

ASIAN HOTELS (NORTH) LIMITED

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RISK MANAGEMENT POLICY

(Adopted by the Board in its meeting on 11th August 2021)

PREFACE

Pursuant to the provisions of the Companies Act, 2013 and the rules thereunder, each as amended and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, as amended, the Board of Directors of a Company is responsible for framing, implementing, and monitoring a risk management plan for the company.

Risk is pertinent to virtually all business activities through the varying degree and forms. It is the constant endeavour of Asian Hotels North Limited (the "Company") to identify, access, prioritize and manage, existing as well as emerging risks in a planned and cohesive manner. The Company recognizes that risk management is an integral part of good management practice. Risk management is an essential element in achieving business goals and deriving benefits from market opportunities. The Company is committed to managing risk in a manner appropriate to achieve its strategic objectives. The Company will keep investors informed of material changes to the Company's risk profile through periodic reporting obligations.

This risk management policy (this "Policy") adopted by the Board of Directors of the Company (the "Board") pursuant to a resolution dated 11th August 2021 sets out the risk management guidelines of the Company. This Policy is intended to assist the Company to establish a sound system of risk oversight and management and internal control that will effectively:

- (a) identify, assess, monitor, and manage risk which may threaten the existence of the Company; and
- (b) inform investors of material changes to the Company's risk profile.

The Board and the senior management of the Company will take a pro-active approach to risk management, ensuring that a Company-wide system is in place which addresses all material internal and external risk factors facing the Company, which include:

- (a) Financial.
- (b) Legal and regulatory.
- (c) Operating.
- (d) Commercial risks, including health, safety, and environment.

PHILOSOPHY

The continued successful safeguarding, maintenance and expansion of the Company's businesses requires a comprehensive approach to risk management. It is the policy of the Company to identify, assess, control, and monitor all risks that the business may incur to ensure that the risks are appropriate in relation to the scale and benefit of the associated project, business, or practice and to ensure that no individual risk or combination of risks result in a likely material impact to the financial performance, brand, reputation, or the existence of the Company.



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Fundamental values of the Company include respect for its employees, customers and shareholders and integrity in all its operations and activities. By acknowledging that risk and control are part of everyone's job, and by incorporating risk management into the Company's daily business practices, the Company will be better equipped to achieve strategic objectives, whilst maintaining the highest ethical standards. All employees of the Company are expected to demonstrate the highest ethical standards of behaviour in development of strategy and pursuit of objectives. Individually and collectively the Company's employees shall consider all forms of risk in decision-making.

EFFECTIVE DATE

The policy shall come into effect from 11th August 2021.

RISK MANAGEMENT FRAMEWORK

The Board is responsible for establishing and implementing a system for identifying, assessing, monitoring, and managing material risk throughout the Company.

The Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

At present, it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices. Regular consideration is given to all these matters by the Board. The Company has in place an internal control framework to assist the Board in identifying, assessing, monitoring, and managing risk. The framework can be described under the following headings:

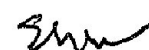
- (a) Continuous Disclosure/ Financial Reporting
- (b) Operations Review
- (c) Investment Appraisal

The Company's internal control system is monitored by the Board and assessed regularly to ensure effectiveness and relevance to the Company's current and future operations. Procedures have been put into place to ensure the Chairperson and Managing Director (the "CMD") and the Chief Financial Officer (the "CFO") provide a statement in writing to the Board that the integrity of the financial statements/reports is founded on a sound system of risk management and internal compliance and control, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively.

The Company considers risk management as key to maintaining efficient and effective operations and enhancing the shareholders value. For the Company, the management of risk is an ongoing process integral to the management and corporate governance of the business. The Company recognizes that risk is an integral and unavoidable component of business and cannot be totally eliminated but however the Company is committed to managing the risks in a proactive and effective manner so as to minimize any adverse fall outs threatening the existence of the Company.

