



PUBLICATION OF ANNUAL REPORT AND NOTICE OF AGM

Released : 06 Apr 2022 12:58
RNS Number : 5054H
Hostelworld Group PLC
06 April 2022

LEI: 213800OC94PF2D675H41

6 April 2022

Hostelworld Group plc

("Hostelworld" or the "Company")

Publication of Annual Report for 2021 and Notice of 2022 Annual General Meeting

Annual Report and Accounts

Hostelworld, the world's leading hostel-focused online booking platform, is pleased to announce that its Annual Report 2021 has been posted or is being made available to shareholders today.

Annual General Meeting

The Company confirms that its Annual General Meeting will be held at 12 noon on Wednesday 11 May 2022 at the offices of the Company, Floor 3, Charlemont Exchange, Charlemont Street, Dublin 2, Ireland. A Circular, containing the Chairman's Letter and Notice of 2022 Annual General Meeting, and a Form of Proxy have also been posted or are being made available to shareholders today.

Documents available for inspection

The following documents:

- Annual Report 2021;
- Circular containing the Chairman's Letter and Notice of 2022 Annual General Meeting; and
- Form of Proxy;

have been submitted to the Financial Conduct Authority via the National Storage Mechanism, and the Irish Stock Exchange (trading as Euronext Dublin), and will shortly be available for inspection at the following locations:

<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

and at:

Companies Announcements Office
Euronext Dublin,
28 Anglesea Street,
Dublin 2

The Annual Report 2021 has also been filed with the Central Bank of Ireland.

The Annual Report 2021, the Circular containing the Chairman's Letter and Notice of the 2022 Annual General Meeting and the Form of Proxy are available on the Company's website at www.hostelworldgroup.com.

Regulated Information

In accordance with DTR 6.3.5(1A), the unedited full text of the regulated information required to be made public under

DTR 4.1 is contained within the 2021 Annual Report which has been uploaded to the National Storage Mechanism and is available on the Company's website www.hostelworldgroup.com.

The information set out in the Appendix, which is extracted from the Annual Report 2021, is included for the purposes of complying with Regulation 33(5)(b)(ii) of the Irish Transparency Regulations 2007 (as amended) and its requirements on how to make public annual financial reports. The information in the Appendix should be read in conjunction with the Company's preliminary results for the year ended 31 December 2021 released on 31 March 2022 which can be viewed at www.hostelworldgroup.com. Together, these constitute the material required by Regulation 33(5)(b)(ii) to be communicated in unedited full text through a Regulatory Information Service.

Contacts:

Hostelworld Group plc

Caroline Sherry, Chief Financial Officer

John Duggan, General Counsel & Company Secretary

Tel: +353 (0) 86 022 3553

Appendix:

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law. The Directors have also elected to prepare the Group financial statements in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and to prepare the parent Company financial statements in accordance with FRS 101 Reduced Disclosure Framework ("Relevant Financial Reporting Framework") and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the profit or loss of the Group for that period.

In preparing the parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether Financial Reporting Standard 101 Reduced Disclosures Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the Relevant Financial Reporting Framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 30 March 2022 and is signed on its behalf by:

John Duggan
Company Secretary
30 March 2022

Principal risks and Uncertainties

The Board takes overall responsibility for identifying the nature and extent of the risks to be managed by the Group to ensure the successful delivery of its strategic and business priorities. The Audit Committee monitors certain risk areas and the internal control system, as set out in the report on governance. The Group's risk register identifies key risks including any emerging risks and monitors progress in managing and mitigating these risks and is reviewed regularly during the year by the Audit Committee and at least annually by the Board. Emerging risks are identified from areas of uncertainty, which may not have a significant impact on the business currently but may have the potential to adversely affect the Group in the future.

The Group's risk register process is based upon a standardised approach to risk identification, assessment and review with a focus on mitigation. Each risk identified is subject to an assessment incorporating likelihood of occurrence and potential impact on the Group.

The Group's risk register is subject to review by the Executive Leadership Team ('ELT') prior to reporting to the Audit Committee and Board.

The Board has reviewed the principal risks and uncertainties against the on-going impact of the COVID-19 pandemic. The Board has ensured that all relevant risks were updated accordingly to incorporate the adverse effect the pandemic has had on the business and results of operations. The Board also recognises the continuing levels of uncertainty and risk of further pandemics and together with management continues to closely monitor and assess the Group's risks. In their review the Board have also taken into account inflationary pressures which contribute to a rising cost base.

