# REMUNERATION COMMITTEE REPORT

## Committee Meetings and Attendance

### The committee met 4 times during 2022

| Member | Attendance |
|---|---|
| Margaret Sweeney | 4/4 |
| John Hennessy | 4/4 |
| Elizabeth McMeikan | 4/4 |
| Gervaise Slowey | 4/4 |

All members of the committee are considered by the board to be independent (the company chair being independent on appointment). The board considers that the committee chair has sufficient recent and relevant experience for the role and that there is sufficient experience within the committee as a whole.

Gervaise Slowey was appointed to the remuneration committee on 1 January 2022 and was, therefore, a member of the committee for the full year.

The report complies with the European Union (Shareholders' Rights) Regulations 2020, introduced in Ireland in March 2020.

Refer to the committee's terms of reference on: dalatahotelgroup.com

### Dear Shareholder

I am pleased to present the report of the remuneration committee of Dalata Hotel Group plc for the year ended 31 December 2022.

### Performance in 2022

During 2022, we have seen an exceptional post-pandemic recovery, with business performance exceeding the board's expectation on financial, new business development, environmental and social metrics.

The Company's financial performance exceeded the board's expectations, with revenues of over €500 million for the first time and free cash flow ahead of 2019's pre-pandemic level. The balance sheet is well managed, and the Company entered 2023 with the capacity to finance further growth.

The group successfully completed the development and opening of six new hotels, reaching the milestone of 50 hotels in operation following the opening of Clayton Hotel Glasgow in October, with a total of 10,953 rooms. We also commenced the expansion of operations in continental Europe with the addition of the 393-bedroom Hotel Nikko in Düsseldorf, which was rebranded as Clayton Hotel Düsseldorf in December.

The group is progressing well towards meeting its 2026 target to reduce carbon emissions per room sold by 20% by 2026, and all of our hotels achieved the Green Tourism Gold award last year. This demonstrates on the ground action and consistent, measurable progress towards reducing the business's environmental impact.

This success has been driven by our people, and our 2022 employee surveys reported new highs for employee engagement and customer satisfaction scores reached levels very close to pre-pandemic peaks of 2019.

### Workforce remuneration

The committee is conscious of the impact of the inflationary environment on our workforce, particularly our lower-paid employees.

The Group now pays all employees in Ireland and the UK above the minimum wage; it recorded 0% (2021 1%) of employees in Ireland and the UK earning the minimum wage.

During 2022, the committee reviewed pay across the workforce and considered pay increases for 2023 as well as other actions to protect the workforce in relation to the cost of living. The committee reviewed workforce pay trends, including a comparison with market benchmark data. This analysis covered all hotel positions on a regional basis and all central office roles. We noted market increases in pay rates across the board compared with 2021, driven by the need to be competitive in the recruitment market and the retention our best people.

The committee further considered measures taken to address the impact of the cost of living on employees:

- In May, management established a benefits committee led by the Chief People Officer with representatives from across the business. The purpose of the committee was to review our current offering and look at what benefits would attract and retain the calibre of candidates we need across the group. The benefits committee conducted a survey at a representative sample of 11 hotels to gather feedback from employees on benefits of greatest importance to them. As a result of this initiative, the Company introduced additional annual leave for all employees based on length of service (commencing after one year's service). Annual leave will increase incrementally by one day per year up to a maximum of five additional days leave. The allocation for the provision of staff food was also increased to ensure that a well-balanced, wholesome meal is available for all team members regardless of their shift time.
- In early November, every employee in the Company received a voucher to alleviate the rising cost of living. Those with service of less than six months received a €100 (or £100 in the UK) voucher, and those with more than six months received €200 (£200).
- On 1 January 2023, the Company increased the rate of pay for entry-level employees (earning up to €13 (or £13) per hour by 6.5%. Those employees earning above €13 (£13) received a minimum 4% increase. Where the rate of pay for individual roles was below the benchmark identified in the benchmarking study, higher increases were awarded.

## Review of Directors Remuneration Policy

The current Remuneration Policy was approved by shareholders at our 2020 AGM and received the strong support of 99% votes in favour.

As an Irish-incorporated company, Dalata is not formally required to comply with the UK's Directors' Remuneration Reporting Regulations. However, the Company is committed to maintaining a high standard of governance in keeping with our UK listing and submits the Directors' Remuneration Policy to an advisory vote in accordance with the Shareholder Rights regulations in Ireland.

During 2022, the remuneration committee conducted a thorough review of the remuneration policy, considering various possible amendments, and concluded that the performance-focused incentive framework comprising an annual bonus and an LTIP continues to support the delivery of the Company's strategy. It incentivises the creation of shareholder value and supports our high-performance culture and ability to recruit and retain talent.

As part of the revised Directors' Remuneration Policy, we are proposing to increase the maximum annual bonus to 150% of base salary. Our incentive opportunities have fallen behind market practice, and the committee believes that increases are necessary to ensure that we operate remuneration arrangements that reflect market practice and enable us to recruit and retain experienced Executive Directors.

As part of this review, the committee considered how remuneration arrangements compared to market practice at other UK-listed companies of a similar size and complexity. The review indicated that the proposed 2023 salaries are between lower quartile and median levels, annual incentive opportunities are below typical market levels, while the long-term incentives are in line with market practice.

The maximum LTIP opportunity will remain unchanged at 150% of base salary for the CEO and 125% of base salary for the other executive directors.

We successfully navigated last year's senior management succession and significantly exceeded our performance expectations for 2022.For 2023 we face continuing uncertainty in the business environment because of the war in Ukraine, the pressure of inflation and the risk of economic recession. The Irish economy has experienced an exceptional post-covid recovery, and the demand for executive talent remains robust, with particular challenges in the hospitality sector. We continue to endeavour to provide a fair and competitive reward for senior management, backing retention, continuity and stability in the interest of our shareholders and other stakeholders. The committee believes that this increase is appropriate within this context and brings executive directors more in line with market practice.

Our policy complies with other generally accepted best practices: pension contributions are aligned with the pension contributions available to the majority of the pension-eligible Irish workforce, a portion of the annual bonus is payable in shares and deferred, and the LTIP has a three-year performance period with a two-year holding period. All incentive awards are subject to malus and clawback provisions. The current policy also includes both an in-employment and post-employment shareholding guideline. No further changes are being proposed as part of this policy review.

## Implementation of Policy for 2023

### Salary

Following the changes in the management team, I outlined in the 2021 remuneration report some phased changes to base salary for the Executive Directors to reflect the increase in the size and complexity of their roles and to ensure that base salaries remained appropriately positioned against market practice and ensure retention of experience.

Dermot Crowley was appointed as CEO on 1 November 2021 with a salary of €590,000, which was c.3% lower than his predecessor's salary, and his salary remained at this level for 2022. We outlined our intention to increase his salary to €630,000 from 1 January 2023. CFO, Carol Phelan, and Corporate Development Director Shane Casserly both had salaries set at €350,000 for 2022, and we outlined our intention to increase their salaries to €400,000 from 1 January 2023. I consulted with shareholders in detail regarding these increases, and our annual remuneration report was approved with a vote of 100% in favour at the 2022 AGM.

These increases were subject to their performance and development in their roles. The committee evaluated individual performance in the context of the Company's overall performance in 2022 and each executive director's personal performance during the year. The board believes that the executive directors have performed exceptionally during the year and have been critical to leading our business recovery.

Having regard to individual performance, the collective performance of the senior team and the measures taken to address the increased cost of living for the wider workforce outlined at the start of this letter, the committee concluded that it is appropriate that the second phase of salary increases for executive directors last year be implemented from 1 January 2023.

We are satisfied that the directors pay proposals remain appropriate, and no adjustment is made to the salary increase proposal set out last year to take into account the higher-than-expected increase in inflation.

### Performance measures

For 2023, the committee is proposing that performance measures remain largely unchanged from FY22.

For the annual bonus, 70% of the bonus will be based on profitability performance, with the remaining 30% based on individual strategic objectives, including ESG measures. For FY23, the proportion of the bonus based on ESG measures has increased from 6% to 12%, recognising the importance of embedding and delivering our sustainable business strategy. This change further aligns our executive directors with our strategic ambitions and is in line with evolving market practice.

There are no proposed changes to the LTIP performance measures, with the award continuing to be based 50% on TSR compared to peers and 50% on Free cash flow per share (FCPS).