GOVERNANCE FRAMEWORK

This Policy provides a high-level overview of the risk governance structure of the Company indicating who is involved in risk and their role. This may be represented as set forth below:



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Board (Provides oversight and overview)



CMD/ CFO (Reviews risk status and endorses risk strategy)



Executive Staff (Support risk culture, manage and identify risk and comply with risk procedures)

TYPES OF RISK

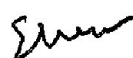
The risks involved in the hospitality industry and the specific uncertainties for the Company continue to be regularly monitored and the Board formally reviews such risks at least on a yearly basis.

All proposals reviewed by the Board include a consideration of the issues and risks of the proposal. The potential exposures associated with running the Company are managed by the Board and the Chief Financial Officer, who have significant and broad-ranging industry experience and work together as a team. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Reputation risk and brand management are particularly important to companies in the hospitality sector and remain the number one rated risk globally. The reputation of an organization is the selling point to guests. A large portion of the risk managers' duties contribute greatly to the reputation of the brand, such as handling guest claims, helping the hotel recover from catastrophic losses and managing employee injuries and illnesses.

Other main categories of risk for the Company include:

- (a) Operational Risk- risks associated with internal business processes, business interruption and system failures.
- (b) Financial Risk- accounting risk, financial reporting risks, inflation, increased interest rates and borrowing expenses.
- (c) Forensic Risk- identity theft and computer fraud.
- (d) Strategic Risk- risks associated with external forces, such as competitors, suppliers, customers, agents and advisers and failure to implement business strategies.
- (e) Real estate-related risks – risks associated with use of real property, including title disputes, failure to obtain relevant approvals or complete construction within prescribed time, higher construction and real estate taxes and termination or non-renewal of subsisting leases or licenses.
- (f) Legal Risk - legal and related issues in which there is an exposure to legal action, such as contract risks, frauds, civil and criminal liabilities.
- (g) Regulatory Risk – failure to obtain or cancellation of required governmental approvals.
- (h) Knowledge and Human Resource Management related risks – shortage of skilled personnel, increased wage costs, strikes, disputes and work stoppages.
- (i) Compliance Risk - continuous disclosure obligations and internal audit.
- (j) Market Risk – changes in economic conditions, commodity prices and investor sentiment.
- (k) Infrastructure Risk – disruptions and lack of basic infrastructure, such as electricity and water supply, higher energy costs and closure of any existing transportation infrastructure; and
- (l) Political Risk – changes in the political situation and regulatory environment and security threats.



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SOME SPECIFIC RISK & MITIGATION MEASURES

1. **Regulatory Compliances** – Being in the hospitality industry, the Company is subject to multifarious legal and regulatory provisions, requiring many licenses, clearances and approvals for its operations. Further, being a listed entity, the Company, its directors and key managerial personnel are subject to many regulatory obligations and compliances.

Any violation or non-compliance leads to various pecuniary or penal liabilities and is a major risk area.

It is imperative that the companies, the directors on their respective boards, and the key management personnel, conduct the affairs of such companies in a transparent and fair manner, complying with the law in its essence.

Mitigating Measures:

The Committees of the Board predominantly comprise of the independent directors. The Company's functioning is closely monitored by the Board of Directors through various committees and the Managing Director and the Whole-time Director. The Company's standard operating procedures and internal control systems adequately ensure timely regulatory compliances in general.

2. **Operational Hazards, Industrial Accidents and consequent Public Liabilities** – Elaborate kitchen facilities, cooling facilities, in-house laundry, generator sets, other engineering plants and guest transportation facilities carry potential risk element for the Company due to industrial accidents. Further, any deficiency in the food and beverage services and other guest services exposes the Company to litigation and consequent public liability.

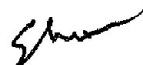
Waste management and treatment of effluents is another area which needs to be handled adequately not only to avoid legal action, but also to be a responsible corporate citizen.

Mitigating Measures:

The Company has comprehensive insurance cover, either taken directly or through global policies taken by Hyatt International to take care of any such liability adequately. The Company follows a pro-active maintenance schedule for its industrial installations to avoid accidents. Further, the Company has regular training sessions for its operating staff to update them of their respective operational responsibilities and associated hazards.

