

ENTERPRISE RISK MANAGEMENT & INTERNAL CONTROL

Building resilience for the future

Our efforts are directed towards achieving long-term growth. Therefore, we understand the need for proactive identification and management of risks. Risk management is crucial for sustaining our exceptional growth and achieving our strategic vision. To address these challenges, we have devised several strategies that align with our overall goals.



RISK MANAGEMENT AT UHR PLC

The Enterprise Risk Management framework (ERM) is a set of components that provide the foundation for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Unique Group of Companies. The ERM framework for the Group has been developed keeping in mind the needs of internal and external stakeholders.

Unique Hotel & Resorts PLC is the leading Hotel & Hospitality Management Company which is the owner of "The Westin Dhaka" and the pioneer of Five Star hotel in the private sector of Bangladesh and another hotel at Uttara name HANSA - A premium residence by UHR PLC. It the highest quality serviced hotel in Uttara area. Another prestigious property Sheraton Dhaka, an iconic brand of Marriott International is in simulation stage and waiting for grand opening soon. This hotel is located in the Banani Arear.

The country's hospitality industry has become very competitive like many other industries as a couple of new famous brand hotels with huge number of keys have recently been added. We are very vigilant about the future state of competition and have prepared ourselves to face the new challenges. The Board of Directors of Unique Hotel and Resorts PLC is responsible for ensuring the safe business environment by formulating the prudent policies. The Board are responsible for:

- Ensuring the design and implementation of appropriate risk management and internal control systems that identify the risks facing the Company and enable the board to make a robust assessment of the principal risks;
- Determining the nature and extent the principal risks faced and those risks which the organization is willing to take in achieving its strategic objectives (determine its "risk appetite");
- Ensuring that appropriate culture and reward systems have been embedded throughout the organization;

- Agreeing how the principal risks should be managed or mitigated to reduce the likelihood of their incidence or their impact;
- Monitoring and reviewing the risk management and ensure internal control systems, management's monitoring and reviewing, and satisfying itself that they are functioning effectively and that corrective action is taken when necessary.

INTERNAL CONTROL AT UHR PLC

Internal Control is the mechanism to provide reasonable assurance to the Company on an ongoing basis regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations and internal policies. The primary objective of Internal Control and Compliance is to help the Company perform better and add value with its resources. Through the Internal Control system, Company identifies its weaknesses associated with the process and adopts appropriate measures to overcome. The main objectives of internal control are as follows:

- Operational Objectives: Achievement of company basic mission and vision;
- Reporting Objectives: Timely, accurate, and comprehensive reporting, financial and non-financial, internal and external;
- Compliance Objectives: Conducting activities and taking specific actions by following applicable laws and regulations.

Unique Hotel & Resorts PLC has established an effective internal control system whose primary aim is to ensure the overall management of risks and provide reasonable assurance that the objectives set by the Company will be met. It has been designed to develop a high-level risk culture among the personnel of the Company, establish an efficient and effective operating model of the Company, ensure the reliability of internal and external information including accounting and financial information, secure the Company's operations and assets and comply with laws, regulatory requirements and internal policies.

INTERNAL AUDIT AND COMPLIANCE

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Audit team of Unique Hotel & Resorts PLC has a combination of business, Professional and IT knowledge-based personnel. Audit Department is committed to meet the standards of best professional practices. Risk-based internal audit includes, in addition to selective transaction testing, and evaluation of the risk management systems and control procedures prevailing in various areas of the Company operations.

RISK MANAGEMENT APPROACH

The risk management process implemented at Unique Hotel & Resorts PLC revolves around assessing the impact of risks or uncertainties on organizational objectives. This evaluation is quantified through the consideration of likelihood and impact, forming a foundational framework for effective risk management within the company. Our risk management framework is guided by the Code of Conduct, an ethical standard that extends from the Board as well as employees, to suppliers and others working across the organization, emphasizing the principles that must be adhered to.

Risk and uncertainty are inherent aspects of business. In the current global landscape, businesses have to confront an intricate web of risks, driven by economic and geopolitical scenarios. The Russia-Ukraine conflict and the recent geopolitical escalation between Israel and Palestine are key risks that have prolonged disruptions in global supply chains and sanctions, elevating uncertainty, especially after the stress of the COVID pandemic.

Simultaneously, high inflation and interest rates, major pressure on forex reserves, significant BDT depreciation against USD, declining national savings, high food and energy costs, stress on household income and climate events in Bangladesh have added layers of complexity. Furthermore, a fiercely competitive consumer durables industry of Bangladesh is also a risk that can impede financial performance. In this overall landscape, adept risk management strategies become essential to navigate challenges and ensure resilience amidst the uncertainties.