### Remuneration outcomes for 2022

The Company's strong recovery and exceptional performance described earlier are reflected in the attainment of the incentive targets set for 2022

**2022 annual bonus**

The 2022 annual bonus was assessed against a profitability measure (70% weighting), individual strategic objectives (24%) and ESG objectives (6%). Performance against the various measures was strong, with all the performance criteria deemed to have been fully met. This will result in the first bonus pay out for executive directors since 2019.

Performance against the profitability target significantly exceeded the maximum target set. The committee judged that the individual strategic and ESG measures had been met in full. However, in line with best practice, the committee reviewed the outcome in the context of the wider stakeholder experience, including the group's receipt of covid-related government wage supports. As the group received government wage support until 22 May 2022, it was decided that the executive directors should not receive a bonus in respect of this five-month period. The awards for the executive directors have therefore been prorated accordingly. While the committee judged the performance of executive directors to be exceptional, the adjustment was considered to be appropriate given the wider market context. Accordingly, each executive director will receive 58.3% of the maximum bonus achievable. No further discretion was exercised.

**2020 LTIP**

The 2020 LTIP vested at 14% of maximum, reflecting the three-year performance period that ended on 31 December 2022.

When determining the vesting of the 2020 Award, the committee considered shareholder guidance in relation to 'windfall gains'. Taking into account the lower grant share price and shareholder guidance in this area, the committee judged that it would be appropriate to exercise its discretion to reduce the level of vesting by 25% from 18.64% to 14%.

Details of the calculation are explained in the section of this report dealing with outcomes for 2022.

### Shareholder engagement

The committee undertook a consultation exercise with major shareholders in respect of this Remuneration Policy. This included contacting our 15 largest shareholders, which represented 58% of our share register. I am pleased that we were able to engage with a large proportion of those contacted, including each of the ten largest shareholders, and their feedback was taken into account when finalising the proposals presented here. We particularly heard that shareholders wanted to understand how the Company considered pay and benefits for the broader workforce against the backdrop of cost of living increases.

### Board changes

As previously announced, I will be retiring from the Board in 2023, having served my ninth year as a non-executive director of the Company and chair of the remuneration committee. Having been a director of the Company since its IPO, I am proud of the significant growth of Dalata Hotel Group and its delivery for shareholders and I wish the Company continuing success going forward.

I remain open to hearing from shareholders (please refer any queries or requests for engagement to the company secretary at companysecretarial@dalatahotelgroup.com) and look forward to your continuing support at the 2023 AGM.

**Margaret Sweeney**
Chair, Remuneration Committee

## Role of the Committee

Review the ongoing appropriateness and relevance of the remuneration policy, having regard to the pay and employment conditions across the group.

Consider and recommend to the board the group framework for the remuneration of the executive directors.

Within the terms of the agreed policy, determine the total individual remuneration package of the chair and each executive director and member of senior management, including salary benefits, bonuses and incentive payments.

Review the design of all incentive plans for approval by the board and shareholders and, for each such plan, recommend whether awards are made and, if so, the overall amount of such awards, the individual awards to executive directors, and the performance targets to be used.

# Directors' Remuneration Policy 2023 – 2025

This Policy will be submitted as an advisory vote to shareholders at the 2023 AGM on 27 April 2023 and, subject to shareholder approval, will apply to payments made from this date.

As an Irish-incorporated company, Dalata does not have the benefit of the statutory protections afforded by the UK Companies Act 2006 concerning the remuneration reporting regime. Accordingly, if there is any inconsistency between the Company's Policy (as approved by shareholders) and any contractual entitlement or another right of a Director, the Company may be obliged to honour that existing entitlement or right. On this basis, the report is submitted to shareholders as an advisory rather than a binding vote in accordance with the Shareholder Rights regulations in Ireland.

## Summary of policy-making process

In determining the updates to the new remuneration policy, the committee followed a robust process, discussing the detail of the policy over a series of meetings during 2022. Steps were taken as part of the review process to avoid conflict of interest, for example, by ensuring individuals were not present when their own remuneration was discussed and by seeking independent advice. As part of the review, shareholders were consulted on the proposed policy, and shareholders representing 58% of our share register were contacted. The committee considered the feedback received from our shareholders and sought input from the Chief Executive and our independent advisors, as well as reflecting on best practice and investor guidance. The committee determined that the overall pay structure detailed in the previous 2020 policy continues to align management with the strategy, incentivises the creation of shareholder value, and supports our high-performance culture and ability to recruit and retain talent. However, as outlined below, the maximum annual bonus has been increased to 150% of base salary to better reflect market practice, support recruitment and retention and incentivise management to continue to drive performance.

## Consideration of the 2018 UK Corporate Governance Code

In reaching its decisions on the new Remuneration Policy, the Remuneration Committee considered the following principles as recommended in the 2018 UK Corporate Governance Code (the Code).

| | |
|---|---|
| **Clarity** | The remuneration policy is designed to allow our remuneration arrangements to be structured such that they support, in a sustainable way, the financial objectives and the strategic priorities of the Company.<br>The committee remains committed to reporting on its remuneration practices in a transparent, balanced, and understandable way. |
| **Simplicity** | The policy consists of three main elements: fixed pay (salary, benefits, and pension), an annual bonus award, and a long-term incentive award.<br>The annual bonus is based on financial measures and individual strategic objectives, which may include ESG related measures tied to our key strategic objectives and risk framework. The LTIP is currently based on relative TSR and cash flow per share measures which provide a clear link to the shareholder experience.<br>The committee will keep under review the measures used and may apply different measures for future years to ensure they continue to be aligned with strategy. |
| **Risk** | Remuneration policies are in line with our risk appetite. A malus and clawback policy is in place, and the committee has the discretion to reduce variable pay outcomes where these are not considered to represent overall company performance or the shareholder experience.<br>The post-employment shareholding policy further ensures executive directors are motivated to deliver sustainable performance that extends beyond their departure from the Company. |
| **Predictability** | Annual bonus and LTIP awards levels are capped as set out in the policy. The committee considers the impact of various performance outcomes on incentive levels when determining pay levels. These can be seen in the scenario charts found in the Policy. |
| **Proportionality** | A substantial portion of the package comprises a performance-based reward linked to the achievement of solid company performance and the delivery of strategy.<br>The committee uses discretion, where required, to ensure that performance outcomes are appropriate. |
| **Alignment to culture** | In determining executive remuneration policies and practices, the remuneration committee considers remuneration structures and opportunities at other companies of a similar size and complexity, as well as our approach to remuneration internally, to ensure that remuneration is appropriate compared to these reference points.<br>The committee also considers other wider workforce themes as part of its review, including workforce demographics, engagement levels, and diversity, to ensure executive remuneration is appropriate from a cultural perspective. |

## Policy Table for Executive Directors

The group's policy on executive directors' remuneration is designed to ensure that employment and remuneration conditions support the delivery of strategy and promote long-term sustainable success for all stakeholders. The elements of the remuneration package which may apply to executive directors are base salary, pension and benefits, annual bonus and the long-term incentive plan.

| Purpose, link to strategy and operation | Maximum opportunity | Performance Metrics |
|---|---|---|
| **Element - Base salary** | | |
| An appropriate level of fixed remuneration to reflect the skills and experience of the individual.<br><br>Salaries are normally reviewed annually by the committee, considering all relevant factors, which may include the size and scope of the role, the experience and performance of the individual, and appropriate market data. | There is no prescribed maximum. Salary increases are normally in line with those of the wider workforce.<br><br>Salary increases may be above this level in certain circumstances, such as an increase in the size or complexity of the group; an increase in the size or responsibilities of the role; changes in the competitive market place; move of salary position closer to typical market level when a new executive director has been appointed to the board at a lower than typical market salary and then gains experience; or other exceptional circumstances. | n/a |
| **Element - Pension** | | |
| Contributions into the Company's defined contribution pension scheme or an equivalent cash supplement. | Pension contributions will be 5% for the executive directors in line with the pension contributions available to the majority of the pension-eligible Irish workforce. Pension may be increased in line with the wider workforce. | n/a |
| **Element - Benefits** | | |
| To provide a market competitive benefits package.<br><br>The benefits available currently comprise a company car and fuel, and benefits under the group risk benefit scheme, which includes death in service cover and disability benefit. The committee may determine that other benefits will apply where appropriate.<br><br>Directors are eligible to participate in the Company's Sharesave Scheme on the same basis as all other employees. Directors may participate in any other all-employee schemes introduced.<br><br>Directors may be reimbursed for reasonable business expenses (and any associated tax liabilities).<br><br>Where an executive director is required to relocate to perform their role, appropriate one-off or ongoing expatriate benefits may be provided (e.g. housing, schooling, etc.). | The value of benefits is not capped as it is determined by the cost to the Company, which may vary.<br><br>Participation in Sharesave Scheme up to statutory limits. Participation in any other all-employee scheme will be on the same terms as for other employees. | n/a |

