

Responsible Business Report



Dear Shareholder,
On pages 2 and 3 of this annual report we present the culture and values that spell out what Dalata stands for. There is nothing new here, as a company and as individuals we endeavour to go about our business in a responsible way.

Before we listed as a public company, we were tested when, during the years of the financial crisis, our focus was on sustaining employment and at the same time working with our suppliers and shareholders to meet our financial obligations. During that time we continued to contribute in our communities, making our facilities available to support local organisations and promoting local employment.

Over the years we have not formalised a responsible business or sustainability strategy but we have been strategic in our outlook and true to our values, making strides each year to have a positive impact across a range of areas. Our focus has been on our stakeholders, our people, customers, suppliers, communities and investors taking account of our responsibility for health and safety and our impact on the environment. I am delighted to see our employee engagement measures heading steadily in the right direction and to report that we are supporting and promoting several smaller producers

of high quality food and beverage products. The enthusiasm and creativity of colleagues across the business to raise funds (and have fun) through our DalataDigsDeep charity initiative has been inspiring and is something to be truly proud of. We have also made important progress in energy and waste management, and above all, we have continually invested in our capacity to manage our health and safety risks in a responsible way.

In 2018 we plan to refine our approach somewhat, it will be evolution rather than revolution. We intend to broaden our engagement with our stakeholder groups to check-in and find out what is most important to them in terms of our environmental, social and governance responsibilities. As part of this process I look forward to hearing what is on the minds of you, our shareholders. We will prioritise what is most important and clarify the areas where we can have the most impact. This will bring a little

DELIVERING OUR PROMISE

We are strategic in our approach to sustainability, making strides each year to have a positive impact across a range of areas.

more structure to what we do and report on in these pages, maybe even uncovering good work we're already doing that we're not telling you about. Whatever sustainable business initiatives we undertake in the future will continue to be aligned with our culture and values and with our business priorities, in other words, they will be in and of themselves sustainable.

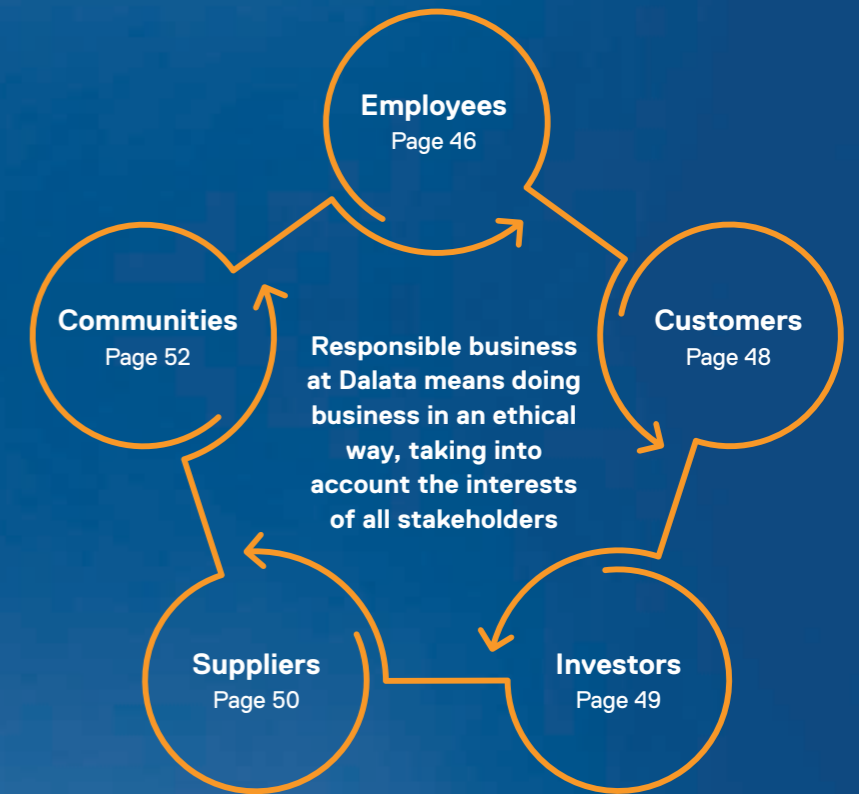
I look forward to continued progress and take this opportunity to thank all of my colleagues who take the lead in bringing our corporate values to life, doing important small things that we don't measure.

