

VUR Holdings (UK) Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

New development hotels

Village continues to improve its model for new-build hotels. For new-build hotels that are being developed, the Group's aim is to achieve a Building Research Establishment Environmental Assessment Method (BREAM) rating of "Very Good" on all hotels built from 2015 onwards.

This rating is only awarded on the basis that the development is designed and managed with the environmental impacts in mind and the award requires ecological surveys to minimise impacts on land and natural habitats, energy efficient lighting and mechanical/electrical plant, thermally efficient external envelop, natural ventilation where possible, as well as an active 'travel management plan' to understand how customers and staff will access and utilise the hotel in the surrounding local environment.

The Group also engages competent and experienced construction contractors, who have achieved the Carbon Trust Supply Chain Standard. This focuses on reducing CO2 emissions throughout the supply chain by engaging likeminded competent and experienced supply chain partners.

Waste disposal and recycling

The Group is registered with Recycle Pak, a National Compliance Scheme registered to serve companies under the Packaging Waste Regulations. The Group aims to divert the maximum amount of waste possible from landfill.

General Data Protection Regulations (GDPR) Statement

The Group is committed to ensuring that all personal data held is both necessary and relevant and is held securely in accordance with the Group's Data Protection Strategy.

The Group worked steadfastly towards ensuring compliance with the implementation of GDPR, which came into force on 25 May 2018. The Group seeks to ensure that we adopt the approach sought by this Regulation and are as transparent as possible with both customers and employees in advising on the data we are collecting from them and for what purpose. The Group has appointed internal Data Guardians who meet on a quarterly basis to reassess and reevaluate controls over data security.

The Group's privacy policy can be found at <https://www.village-hotels.co.uk/privacy-policy/>

Procurement Policy

The Procurement team works closely with the Risk & Safety Manager to ensure that Government legislation is applied and guidelines are being followed throughout the Village portfolio. Examples of this are:

- The availability and update of allergen information for customers and employees.
- Due diligence checks for new suppliers to ensure they are meeting the legal risk and safety requirements as well as being ethically, environmentally and socially responsible.
- The reduction of waste to landfill, introduction of recycling initiatives and management of waste notes. The Procurement team together with all nominated suppliers within the Village supply chain, work within the Bribery Act 2010 guidelines.

Modern Slavery Statement

The Group recognise that although slavery, servitude, forced labour and human trafficking ('Modern Slavery'), is illegal it remains a growing issue in the UK. In an increasingly global marketplace, the Group also recognise that all businesses have a responsibility to understand whether modern slavery and human trafficking is taking place within their businesses and supply chains and this is a responsibility that the Group takes seriously. We are committed to making meaningful and long term improvements to workers' employment and workplace conditions including but not limited to the prevention of forced, bonded and trafficked labour. We do this through our policies and governance, which are supported by a committed organisation and our leadership.

The Groups Modern Slavery statement can be found at:
<https://www.village-hotels.co.uk/modern-slavery-statement/>

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Directors' Report for the Year Ended 31 December 2020 (continued)

As the Group looks forward to both the remainder of 2021 and out to December 2022, and whilst acknowledging that the Group cannot predict with certainty the continued freedom of trade and consumer movement currently enjoyed, forecasts have been produced, considering various scenarios. In the Base Case scenario, the Group continues to trade at its current and forecast rates and comfortably meets its anticipated loan covenant tests. Cash reserves at the end of December 2022 are positive and there is no requirement for any further equity injection or loan funding. A plausible downside scenario has also been produced which assumes that the UK goes into restricted trading or lockdown once again and trade returns to the reduced levels seen in December 2020 to May 2021. In this scenario, whilst the Group would not require further equity or debt funding to enable it to meet its obligations as they become due, there is projected to be a breach of the June 2022 Debt to EBITDA Covenant which would require the Group to enter into negotiations with Lenders once again. The ability of the Group to meet its Debt to EBITDA Covenant test in June 2022, in a plausible downside scenario, is dependent on obtaining a Debt to EBITDA covenant waiver for June 2022. This results in a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

However, the Directors are satisfied with the Group's performance pre and post COVID. Given this, and the Group's real estate backing, the Directors have concluded that it is appropriate for the financial statements to be prepared on a going concern basis. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on a basis other than going concern.

Post balance sheet events

On 6 January 2021, the UK entered into its third national lockdown. Hospitality was required to close unless providing services for essential business travel and key worker groups. As a consequence, the Group required an additional equity injection. Since the balance sheet date, the Group has received £33.9m of equity funding which has been used to fund both working capital and capital expenditure including the acquisition of the share capital of Tabamara Ltd by the Company. The company owns the freehold interest of a hotel building in Bracknell which was closed for refurbishment immediately on acquisition. The hotel is due to re open in December 2021.

On 23 November 2021, an extension of the term of the existing loan facility was agreed with the loan now repayable in November 2023, with a further extension to November 2024 made available and subject to certain conditions being satisfied. The remaining £15,000,000 of Facility D was cancelled on the same date.

Matters covered in the strategic report

The Group's key business risks and use of financial instruments are disclosed within the Strategic report. The report also discloses the Groups policies on employee opportunities and welfare, as well as health and safety of guests and staff.

Streamlined Energy and Carbon Reporting Framework Regulations (SECR)

The Company recognises the importance of its environmental responsibilities and is continuing to build a framework of energy management strategies towards achieving a carbon neutral status.

A third party energy consultant has been engaged to advise on energy reduction strategies across the portfolio and measure the annual energy consumption and greenhouse emissions for utilities and vehicles.

Energy consumption and reporting is gathered through the use of smart building hardware and data analytics to highlight opportunities to reduce energy consumption. The shut down of hotel plant and throughout the first lockdown period of 2020 in which the hotels were fully closed and during periods of low occupancy has contributed to reduced energy consumption during the year. The Company has also implemented a programme to ensure that newly built or refurbished hotels are operating as efficiently as possible in line with the design of the newly installed plant.

During the reporting period 1 January to 31 December 2020, measured Scope 1 and Scope 2 emissions (Location based) totalled 17,229tCO₂e. This comprised:

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Directors' Report for the Year Ended 31 December 2020 (continued)

Scope – Emissions covered in the report	Total (tCO ₂ e)
Scope 1	9,321
Natural gas	9,292
Fuel for transport	21
Other fuels	8
Scope 2 - Location based	7,908
Electricity, heat	7,908
Total Scope 1 & 2 – location based	17,229
Scope 1 & 2 intensity per m²	0.06tCO₂e/m²
Scope 3	344
Business travel – reimbursed mileage or hire car fuel	344

Total fuel and electricity consumption amounted to 86,216 Mwh.

Energy consumption (MWh)	Reporting Period
Electricity	33,461
Fuels (1)	52,047
Heat (2)	708
Total energy consumption	86,216

(1) Natural gas and transportation fuels (petrol and diesel)

(2) Combined heat and power

Emissions were verified to a reasonable level of assurance according to the ISO 14064-3 standard. Emissions generated from a Combined Heat and Power (CHP) system at Village Whiston are calculated to be proportional to the share of energy generated.

Directors' liabilities

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company. The indemnities constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2020 financial year and remain in force for the Directors of the Company.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

Ernst & Young LLP have expressed their willingness to continue as auditors in accordance with section 487(2) of the Companies Act 2006.