

NON FINANCIAL REPORT

RESPONSIBLE BUSINESS

2019

At Arena Hospitality Group we are regarded as one of the most dynamic hospitality groups in the CEE region.

With 26 properties throughout Croatia, Germany and Hungary including campsites, mobile homes, hotels, restaurants, bars and spas both resort based and central city located, we know we have a responsibility to deliver ethical and sustainable experiences across our business.

Working with PPHE Hotel Group, we ensure that our people, places & planet are integrated into everything we do.

DOING BUSINESS RESPONSIBLY

A WORLD OF CHANGE

We understand that in order to be a sustainable business, our strategic goals should focus on our People, Places & Planet to ensure a thriving world where business can operate successfully. We adopted PPHE's Responsible Business programme in 2017 and continue to ensure we meet the desired guest experience by providing both sustainable and authentic experiences.



OUR RESPONSIBLE BUSINESS STRATEGY

As detailed in our Annual Report & Accounts for 2018, we implemented PPHE Hotel Group's Responsible Business programme across Group's business.

The strategy was originally developed by PPHE in collaboration with our Croatian, German and Hungarian team members in 2018. Building on our previous activities, it now focuses on three pillars: People, Places & Planet. Throughout 2019 we have continued to take positive steps in setting ourselves goals and launching new projects and activities which support each pillar across our regions.

We are delighted to continue seeing the Responsible Business programme being incorporated by all team members in their day-to-day roles and activities.

In 2019, PPHE Hotel Group set-up a Responsible Business Steering Group which included Group's ambassadors representing Croatia, Germany and Hungary who are instrumental in delivering the programme within our business.

We continue to work with International Tourism Partnership (ITP), an industry body that brings together leading hotel companies to collaborate on advancing responsible business issues within the industry. This membership allows us to support industry initiatives relating to responsible business, especially with regards to sustainability and anti-slavery.

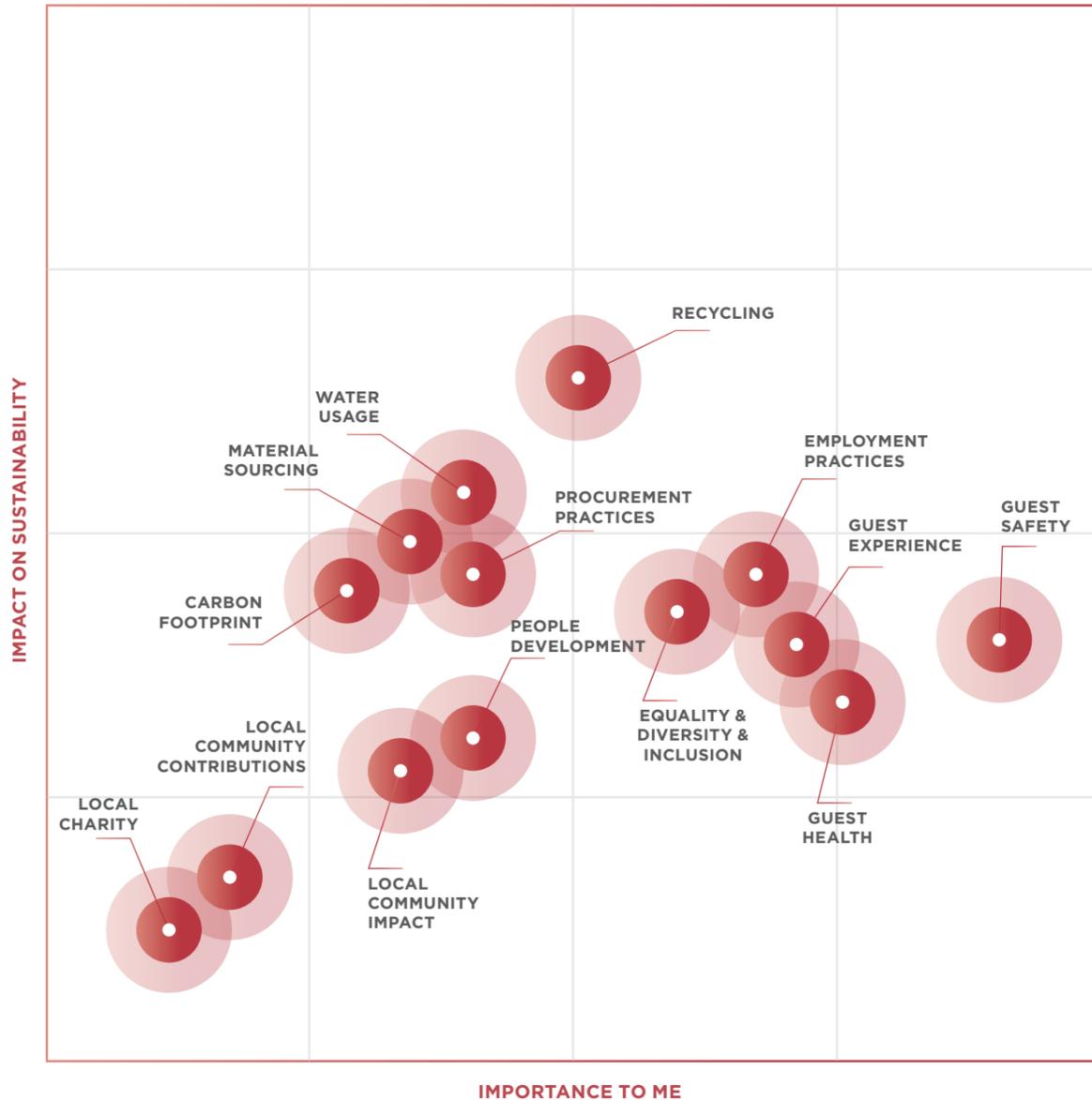
Working with PPHE, we identified a number of programmes to help manage consistency and efficiency and improve the overall reporting of our responsible business activities across our portfolio. We look forward to launching and progressing these programmes in 2020. Below you can find a summary of our progress and key activities on each of the three pillars in the last 12 months.