Pat McCann
Chief Executive

Our Responsible Business Approach

Our approach to responsible business is embedded in our values as a Group. We aim to do business in an ethical way.

By embracing our values and engaging with our stakeholders, we can achieve our strategic objectives and create shareholder value in a responsible and sustainable way. In 2018 we have started an internal review of our sustainability programmes and will develop a renewed strategy and vision. Through this we can enhance the Company's resilience to external environmental and social challenges while improving the experience of our customers.



Below: The Gibson Hotel, Dublin
(A Clayton family member)



Employees

We support the development and growth of our employees and aim to provide a safe environment for them to work in.

70%

of people feel there is opportunity to grow not just in their hotel but in the wider company.

88%

believe the customer is at the centre of everything we do.

84%

of people feel their manager trusts them to do a good job without looking over their shoulder.

ENGAGING "OUR PEOPLE" AS A KEY TO SUCCESS

One of Dalata's core Key Business Objectives is to "grow our own people" in order to retain and support succession throughout the group and maintain the talent pipeline for the success of the group. One of the company values is that of "Our People". In order to achieve this, the company focuses on a robust training and development strategy along with driving employee engagement.

"WHAT GETS MEASURED, GETS DONE"

They say "silence is golden" but this could not be further from our truth. Just like that of our customers the voice of our employees is golden. A cornerstone of our engagement strategy is our Employee Engagement Survey. We work with an independent provider to confidentially reach out to each and every one of our employees.

Our employee feedback allows us to reflect, review and improve on relevant things at Dalata. Ensuring we gain insight on retaining, motivating and engaging our employees and becoming an employer of choice in our industry is key to our people strategy.

This year 82% of our people took the time to give us their feedback, we have maintained strong engagement results year on year. We actively use this feedback to plan and review during the year with a commitment to ensuring Dalata is a great place to work.



We love to celebrate the success of Our People. In the last year alone, 18 of Our People were shortlisted at the Irish Hospitality Institute Annual Awards and Event Industry Awards recognising the best in our sector.

Outside of the industry awards our commitment to our people has been recognised by the Chambers of Ireland, HR & Leadership Awards, Early Career Awards, Facilities Management Awards, Accommodation Services Awards, Sandyford Business District Awards, and Caterer UK Awards. All were for strategies directly related to our people.

HEALTH & SAFETY

To ensure the Health & Safety of our people, our training courses have been expanded and developed extensively. We also held Insurance workshops with all General Managers in the year to assist in dealing with types of claims that are experienced in the properties and help prevent reoccurrence.

81%

of our people believe their manager works well with other managers and leaders.

99%

of our central office believe that management is honest and ethical in its business practices.

Our HR and Company Secretarial Teams collecting the IPSA Awards for Best New Share Plan 2017 and Employee Share Plan Champion of the Year 2017.

Save as you earn

The launch of our SAYE (Save as you Earn) scheme is another significant element of engaging "Our People", by giving employees the opportunity to invest in their future with Dalata and also allowing the company to communicate our commitment to the future of our employees while supporting a strategic objective of our retention strategy.

The SAYE scheme is open to every employee with 3 months' service regardless of their type of contract. To date circa 20% of eligible employees are participating in the scheme which allows participants to buy shares at the end of the three-year savings period at a price determined at the start of the saving period.

Employees in the SAYE scheme stand to make a good return on their savings, which although not guaranteed, comes with no downside risk.

The company is benefitting in two ways: a higher rate of retention and a greater sense of engagement from colleagues with the overall success

of the company, as they have a "sense of ownership".

The list of approved SAYE schemes in Ireland is dominated by UK listed companies that establish schemes in the UK and then extend them into Ireland. We are so proud that Dalata is a great example of an Irish company that has expanded into the UK and been able to establish both an Irish and a UK SAYE scheme simultaneously. Dalata did not wait to see how an Irish SAYE launch fared before going into the UK; rather its commitment to employee share ownership was group-wide and it was committed to setting up both schemes at the earliest opportunity for all employees of the group.

