RISK ASSESSMENT AND MINIMIZATION POLICY

1. Preface:

Royal Orchid's risk management program focuses on all sources of enterprise value seeking to optimize risk, return and capital while enhancing corporate governance. By facilitating the flow of information across the organization, we ensure that the needs and aspirations of all our stakeholders are factored into our risk management program. Since risk management is an integral part of the management of our business we seek to arm all our people with the skills and tools needed to identify, assess and manage risks in every aspect of their work.

Our robust and effective risk management system continues to evolve, enabling our business to achieve its strategic objectives, and deliver sustainable, long-term growth and a commitment to responsible business practices.

Risk Management program provides a framework for risk management, which involves identifying particular events or circumstances relevant to the organization's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, business enterprises protect and create value for their stakeholders, including owners, employees, customers, regulators, and society at large.

RM supports value creation by enabling management to deal effectively with potential future events that create uncertainty and respond in a manner that reduces the likelihood of downside outcomes and increases the upside.

2. The objectives of Royal Orchid's risk management:

- To ensure that the risks and benefits of new investments and contingent liabilities are in line with Royal Orchid's finance policy;
- To reduce business risks through brand diversity, geographic diversification and by ensuring there is an appropriate mix of leased, managed and franchised hotels;
- To carefully evaluate investments in high-risk regions, matching this with returns on investments;
- To protect brand values through strategic control and operational policies;

Risk Management Structure:

1. **Responsibility for risk management:**

   The overall responsibility for risk management lies with the Company's Board of Directors, the executive responsibility lies with the Managing Director, who is assisted and advised by the Management Team Members in their areas of operations and expertise. The Board's Audit Committee periodically reviews and offers suggestions to the Management for improving its risk management policies.

   The Board ensures that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The risks involved in a Hospitality business and the specific uncertainties for the Company continue to be regularly monitored, the full Board. Additionally, 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.

2. **Risk Evaluation & Mitigation:**

   Prudent norms aimed at limiting exposures are integral to the risk assessment framework. The Management Team Members periodically evaluate identified risks, which have the potential of impacting their areas of operations and report such risks to the Managing Director, who initiates preventive/corrective measures by effecting suitable changes in the Company's systems and responses.

   In evaluation and mitigation of Risk, the company shall adopt the following processes:

   (i) **Internal Environment*:*** Establish a philosophy regarding risk management and risk culture. Company shall recognize the unexpected as well as expected events may occur and considers all other aspects of how the organization's actions may affect its risk culture.

   (ii) **Objective Setting and Risk Tolerance*:*** Management shall consider risks strategy in the setting of objectives. Company shall define the risk appetite of the entity how much risk management and the board are willing to accept. The company shall define the acceptable level of variation around objectives and what is the authority matrix to take the decision on the tolerance and on the exposure. Management considers its risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks.

(iii) Event Identification*:* The Company shall identify and differentiates risks and opportunities. Events that may have a negative impact represent risks. Events that may have a positive impact represent natural offsets (opportunities), which management channels back to strategy setting. Event identification to involve identification of those incidents, occurring internally or externally, that could affect strategy and achievement of objectives. Company has to address how internal and external factors combine and interact to influence the risk profile.

(iv) Risk Assessment*:* The Company needs to assess the risks to understand the extent to which potential events might impact objectives and assess risks from two perspectives: Likelihood and Impact. The risks to be categorized based on the impact, High, Medium and Low. Company shall employ a combination of both qualitative and quantitative risk assessment methodologies.

(v) Risk Response*:* Company shall identify and evaluate possible responses to risk. Evaluate options in relation to entity's risk appetite, cost vs. benefit of potential risk responses, and degree to which a response will reduce impact and/or likelihood. Selects and executes response based on evaluation of the portfolio of risks and responses.

Management selects a risk response strategy for specific risks identified and analyzed, which may include:

- ***Avoidance*****:** Eliminate the activities giving rise to risk
- ***Reduction*****:** Take action to reduce the likelihood or impact related to the risk
- ***Share or insure*****:** transferring or sharing a portion of the risk, to reduce it
- ***Accept:*** no action is taken, due to a cost/benefit decision

(vi) Control Activities: The Company shall set up Policies and procedures that help ensure that the risk responses, as well as other directives, are carried out. Control has to be ensured throughout the organization, at all levels and in all functions. The Company shall use application software and general information technology controls.

(vii) Information & Communication: Management shall identify, capture, and communicate pertinent information in a form and timeframe that enables people to carry out their responsibilities. Communication need to occur in a broader sense, flowing down, across, and up the organization.