OUR MATERIALITY ASSESSMENT

Working with PPHE in 2018 we conducted a comprehensive online materiality survey with over 4,000 key stakeholders which included Croatia, Germany & Hungary. The aim to identify our most material issues was critical in focusing our efforts and managing our risks and opportunities.

Following a thorough mapping exercise, the results were weighted and plotted by importance to stakeholders and impact on sustainability. Guest safety was ranked as the highest on importance and recycling was ranked as the highest on impact.

The results have enabled us to identify our most material issues and therefore focus our activities and reporting.



1. We analysed issues from a range of sources. The assessment considered topics included in the GRI Standards and ranked issues according to their importance to our team, partners and guests.
2. Stakeholders ranked each issues importance to them as well as the impact on global sustainability. There were 14 questions which were grouped around the three pillars of Responsible Business: People; Planet and Places. We also included an open-ended question that asked if there was anything they would like to add.
3. An online survey was sent to all key stakeholders. These were grouped into three categories:
 - Guests - sub-divided by corporate guests, leisure guests, corporate meeting and events, personal event, restaurant and bar and spa;
 - Partners and suppliers - sub-divided by supplier of goods and services, education partner, charity partner, corporate partner and employment partner, and
 - Team members - sub-divided by hotel, corporate or regional office, restaurant and bar and spa.
 This provided an opportunity to see the importance by category and to understand how aligned the responses were between guests and the Group as well as partners and the Group.
4. Scatter plots were used to summarise the results and compare responses by stakeholder. Results were also weighted to give more detailed comparisons.
5. We also reviewed the outcomes with that of the International Tourism Partnership. ITP, a non-competitive platform for hotel industry leaders, performed an industry-wide analysis and mapping of relevant ethical, social, and environmental issues. From this, a materiality matrix was developed which hotel chains can adopt as the basis to identify their own materiality.
6. The materiality assessment was reviewed by the Responsible Business Steering Group and approved by the business.

SUSTAINABLE DEVELOPMENT GOALS

In 2015, the Sustainable Development Goals (SDG's) were adopted by all United Nations Member States, calling for action for countries to address 17 goals to achieve a better future for all. The goals address global challenges and aim to end poverty, fight inequality, protect our planet and enable everyone to live in peace by 2030. Working with PPHE, we believe that as a business we have an increased responsibility to take action. We have mapped our business activities and material topics against the SDG's to identify where we can make an impact, and identified goals where we think we can contribute to. Whilst we were able to relate our activities to most of the 17 SDGs, there were five in particular which were most closely aligned with our purpose and values.

