that will apply in 2021 is also included for reference. As further detailed below, the Committee believes that the Company's remuneration structures are aligned to the Company's purpose, strategy and entrepreneurial culture.

Base Salary

Purpose and link to strategy	To provide a market competitive salary that will attract, motivate and retain executives with the right expertise who are instrumental in driving and growing the business and delivering the Company's strategic goals.
Operation	Salaries in the Group are based on the value of the individual, the level of responsibility, experience and market conditions. Salaries are reviewed at least annually but not necessarily increased. The Committee may award salary increases at other times of the year if it considers such an award to be appropriate. In reviewing salaries, salaries are benchmarked against appropriate comparable organisations and account is taken of significant changes in role, levels of pay in the broader workforce, the Group's performance, inflation and budgets.
Maximum	The salary payable to Executive Directors will normally be capped at the upper quartile of the relevant market benchmark for the role under review. This maximum salary represents the highest end of the range at which the Committee would expect the base salary to be set, rather than the actual amount to be paid. There is no separate cap on the annual increase to base salaries. However, the Committee will normally determine the appropriate level of increase for Executive Directors taking into account the general level of increase for the broader workforce, but on occasion may need to make a more significant increase to recognise additional responsibilities, or an increase in the scale or scope of the role.

Senior Corporate Annual Bonus Plan

Purpose and link to strategy	In principle, senior management are eligible to participate in an annual bonus scheme. The aim is that the transparent structure and balanced score card approach of the plan will: – incentivise management to drive Group strategy and performance; and – ensure that a significant proportion of the total remuneration package is linked to performance of the Group and the individual against clear KPIs during the financial year. This Plan has been suspended for the 2020 and 2021 financial years pending lifting of the changing restrictions on operation and hotels and in anticipation of recovery and return of certainty. The Committee is keeping this under review during 2021 and will make its recommendation in line with developments and progress of market recovery.

Share Incentive Plan awards

Purpose and link to strategy	The revised LTIP allows for the award of market value options, salary related options, deferred bonus awards and performance share awards to all employees. The long term and phased vesting of these awards, along with the ability of the Committee to apply additional holding periods are designed to: drive and reward sustainable performance over the long-term; align the interests of executives and shareholders; and support talent retention. In particular, the salary-related awards that were offered to key employees in 2020 were aimed at preserving cash flow, whilst incentivising key employees to support the Group in its recovery from the pandemic and linking in with our succession planning. Prior to the salary-related options being formally offered to the relevant employees, proposals were discussed with the relevant individuals, providing the opportunity for questions to be answered. The grant of the market value options in conjunction with the salary-related awards was initiated with a target of ensuring the Executive Leadership Team is motivated, rewarded and incentivised to continue in their roles over the coming three years of anticipated recovery of the Company and the wider industry from the pandemic.

Operation	The long term incentive plan allows for the award of the following options which are subject to the rules of the PPHE Executive Incentive Plan 2020: – market value options – options that are linked to the market value of the shares in the Company; – salary-related options – whereby employees agree to a reduction in their base salary in exchange for the right to acquire Shares at nil-cost. These options normally vest after 12 months subject to an additional six-month holding period; – deferred bonus awards – allowing the award of the number of shares determined by the Committee in lieu of some or all of the annual bonus; and – performance share awards – options which are granted subject to specified performance targets. Notwithstanding the extent to which any performance target is satisfied, the number of vested award shares may be reduced by the Committee to ensure that the number of vested award shares is appropriate taking into account the underlying business performance of the Group. These awards are subject to the rules of the PPHE Executive Incentive Plan 2020 which may include: long-term vesting periods prescribed by the Committee upon grant; good-leaver and bad leaver provisions allowing the Committee to exercise discretion as to when it might be appropriate for an award to vest in spite of the relevant employee leaving the Group; post-vesting holding periods determined by the Committee at the time of the award; and share capital dilution limits. The plan allows dividends or dividend equivalents to accrue, subject to the Committee's discretion.
Maximum	The aggregate market value (as determined by the Committee at or prior to the Award Date) of shares in respect of which performance share awards and/or restricted stock awards are made to an Employee in any Financial Year are capped at 100% of the Employee's annual base salary at the Award Date.
Long Term Retention bonus	The retention bonus provides an additional payment outside of base salary. It ranges in fixed amounts accruing per year with duration of the plan per individual ranging from three to five years depending on the role and contribution to the delivery of the strategy. The Committee has the ability to delay payments as is appropriate.