The most material risks facing the Group are set out in the following table, together with comments on how they are managed to minimise their potential impact. While the following table is not prioritised nor an exhaustive list of all risks that may impact the Group, it is the Board's view of the principal risks at this point in time. Individually or together, these risks could affect our ability to operate as planned and could have a significant impact on revenue and shareholder returns. Additional risks and uncertainties, including those that have not been identified to date or are currently deemed immaterial, may also, individually or together, have a negative impact on our revenue, returns, or financial condition.

The Board also considered its obligations in relation to providing both the annual viability and going concern statements and its conclusions can be found in the Directors Report to the annual report and within note 1 to the consolidated financial statements within the annual report.

No	Category	Description and Impact	Management and Mitigation	Direction of change
1	Macro-Economic Conditions	Revenue is derived from the wider leisure travel sector. The COVID-19 pandemic and the resulting measures, including travel restrictions, implemented by governments around the world to reduce the spread of COVID-19 has resulted in an unprecedented decline in consumer spending, travel and related activities. This pandemic has adversely affected our business and the outlook for the future remains uncertain at present with the extent of the pandemic and the effect on our	In circumstances where events cause a material decline in consumer travel behaviours and patterns on a global scale, such as the COVID-19 pandemic, management will take necessary actions to conserve cash. There has been an increased and on-going focus by the Group on liquidity management. New sources of debt financing were received in February 2021 which provides additional flexibility to support the Group as it recovers from the impact of the COVID-19 pandemic.	Increased

		<p>business still unknown. The impact is dependent on future developments such as the resurgence of the COVID-19 virus, impact of vaccines and the duration and severity of travel bans, and lockdowns put in place by governments. It is not yet known when international travel will return to normal levels.</p> <p>Our business has always been impacted significantly by perceived or actual economic conditions outside of our direct control including slowing or negative economic growth, rising inflation rates, rising unemployment rates, weakening currencies, higher taxes or tariffs which all can impair customer spending and adversely affect travel demand. In addition, events such as unusual or extreme weather, travel related health concerns including the COVID-19 pandemic mentioned above or travel-related accidents can disrupt travel and result in declines in travel demand. Because these events or concerns are largely unpredictable, influencing customer demand and behaviour, they can adversely affect our business and results of operations.</p> <p>The above and other macroeconomic conditions can also cause significant volatility in foreign exchange rates between the US dollar and the euro, the British pound sterling and other currencies. Such volatility can have a material impact on travel demand and travel patterns therefore impacting revenue.</p>	<p>Our business is a global one, with a dispersed population of users, and a geographically dispersed set of destinations. Whilst market conditions may decline in certain regions, the globally diversified nature of the business helps to mitigate this with c.50% of destination markets in Europe and c.50% in rest of world.</p> <p>Our target 18-34 year old population tend to be both flexible as to destination and are less risk adverse.</p> <p>FX movements may impact travel decisions and travel patterns by customers, but typically there is a degree of counterbalancing movement e.g. the weakening of the US dollar against the euro means fewer US travellers visiting the eurozone, but decreased marketing costs from US dollar denominated suppliers such as Google. Rising inflation rates can impact customer discretionary spending and reduce their ability to travel. We feel this is offset in the near future by a pent-up demand from a lack of travel through 2020 and 2021.</p> <p>FX translation risk is mitigated through matching foreign currency cash outflows and foreign currency cash inflows and by minimising holdings of excess non-euro currency above anticipated outflow requirements.</p>	
2	Working Capital Investment and Going Concern	<p>COVID-19 has had a detrimental impact on the travel sector and a very significant impact on working capital resources. Our ability to access liquidity is constrained by our trading volumes in a COVID-19 environment and the availability of funding. With low revenue volumes there is a risk that the Group does not have the financial resources to pay its liabilities as they fall due. Liabilities have also increased due to rising inflation rates. This also directly impacts our ability to invest and grow which is constrained by our financial resources.</p> <p>When COVID-19 commenced the Group implemented a number of key controls to address any working capital concerns including rolling weekly cash forecasting and took measures to secure additional debt and equity financing in 2020. In February 2021 the Group received €28.8m, net of original issue discount, on a €30m term loan facility. Nevertheless, the extent of the effects of the COVID-</p>	<p>When COVID-19 began there was a robust assessment taken by the Directors of principal risks facing the Group including those that threaten its business model, future performance, solvency or liquidity. New funding was received through an equity raise and debt financing.</p> <p>The Group has performed weekly forecasting of cash resources and monitored closely the covenants and obligations caused by the term loan facility agreement in place. Monthly reporting has been put in place to ensure the terms of the term loan facility and related reporting requirements are adhered to.</p> <p>Key metrics and reporting are reviewed regularly in the Group's management accounts and at management meetings.</p> <p>Procedures and monitoring controls are in place to ensure timely reporting to involved brokers and lenders regarding compliance obligations.</p>	Increased