Dalata sought to maximise access and inclusiveness when designing the SAYE schemes. For example, it ensured that it would be possible for SAYE purposes to aggregate continuous service across participating companies for employees who may move between hotel sites as part of the ongoing training and promotion programme.



Customers

The comfort, safety and security of our guests is our primary concern.

GUEST SATISFACTION

Our aim is to be the hotel of choice in the markets in which we operate. Working with our employees and suppliers we identify, define and develop initiatives to improve guest satisfaction. We also recognise the importance of guest feedback and listen to what guests are telling us, to establish how we can do better. Guest feedback is captured through various channels; guest satisfaction surveys, social media and internet-based applications.

In 2017 we received and processed over 120,000 customer reviews. Our hotels achieved an overall performance score of 82%,

with 74% of our hotels increasing their score year on year. Out of the 120,000 reviews, 85% of these have been positive. We are always responding to do things better.

HEALTH & SAFETY

Throughout 2017, there has been a strong emphasis and drive to continually develop and improve H&S awareness, policies and procedures within the Group.

Independent third-party Health & Safety Audits were carried out during the year in all properties, with additional criteria added to the audits during the year.

Firecloud365 is an app that was introduced in 2016 and is now active in all hotels. This gives us oversight and ensures full compliance with fire safety procedures in all our hotels on a daily basis.

During 2017 we introduced a new system to improve incident reporting and tracking. This is a valuable tool providing a central dashboard which will help us improve focus on trends and prevention of accidents.

A major program of PAT (Portable Appliance Testing), fixed wire testing and thermal imaging was rolled out in all properties. This 5-year programme ensures the hotels remain compliant with legislation, while also ensuring the safety of our guests and team members.

ENVIRONMENT

The success of environmental sustainability efforts is dependent on the passion of the people leading the projects. To motivate our staff, we have appointed Green Ambassadors to our hotels. The Green Ambassadors identify and implement hotel specific environmental initiatives. Our guests are also encouraged to be environmentally friendly by managing their towel and bed linen usage.

WATER CONSERVATION

Water is essential to the hotel industry – for food preparation, cleaning and hygiene, guest comfort and recreation. We are conscious that water is a critical and limited resource and we continued our water conservation programmes in our hotels in 2017.

Investors

We aim to manage our business in ways that are in tune with the sustainability objectives of our investors.

INVESTORS

Executive management meets regularly with investors and potential investors, and receives regular input from brokers and advisors which is shared with the Board. We note increased concern about how companies manage their environmental, social and governance responsibilities and are responding to these concerns.

Responsible procurement

As detailed in our Supplier section, Dalata works closely with all its suppliers to ensure an effective and

transparent supply chain. Our goals for our suppliers are for them to supply quality goods from ethical sources at competitive prices.

Waste-Environment

We aim to be a sustainable business, where social and environmental considerations are part of the culture and integrated in the way we run our hotels, infrastructure and processes, how we buy our goods and services, and how we support our guests.

Build Smart

Central to our core objective of designing sustainable new hotels is to create cost effective, durable, low maintenance, energy efficient, low carbon and sustainable installations. Sustainable energy has two key components: renewable energy and energy efficiency. In the UK we are targeting a high BREEAM (Building Research Establishment Environmental Assessment Method) rating which incorporates not only sustainable integrated design solutions for the hotel but also integrates that in an environmentally sustainable way that our customers, suppliers and staff interact with the operations and use of the hotel ensuring the

maximum possible enjoyment for customers as a result. As part of our commitment to provide the best integrated design solutions, our design teams also work collaboratively to target a LEED (Leadership in Energy and Environmental Design) rating of 'Gold'. To achieve this level of certification, we must consider the most appropriate mix of technologies suitable for each site. Our design teams are therefore working to produce the optimum sustainable design solutions. These include Combined Heat & Power (CHP's) recovery technology and solar photovoltaic technology as our main renewable energy source. We will compliment these various technologies such as LED lighting, lighting controls, etc. Furthermore, our transport strategies, waste strategies and water and conservation strategies will be integrated to produce the desired LEED/BREEAM rating to produce a holistic environmentally sustainable hotel commensurate with its environment and with an excellent customer experience.

