



# EDWARDIAN HOTELS

LONDON

Monday 8<sup>th</sup> June 2020

**PRIVATE AND CONFIDENTIAL**

## **Notice of the Risk of Redundancies and Proposed Contract Changes**

Dear Host

Further to today's email, from our Managing Director, Inderneel Singh on behalf of the directors of Edwardian Hotels London, this letter confirms the exceptional difficulties the group is in, since all of our hotels, restaurants and bars were closed in the last week of March 2020 due to the Covid 19 Pandemic.

This email, sent to all employees of Edwardian Hotels London, serves to confirm two things. Firstly, the group's need to propose changes to the terms and conditions of employment for all employees within the group, details of which can be found in section 3 of this letter. The second is notice of the risk of redundancies within our workforce. This comes unfortunately, even before we are allowed to re-open any of our hotels. Further details of this can be found in section 4 of this letter.

### **1. The group's exceptionally difficult financial position**

At present, we have more than 2,400 employees (hosts) within our group. With all hotels closed, we have no trading income and very limited rental income from the tenants who occupy the few rental properties owned by the group. You may also be aware that the Covid 19 Pandemic has had a devastating impact on the UK economy. A 35% fall in GDP (Gross Domestic Product) has been predicted in the second quarter of 2020 by the Office of Budget Responsibility. To put this into perspective the credit crunch in 2008 caused GDP to reduce by just 2-3%.

Because of these difficulties, In March 2020 we made some critical business decisions to implement immediately certain costs saving measures affecting all employees. These included withdrawing pending job offers, postponing all promotions and pay reviews and temporarily varying the terms and conditions of contract with our employees by agreement (prior to the implementation of the government's Job Retention Scheme). Following the government's Job Retention Scheme being announced we then made the decision to furlough more than 2,200 of our employees.

Our goal during this unprecedented time has always been to ensure the long term health of the business and to protect as many jobs as possible.

Nearly three months on, the directors now know that those steps, without more, are not going to be enough for the group to stay in business. This is the case, even though our banks have agreed in principle to help us, by lending us more money so that we can pay the interest on current loans. We cannot pay that interest without this further help from our banks.

It is now clear that when the law allows our hotels to open and resume trading, the number of guests coming to stay with us will be very limited and will not increase quickly. The continuing requirement for social distancing, anxiety over airline travel, use of Zoom and similar systems in place of travel to facilitate business meetings, will restrict us returning in the next few years to the level of trading we enjoyed before. We may in fact never recover to those levels again.

## **2. The need for structural changes to our business**

In recent weeks, we have looked into the changes that we need to make to the structure of our business, in readiness for when the law allows hospitality businesses like ours to resume trading. If we do not make changes, the business is unlikely to survive.

Without the changes we propose to employee terms and conditions of contract such as reductions in hours, pay and other conditions, we will unfortunately need to make up to 1500 employees redundant, before we are allowed to re-open even one hotel. If the proposed contract changes are agreed by all employees it is likely that the number of required redundancies can be reduced significantly to around 900 or even fewer. With a smaller but flexible workforce, we will substantially improve the chances for the business and its continuing employees to survive.

## **3. Changes to contract terms**

For these reasons, we are asking you now to accept changes to your contract with us, as set out below. These changes below will be effective from 1st November 2020, the day after the Government Job Retention scheme is due to end.

### **Pay and hours**

All Non-Overtime Hosts: a 20% salary reduction from contracted salary, with a guaranteed 20% of contracted days, paid at the new reduced salary rate.

All Overtime Hosts: a guaranteed 20% of contracted days per week.

All Hosts and Directors of the group, with a salary in excess of £70,000 per year: a 30% reduction on pay up to £100,000 and a 50% reduction on pay above £100,000 per year.

PAYE tax and NIC, and all pension contributions will be based on the reduced pay.

Because of the difficult situation the business is now in, we have also considered what changes we need to make to all employee contracts. Therefore, we will be asking all employees to sign new contracts of employment with us upon agreement to the new contract terms. The changes from the existing terms and conditions are as follows: –

Contractual Term	Proposed Change	Reason for change
All additional holiday benefit earned through length of service - not to continue.	Hosts will retain this holiday benefit accrued up until the date the new terms come into effect but there will be no further accrual of increased annual holiday entitlement due to length of service. All Hosts will have statutory minimum holiday and bank holiday accrual.	This is a necessary cost saving measure in the group's current financial situation. It will help us to reduce the number of proposed redundancies.
New term: holiday leave - when to be taken	If we need to, we will require hosts to take holidays during certain periods.	This will help us to ensure that we have the right level of staff in place as needed and will also reduce our dependency on overtime.
Existing term: all incentives, commissions and bonus schemes in operation (other than the tronc payment system)	Such benefits will be discontinued	This is a necessary cost saving measure in the group's current financial situation. It will help us to reduce the number of proposed redundancies  Changes if any to the tronc payment system will be notified by the tronc master directly.
New term: discretionary international travel e.g. when an employee goes for a summer holiday	For a period of 18 months from November 2020 all hosts including senior management and directors will be asked to avoid discretionary international travel. A member of staff who undertakes discretionary international travel, may by law, be required to self-isolate for a period, and so will be delayed in returning to work. Absence from work for that reason will be unpaid leave. The employee's rights to any statutory pay, as a result of the requirement to self isolate, will be unaffected.	Primarily this change is to protect the health and safety of our staff and guests by avoiding unnecessary risks of contagion.
New term - our right to make lay-offs and require short-time working	Introduction of a new contractual right for us to lay off hosts and or require short-time working	This will enable the company to have financial resilience in the event of future lockdown periods and more importantly minimise the risks of further staff redundancies.
New term - Mobility Clause	We will require all our hosts to be able to work at any of our hotels.	As the opening of hotels will be progressive and there may be the need to also open and close hotels dynamically (eg if there is a further lock down) we need to be able to use hosts appropriately.
Existing term: Job Description	We will review and amend job descriptions and retain the right to make further changes to meet the changing needs of the business.	To ensure that our staffing is fit for purpose and to ensure that our workforce remains adaptable and flexible.

