

ENTERPRISE RISK MANAGEMENT & INTERNAL CONTROL



Strengthening Resilience, Ensuring Sustainable Growth

In today's dynamic business environment, effective risk management and strong internal controls are the cornerstones of sustainable success. Our Enterprise Risk Management (ERM) framework is designed to proactively identify, assess, and mitigate potential risks that could impact our strategic objectives. We continuously enhance our systems and processes to build organizational resilience, ensuring that risks are not only managed but transformed into opportunities for innovation and growth. Through a culture of accountability, transparency, and continuous monitoring, we aim to safeguard stakeholder interests and reinforce our commitment to long-term value creation.

RISK MANAGEMENT AT UHR PLC

During the financial year 2024-25 under review, Bangladesh's economic, social, and political landscape underwent various changes impacting numerous business entities, including Unique Hotel & Resorts PLC. The hospitality and leisure sector is among the most vulnerable industries to disruptions arising from macroeconomic imbalances, geopolitical tensions, pandemics and more recently climate change among other multifaceted challenges. As part of Unique Hotel & Resorts PLC adopts a comprehensive enterprise-wide risk management approach. This robust framework clearly delineates governance structures,

policies, processes and procedures, guiding effective risk management while balancing profitability and financial stability. The framework has proven its effectiveness, particularly in recent years marked by unprecedented external shocks, by supporting strategic foresight and agility.

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:

- a) Operational Objectives:** Achievement of company basic mission and vision;
- b) Reporting Objectives:** Timely, accurate, and comprehensive reporting, financial and non-financial, internal and external;
- c) 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 GOVERNANCE

The Company retains responsibility for risk management, with the Investment & Risk Management Committee aiding in oversight, reviews risks quarterly in depth, refining the assessments with constructive feedback, reviewing processes and providing guidance in managing the same.

Risk governance – the overarching framework to oversee risk



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 identification

Identifying potential risks that could affect the organization. This is crucial as it enables us to identify sources or formations of risk on a timely basis.

Risk assessment

Evaluating the likelihood and potential impact of each identified risk. This is yet again an important aspect of our risk

management framework that enables us to engage in the comprehensive assessment or risk to drive the necessary action/s.

Risk prioritization

We undertake a detailed risk ranking based on their severity of impact and likelihood of occurrence.

Risk mitigation

We develop and implement our core strategies to reduce or eliminate the identified risks

Risk monitoring and review

We continuously monitor the effectiveness of our risk mitigation strategies and adjusting them, as necessary.

Communication and reporting

We ensure that the relevant stakeholders are informed about the identified risks and the organization's response to them. Furthermore, key risks and our practices are also archived that enable us to refer to these insights in the future.

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

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- 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 & risk management 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 & Risk Management 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 most

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

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

Risk Landscape

- Credit risk,
- Interest rate risk,
- Exchange rate risk,
- Industry risk,
- Market risk,
- Operational risk,
- Liquidity risk,
- Dollar Crisis Risk,
- Internal Control Risk,
- 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.

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

Types of Risk	Management Perception	What we do to mitigate the risks
<p>Credit risk</p> <p>Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date.</p>	<p>Possibility of financial loss if customers or counterparties fail to meet contractual obligations.</p>	<ul style="list-style-type: none"> • Conduct creditworthiness assessments before extending credit. • Require advance payment or prepayment for high-risk customers. • Maintain provision @3% of rolling 12-month average receivables. • Regular monitoring of receivables and credit exposure. • Diversify customer base to avoid concentration risk.
<p>Interest rate risk</p> <p>Interest rate risk is the potential for investment losses that can be triggered by a move upward in the prevailing rates for new debt instruments. Changes in the government's monetary policy, along with increased demand for loans/ investments tend to increase the interest rates which mostly affect companies having floating rate loans or companies investing in debt securities.</p>	<p>Rising interest rates increase borrowing costs and may reduce profitability.</p>	<ul style="list-style-type: none"> • Maintain regular communication with lenders to negotiate better terms. • Monitor market trends and adjust financing mix. • Optimize debt-to-equity ratio to minimize impact. • Focus on fixed-rate borrowings where feasible.
<p>Exchange rate risk</p> <p>Exchange rate risk arises due to changes in exchange rates. As the Company imports equipment from abroad and also earns revenue in foreign currency, unfavorable volatility or currency fluctuation may affect the profitability of the Company. When the exchange rate is increased against local currency opportunity is created for generating more profit.</p>	<p>Volatility in foreign currency rates affects revenues and earnings.</p>	<ul style="list-style-type: none"> • Regularly update and apply current exchange rates for foreign payments. • Adjust pricing for services in line with exchange rate fluctuations. • Maintain foreign currency accounts for operational needs. • Monitor forex trends and adopt hedging where necessary.
<p>Industry risk</p> <p>Industry risk arises from the dynamic nature of the hospitality and tourism sector, where economic downturns, geopolitical issues, or shifts in consumer preferences can directly affect occupancy and revenue. As the Company operates in a competitive industry, fluctuations in local and global travel trends may impact business volume. Continuous innovation, strong brand partnerships, and maintaining superior service standards help the Company remain resilient and adaptive to industry challenges.</p>	<p>Highly competitive hospitality industry with evolving global and local trends.</p>	<ul style="list-style-type: none"> • Leverage brand reputation of The Westin Dhaka and Sheraton Dhaka. • Continuous service innovation and loyalty programs. • Expand customer segments including MICE and corporate clients. • Dynamic pricing strategies to remain competitive. • Continuous monitoring of market trends and guest preferences.

