

## Business review continued

## Management and Central Services



### Our performance

Revenues in this segment are primarily management, sales, marketing and franchise fees and other charges for central services.

These are predominantly charged within the Group and therefore eliminated upon consolidation. The segment shows a positive EBITDA as management fees that are charged, both internal and external, exceed the costs in this segment.

Management, group central services, and license, sales and marketing fees are calculated as a percentage of revenues and profit, and therefore these are affected by underlying hotel performance.

### Management and Central Services

Reported in GBP (£)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Total revenue before elimination	<b>£42.0 million</b>	£42.4 million
Revenues within the consolidated Group	<b>£(36.8) million</b>	£(37.4) million
External and reported revenue	<b>£5.2 million</b>	£5.0 million
EBITDA	<b>£10.3 million</b>	£10.5 million

### INSPIRING GUESTS

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### CREATING CENTRES OF EXCELLENCE

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### DEVELOPING OUR PEOPLE

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### BEING PART OF OUR COMMUNITIES

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# RESponsible Business

At PPHE Hotel Group we pride ourselves on delivering responsible experiences in everything we do as a business.

This approach covers the wide range of unique hospitality experiences offered across all of our hotels, resorts, campsites, restaurants, bars, spas and the operations that make up our business for our guests, team members, partners, shareholders and members of the communities in which we operate.

## Responsible business continued

## DOING BUSINESS RESPONSIBLY

**A shifting landscape**

Since we acquired our first property in Eindhoven in 1989, PPHE Hotel Group has grown into an international hospitality real estate group with prime freehold and long leasehold assets in Europe. Our primary activity of developing, owning and operating hotels, resorts and campsites and many restaurants, bars and spas creates an increased level of responsibility to our guests, team members, partners, shareholders and the communities in which we operate. In turn, these stakeholders are placing a higher value on a brand's responsible initiatives and the impact it is having on the world.

**The travel and hospitality sector**

For the first time in recent history it is reported that the demand for travel is outpacing demand for consumer goods. Travel and tourism bookings have hit record levels over the past two years driven by a strengthening global economy. The Global Business Travel Association (GBTA) reports that it expects global business travel spending to continue to accelerate after already seeing record levels over the past few years.

Given this unprecedented growth it is more important than ever that businesses in the property and hospitality sectors take responsibility for their impact on the world and for their team members' wellbeing. It is critical that sustainability and risk management are inextricably linked with long-term growth strategies, with vigilance around evolving, high profile forms of risk such as the General Data Protection Regulation, gender pay equality, cyber security and food safety.

At a time when the European parliament has overwhelmingly backed a wide-ranging ban on single-use plastics such as plastic straws, cotton swabs, disposable plastic plates and cutlery – all of which are to be banned by 2021, and 90% of plastic bottles to be recycled by 2025 – eco-consciousness is on the rise in the hospitality industry. Guests are also looking for sustainable and authentic experiences and hotels are going green as millennials demand sustainable travel options.

Brands who fail to innovate and adapt to this responsibility risk losing market share. Today's consumers have access to instant information and use this to compare more hotel and private accommodation options than ever before. Along with this choice, comes expectations.

**A responsible business strategy Responsible Experiences**

As outlined in our 2017 Annual Report, the Company has created a responsible business strategy – Responsible Experiences – that builds on the corporate social responsibility (CSR) activity of previous years to create a long-term sustainable and responsible business model.

Responsible Experiences was developed by our team members using our current values and the way our properties and their teams already go about their daily work. We have defined a responsible business mission and the four pillars reflecting key areas of activity and impacts.

🖨️ online <https://www.pphe.com/responsibility>

In 2018, we have been taking positive steps to integrate Responsible Experiences into our business model and day-to-day activity. This has involved setting ourselves goals under each pillar, the majority of which are based on existing activity within our Group, while others have been set to challenge the Group and introduce new areas of activity.

Each goal has a series of measures associated with it to help us monitor and evaluate our efforts. We are currently working on internal systems and processes to ensure that we can accurately report on these.