| Purpose, link to strategy and operation | Maximum opportunity | Performance Metrics |
|---|---|---|
| **Element - Annual Bonus** | | |
| To drive and reward the delivery of business objectives over the financial year.<br><br>The bonus is discretionary, and the committee determines any pay-out based on performance. Targets are set and assessed by the committee each year.<br><br>At least 30% of the bonus will be delivered in the form of Dalata shares deferred for at least three years. The remainder is payable in cash following the year-end. This deferral may be operated under the terms of a restricted share trust.<br><br>Malus and clawback provisions apply. | The maximum opportunity is 150% of salary for all executive directors.<br><br>30% of the maximum bonus typically pays out for achieving threshold levels of performance, with 50% of maximum paying out for target levels of performance. | Payment is normally determined by reference to performance assessed over one financial year and will normally be measured against a combination of financial and individual strategic performance targets which may include ESG related measures.<br><br>The committee determines the weightings of the performance measures each year. The overall framework will normally be weighted towards financial measures of performance.<br><br>The committee will consider the group's overall performance before determining final bonus payment levels and may adjust the bonus award if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgment, the committee may take into account such factors as the committee considers relevant. |
| **Element - Long-term incentive plan (LTIP)** | | |
| To reward executive directors for the delivery of long-term performance and align their interests with shareholders.<br><br>Awards are made under and subject to the terms of the 2017 LTIP approved by shareholders at the 2017 AGM.<br><br>Awards are in the form of conditional share awards or nil-cost options (or in such other form that the committee determines has the same economic effect), which vest as soon as reasonably practicable after the end of the performance period, subject to performance conditions.<br><br>Vested shares are subject to an additional holding period of at least two years. Shares subject to a holding period may be placed in a restricted share trust.<br><br>Malus/clawback and dividend equivalent provisions apply. (see notes to this table). | The maximum award in respect of a financial year is:<br>Chief Executive: 150% of salary.<br>Other Executive Directors: 125% of salary. | Performance targets are normally measured over three financial years, using performance measures aligned with the strategy and shareholder value. This may include measures such as total shareholder return (TSR) and other financial or strategic measures.<br><br>25% normally vests for threshold performance.<br><br>The committee has the discretion to use different or additional performance measures to ensure that LTIP awards remain appropriately aligned with the business strategy and objectives.<br><br>The committee will consider the group's overall performance before determining the final vesting level and may adjust the vesting level if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgment, the committee may take into account such factors as the committee considers relevant. |

| Purpose, link to strategy and operation | Maximum opportunity | Performance Metrics |
|---|---|---|
| **Element - Shareholding guidelines** | | |
| To increase long-term alignment between executives and shareholders.<br><br>Executive directors are expected to build up and maintain a beneficial holding of at least 200% of base salary.<br><br>Unvested deferred bonus shares and vested LTIP shares within a holding period will count towards the guideline (on a net of tax basis). | n/a | n/a |

**Notes to the table**

1. **Dividend equivalents -** LTIP awards may incorporate the right to receive an amount equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (or time of release, where the award is subject to a holding period).

b. **Adjustment of LTIP -** LTIP awards may be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend, or other events that may affect the Company's share price.

c. **Malus and clawback -** The annual bonus and the LTIP contain malus and clawback provisions. The cash and share elements of the annual bonus may be clawed back during the three years following payment/award, and awards under LTIP may be cancelled (prior to vesting), reduced, or clawed back for two years post-vesting in the event of a material misstatement of results; error in assessing the performance condition or serious misconduct.

d. **Performance measures -** The choice of the performance measures applicable to the annual bonus reflects the committee's belief that any incentives should be aligned with the group's financial and strategic objectives, including ESG objectives. In the LTIP, the current measures provide a balance between incentivising Directors against the delivery of the Group's growth strategy and recognising performance delivered for shareholders via share price growth and dividend performance relative to sector peers. For both the bonus and the LTIP, the committee sets challenging targets taking into account the Board's objectives for the business and shareholder expectations. Bonus targets are not disclosed in advance as they are considered to be commercially sensitive. The committee intends to disclose bonus targets following the financial year to which they relate unless they remain commercially sensitive at that point. Performance conditions may be amended or substituted by the committee if an event occurs which causes the committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy.

e. **Other payments -** The committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' remuneration policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company ( or other persons to whom the Policy set out above applies) and, in the opinion of the committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, "payments" includes the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than the time the award is granted. This policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

f. **Key changes to this Policy -** The key change to this Policy compared to the 2020 - 2022 Policy is the increase in the annual bonus opportunity from 125% of salary to 150% of salary for all executive directors. Other minor changes have been made to the wording of the Policy to aid operation and to increase clarity.

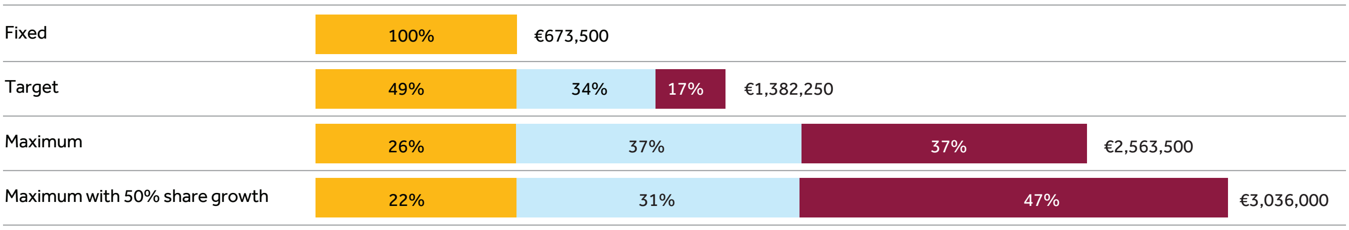
## Remuneration Policy for other Group Employees

The committee regularly reviews workforce remuneration and broader employment practices taking these into account when determining remuneration policy for Executive Directors. The remuneration framework for other employees is based on broadly consistent principles used to determine the policy for Executive Directors. All executives and senior managers are generally eligible to participate in an annual bonus plan. Participation in the LTIP is extended to executives and senior managers, with LTIP performance conditions normally consistent across all levels. Individual salary levels and incentive award sizes vary according to the level of seniority and responsibility, in line with market data. The committee also reviews analysis of the gender pay gap periodically, as well as a range of other diversity, equality and inclusion indicators.

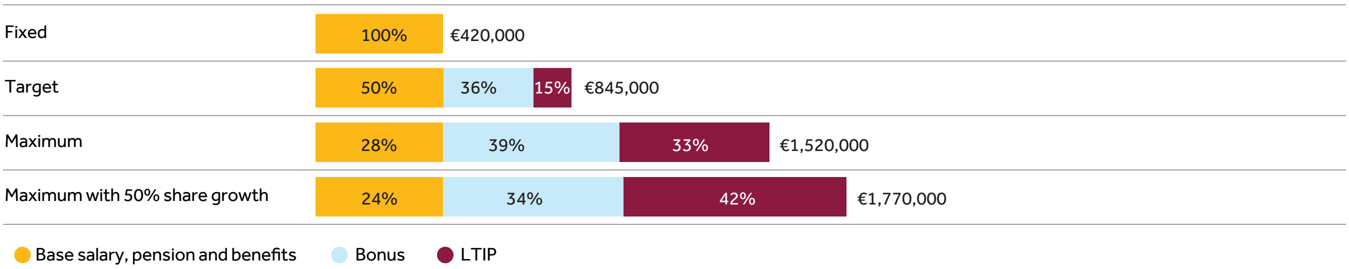
## Illustration of application of Remuneration Policy 2023 – 2025

The chart below illustrates the composition of the Executive Directors' remuneration packages at different levels of performance, both as a percentage of total remuneration opportunity and as a total value. Any dividend equivalents payable are not included in the below.