The Company has an elaborate information system whereby any guest complaint is logged in the respective functional manager's logbook and reported in the HOD's morning meeting and responsibilities are affixed for such occurrence, and appropriate corrective/preventive measures are taken to avoid such occurrence in future.

3. **Shortage of skilled manpower** – With more and more hotels coming up, the skilled manpower is in great demand. It is becoming increasingly difficult not only to retain the existing skilled manpower but also to recruit fresh manpower. It is imperative that more quality institutions are available to impart hospitality related courses and skills.



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Mitigating Measures:

The Company maintains an in-house training schedule which covers all operational areas. The endeavor is to keep the team members updated as to their operational areas. Company has proper recruitment policy for recruitment of personnel at various levels in the organization. Proper appraisal system for revision of compensation on a periodical basis is evolved. Activities relating to the Welfare of employees are undertaken. Employees are encouraged to make suggestions and discuss any problems with their Superiors.

4. **Credit Risks** - Risks in settlement of dues by customers/travel agents. Provision for bad and doubtful debts.

Mitigation Measures: Systems put in place for assessment of credit worthiness of customers/travel agents. Provision for bad and doubtful debts made to arrive at correct financial position of the Company. Recovery Management is there to recover money out of provisions.

5. **Market Risks/Industry Risks** - There are Demand and Supply Risks. Quantities, Qualities, Suppliers, lead time, interest rate risks. Interruption in the supply of products for use in hotels.

Risk Mitigation Measures: Products are procured from different sources at competitive prices. Alternative sources are developed for uninterrupted supply Demand and supply are external factors on which company has no control, but however the Company makes its plans from the experience gained in the past and an on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of company's services. The Company takes specific steps to reduce the gap between demand and supply by expanding its customer base, improvement in its product profile, delivery mechanisms, technical inputs, enhancement of capacity utilization etc. Proper inventory control systems have been put in place.

DRIVERS OF KEY RISK

FINACIAL RISK STRATEGIC	STRATEGIC RISK
Externally driven	Externally driven
Interest Rate	Competition
Foreign Exchange	Customer Changes
Credit	Industry Changes
Internally Driven	Customer Demands
Liquidity Cash Flow	Internally Driven
Accounts Control	Research and Development
	Management Decisions

OPERATIONAL RISK	HAZARD RISK
Externally Driven	Externally Driven
Regulation	Natural Events
Culture	Environment
	suppliers
Internally Driven	
Information Systems/ Supply Chain	Internally Driven
	Products and Services

Sum

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RISK STRATEGY

Risk needs to be prioritized in the process of analysis and evaluation for their mitigation based on probability, impact, and severity. Further, risk proximity (i.e., time window when the risks can surface), complexity of the mitigation plan and funding required are factors that can be considered for prioritizing the mitigation action. Accordingly, the risk can be avoided, reduced, transferred, or shared by the Company as follows:

- i. **Risk Avoidance**: The situation which gives rise to the risk can be avoided by excluding the activities or conditions that gives rise to risk. This approach is recommended for the risks with high severity.
- ii. **Risk Reduction**: For the risks which cannot be avoided, measures to reduce either the impact of risk or probability of occurrence can be deployed.
- iii. **Risk Transfer**: Transfer of the total or partial risk to third party, e.g. client, third party vendor, sub-contractor, insurance company, etc.
- iv. **Risk Acceptance**: The risks with low severity may be accepted in cases where the cost of risk mitigation would be more than the risk exposure.

REVIEW/ASSESSMENT OF EFFECTIVENESS

This policy shall be reviewed and amended periodically by the Audit Committee and the committee will be responsible for analysing the effectiveness, continued application and relevance of the policy and the risk management systems and shall report its assessment to the Board.

DISCLAIMER CLAUSE

The risks outlined above are not exhaustive and are for information purposes only. The Board and the management are not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

