

Management Process

Risk management

The company is aware of and underlines the importance of sustainable risk management, which has led to a review of risk factors encompassing all business activities by taking into consideration internal and external factors. This includes assessments of direct and indirect opportunities and their impacts to our operation. The purpose is to enhance the risk management procedures, turn them into part of corporate culture to assure stakeholders when trying to achieve corporate goals and minimize possible losses. Major risks with business impacts are elaborated on [Page 51](#)

Risk management during the Covid-19 crisis

The Covid-19 pandemic has unleashed direct impact to our business. Risk management resulting from the outbreak started in Q1/2020 to respond to immediate situations at the time. A crisis management team was formed under the business risk management plan to manage and implement various measures upon close monitoring.

The crisis management was divided into three periods as follows.

1. Resolving impacts

The devastating impact of the Covid-19 crisis prompted the company to temporarily close 66 hotels in Thailand from April 1, 2020 and 5 hotels in the Philippines from March 19, 2020 to relieve short-term impacts. Certain groups of these hotels however resumed their operation in May 2020. The back-to-business operation was done in 4 phrases as follows.

- Phase 1: HOP INN Thailand

As the hotel mainly targeted local customers, they gradually resumed the operation from May 18, 2020 before all 44 branches were in full operation on June 1, 2020.

- Phase 2 – June 2020

In June 2020, The Erawan Group reopened its hotels in Pattaya and Hua Hin areas, for their main customers were Thais who could travel there by car in relatively short time. Mercure Pattaya Ocean Resort and Ibis Hua Hin resumed their operation on June 12, 2020. Ibis Pattaya saw its door opened on June 26, 2020.

- Phase 3 – July 2020

Hotels in Bangkok, namely, Grand Hyatt Erawan Hotel Bangkok and JW Marriot Bangkok, resumed their operation, initially targeting Thai customers to experience hotel restaurants. In addition, 2 budget hotels in Bangkok, namely, Ibis Bangkok Sathorn and Ibis Bangkok Riverside, were opened. Holiday Inn Pattaya in the resort town of Pattaya was added on to the opening list.

- Final phase – from August 1, 2020

The company reopened the remaining 14 hotels in Thailand and 3 HOP INN hotels in the Philippines.

Underlining the importance of liquidity and cashflow management, the group has implemented measures to continue mitigating impacts from Phase 1 of the Covid-19 crisis till at present. This included negotiating with stakeholders to defer payments and expenses, deferring payment of the principal due for repayment with creditor banks and temporarily suspension of all investment plans. The group remained confident to possess enough cashflow and liquidity to operate under the challenge.

Taking care of stakeholders was one of the measures in this phrase to minimize impacts they faced from this crisis. Details are as follows.

Staff/employees

The company announced health and hygiene practices for employees working in the hotels and the head office to strictly comply with. Staff were allowed to work from home and different employees could come to the office if necessary at different hours to minimize their

presence. Main communication channel was online basis to curb travel and face-to-face interaction. Staff were provided protection gears such as face mask, face shield and gloves.

Customers

All hotels allowed customers reserving hotel rooms or hotel facilities to postpone their reservation or event without charge.

Suppliers

Rent was cut for tenants in our office-for-rent business to relieve them from the immediate situation. In the hotel business, since most hotels were temporarily closed in April before gradually opened in June 2020, the group negotiated to defer payment with groups of suppliers and proceeded to pay on time after the negotiation had completed.

Shareholders

The group informed shareholders of impacts from the Covid-19 situation and temporary hotel closure in March 2020 via the Stock Exchange of Thailand's website. Mitigation measures and how the company handled the situation were regularly updated to shareholders on a quarterly basis in the MD&A report. Operation results were disseminated through various channels.

Society and communities

At the peak period of the Covid-19 pandemic during the first six months of 2020, the group offered medical personnel the privilege to check-in at our hotels within hospital proximity without charge to help relieving them from coping with the pandemic. All hotels cooked food and offered bags containing hygiene items to neighboring communities.

