

Our Risk Environment

With risk informed leadership we continue to perform and grow against a backdrop of geo-political and macro-economic uncertainty. The actions taken in recent years to reinforce our financial and operational resilience have enabled the Group to succeed during challenging times and seize new opportunities as our risk environment changes.

Our Executive Leadership continues to monitor and respond to the impact of major global risk drivers such as ongoing geo-political tension and conflicts which can influence economic conditions, supply chains, customer behaviours and social cohesion.

We also recognise areas of emerging risk and opportunity such as the growing influence of Artificial Intelligence (“AI”). While our Executive Leadership Team embraces new technologies to improve the efficiency of our hotel management platform and the overall guest experience, the associated risks of using AI in business have been reviewed and actions taken to raise awareness of these risks across the Group.

There is greater urgency in the international response to the climate crisis, to drive radical decarbonisation of the global economy. We evaluate both the physical and transitional climate related risks as part of our current risk profile and assess the impact these threats could have on our existing principal risks as they become more probable and with a greater impact. A summary of climate related risk can be seen in our TCFD Summary page 81.

As well as monitoring these climate related threats, we see significant opportunity in improving our environmental and social impact through the delivery of our ESG Strategy (see pages 66 to 79).

The hospitality sector has seen several high-profile cyber-attacks in 2023. We partner with expert organisations to ensure we are well placed to prevent and detect malicious activity. We also continue to invest in enhancing our resilience through building our incident response and recovery capability.

In 2024 we enter an exciting period of operational growth with several new openings across the Group. This will intensify the persistent challenge of attracting and retaining team members which we will continue to tackle through proactive employee engagement and wellbeing initiatives as well as programmes to drive a diverse and inclusive culture.

Beyond these openings we are securing new capital to support the pursuit of our ambitious long-term growth plans. We are prepared for managing the risks that are inherent to any plans for accelerated growth.



art'otel London Hoxton

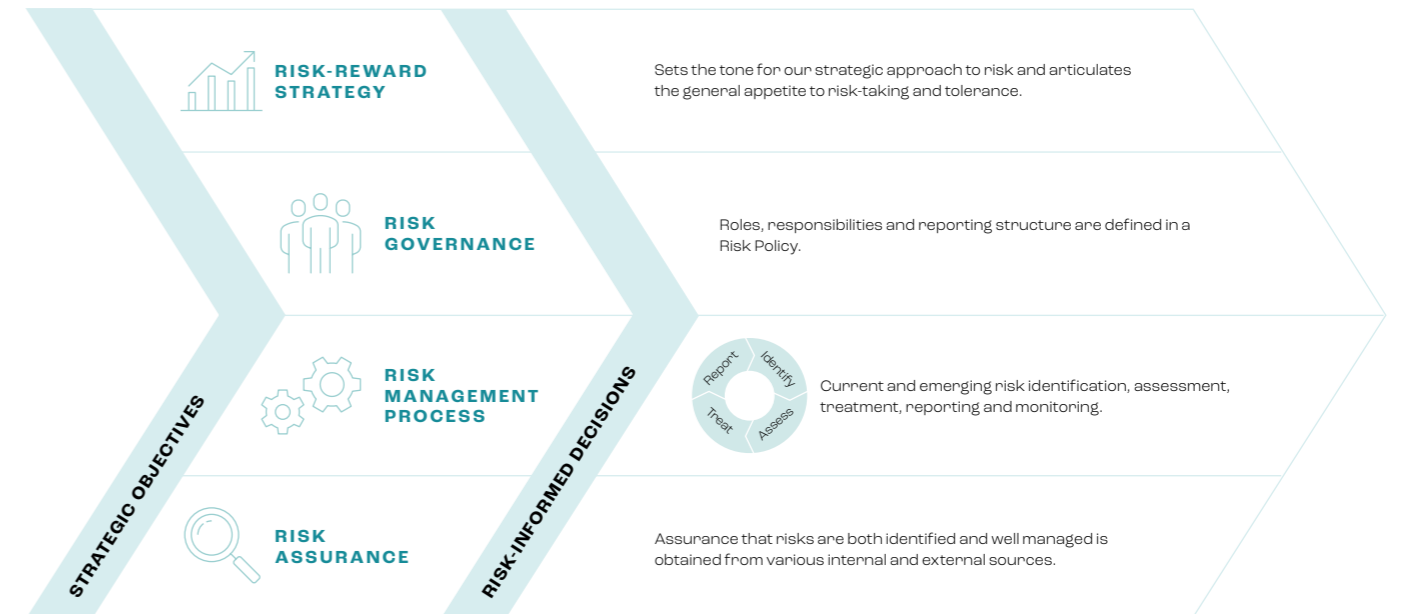
Principal risks – at a glance

We define our principal risks as those which could have the greatest impact on our business and represent the most significant threats to the achievement of our objectives in the year ahead. To be considered a principal risk the potential downside or residual impact must be assessed as ‘Major’ or above, equating to a negative financial impact or falling asset values greater than 5% of annual EBITDA (under normal operating conditions).