### Chief Executive




### CFO & Corporate Development Director




**Notes:**

1. **" Fixed"** includes the value of fixed pay components only – annual base salary effective from 1 January 2023, pension (5% of salary) and benefits (assumed for FY22).
2. **"Target"** includes fixed pay and "target" annual bonus (50% of the maximum) and threshold vesting of the maximum LTIP awards (25% of the maximum). No share price growth is assumed.
3. **"Maximum"** includes fixed pay and maximum annual bonus (150% for all Executive Directors) and full vesting of LTIP awards (Chief Executive: 150% of salary and other executive Directors 125% of salary). No share price growth is assumed.
4. **"Maximum with 50% share price growth"** shows the "Maximum" scenario as described above but assuming 50% share price growth for the LTIP awards.

## Policy table for non-executive directors

| Purpose, link to strategy and operation | Opportunity |
|---|---|
| **Element - Chair and Non-executive Director ("NED") Fees** | |
| To attract and retain non-executive directors with the required qualities, skills, and experience.<br><br>Fees for the chair are determined by the remuneration committee (excluding the chair).<br><br>Fees for non-executive directors other than the chair are determined by a sub-committee of the board comprising the chief executive and the chair.<br><br>The chair receives a single fee. NED fees include a base fee and may include additional fees for other board or committee duties or to reflect additional time commitment.<br><br>The chair and non-executive directors do not participate in any incentive plan or pension arrangement. Where appropriate, benefits may be provided.<br><br>The Chair and non-executive directors may be reimbursed for business expenses (and any associated tax liabilities) incurred when travelling in the performance of duties. | There is no prescribed maximum annual increase or fee level.<br><br>Fee levels are reviewed periodically, with reference to the time commitment of the role and market levels (for example, in companies of comparable size and complexity). |

## Service contracts/letters of appointment

Service contracts for the executive directors, Dermot Crowley (commencing 3 December 2012), Shane Casserly (3 March 2014), and Carol Phelan (17 November 2014), do not have a fixed end date but can be terminated by serving notice. The service contracts have a notice period of six months. Other than entitlement to notice and payment of salary and contractual benefits (which may include pension) in lieu of notice, the executive directors are not entitled to compensation on termination of their respective contracts. These terms would normally apply to a service contract for a new executive director.

The non-executive directors and chair have been appointed under the terms of letters of appointment commencing as follows: John Hennessy and Margaret Sweeney, 27 February 2014; Elizabeth McMeikan, 8 October 2019; Cathriona Hallahan, 1 November 2021; and Gervaise Slowey, 1 December 2021. The appointment is renewed annually, and under the Company's director's re-election policy, all Directors are subject to annual re-election by shareholders. Non-executive director's appointment is terminable by either party giving one month's written notice.

## Policy on payments for loss of office

In addition to a payment in lieu of notice referred to above, a departing executive director may be eligible for incentive awards, which will be treated under the rules of the relevant plan, as summarised in the table below:

| Incentive plan | Summary of leaver provisions |
|---|---|
| **Annual bonus** | Annual bonuses may be payable for performance in the financial year of cessation of employment (pro-rated for time unless the committee determines otherwise). The committee retains the discretion to deliver any such bonus solely in cash, without any deferred share element. |
| **Deferred bonus** | Awards will normally continue to vest on the original vesting date unless the committee determines otherwise. Awards remain subject to malus provisions. |
| **LTIP** | The default treatment is that any unvested awards lapse on cessation of employment.<br><br>However, the committee may determine that an executive should remain entitled to retain their LTIP award. Such awards would normally, unless the committee determines otherwise, be pro-rated for time, remain subject to performance conditions and vest at the normal vesting date. |

The committee reserves the right to make any other payments in connection with a Directors' cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and the Director's legal or professional advice fees in connection with his or her cessation of office or employment.

## Post-employment interest in shares

The committee has a policy to promote interests in share awards following cessation of employment to enable former executive Directors to remain aligned with the interests of shareholders for an extended period after leaving the Company.

Individuals who cease to be an Executive Director will normally be expected to retain a shareholding in the Company for two years after stepping down as an Executive Director at the lower of half of the shareholding requirement in place before departure or the actual shareholding on departure.

This requirement applies to shares acquired from incentive plans that vest after the introduction of the Policy and will normally include the net value of outstanding deferred bonus share awards and LTIP awards subject only to a holding period. The committee will have the discretion to operate the Policy flexibly and may waive part or all of the requirement where considered appropriate, for example, in compassionate circumstances.

## Treatment in the event of a change of control

The default treatment is that any unvested LTIP awards vest in the event of a change of control to the extent the committee determines, taking into account the satisfaction of the relevant performance conditions and, unless the committee determines otherwise, the proportion of the performance period served. Shares subject to deferral or holding periods would normally be released on a change of control.

## Remuneration on recruitment

The remuneration package for a new Executive Director would be set under the terms of the Policy Table for Executive Directors. Salaries would be set at an appropriately competitive level to reflect the skills and experience of the individual and the scope of the role.

Where an individual forfeits remuneration or a contractual entitlement with a previous employer as a result of an appointment to the Company, the committee may offer compensatory payments or awards to facilitate recruitment. Any such payments or awards would be in such form as the committee considers appropriate and would normally reflect the nature, time horizons, and performance requirements attaching to that remuneration. There is no limit on the value of such compensatory awards, but the committee intends that the value awarded would be no higher than the value forfeited.

The maximum level of variable remuneration which may be awarded (excluding any "buyout" awards referred to above) in respect of recruitment is 300% of salary, which is in line with the maximum current limit receivable by the Chief Executive under the annual bonus and LTIP.

Where an Executive Director is required to relocate from their home location to take up their role, the committee may assist with relocation (either via one-off or ongoing payments or benefits). Any ongoing benefits would normally be time-limited.

If an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards. Future pension provision will be aligned with our policy set out above.

## Consideration of shareholder views

The committee undertook a consultation exercise with major shareholders in respect of the development of this Remuneration Policy, and the feedback received was taken into account in finalising the proposals.

During each year, the committee considers shareholder feedback received at the time of the AGM, plus any additional feedback received through other means of dialogue. The committee also regularly reviews the policy in the context of published shareholder guidelines.

## Consideration of conditions elsewhere in the Company

When determining remuneration arrangements for executive directors, the committee considers the pay and conditions of employees throughout the group. In particular, the committee considers the general level of salary increases and incentive award outcomes within the wider workforce. Further detail is set out in the committee chair's letter and the statement of implementation of policy for 2023.

We regularly engage with employees to understand their views on a range of issues, including pay and employment conditions throughout the group. During the year, in her role as the non-executive director with responsibility for the workforce, Gervaise Slowey engaged with the wider workforce on a variety of topics. However, due to scheduling difficulties, an intended engagement to explain how executive remuneration aligns with wider company pay policy was postponed until 2023. The board and the committee acknowledge that due to the postponement, the Company did not comply with provision 41 of the UK Corporate Governance Code in 2022.

As a Board, we value the views of our employees and take feedback into account when reviewing executive pay. To the extent that employees are shareholders, they can also vote on remuneration resolutions at the AGM.

# Annual Remuneration Report

This report will be submitted as an advisory vote to shareholders at the 2023 AGM. The report complies with the European Union (Shareholders' Rights) Regulations 2020, introduced in Ireland in March 2020.

## Statement of Implementation for 2023

This section summarises the remuneration arrangements for the Directors for the 2023 financial year.

### Base salaries

Following the changes in the management team, the 2021 remuneration report outlined some phased changes to base salary for the Executive Directors to reflect the increase in the size and complexity of their roles and to ensure that base salaries remained appropriately positioned against market practice.

Dermot Crowley was appointed with a salary of €590,000 (3% lower than his predecessor's salary) and remained unchanged for 2022. From 1 January 2023, his salary was increased to €630,000.

Carol Phelan was appointed with a salary of €350,000, which increased to €400,000 from 1 January 2023.

Shane Casserly's salary increased from €350,000 to €400,000 from 1 January 2023. This recognises the impact of his strategic responsibility for all aspects of capital spending, innovation, technology and decarbonisation.

We consulted with shareholders in detail regarding these phased-in late 2021 increases, and our 2021 annual remuneration report was approved with a vote of 100% in favour.

These increases were subject to their performance and development in their roles.

The committee evaluated individual performance in the context of the Company's overall performance in 2022 and each executive director's personal performance. The board believes that the Executive Directors have performed exceptionally during the year and have been critical to leading the recovery of the business.

The committee also reviewed pay across the workforce in 2022 and pay increases for 2023. The committee reviewed workforce pay trends, including a comparison with market benchmark data. This analysis covered all hotel positions on a regional basis and all central office roles. We noted market increases in pay rates across the board compared with 2021, driven by the need to be competitive in the recruitment market and retention of our best people.