🖨️ For more information on our goals and measures visit our website <https://www.pphe.com/responsibility/our-approach>

We are working closely with Arena Hospitality Group to ensure that all systems, goals and measures align, which is a committed aim of the Group in 2019.

During the summer of 2018 we also conducted a comprehensive online materiality survey with over 4,000 key stakeholders. We are using the results of these findings to prioritise activity within the Group and to determine which measures to concentrate on first.

🖨️ For more information on our materiality survey visit our website <https://www.pphe.com/responsibility/stakeholder-engagement-materiality>

This report focuses on our progress in each of the four pillars across the last 12 months. Where possible, we have highlighted key facts and figures that are considered relevant by our stakeholders and are also important to the success of our business.

In 2018, we also joined our strategic partner, Radisson Hotel Group, as a supporter of the International Tourism Partnership (ITP). The ITP supports four of the UN Sustainable Development Goals focused on carbon, water, youth employment and human rights. We welcome the opportunity this membership brings for furthering our learning, allowing us to attend stakeholder member meetings and sharing best practice alongside other supporter events and roundtables.

**Managing Responsible Business at PPHE Hotel Group**

We are committed to conducting our business with honesty and integrity. We provide an environment in which team members are supported and encouraged to work responsibly. Our commitment to ethics, governance and compliance starts at senior management level, with the Executive Team driving Responsible Business initiatives and supporting the Regional and Property Team Members. Collaboration ensures Responsible Business remains relevant in our day-to-day operations.

Responsible Business is a focus of our new team member integration and features in our 'Feeling Welcome' induction programme. We aim for year-on-year enhancements to our Responsible Business strategy and encourage all team members to join in our collective effort to creating an environment where Responsible Business is integral in everything that we do.

**Our mission in 2019**

We are proud of the progress we have made with Responsible Experiences in 2018, but we realise that we are at the start of this process and still have a long way to go before we have achieved our ambitions for this initiative.

Over the next 12 months our aim is to build a digital data collection tool that ensures that the data we collect is up-to-date and accurate. In creating this we will also produce standards and procedures to define what the data is and its source, which will enable us to create consistency across the Group, track our progress, celebrate our successes and identify areas for improvement. We can then work together to set targets and define Group-wide initiatives that will help us achieve our Responsible Experiences goals.

**Responsible Experiences**

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## Responsible business continued

# INSPIRING GUESTS

Guests will always be the primary focus for all Group activity. As highlighted in the materiality survey, 'Inspiring guests' was ranked as the most important Responsible Experiences pillar amongst our stakeholders. For this section, we focus on how responsible business activity is conducted with the specific aim of creating valuable memories by delighting our guests every day, through engaging service, quality products and inviting places.

## The guest experience and futureproofing

One of our primary goals is to recognise and create opportunities and develop the properties in our portfolio to reach their full potential. We are committed to investing in the renovation and development of our hotels, resorts and campsites. These projects, which will enhance the quality and appeal of our offer, are part of our real estate investment programme. The feedback from our guests indicates that they appreciate these investments.

In 2018, as part of our Responsible Experiences strategy, we decided to upgrade our guest satisfaction and online reputation monitoring tools. For this purpose, we partnered with ReviewPro, which in our view is best aligned to help us meet our goals.

ReviewPro measures and ranks two main areas:

- 1) An analysis of online (third party) review websites. It then calculates the GRS™ (Guest Rating Score), the most important metric for measuring online reputation performance
- 2) An analysis of survey responses from guests. It then calculates the NPS (Net Promoter Score®), the most relevant metric for measuring our guests' feelings towards our hotels

The reasons for choosing ReviewPro lie in the unique benefits it offers:

- Unified dashboard view of both guest satisfaction results and online reputation performance according to external review websites
- Simplified platform navigation with a wide range of functionalities, which will reduce the amount of time our team members spend in responding to reviews/surveys
- New features that will help us to better understand and improve our business

## Health and wellbeing

We ensure that our products and services are advertised in strict conformity with legal requirements as well as with ethical and cultural standards. We comply with our own Company-wide code of conduct, as well as with regulations, guidelines and rules laid down by national advertising boards. We are committed to complying with applicable consumer-protection regulations and to employing appropriate sales, marketing and information practices in communications with our customers.