Principal Risks for 2024	Inherent Risk Assessment	Residual Risk Assessment	Trend from previous year	Oversight responsibility	Page reference
1 Adverse economic climate	High	High	← →	CFO	Page 89
2 Significant development project delays or unforeseen cost increases	High	High	← →	CLO and Co-CEO	Page 90
3 Difficulty in attracting, engaging and retaining a suitably skilled workforce	High	Medium	↓	Co-CEO	Page 93
4 Technology disruption – prolonged failure of core technology	High	Medium	← →	CFO	Page 91
5 Funding and liquidity risk	High	Medium	← →	CFO	Page 90
6 Cyber threat – undetected / unrestricted cyber security incidents	Very High	Medium	↓	CFO	Page 91
7 Data privacy – risk of data breach	Very High	Medium	← →	CLO	Page 91
8 Operational disruption	High	Medium	← →	Co-CEO	Page 92
9 Negative stakeholder perception of the Group with regard to Environmental, Social and Governance (ESG) matters	High	Medium	← →	CLO	Page 93
10 Market dynamics – significant decline in market demand	High	Medium	↓	EVP Commercial Affairs	Page 89
11 Serious threat to guest, team member or third party health, safety and security	High	Medium	← →	Co-CEO	Page 92

During 2023 the residual risk assessment for the threat of Fraud was reduced as the Group’s internal control environment continued to mature. The residual risk no longer meets our definition of a principal risk for disclosure and the risk has been removed from the list above. The inherent assessment is still considered to be high, and the risk and associated controls continue to be monitored closely.

Our Risk Management Framework



Risk management – continued

Our Risk-Reward Strategy

Our Risk-Reward Strategy, which articulates our risk appetite across various business activities, is aligned to our strategic objectives. It has been reviewed by the Board and remains unchanged. Risk appetite is cascaded throughout the Group through our policies and procedures.

Risk Appetite Levels	Definition	Business Activities	Key sources of value and strategic enablers
Active	We will actively seek to take calculated risks in this area in pursuit of our strategic objectives, as long as the associated benefits significantly outweigh the risk impact and the risk remains within our tolerances. We will apply appropriate safeguards when pursuing these opportunities.	<ul style="list-style-type: none"> Acquisitions and development opportunities Diversification of property portfolio 	Diverse prime property portfolio
Neutral	We will take on a limited increased exposure to risk in pursuit of our strategic objectives if the associated benefits outweigh the risk impact and the risk remains within our tolerances. We will apply appropriate safeguards when pursuing these opportunities.	<ul style="list-style-type: none"> Development projects (Construction) Working with third parties Funding Technological change / development Commercial and promotional activity 	Financial strength and non-dilutive capital approach International network Multi-brand approach
Averse	We will act to protect the business from increased risk exposure in these areas.	<ul style="list-style-type: none"> Environmental impact Responsible and ethical sourcing Human Rights Operational continuity Data privacy Compliance Financial and tax reporting Financial control 	Meaningful ESG impact for the benefit of all stakeholders Our people and culture In-house hospitality management platform

Our Risk Governance and Risk Management Process

GOVERNANCE

Executive Leadership – Risk Forum

- Agree the Risk Policy and Framework and formulate a risk-reward strategy (risk appetite) for proposal to the Board.
- Challenge the robustness and completeness of the full-year and half-year updates to the Group's risk registers, including key actions.
- Report PPHE's Principal Risks for Board approval and inclusion in the Annual Report.
- Ensure effective monitoring of emerging risk and progress against key risk actions.

Audit Committee

- Keep under review the effectiveness of the Group's procedures for the identification, assessment and reporting of risks, assisting the Board in monitoring the Group's risk management systems.
- Oversee internal and external assurance requirements.

Board

- Ultimately responsible for risk management including approval of the Group risk profile; the Group Risk Policy & Framework; the Risk and Reward Strategy; and the statement on risk management in the Annual Report.