Types of Risk	Management Perception	What we do to mitigate the risks
<p>Market risk</p> <p>Market risk stems from changes in demand, customer behavior, and pricing pressures within the hospitality industry. Seasonal variations, increased competition, and economic instability can influence market performance and profitability. The Company mitigates this by diversifying customer segments, implementing dynamic pricing strategies, and expanding its marketing reach through digital platforms and strategic alliances to sustain market leadership.</p>	<p>Changes in market demand, pricing, or competition may impact revenue</p>	<ul style="list-style-type: none"> • Diversify service portfolio and market segments. • Utilize strong brand positioning and marketing partnerships. • Expand MICE and luxury segments. • Continuous improvement in service quality and customer satisfaction.
<p>Operational risk</p> <p>Operational risk arises from potential system failures, human errors, or disruptions in day-to-day business activities that could hinder service delivery. As a hospitality company, operational efficiency and service continuity are vital. The Company has implemented robust internal processes, standard operating procedures, continuous staff training, and technology-enabled monitoring systems to ensure smooth and uninterrupted operations.</p>	<p>Possible losses from system failure, human error, or unforeseen events.</p>	<ul style="list-style-type: none"> • Maintain insurance coverage for property, liability, and business interruption. • Ensure 24/7 CCTV surveillance and global safety compliance. • Regular maintenance of equipment and emergency response training. • Engage multiple vendors and AMC contracts to ensure operational continuity.
<p>Liquidity risk</p> <p>Liquidity risk represents the Company's ability to meet its financial obligations on time. Inadequate cash flow or restricted access to credit facilities can affect operations and investment plans. To mitigate this, the Company maintains sufficient working capital, strong banking relationships, and an effective cash flow management system. Regular financial reviews and prudent treasury management ensure sound liquidity and financial stability.</p>	<p>Inability to meet short-term financial obligations or capital requirements.</p>	<ul style="list-style-type: none"> • Maintains sufficient liquidity through balanced cash, debt, and equity mix. • Realized USD 3.54 million from UMPL share sale to meet project and operational payments. • Receipts from Nebras Power and Sheraton Dhaka operations to support debt repayment and expenses. • Established 4% FF&E reserve for capital expenditure under Marriott agreement. • Follows strong cash management and investment policies to preserve capital and ensure returns. • Arranges additional funds from sister concerns when required.
<p>Internal Control Risk</p> <p>Internal control risk refers to the possibility of weaknesses or lapses in financial and operational control systems that could lead to inefficiencies or inaccuracies in reporting. The Company has established a comprehensive internal control framework supported by clear policies, segregation of duties, and regular internal audits. This system ensures transparency, accountability, and compliance across all business functions.</p>	<p>Weak internal controls may lead to inefficiencies or financial misstatements.</p>	<ul style="list-style-type: none"> • Implemented a mix of preventive and detective controls (manual and automated). • Ensured segregation of duties, proper authorization, and reconciliation procedures. • Conducted periodic reviews, physical inventory checks, and IT general controls (security & change management). • Established a strong Code of Conduct and whistle-blowing mechanism to prevent fraud. • Adopted a comprehensive risk-based audit plan supported by robust internal financial control systems.