In 2018, we have commissioned the services of Clifton Environmental Management Ltd, a leader across the Leisure and Hotel Business Industry, to carry out a programme of external Health, Safety and Food Management audits across all our properties in all regions. Clifton also acts as the approved external contractor and support the Group where needed with expert opinion and Incident and Emergency management services.

Customer satisfaction and guest complaints are key to the development of our brands and services. We have a robust process in place that addresses the issue at hand and feeds directly into how we evolve the guest experience. This ensures that we build a service offering that is tailored to our guests and is informed by guest feedback.

## Safety and security

The safety and security of our guests and team members remains our priority at all times. All hotels have in place an Accredited Fire Risk Assessment, in full compliance with the Regulatory Reform (Fire Safety) Order 2005 and Regional Fire Statutory requirements. Each hotel has rigorous safety measures in place including emergency evacuation plans. Measures include sprinkler systems, smoke detectors, CCTV, team training and refresher training as well as ongoing full hotel evacuation training. All hotels are manned 24 hours a day.

In 2018, PPHE Hotel Group was successful in its application to be included in the British Safety Council 2019 'Sword of Honour' awards. The British Safety Council is widely recognised as the market leader in worldwide health and safety standards. The Sword of Honour is awarded to a maximum of 40 businesses per year and is regarded as a top standards award,

only given to businesses that can prove through a rigorous audit and compliance programme they are industry leading.

We take the privacy of our customers very seriously. Over the last year we have reviewed our systems and policies to ensure that we are GDPR compliant. In order to comply, we identified how we process data and have instituted policies to process it in line with this new European law. We have a system in place to identify when we deviate from the prescribed procedures of processing data, either by using technology or by self-reporting to one of our hotlines. We have implemented two hotlines, one for the public and one for team members, both of which are directed to our compliance team. We have also designed and are currently implementing a new training system for our team members, enabling them to report any misuse of personal data to our hotline, allowing us to mitigate and prevent further risk.

## Human rights

The Group requires its team members to uphold the Group's principals and policies on business ethics and anti-bribery and corruption. We introduced a Code of Ethics and Whistleblowing Policy during 2013 that applies to all Group Team Members. We require compliance with a comprehensive suite of anti-bribery policies, including a Gifts and Entertainment Policy which extends to all business dealings and transactions in which we are involved. This includes a prohibition on making political donations, offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. Our policies and guidance in this area are routinely reviewed. These policies are included in our training and induction programme 'Feeling Welcome'.



# CREATING CENTRES OF EXCELLENCE

As a multi-brand owner and operator of 46 hotels, resorts, campsites and many restaurants, bars and spas across several key cities and resorts in Europe, it is critical that we develop a blueprint for long-term sustainable development and ethical operational practices.

Implementing our blueprint will form a critical part of our team member and guest education and engagement, having them contribute to our sustainability projects as and when appropriate. As highlighted in the materiality survey, 'Creating centres of excellence' was ranked as the Responsible Experiences pillar with the most impact.

## Goals:

- 1) Reduce carbon footprint
- 2) Reduce water usage
- 3) Reduce waste and recycle more
- 4) Increase the use of ethically sourced and eco-friendly materials
- 5) Increase diversity in the workplace

## Carbon footprint

The management of our energy use has always been important to the Group and we have had success in reducing our carbon emissions over a long period of time. All our achievements in energy saving have been made possible by the commitment of our local hotel management teams and our regional general managers. A key driver of this is our 'Save tomorrow, today' programme, where we actively engage our guests in reducing their impact on the environment through the reduction of water, electricity and cleaning materials used in our properties.

Whilst we are proud of our successes to date, we need to ensure that the Group continues to perform well. In 2018, we introduced an online energy monitoring tool for all our properties in the Netherlands, the United Kingdom and Germany with the intention to roll this out across all properties in the Group. The online tool allows us to receive accurate updates on all our energy consumption. This information provides us with the ability to monitor peaks and troughs in usage. The benefits of this are not only commercial, but will also allow us to explore ways to reduce our carbon footprint.

