

Travelopia





Section 172 (1) Statement

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The information provided below is intended to explain how the Directors considered the interest of the Company's key stakeholders and the broader matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing their duty to promote the success of the Company under section 172 of the Companies Act 2006. Their duty has been central to the Board's decision-making processes and outcomes since the commencement of the Group in June 2017.

Long-term consequences of decision-making

The Board maintains oversight of the Group's performance, delegating day-to-day management and decision-making to its Executive Leadership Team ('ELT'), whilst reserving specific matters for approval, including strategic direction and significant new business initiatives. By receiving regular updates on business initiatives and plans, the Board is able to monitor how the ELT are performing in accordance with the agreed strategy. Processes are in place and regular meetings are held with the ELT to ensure that the Board receives all relevant information to enable it to make well-judged decisions in support of the Company's long-term success.

The Group operates within the regulatory environment in which international travel regulators mandate. This can include the protection of customers monies and periodic financial covenant testing. This provides a framework for the way in which our regulated businesses operate over the long term and coupled with this is our shareholders' desire to maximise the Group's value over time, ensuring that the long term outlook underpins strategic decision-making at Board level.

In our Group financial statements for the year ended 30 September 2019, we set out the key pillars for our Group's long term growth strategy, which included: the Group's acquisition of Enchanting Travels; the acquisition of a new polar expedition cruise ship in Quark; the leasing of two new Airbus planes, fitted out to the highest level of specification; the disposal of our North American Education business and some of our smaller branded businesses; the investment into two major IT projects; and the continuing re-build and re-opening of our yacht base in the British Virgin Islands following Hurricane Irma in September 2017.

Reputation for high standards of business conduct

The Board is responsible for ensuring integrity and transparency in its conduct and has established systems of corporate governance and approves policies and procedures that promote corporate responsibility and ethical behaviour.

Key policies that have been implemented include an Anti-Bribery and Corruption policy and a Trade Sanctions policy. An ethics hotline has also been established where employees can



report any concerns of potential policy breaches anonymously. Further, as noted in the Directors' Report, the Group's Modern Slavery Act Statement describes the steps it has taken to ensure that slavery and human trafficking were not taking place in the context of any of the Group's businesses during the financial year.

Stakeholders and our engagement with them

The Directors consider the following to be the Group's key stakeholders. The Board seeks to understand and balance the respective interests of each of stakeholder, ensuring that they are duly and properly considered in the Board's decisions.

We ensure regular communication with our stakeholders through various channels, including the provision of information through telephone calls and meetings (virtual since March 2020), presentations and through submission of management reporting documentation. It is also two-way, so that the views of stakeholders can be considered in the decision-making process. Much of it takes place at an operational level, this being especially true in respect of our customers and suppliers, with whom we deal in the ordinary course of business on a day-to-day basis.

The Board considered and discussed information from across the organisation to help it understand the impact of the Group's operations and the interests and views of our key stakeholders. It also reviews strategic, financial and operational performance, as well as information covering areas such as key risks and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting and through presentations.

Our owners, KKR. We are ultimately owned by KKR & Co. Inc ('KKR'), a leading global investment company that manages multiple alternative asset classes including private equity funds, with total assets under management of over \$200bn at 30 June 2020. KKR take a partnership approach to ownership, enabling our Group to benefit from the breadth and expertise of their entire firm. They believe that the combination of their industry knowledge, investment experience and operational expertise, partnering closely with management teams with a track record of success, provides them with an edge in identifying and creating value in investment opportunities. This structure also serves to ensure that all members of the Group (i.e. KKR and the ELT) are fairly represented and considered.

Our lending banks. The Group has a syndicate of globally leading lending banks, which, at its inception in June 2017, provided it with a £100m term loan facility and additional £80m revolving credit facilities. As such, the syndicate is a key stakeholder in the continued growth of the Group.

The long-term success of the Group could be adversely affected if it fails to comply with any of the obligations under its Senior Facility Agreement ('SFA'). A failure to comply could put the Group into default which could be costly to remedy or at worst mean that the facilities become due and payable on demand. Any such failures could also affect the Group's ability to secure future borrowings and impact the related cost.



We report to our banking syndicate on a monthly basis by the provision of monthly financial reports, as well as presentations at various times throughout the year. These meetings help broaden the lenders' understanding of the Group's businesses and answer their questions on trading and forecasts.

During the financial year, as a result of the global pandemic, it became clear that it was not going to be possible to meet the net debt:EBITDA ratio financial covenant due to EBITDA losses in the year. Following discussions with our lenders, a covenant holiday for the four quarters from April 2020 to March 2021 was agreed. In doing so a minimum liquidity covenant was agreed for the period of the covenant holiday. This liquidity covenant has been met from its enactment and continues to be met at the date of signing these financial statements.

Our worldwide regulators, including the Civil Aviation Authority (the 'CAA'), IATA and ABTA. As a global travel group, we are regulated by a number of travel regulators and regulations. We seek a constructive and cooperative relationship as we comply with applicable laws, regulations and licencing conditions. Throughout the financial year, to meet the CAA's ATOL Licence requirements, a ring fence structure has been in place around our operating businesses and which stipulate minimum liquidity levels and maximum gross debt levels within this ring fence. Flows of cash out of this ring fence are also regulated by the CAA with certain transactions requiring CAA consent.