2. Recovering from impacts

For short-term recovery, we focused on upgrading the cleanliness and safety standards at our hotels starting from the early days of the pandemic. All hotels in Thailand and the Philippines were to comply with the most stringent monitoring and prevention measures as recommended by the government. This was something we gave priority to amidst the

intensity of the situation. Measures included social distancing, temperature measurement to screen staff and customers entering the premise, providing alcohol gel and disinfecting and cleaning hotel common areas. However, as hotels gradually resumed operation, the group strengthened hotel safety and hygienic measures by, for example, upgrading disinfection level standards within the hotels, implementing hygienic measures at hotel restaurants and function rooms and enabling e-payment. Right now, all hotels in Thailand have passed the SHA safety hotel standards set by Ministry of Tourism and Sports together with Ministry of Public Health.

The group has focused more on revenues from local customers where online marketing was used to disseminate information together with collaboration with the government sector to help recovering the local tourism industry.

Regarding long-term recovery, we keep monitoring the situation and make ourselves ready whenever the situation is better and when foreign visitors are allowed to re-enter the country.

3. Driving long-term values

The group continues to focus on developing the organization for sustainable growth with agility to adapt to all situations. This is done by enhancing our products and services to respond as much as possible to customer's needs through the all-dimension product development. Staff are encouraged to enhance skills so that they are diverse enough to accommodate rapid business changes, which therefore should lead to lower costs of HR management and increase access to all customers. We also encourage participation and co-existence of all stakeholders in the entire value chain for the sustainable growth of the Thai tourism sector.

Supply Chain Management

The group has issued guidelines for business conducted between itself, suppliers and contractors to reflect risk levels where quality, quantity and nature of services it will acquire are taken into consideration. This should enable fair competition, transparent supervision, environmental care, effective energy consumption, occupational health and safety, community impacts and human rights consideration. These components have been incorporated in our procurement process from start till end, ranging from the selection of suppliers to price negotiation, pricing audit, bidding, special bidding procedures and procurement from government agencies and state-owned enterprises (SOE). Questionnaires were sent to survey supplier's opinion after they participated in our bidding process to increase the process's efficiency.

Developing Customer's satisfaction

As customers are pivotal to our business, The Erawan Group commits to nurture and maintain strong relationship with all kinds of customers. The company intends to take care of customers prior to, during and after experiencing services, which encompass hotel rooms, restaurants or other services. Customer's satisfaction survey is carried out at every step of service on a regular basis to make sure that customers are happy. Continued improvement of our services is also our priority, which is done through opinions solicited from customers before being analyzed to better respond to their needs. Service enhancement will be periodically updated to reflect changing consumption behaviors based on the latest trend. For example, attempts are made to apply the same cleanliness and hygiene standards to all types of hotels and the online reservation system has been refined to make it more user-friendly.

Customer's satisfaction development plan

- **Customer clustering** Since The Erawan Group offers several types of hotels for customers to choose from, our customer base is quite diverse and commands different tastes. To name a few, they could be customers coming to the hotel for

leisure, corporate customers, singles, couples, families and customs of various nationalities. Customer clustering enables us to study demands of a particular group of customers to offer the right products and services to them.

- **Customer complaint management** The Erawan Group offers diverse channels for customers to file grievance in case we fail to deliver perfect services. This ranges from online channels such as Official Line Account, YouTube, Twitter and email, to offline channels such as call center. Impact assessment and management of customer complaints depend on a particular situation with our service standards being the criteria. Simultaneously, impact assessment to the company's interest and to the interest of all stakeholders is regularly conducted.

- **Customer engagement** The Erawan Group keeps organizing events at all hotels to deliver first-hand experience to customers who have enjoyed our hotels and services.
 - Games are regular organized and prizes in a form of hotel rooms or other awards are regularly given. Specific corners are arranged so that customers can share or post their photos to commemorate memory they have at the hotels on a special occasion.

 - Introduction of seamless technology as part of customer's daily interactions such as using Facebook, Official Line Account or Instagram to conduct a 2-way communication 24/7.

 - Conducting a monthly customer's satisfaction survey to gauge the number of followers, subscription and online reputation as well as to witness the growth of loyalty members.

Business innovation Development

Starting in 2018, the Corporate Strategy and Innovation Department has been set up to oversee and implement new technology to enhance our business, monitor relating factors, adjust corporate strategies for resiliency to cope with rapid change and manage sustainable growth. A special task force whose members are staff from various departments has been set up to manage business innovation projects to cultivate the company's corporate culture.