ESG Committee

- Keep under review specific ESG and Climate-related risk assessment.

PROCESS

ENTERPRISE RISK ASSESSMENT

Consolidation of underlying functional and subsidiary risks into a single view of risk reported to the Board. The enterprise assessment underpins the Group's principal risk disclosure.

CURRENT RISKS

Existing threats to the achievement of our business objectives

Regular risk updates from functional management to identify, assess and respond to current risks. Key steps include:

- assessment of the severity of each risk using the Group risk assessment criteria. Consideration is given to the effectiveness of the current controls / mitigating activity;
- establishing clear actions with nominated accountability where further mitigation is required to contain or reduce risks to a more acceptable level;
- regular risk reporting to Executive Leadership to support informed decision-making and prioritisation of resources; and
- reporting the Enterprise risk profile to the Audit Committee quarterly.

EMERGING RISKS

Future threats that cannot be accurately assessed at the current time but could have a material impact on the business in the future through either heightening existing risks or becoming new stand-alone risks.

Horizon scanning for emerging risk is considered at each functional risk workshop and each Executive Level Risk Forum with a view to improving our response plans and exploit potential opportunities. Emerging risk trends are reported alongside the current enterprise risk assessment to the Audit Committee quarterly.

When identifying emerging risk, we consider several drivers of change including:

- shifts in market dynamics;
- social, geo-political, macro-economic and environmental factors;
- technological trends; and
- legal and regulatory developments.

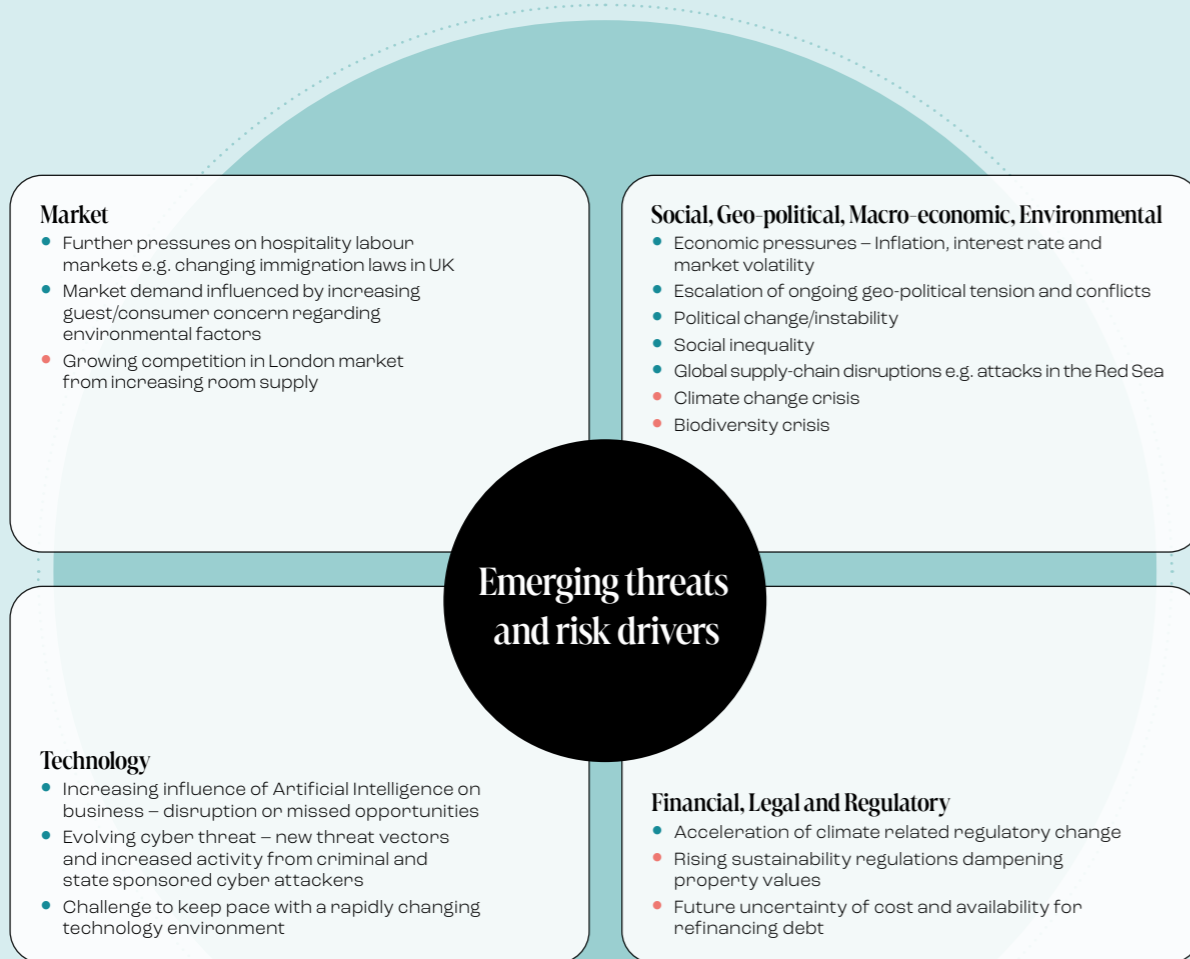
FUNCTIONAL AND SUBSIDIARY RISK ASSESSMENTS