Pension

Purpose and link to strategy	The provision of retirement benefits supports the Company in attracting and retaining executives and promoting long-term retirement planning. The Company has taken note of Provision 38 of the Code and is taking advice on the steps needed to use best endeavours to comply in due course as of the effective date of this provision entering into force.
Operation	A defined cash contribution may be made into either a Company sponsored pension plan or a private pension plan or as cash in lieu of pension.
Maximum	Pensions are awarded in line with the practice applicable country of employment of the relevant employee.

Directors' fees

Base Fee	The Non-Executive Director fees are decided by the Board in accordance with the Company's articles of incorporation. This fee is the same for each Non-Executive Director.
Chairman Fee	In the case of the Chairman and Deputy Chairman, both receive a set fee which is set by the Remuneration Committee and agreed by the Board. The Chairman's fee is determined by taking into account the time commitment and responsibilities of the role, as well as the role holder's skills, gravitas and qualifications to lead the Board.
Additional Fees	Non-Executive Directors are paid a set additional fee for being Senior Independent Director, a member of a Board Committee and for chairing a Board Committee. This fee is the same for each Non-Executive Director, with exception of the Deputy Chair who attracts an additional fee for the role.
Appointment term and other matters	The Independent Non-Executive Directors each have rolling letters of appointment which may be terminated by either party on three months' notice. Non-Executive Directors are not entitled to bonuses, benefits or pension scheme contributions or to participate in any share scheme operated by the Company. In addition to any remuneration payable, a Non-Executive Director may be paid reasonable travel, hotel and other expenses properly incurred in discharging the Director's duties. Fees cease immediately in the event the Non-Executive Director ceases to be a Director. Directors are entitled to the benefits afforded by the Group's Directors and Officers Insurance.
Termination	Boris Ivesha has a rolling contract which may be terminated on 12 months' notice by the Group or on six months' notice by Boris Ivesha. Daniel Kos has a rolling contract which may be terminated on six months' notice by the Group or on three months' notice by Daniel Kos. There are provisions for earlier termination by the Group in certain specific circumstances. Each Non-Executive Director has specific terms of appointment. The Chairman's letter of appointment provides for an indefinite term. The Board believes that Eli Papouchado's extensive experience and knowledge of the Group's business, as well as the hotel business generally, justify this departure from the recommendations of the Code. Kevin McAuliffe's letter of appointment provide for a fixed term expiring on 14 June 2021, subject to re-election at each Annual General Meeting. All the Non-Executive Directors' appointment letters (including the Chairman's) are subject to termination by either side on three months' notice. Other than salary and benefits in relation to the notice period, the letters of appointment contain provisions for termination by the Group in certain specific circumstances. Details of the contract dates and notice periods are set out in the table below. The letters of appointment are available for inspection at the Company's registered office.

Terms of appointment

Director	Date of appointment	Term of appointment	Notice period
Eli Papouchado	26 June 2007	Indefinite	3 months
Boris Ivesha	14 June 2007	Indefinite	12 months from Group, 6 months from Boris Ivesha to the Group
Daniel Kos	27 February 2018	Indefinite	6 months from Group, 3 months from Daniel Kos to the Group
Kevin McAuliffe	15 June 2007	14 June 2021	3 months
Ken Bradley	4 September 2019	AGM-2021	3 months
Nigel Keen	20 February 2020	AGM-2021	3 months
Stephanie Coxon	7 August 2020	AGM-2021	3 months

Shareholder vote

Under Guernsey law, shareholders are not entitled to vote on the Company's remuneration structure. The Company aims to achieve the heightened level of governance and compliance set out by the Code and will review its approach to engaging with investor bodies on the updates to the remuneration policy.

Remuneration on recruitment

Reward packages for new Executive Directors will be consistent with the above Remuneration Policy. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of the year employed. The maximum level of variable remuneration is as stated in the policy table above.