In 2020, HOP INN Thailand together with ZWIZ.ai, a start-up business with expertise in AI, Chatbot and Analytical Tools, collaborated to develop a hotel online reservation system through Chatbot. The goal was to facilitate customers to reserve the group's hotel rooms through Official Line Account and Facebook Messenger in an attempt to respond to the needs of customers for fast and convenient hotel reservation. At the same time, corporate values were added through these social media. Currently, the Chatbot manages to help staff remove cumbersome layers within the hotel's operating system and focus more on how to create a better customer care experience.

Human Resource Development

Labor management

Human resource management has been carried out on the basis of the Code of Conduct and corporate governance. This can be further broken down into mutual respect, support of diversity and differences ranging from skin color, race, gender, religion, sexual orientation or disabilities to human rights and safe workplace environment. These criteria have been applied during the selection and nomination process, welfare allocation and capacity-building. New employees will attend an orientation session in order to understand the group's vision, values and corporate culture as well as work practices. The group also offers equal opportunities for vocational staff, male or female, to learn and advance in their career path through reshuffling, transfer or promotion by mainly taking into account their knowledge and capability. The Erawan Group also compares its remunerations and welfare with peers in the same industry to ensure that staff are not only remunerated with compensations and benefits as required by the law, but they are also proportionally remunerated.

Competency building policy

We have conducted an annual capacity-building plan each year. The plan, which focuses on enhancing capacity, re-skilling, up-skilling and nourishing digital skills, is carried out in tandem with the individual development plan (IDP) at the rate of 70:20:10. Monitoring and assessment are regularly updated.

Cultivating corporate culture and increasing staff's participation

Effective communication, encouragement for staff to participate in company activities and acknowledgement of people's performance are part of our corporate culture that reflects the priority of our staff. Being attentive to this subject matter, the company has set up various communication channels to ensure that everyone is taken care of. In 2020, we conducted a monthly townhall meeting to update business situations and communicate with everyone. The townhall meeting offered an opportunity to staff at all levels to directly meet and express opinions with senior management. At this townhall meeting, employees are given an opportunity to propose ideas that will benefit the firm or directly inquire the management. The firm also provides a communication channel via Facebook for every staff who become a member to receive information while able to post and express their opinions independently.

The company also conducts an annual employee's satisfaction survey to measure satisfaction levels of services provided by internal departments in order to listen to staff's recommendations and advices. Information from the survey is analyzed to come up with a policy overview before a report is written to inform relevant departments to come up with a plan that will initiate or improve services to their internal customers.

Participation and community/social development

The company underlines the importance of participation and development of both the society and communities. We aim to respond to the needs and expectations of stakeholders in communities, those in proximal area around our business and other areas in a balanced manner by creating good co-existence relationship by using our knowledge and expertise. We encourage communities to explore opportunities of self-development while maintaining and

nourishing their customs and traditions. We also urge staff, one of the stakeholders, to be involved in social responsibility. We openly listening to people's opinions, enabling employees to volunteer in social projects and collaborating with business partners, alliance networks and government agencies to strengthen community's advantage in order to fulfil the goal of a sustainable society.

Social activities: 2020

Community development activities

The company and hotels within the group organized activities mobilized by employees with volunteer mind to relieve the public from difficulty from the Covid-19 outbreak. Activities were designed to suit the needs of particular sites and locations:

- Hotels within the group delivered food, alcohol gel, consumables to neighboring communities and the public.
- The company donated N95 face masks and dried banana, a product from Pa Pang community in Lampang Province, to Maharaj Hospital in Nakhon Ratchasima, Wachira Phuket Hospital in Phuket, Songkhla Nagarindha Hospital in Songkhla, Maharaj Nakhon Chiangmai Hospital in Chiangmai and Chulalongkorn Hospital in Bangkok.
- The company donated Thank You bags to street cleaners in proximity areas of our hotels, namely, in districts of Klongtoey, Pathumwan, Sathorn, Klongsan, Chaengwattana in Bangkok, and in Pathum Thani Municipality area in Pathum Thani Province, to express our deep appreciation to those who had been working so hard during the Covid-19 pandemic. The Thank You bag consisted of coffee from Pa Mee Community in Chiangrai Province, Jasmine rice from Kok Muang Community in Buriram Province and processed coconut shell products from Ban Laem Community in Nakhon Si Thammarat Province. These products were all from communities in the Happy Home, Happy Stay project developed to enhance community homestay service and management that the company had run to help distributing incomes to local communities, as they were all affected by the pandemic.
- The company donated the entire revenue from room sales of HOP INN hotels nationwide on June 5, 2020 with no deduction together with staff's donations totaling Baht 1 million