In addition, all our hotels are encouraged to continue to improve their ratings from independent organisations and associations such as The Green Key and The Green Tourism Business Scheme.

Visit our website at [pphe.com/responsibility/creating-centres-of-excellence](http://pphe.com/responsibility/creating-centres-of-excellence) for more information

**Responsible business continued****Water use**

Alongside the online energy monitoring tool, we also plan to implement an online water usage monitoring tool for all properties in the Group in 2019. Whilst we already encourage all our hotels to minimise their water usage and this is also included in the 'Save tomorrow, today' programme, we feel the online tool will allow us to effectively monitor and manage water use in our properties.

**Waste and recycling**

As a Group, we encourage all our hotels to reduce the amount of waste they produce. This is achieved in many different ways, including reducing the use of consumables such as cleaning materials, packaging and paper, with a view to further minimising environmental impact.

**Procurement**

A key area of impact we have on the environment and the communities in which we operate is our supply chain – this being the goods and services which we buy both in the countries where we operate and from elsewhere.

It is important that all procurement decisions ensure that our hotels get the goods and services they need to operate effectively, and at the right price, whilst ensuring that robust due diligence has been performed to ensure that any social and environmental issues are properly understood and addressed. As a key component of the continuous development of our management processes, we have now implemented a centralised e-procurement system (Procure to pay) across the United Kingdom and the Netherlands. We plan to continue the rollout of this system with Croatia to follow after this. The system provides complete transparency of all our suppliers for all outlets in all regions and allows us to include a strict audit and supply chain process that can be developed as our business grows and our requirements change.

The issues we face with our supply chain are constantly changing and evolving. It is a continuing process to improve and strengthen our procurement activity to ensure that relevant issues are properly understood and managed in each buying decision we make. Our responsible business strategy will help us to identify and prioritise the areas to concentrate on.

**Strategic partners/suppliers**

Teamwork is a key value and we like to collaborate with our strategic partners and business suppliers. It will never be our intention to reject strategic partners and business suppliers because they present environmental or social challenges, but only if they refuse to address these. Where issues do emerge, we will always endeavour to work together to address them.

In 2019 we will be introducing a strategic partner and supplier "code of conduct" policy which will require our partners to be transparent with us and provide relevant information about the goods or services they provide. The "code of conduct" will outline how we expect all our strategic partners and business suppliers to comply with all relevant legislation in the countries where we operate or in those countries where goods or services are sourced. This includes legislation relating to the environment, health and safety and employment, as well as any other regulations relating to the goods or services they provide.

Our supplier contract management also provides us with the information we need to monitor and manage supplier activities across the Group and help improve accountability for all.

**Equality and diversity**

PPHE is fully committed to respect and deliver fair treatment for everyone, eliminating discrimination and actively promoting equality of opportunity and delivering fairness to all. In addition to being compliant with equality laws, public duties, and Human Rights Acts (universal and European), the Group supports diversity and promotes equality of opportunity for all team members, students and customers regardless of their:

- protected characteristics (Equality Act 2010):
  - age;
  - disability;
  - gender reassignment;
  - marriage and civil partnership;
  - pregnancy and maternity (including paternity);
  - race (colour, ethnic or national background);
  - religion or belief (including non-belief);
  - sex/gender; and
  - sexual orientation.
- caring responsibilities for a 'protected characteristic' including dependants;
- socio-economic background/grouping;
- union activity; and
- unrelated spent criminal convictions.



# DEVELOPING OUR PEOPLE

We are a truly international organisation which employs more than 4,100 team members from over 30 different nationalities. With such a diverse workforce, it is important that the Group has a strong company culture and leadership that inspires our team members to share our passion to perform.

We recognise that our team members are central to the success of the Group and how we operate. Our company culture is one of trust, respect, caring and connecting, and is also about personal growth.

