

Corporate Governance Report

Corporate Governance Framework

BOARD

**Chairman, Chief Executive Officer,
Deputy Chief Executive Business Development & Finance
Deputy Chief Executive, and three Non-Executive Directors**

THE BOARD IS GOVERNED BY:

- › A schedule of Matters reserved for the Board which sets matters that only can be decided by the Board
- › Terms of Reference for Committees which set out matters the Board has authorised the Committees to deal with
 - › Terms of reference are available on the Group's website at www.dalatahotelgroup.com

OUR COMMITTEES

Nomination Committee	Audit & Risk Committee	Remuneration Committee
<ul style="list-style-type: none"> › Three Independent Non-Executive Directors › Leads the process for Board appointments and re-election, succession planning of Directors and the Chairman and Board Performance Evaluation › Committee Report on pages 70 to 71 	<ul style="list-style-type: none"> › Three Independent Non-Executive Directors › Responsible for overseeing the Group's financial reporting, internal and external audit, internal control and risk management system › Committee Report on pages 72 to 77 	<ul style="list-style-type: none"> › Three Independent Non-Executive Directors › Responsible for advising the Board on remuneration of Executive Directors and setting an overall policy for remunerating the Group's employees. › Committee Report on pages 78 to 89

CHIEF EXECUTIVE OFFICER

Executive Risk Committee	Disclosure Committee
<ul style="list-style-type: none"> › Head of Risk and Compliance and Group Senior Managers › The Committee meets regularly during the year to review and consider the Groups risk management policy and risk register. 	<ul style="list-style-type: none"> › Chief Executive Officer, Deputy Chief Executive Business Development & Finance and Company Secretary › The Committee meets regularly during the year to consider the Group's disclosure obligations and to review results announcements prior to release

Executive Management Team

Chief Executive Officer, Deputy Chief Executive Business Development & Finance,
Deputy Chief Executive

LEADERSHIP

Role of the Board

The key responsibilities of the Board are to set strategy, to monitor management and hold them accountable for performance against agreed targets, and to provide appropriate challenge to ensure management remains focused on achieving the strategic objectives for delivering value to the shareholders and other stakeholders. Although not involved in the day-to-day management activities, the Board does have a formal schedule of matters reserved for its own consideration which includes:

- › Group strategy, business objectives, long range plans and annual budgets;
- › Determining the nature and extent of the risks the Group is willing to accept to achieve its strategic objectives;
- › Board membership and senior appointments within the Group
- › Major changes to the Group's capital, corporate or management structure;
- › Material acquisitions, disposals and contracts;
- › Annual and interim results;
- › Major changes to the Group's internal controls, risk management or financial reporting policies and procedures; and
- › Treasury policy.

The Board has delegated a number of these responsibilities to standing committees of the Board as detailed below and also to the Executive Management Team of the Group, having first approved the terms of reference of those committees and the authority limits of management, and receives regular reports in respect of all delegated authorities.

Board composition

The Board comprises a Non-Executive Chairman, three Non-Executive Directors and three Executive Directors (Chief Executive Officer, Deputy Chief Executive and Deputy Chief Executive - Business Development and Finance). The Board considers that there is an appropriate balance between Executive and Non- Executive Directors for governing the business effectively and promoting shareholder interests. It also considers that both Executive and Non-Executive Directors have the necessary skills, knowledge and experience, gained from a diverse range of industries and backgrounds, required to manage the Group.

Detailed biographies of current Directors are set out on pages 56 to 57. The overall composition and balance of the Board is kept under review as detailed in the programme of work undertaken by the Nomination Committee, set out in its report on pages 70 to 71. The Nomination Committee has reviewed the composition of the Board during 2017. A Board size of seven directors is a size which functions efficiently, comprises the skills and expertise required by Dalata and meets corporate governance best practice guidelines on independence. The Board will continue to manage the orderly succession of Non-Executive Directors.

Division of responsibilities

The roles of the Chairman and the Chief Executive Officer are separately held and the division of their responsibilities is clearly established.