		<p>19 pandemic on our business, results of operations, cash flows and growth prospects are uncertain.</p> <p>Our term loan facility creates repayment obligations and covenants, reporting to the involved brokers and lenders and requires constant monitoring of the Group's leverage position and liquidity metrics. Without a return to growth it is not certain that the Group can meet the covenants set out under the term loan facility agreement.</p>		
3	Data Security	<p>We are an innovative technology company dependent on sophisticated software applications and computing infrastructure.</p> <p>The security of the confidential business information we generate when engaging in e-commerce and the personal data we capture from customers and employees is essential to maintaining consumer and travel service provider confidence in our services. As an online platform, we are constantly exposed to cyber security-related threats in the form of internal and external attacks or disruption on our systems or those of our third-party suppliers.</p> <p>The shift to remote working during COVID-19 changed the risk profile of data security and gives rise to ongoing data security challenges and a widening threat landscape. In particular, cyberattacks (including ransomware) on organisations have increased significantly during the COVID-19 pandemic.</p> <p>As the Group reopens offices, the COVID-19 Return to Work Protocol (Ireland) and Working Safely During Coronavirus Guidelines (UK) require us to capture from colleagues and office visitors, new categories of sensitive personal health data that we would not have obtained before. The General Data Protection Regulation ("GDPR") places significant data security and regulatory compliance obligations on us when processing such data.</p> <p>In 2021, we migrated parts of our e-commerce platform to the Cloud. Whilst risk is minimal, there still is risk that security gaps may manifest during the migration.</p> <p>Our IT platforms must be scalable, robust and reliable. If our systems can't keep up with growing demand, this could affect our ability to deliver growth.</p>	<p>The Group takes the protection of our customer and employee personal data very seriously and has a series of controls and monitoring in place to ensure compliance. We continue to maintain, policies and a governance information security framework to comply with laws that apply to our business, meet evolving stakeholder expectations, and support business innovation and growth.</p> <p>We have a robust and comprehensive data privacy, security and protection compliance programme in place which includes a supplier onboarding process involving our information security and data protection compliance teams.</p> <p>Our information security controls are aligned to leading industry standards, ISO27001:2017 and NIST Cyber Security Frameworks. We are PCI compliant with the guidelines of the payment card industry.</p> <p>We work closely with internal audit functions, and external consultants where relevant, to ensure that our system architectures, work processes and policies are in place to provide as much protection as possible.</p> <p>We have a data protection compliance framework in place that is aligned to our on-going obligations under the GDPR, ePrivacy Directive and other applicable laws. We have invested and continue to invest in our own data protection compliance resources to monitor and ensure compliance including a bespoke data privacy management software tool. Our Data Protection Officer ("DPO") is responsible for informing, advising and monitoring compliance on all matters relating to the protection of personal data in the Group. Our DPO is supported by designated data protection champions through our core business units including information security, HR, customer services, marketing and product. We regularly review our employee information security policy and</p>	Increased

			<p>we continue to invest in information security training for all staff so that they remain vigilant and alert to the possibility of cybercrime.</p> <p>We reviewed the impact on servers of increased remote access loads with teams working from home. We issued guidance to all colleagues during COVID-19 regarding the personal data and data security implications of the pandemic and new remote working along with enhanced procedures for accessing company data while working remotely.</p> <p>We have engaged with an expert solution provider in the architecture and provisioning of cloud services, as well as a certified security company for independent vulnerability and security scanning.</p> <p>We provide data security training for all staff. We perform due diligence of our third-party suppliers who process our personal data including heightened information security due diligence.</p>	
4	Cyber	<p>The Group like other companies is susceptible to cyberattacks which could compromise the integrity of our systems and the security of our data. Cyberattacks by individuals, groups of hackers and state-sponsored organisations are increasing in frequency and sophistication and are constantly evolving. The Group expects these issues to become more difficult to manage as the tools and techniques used in such attacks become ever more sophisticated.</p> <p>There is a risk that the Group's current technical, administrative and physical IT security framework may not be successful in safeguarding our information assets against cybersecurity attacks, past, present and in the future, which may result in bad actors stealing customer information or transaction data or other Group proprietary information.</p> <p>There is a risk that the Group's insurance policies will have coverage limits and may not be adequate to reimburse us for all losses caused by a cybersecurity breach.</p>	<p>The Group expend significant resources to protect against cybersecurity breaches, and regularly increase our security-related expenditures to maintain or increase our systems' security.</p> <p>The Group have an arrangement in place with a specialist third party firm to monitor network activity and to detect, neutralise and report any unusual activity to corporate IT.</p> <p>IT policies, procedures and cyber security initiatives are reviewed and updated regularly to address the changing regulatory environment, including data privacy regulations and to mitigate the evolving cyber security threat.</p> <p>Dedicated IT personnel with appropriate expertise and qualifications in information security are employed by the Group.</p>	Increased
5	Competition	<p>The risks posed by competition could adversely impact our market share and future growth of the business. While we face a</p>	<p>Our primary mitigation is the execution of our strategy and to capitalise on our unique market position. This involves:</p>	Increased