Types of Risk	Management Perception	What we do to mitigate the risks
<p>Cyber Security</p> <p>Cyber security risk arises from potential threats such as hacking, phishing, malware attacks, or unauthorized access to digital systems. As operations increasingly rely on technology, these threats can disrupt business continuity and damage reputation. The Company continually strengthens its IT security infrastructure, updates firewalls and antivirus systems, conducts staff awareness training, and maintains incident response and backup protocols to safeguard digital assets.</p>	<p>Threat of hacking, phishing, data breaches, or IT system disruption.</p>	<ul style="list-style-type: none"> • Adopt necessary and current IT controls and governance practices, including the strengthening of network security, such as regularly updating security patches to the system. • Put in place appropriate measures to safeguard the loss of information, data security, and ensure the continuity of the Company's business activities and its prompt recovery from an IT crisis. • Conduct regular training for users to heighten awareness of IT threats.
<p>Data Privacy</p> <p>Loss of Guest PI, Staff PI, Vendor and Organizational Confidential Information</p> <p>Data privacy risk involves the unauthorized access, loss, or misuse of personal and confidential customer or employee information. Maintaining trust and regulatory compliance requires stringent data protection measures. The Company adheres to global data privacy standards, implements encryption and access controls, conducts periodic data audits, and educates employees on information security best practices.</p>	<p>Unauthorized access or loss of personal or confidential information.</p> <p>Loss of Guest PI, Staff PI, Vendor and Organizational Confidential Information</p>	<ul style="list-style-type: none"> • Implement Enterprise Data Privacy Management Framework. • Apply privacy-by-design principle in all systems. • Conduct regular data audits and employee awareness programs. • Utilize latest data protection technology and encryption. • Immediate corrective actions on identified breaches. Or, <p>Preventive- Implementation of latest technological developments, updating of firewalls, service contracts, infrastructure and disaster recovery plans based on the latest technological advances in the industry</p> <p>Detective- Monitoring potential threats through regular internal audits and implementation of the cybersecurity framework</p> <p>Corrective- Immediate measures taken to correct identified deficiencies and gaps, implementing latest technological developments</p>
<p>Regulatory Risk</p> <p>Regulatory risk arises from non-compliance with applicable laws, regulations, and governance codes, which may result in penalties or reputational damage. The Company operates in a highly regulated environment and closely monitors legal developments affecting the hospitality sector. Regular compliance reviews, training programs, and expert consultations ensure all activities adhere to the prevailing regulatory framework.</p>	<p>Non-compliance with local or international regulations may cause penalties.</p>	<ul style="list-style-type: none"> • Continuous monitoring of laws and compliance standards. • Engage legal and compliance experts. • Regular training for management and employees on regulatory changes. • Strong documentation and reporting systems.

Types of Risk	Management Perception	What we do to mitigate the risks
<p>Technology Risk</p> <p>Technology risk emerges from the rapid pace of technological change and potential system obsolescence that could affect operational efficiency and service quality. To mitigate this, the Company continuously invests in modern property management systems, upgrades digital infrastructure, and leverages data-driven tools to enhance guest experience and operational effectiveness.</p>	<p>Rapid technological changes affecting systems or service delivery.</p>	<ul style="list-style-type: none"> Invest in latest hospitality management technologies. Regularly upgrade systems and software. Maintain IT disaster recovery and business continuity plans.
<p>Environmental, Health & Safety (EHS) Risk</p> <p>EHS risk relates to potential environmental incidents, workplace hazards, or health and safety non-compliance that could impact employees, guests, and the community. The Company strictly adheres to national and international EHS standards, conducts regular safety audits and emergency drills, and promotes sustainable and eco-friendly practices across all operations.</p>	<p>Environmental incidents or health/safety lapses can affect operations.</p>	<ul style="list-style-type: none"> Comply with global EHS standards. Regular inspection and maintenance of safety systems. Employee training on occupational safety and environmental awareness. Energy efficiency and sustainability initiatives.
<p>Sustainability & Growth Risk</p> <p>Sustainability and growth risk arise when changing market conditions, environmental factors, or strategic limitations affect long-term business expansion. The Company mitigates this by adopting ESG-aligned practices, investing in sustainable development, and diversifying revenue streams. Continuous innovation, responsible resource management, and a long-term strategic outlook ensure balanced and sustainable growth.</p>	<p>Inability to sustain growth due to market or environmental constraints.</p>	<ul style="list-style-type: none"> Diversify investments across hospitality and allied sectors. Promote sustainable practices in operations. Adopt ESG-aligned strategies for long-term value creation. Continuous innovation and market adaptation.