Chairman

The Chairman's primary responsibility is to lead the Board, to ensure it has a common purpose, is effective as a group and at individual director level and upholds and promotes high standards of integrity and corporate governance. He is also responsible for

ensuring that all directors have full and timely access to the information necessary to enable them to discharge their duties. He ensures that Board agendas cover the key strategic issues confronting the Group and that the Board reviews and approves management's plans for the Group. He is responsible for overseeing the annual board evaluation.

The Chairman is the link between the Board and the Company. He is specifically responsible for establishing and maintaining an effective working relationship with the Chief Executive Officer and promotes a culture of strong open dialogue between the Executive and Non- Executive Directors. He has the responsibility to ensure that there is ongoing and effective communication with shareholders and to ensure that members of the Board develop and maintain an understanding of the views of the shareholders.

Chief Executive Officer

The Chief Executive Officer is responsible for the day to day management of the Group's operations and for the implementation of the Group strategy and policies agreed by the Board. The Chief Executive also has a key role in the process of setting and reviewing strategy. The Chief Executive instils the Group's culture and standards which includes appropriate corporate governance throughout the Group.

Non-Executive Directors

The Non-Executive Directors' main responsibilities are to review the performance of management and the Group's financial information, assist in strategy development, and ensure appropriate and effective systems of internal control and risk management are in place. The Non-Executive Directors review the relationship with external auditors through the Audit and Risk Committee, monitor the

remuneration structures and policy through the Remuneration Committee and consider the Board composition and succession planning through the Nomination Committee.

The Non-Executive Directors provide a valuable breadth of experience and independent judgement to Board discussions. Details of the Non-Executive Directors are set out on pages 56 and 57 and the Board considers that their biographies reflect suitable breadth and depth of strategic management experience.

Senior Independent Director

Mr Alf Smiddy is the Senior Independent Director. He is responsible for conducting an annual performance review of the Chairman, facilitating the board evaluation process, providing advice and judgement to the Chairman as necessary, serving as an intermediary to the other directors when necessary, and being available for shareholders who have concerns that cannot be addressed through the normal channels of Chairman, Chief Executive Officer or Deputy Chief Executive, Business Development & Finance.

Company Secretary

The Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are followed, assisting the Chairman in relation to corporate governance

matters, and ensuring compliance by the Group with its legal and regulatory requirements. The Company's Articles of Association and Schedule of Matters reserved for the Board provide that the appointment or removal of the Company Secretary is a matter for the full Board.

Directors have access to independent professional advice, at the Group's expense if, and when required.

Executive Management Team

The Executive Management Team has collective responsibility for the day-to-day running of the Group's business. It is chaired by the Chief Executive Officer and includes the Deputy Chief Executive, Deputy Chief Executive - Business Development and Finance, Company Secretary, and Senior Managers. Detailed biographies of the Executive Management Team are set out on pages 58 and 59.

Conflicts of Interest

The Board reviews potential conflicts of interest as a standing agenda item at each board meeting. Directors have continuing obligations to update the Board on any changes to these conflicts.

D&O Insurance

The Company maintains Directors' and Officers' liability insurance cover, the level of which is reviewed annually.

Attendance At Board Meetings During The Year Ended 31 December 2017

During 2017, the Board held eight scheduled meetings. In addition to the scheduled meetings, the Board also met on two occasions to address specific matters. Individual attendance at these meetings is set out in the table below.

The Chairman and the Non-Executive Directors met as a group without the Executive Directors from time to time throughout the year.

Number of Board Meetings attended by Directors:

Member	No. of meetings
John Hennessy	8/8
Patrick McCann	8/8
Dermot Crowley	8/8
Stephen McNally	8/8
Margaret Sweeney	8/8
Alf Smiddy	8/8
Robert Dix	8/8

EFFECTIVENESS

Meetings

Board meetings are intentionally held at Dalata hotels in different locations to broaden the Board's exposure to the markets in which the Group operate and to provide opportunities to meet frontline staff and other colleagues.