PEOPLE

- Linking development to learning
- Attract and retain talent
- Increase diversity in the workplace
- Improve guest experience
- Ensure guest health and wellbeing
- Ensure guest safety and security



WORKING FOR ARENA HOSPITALITY GROUP

The Group employs a diverse workforce across Germany, Hungary and Croatia and promotes an optimal work environment for all of our 1,400 team members.

Our ethos is that with the right attitude, anyone can succeed, and therefore when we recruit we look for individuals who reflect our team member behaviour. Our blueprint 'We are Creators' supports us to effectively recruit and retain team members and build links with the education sector, local authorities, and charities through creating a new way of working, supporting PPHE and Arena's intended guest experience while influencing a desired working climate.

EQUALITY, DIVERSITY AND INCLUSION

The Group ensures that diversity and inclusivity is top of the agenda and maintained throughout the business and properties. We are fully committed to delivering fair treatment for everyone whatever their background, race, ethnicity, gender, or other protected characteristics and deliver opportunity and development for all of our team members, guests and stakeholders.

The Group supports diversity and promotes equality of opportunity for all team members, students and customers regardless of their:

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

AGE DIVERSITY - CROATIA

31.12.2019.

AGE DIVERSITY	Permanent team members	Seasonal team members	Total
0 -17	0	1	1
18 - 30	48	44	92
31 - 40	152	46	198
41 - 50	113	35	148
50+	172	28	200
Total	485	154	639

15.07.2019.

AGE DIVERSITY	Permanent team members	Seasonal team members	Total
0 -17	0	2	2
18 - 30	56	610	666
31 - 40	155	143	298
41 - 50	116	110	226
50+	174	116	290
Total	501	981	1,482

GENDER DIVERSITY - CROATIA

On 15.07.2019 Total head count 1,482 (female: 785, male 697, ratio: 53% : 47%).

	Typical roles	Female : Male Ratio %
Team Member	All team members below supervisory level	52 : 48
Team Leaders (Supervisory)	All supervisors, team leaders	80 : 20
Hotel Management	All HOD, Assistant Managers	58 : 42
Hotel Executive team	Financial Controller, HR Business Partners, Operations Managers and equivalents	43 : 57
Senior Regional Management	GMs, Regional Directors and equivalents,	45,5 : 54,5
Senior Corporate Management	VPs, Corporate Directors, Senior professional personnel (i.e. Lawyers, Accountants)	50 : 50

DEVELOPING TALENT

Our team members are critical to the success of our business. Recruiting and inspiring talent is vital for our businesses continued success, as well as the personal success of each of our team members. As such, supporting and encouraging team members to develop and grow their careers within the business is a priority for us.

Development programmes

With talent development being a key focus, PPHE created the Apprenticeship Academy and invited the Group's eligible team members to participate.

In Croatia, the Company, in collaboration with the Ministry of Tourism, continues to offer four scholarships to students from the School of Tourism, Hospitality and Trade. As part of the programme, the Group's team members train 55 apprentices annually to be chefs, waiters, pastry chefs, and receptionists. Furthermore, team members give guest lectures at the School of Tourism and mentor students, including adults seeking qualifications. We have also continued our partnership with University of Economics and Tourism in Pula and apart from offering guest lectures in the fields of Revenue Management, Human Resources, Strategic Control, several students have done their required internships with us in the Marketing & Sales department. In 2019 one of the students that we sponsored through a scholarship successfully graduated and is currently employed in our HR team. We are also working closely with the Agency for Rural Development of Istria to provide cooking workshops in spring and autumn.

In 2019 we continued our partnership with Diopter, an open university, in regards to supporting prequalifications for local unemployed people offering programmes for future cooks, bartenders, baristas. We support the programmes in terms of practical trainings. Apart from the partnership with Diopter, in 2019 we also signed a partnership with the local School for Tourism, Hospitality and Trade, Pula, KLIK – centre of competencies. It is a 35 million Euro project funded through EU funds and will focus not only on qualifying existing high school students for careers in Tourism (cooks, waiters, pastry chefs, receptionists), but will also offer prequalification for adults looking to build careers in the aforementioned professions. Our company will support the programmes through practical training opportunities and specialist guest lectures.