to the “Baht 63 to Fight Covid-19 Pandemic – Transforming suffering with Baht 63 in 2020 Project” of the Thai Red Cross.

Education support Activity

The Creative Cabinet project provides a better access to books and toys that enhance learning and skills to primary school children to widen their imaginations. The cabinet contains teaching materials to produce learning media as well. The company plans to deliver the cabinet to schools in provinces where HOP INN hotels are located all over Thailand. Five cabinets will be given to 5 schools on the first day a Hop Inn hotel in that area opens its door. The project has started since 2014. So far, at least 224 schools have received the imagination cabinet. In 2020, the company gave the cabinets to 5 more schools in Phuket on the occasion of HOP INN’s 2nd branch opening in the island.

Tourism industry support projects

The “Happy Home, Happy Stay” project represents an increasing role of community tourism, as more and more tourists wish to experience local lifestyles, traditions, food and customs. They want to experience first-hand how to cook and eat local culinary, how to DIY handicraft and how to live the same their hosts live. As a hotel operator, the company is eager to take part in promoting community tourism, which is directly related to our business.

To further develop the community homestay management, the company has shared its knowledge and expertise with communities, encouraged them to learn and look at economic opportunities from different perspectives in order to enhance their potentiality for the purpose of sustainable development from within the communities themselves. The project was initiated in 2018 at Ban Laem Community, Tha Sala District, Nakhon Si Thammarat Province. A year later, we collaborated with Air Asia to organize the homestay service and management training in the “Journey D” project for communities. In 2020, the company joined hands with Government Savings Bank (GSB) in the GSB Smart Homestay project by awarding and sharing knowledge with Ban Nong Khao, Ta Muang District, Kanchanaburi Province and Ban Mung Nua, Nern Ma Prang District, Phitsanulok Province. In addition, bedsheets from selected hotels within the group were distributed to six participating communities in the project.

Environmental and natural resource management

The hotel business strives to make customers happy and comfortable. This is the business that not only consumes a lot of energy and resources but also generates a lot of waste, wastewater and Greenhouse Gas (GHG), all of which actively create to the world's climate change and global warming phenomena. Realizing the highest priority on environmental and resource management to mitigate direct and indirect effects, the company requires every hotel to strictly comply with the laws governing the environment and the policy to maximize the use of resources. Any conduct that could jeopardize the environment of neighboring communities must be avoided. Awareness to use resources responsibly is constantly communicated to staff so that everyone understands the practices and design hotel experiences to raise customer's awareness for lesser energy consumption. The company also promotes the use of technology and innovations in this resource management for their best interest and the interest of all stakeholders.

Energy management

The company and hotels within the group regularly check, maintain and supervise tools and equipment for effective energy consumptions. Details are as follows.

- Campaign to raise an awareness to responsibly use the resources, reduce energy consumption at home and workplace whenever possible, for example, use the electricity only when necessary, turn off computers when not in use, walk instead of taking an elevator, keep electronic devices in a good condition, exercise the 3 R - Reuse, Reduce and Recycle principle in daily work to minimize the use of resources.
- Install timers to control on-off switches and alternately turn on/off lighting to promote adequate and energy-saving lighting
- Replace 36-watt fluorescent light bulbs with LED-T8 18-watt ones; installing timers to control building lighting.
- JW Marriot Bangkok has installed the Variable Frequency Drive (VFD), which adjusts the frequency of cool pumps. A new high-efficiency steam generator and a chiller with better efficiency level were installed to reduce energy consumption.

During 2017-2018, two high-efficiency coolers were installed, which made the building win the “MEA Energy Saving Building Award” from Metropolitan Electricity Authority (MEA). Participating in this project made the hotel’s electricity bill fall by 9%.