The overall Group's context of 'placing the guest experience at the heart of everything we do' supports this. It is critical that we invest in our talent and encourage their growth by delivering an exciting and forward-thinking workplace for them to develop their skills and knowledge, providing them with the opportunities to grow with our business.

**Goals:**

- 1) Linking development to learning
- 2) Attract and retain talent



We see our learning and development programmes as key to the development of our team members and, to support the professional and personal growth of every team member, we have developed the 'you:niversity'. This is an extensive resource of learning and development programmes created to enable our leaders and team members to develop the individual and organisational capability needed to achieve their personal growth, career progression potential and our overall business strategy.

In 2018, we made further progress refining our learning and development programmes for our team members. Our trainings were delivered by more than 85 internal trainers, with the support of almost 100 internal coaches. All our new team members attended our mandatory induction programme, an all-encompassing programme which ensures that new starters are off to a great start and understand our culture, values and their role in delivering inspirational guest experiences and our business objectives.

**you:niversity framework**

We have reviewed the current offering in the you:niversity framework and the overall learning and development strategy. The mapping of our training offering has given us better insight into the purpose of

individual trainings and the priority for continuous development. Combining the development priorities with our learning and development strategy and an analysis of the changing needs of the Company has resulted in a clear vision for the future developments of our you:niversity framework. We have identified the following key objectives for 2019: enhancing our learning culture, encouraging a blended and personalised learning approach, both self-directed learning and leader-led development, supported by technology and clearly measured.

**Talent management**

We put great emphasis on supporting and encouraging team members to develop and grow their careers within the business. Inspiring internal talent has continued to play an important role in 2018 and will be a priority for our future success. Developing our talent as a resource is an operational responsibility, supported by the Human Resources and Learning and Development representatives in all hotels and in each region.

**Responsible business continued**

To help support the Group with Talent Management, a robust process is in place which ensures that leadership is actively engaged with identifying and developing our internal talents. Regular talent meetings take place where development plans are created that guarantees the team members' and our Company's growth strategy. In our four regions, 81% of our team members have had a Performance & Development Review meeting with their manager to review their personal development potential.

**you:niversityplus**

We benefit from strong relationships with universities and hospitality schools across Europe and, to strengthen this cooperation, we have designed our you:niversityplus programme. The aim of this programme is to attract and retain highly engaged students and apprentices. This programme is tailored to their development needs and helps them develop their communication and cooperation skills. It is also a useful way of demonstrating the diversity of job opportunities within our Group.

**you:niversitynext**

The you:niversitynext is our fast track Management Development Programme designed to give a clear insight into a wide range of managerial elements of our business on a two-year learning journey.

The strategic goal is to develop our talent pipeline for the future and this programme has a clear purpose as a method for growing our managers of the future, targeting four key talent streams – internal talent, recognised and nominated through Talent Bank and mobile in region, external college/university education and hospitality work experience; Hospitality or Business focused degree, Supervisor level work experience in Hospitality with suitable foundation education.

In 2018, we increased the programme to five participants in the UK, and launched the programme in The Netherlands starting with one participant to ensure that we have the right format for each market – and we expect this number to increase in the coming years as the popularity of the programme continues to grow across the Group.

This format gives the best possible exposure to the key areas of the business along with a range of opportunities to develop managerial knowledge, soft skills and leadership styles – with experiences spanning our hotels, support functions and regional offices to become a successful hotel management professional in our properties.

**Employment**

PPHE Hotel Group employs a diverse workforce across our four regions, with a gender mix of 45% men and 55% women. Around 70% of our workforce is between the ages of 21 and 40, followed closely by 31 to 40, after which comes our workforce of people aged 41 to 50.

Around 600 new team members joined PPHE Hotel Group as part of the UK Accommodation Services team; this decision was taken to enable a higher team member engagement in our UK-based housekeeping team.

We have been measuring employee engagement since 2015 and it continues to play an important role in the further development of the Group by helping us understand the employee experience. Developing our employee experience is critical to developing our guest experience. Having a highly engaged workforce is imperative to our success and ability to attract and retain highly competent and motivated team members. Creating a culture where team members feel safe to share their opinion and help us shape the future of our Group together is essential for the success of our business and all our managers and leaders play a vital role in this process.