The committee further considered measures taken to address the impact of the cost of living on employees:

- In May, management established a benefits committee led by the Chief People Officer with representatives from across the business. The purpose of the committee was to review our current offering and look at what benefits would attract and retain the calibre of candidates we need across the group. The benefits committee conducted a survey at a representative sample of 11 hotels to gather feedback from employees on benefits of greatest importance to them. As a result of this initiative, the Company introduced additional annual leave for all employees based on length of service (commencing after one year's service). Annual leave will increase incrementally by one day per year up to a maximum of five additional day leave. The allocation for the provision of staff food was doubled to ensure that a well-balanced, wholesome meal is available for all team members regardless of their shift time.
- In early November, every employee in the Company received a voucher to alleviate the rising cost of living. Those with service of less than six months received a €100 (or £100 in the UK) voucher, and those with more than six months received €200 (£200).
- On 1 January 2023, the Company increased the rate of pay for entry-level employees (earning up to €13 (or £13) per hour by 6.5%; those employees earning above €13 (£13) received a minimum 4% increase. Where the rate of pay for individual roles was below the benchmark identified in the benchmarking study, higher increases were awarded.

The Group now pays all employees in Ireland and the UK above the minimum wage (it recorded 0% (2021 1%) of employees in Ireland and the UK earning the minimum wage).

Having regard to individual performance, the collective performance of the senior team and the measures taken to address the increased cost of living for the wider workforce, the committee concluded that it is appropriate that the second phase of salary increases for executive directors proposed last year be implemented from 1 January 2023.

We are satisfied that the directors pay proposals remain appropriate; in particular, no adjustment is made to the basic pay proposal set out last year to take into account the higher-than-expected increase in inflation.

The following table shows the base salaries effective 1 January 2023:

| €'000 | 2023 | % increase |
|---|---|---|
| Dermot Crowley | 630.0 | 6.8% |
| Carol Phelan | 400.0 | 14.3% |
| Shane Casserly | 400.0 | 14.3% |

### Pension

In line with the majority of pension-eligible staff in Ireland and the remuneration policy, the Directors receive pension contributions of 5% of salary. The committee will keep the pension contribution under review in the context of any changes in pension provision across the group.

For future new executive Director hires, the board will take into account best practice, the rate available to the wider pension-eligible workforce, and market practice at similar-sized companies at the time of appointment.

## Annual bonus

Each of the executive directors will be eligible for a maximum bonus of 150% of salary. As outlined in the Chair's statement, our incentive opportunities had fallen behind market practice, and the committee believes that the increases are necessary to ensure that we operate remuneration arrangements that reflect market practice and enable us to recruit and retain experienced executive directors.

The performance measure for all executive directors will be weighted 70:30 between financial and individual strategic measures, including ESG measures.

The financial metric will be based on Modified EBIT (see definition in the Supplementary Financial Information section: Alternative Performance Measures ('APM') and other definitions paragraph xviii). The non-financial measures will be based on specified strategic objectives linked to the individual's area of responsibility, including ESG measures. The ESG measures include the achievement of the Company's 2026 environmental targets (see the Climate-related Risks section, Metrics), the delivery of our decarbonisation strategy and measures linked to the company's social impact. The weighting of ESG measures has been increased from 6% to 12% of the award in recognition of the importance of ESG measures to the strategic ambitions of the group.

The committee will consider the group's overall performance before determining the final bonus outcome and may adjust the bonus award if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period. It will also consider whether any proposed bonus payment is appropriate in the context of its alignment with the shareholder experience over the year and the experience of other stakeholders.

At least 30% of the bonus will be delivered in the form of Dalata shares deferred for at least three years. The remainder is payable in cash following the year-end. This deferral may be operated under the terms of a restricted share trust.

Malus and clawback provisions apply.

The following table shows the weighting of the bonus opportunity for all executive directors for 2023 (opportunity as a % of base salary):

| Category | Annual bonus measure | All executive directors % base salary |
|---|---|---|
| **Financial** | Modified EBIT | 105% |
| **Non-financial** | Individual strategic business objectives | 27% |
| | Environmental and social targets | 18% |
| | Total | 150% |

## LTIP

Awards will be granted in 2023 of 150% of salary for the chief executive and 125% of salary for the other executive Directors in line with the Remuneration Policy.

Awards will vest after a three-year performance period based 50% on TSR and 50% on Free Cashflow per share (FCPS). Vested shares will be subject to a minimum additional two-year post-vesting holding period.

The TSR element of the award will continue to be assessed against a bespoke TSR peer group of 20 leisure and hospitality competitors for closer performance alignment. The list of companies in the group is shown below:

| Company | Sub-sector | Company | Sub-sector |
|---|---|---|---|
| **Marriott International** | Hotels and Motels | **Easyjet** | Airlines |
| **Hilton Worldwide** | Hotels and Motels | **TUI** | Travel and Tourism |
| **Ryanair** | Airlines | **Air France-KLM** | Airlines |
| **IHG** | Hotels and Motels | **SSP Group** | Restaurants and Bars |
| **Accor** | Hotels and Motels | **Autogrill** | Restaurants and Bars |
| **IAG** | Airlines | **Melia Hotels.** | Hotels and Motels |
| **Hyatt** | Hotels and Motels | **Finnair** | Airlines |
| **Whitbread** | Hotels and Motels | **Scandic** | Hotels and Motels |
| **Deutsche Lufthansa** | Airlines | **PPHE Hotel Group** | Hotels and Motels |
| **Wizz Air** | Airlines | **On the Beach** | Travel and Tourism |

LTIP awards have previously been based 50% on EPS measures, which was replaced by free cashflow per share (FCPS) in 2021. Due to the way that Dalata is required to account for leases under IFRS16, the committee is concerned that EPS was not fully representative of our performance or incentivising the right behaviours. There is a risk that continuing to use EPS would penalise management for executing our growth strategy of developing new leasehold hotels due to the disproportionate impact on EPS in the early years of new leases. For the 2023 LTIP award, the committee has decided to retain the FCPS measure, given that it is more aligned with the Group growth strategy.

The committee believes that TSR and FCPS provide a balance between incentivising long-term growth from the execution of the strategy and recognising performance delivered for shareholders via share price growth and dividend performance relative to sector peers.

FCPS excludes items that are deemed one-off and thus do not reflect normal trading activities or distort comparability either period on period or with other similar businesses. This should encourage the vigorous pursuit of opportunities, and by excluding certain one-off items, we drive the behaviours we seek from the executives and encourage management to invest for the long-term interests of shareholders. The definition of FCPS is set out in the Alternative Performance Measures (see Supplementary Financial Information, Alternative Performance Measures ('APM') and other definitions, paragraph xiv).

The performance targets for 2023 LTIP awards are shown below:

| €'000 | TSR (50% of award) | FCPS (50% of award) |
|---|---|---|
| **Definition** | TSR performance (compared with bespoke group) | Basic FCPS achieved in the year ending 31 December 2025 |
| **Threshold vesting (25% of maximum)** | TSR at median level of the group | €0.498 |
| **Maximum vesting** | TSR at upper quartile level of the group | €0.608 |

**Notes:**

**a.** No vesting below threshold performance.

**b.** Straight-line vesting between points

**c.** The Company's TSR performance will be calculated by using a ranked approach against the bespoke group. TSR will be calculated using a three-month average at the start and end of the performance period (1 January 2023 to 31 December 2025).

## Non-executive Director fees

Under the policy, the board carried out a review of non-executive director fees for 2023. Non-executive director fees were last increased in 2019. The basic fee for non-executive directors for 2023 was increased by 4%, in line with the level of increase granted to employees earning over €13 (£13) per hour, and no increase was proposed for fees paid for additional duties.

The board recognised that the chair's fee was considerably lower than typically paid at similar companies in the UK and Ireland. Balancing the Company's interest in maintaining a competitive level of chair remuneration with the wider stakeholder experience, particularly that of the Company's employees at a time of high inflation and rising living costs, the board agreed that the chair's remuneration should be increased to better align with market practice. However, it determined that the increase should be phased in over two years; thus, the chair fee will increase to €175,000 on 1 January 2023 and to €200,000 on 1 January 2024.  This fee is still below the typical Chair fee for comparable sized UK listed businesses.