As part of our licence renewal process in September 2020, we agreed with the CAA to enact a change to our internal ring fencing Group such that this CAA ring fence is more tightly applied to those businesses regulated by the CAA rather than across the whole Travelopia Group. This new ring fence was enacted in January 2021.

We are also required to abide by IATA and other country specific laws and regulations in respect of matters such as payments for ticketing and holding customer monies.

Our bond providers. A feature of the regulated industry in which the Group operates is that of travel bonds, which provide a form of financial protection that many regulators require us to provide, as an effective means of providing consumer protection.

Our employees. Our Group could simply not exist and provide the experiences and customer satisfaction without the hard work and dedication of all of our employees. Regular communication with our employees is undertaken through video and meeting presentations, 'town hall' meetings and emails. It is of paramount importance to us that we adhere to all laws and regulations in respect of employment law in the areas we operate and employ people in across the world and ensure that everyone of our employees are valued at all times.

Clearly in such challenging times, we see their key concerns as being job security and opportunities to develop and advance their careers. Many of our employees, including the ELT have helped us by agreeing to salary and/or hours reductions, unpaid leave, Government furlough schemes or other changes so as to reduce the cost of payroll, for which the Board is extremely grateful. It is with deep regret that we have had to take the decision to restructure and right-size our businesses and we wish those who have left the Group well for the future.



Our guests. We recognise that our guests have such a large choice of holidays, expeditions and tours to choose from and that they are always eager to take on new adventures. We need to impress them all the time, every time. As such, we will always seek to delight them, providing experiences that our competitors find difficult to emulate, allowing us to differentiate ourselves and continue to be, or become, the market leader. We will constantly pursue the ultimate customer experience with a can-do spirit so that our guests will want to return year after year.

Engagement with guests takes place mainly at an operational level within our business areas through feedback and customer ratings. We continue to be delighted in the high levels of customer satisfaction scores we achieved before the global pandemic and we made sure that every one of our customers could get back to the UK at the start of the pandemic, however challenging and at whatever cost this was.

Our suppliers. Our Group depends on global travel. As such, we rely on airlines for our guests to travel and our hotel suppliers for them to stay in. But our supplier list is so much broader than that, including the suppliers that build our new polar expedition cruise ship and our two new planes, including those who will fit these out to the highest of specifications, our yachts and boats that we buy to sell onto our customers, those who transfer our guests during their holidays and provide supplies for our expeditions and those that provide the services for our offices and infrastructure to name just a few.

We aim to be fair and ethical in dealings with all our suppliers and be a collaborative and responsive partner.

Communities. We actively engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people and be responsible stewards of travel holidays. Throughout our Group, we are committed to promoting responsible tourism and we aim to protect the environments and the local people in the destinations our customers travel to. The long term success of our Group goes hand in hand with the way we treat our environment and the people in our destinations. Below are two examples of how our divisions aim to help local communities and drive responsible tourism.

Exodus Travels, for example, empowers and protects the communities and environments they take our guests to visit through its Exodus Travels Foundation. Launched in 2019, the Foundation's mission is to harness the power of travel to improve life in hard-to-reach places. It consolidates decades of support for life-changing, community-based projects across the world, none of which could have happened without the long term motivation, generosity and endeavours of their community of colleagues, guests and partners.

Quark Expeditions is profoundly committed to environmentally responsible tourism. Their Polar Promise, a comprehensive sustainability strategy framework, incorporates sustainability initiatives into a cohesive plan and is made up of four pillars: i) embedding responsible business principles; ii) reducing our carbon footprint and waste sent to landfills; iii) conservation and impact in polar environments; and iv) building our guests' polar legacy. Further information on our Polar Promise can be found at www.quarkexpeditions.com/sustainability.



Board decisions

The Board has always considered the impact of its decisions on its stakeholders and acknowledges that one decision can impact multiple stakeholders at the same time, some of which may be beneficial to one stakeholder could be detrimental to others. In doing so, the Directors ensure that they act in the way they consider, in good faith, would most likely promote the success of the Group for the benefit of its shareholders and stakeholders as a whole. Set out below are some examples of how the Board has done so over the financial year ended 30 September 2020.

Sale of the North American Education division. In November 2019, the Board approved and executed the sale of the North American Education division. Financial information relating to the sale can be found in Note 17 of these financial statements. We were proud to have these excellent travel businesses in our Group, but the Board considered that the long term success of the Group requires some simplification of our Group's brands following the sale by TUI AG in June 2017.

Board decisions as a response to the Covid-19 global pandemic. When the Covid-19 pandemic hit, countries around the world entered into lockdown periods, which meant that international travel largely ceased. With little revenues flowing into the Group for much of the rest of the financial year, the Board have had to make numerous and extensive decisions to reduce costs throughout the Group. These decisions are set out in the section "Year in Review" within the consolidated financial statements of Travelopia Group Holdings Limited for the year ended 30 September 2020.