In Germany, we continued our partnership with Campus Berlin Study & Life, an international university with a campus based in Berlin. Our role in this collaboration

is the practical education on the job in operation and administration section. In 2019 we had three students placed in different properties in Berlin. Their major subjects of study were tourism and accounting. They will experience all operational and back off house departments in the period of three years and take part in all required trainings. That way all areas will be covered and we are striving for their retention afterwards. The Group covers the tuition fees. In 2020 we are looking into further collaboration with other universities and local hotel academies in Germany & Hungary. In terms of internships we have several partnerships with Dutch hotel schools. Students are coming to Germany to complete a semester abroad. They would normally be working in operations to gain direct job experience.

HEALTH AND WELLBEING

Embedding a long-term and positive culture to mental and physical health across the organisation is important to us. We want to promote a mentally healthy environment, stopping preventable issues and allowing people to thrive and become more productive.

The Company is collaborating with the Croatian Institute for Public Health through their "Healthy Living" programme, specifically working on implementing the module "A health friendly company". The main objective of the project, which is co-financed by the European Union from the European social funds, is to recognise and promote healthy values and, to improve work environment and health of employees. After the evaluation of Company's activities related to promotion of health and improvement of work environment and education, the certificate will be awarded for a period of two years. One of the trainings programmes relates to mental health.

TEAM MEMBER ENGAGEMENT

Working with PPHE we have been measuring team member engagement since 2015 and it continues to play an important role in the further development of Group's activities.

Each year, team members are asked detailed questions around their job, manager, team and company, and an overall engagement score is produced. Questions have been developed in multiple languages to remove as many barriers to entry as possible and encourage participation. In 2019, 1,300 team members participated in the survey at a participation ratio of 87%, our employee engagement index for the Group has remained high at 83.8.