During the year the Board spent significant time considering the Company's key strategic projects, receiving deep dive management presentations and comprehensive updates. Projects included the Sale and Leaseback of Clayton Hotel Cardiff and Hotel La Tour, Birmingham and also signing of agreements to lease new hotels on completion in Manchester and Glasgow.

In May the Board went to Belfast, to visit the construction site of our new Maldron Hotel opening in 2018. They met with the new General Manager of the Hotel and had a tour around the site.

In June they held a strategy day, where they spent the day considering the Group's strategy for the coming years. The Board regularly have discussions on strategy at the majority of Board meetings.

Board Committees

The principal Committees of the Board are the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. These Committees have been established with formally delegated duties and responsibilities.

Following the introduction of the Market Abuse Regulation in July 2016, the Company established a Disclosure Committee. This Committee comprises of two executive Directors and the Company Secretary and has responsibility for, among other things, considering and advising on a timely basis the disclosure treatment of material information disclosed in public filings, determining on a timely basis the disclosure treatment of material information, overseeing the preparation of regulatory filings and assisting in the design, implementation and periodic evaluation of the adequacy and effectiveness of disclosure controls and procedures.

Board Independence

The independence of each of the Non-Executive Directors is considered upon appointment, and on an annual basis by the Board. The Board has determined all of the Non-Executive Directors to be

independent within the meaning of the term as defined in the 2016 Code. The Board gave particular consideration to the independence of Robert Dix given his directorship in The Quinn Property Group. Both Robert Dix and Pat McCann are currently Non-Executive Directors in The Quinn Property Group. The Board has concluded that notwithstanding this relationship, his breadth of expertise, experience, knowledge and connections brings significant value to the Board. The Board remain satisfied that he is able to apply objective, unfettered and independent judgement and act in the best interests of the Company regardless of this relationship.

The independence of the Non-Executive Directors is fundamental to the Board's decision-making and discussion. Any director who has concerns about the running of the Group or a proposed course of action is encouraged to express those concerns which are then minuted. No such concerns were raised during 2017.

Photo: Meeting Room, Clayton Hotel Chiswick



Our Board During 2018

Board and Committee meetings are held at different locations throughout the year allowing non-executive directors to engage with the business. Meeting agendas are designed to comprehensively cover oversight responsibilities of the Board and the duties of the Committees.

The Board reviews financial results and receives updates from operations, and acquisition and developments at each regular meeting. Here is a summary of our activity and a selection of highlights from 2017.

January	February	March	April	May	June
Clayton Hotel Dublin Airport Board <ul style="list-style-type: none"> Review planned extension with General Manager Strategy scope 	Clayton Hotel Ballsbridge Board Remuneration Nomination <ul style="list-style-type: none"> Full year results 2017 LTIP 	Clayton Hotel Ballsbridge Remuneration <ul style="list-style-type: none"> Vesting 2014 LTIP <p>No board meeting in March.</p> <ul style="list-style-type: none"> Post-results Shareholder engagement 	Clayton Hotel Silver Springs Cork Board Remuneration <ul style="list-style-type: none"> Visits to three hotels and South Mall site Portlaoise, Liffey Valley and Cardiff Lane acquisitions Cardiff sale and leaseback Employee engagement 	Clayton Hotel Belfast Board Remuneration <ul style="list-style-type: none"> New Maldron Hotel site inspection Market research and customer sentiment 	Churchtown House, Dublin Board Strategy Day <ul style="list-style-type: none"> Five year strategy UK market analysis
Central Office Dublin Audit and Risk <ul style="list-style-type: none"> Risk review Finance and purchasing systems 	Gibson Hotel Dublin Audit and Risk Remuneration <ul style="list-style-type: none"> Full year results Annual Remuneration Policy 			Maldron Hotel Pearse St, Dublin Audit and Risk <ul style="list-style-type: none"> Health and safety Self-Insurance 	