Termination payments

The Company's normal policy is to limit payments to Executive Directors on termination to contractual entitlements under their service agreements and the rules of any incentive and pension plans. There is no automatic entitlement to bonus as part of the termination arrangements, and the value of any terminating arrangement will be at the discretion of the Committee, having regard to all relevant factors. This Committee maintains discretion if the Committee determines the Executive Director is on good leaver status.

Directors Remuneration Table 2020

Remuneration for each person who served as a Director of the Company during 2020 is set out in the table below:

		Base salary and fees		Salary Sacrifice Options		Additional remuneration		Bonus		Pension contributions		Retention award		Other benefits		Total[1]		Sub-total Cash paid	
	Position	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Boris Ivesha[15]	President & CEO	**312,672**[2]	426,542	**–**	–	**–**	–	**–**	–	**100,000**[2,3]	100,000	**–**	–	**15,795**	5,107	**428,467**	531,649	**116,231**	531,649
Daniel Kos	CFO	**267,139**[4,5]	228,996	**9,334**[5]	–	**–**	–	**75,000**[6]	60,000	**13,748**	13,131	**–**[7]	52,526	**–**	–	**365,221**	354,653	**280,887**	354,653
Eli Papouchado	Non-Executive Chairman	**150,000**[8]	200,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**150,000**	200,000	**50,000**	200,000
Kevin McAuliffe[15]	Non-Executive Deputy Chairman	**77,500**[9]	100,000	**–**	–	**–**	10,000	**–**	–	**–**	–	**–**	–	**–**	–	**77,500**	110,000	**77,500**	110,000
Ken Bradley[10]	Non-Executive Director	**42,083**[9]	18,100	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42,083**	18,100	**42,083**	18,100
Nigel Keen[11]	Senior Independent Director	**37,771**[9]	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**37,771**	–	**37,771**	–
Nigel Jones[12]	Senior Independent Director	**23,810**[9]	65,625	**–**	–	**–**	10,000	**–**	–	**–**	–	**–**	–	**–**	–	**23,810**	75,625	**23,810**	75,625
Stephanie Coxon[13]	Non-Executive Director	**17,543**[9]	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17,543**	–	**17,543**	–
Dawn Morgan[14]	Non-Executive Director	**33,953**[9]	59,048	**–**	–	**–**	10,000	**–**	–	**–**	–	**–**	–	**–**	–	**33,953**	69,048	**33,953**	69,048
		962,471	1,098,311	**9,334**	–	**–**	30,000	**75,000**	60,000	**113,748**	113,131	**–**	52,526	**15,795**	5,107	**1,176,348**	1,359,075	**679,778**	1,359,075

The CEO's and CFO's remuneration is denominated in € and converted to £ at average exchange rate for presentation purposes.

1 The total fees include the amounts which became payable in the 2020 financial year to the relevant Directors which were deferred.

2 Boris Ivesha received payment of pension and salary for Q1 2020 in the amount of €135,000 (£116,231). Boris sacrificed full salary during Q2 2020. He voluntarily deferred full payment for 2 quarters of 2020. The deferred amounts have not been paid to Mr. Ivesha as of the publication date of this Report, however they are included in the table under base salary as the right to the deferred amount accrued during the 2020 financial year.

3 Boris Ivesha was not paid his pension during Q2, Q3 and Q4 of 2020, which was voluntarily deferred. It is listed in the Pension Contribution for 2020 as the right to the deferred amount accrued during the 2020 financial year, and will be due for payment to him at some point in the future.

4 Daniel Kos received a salary increase in January 2020, prior to the onset of the COVID-19 pandemic, bringing the base salary to €330,400 (£293,817).

5 Daniel Kos sacrificed 20% of his salary in Q2. Daniel Kos further agreed to exchange 20% of his base salary for 12 months as of 1 November 2020 with nil cost options in accordance with the 2020 PPHE Executive Share Option Plan (see Note 13 on page 156).

6 Daniel Kos has agreed to defer his bonus in respect of 2019 financial year which targets have been met and was due to be paid in 2020 in the amount of £75,000, payable by no later than December 2022, subject to leaver provisions.