The table below shows non-executive director fees effective 1 January 2023 with comparative figures for 2022.

| €'000 | 2023 | 2022 | Change % |
|---|---|---|---|
| Board Chair | 175.0 | 150.0 | 16.7% |
| Basic Non-executive Director | 67.6 | 65.0 | 4.0% |
| Chair Audit and Risk Committee | 20.0 | 20.0 | 0.0% |
| Chair Remuneration Committee | 20.0 | 20.0 | 0.0% |
| Chair ESG Committee | 20.0 | 20.0 | 0.0% |
| Non-executive Director designated responsibility for workforce engagement | 20.0 | 20.0 | 0.0% |

# Outcomes in Respect of 2022

Where indicated, the disclosure has been audited.

Directors' remuneration in 2022 was awarded in line with the Remuneration Policy, which was approved by shareholders at the 2020 AGM. Overall, the committee is satisfied that the policy has operated as it was intended this year.

## Single total figure of remuneration (audited)

The following table details director's remuneration for the 2022 financial year (with 2021 comparative figures).

| €'000 | Year | Base salary/ fees | Pension | Benefits | Bonus | LTIP | Total | Proportion of fixed and variable pay |
|---|---|---|---|---|---|---|---|---|
| | | Fixed Remuneration | | | Variable Remuneration | | | |
| **Executive Directors** | | | | | | | | |
| **Dermot Crowley** | 2022 | 590 | 30 | 12 | 430 | 81 | 1,143 | 55.3 : 44.7 |
| | 2021 | 381 | 47 | 12 | - | - | 440 | 100.0 : 0.0 |
| **Carol Phelan** | 2022 | 350 | 18 | - | 255 | 20 | 643 | 57.2 :42.8 |
| | 2021 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **Shane Casserly** | 2022 | 350 | 18 | - | 255 | 74 | 697 | 52.8 : 47.2 |
| | 2021 | 313 | 16 | - | - | - | 329 | 100.0 : 0. |
| **Non-Executive Directors** | | | | | | | | |
| **John Hennessy** | 2022 | 150 | - | - | - | - | 150 | 100.0 : 0. |
| | 2021 | 144 | - | - | - | - | 144 | 100.0 : 0. |
| **Robert Dix** | 2022 | 28 | - | - | - | - | 28 | 100.0 : 0. |
| | 2021 | 82 | - | - | - | - | 82 | 100.0 : 0. |
| **Margaret Sweeney** | 2022 | 85 | - | - | - | - | 85 | 100.0 : 0. |
| | 2021 | 82 | - | - | - | - | 82 | 100.0 : 0. |
| **Elizabeth McMeikan** | 2022 | 85 | - | - | - | - | 85 | 100.0 : 0. |
| | 2021 | 82 | - | - | - | - | 82 | 100.0 : 0. |
| **Cathriona Hallahan** | 2022 | 78 | - | - | - | - | 78 | 100.0 : 0. |
| | 2021 | 11 | - | - | - | - | 11 | 100.0 : 0. |
| **Gervaise Slowey** | 2022 | 85 | - | - | - | - | 85 | 100.0 : 0. |
| | 2021 | 5 | - | - | - | - | 5 | 100.0 : 0. |

**Notes:**

**a.** Base salary/fees represent all amounts received in respect of the financial year.

**b.** Dermot Crowley previously served as Deputy CEO. He was appointed CEO Designate in March 2021 and remained on his previous salary of €355.5k (which was subject to a 15% reduction for the first three months of 2021). He succeeded Pat McCann as CEO on 1 November 2021 with a base salary of €590k. His salary in 2021 has been pro-rated accordingly to reflect his time in each role.

**c.** Carol Phelan was appointed to the Board as Chief Financial Officer on 1 January 2022.

**d.** Pension represents payments into the Company's defined contribution pension plan. Dermot was appointed CEO on 1 November 2021 with a pension contribution of 5% of salary. Previously as Deputy CEO, his pension contributions were 15% of salary. His pensions figure in 2021 has been pro-rated accordingly. Carol Phelan and Shane Casserly both received pension contributions of 5% of salary.

**e.** Benefits include a company car and fuel and benefits under the group risk-benefit scheme, which includes death in service cover and disability benefit.

**f.** Bonus represents the value of the bonus receivable in respect of the group's annual bonus plan for the relevant financial year. For 2022, the committee determined that executive directors should only receive a bonus in respect of the period where the group was not receiving the Irish government's wage support. The value shown above has therefore been pro-rated to a seven-month period (from 1 June 2022). 30% of the bonus shown above will be deferred into Dalata shares for a minimum period of three years.

**g.** For the LTIP, the value shown for 2022 reflects the final vesting outcome of the 2020 LTIP award, with performance measured over the three-year performance period from 1 January 2020 to 31 December 2022. Vesting of the 2020 award is based 50% on TSR performance compared to the STOXX Europe 600 Travel & Leisure Index and 50% on EPS performance achieved in FY22 (see LTIP – vesting outcome of the 2020 award (audited) for further details). The values shown for 2022 have been calculated using the three-month average share price to 31 December 2022 of €3.19. 30% of the value disclosed in respect of the 2020 LTIP relates to the increase in share price from the date of the award. The committee considered shareholder guidance in relation to 'windfall gains'. Taking into account the lower grant share price and shareholder guidance in this area, the committee judged that it would be appropriate to exercise its discretion to reduce the level of vesting by 25% from 18.64% of the maximum award to 14%.

**h.** Concerning both the bonus and LTIP outturn for 2022, the committee considered whether the outcomes were appropriate in the context of the underlying performance of the business and the experience of shareholders and other stakeholders over the performance period(s) as well as considering whether there was any other significant negative event that would warrant an adjustment. The Committee was satisfied that the incentive outcomes were merited, and no further discretion was exercised by the committee to adjust either award.

**i.** Elizabeth McMeikan received compensation of €8k (2021€1k) for expenses incurred travelling to and from meetings.

**j.** Cathriona Hallahan was appointed non-executive director of the board on 1 November 2021. Her fees for 2021 reflect her time in service during the year.

**k.** Gervaise Slowey was appointed non-executive director of the board on 1 December 2021. Her fees for 2021 reflect her time in service during the year.

**l.** Robert Dix retired from the board at the 2022 AGM on 28 April 2022. His fees for 2022 reflect his time in service during the year.

## Annual bonus plan outcome for 2022 (audited)

In line with the previous 2020-2022 Policy, the maximum bonus for 2022 was 125% of salary for all executive directors. This was based 70% on the achievement of stretching financial targets and 30% on non-financial targets.

The Modified EBIT target was exceeded, and the committee judged that the individual strategic and ESG targets for each of the directors were met in full. However, during the year, the group received Irish government's wage support until 31 May 2022. Taking into account recent investor and proxy agency guidance, the committee reflected upon whether the executive directors should receive a bonus award for the full year. After due consideration, the committee determined that the executive directors should only receive an award for the period where government support was not received, and the award was pro-rated accordingly. Overall, therefore, the bonus outcome for 2022 was 58.3% of the maximum for each Executive Director.

## Profitability (70% weighting)

Financial performance for annual bonus evaluation is measured using Modified EBIT. EBIT is modified to remove the effect of fluctuations between the annual and budgeted EUR/GBP exchange rate and other items which are considered, by the Remuneration Committee, to fall outside of the framework of the budget target set for the year. Modified EBIT is described in detail and reconciled to Profit Before Tax in the Supplementary Financial Information section: Alternative Performance Measures ('APM') and other definitions paragraph xviii.

| | Threshold (30% vesting) | Target (50% vesting) | Maximum (100% vesting) | Actual | Outcome |
|---|---|---|---|---|---|
| Modified EBIT | €52.7m | €58.5m | €63.0m | €124.2m | Performance met 212% of the target leading to 100% of the maximum bonus pay out for this element |

## Individual strategic objectives (24% weighting)

The committee carefully considered each Director's performance against individual strategic objectives set and the outcomes. The committee also had regard to the progress made by the senior management team as a whole toward delivering the Company's strategic objectives. A summary of the objectives set and performance achieved is set out below. Commercially sensitive information is excluded from the narrative.