		<p>number of key risks under competition, in each the competitor we reference is likely to have more resources than we do to enable them to compete more effectively. Key areas are as follows:</p> <ul style="list-style-type: none"> ▪ Supply: competition from direct competitors, alternative accommodation operators and disruptive new entrants leading to a loss of key accommodation suppliers. ▪ Customers: changes in customer behaviour leading to a loss in customer traffic and demand for our services and / or increase in customer acquisition costs. Consumer preferences could change as a result of the COVID-19 pandemic which may be disadvantageous to our business and may benefit existing and new competitors. With global travel restrictions, there may be a shift towards domestic travel and alternative accommodations. ▪ There has been a rise in cancellations and vouchers issued in lieu of cash refunds for the Group and with our competitors. This increases competition for the Group as it locks customers into those companies issuing the vouchers, thereby potentially reducing the demand for the Group's offering. 	<ul style="list-style-type: none"> ▪ Targeting new customer acquisition and growing the most profitable customer cohorts (with focus on Customer Lifetime Value / Customer Acquisition Cost) by optimising overall marketing investment; ▪ Strengthening the Group's core platform in order to improve its flexibility and the experience of our customers; ▪ Upgrading our third-party platform connectivity in order to defend our competitive position; ▪ Focus on expanding our global footprint, meeting emerging demand while also strengthening our overall product offering; ▪ Leveraging the capabilities of our partnerships to ensure we are delivering best in class and most advanced tech-based solutions for our customers and hostel partners; ▪ Evaluating strategic opportunities to diversify away from exclusive dependence on OTA business and develop a broader experiential based travel offering to our customers; and ▪ Roll out commercial agreements to secure competitive rates and inventory across our property base. 	
6	People	<p>The Group is dependent on ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.</p> <p>Due to the impact of the COVID-19 pandemic, the Group took actions to reduce headcount in 2020. The Group also undertook several organisational change programmes in the last 12 months to ensure the organisation is designed to optimally deliver our strategic priorities. In addition, the 2021 global increase in attrition because of COVID-19 has the potential to further disrupt the business.</p> <p>All of this presents several significant risks, including increased attrition and difficulty retaining valuable key employees, weakening of our employer brand and ability to attract high calibre talent, potential negative impact on employee morale, productivity and overall engagement, an adverse impact on our culture, and resource constraints; any of which could adversely impact our business and reputation.</p> <p>We have a key dependency on attracting and retaining technical employees in development, quality assurance, product management and engineering to facilitate delivery of projects and maintain site and infrastructure stability. Due to increased packages in the</p>	<p>The Group is taking meaningful action to retain employees and has implemented HR policies and people processes to enable retention of key talent; namely the introduction of an agile working policy, a working from abroad policy and paid wellness and parental leave days to promote flexibility and work-life blending.</p> <p>In Q4 2021, the Group also brought contractual annual leave entitlements in line with market to remain competitive and to drive engagement among the team.</p> <p>As the Group re-open offices, the lease on the Dublin premises in Leopardstown has been relinquished, in favour of a WeWork co-working space in the city centre.</p> <p>A blended approach to remote/office working has been established across all locations to allow for further flexibility on an ongoing basis for employees - teams can decide what approach works best for them.</p> <p>The Group has further increased focus on understanding the drivers of employee engagement, through regular engagement surveys and are committed to taking action to improve employee engagement levels. We have recognised that an increased investment in career development and training of our people is key to employee</p>	Increased