Management identifying, assessing and managing the risks and controls across all business functions.

Risk management – continued

Emerging risk

Our Executive Leadership Team consider emerging threats and risk drivers that could have a material impact on the business in the future, with a view to improving our response plans and exploit potential opportunities. The near-term threats may already influence our principal risk assessments and the prioritisation of our risk actions.



• **Imminent/Short Time Horizon** – Some Impact already seen or impact to our business could be expected within 2 years

• **Future Time Horizon** – Impact to our business could be expected beyond 2 years

Principal risks

The tables below detail our principal risks for the year ahead. The reported risks are those we consider could have the greatest impact on our business and represent the most significant threats to the achievement of our objectives. This is not an exhaustive list of all risks identified and monitored through our risk management process, which includes the

consolidation of underlying functional and subsidiary risk registers into a single view of risk reported to the Board. Our risk level is decided through an assessment of the likelihood of the risk and its impact should it materialise. Our assessments are weighted towards impact to encourage prioritisation of high impact risks.

Strategic Blocks	Sources of value	
1 Core, upper upscale, city centre hotels	4 Diverse prime property portfolio	7 International network
2 Leisure and outdoor hospitality	5 Multi-brand approach	8 Our people and culture
3 Hospitality management platform	6 In-house hospitality management platform	9 Financial strength and non-dilutive capital approach


Movement from last year: ↔ Unchanged ↑ Increased ↓ Reduced

MARKET AND MACROECONOMIC ENVIRONMENT




Risk Appetite: Neutral

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Adverse economic climate Economic stress fuelled by the volatile geo-political environment could mean a continuation of steep inflation and unstable interest rates impacting growth and profit margins.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 7, 8, 9</p>	<p>High</p> <p>↔</p>	<p>Acting to protect our margins in the face of steep inflation remained a key focus throughout 2023. While inflation and interest rates are expected to stabilise, we still consider an adverse economic climate to be a significant risk to monitor and manage in the year ahead as several of the emerging threats we have identified could influence the scale and impact of this risk area.</p> <p>In addition to our long established controls, 2024 will see:</p> <ul style="list-style-type: none"> • Close monitoring of economic and market forces • Budgetary control and frequent forecasting across all regions and property type • A drive to develop process automation for labour intensive processes, freeing resource to focus on delivering greater value to the business • Projects to drive efficiency of operational teams • Continued focus on control of food and beverage costs • Energy consumption reduction initiatives
<p>Market dynamics – significant decline in market demand Uncertainty in future market demand could arise due to volatile macro-economic or geo-political conditions, or significant incidents which impact global travel.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 4, 5</p>	<p>Medium</p> <p>↓</p>	<p>Our overall residual assessment of this risk has reduced as confidence grows due to positive booking momentum, increased occupancies and average daily rates being maintained. Demand for Meetings and Events (‘M&E’) also looks stronger over the medium and longer term.</p> <p>There will remain some uncertainty as market strength is linked to changes in the economic climate and geo-political environment. We are proactive in driving demand to our properties and responding to market movements. Our key mitigating actions include:</p> <ul style="list-style-type: none"> • Fully leveraging the revenue management technologies introduced during 2023 • Focussed promotional initiatives to drive demand in advance and tactical campaigns for ‘need’ periods • Leveraging our partnerships and promotional opportunities with third party distribution partners and booking channels • Continuing our close collaboration with Radisson Hotel Group and leveraging their reach for promotional campaigns • Leveraging the Radisson Rewards programme which consists of 11+ million members. • Increasing our focus on digital marketing and online advertising • Delivering our planned activities across key source markets and market segments, including tradeshows, hosted events and sales missions