Below: The Italian Kitchen, Clayton Hotel Dublin Airport



Case Study: Bord Gais Energy Initiative

In September 2017 Dalata contracted Bord Gáis Energy to supply the group with electricity sourced 100% from renewable electricity sources across Ireland and Europe incorporating technologies such as wind, solar and hydro.

Summary of Savings from 2016 v 2017

- › Reduced 1,859,956 kWh YOY which is a 6% reduction

“Demonstrating a clear commitment to sustainability, Dalata Group has entered into a two year electricity supply agreement for circa 64 GWh of renewable electricity and is thereby contributing directly to Ireland and Europe’s ambitious green electricity targets.”

John Smyth, Key Account Manager, Bord Gais Energy

Suppliers

We collaborate with suppliers to responsibly source quality assured products for our hotels.

Our Approach to Supplier Relationship Management

We have a central purchasing team that works closely with our suppliers to ensure that the quality of all of our inputs is of the highest standard.

We develop our business through wholesale partnerships to find the best products to deliver on our brand promises.

In order to attain a listing with Dalata, food suppliers go through a detailed due diligence review that allows us to understand their compliance regime,

product traceability procedures, product recall procedures, country of origin certification, third party accreditations, temperature control procedures and microbiological testing regimes. We also make a variety of other enquiries and, for key suppliers, carry out our own inspection of facilities.

We like to develop relationships with our suppliers and gain assurance from working with producers, processors and manufacturers who demonstrate a good fit with our culture and values.



We also seek out and promote smaller producers of high quality products and provide them with distribution access to the group through our wholesale platform.

Here are some examples of our approach to procurement in action.

Le Patisserie

Le Patisserie was started in 2013 from the kitchen table in Skerries. The concept was and still remains to create desserts and patisserie from basic ingredients, locally procured and Irish wherever possible. All our dairy is Irish including butter, milk, cream and cream cheese along with pasteurised free-range eggs from Co Cavan.

Based in Dublin 15 we have a team of 13 dedicated professionals with a common goal of delivering high end desserts and patisserie with passion and creativity.

Working closely with Darina and her team in Dalata we continue to develop bespoke menus to include various flavours, shapes and textures to offer a one stop shop for the hotels and corporate banquets alike.

Robert Bullock, Le Patisserie



Kaymed

King Koil has been in Ireland under license since 1982 and is now part of the Kaymed group.

“ King Koil is proud to partner the Dalata Hotel Group in ensuring the most comfortable night’s sleep for every guest. The Dalata Hotel Group was the first to design and brand its own custom made bed collection in partnership with King Koil. Each King Koil bed was carefully chosen by Dalata to meet the needs of different hotel brands and guest bedroom experiences. King Koil hotel beds are made by 300 skilled workers in Kilcullen, Co. Kildare and are renowned for their proven comfort, durability and value. King Koil is proud to work alongside Ireland’s leading hotel chain.”

Conor Stapleton, Kaymed

Riverview Eggs

In 1966 Margaret Kelleher, of Riverview Eggs, with the help and support of her late husband, Dan Joe, started producing eggs on the home farm. In 2016, the Kelleher family celebrated its Golden Anniversary—50 years in business.

Providing employment for approximately twenty-four people in the local Watergrasshill area and a further forty on a national level, through its family operated production farms. All Riverview eggs are produced

to the very high Bord Bia EQAS and have achieved 'Grade A' status in the Retail Consortium Global Food Standard (BRC) accreditation. All production farms are family owned and operated as part of a family farm unit, which ensures the strictest controls and more “hands on” running of the farms.

Riverview have recently become the first food production company in Ireland to successfully complete a “GS1 Global Traceability Conformance Audit.



Communities

We support local communities by providing employment, engaging with society and taking care of our impact on the environment.

Supporting Local Economies

Supporting our employees and developing them both professionally and personally while working with Dalata is a fundamental part of our

sustainability as an employer. In saying that we also turn our focus to the communities we work within and strive to become an employer of choice that provides future career paths for those who live in them. An excellent example of this strategy in action is our Hospitality Academy in Belfast which we set up in partnership with Belfast City Council and the Department for the Economy ahead of the opening in 2018 of our new build hotel – Maldron Hotel Belfast City.