Risk Management Approach



RISK MANAGEMENT & INTERNAL CONTROL FRAMEWORK

Our risk management framework consistently monitors and effectively controls risks through ongoing efforts that identify, assess, conceive and implement mitigation strategies against potential threats.

At Unique Hotel & Resorts PLC, we have a robust, time-tested risk management framework that enables us to identify risks on time and take necessary preventive or corrective actions. Our risk management framework is thus representative of a structured approach to identifying, assessing, prioritizing and mitigating risks within our organization. It typically involves several key steps:



RISK FRAMEWORK

In the corporate landscape of Bangladesh, risk management frameworks are influenced by both international standards as well as local regulatory requirements. Majority of the companies, especially listed, are guided by the tenets and codes of the Bangladesh Security and Exchange Commission (BSEC), typically with regards to adherence to guidelines and regulations related to risk management. Such guidelines normally cover areas such as operational risk. Companies are required to establish robust risk management frameworks that include risk identification, measurement, monitoring and reporting processes. The BSEC mandates risk management practices, including requirements for risk assessment, internal controls and risk disclosure in financial reports. While specific risk management frameworks vary across industries and organizations in Bangladesh, the overarching goal remains the same: to identify, assess and mitigate risks to ensure the resilience and sustainability of businesses. At our company, we take every possible action with a view to ensure that we are able to align to our risk framework and ensure a stable and sustainable organisation that can stand the test of time.

RISK MANAGEMENT PROCESS

The process of Risk Management deals with how the organization

RISK MANAGEMENT AS A PROCESS The process of Risk Management deals with how the organization

- Identifies risks that affect achievement of goals & objectives
- Measures the significance of each identified risk
- Determines the most appropriate business response to each risk
- Evaluates and reports on how well the chosen responses are being implemented

RISK MANAGEMENT AND RISK MITIGATION

The Company is exposed to various risks through its use of financial instruments. The events and consequences discussed in these risk factors could, in circumstances, we may or may not be able to accurately predict, recognize, or control, have a material adverse effect on our business, liquidity, financial

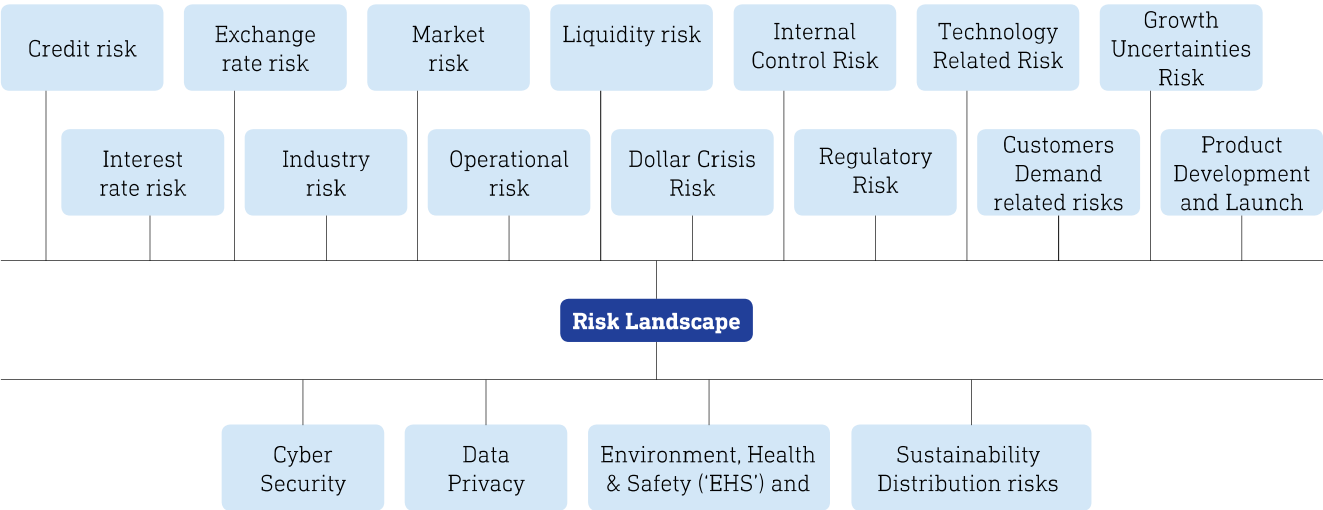
condition, and results of operations. In addition, these risks could cause results to differ materially from those we express in forward-looking statements contained in this report or in other Company communications. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events, or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations.