7 Daniel Kos joined the retention bonus scheme as of 1 January 2020. The retention bonus scheme awards the amount of £50,000 cash per year, payable on the 5th anniversary of joining only if the participant remains in employment subject to leaver provisions, as further specified in the scheme rules.

8 Papo received payment of fees for Q1 2020 in the amount of £50,000. Papo sacrificed full salary during Q2 2020. He voluntarily deferred full payment for two quarters of 2020. The deferred amounts have not been paid to Papo as of the publication date of this Report, however they are included in the table under base salary as the right to the deferred amount accrued during the 2020 financial year.

9 Non-Executive Directors received full payment of fees for Q1 2020 in a total amount of £74,437. Each Non-Executive Director, who was on the Board during Q2, voluntarily directed the charitable donation of 50% of their Q2 gross quarterly fees and 20 per cent of their Q3 and Q4 gross fees to Hospitality Action, a UK registered charity for the hospitality industry.

10 Ken Bradley was appointed to the Board on 4 September 2019.

11 Nigel Keen was appointed to the Board on 20 February 2020.

12 Nigel Jones retired from the Board and did not stand for re-election at the 2020 AGM.

13 Stephanie Coxon was appointed to the Board on 7 August 2020.

14 Dawn Morgan resigned from the Board effective 30 September 2020.

15 Boris Ivesha, Kevin McAuliffe and Yoav Papouchado are entitled to additional remuneration for their services on the supervisory board of the Group's subsidiary, Arena Hospitality Group, which is not included in the table above. In 2020, the total fee for Boris' services amounted to HRK 140,560 (£16,591) (2019: HRK 156,099 (£18,425)), the total fee for Kevin McAuliffe's services amounted to HRK 140,560 (£16,591) (2019: HRK 156,099 (£18,425)) and the total fee for Yoav Papouchado's services amounted to HRK 140,560 (£16,591) (2019: HRK 156,099 (£18,425)). It should be noted that Yoav Papouchado is not remunerated for his position as an Alternate Director of the Company.

Options

	Number of options	Number vested as at 31 Dec 2020	Exercise price
Daniel Kos	50,000	50,000	6.9
	25,000	16,667	14.3
	100,000	–	13
	4,308	718	0

Gender pay gap

In consideration of the changes to the workforce in the 2020 year, the Company did not believe the figures as assessed on 5 April 2019 or 5 April 2020 were capable of providing reasonable insight into the Company's approach to the gender pay gap. Therefore the Company utilised the leniency provided under the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and did not publish its gender pay gap update in April 2019. Information on our gender pay gap for previous years can be found at https://www.pphe.com/responsibility/responsible-reporting.

As a Company, we are continuing with our aim of narrowing the gender pay gap, where such efforts were capable of making an impactful change in 2020. As operations return, the Company will be mindful of the gender pay gap. We remain cognizant that the industry faces the challenge of attracting applicants of both genders for roles where traditional gender associations exist. We intend to continue working with peers and through UKHospitality, a trade association for the UK hospitality industry, to raise awareness and promote all roles to be attractive to any gender. We have seen successes in women applying for engineering and chef roles and men going into housekeeping, meeting and event, sales and front office receptionist positions through our apprenticeship programme. This gap will close over time with continued cross-industry initiatives.

We will continue to implement strategies to minimise this gap and do our part to discourage the gender stigma that accompanies certain jobs within our hotels, such as housekeeping and maintenance support. Accordingly, we will continue to measure our gender pay regularly to ensure that what we are doing is having the desired effect, and if not, what we can do differently.

Nigel Keen
Non-Executive Director,
Chair of the Remuneration Committee

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

The Strategic Report and Directors' Report together are the Management Report for the purposes of Rule 4.1.8R of the DTR.