July	August	September	October	November	December
Maldron Hotel Limerick Board Nomination Audit and Risk <ul style="list-style-type: none"> Hotel La Tour acquisition Depreciation review 	Central Office Dublin Audit and Risk <ul style="list-style-type: none"> Interim results EY IT risk review 	Clayton Hotel Burlington Road Board <ul style="list-style-type: none"> Interim results Liffey Valley Suites Maintenance capex update Electricity tender SAYE offer 	Clayton Hotel Birmingham Board Audit and Risk <ul style="list-style-type: none"> Development projects detailed review IFRS 16 analysis 	Clayton Hotel Chiswick Board Training <ul style="list-style-type: none"> MIFID2 IT Strategy Sustainability Governance 	Gibson Hotel Dublin Board <ul style="list-style-type: none"> Board evaluation Budget 2018
			Maldron Hotel Dublin Airport Audit and Risk <ul style="list-style-type: none"> Cybersecurity Tax External Audit plan 		Maldron Hotel Pearse St, Dublin Remuneration <ul style="list-style-type: none"> Companywide Remuneration Market review 2018 proposals

Appointments to Board

The Nomination Committee is responsible for a formal, rigorous and transparent procedure for the appointment of new directors. There were no board appointments during 2017. The terms and conditions of the Non-Executive Directors are set out in their letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the AGM of the Company.

Commitment

Under the terms of their appointment all Directors agreed to the 'Time Commitment Schedule' which requires them to allocate sufficient

time to discharge their responsibilities effectively. As part of the Board evaluation process completed in November 2017, each Non- Executive Director confirmed that they had been able to allocate sufficient time to discharge their responsibilities effectively during 2017.

New Director Inductions

All new Non-Executive Directors joining the Board undertake an induction programme which covers briefings on the operation and activities of the Group, the Group's principal risks and uncertainties, the role of the Board and the matters reserved to it, the responsibilities of the Board Committees, and the

strategic challenges and opportunities facing the Group. There were no board appointments during 2017.

Ongoing Director Training and Development

In order to ensure that the Directors discharge their duties to the best extent possible, the Chairman is responsible for ensuring that all directors receive ongoing training and development. The Company Secretary regularly updates the Board on regulatory and legal matters, or relevant changes, as part of meetings, and circulates information on relevant training courses and resources available to Directors.

In November 2017, a Directors' Training Day was facilitated by the Company Secretary and was attended by both Executive and Non- Executive Directors. The topics covered included an update on MIFID 2 and developments in sustainability, non-financial reporting and governance.

Information Flow at Board Meetings

Formal board meetings are held approximately ten times per year. Prior to each board meeting the Directors receive their papers on a fully encrypted electronic portal

system. Included in these papers are detailed monthly accounts together with reports from the Chief Executive, Deputy Chief Executive Officer, and Deputy Chief Executive – Business Development and Finance.

The Chief Executive Officer and the Deputy Chief Executive-Business Development and Finance ensure that the Board is kept fully aware on a timely basis of business issues and prospects throughout the Group.

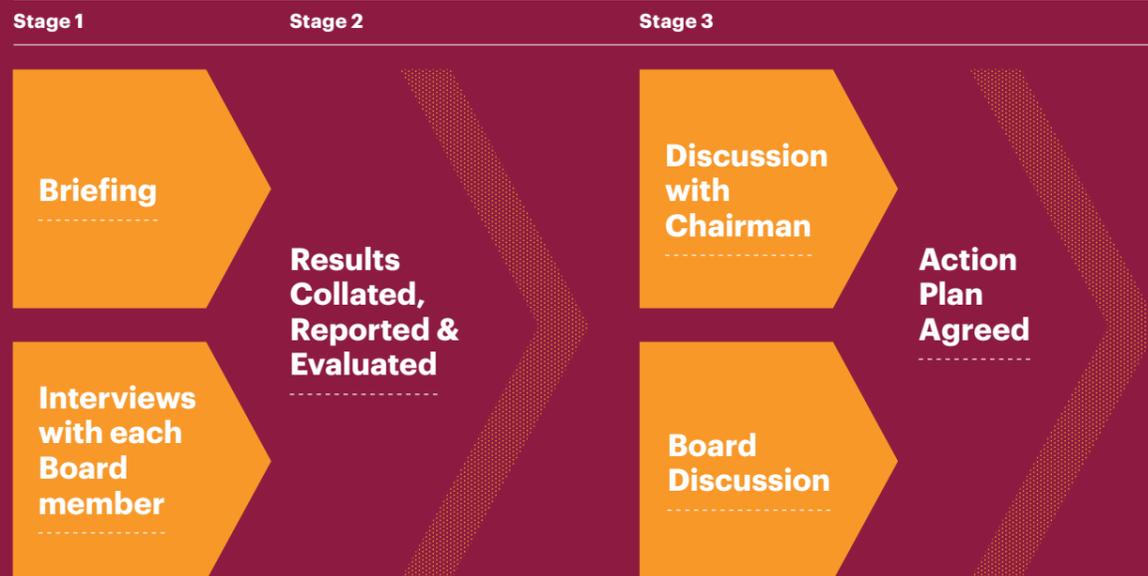
The structure of the Executive Management Team and the open communication approach in the