| Objectives set | Summary of performance achieved | Outcome |
|---|---|---|
| **Dermot Crowley** | | |
| **Evaluate** options for strategic growth and development. | Updated strategy presented to the Board. All six new hotels successfully opened and integrated into the Dalata portfolio. Took over the operation of our first hotel in Europe. | 24% out of 24% weighting achieved |
| **Implement and embed** a new management structure to enhance internal communication and better inform decision making. | Structure implemened and working well. | |
| **Ensure** that a culture of innovation takes hold within the Group. | All target innovation projects successfully executed. | |
| **Develop** a succession plan at senior executive level. | Senior executive Team succession plan completed. | |
| **Facilitate** the review of our food and beverage operations. | Project successfully executed. | |
| **Oversee** the successful separation of the sales and marketing functions | Project successfully executed. | |

| Objectives set | Summary of performance achieved | Outcome |
|---|---|---|
| **Carol Phelan** | | |
| **Prepare** 5 Year Financial Projections as part of overall plan for the group, including funding options. | Target achieved with group positioned to finance further growth | 24% out of 24% weighting achieved |
| **Draw up and prepare** Finance 2025 Vision and Execution Plan. | Designed and implemented new structure for Operations Finance. | |
| **Develop pipeline** of financially skilled people to support our growth in Ireland, the UK and continental Europe; draw up a succession plan for key finance roles. | Restructured finance team roles to provide opportunities for progression. Creation of more attractive roles to support development and retention. Completed succession plan for key finance roles. | |
| **Monitoring and stress testing** of viability and going concern. | Stress testing now being performed and included on an ongoing basis to support understanding of strategic options and financial stability. | |
| **Shane Casserly** | | |
| **Complete** post-Covid assessment of the UK & Ireland markets in terms of opportunities for the Company. | Full range of strategic options with assessments of each presented to the board. | 24% out of 24% weighting achieved |
| **Facilitate** the promotion and development of a culture of innovation within the Company. | Strengthened the IT department through recruitment to enable a focus on innovation through technology.<br>Has played a leading role in encouraging culture of challenge. | |
| **Address** the Cyber Risk Management process, ensuring it is fit for purpose | Cyber Risk Management Process has been externally reviewed. | |
| **Ensure** the successful opening of the 6 construction properties due for delivery in 2022 and successfully manage the ongoing and new construction projects in 2022. | Highest number of new rooms opened ever by Group. Six new hotels delivered with hugely positive reviews on product and location. | |

## Environment objectives (6% weighting)

The committee carefully considered the group's performance against the environmental objectives set and the outcomes.

| Objectives set | Summary of performance achieved | Outcome |
|---|---|---|
| **Dermot Crowley** | | |
| **Develop** statement of carbon emissions reduction and achieve interim progress on short-term environmental targets. | Group continues to examine our ability to commit to SBTi. Excellent progress made on understanding SBTi challenges and communicating our plans to stakeholders. Excellent progress on short-term targets | 6% out of 6% weighting achieved |
| **Carol Phelan** | | |
| **Embed** ESG measurement, reporting and analysis into Finance team. | Reliable utility consumption reporting now in place across the Group. | 6% out of 6% weighting achieved |
| **Shane Casserly** | | |
| **Complete** Phase 2 of the Development Sustainable Development Project, identifying tangible opportunities for Dalata to improve our carbon footprint of new developments, both in the embodied and operational spectrum | Brought our understanding of carbon footprint and requirements to comply with Science Based targets to a new level. | 6% out of 6% weighting achieved |
| **Review** new hotel specifications and negotiate with developers and construction partners to enable delivery on these tangible opportunities | Has progressed changes required in the design of new build to achieve substantial reductions in embodied carbon. | |

## Overall outcome

The table below summarises the overall bonus outcome for 2022.

| | Weighting | Outcome against target | Outcome following pro-rating |
|---|---|---|---|
| EBIT | 70% | 70% | 40.8% |
| Individual objectives | 24% | 24% | 14.0% |
| Environmental objectives | 6% | 6% | 3.5% |
| **Sub-total** | **100%** | **100%** | **58.3%** |

As outlined above, the Directors received the following amounts, respectively, after the awards were pro-rated by a seven-month period to reflect the period of time where no government support was received: €430,208 (Dermot Crowley), €255,208 (Carol Phelan) and €255,208 (Shane Casserly). The committee was satisfied that the pro-rated outcome was appropriate, and no further discretion was applied.

## LTIP – vesting outcome of the 2020 award (audited)

The 2020 LTIP award granted to executive directors on 13 March 2020 became eligible for vesting following the completion of the Performance Period on 31 December 2022. Vesting of the award was subject to two performance criteria: 50% of the award is based on TSR performance compared to the STOXX Europe 600 Travel and Leisure index, and 50% is based on Adjusted Basic EPS performance for the year ended 31 December 2022 (calculated under the accounting treatment of leases per IAS 17; see Supplementary Financial Information section: Alternative Performance Measures ('APM') and other definitions with a threshold target of €0.44 and a maximum of €0.55.

In order to ensure a like-for-like assessment with the basis on which the targets were set at the start of 2020, the committee assessed EPS performance (a) excluding the number of shares issued as part of the placing in September 2020; and (b) excluding from PBT interest accrued in relation to the additional cash held following the placing. Adjusted EPS performance was accordingly determined to be €0.458, resulting in a vesting outcome of 37.27% for the portion of the award based on Adjusted performance (i.e. 18.64% of the overall award).

The committee also considered shareholder guidance in relation to 'windfall gains'. The LTIP awards granted in 2020 were granted at a price of €2.4375 (the volume weighted average share price on 12 March 2020). This compares to a price of €5.9775 for the 2019 awards. The committee did not make a reduction on the award to reflect this lower share price but committed to reviewing the outcome at vesting. The committee carefully considered its approach taking into account the exceptional performance of management in protecting the business while operations were closed during the Covid-19 pandemic, the acceleration of the recovery performance during 2022 and the continued execution of the strategy to build capacity and deliver shareholder value. The committee believes that the recovery in the share price largely reflects the actions of management rather than a market rebound. However, the committee recognises shareholder views in this area and taking into account the lower grant share price and shareholder guidance in this area. The committee judged that it would be appropriate to exercise its discretion to reduce the level of vesting by 25% from 18.64% to 14%. The committee believes this is a fair outcome for management and shareholders.

Overall, 14.0% of the award will vest based on the assessment of the TSR and EPS performance, as shown below.

| | Weighting | Threshold (25% vesting) | Maximum (100% vesting) | Actual | Vesting outcome |
|---|---|---|---|---|---|
| TSR | 50% | Equal to index | Equal to or greater than 10% per annum above the index | Below the index | 0.00% |
| Adjusted Basic EPS | 50% | €0.44 | €0.55 | €0.458 | 37.27% |
| | | | | Calculated Vesting | 18.64% of maximum |
| Reduction to avoid windfall gains | | | | | 4.66% of maximum |
| | | | | Overall vesting | 13.98% of maximum |

**a.** TSR was calculated using a 3-month average at the start and end of the performance period (1 January 2020 to 31 December 2022).

## Share incentive plan interests awarded during 2022 (audited)

The table below provides details of the LTIP awards made during the year to the executive directors.

| Director | Type of award | Face value of the award at grant | Number of shares awarded | Vesting at threshold (% of maximum) | Performance period |
|---|---|---|---|---|---|
| **Dermot Crowley** | LTIP | 150% of salary | 218,848 | 25% | 1 Jan 2022 to 31 Dec 2024 |
| **Carol Phelan** | LTIP | 125% of salary | 108,188 | 25% | 1 Jan 2022 to 31 Dec 2024 |
| **Shane Casserly** | LTIP | 125% of salary | 108,188 | 25% | 1 Jan 2022 to 31 Dec 2024 |

**a.** Vesting is based on two separate performance criteria: 50% of the award is based on TSR performance compared with the Company's bespoke TSR group. A full list of the companies in the group can be found on in the Annual Remuneration Report, Statement of Implementation for 2023. Threshold vesting occurs for TSR equal to the median TSR of the group and maximum vesting where TSR is equal to or greater than the upper quartile TSR of the group. The remaining 50% is based on Free Cash Flow per share achieved in FY24, with threshold vesting for FCPS equal to €0.36 and maximum vesting if FCPS is equal to or greater than €0.48.

**b.** The number of shares awarded was calculated using the volume-weighted average share price on 1 March 2022 (€4.044), the last trading day prior to the date of the grant.