The following matters have been included in the Strategic Report but are incorporated by reference into this Directors' Report:

Topic	Section of the report	Page
Fair view of the Company's business	Strategic Report	2 to 81
Principal risks and uncertainties	Strategic Progress in 2020, Our Approach to Risk Management and Principal Risks and Uncertainties	28 to 40
Strategy	Strategic Report	20 to 30
Business Model	Our Business Model	6
Important events impacting the business	Strategic Report	8 to 81
Likely future developments	Strategic Report	8 to 81
Financial key performance indicators	Highlights	Highlights
Non-financial key performance indicators	Stakeholder engagement, team member engagement	68 to 71
Environmental matters	Responsible Business	78 to 81
Company's employees	Highlights	Highlights
Social, community and human rights issues	Responsible Business	71 to 81
S172 and relationship with suppliers, customers and others	Deputy Chairman's statement	82
Greenhouse gas emissions	Directors' Report	122
Directors' induction and training	Directors' induction	102 to 103

The following matters have been included in the Corporate Governance Report but are incorporated by reference into this Directors' Report:

Gender breakdown of Board and Leadership	Diversity	105

Appointment and replacement of Directors

Pursuant to the Articles, the Board has the power to appoint any person to be a Director. At every general meeting, a minimum of one third of the Directors shall retire from office. No person, other than a Director retiring at a general meeting, shall, unless recommended by the Directors, be eligible for election at a general meeting as a Director unless notice has been received from such person. In accordance with the Code and good corporate governance practice, the entire Board will stand for re-election at the forthcoming Annual General Meeting.

Pursuant to the Articles, Euro Plaza Holdings B.V. ('Euro Plaza') may:

– nominate two Non-Executive Directors to the Board for so long as Euro Plaza and its associates directly or indirectly control at least 30% of the issued shares in the Company; and
– nominate one Non-Executive Director to the Board for so long as Euro Plaza and its associates control at least 10% but less than 30% of the issued shares of the Company.

Pursuant to the Articles, Molteno Limited may nominate one Non-Executive Director to the Board for so long as Molteno Limited and its associates directly or indirectly control at least 10% of the issued shares in the Company.

The shareholders may, by ordinary resolution, resolve to remove any Director before the expiration of his or her period of office and appoint a replacement Director.

Share capital

The issued share capital of the Company together with the details of the movements in the Company's share capital during the year are shown in Note 12 to the consolidated financial statements.

Shares

There is currently only one class of share in issue (being ordinary shares) which all carry the same rights as one another. There are no shares in the Company which carry special rights with regard to control of the Company.

The following limitations on voting rights of shareholders apply:

– the Board may suspend the voting rights attached to any shares owned directly, indirectly or beneficially by a Non-Qualified Holder (as defined in the Articles)
– the Directors may at any time make calls upon the shareholders in respect of any unpaid shares. No shareholder is entitled to vote unless all calls due from him have been paid

The following deadlines for exercising voting rights apply:

– a written resolution will state a date by which the resolution must be passed. The Law imposes a default lapse date of 28 days from circulation of the written resolution if no lapse date is specified
– in the case of resolutions passed at general meetings of shareholders, voting rights may only be exercised at the time the resolution is proposed at the meeting

Any arrangements by which the financial rights to shares are held by a person other than the registered shareholder would be by agreement between the shareholder and the beneficiary. The Company is not obliged to recognise any such trust arrangements and shall pay any dividends to the registered shareholder.

With the prior approval of the shareholders by ordinary resolution, the Board may exercise all powers of the Company to allot and issue, grant rights to subscribe for, or to convert any securities into, an unlimited number of shares of each class in the Company.

Unless such shares are to be wholly or partly paid otherwise than in cash or are allotted or issued pursuant to an employee share scheme, any shares to be allotted and issued must first be offered to the existing shareholders on the same or more favourable terms.

The Company may from time to time acquire its own shares subject to the requirements of the Law. The Law requires the prior approval of any share buy-back by way of ordinary resolution of the shareholders and a certification by the Board that the Company satisfies the solvency test set out in the Law.

Articles

The Articles may be amended at any time by passing a special resolution of the shareholders pursuant to the Law. A special resolution is passed by a majority of not less than 75% of the votes of the shareholders entitled to vote and voting in person or by attorney or by proxy at a meeting or by 75% of the total voting rights of eligible members by written resolution.

Substantial share interest

The table provided on page 121 shows shareholders holding 5% or more of the issued share capital (excluding treasury shares) as at 26 February 2021.

No further interests have been disclosed to the Company in accordance with DTR 5 in the period between the end of the financial year and 26 February 2021.