Group enables issues to be raised easily. Many of these key issues are brought to the attention of the Board.

In consultation with the Chairman and Chief Executive Officer, the Company Secretary manages the provision of information to the Board for their formal board meetings and at other appropriate times. The Chairman and Chief Executive Officer also maintain regular informal contact with all directors.

Board Evaluation

In 2017 the Board evaluation was externally facilitated for the first time.



Board Evaluation

The assessment of the Board was conducted according to the guidance in the 2016 Code and was facilitated by Mr Geoffrey Shephard of ICSA Board Evaluation ("the Evaluator"). Neither Mr Shephard nor ICSA Board Evaluation has any other connection with the Company aside from the provision of the Board evaluation.

Stage 1

A comprehensive brief was given to the Evaluator by the Chairman and the Chair of the Nomination Committee in October 2017.

In October, detailed one-to-one interviews were conducted with each Board member. All participants were interviewed on the following topics

- > Board Responsibilities
- > Oversight
- > Board Meetings
- > Support for the Board

- > Board Composition
- > Working together
- > Outcome and achievements

Stage 2

The report was compiled by the Evaluator, based on the information and views supplied at the interviews. All recommendations in the report subsequently were based on best practice as described in the 2016 Code and other corporate governance guidelines.

Stage 3

Draft conclusions were discussed initially with the chairman and subsequently with the whole Board at its meeting in December, with Mr Shephard present. The conclusion of the discussion was recorded in the minutes of the meeting.

Board Review Insights 2017

The broad message from the report was that the Board and committees work very well together and are clearly aware of the need to build on

the Company's success and to avoid complacency.

The directors felt the re-organisation of the Company Secretary's duties had been successful and had produced the desired results.

The following items were recommended and will be on the Board's agenda for 2018,

- > instituting a formal process for approval by the Board for selecting new Board members.
- > attention to the definition of the company's key values.
- > the Chairman and Company Secretary review the content of each Board agenda to ensure that papers are fit for purpose and that only essential items are included.
- > establishing a formal induction process for new directors in readiness for new appointees.

Re-election

The Company's Articles of Association provide that one third of the Directors retire by rotation each year and that each Director seeks re-election at the Annual General Meeting every three years. New Directors are subject to election by shareholders at the next Annual General Meeting following their appointment. However, in accordance with the provisions of the 2016 Code, the Board has decided that all Directors should retire at the 2018 Annual General Meeting and offer themselves for re-election.

ACCOUNTABILITY

Audit and Risk Committee

The report of the Audit and Risk Committee on pages 72 to 77 sets out in detail the work of the Committee in providing assurance to the Board in relation to the company's financial reporting, risk management and internal control environment.

Going Concern

After making enquiries, the Directors are satisfied that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they have adopted the going concern basis in preparing the financial statements. Further detail is set out in the Viability Statement on pages 42 to 43.

Risk Management

On page 36 we explain how the Board oversees risk management.