Risk management – continued



FUNDING AND INVESTMENT		Risk Appetite: Neutral
Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Funding and liquidity risk The impact of failing to proactively manage funding and liquidity risk could include a breach of debt covenants, cash restrictions, loss of stakeholder confidence and less favourable terms when refinancing in the future.</p> <p>Related strategic blocks: 1, 2</p> <p>Related sources of value: 7, 9</p>	<p>Medium</p> 	<p>Against the backdrop of interest rate movements and general economic pressures, our funding and liquidity risk continues to be managed to an acceptable level due to the Group's strong trading performance, steady property valuations and fixed rates on most of our loans.</p> <p>We will continue to contain this risk with our established treasury monitoring and reporting controls which include:</p> <ul style="list-style-type: none"> • Board approved treasury policy • Monthly forward covenant testing • Monthly treasury monitoring and reporting to the Board • Proactive and regular liaison with our lenders <p>As highlighted in our emerging risk summary, the value of our property portfolio could be impacted over time by sustainable building regulations, unless there is sufficient investment in upgrading our assets to meet the requirements.</p> <p>Long-term capital expenditure plans have been developed to mitigate this threat.</p>

DEVELOPMENT PROJECTS		Risk Appetite: Neutral
Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Significant development project delays or unforeseen cost increases Various factors, such as supply chain disruption, labour market pressures and steep increases in cost of materials can influence the delivery of major construction projects resulting in additional cost or delays in new openings.</p> <p>Related strategic blocks: 1, 2</p> <p>Related sources of value: 4, 7</p>	<p>High</p> 	<p>The delivery of major projects remains a high risk area and is subject to focused oversight from senior leadership and our in-house Technical Services team, with key controls including:</p> <ul style="list-style-type: none"> • Regular project meetings with our contractors to identify and tackle any approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards • Independent monitoring of projects by appointed third party experts <p>Throughout 2024 we would expect this risk to reduce as major long-term developments are delivered and new openings become operational.</p>

TECHNOLOGY AND INFORMATION SECURITY		Risk Appetite: Averse
Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Cyber threat – undetected / unrestricted cyber security incidents The Group could be subject to a serious cyber-attack resulting in significant disruption to operations and financial loss from falling revenues, cost of recovery, reputation loss and significant fines in the event of a related data breach.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 6</p>	<p>Medium</p> 	<p>Although we expect the inherent risk of cyber-attack to remain very high, our residual risk assessment has been reduced this year to reflect the implementation of new and enhanced security controls and the continued investment into protecting the business from this significant threat.</p> <p>Newly established controls in place for the year ahead and further planned progress includes:</p> <ul style="list-style-type: none"> • Compliance to the official Payment Card Industry Data Security Standard (PCI DSS) • AI powered network monitoring & detecting and autonomously responding to threats • Continuous vulnerability scanning and remediation • Enhanced back-up and recovery solution, including ransomware recovery • Focused team member awareness campaigns and training programmes • Increased targeted phishing training • Enhanced filtering of malicious phishing sites • Increase in external penetration testing • Targeted risk analysis/profiling and security incident tabletop exercises
<p>Data privacy – risk of data breach The Group could experience a serious data privacy breach which could result in investigation, significant fines in accordance with the GDPR and subsequent reputational damage.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 6, 8</p>	<p>Medium</p> 	<p>We remain focused on mitigating the high inherent regulatory risk associated with the processing of personal data, which is essential to the successful operations of our business.</p> <p>Activity planned for 2024 includes:</p> <ul style="list-style-type: none"> • Implementation of a new governance, risk and compliance tool for data privacy and information security • An internal awareness campaign and updated training programmes, as part of onboarding the new tool • Review and update of documented data protection and privacy procedures • Update of data inventory • Monitoring databases containing Personally Identifiable Information, with data owners • Renewing and updating data privacy risk assessments and other documentation required under GDPR
<p>Technology disruption A prolonged failure in our core technology infrastructure could present a significant threat to the continuation of our business operations, particularly where failures impact hotel management and reservation systems.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 6</p>	<p>Medium</p> 	<p>The availability and performance of our core technology is key to the success of our business operations, and we have continued with investment into strengthening our networks, implementing our DR solution, and improving connectivity.</p> <p>In 2024 we will continue to improve our resilience through:</p> <ul style="list-style-type: none"> • Continued projects to enhance network resilience and security • Network monitoring and enhanced vulnerability scanning • Enhanced back-up and recovery solution • Targeted testing of back-up and recovery plans