However, the main types of risks are credit risk, interest rate risk, exchange rate risk, industry risk, market risk, operational risk, and liquidity risk which result from both its operating and investing activities. The Company's risk management is coordinated at its head office, in close co-operation with the board of directors, audit committee, and investment committee, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to

develop a disciplined and constructive controlled environment in which all employees understand their roles and obligations. The audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The investment committee has taken all investment decisions of the company after meticulous and detailed discussion among the committee members and finally approved by the Board of Directors as a result risk related to investment can be reduced.

The core risk areas of the business operations comprise Credit risk, Interest rate risk, Exchange rate risk, Industry risks, Market risks, Operational risks, Liquidity risk, Dollar Crisis, Risk Internal Control Risks, Regulatory Risk, Technology Related Risk, Customers Demand related risks, Growth Uncertainties Risk, Product Development and Launch, Cyber Security, Data Privacy, Environment, Health & Safety ('EHS') and Sustainability Distribution risks. Some of these risks and their mitigation measures/plans are discussed as follows



The most significant risks to which the Company is exposed to are described below:

No. of Risk	Types of Risk	Management Perception
01.	Credit risk	The Company's exposure to credit risk is influenced mainly by the corporate and individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. The Company has, over the years, conducted business with various corporates, tour operators, and individuals located in different jurisdictions and, owing to the spread of the Company's debtor base. The Company has a credit policy in place under which new customers are analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank or other hotel references. Customers who fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis. In monitoring customer credit risk, customers are individually assessed. Customers who are graded as "high risk" are placed on a restricted customer list and future sales are only made on a prepayment basis. The Company does not require collateral in respect of trade and other receivables. The Company establishes an allowance for doubtful recoveries that represents its estimate of losses in respect of trade and other receivables @ 3% of rolling twelve months average receivables in compliance with the policy of Marriott International.
02.	Interest rate risk	Recent changes in the market and economic condition in Bangladesh indicate an upliftment of the cap imposed by the central bank of Bangladesh thus an increase in interest rate. As per the recent circular of the Bangladesh Bank, all Term loan rates will be Six months moving Average Treasury Bill Rate (SMART) + 3% which comes to average 13.50% which significantly impacted on interest expenses during the year. However, we are continuously following up with all banks to reduce the rate as low as possible.
03.	Exchange rate risk	Unique Hotel & Resorts PLC has well-organized plan to always record the up-to-date currency conversion rate whenever it gets paid for services in foreign currencies from overseas guests. The Company changes the price of its products and services to cope with the change in the exchange rate to mitigate the effect of unfavorable volatility in the exchange rate on the company's earnings.
04.	Industry risk	<p>Risks Relating to Our Industry:</p> <p>Our industry is highly competitive, which may impact our ability to compete successfully for guests. We operate in markets that contain many competitors. Our hotel offerings generally compete with major hotel chains, independent hotels, and home-sharing and rental services. Our ability to remain competitive and attract and retain business, group, and leisure travelers depends on our success in distinguishing and driving preference for our lodging products and services, including the Marriott Loyalty Program, direct booking channels, consumer-facing technology platforms and services, and other offerings. If we cannot compete successfully in these areas, our operating margins could contract, our market share could decrease, and our earnings could decline. Further, the new lodging supply at Dhaka markets could have a negative impact on the hotel industry and hamper our ability to maintain or increase room rates or occupancy. Economic downturns and other global, national, and regional conditions and events could further impact our business, financial results, and growth.</p>