		<p>technology sector, there is a risk that attrition will continue to rise unless we continue to keep pace with the market and ensure our total reward offering for new and existing hires is on-par with the industry standard.</p>	<p>engagement and in 2022 we will be recruiting a dedicated learning and development specialist within our HR team.</p> <p>Robust external benchmarking has ensured there is better understanding of the competitiveness of the reward offering. Employees identified as key talent/critical skills were awarded various retention plans in a bid to retain key talent.</p> <p>In H2 2021, the Group brought forward their planned 2022 compensation review in response to attrition rates and external market factors.</p> <p>The Group currently operates from five global offices, which provides flexibility for location of key talent, thereby opening up a larger talent pool to select from. Our location and resourcing strategy remains under review on an ongoing basis to optimize the talent pool. A non-executive director fulfils a workforce engagement role as set out in the 2018 UK Corporate Governance Code.</p>	
7	Search Engine Algorithms	<p>A large proportion of traffic to our websites is generated through internet search engines such as Google, from non-paid (organic) searches and through the purchase of travel related keywords (paid search).</p> <p>We therefore rely significantly on practices such as Search Engine Optimisation ("SEO") and Search Engine Marketing ("SEM") to improve our visibility in relevant search results. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, which can negatively impact placement of our paid and organic results in search results. Google algorithms have become very sophisticated and able to determine better quality driven by machine learning capabilities. We risk being significantly behind in our marketing strategy and unable to be competitive in the current environment. Furthermore, in respect of paid search, our costs to improve or maintain our placement in search results can increase. This could result in a decrease in bookings and thus revenue and an increase in costs. It could also result in having to replace free traffic with paid traffic, which would negatively impact margins.</p> <p>Continued investment is needed to remain competitive.</p>	<p>The Group invests heavily in recruiting and retaining key personnel with the requisite skills and capabilities in paid and non-paid search. This in-house expertise is supplemented by the deployment of leading technology tools. The search marketing team works closely with Google to understand any changes in functionality to the AdWords platform so that we can avail of any efficiencies in our search traffic. The Group participates in alpha and beta feature tests that give Hostelworld first mover advantage with new functionality that can help drive efficiency.</p> <p>We continue to enhance our skillsets in house and capabilities by partnering with third party vendors to enhance our search engine optimisation.</p>	Unchanged

8	Third Party Reliance	<p>Supply: We rely on hostel accommodation providers to provide us with our inventory. Any limitations put in place by accommodation providers limit the inventory that we sell. The COVID-19 pandemic and its resulting impact on travel demand, the travel industry and the economy, has increased the risk of insolvency or disruption to the ability of our travel service provider partners to provide services. With our hostel partners in particular, there is increased risk of properties going out of business, no longer operating in the hostel category, or removing significant hostel elements from their properties.</p> <p>Systems and service providers: We rely on a number of key third-party providers. Any interruption in service from any of these providers may lead to a loss in revenue, loss in site and app functionality, increased input from customer services and engineer time and ultimately if we experience multiple failures we risk reputational and brand damage.</p> <p>COVID-19 has increased the risk of supplier failures, a risk that would be exacerbated if there are further global travel restrictions in response to new waves (such as the Delta and Omicron variants in 2021).</p> <p>The Group relies on payment processors and payment card schemes to execute certain components of the payments process. We generally pay these third parties interchange fees and other processing and gateway fees to help facilitate payments from customers to our travel service provider partners.</p> <p>There is a risk that the Group may not maintain its relationships with these third parties on favourable terms or that these transaction fees imposed by these providers are increased.</p>	<p>Supply: We work closely with partners and hostel associations to monitor developments in the market. Our current focus is on measures taken by hostels for managing social distancing and ensuring appropriate hygiene measures are in place. We continue to communicate actions we are taking to support any changes properties may be forced to make.</p> <p>For our systems and service providers we focussed on maintaining good relationships with vendors and ensuring contractual obligations dictate minimum functionality and speedy resolution of issues. We put alerts in place to immediately capture any downtime and replicate as much functionality as possible in-house. We worked to ensure there are tight service level agreements in place and there is oversight of product roadmaps.</p> <p>COVID-19 has highlighted that sudden changes in workload can have a negative impact on platform availability with third party suppliers but also that quick intervention can be taken to mitigate any issues.</p> <p>The Group has made preparations in the event hostel partners and/or key service providers fail. The Group closely monitors the financial health of key suppliers and taking steps to mitigate risks.</p>	Increased
9	IT Platforms and technological innovation	<p>Over recent years the ever-increasing pace of change of new technology, new infrastructure and new software offerings have changed how customer's research, purchase and experience travel. Notable shift changes include mobile networks, mobile applications, meta-search providers, display advertising and social communities. Unless we continue to stay abreast of technology innovation and change, we risk becoming irrelevant to the modern customer. Technology evolves rapidly, and updates can become quickly obsolete.</p>	<p>We focus on staying current with new trends in technology development and customer behaviour. We invest a significant amount of our product and user experience functions on research and development and interacting with similar companies both within and external to travel.</p> <p>The Group has continued with the ongoing modernisation of our underlying platform to enable us to support faster execution across our core platform.</p> <p>We also leverage the capabilities of partnerships to ensure we are delivering best in class and most advanced tech-</p>	Increased