To measure employee engagement, we have developed a model with four engagement drivers: My Job; My Manager; Our Team; and Our Company. By answering detailed questions across these four engagement drivers, overall engagement of our team members is established.

Our engagement survey is conducted digitally at least once a year and is available in multiple languages to remove as many barriers to entry as possible and encourage participation. In 2018, we achieved an engagement index score of 83.6. With 3,320+ team members participating in the full scale survey, the participation ratio remained steady at 93% for all Group employees.



# BEING PART OF OUR COMMUNITIES

As a developer, owner and operator of hotels, resorts and campsites, restaurants, bars and spas, it is important that we work closely with our neighbourhoods and make a positive contribution to our local communities and the people who live there. We do this in a number of different ways. We are actively involved with a number of fundraising activities throughout the year that make a big difference to people's lives and the environment, and we also engage with our local communities through volunteering and local resourcing partnerships and charities.

We have a strong commitment to this pillar and are constantly reviewing our community and charitable activity to ensure that it has maximum impact at a local level, but also resonates globally and supports the Group in meeting its objectives and responsibilities.

**Charity initiatives and volunteering**  
**Group-wide**

2018 saw the Group support two charitable initiatives across all properties at an international level.

The first was THINK PINK!, PPHE's Group-wide awareness campaign which took place in October in support of the globally recognised Breast Cancer Awareness Month. An annual event, THINK PINK! saw hotels, restaurants, bars, spas and offices in the United Kingdom, the Netherlands, Germany and Hungary raise funds and drive awareness of women's and men's health through a number of initiatives including pink-themed afternoon teas, a Big Pink Day where offices and hotels could donate to wear a hint of pink for the day, and of course the annual London relay where hotel and office teams raced between five Park Plaza Hotels & Resorts properties. The total raised across all regions was £20,000.

The second was 'Save tomorrow's trees today' where Park Plaza Hotels & Resorts supported partner charities the World Childhood Foundation and Nottinghamshire Wildlife Trust (NWT) as part of Radisson Hotel Group's Community Action Month. Volunteering hours have been donated to NWT to maintain the 40 trees planted in 2016, which represent the 40 international Park Plaza Hotels & Resorts properties. Fundraising activities included a donation on sales of a Juniper and Pineapple Tree inspired Gin cocktail, hotel check-out donations, tree-themed cake sales and a PPHE Quiz Night; with all contributions going to the World Childhood Foundation.

Total cash donations across these two international initiatives equalled £29,821, while total volunteering hours amounted to 60.5 hours.

**Contributions and investments**

Outside of the financial contributions we make to our local communities via charity initiatives and fundraising, we work with a number of local organisations on a benefit basis. One example is this year we have hosted and supported the International Sound & Film Music Festival held at the Park Plaza Histria Pula. The ISFMS festival focuses on the promotion of film sound and music as well as education and each year offers a programme composed of lectures, panels and workshops with international guests, music professionals from around the world. This year, for the first time in Croatia, European Camille Awards for the best film composers were awarded at the festival.

**Engagement with our local communities**

Employing team members who live near our properties is not only good for the environment, but supports our objective to be part of our local communities.

At Group level, we partner with the EMCup Hotel Management Schools Forum, Europe's leading hotel school networking event, participating in 2018 on the Business Jury Panel to offer commercial advice to the next generation of hospitality students, and hosting the networking evening to introduce students to employment opportunities within PPHE Hotel Group.

The partnership also aids in building long-standing relationships with hospitality students and Hotel School leaders across the Netherlands, Switzerland and Ireland.

For information on our local initiatives visit our website: [pphe.com/responsibility/being-part-of-our-communities](http://pphe.com/responsibility/being-part-of-our-communities)

**Goals:**

- 1) Increasing our charity initiatives and volunteering
- 2) Contributions and investments with our local community
- 3) Engagement with our local community