Internal Controls

The Board has responsibility for maintaining sound risk management and internal control systems, and at least annually reviewing the effectiveness of these systems. These internal control systems are designed to manage rather than eliminate the risk of failing to achieve a business objective. They can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Assessment of the Principal Risks Facing the Group

The Board and Audit and Risk Committee received and reviewed reports from Group Internal Audit, to help with their annual assessment of the principal risks facing the Group, and the controls in place to mitigate these risks. The principal risks and the mitigating factors are outlined on pages 38 to 41.

Annual Assessment of the Effectiveness of Risk Management, Internal Control and Financial Reporting Systems

The Board and Audit and Risk Committee received and reviewed reports from Group Internal Audit and the Group's External Auditor, to help with their annual assessment of

the effectiveness of the Group's risk management, internal control and financial reporting systems, and are satisfied that the systems have been operating effectively throughout the year to the date of the report.

Whistleblowing

The Board adopted a Confidential Disclosure Procedure (Whistleblowing Policy) in 2015 to ensure that any concerns are addressed confidentially, promptly and thoroughly.

No concerns were raised by employees during the year. This was reported by the Company Secretary to the Audit and Risk Committee on 22 February 2018.

Summary of the Confidential Disclosure Policy is included in the Employee Handbook to ensure all employees have an understanding of the whistleblowing process.

Photo: Maldron Hotel Pearse Street, Dublin



REMUNERATION

Details of Directors' Remuneration are set out in the Remuneration Committee Report on pages 78 to 89.

RELATIONS WITH SHAREHOLDERS**Share Ownership and Dealing – MAR**

Details of each Directors' interests in Dalata shares are set out in the Remuneration Report on page 87. The Company has a policy on dealing in shares that applies to all Directors and Management and was comprehensively reviewed following the introduction of the Market Abuse Regulation ('MAR') in July 2016. Under the policy and in accordance with the provisions of MAR, Directors are required to obtain clearance from the Chairman before dealing in Company shares. Directors and Management are

prohibited from dealing in Company shares during designated prohibited periods and at any time when the individual is in possession of price-sensitive information.

Shareholder Communication

The Board promotes open communication with shareholders. This is formalised within the framework of an ongoing investors relations programme conducted by the CEO and/or Deputy Chief Executive Officer – Business Development and Finance. The programme includes the presentation of preliminary and half-year results, which can be accessed on www.dalatahotelgroup.com and a large number of meetings with existing shareholders and potential investors throughout the year. The Company makes every effort to ascertain investor perceptions and regular reports of investor and analyst

feedback are provided to the Board. During 2017, over 250 separate meetings and conference calls were held with existing and prospective shareholders. The meetings focused primarily on the Group's trading operations and the Group's strategy.

The Chairman of the Remuneration Committee engaged with shareholders representing approximately 70% of the share register during 2017 on the Directors Remuneration Policy and feedback received was considered by the Remuneration Committee and the Board. An Investor Day was held in November 2017 at our Clayton Hotel Chiswick London, which was attended by all members of the Board. This provided shareholders, fund managers and analysts an opportunity to visit the newly renovated Clayton hotel and to talk to members of the Board.

The Company maintains regular dialogue with key relationship banks which includes semi-annual meetings with presentations from the Executive Finance Management Team.

All shareholders are entitled to attend the AGM. Shareholders are given the opportunity to lodge their votes by way of proxy and/or to attend the meeting in person where they have the opportunity to ask questions of the Board, including the chairs of the Board Committees, vote by way of a poll and meet informally with the Directors to discuss any issues they may wish to raise.

In line with the authority given at its 2015 AGM, the Company uses its website and email as the primary means of communication with its shareholders. This arrangement provides significant benefits for