Number of issued shares	44,347,410
Shares held in treasury by the Group	1,808,070
Number of issued shares (excluding treasury)	42,539,340

Shareholders with holding 5% or more of the Company's issued share capital (excluding treasury) as at 26 February 2021.

	Number of Ordinary Shares	Percentage of the Company's issued share capital[1]
Eli Papouchado[2]	13,760,260	32.35
Boris Ivesha[3]	4,636,974	10.90
Aroundtown Property Holdings	4,246,974	9.98
Clal Insurance Enterprises Holdings	3,461,941	8.14
Harel Insurance Investments and Financial Services	2,577,760	6.06

1 Excludes shares held in treasury.
2 Eli Papouchado is deemed to be interested in the Ordinary Shares held by Euro Plaza, Red Sea Club Limited and A.A. Papo Trust Company Limited.
3 Boris Ivesha (the President and Chief Executive Officer of the Company) is deemed to be interested in 4,636,974 Ordinary Shares held by Walford which is wholly-owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

Controlling shareholders

The Company's immediate controlling shareholders are Euro Plaza Holdings B.V. and Walford Investments Holdings Limited ("Walford"). Euro Plaza is ultimately controlled by Eli Papouchado, acting in his capacity as trustee of an endowment created under Israeli law ("the Endowment"). Walford is ultimately controlled by Clermont Corporate Services Limited ("Clermont"), a professional corporate trustee in its capacity as trustee of certain trusts established for the benefit of Boris Ivesha and his family. As required under Listing Rule 9.2.2 R(1), the Company has entered into separate relationship agreements with: (i) Euro Plaza and Eli Papouchado (acting in his capacity as trustee of the Endowment) and (2) Walford and Clermont, which as a concert party hold 43.25% of the issued share capital of the Company.

The Company has complied with the undertakings in Listing Rule 6.5.4R and Listing Rule 9.2.2ADR(1) since admission to the Premium Listing segment. So far as the Company is aware, these undertakings have also been complied with by Euro Plaza, Eli Papouchado, acting in his capacity as trustee of the Endowment, Walford and Clermont since admission.

In accordance with the relationship agreements entered into the Company's controlling shareholders, each of Euro Plaza and Walford is entitled to appoint representatives to the Board of the Company. Mr. Eli Papouchado is cleared to be the representative of Euro Plaza and Mr. Boris Ivesha is cleared to be the representative of Watford for these purposes.

DTR disclosures

Eli Papouchado is deemed to be interested in 13,760,260 ordinary shares, which constitutes 32.35% of the issued share capital (excluding treasury shares) of the Company:

- 12,207,843 ordinary shares held by Euro Plaza;
- Euro Plaza is an indirect wholly-owned subsidiary of A.P.Y. Investments & Real Estate Ltd ('APY'). 98% of the shares in APY are held by Eli Papouchado;
- 22,417 ordinary shares held by Red Sea Club Limited, a subsidiary of APY; and
- 1,530,000 ordinary shares held by A.A. Papo Trust Company Limited, which is wholly-owned by Eli Papouchado.

Boris Ivesha is deemed to be interested in 4,636,974 ordinary shares, which constitutes 10.90% of the issued share capital (excluding treasury shares) of the Company. The shares are held by Walford which is wholly owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

Eli Papouchado, Euro Plaza, APY and A.A. Papo Trust Company Limited and other parties related to him (together the "Red Sea Parties") and Walford, Clermont, Boris Ivesha and other parties related to him (together the "Ivesha Parties") are a party to a shareholders agreement dated 14 March 2013 (as amended from time to time) (the "Shareholders Agreement"). Pursuant to the Shareholders Agreement, it has been agreed that for so long as, inter alia, the combined interests of the Ivesha Parties and the Red Sea Parties in the Company are not less than 30% and the Red Sea Parties' interest in the Company is at least 20% of the share capital then in issue (excluding, in both cases, shares held in treasury), on any shareholder resolution all shares held by the Ivesha Parties shall be voted in a manner which is consistent with the votes cast by, or on behalf of, the Red Sea Parties in respect of that resolution. As a result, the Red Sea Parties are all considered to be interested in the shares in which the Ivesha Parties are interested.

