

ASIAN HOTELS (EAST) LIMITED

RISK MANAGEMENT POLICY

[As approved by the Board of Directors on 10th February, 2017]



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RISK MANAGEMENT POLICY

1. PREAMBLE:

The Board of Directors has adopted this policy and procedures with regard to risk management at its meeting held on 10th February, 2017. This document lays down the framework of risk management of the Company and defines the policy for the same. It seeks to identify risks inherent in the business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

2. GOVERNANCE FRAMEWORK:

Risk Management Policy is framed as per the following regulatory requirements:

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- Regulation 4 (2) (ii) Key Functions of the Board

The Board should fulfill certain key functions, including: -

-Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.

-Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

- Regulation 17(7) – Minimum Information to be placed before Board of Directors (Part A of Schedule II)

- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

- Regulation 18 Role of Audit Committee (Part C of Schedule II)

The role of the Audit Committee shall include the following:

- Evaluation of internal financial controls and risk management systems;

- Regulation 17 - Board of Directors

A. The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.



Companies Act, 2013:

- Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include —

- a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

- Provisions of the Section 177(4)

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—

- evaluation of internal financial controls and risk management systems.

- Schedule IV [Section 149(8)] - Code for Independent Directors

Role and functions:

The independent directors shall:

- help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

- satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

3. RISK MANAGEMENT PRINCIPLES AND OBJECTIVES:

Risk is often defined as the chance of something happening, measured in terms of probability and impact. A principal risk is defined as the chance of something happening, measured in terms of probability and impact, that may adversely affect the achievement of Company's strategic or major business objectives

Risk management is a structured and disciplined approach to assessing and managing the uncertainties that the Company faces as it creates value and preserves value.

The Company believes that risk taking is a necessary and accepted part of our business. Effectively managing risk is a competitive necessity and an integral part of creating shareholder value through good business practices.

The Company acknowledges that all activity has an element of risk and that not all risks can or should be transferred. The Company is committed to managing risks including strategic risks, at all levels in the Organization.

Since many risks can impact our reputation, all risks must be evaluated in terms of the potential impact on our reputation.

The Company does not engage in speculative activity which is defined as a profit-seeking activity unrelated to the Company's primary business.



4. CONSTITUTION OF RISK MANAGEMENT COMMITTEE:

Risk Management Committee shall be constituted by the Board as and when required under the applicable acts, rules, laws, regulations, etc.

5. APPLICABILITY:

This policy applies to all the areas of the Company's operations.

6. BROAD PRINCIPLES:

The Board is required to review the business plan at regular intervals and develop the risk management strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal including environmental, business, operational, financial, legal compliances and political and others. This policy shall be communicated to the various levels of the management for effective implementation in the Company.

7. RISK ASSESSMENT & RISK IDENTIFICATION:

To meet the objectives of the Company, the management shall consider expected and unexpected events, pursuant to which it is imperative to make effective strategies for exploiting opportunities. Accordingly, the Company has identified key risks and developed plans for managing the same.

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

8. AREAS OF RISK:

The various risks associated with Hyatt Regency, Kolkata are as follows:-

- Operational Risk
- Technology Risk
- Credit Risk
- Market Risk
- Liquidity Risk

9. RISK MITIGATION STRATEGY:

A risk mitigation strategy is a plan which seeks to mitigate the risks and safeguard investment and service delivery activities. This is achieved through proactive actions that reduce either: a) the probability of a risk occurring or b) the impact of the risk.

The mitigation strategy comprises of following approaches to deal with the risk

Acceptance: Accept the risk but take no pre-emptive action to resolve it (unable to address the risk or not cost effective to do so), but consider contingency plans should the risk materialise.

Treat: Develop a mitigation plan to reduce probability and or impact

The risk mitigation plan - will detail the specific risks that will have to be dealt with and the action that has to be taken to carry out the risk mitigation strategy.



10. RISK MITIGATION TEAM:

Each of the Divisional/Departmental head of Hyatt Regency, Kolkata shall be responsible for the following:

- Identification and mitigation of risk of their respective areas.
- Identify future risk, evaluate the criticality of the risk and formulate the steps of mitigation and risk reduction strategies.
- To maintain and update register of their concerned areas, and communicate to the Chief Financial Officer and the Chief Legal Officer & Company Secretary.
- Present the new risks identified along with proposed mitigation plan to the Chief Financial Officer and the Chief Legal Officer & Company Secretary.

The Company shall seek the direction of the Audit Committee and the Board as and when required after this policy is approved.

11. RISK REPORTING:

The Board of Directors and the Audit Committee in their meeting shall at least once in every year review the risk management framework and effectively address the emerging challenges in a dynamic business environment and ensure that it meets the requirements of the applicable Laws and the needs of the Organization.

12. RISK MANAGEMENT FRAMEWORK:

The management of the Company has to include review of various risks faced by an organization and the way of mitigating the same. The hotel industry in India is primarily associated with the risks of world-wide economic slowdown, political instability, world travel securities, natural disasters, terrorist attacks and epidemics which ultimately have direct and indirect impact on the revenues of the hotels. Further the competition in the local market is another risk inherent with the hotel industry.

The Company has taken suitable measures to mitigate the various risks associated with Hyatt Regency, Kolkata such as follows:-

Adequate insurance policies have been taken in the event of a disaster to protect the guests and employees, limit the property loss and restore the hotel to normal operations quickly, efficiently and safely.

The Company has taken appropriate steps to strengthen the security of our hotels. Security inside the hotel has been enhanced by the following:

- Round the clock monitoring CCTV.
- Vehicle checkpoint.
- Established checkpoints at entrances.
- Barricades in appropriate places to prevent immediate access by the vehicles.
- Metal detector screening all guests.
- Stationing Security guards at hotel entrance and all over.
- Limited times for deliveries.
- Laminated and protective film on glass.
- Restricting parking near the hotel.
- Security patrols round the clock.
- No vendor allowed into hotel without a hotel employee escort.
- X-Ray machine for Guest's luggage inspection.
- Fire monitoring, prevention & fighting equipment installed.



- Issuance of vehicle passes.
- Payment Card Industry (PCI) Compliance.
- Global Privacy Compliance along with data protection.

Further, the Company takes utmost care to mitigate customer attrition risk. The customer profile changes due to change in demand-supply scenario. It is the Company's constant endeavor to retain existing customers as well as to develop new customers. The Company constantly seeks feedback from customers and takes suitable action to meet and exceed guest expectations. Hyatt is a leader in the Food and Beverages field and has won many awards for best restaurant in different categories. We expect this trend to continue in the future as well.

Hyatt Regency, Kolkata takes employee retention, training and team nurturing very seriously and the training department conducts various training modules on a daily basis. This also helps in keeping employee attrition to a minimum and a high morale. Succession planning is done in each department in line with best practices in the industry.

Also in order to mitigate different risks pertaining to hotel property and different equipments and machineries in operation, hotel guests and employees as envisaged above, Company combined with Hyatt International has adequately taken different insurance policies as follows:-

- Fire
- Public Liabilities
- Glass
- Boiler
- Machinery breakdown
- Fidelity
- Cash
- Loss of profit
- Medical & Personal accident
- Motor Vehicle

The Company is least affected by fluctuation in foreign exchanges rates as the foreign exchange transactions are substantially lower. The management has adequate arrangements to cope with any technological advancement to combat the competition in the industry. It has its own R&D Team in place for the same.

13. REVIEW AND DISSEMINATION OF POLICY:

This policy shall evolve to review by the Audit Committee and the Board from time to time as may be necessary. This Policy shall be disclosed in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company at www.ahleast.com

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