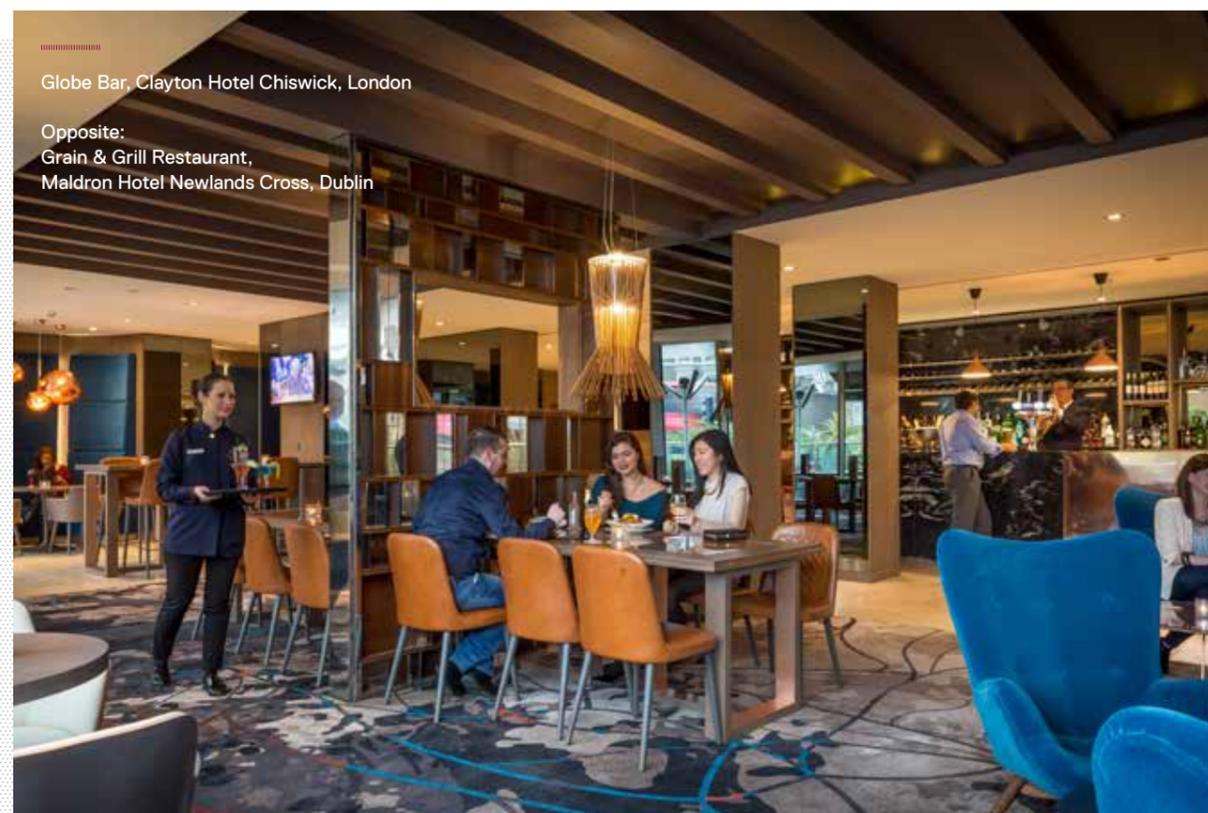
shareholders and the Company in terms of timeliness of information and reduced environmental impact and cost. Shareholders may still opt to receive their communication in a paper format. The Company's corporate website (www.dalatahotelgroup.com) contains information for shareholders, including share price information and regulatory announcements.

Annual General Meeting

The Annual General Meeting will be held on 3 May 2018 at the Clayton Hotel Dublin Airport, Stockhole Lane, Swords, County Dublin. Formal notification will be sent to shareholders at least 20 working days before the meeting in accordance with the provisions of the UK Corporate Governance Code. Other general meetings may also, be convened from time to time

upon at least 14 working days' notice or where certain requirements are met, including prior approval by shareholders by way of a special resolution, upon 14 working days' notice in accordance with the 2016 Code. The Annual General Meeting gives shareholders an opportunity to hear about general development of the business and to ask questions of the Chairman and, through him, the Chairs of the various Committees and its Committee members. Shareholders attending the meeting are informed of the number of proxy votes lodged for each resolution.

Details of the meeting and the resolutions to be proposed are sent out in the shareholders' Notice of Meeting.



Globe Bar, Clayton Hotel Chiswick, London

Opposite:
Grain & Grill Restaurant,
Maldron Hotel Newlands Cross, Dublin