- Courtyard by Marriot Bangkok has installed the chiller plant organization to manage the hotel’s entire cooling system, namely, chiller plant controls, chilled water pump, condenser water pump, cooling tower fan motor and AHU motor. It also adjusted motor’s variable speed to reflect the entire system to control the way the system worked to identify actual heat load in need. In addition, for hotels with more than one chillers, the software managed each chiller and was able to generate an accurate level of cool air, which helped improving the efficiency of the chiller and drastically cut electricity consumed by the entire system.
- Hotels under the Accor Chain have hired NCH Co Ltd to maintain and treat wastewater from cooling tower. The firm also checked and assessed air conditioners to ensure efficient performance. This means cooling tower of a chiller did not need to use a softener device, as heat was better ventilated from the chiller, which cut down the consumption of electricity by 1.5% per degree. It’s expected that energy consumption would fall by 2%.

Data of Internal use of energy

2018*	2019	2020
74,449,938.71 kWh	82,086,526.44 kWh	52,597,885.82 kWh

*Excluding HOP INN’s energy consumption data

Water management of hotels within the group

Water significantly supports our business. The company and hotels within the group exercise the following guidelines when it comes to water management and water awareness among staff and hotel guests: that water must be effectively used with responsibility while innovation is introduced to reduce the use of water.

- Hotel guests are encouraged to repeat using towels and linens to avoid unnecessary laundry
- Staff are encouraged to be aware of the importance of smart water use, for example, not to keep water tap running to avoid wasting water, dispense the right amount of water from a water dispenser.
- Aerators have been installed to limit water flow
- Water-saving toilet bowls are selected.
- Pipes and water meters are constantly checked and repaired to prevent leakage
- Water use is recorded and compared with when water reduction measures are implemented.
- Strict compliance with wastewater treatment practices required by the laws; regular system check to minimize environmental and community impacts.

Data of internal water use

2018*	2019	2020
1,180,075.30 m3	1,440,465.83 m3	855,642.88 m3

*Excluding HOP INN's energy consumption data

Waste management

Realizing environmental impacts generated by the hotel business, the company has separated waste into the following categories:

- **Waste from hotel rooms and waste from common areas:** waste is separated for recycling purpose and for better waste management.
- **Waste from kitchen:** JW Marriot Bangkok and Light Blue Co., Ltd. have collaborated with the Light Blue Project to reduce food waste from the food preparation phase down to the cooking and food waste management process.

2020	99.6 Tons of Food Saved	55.6% in Food Waste per Cover	174,000 Meals Rescued	189 Ton of CO2 Reduced
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- **Plastic waste:** Hotels within the group has a policy to reduce plastic waste in order to mitigate environmental impacts where plastic materials are replaced by glass bottles, paper straws, cloth bag and paper bag. Water dispensers have been installed for hotel guests to refill instead of bottle water. Staff are urged to reduce using plastic in hotel activities. Water bottles, cloth bags and foldable silicone food boxes have been distributed to staff to replace a single use plastic container. Suppliers are required to deliver goods in baskets or containers rather than in plastic bags.
- **Paper waste:** The Erawan Group ., has started separating paper waste since 2008. In 2020, the company and hotels within the group as well as partnering companies in Pleonchit Center Building participated in the Paper X project with SCG Packaging Co., Ltd. to direct separated waste paper to the recycling process to maximize the efficiency of the recycling economy. About 1.6 tons of paper was separated when the project started in October, which was equivalent to the saving of 17 trees from being cut and the reduction of 680 CO₂ equivalent of the GHG released, 7,000 gallons of water used, 380 gallons of oil burnt and 4,000 kilowatt/hour of electricity consumed.
(from: www.fusionwaste.com)

Greenhouse Gas (GHG) Management

Our intention is to encourage the management and staff to understand the GHG release process so that their understanding can improve our work process by enhancing energy efficiency, saving energy, conducting waste management and selecting green and GHG-friendly products based on industrial standards through, for example, the use of CFC-free cooling substance, to reduce environmental impacts. When organizing an activity, we incorporated the environmental impact element into the event. For example, we encouraged participants to reduce waste generated from the activity and that they took public transportation instead to the venue. The business started gathering the GHG release data for further analysis and development in order to reduce it or find a better way to handle it.