# Additional Disclosures

## Directors and Company Secretary share interests

| | Shares beneficially owned as at 31 December 2021 | Shares beneficially owned as at 31 December 2022 | Option to acquire shares under Sharesave Scheme | Conditional LTIP share awards subject to performance conditions: 2020 Award (vesting after 31/12/22) | 2021 Award (vesting after 31/12/23) | 2022 Award (vesting after 31/12/24) | Total Conditional LTIP Awards |
|---|---|---|---|---|---|---|---|
| **Dermot Crowley** | 586,381 | 596,381 | 7,894 | 182,309 | 106,761 | 218,848 | 507,918 |
| **Carol Phelan** | 31,159 | 31,159 | 7,894 | 43,938 | 25,730 | 108,188 | 177,856 |
| **Shane Casserly** | 148,189 | 148,189 | 7,894 | 166,665 | 97,600 | 108,188 | 372,453 |
| **John Hennessy** | 170,000 | 170,000 | | | | | |
| **Margaret Sweeney** | 66,787 | 66,787 | | | | | |
| **Robert Dix** | 87,465 | n/a | | | | | |
| **Elizabeth McMeikan** | 8,000 | 8,000 | | | | | |
| **Cathriona Hallahan** | - | - | | | | | |
| **Gervaise Slowey** | - | 8,939 | | | | | |
| **Seán McKeon** | 175,139 | 175,139 | 7,894 | 73,468 | 43,023 | 45,612 | 162,103 |

**a.** Shares beneficially owned include those of connected persons and include shares held in trust, which are subject to deferral or holding periods.
**b.** Total conditional LTIP awards include LTIP awards to Executive Directors representing the maximum number of shares that may vest under 2020, 2021, and 2022 LTIP awards based on the performance conditions associated with each award. The 2020 award will vest at 13.98% of maximum, see LTIP – vesting outcome of the 2020 award (audited).
**c.** There was no change in the beneficial interests of the Directors between the year-end and the date of this report.
**d.** The interests of Robert Dix in the column headed "Shares beneficially owned as at 31 December 2022" are shown as at the date of his retirement as a Director on 28 April 2022.

## Shareholding guidelines

Executive Directors are expected to build up and maintain a beneficial holding of at least 200% of base salary. Based on the closing share price on 31 December 2022 of €3.27, the Executive Directors' beneficial holdings as a percentage of their base salary (on that date) were as follows:

| | Beneficial shareholding % base salary |
|---|---|
| **Dermot Crowley** | 331% |
| **Carol Phelan** | 29% |
| **Shane Casserly** | 138% |

Carol Phelan (2022) and Shane Casserly (2020) are relatively recent board appointees and, in the absence of share award vesting in recent years, have not yet had an opportunity to build their shareholding up to the 200% of base salary level.

## TSR performance summary and historic remuneration outcomes

The graph below compares the TSR (re-based to 100) over the period since listing to the performance of the ISEQ Index and the median of the STOXX Europe 600 Travel and Leisure Index.

The following table shows the total remuneration for the chief executive for each financial year over the same period.

| | 2014[1] | 2015 | 2016 | 2017 | 2018 | 2019[2] | 2020 | 2021[3] | 2022[4] |
|---|---|---|---|---|---|---|---|---|---|
| Single figure (€'000) | 441 | 840 | 1,603 | 1,764 | 1,511 | 1,293 | 542 | 583 | 1,143 |
| Annual bonus outcome (% of maximum) | 67% | 100% | 90% | 100% | 100% | 62.5% | 0% | 0% | 58.3% |
| LTIP vesting (% of maximum) | N/A | N/A | 100% | 100% | 46% | 67% | 0% | 0% | 14.0% |

1. 2014 includes remuneration prior to IPO.
2. 2019 single figure is restated to reflect the vesting outcome of LTIP awards granted in 2017, which vested in March 2020.
3. 2021 single figure includes the outgoing CEO's pay until 31 October and the new CEO's pay from 1 November until 31 December 2021.
4. 2022 bonus was pro-rated to seven months to take into consideration the group's use of government support.

## Relative spend on pay

The following table shows the group's aggregate actual spend on pay (for all employees) and dividends in respect of the current and previous financial year. There were no share buybacks in either year.

| | 2021 | 2022 | Change |
|---|---|---|---|
| Dividend | €0.0m | €0.0m | 0% |
| Aggregate employee remuneration | €51.7m | €126.1m | 144% |

The above figures are stated net of government grants of €10.5 million (2021: €38.0 million).

## Percentage change in remuneration

The following analysis is presented in compliance with S1110N of the Companies Act 2014: it summarises the annual change in remuneration for each individual director over five years in comparison to the annual change in average employee remuneration.

| | 2018 v. 2017 | 2019 v. 2018 | 2020 v. 2019 | 2021 v. 2020 | 2022 v. 2021 | 2022 €'000's |
|---|---|---|---|---|---|---|
| **Director's Remuneration** | | | | | | |
| **Executive Directors** | | | | | | |
| **Dermot Crowley** | (16%) | (15%) | (51%) | 17% | 160% | 1,143 |
| **Carol Phelan** | n/a | n/a | n/a | n/a | n/a | 643 |
| **Shane Casserly** | n/a | n/a | n/a | 9% | 112% | 697 |
| **Non-executive Directors** | | | | | | |
| **John Hennessy** | 0% | 20% | (11%) | 8% | 4% | 150 |
| **Margaret Sweeney** | 0% | 13% | (12%) | 9% | 4% | 85 |
| **Robert Dix** | 0% | 13% | (12%) | 9% | (57%) | 35 |
| **Elizabeth McMeikan** | n/a | n/a | 400% | 9% | 4% | 85 |
| **Cathriona Hallahan** | n/a | n/a | n/a | n/a | 609% | 78 |
| **Gervaise Slowey** | n/a | n/a | n/a | n/a | 1,600% | 85 |
| **Company performance** | | | | | | |
| **Profit (loss) before tax** | 13% | 3% | (224%) | 90% | 1,059% | 109,657 |
| **Average remuneration, on a full-time equivalent basis, of employees of the group** | | | | | | |
| **Average group FTE** | 2% | 3% | 17% | (1%) | 15% | 37 |

1. Dermot Crowley was promoted to group CEO effective 1 November 2021.
2. Cathriona Hallahan and Gervaise Slowey were appointed on 1 November 2021 and 1 December 2021, respectively.
3. Carol Phelan was appointed as a director on 1 January 2022.
4. Robert Dix retired from the Board on 28 April 2022.

## Payments to past Directors

Stephen McNally retired as a director on 31 December 2021. He remained in employment with the Company until 28 February 2022. He was paid normal salary and benefits until 28 February 2022 and received payment in lieu of annual leave upon termination (see note 3 to the consolidated financial statements).

## Payments for loss of office

There were no payments for loss of office during the year.

## AGM voting

At last year's Annual General Meeting, the following votes were received on the resolution to receive and consider the Director's Report on Remuneration for the year ended 31 December 2021.

| | Votes | % |
|---|---|---|
| Votes For | 169,731,408 | 100% |
| Votes Against | 260,110 | 0% |
| Total Votes | 169,991,518 | 100% |
| Votes Withheld | 0 | |

The following votes were received on the resolution to approve the Directors Remuneration Policy at the 2020 AGM.

| | Votes | % |
|---|---|---|
| Votes For | 131,980,613 | 99% |
| Votes Against | 913,115 | 1% |
| Total Votes | 132,893,728 | 100% |
| Votes Withheld | 0 | |

The committee was pleased with the level of support received for our Remuneration Report and Directors' Remuneration Policy. As always, we are committed to taking into consideration the views of our shareholders each year in our approach to and disclosure of remuneration.

## Remuneration Committee and advisors

The chief executive and the company secretary attended committee meetings at the invitation of the committee chair (but were not present for discussions on their own remuneration).

The committee's independent advisor Deloitte LLP and the Chief People Officer also attended some meetings.

The members of the committee have no financial interest and no potential conflicts of interest, other than as shareholders, in the matters to be decided and no day-to-day involvement in the running of the business.

In carrying out its duties, the committee considers any relevant legal requirements, the recommendations in the UK Corporate Governance Code and the Listing Rules of the London Stock Exchange or Euronext Dublin and associated guidance and investor guidelines on executive remuneration.

The board approves the remuneration of the non-executive directors. During 2022, the committee continued to receive independent advice from Deloitte LLP, based in London, in respect of the development of the Remuneration Policy.

Deloitte LLP is a member of the Remuneration Consultants Group and adheres to its code concerning executive remuneration consulting. Deloitte Ireland also provided unrelated corporate finance advisory services during the year.

It is the view of the committee that the Deloitte LLP engagement team that provide remuneration advice to the committee do not have connections with the Company or its directors that may impair their independence.

The committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

The committee considers that the advice received from the advisors is independent, straightforward, relevant, and appropriate and that it has an appropriate level of access to them and has confidence in their advice.

Fees charged by Deloitte LLP during the year were £34,450. These fees were charged on a time and materials basis.

On behalf of the Board

**Margaret Sweeney**
Chair
Remuneration Committee
27 February 2023