Contractual Term	Proposed Change	Reason for change
New term – technology adoption and delivery.	<p>A new contractual commitment for hosts to agree changes in terms and conditions of employment as a result of work place modernisation and technological development.</p> <p>In addition, a commitment to adopt and undertake any appropriate training required by modernisation of the business and technological developments.</p>	<p>We wish to ensure that the business remains competitive and adaptable.</p> <p>Increased use of technology will be needed for our business to be competitive in the long term and to help with social distancing obligations in medium term.</p>
Existing Dicetask Contracts	We will require such hosts change to our group’s standard terms and conditions of employment	To ensure that our workforce are on harmonised terms and conditions, as a matter of fairness.
Existing term: medical Examinations	<p>Currently our request that an employee undergoes a medical examination, for any reason, requires that person’s prior consent.</p> <p>If we require it, staff will now be committed to undertake daily temperature testing and to undergo Covid-19 testing and to share the results with us.</p> <p>Staff will also be required where appropriate to wear a face mask and comply with other government guidance regarding social distancing and health and safety generally.</p>	<p>Primarily this change is to protect the health and safety of our staff and guests by reducing the risk of contagion.</p> <p>It will also ensure that we are able to resume trading if to do so, we must comply with social distancing requirements.</p>

As part of the consultation process referred to in section 4. below, further details and sample contracts will be provided to all employee representatives.

Whilst we acknowledge the impact of this difficult decision on you, by agreeing to this critical initiative we can all share the burden of the financial impact to the business and help to protect as many jobs as possible and preserve our business for the long term.

#### **4. Notice of risk of redundancies**

Because the group has been unable to trade for months past and still cannot do so, it is unlikely that the group will be able to continue to provide employment for all those presently employed by the business. So with regret, it may therefore be necessary to make redundancies. The group is now going to start **a collective consultation on possible redundancies**. This collective consultation will last a minimum of 45 days but may take longer.

The consultation will cover ways of avoiding or reducing the number of redundancy along with measures which may assist in avoiding compulsory redundancies such as postponing employee promotions and pay reviews, suspending overtime, restricting recruitment, offering alternative employment elsewhere within the group (although given the business situation set out at the beginning of this email, such options will be limited) and the re-training of employees. Other measures may be suggested by employee representatives as part of the consultation process.

As the group has no elected employee representatives at present, the group will conduct an election to enable such representatives to be appointed.

If redundancies do have to be made, we will select individuals on the basis of objective selection criteria, which will be the subject of consultation with employee representatives. We will contact you on or before 11th June 2020 with advice on how you can participate in the process for electing the employee representatives.

Further information on the group's proposals will be provided to the employee representatives and all affected employees will be kept informed of the progress of the consultation process.

After the group consultation with employee representatives, we will arrange individual meetings with likely affected employees to consult them on redundancy proposals in more detail and to discuss how this may affect them personally. A person's role may be made redundant within six months of agreeing to the changes of contract described in section 3 above headed "Changes to contract terms". If that happens, the person's severance entitlement to notice pay and statutory redundancy pay will be based on the pay and other terms and conditions of employment that applied before the changes to the person's contract took effect.

#### **5. Roles in the business to be ceased**

It seems that a number of roles will now no longer be required as a result of changes we need to make to the organisation of our business for it to have a long term future.

Those roles, as per HR records, which we are proposing the business will no longer continue, are referred to in **Appendix 1**.

#### **6. Roles in the business to be reduced**

It is likely that a number of roles will need to be reduced across all areas of the business.

The roles, as per HR records, which we propose will be reduced are referred to in **Appendix 2**.

## **7. Roles to be introduced due to the re-structuring of departments**

We anticipate that a number of new roles will be required as a result of the changes of roles and responsibilities within departments and disciplines. Information about possible new positions is referred to in **Appendix 3**.

An Edwardian Hotels London Q & A broadcast "meeting" will be hosted by Inderneel and I on Wednesday 10th June 2020 at 12:30 pm. It will take the form of a short briefing regarding our business position, followed by a summary of the questions and answers received in advance and finally any further questions received during the broadcast. We will try to answer any questions you have. Further details on how to access this meeting will be emailed shortly.

Please note that the information set out in this email is confidential and commercially sensitive. Apart from any professional adviser from whom you choose to take advice, you should not discuss or share the content of this letter with anyone outside our group.

Finally, I would like to take this opportunity to echo the earlier message that Inderneel shared with us, in which he expressed his heartfelt regret for the decisions which have had to be made. We truly appreciate that this is an extremely difficult period for each and every one of you.

We would like to once again thank you for your continued loyalty and support to the business during these testing and unprecedented times.

Yours sincerely

On behalf of Edwardian Hotels London

**Caroline Marais**  
Director of Human Resources

### **Edwardian London Management Services Limited**

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