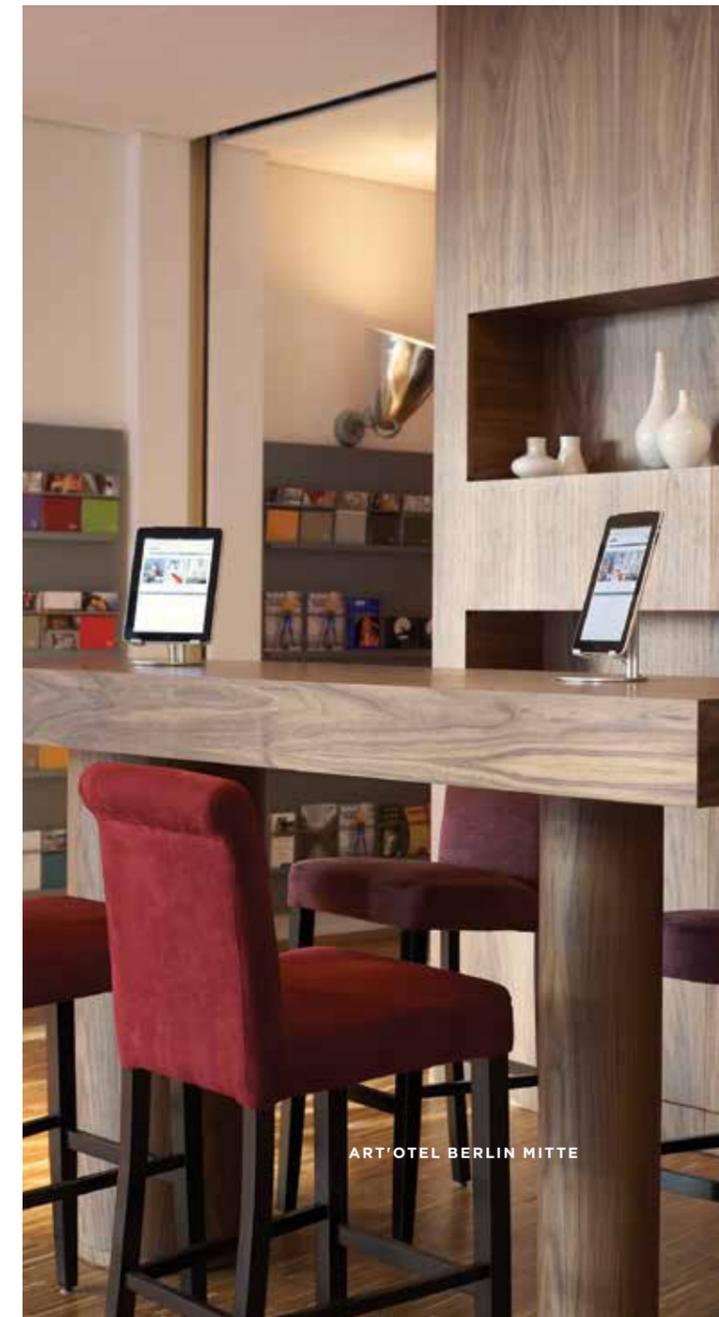
SAFETY AND SECURITY

The safety, security and wellbeing of our guests and team members remains our priority. As such, it is embedded into our culture and business practices, this being top tier led and team member driven. Our Directors and management ensure that sufficient time, resources and trainings are allocated in order to, not only maintain our high standards, but to strive for continual improvement. All hotels and properties have in place a Crisis Plan with specific planning and contingency arrangements included. The plan is tested both internally and externally and taught to all hotel management and Heads of Department (HOD) on a regular basis, in order to ensure that all are fully aware and competent in their role and responsibilities in the event of any crisis incident in the hotel or near vicinity. All hotels have in place an (Accredited) Fire Risk Assessment, in full compliance with the Regulatory Reform (Fire Safety) Order 2005 and Regional Fire Statutory requirements. Each hotel has appropriate safety measures in place including emergency evacuation plans. Measures include sprinkler systems (30% of hotels), smoke detectors (90% of hotels, 50% of resorts), fireproof separation of parts of the buildings (which includes fire proof and smoke proof doors and vent systems), CCTV, team training and refresher training as well as ongoing full hotel evacuation training. All hotels are manned 24 hours a day (during the season – usually only 1-2 hotels are open throughout the year). We are actively working on improvements so each year another property gains new or renewed fire detection or fire suppressing system.

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

HUMAN RIGHTS

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



PLACES

- Increasing our charity initiatives and volunteering
- Contributions and investments with our local community
- Engagement with our local community

LOCAL FOOD AND CULTURE

Local gastronomy is an important part of the culture, heritage, and customs of our destinations. Not only is cuisine an increasingly important motive for travel, but also a key element in evaluating the overall experience and guest engagement.

In our Croatian region, we are proud to have created a programme called 'days of local cuisine', which enables our guests to enjoy traditional Croatian dishes and experience national costume, as well as promote local cultural and artistic organisations through the procurement of local food and crafts.

Arena Hospitality Group's team created a cookbook of Istrian specialties. With each meal, our sommelier recommends wine, and our bartender and mixologist suggests different cocktails. The recipes and cocktails presented follow us year-round, month after month, and remind us of some, perhaps forgotten, but essential scents, flavours and memories that we wanted to convey to our guests.

The quality and offering of food we serve to our customers is important and many of our restaurants source local produce direct from markets. Menus are being developed to give more choice to vegans, vegetarian and accommodate other dietary requirements. Several detox programs have been defined such as classic daily meals (breakfast / lunch) and various detox snacks, juices and tea.

WORKING WITH LOCAL COMMUNITIES

The Group is committed to working with its local communities and we are conscious of our impact on the environment and continue to aim at reducing such impact when operating our hotels, resorts and campsites, restaurants, bars and spas.

On a Group level, we support Breast Cancer Care and the Movember Foundation. For Movember 2019, team members across the business, both operational and corporate, organised and participated in fund raising activities and invited guests to join these initiatives.

Apart from the support to charities which are supported Group-wide, each of our hotels support their local community, with activities throughout the year. This is done in a number of ways including fundraising, volunteering and in-kind giving. Examples of such local projects are:

Supporting children and families

- The regional team in Germany invited 70 children from Kindergarten MANNA in Neukölln, which is an area of social challenge in Berlin, for a healthy lunch at the Berlin ZOO prepared by Park Plaza Berlin Kudamm.
- Park Plaza Berlin Kudamm and art'otel berlin

kudamm jointly donated new sand for the playground of Kindergarten "Heilig Geist" in Willmersdorf/Charlottenburg, which is the neighbourhood in which the mentioned hotels are located.