The academy is a bespoke pre-employment programme aimed at those currently unemployed and living in the communities surrounding the hotel, with the objective of introducing them to the world of hospitality employment opportunities while upskilling them to be in an

excellent opportunity to obtain real jobs in the hotel.

Already we have seen strong interest with over 200 people attending pre-programme interviews with 75 people currently approved to complete the programme. The first offers of employment were made at the time of going to print. Many of the people we have met did not think of hospitality as a career or a job option but now are very excited about what the future holds for them.

This is a great example of how we find employees with the right attitude and behaviours and upskill them in the required department. This has been an excellent success and we look forward to replicating this academy model with our other new build hotels as we expand.

Supporting Communities Dalata Digs Deep

We have now completed two years of our charity initiative “Dalata Digs Deep”. We have continued to support our three chosen charities in 2017 - Great Ormond Street Hospital (GOSH) in the UK, Cancer Focus in Northern Ireland and CMRF Crumlin, in the Republic of Ireland.

We closed out 2017 with a fundraising total across the group of over €500,000. In less than two years this is something we are extremely proud of, not only because of the benefit of this money to our chosen charities but because of the engagement, drive and involvement of our employees to get behind these causes, reach out to their communities and ensure that Dalata Digs Deep continues to be a success now and for the future.



" I would like to express sincere thanks to Dalata Hotel Group for your wonderful support of our work. Partnerships like that with Dalata Hotel Group allows CMRF Crumlin to make the greatest impact for sick children, you are making progress in children’s health possible. Your support is allowing more tailored treatments for Neuroblastoma which means less risk and fewer side effects for children affected by this cancer."

Lisa-Nicole Dunne
CEO, CMRF Crumlin

Case Study: Food Surplus Management

Waste Management

During 2016 we agreed a contract with a specialist food waste collection company to manage all our food waste within our business and to provide clean bin exchange at each collection at each of our hotels on the island of Ireland.

All food waste from our business is now being used to create renewable energy in an Anaerobic Digestion Plant, which converts Biogas from food waste to electricity.

In 2017 Food Surplus Management confirmed the following:

“ Dalata Hotel Group are leading the way in responsibly dealing with their food waste in the most sustainable way possible. The commitment by the management and staff to implement this service was a breath of fresh air and the benefits were immediately achieved. The key to good recycling in a food or hospitality business is the management of food waste. Good food waste management ensures better recycling, and greatly reduces the use of landfill which lowers the environmental impact of waste as well as the costs. Dalata have embraced this and continue to improve recycling across the group”.

Niall J Lord, Managing Director Food Surplus Management Ltd

Waste recycled & Recovered for Renewable Electricity

Material Details	EWC Code	Quantity (T)
Biodegradable Food Waste	02 02 03	643.6T

Renewable Energy Production and Recycling Information

Total Waste (Tons)	Renewable Energy Produced	CO2 emission on savings by diverting from landfill	Amount of Fertiliser Digestate
643.6T	257.4 MWh	321.8TT	128.7T

Our Charity Partners

Great Ormond St Hospital, UK

Our fundraising will pay for parental housing to ensure that there is accommodation near the hospital for patients to stay free of charge nearby. As a national hospital patients and their families come from all over the UK to the hospital. This ensures that there is one less worry for them when they want to stay near their ill little ones. Having a national presence in the UK we believe this is a very relevant cause for our people and their communities.

Cancer Focus, NI

Our fundraising will support the salary of a cancer support nurse who will support the community patients and their family who are undergoing ongoing treatments. This outreach is one in which goes into the homes of those in the community and one is which is close to many of our employees.

CMRF Crumlin

Due to the size of our presence in Ireland we have quickly become the largest corporate charity partner for CMRF Crumlin.

The €157k raised by Dalata Digs Deep in year one of the partnership for CMRF was distributed to commission a ground breaking research programme looking into new treatments for Neuroblastoma, a paediatric cancer. Dalata Hotel Group has committed to the sponsorship of this three-year project.