Article 19 of the Market Abuse Regulation

The interests of each Director disclosed to the Company under Article 19 of the Market Abuse Regulation as at the end of the financial year are set out above and on page 118.

There have been no changes in the interests of each Director in the period between the end of the financial year and 26 February 2021.

Listing Rule 9.8.4R

The following table is disclosed pursuant to Listing Rule 9.8.4R. The table sets out only those sections of Listing Rule 9.8.4R which are applicable to the Company. The information required to be disclosed can be located in the Annual Report at the references set out below:

Section	Information	Location
4	Details of long-term incentive schemes	Note 13 to the consolidated financial statements
10	Contracts of significance	Notes 14 and 30 to the consolidated financial statements
11	Provision of services by a controlling shareholder	Note 30 to the consolidated financial statements
14	Controlling shareholder statement	Directors' Report

DTR 7.2.8

The following table is disclosed pursuant to Listing Rule 7.2.

Requirement	Page
Diversity Policy	104

Streamlined Energy and Carbon Reporting

In compliance with the new UK government Streamlined Energy and Carbon Reporting, UK Scope 1, Scope 2 and Scope 3 emissions, intensity ratio and yearly comparisons are provided below.

Total Emission Scope

Emission Type	Total Volume (kWh)	Calculated Emissions (Tonnes of CO_2e)
Scope 1 (direct)	19,203,213	3,532
Scope 2 (indirect)	20,787,984	4,847
Scope 3 (indirect)	–	–
Total	**39,991,198**	**8,379**

Emission	**Year 1 2020***
Tonnes of CO_2e	**8,379**
Intensity Ratio (tCO_2e) / Turnover £m)	**148.30**

* As this is the first year of reporting, there are no comparisons of change from previous years.

Quantification and Reporting Methodology

The organisation has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol – Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions. Energy usage information (gas and electricity) has been obtained directly from their energy suppliers and HH/AMR data, where available, for those supplies with HH/AMR meters. For supplies where there wasn't complete 12 month energy usage available, flat profile estimation techniques were used to complete the annual consumption. Transport was estimated for 3 company vehicles based on data provided for ESOS and proportioned based on limited travel for 2020. CO_2e emissions were calculated using the appropriate emission factors from the UK Government GHG conversion information and retained within the organisations Data File for reference where required.

Energy Efficiency Action

For energy efficiency actions, please see Our Planet section on pages 78 to 81.

Auditors

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Going concern

The Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities. Since the start of the COVID-19 pandemic multiple cash flow forecasts showing various scenarios for the period of 12 months from the date of signing these financial statements have been reviewed as part of the Group's three-year forecast to 31 December 2023, as set out on page 41. In determining the assumptions used in cash flow forecasts, the Directors considered various third party market predictions and considered the current principal and emerging risks facing the Group while focusing specifically on COVID-19 and the impact this could have on future performance and liquidity of the Group. Based on these cash flow forecasts, the directors confirm they have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This, taken together with their conclusions in Note 1(c) to the consolidated financial statements, has led the Directors to conclude that it is appropriate to prepare the 2020 consolidated financial statements on a going concern basis.

Financial risk management objectives and policies

In addition, Note 31 to the consolidated financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

Directors' responsibilities

The Directors are required to prepare the Annual Report and the consolidated financial statements for each financial year to give a true and fair view of the state of affairs of the Company and the undertakings included in the consolidation taken as a whole as at the end of the financial year, and of the profit or loss for that year.

In preparing the consolidated financial statements, the Directors should:

– select suitable accounting policies and apply them consistently;
– make judgments and estimates that are reasonable;
– state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
– prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements have been properly prepared in accordance with the Law. The Directors are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' declaration

So far as each of the Directors, who is a director at the time the Directors' Report is approved, is aware, there is no relevant audit information of which the Company's auditor is unaware and each has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' responsibility statement

Each of the directors named on pages 84 and 85, save for Nigel Jones and Dawn Morgan who were no longer Directors as of the time of the publication, confirms to the best of his or her knowledge that:

(i) the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

(ii) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and provides information necessary for shareholders to assess the Company's performance, business model and strategies.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by

Boris Ivesha
President &
Chief Executive Officer

Daniel Kos
Chief Financial Officer
& Executive Director
1 March 2021