- As part of the first Pula Marathon held on September 22, 2019, the Company organised the first Arena Kids Run in which 100 children participated. The race was held in three categories 3-6 years, 7-10 years, 11-14 years, with a start and finish line in front of the Pula Amphitheatre. We believe that the Arena Kids Run will become a local tradition and attract a large number of children in the coming years, encouraging children to play sports and directing them towards a healthier lifestyle.

Supporting local community

- In light of the Company's view to respect equality laws, social norms and support civil rights, diversity and offer equality of opportunity for all, the Company has engaged Tekop Nova, an employment facility for disabled people, to design the Company's Christmas gift bags.
- Park Plaza Histria has made its lobby available free of charge for the concert performed by professors of Music School Ivan Matetić-Ronjgov Pula, in honour of the school's 70th anniversary.
- In 2019 the Group signed a partnership with UNICEF. The goal of this partnership is to support UNICEF's programme "For a Stronger Family" with the aim to provide adequate support for every family in need. Fundraising will be organised through various activities across departments of the Group. The Group has committed to make a yearly donation to UNICEF in 2020 and 2021 in the amount of HRK 100,000, irrespective of the amount raised by the fundraising activities. Further, some team members participated in UNICEF's educational programme "Children are our most important business". The goal of this was to respect and promote children's rights not only through various forms of donations, but with a more inclusive engagement that will help us support children and their rights through our business, environmental and social activities.

KEY MESSAGES:

The Company:

- supports UNICEF programme "For a Stronger Family" in The Company's hotels, resorts and campsites;
- is the first hospitality company in Croatia which opened doors to UNICEF programme "For a

Stronger Family” in an easy and simple way;

- partnered with UNICEF on the programme “For a Stronger Family” that helps to ensure better living conditions and a better future for vulnerable children;
- is the first hospitality company in Croatia which has a long term partnership with UNICEF;
- is the first hospitality company in Croatia to join the cooperation of UNICEF, Touristic Board and the Ministry of Tourism;
- is the first hospitality company to launch the Fundraising donation through stand-alone devices for voluntary customer donations via special POS (point of sale) terminals;
- is the first hospitality company in Croatia which conducted CRIA (Child Rights Impact Assessment).
- The Summer season of 2019 started with a humanitarian concert The Rocks & Stars @ Cave Romane Musical Festival, where the Company and Bina Istra supported UNICEF’s programme for young children in Croatia. The amount of HRK 75,000 was donated to the General Hospital in Pula to, amongst other things, improve the conditions for all future mothers in the maternity clinic.
- After a successful 2019 season the Company organised its team members party events with humanitarian character theme, employees participated in Tombola and collected donations for UNICEF.

ARTS AND CULTURE

- The Company was the initiator of Verudela Art Park project with a purpose to enrich the cultural tourism offer in the destination and to promote local artists in accessible public space. The park is located at Verudela peninsula and extends to 5,500 m² where seven monumental works of the eight artists are exhibited. In cooperation with City of Pula, Pula Tourism Office and Zagrebačka Bank, HRK 4.4 million was invested, of which the Company invested HRK 375,000. Besides the investment, the Company is in charge of long term maintenance of the park to the benefit of local community and the guests.
- The Company sponsored the Sa(n)jam knjige u Istri (Book Fair(y) in Istria), an important cultural festival of books and authors and is the patron of the Libar za Vajk award (Book for Ever), awarded at the festival for a fifth year in a row. The amount sponsored this year is 75,000 HRK.
- In partnership with the City of Pula, the Company sponsored the humanitarian Christmas gala concert

traditionally, held at the Istrian National Theatre in Pula. Funds collected (HRK 25,000) from ticket sales will be donated to “Spektar” the athletic club for people with disabilities.

Although our combined activities continue to make positive local level impact, we have identified the need for more transparency on our activities. In 2020, we have committed to develop a strategic community plan aligning to our core business purpose.

SUPPORTING OUR COMMUNITIES INCLUSIVE WORK FOR ALL

We are committed to providing work opportunities for our local communities, and aim to support disadvantaged and underprivileged people into careers. In Croatia, we continued our partnership with Diopter for the EduTurizam project together with the Institute for Labour Market Development. During the first phase of the project a number of individuals were trained to become chefs. The second phase of the project will emphasise a development programme for entertainers and bartenders-baristas. The goal of the project is to provide skills to unemployed individuals and include them in the hospitality industry mainly for the following occupations: chefs, bartenders-baristas, and senior entertainers.