No. of Risk	Types of Risk	Management Perception
		<p>Because we conduct our business on a global scale, we are affected by changes in global, national, or regional economies, governmental policies (including in areas such as trade, travel, immigration, healthcare, and related issues), and geopolitical, public health, social and other conditions and events. Our business, financial results, and growth are impacted by weak or volatile economic conditions, pandemics and other outbreaks of disease, natural and man-made disasters, changes in energy prices and currency values, political instability, geopolitical conflict, actual or threatened war, terrorist activity and other acts of violence, heightened travel security measures, travel advisories, disruptions in air travel, and concerns over the foregoing.</p>
05.	Market risk	<p>We are exposed to market risk primarily from changes in interest rates, which may affect our future income, cash flows and fair value, depending on changes to interest rates. In certain situations, we may seek to reduce cash flow volatility associated with changes in interest rates by entering into financial arrangements intended to provide a hedge against a portion of the risks associated with such volatility.</p> <p>Moreover, the company's brand "Westin" has a very strong image in the local and international markets. Marriott International (former Starwood Asia Pacific Hotels & Resorts Pte. Ltd.) also has a reputation of providing quality hotel management services. Moreover, the demand for five-star hotels in the country is increasing while there are very few five-star hotels to meet the demand. The strong brand management and quality service have enabled the company to capture significant market share in the sector and the company is continuously penetrating into the market and upgrading the quality of its service to minimize the risk. The addition of "Sheraton Dhaka" operations to the portfolio will provide synergies to cater to MICE segment business, and larger events, accommodate larger group business, and improve operational efficiency with resource optimization.</p>
06.	Operational risk	<p>We maintain insurance coverage for commercial general liability, and property, including business interruption, terrorism, and other risks with respect to our business for all of our hotels. We also maintain workers' compensation insurance including employees' irresponsibility, and accidental damage for our employees. Most of our insurance policies are written with self-insured retentions or deductibles that are common in the insurance market for similar risks. These policies provide coverage for claim amounts that exceed our self-insured retentions or deductibles. Our insurance provides coverage related to any claims or losses arising out of terrorism, property, and operation of our hotels.</p> <p>Moreover, the Company is equipped with power backup and 24/7 security surveillance (CCTV) systems, protected with armor guards, and in compliance with global safety and security standards, which reduce security risk. Besides, the equipment is under insurance coverage in order to get reasonable compensation for any damages. Apart from these, routine security checks and proper maintenance of the equipment also reduce/eliminate the operational risk. Continuous training of company associates makes them equipped to address the situations due to natural disasters and unforeseen events. The company is associated with multiple domestic and international vendors to ensure the smooth functioning of the supply chain along with AMC's for key equipment to ensure consistency in supplies and smooth operations.</p>
07.	Liquidity risk	<p>We seek to maintain sufficient amounts of liquidity with an appropriate balance of cash, debt and equity to provide financial flexibility. As of June 30, 2024, we had total cash and cash equivalents of BDT 21.88 crore and operating cash flow per share is 6.46.</p>

No. of Risk	Types of Risk	Management Perception
		<p>We have taken several steps to preserve capital and increase liquidity, including drawing BDT 300 crore loan from Standard Chartered Bank to meet project related payments. We have also encashed USD 10,911,587 which has been realised from selling 2.45% ordinary shares of UMPL to Nebras Power Investment Management B.V. to meet operational and project related payments. Furthermore, with growing business prospects from opening of Sheraton Dhaka and receipts from Nebras Power Investment Management BV from 4th closing according to the Share Purchase Agreement, we will have sufficient liquidity to pay our 2023-24 debt maturities, to meet project related expenditures and to fund other short-term obligations.</p> <p>We have established reserves for capital expenditures ("FF&E reserve") in accordance with our management agreement with Marriott International. Generally, these agreements require that we fund 4% of hotel revenues into a FF&E reserve unless such amounts have been incurred. Our cash management objectives continue to maintain the availability of liquidity, minimize operational costs, make debt payments, and fund our capital expenditure programs and future acquisitions. Further, we have an investment policy that is focused on the preservation of capital and maximizing the return on new and existing investments. Moreover, funds are also being arranged as and when required from sister concerns within the group.</p>
08.	Internal Control Risk	Internal controls defined in the IPI's environment comprises a mix of preventive and detective controls. Such controls may be manual or automated in nature principles followed while designing controls: we have segregated duties, authorization, reconciliation, physical inventory, periodic review and information technology general controls, including security and change controls. We have a well-defined Code of Conduct spanning a multitude of scenarios and transactions, which are most vulnerable to fraud, coupled with robust whistle-blowing mechanism. We have a comprehensive risk-based audit universe and audit plans which is further strengthened by robust internal financial controls system.
09.	Cyber Security	We adopt relevant preventive and detective measures to safeguard against top cyber risks pertaining to information technology and operational technology environments. We follow an effective risk management and governance by a risk based approach and cyber risk quantification. The management has also decided to arrange cyber security training in each department.
10.	Data Privacy	We follow data protection controls and robust risk response mechanisms to cater to protection of personal data through Enterprise Data Privacy Management Policy and Framework roll-out Fortification of processes to adhere with privacy-by-design concept Creating awareness amongst employees on applicable privacy requirements Perform systemic analysis to identify and mitigate gaps.

The above mitigation measures/plans are to establish for a sound system of risk management supervision and internal control to identify, assess, monitor and manage material risks. The aims are to constantly improve the management of risk; better understand the reward-to-risk balance, and reduce the risks to an acceptable level.