			based solutions for our customers and hostel partners.	
10	Climate Change, Sustainability and Corporate Social Responsibility	<p>Climate change and sustainability continue to be areas of increased focus for the Group and are further evolving as areas of heightened concern with consumers and stakeholders.</p> <p>Physical climate change risks such as extreme weather events could affect our inventory competitiveness and results of operations.</p> <p>In addition, transitional climate change risks such as changes in stakeholder expectations, travel patterns, technologies, policy and regulation may affect the Group and results of operations.</p> <p>There is a request for more accountability from our customers, employees, other stakeholders as to what the Group is doing to limit its direct and indirect impact on climate change. There is a risk that we do not meet shareholder expectations regarding our target setting and performance against creating a more sustainable operating environment.</p> <p>Customers demand and expect the humane treatment of animals and the respect for animal welfare. As an industry leader, we have a responsibility to take the lead on ensuring that when we empower our customers to Meet The World®, that this experience is done with respect, humility and awareness for the world's people, animals, communities and the environment. We are opposed to any experience that promotes and involves intentional direct contact with wild animals in their natural habitat, including, petting, feeding, riding animals or similar practices. We take our lead on animal welfare from the Five Freedoms of Animal Welfare and are committed to ensuring that all our accommodation and experience partners work to ensure the highest quality of life for any animals involved.</p>	<p>Climate change issues may impact travel decisions and travel patterns by customers but is mitigated to the extent that our business is a global one, with a dispersed population of users, and a geographically dispersed set of destinations.</p> <p>As an ecommerce business based in five office locations around the world and under 300 employees, whilst our carbon footprint is relatively small, we recognise that the Group has a role to play in protecting our environment. For this reason, we have continued to make a concerted effort to offset our carbon footprint through various initiatives across our business, including</p> <ul style="list-style-type: none"> (i) reducing our reliance on printing by promoting a paperless office environment; (ii) encouraging third parties to do everything electronically, including invoicing and contracting (using DocuSign); (iii) putting provisions in place to promote recycling across all our office locations; (iv) focusing on energy and natural resource conservation e.g., our offices have stop taps for water consumption and controlled lighting and air conditioning; (v) encouraging employees to use more sustainable modes of public transport (including the LUAS and the Cycle2Work Scheme); (vi) becoming a signatory in 2020 of the Global Tourism Plastics Initiative led by the UN Environment programme and the World Tourism Organisation; and (vii) Joining the Global Sustainable Tourism Council ('GSTC') whom we will partner and collaborate with to drive sustainable travel initiatives across the travel industry <p>Our goal is to encourage our hostel partners to sign up with the aim of reducing their single use plastics consumption. We have also taken steps to reduce our plastic consumption as a Group. Prior to COVID-19, we made efforts to reduce our plastic consumption through initiatives such as purchasing reusable water bottles for the office, ordering fresh fruit and other perishables from suppliers who use fully recyclable packaging.</p> <p>Our contracts with accommodation and experience partners contain contractual commitments (developed by reference to the Five Freedoms of Animal Welfare) on the part of</p>	Increased