(viii) Monitoring: Effectiveness of the ERM components shall be monitored through ongoing monitoring activities, separate evaluations and combination of the two. Company believes that a strong system of internal control is essential to effective enterprise risk management.

3. Kinds of Risks:

The Management is faced with both internal and external risks in the pursuit of its basic objectives of increasing revenues and profits. These risks and Management's strategies for their minimization are briefly laid out as follows:

Internal Risks:

(i) Operational risks:

The Company is 5 Star Hotel, which is an evaluation mechanism for execution of quality service, process level controls, clean and hygiene controls, etc. These help the Company in reducing the risks involved in ensuring quality delivery within stipulated time and cost limits.

(ii) ***Human resource management:***

The company's ability to deliver value to customers depends largely on its ability to attract, train, motivate, empower and retain the best and the brightest professionals. There is significant competition for skilled personnel necessary to perform the services that we offer. This poses inherent risks associated with the ability to hire and retain skilled and experienced professionals.

(iii) Financial, Liquidity and leverage:

The company has borrowed loan and has overdraft limits with its bankers and the company has to manage timely repayment, and ensure sufficient balance of cash to meet expenses. The company ensures to reduce the financial risk exposed- sub optimal use of cash, erosion in value of investments, financial support to the subsidiaries, foreign exchange fluctuations etc.

(iv) Financial reporting risks:

The Company prepares financial statements in conformity with the prescribed accounting standards of the Institute of Chartered Accountants of India. The Company's accounting methodology is also constantly reviewed by its internal auditors to minimize reporting risks by ensuring conservative revenue recognition norms, adequacy of provisioning, correct carrying costs of investments, etc.

(v) Consolidation risks:

The Company has over the years grown both organically and through Joint Ventures, which has forced it to manage attendant risks like integration of work forces, retention of key resources, etc. The Managing Director manages such consolidation risks in order to ensure proper co-ordination and seamless consolidation.

(vi) Compliance with local laws & statutes:

The company operates several hotels across India and abroad. Company ensures that all local laws are complied with. Company secretary is nominated as Compliance Officer, who ensures compliance with all applicable statutes in India. The KMPs responsible for statutory compliances and furnishes quarterly certificates confirming compliance to the Board. Statutory risks may include: Introduction of new stipulations; Non compliance of laws; Inadequate monitoring mechanism; inadequate documentation of compliances; Litigations and conciliation

(vii) Contractual compliance:

Litigations regarding adherence to deliverables and service level agreements, are a challenge in the software services industry. In addition, there are other general corporate legal risks. The contract management process focuses on preparing and maintaining a checklist of compliances that are applicable and ensuring compliance.

The management team focuses on evaluating the legal risks involved in a contract, ascertaining the legal responsibilities of the company under applicable contract laws, limiting the Company's contractual liabilities and covering the risks involved.

External Risks:

(i) Concentration of revenues:

The company recognizes the fact that a high concentration in any single business segment exposes the company to the risks inherent in that segment.

(ii) Competition risks:

The Company is exposed to risks associated with a highly competitive industry. The supply is more than the Demand, hence the price reductions is a major concern.

(iii) Political and economic risks:

The Indian government, over the last few fiscal years, has typically been under pressure of wars between two major political parties. In spite of the same the economic policies have shown a clear continuity from the past and this has added to the confidence of the developed economies on India.

(iv) Inflation & Cost Structure:

The cost structure of the company consists of salary and materials, connectivity costs, depreciation, travel, and other general costs. Over the years, the basic wage structure is expected to increase in response to the rising talent demand and macroeconomic trends. To de-risk, the company recruits fresh talent pool, from our own college, provides training to quickly enable skills and competencies to develop and empowers its middle level managers to take on higher responsibilities.

(v) Security & disaster management:

To ensure business continuity in the eventuality of a disaster, and to guard the security of the company's operations, management has proper data security and physical security checks, and takes all disaster management processes.

(vi) Exchange rate fluctuations risks:

The company has not much Exchange fluctuation Risk and the company does not take active trading positions in foreign currency markets and no forward covers are taken.

4. Review or Amendment of Policy:

In case of any subsequent changes in the provisions of the Regulations or any other Regulations, which make any of the clause / provisions of this policy inconsistent with law, the provisions of such Regulations shall prevail over this policy.

For administrative convenience, any change in the Policy herein shall be made by the Company Secretary in consultation with Managing Director or Chief Financial Officer. Apart from administrative convenience and any statutory amendments, any material change that substantially impacts the implementation of the existing Policy shall be approved by the Board.
