

ADVANI HOTELS & RESORTS (INDIA) LIMITED

RISK MANAGEMENT POLICY:

PURPOSE AND SCOPE:

This policy describes Advani Hotels & Resorts (India) Limited's ("AHRIL") risk management principles and expectations applicable to all types of risk in all activities undertaken by or on behalf of AHRIL. It also outlines roles and responsibilities for the Board of Directors (the "Board"), the Risk Management Committee, the Divisional Heads and all staff.

RISK MANAGEMENT PRINCIPLES AND OBJECTIVES:

Risk is often defined as the chance of something happening, measured in terms of probability and impact. At AHRIL, 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 AHRIL's strategic or major business objectives.

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

AHRIL believes 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 designed to ensure that AHRIL achieves its strategic, business and governance objectives, and protects its corporate reputation, values and integrity. In the context of realizing strategic objectives, some amount of failure is an accepted outcome of risk taking as long as risks have been properly assessed and managed.

AHRIL acknowledges that all activity has an element of risk and that not all risks can or should be transferred. AHRIL is committed to managing risks including strategic risks, at all levels in the Organization and summarizes these risks into three broad categories:

- (i) Operational risk;
- (ii) Financial risk; and
- (iii) Safety, Environmental and Regulatory risk.

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

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

RISK MANAGEMENT EXPECTATIONS:

Risk management applies to and will be practiced in accordance with Indian Statute and prevailing Corporate Governance norms, AHRIL's Risk Management Principles as a part of all of AHRIL's activities including developing strategic plans, preparing operational plans and capital budgets, completing detailed project approval requests, designing and managing project plans, operating AHRIL's facilities and plants, as a part of other management systems and generally, in all decision making processes.

AHRIL's overall risk appetite and risk tolerance will be determined by the Board of Directors in conjunction with the Senior Management and reported on by the Risk Management Committee to the Board of Directors.

Risk will be evaluated, managed and documented consistent with guidelines, tools and framework advocated by this Corporate Risk Management Policy.

In all cases, risk will be evaluated in terms of the impact on the following areas: people, environment, assets, financial and business objectives, and reputation. The risk will be assigned a probability of occurrence, with a resulting risk level ranging from low to extreme.

Risks identified as extreme, high, or medium will require implementation of a risk transfer, reduction, elimination, or exploitation strategy to reduce the residual risk level to as low as reasonably practicable. Risks identified as extreme or high with an impact above a specified

threshold will be reported to the Chairman & Managing Director and the Risk Management Committee.

The AHRIL Risk Matrix is a tool that may be used to assess, measure and report risks. The AHRIL Risk Matrix may not be readily applied to all risk areas but the concepts of impact and probability must be addressed in all cases. For example, emerging risks are those circumstances or factors which may be new to AHRIL and may lack quantifiable impact or probability at a particular time. Emerging risks should be separately identified, and qualitative assessments of their impacts and probabilities should be provided.

The AHRIL Risk Matrix will be the foundation for developing any risk sub-matrices in the Corporation. Sub-matrices will align with the AHRIL Risk Matrix and will require the approval of the Risk Management Committee.

Risk management reports will be maintained by respective Department Heads and provided to the Risk Management Committee for its annual review.

APPLICABILITY:

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

THE BOARD OF DIRECTORS' ROLE AND RESPONSIBILITIES:

Approving and authorizing the Policy.

To frame, implement and monitor the risk management plan for the AHRIL.

Ensuring that a system is in place to identify the principal risks to the Corporation and that the best practical procedures are in place to monitor and mitigate the risks.

Reviewing the Risk Management Committee's annual risk reports that identify the principal risks to the Corporation and the mitigation strategies in place.

Set the tone and influence the culture of risk management within the AHRIL.

Determining whether the AHRIL is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue;

Determining which risks are acceptable and which are not;

Setting the standards and expectations of employees with respect to conduct and probity.

Determine the appropriate risk appetite or level of exposure for the AHRIL.

Determine the AHRIL's risk prioritization protocol.

Approve major decisions affecting the AHRIL's risk profile or exposure.

Monitor the management of fundamental risks.

Satisfy itself that the less fundamental risks are being actively managed with appropriate and effective controls in place.

Review annually the AHRIL's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE:

Risk Management Committee shall be constituted by the AHRIL consisting of such number of Directors (Executive or Non-Executive) as the AHRIL thinks fit.

The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

ROLE OF RISK MANAGEMENT COMMITTEE:

To assess the AHRIL's risk profile and key areas of risk in particular.

To recommend the Board and adoption of risk assessment and rating procedures.

To articulate the AHRIL's policy for the oversight and management of business risks.

To examine and determine the sufficiency of the AHRIL's internal processes for reporting on and managing key risk areas.

To assess and recommend the Board acceptable levels of risk.

To develop and implement a risk management framework and internal control system.

To review the nature and level of insurance coverage.

To have special investigations into areas of corporate risk and break-downs in internal control.

To review management's response to the AHRIL's auditors' recommendations those are adopted.

To report the trends on the AHRIL's risk profile, reports on specific risks and the status of the risk management process.

The review the performance of the Risk Management Committee annually.

RESPONSIBILITIES OF RISK MANAGEMENT COMMITTEE:

To define the risk appetite of the Organization.

To exercise oversight of management's responsibilities, and review the risk profile of the Organization to ensure that risk is not higher than the risk appetite determined by the Board.

To ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.

To assist the Board in setting risk strategies, policies, frameworks, models and procedures in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting.

To review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed.

To review and assess the nature, role, responsibility and authority of the risk management function within the AHRIL and outline the scope of risk management work.

To ensure that the AHRIL has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the AHRIL's appetite or tolerance for risk.

To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually for the purpose of making its public statement on risk management including internal control.

To oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that the AHRIL's objectives are attained.

To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level.

To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts.

To provide an independent and objective oversight and view of the information presented by the management on corporate accountability, specifically associated risk and also taking into account of reports by the Audit Committee to the Board on all categories of identified risks facing by the AHRIL.

To review the risk bearing capacity of the AHRIL in light of its reserves, insurance coverage, guarantee funds or other such financial structures.

To fulfill AHRIL's statutory, fiduciary and regulatory responsibilities.

To ensure that the risk awareness culture is pervasive throughout the Organization.

To review issues raised by Internal Audit that impact the risk management framework.

To ensure that infrastructure, resources and systems are in place for risk management is adequate to maintain a satisfactory level of risk management discipline.

Perform other activities related to risk management as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.

Developing, implementing, monitoring overall compliance with and adhering to the Policy.

RESPONSIBILITY OF HEAD OF DEPARTMENTS:

Head of Departments shall be responsible for implementation of the risk management system including mitigation strategies, systems, controls and business continuity plans specific to their respective areas of functioning which are aligned with and complementary to the Policy and report to the Board and Audit Committee.

REVIEW:

This policy shall be reviewed at a minimum at least every year to ensure it meets the requirements of legislation & the needs of Organization.