			<p>properties and experience providers to comply with all applicable animal welfare laws and ensure that no animals shall be harmed as a result of any experiences, activities or events promoted, managed, arranged or organised by them. Any properties or experiences that are found to be in violation of these requirements or that otherwise directly or indirectly threaten the welfare and/or conservation of animals will be removed from our platform. Well before COVID-19 we were already using video conferencing platform technology to help reduce the impact of working across our various office locations. When the world went into lockdown following the outbreak of the pandemic, we invested further in our technologies to enable our employees to continue communicating with each other and keep our business in operation during lock-down.</p>	
11	Regulation	<p>Regulatory and legal requirements and uncertainties around these could subject the Group to business constraints, increased regulatory and compliance costs and complexities or otherwise harm our business.</p> <p>Our business is global and highly regulated and is exposed to issues regarding competition, licensing of local accommodation and experiences, language usage, web-based trading, consumer compliance, tax, intellectual property, trademarks, data protection and information security and commercial disputes in multiple jurisdictions.</p> <p>COVID-19 has led to increased focus by consumer rights regulators on the online sales practices of tourism and travel focused companies and may have an impact on the Group's brand if the Group's sales practices were investigated and assessed to be non-compliant.</p> <p>COVID-19 has heightened our obligations under employment and health and safety laws to protect the safety, health and welfare of colleagues in the workplace.</p> <p>The GDPR imposes particular compliance obligations with respect to our COVID-19 response measures with risk of fines and other enforcement mechanisms being imposed by a data protection authority.</p> <p>Our position on customer refunds may give rise to customer complaints to consumer regulators such as the Irish Competition and Consumer Protection Commission or UK Competition and Markets Authority who have a range of enforcement powers including fines.</p>	<p>The Group has an internal legal team and external legal advisors to advise the Group on current and anticipated legal requirements. Our legal advisors monitor and advise on regulatory matters in locations in which we provide services with a particular focus on those areas where we have local operations.</p> <p>Suitable experienced resources have been engaged to ensure consumer compliance requirements, compliance with the Listing Rules, the Financial Reporting Council Corporate Governance Code and the Market Abuse Regulations.</p> <p>A detailed analysis of the Group's approach to offering vouchers to certain customers concluded that the Group's approach was aligned with the principles reflected in the EU Commission recommendations on vouchers for cancelled package travel and transport services published on 13 May 2020.</p> <p>In line with guidance from the Irish and UK governments, we have developed a robust COVID-19 Response Plan including adopting protocols around returning colleagues back to the office environment.</p> <p>We have rolled out an effective refund management and risk policy and procedure to deal with individual consumer complaints and those from consumer regulators. Our response to requests and complaints is informed by a cross-departmental risk assessment.</p> <p>The Group have been working with the Central Bank of Ireland to ensure the Group is complaint with the PSD2 EU Directive.</p>	Increased

Payment Services Directive Two ("PSD2") is an EU Directive that applies to payment services in the EU. The deadline for the Group to incorporate and be compliant with this Directive was 31 December 2020. PSD2 further regulates the authentication process for accepting credit cards and which we expect to result in increased compliance costs and complexities, including those associated with the implementation of new or advanced internal controls.

The Group is also subject to payment card association rules and obligations under our contracts with the card schemes and our payment card processors, including the Payment Card Industry Data Security Standard ("PCI DSS").

The EU Package Travel Directive (the "PTD") sets out broad requirements such as local registration, certain mandatory financial guarantees, disclosure requirements and other rules regulating the provision of travel packages and linked travel arrangements. The PTD also creates additional liability for a provider of travel packages for performance of the travel services within a packaged trip under certain circumstances.

Conditions in the insurance market are difficult at present and, in line with general market trends, we have seen an increase in insurance costs.

Changes to the rules regarding the use of "cookies" on our website and mobile applications have the potential to impact on our ability to serve our customers. Cookies are small text files that are stored on a user's computer or mobile device that are used to store or gather information (e.g., remember log-on details so a user does not have to re-enter them when revisiting a website or opening an app) and market to customers. Cookies are valuable tools for the Group that we use to enhance our customers' experiences and increase conversion. The GDPR and ePrivacy Directive require "opt-in" consent before certain cookies can be placed on a user's computer or mobile device.

The Group is also subject to new sign-up regulations. Our Global Markets Team ("GMT") currently maintain a list of cities that require a hostel licence to be provided before we add a property to our site. The city list can change depending on the local in country regulations. Any addition of new licence or regulatory material that needs to be collated upon sign up, will slow down the operations of GMT and could impact the

We have appointed external insurance brokers to help us ensure we have the appropriate Group insurance in place on the best possible terms.