Risk management – continued

SAFETY & CONTINUITY		Risk Appetite: Averse
Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Operational disruption Major global events such as pandemic, war or environmental disasters could result in widespread disruption, impacting our guests, our supply chain, and our hotel operations.</p> <p>We could also experience more localised disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest, or terrorism.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 6, 7, 8</p>	<p>Medium</p> 	<p>Our strength and resilience have been key to the continued success of our business in recent years.</p> <p>In 2024 we will continue to prepare for significant disruptive incidents through:</p> <ul style="list-style-type: none"> Regularly training team members in our established crisis plans and procedures Review of our approach to Business Continuity Management to ensure we have prepared proportionate responses to the most significant threats which could impact the continuity of our critical services and operations Working closely with key suppliers to identify and mitigate any potential issues which could impact the continuity of their service
<p>Serious Health, Safety and Security Incidents The Group could experience significant health and safety, food safety or physical security incidents.</p> <p>A failure to take reasonable steps to prevent such incidents, or a failure to respond appropriately, could impact our reputation, disrupt our operations and result in significant loss of guest, team member and stakeholder confidence.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 6, 8</p>	<p>Medium</p> 	<p>In the year ahead we will continue to drive our high standards to provide a safe stay for our guests and a safe working environment for our team members.</p> <p>Our established controls include:</p> <ul style="list-style-type: none"> Regular risk assessments Security and fire safety procedures Health & Safety audit programmes In-house and supplier food safety audit programme Team member training programmes Mental health and wellbeing training Centralised incident reporting Proactive gathering of intelligence and advice on potential security risks through regular liaison with local police and security services <p>We will also monitor the ongoing consultation in respect of Martyn's Law but are confident that our existing procedures will meet the new requirements proposed as part of the UK's Terrorism (Protection of Premises) Bill.</p>

PEOPLE		Risk Appetite: Averse
Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Difficulty in attracting, engaging and retaining a suitably skilled workforce Difficulties in maintaining an engaged and suitably skilled workforce could impact our service standards, drive up operating costs, disrupt operations and impact the overall delivery of our key strategic objectives.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 6, 8</p>	<p>Medium</p> 	<p>While the successful management of this risk remains fundamental to our success, our overall residual risk assessment has reduced to Medium.</p> <p>Throughout 2023 we have not experienced any staffing issues that would restrict operations. Some improvement has also been noted in retention rates.</p> <p>2024 presents new resourcing challenges with the opening of new hotels and we will continue to manage this risk proactively with new initiatives including:</p> <ul style="list-style-type: none"> Creation of a new Employee Experience team to develop deeper understanding of employee needs and sentiment and tasked with group initiatives on developing retention, wellbeing, and engagement Employer value proposition development to attract candidates and drive retention Investment in new HR technology landscape, improving people analytics Creation of expanded Learning & Development team with focus on technical skills and management development Internal communication strategy and use of related technologies for further employee voice enablement Full employment policy review Talent management and succession planning to promote intra-company mobility options Regular talent reviews and learning need analysis Physical health and well-being initiatives and investment
<p>Negative stakeholder perception of the Group with regard to Environmental, Social and Governance matters With ESG being a key concern for our stakeholders, a perception that the Group does not apply best practice Corporate Governance principles or does not act responsibly to protect the environment and the communities we operate in, could impact our performance by damaging our appeal to customers, investors, and other business partners. It could also affect our ability to retain and attract talent.</p> <p>A failure to comply with the upcoming regulatory changes to governance and ESG reporting could further heighten this area of risk.</p> <p>Related strategic blocks: 1, 2, 3</p> <p>Related sources of value: 8</p>	<p>Medium</p> 	<p>We have made considerable progress in formalising and communicating our ESG strategic approach and priorities.</p> <p>Our report on pages 66 to 79 details our ESG strategic objectives which are focused on the priorities of our stakeholders.</p> <p>Activity in 2024 will include:</p> <ul style="list-style-type: none"> Work on a series of tasks aimed at delivering against our ESG targets, which are designed to further the achievement of our published strategic objectives The ESG Manager monitoring the adoption of the ESG targets with the assigned owners and providing regular progress reports to the ESG Committee New ESG reporting requirements being integrated into the compliance reporting undertaken by the Head of Compliance, seeking third party support where necessary at the request of the ESG Committee