PLANET

- Reduce carbon footprint
- Reduce water usage
- Reduce waste and recycle more
- Increase the use of ethically sourced and eco-friendly materials
- Futureproof our organisation

FUTUREPROOFING OUR BUSINESS

Our real estate programme invests, develops and renovates our properties to create value for our assets. Innovation in our design is critical and we have a unique opportunity to ensure that we futureproof our developments to consider guest feedback, environmental and social considerations, and future trends. Looking forward, we are focusing on a number of repositioning programmes within Croatia specifically and during the planning phase, we have considered the sustainability of our buildings from the start. Where we undertake repositioning and renovation programmes, we ensure that sustainability is central to the planning. Where possible, we upcycle, re-energise or donate used furniture to charity or local community groups.

WASTE REDUCTION

Working with PPHE we carried out a materiality assessment and identified recycling as having the largest impact on sustainability for our business. In Q4 2019, the Company worked with PPHE as part of a new Waste Strategy Steering Group to identify key priorities and to make holistic and faster decisions to curb our waste.

We work closely with PPHE's procurement team to minimise waste impact on the reduction of our operations. During tendering, we have considered the impact of products and how they are delivered. This includes 'hidden packaging', the packaging in which the products arrive, to ensure that packaging waste can be returned to the supplier, and packing that we do use is limited to re-useable, recyclable or biodegradable waste only. We encourage all of our hotels to reduce the amount of waste they produce on site and this is achieved in many different ways. In line with the Company's Responsible Business strategy, eco paper certified FSC® (FSC C017326) and Blue Angel will be used to print Arena News and Payroll Forms. In the future, the Company employees will receive two of their most-used documents on paper that is exclusively or largely made from recycled fibres and by defines criteria for the quality class of recycled paper and chemicals used in their production. In doing so, we are contributing to a long-term sustainable and responsible business model as well as to our goal to increase the use of environmentally friendly materials. We are acutely aware that the use of single-use plastics is high on the agenda for consumers and businesses. The European Parliament has backed a wide-ranging ban on single-use plastics which are to be banned from mid 2021 and working with PPHE we are currently reviewing all proposed banned items and single-use toiletries within our waste strategy, as well as putting measures in place to reduce our overall waste now and in the future.

Conversely, we have also increased the total amount of waste recycled and reused by 201.6 tons or 20.4%, to 1.192 tons (2018: 990.0 tons).

ENERGY AND EMISSIONS

Most of our energy consumption comes from the heating and cooling of our hotels. It is important for us to monitor our energy consumption through our energy-monitoring system in order to identify areas for short and long-term improvement, as well as maximise energy efficiency through our control systems. We continually invest in technology to reduce our carbon footprint and encourage our guests to be sustainable. Following the successful installation of charging stations for electric vehicles in Park Plaza Belvedere, Medulin, Park Plaza Verudela Pula and Arena One 99 Glamping, in 2019 we opened charging stations at Arena Grand Kažela Campsite. Working with PPHE, we also promote our 'Save tomorrow, today' programme, where we actively engage our guests in reducing their environmental impact through the reduction of water, electricity and cleaning materials used in our properties. In Q2, we introduced carbon neutral meetings and event rooms for our guests. Together with Radisson, we are working with First Climate, one of the largest carbon offsetting organisations in the world, to offset our carbon footprint for every meeting room. This is a complimentary service to our meeting and events customers. For every meeting or event held in one of the facilities of the Group, the carbon footprint of such meeting room and the services provided are offset through projects. As a result of the above, as a Group we have managed to successfully reduce our carbon emissions by 674.5 tons or 48.9% to 705.8 tons per year (2018: 1.380 tons per year).

WATER CONSERVATION

Water conservation is critical to us, and we continue to invest in water efficient technology. We have also committed to installing water-softening systems in to hotel rooms with the purpose of reducing lime scale, reduce the use of cleaning chemicals into the water system, and improving the quality of water. We also encourage guests to think about their impact on the environment and save water through our towel and linen reuse programme. We continue to take measures to protect our beaches and marine life, especially given we operate a number of properties in resort locations in Croatia. In 2019, we were awarded a Blue Flag Gold plaque for 15 years of ongoing activities to promote sustainability in the tourism sector, through environmental education, environmental protection and other sustainable development practices which we were delighted to receive.