We have expanded our ability to offer customers their preferred method of payment in the most efficient manner on all our platforms. We process more of our transactions on a merchant basis where we facilitate payments through the use of credit cards and other alternative payment methods (such as PayPal, Alipay, ApplePay and Google Pay).

		number of properties added to the site each year. If there is a reclassification of what is a 'hostel' in any locality, this could impact how we choose to display property categorisations on our site. Also, even if a licence is collated upon sign up, the laws within each city can change, resulting in a closure of properties and removal of beds from Hostelworld.		
12	Brand and Reputation	<p>Hostelworld is the world's leading OTA focused on the hostel market. We rely on the strength of our brand in the market to attract customers to our platform and to secure bookings. Consumer trust and confidence in our brand is therefore essential to ongoing revenue stability and growth. Brand marketing spend was a cost line impacted by COVID-19 cost cutting measures. As travel restrictions lift we must be competitive with our marketing spend and focus on brand recognition with consumers as a key priority.</p> <p>As COVID-19 continues to evolve into different strains, there is a risk of further global lockdowns which could lead to a rise in customer cancellations. COVID-19 and the uncertainty around the ability of our customers to travel and operational issues connected with the restart of global travel (including flight cancellations and hostel closures) could lead to us being overwhelmed with customer service queries and complaints.</p>	<p>We are focused on investing in our core products, platform and technological capabilities to support our brand proposition and awareness as well as actively managing our brand portfolio through social media channels. We have internal and external PR advisors to support us to manage any PR incidents. Our customer service team strive to ensure that customers have a positive experience at all stages of interacting with us. The Group has a Crisis Management Policy in place which includes appropriate escalation.</p> <p>In relation to COVID-19, we took the decision to offer refunds and credits for cancellations due to COVID-19. During 2020 we rolled out an effective refund management and risk policy and procedure to deal with individual consumer complaints and those from consumer regulators. Our response to requests and complaints is informed by a cross-departmental risk assessment. We have continued this approach into 2021.</p>	Increased
13	Business Continuity	<p>Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations.</p>	<p>As an e-commerce organisation, the Group's business continuity plan ("BCP") focusses on the continued operation of consumer facing products and related services to ensure our e-commerce trading systems can continue to process bookings. The Group has worked with external advisors to produce robust documented business continuity and disaster recovery capabilities.</p> <p>The ongoing modernisation programme of both Corporate IT and the website to cloud based services increases resilience to business interruption.</p> <p>We updated our standard supplier terms to provide more robust and comprehensive contractual provisions regarding force majeure (covering epidemics/pandemics) and BCP (requiring suppliers to implement the provisions of our BCP at any time).</p> <p>The Group's BCP and disaster recovery plan was successfully implemented to support the business in its response to COVID-19. Both this plan and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity.</p>	Increased

14	Taxation	<p>Due to the global nature of our business, tax authorities in other jurisdictions may consider that certain taxes are due in their jurisdiction. Such a scenario may arise for example because the customer is resident in that jurisdiction or the travel service is deemed to be supplied in that jurisdiction. In other situations, a charge to tax may arise where the tax authorities consider an establishment to exist in that country by virtue of some activity being carried on there. If those tax authorities take a different view than the Group as to the basis on which the Group is subject to tax, it could result in the Group having to account for tax that it currently does not collect or pay, which could have a material adverse effect on the Group's financial condition and results of operation if it could not reclaim taxes already accounted for in the jurisdictions the Group considers relevant. Furthermore, the ever-changing tax landscape (i.e. changes to tax legislation or the interpretation of tax legislation or changes to tax laws based on recommendations made by the OECD in relation to its Action Plan on Base Erosion and Profits Shifting 2.0 ("BEPS") or national governments) may result in additional material tax being suffered by the Group. Certain countries have taken steps to introduce a digital services tax to address the issue of multinational businesses carrying on business in their jurisdiction without a physical presence and therefore generally not subject to income tax in those jurisdictions. These digital services taxes are calculated as a percentage of revenue rather than income or profits. We are currently monitoring the introduction of the digital services taxes, and its impact on our Group as trade and revenue (on which the tax is levied) continues to pick up.</p>	<p>In collaboration with our tax advisors, a large professional services firm, we assess possible tax impacts in the jurisdictions in which we operate to ensure our tax obligations are aligned to the operational nature of our business. Our tax risk is managed by the employment of suitably qualified personnel and close engagement with big four tax advisors. We receive briefings to Board by our tax advisors, where required, on tax risks and any changes in tax legislation which impacts on current tax structure of the Group.</p>	Increased
15	Impact of terrorism threat on leisure travel	<p>The continued threat of terrorist attacks in key cities and on aircraft in flight may reduce the appetite of the leisure traveller to undertake trips particularly to certain geographies, resulting in declining revenues.</p> <p>Increased incidence of terrorism impacts consumer confidence and can shift demand away from certain destinations.</p>	<p>Our target 18-34-year-old population tend to be both flexible as to destination and are less risk adverse.</p>	Unchanged

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lse.com or visit www.lse.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

NOAFQLFBLZLEBBQ