

Risk Management

The company has established a Risk Management Policy as a guideline for all Directors, Executive Management, and employees to realize the importance of risk management and has appointed a Risk Management Committee to define the risk management framework by requiring the Board of Directors, Executive Management, and employees to follow.

The Risk Management Committee consists of President as the Chairman and top management from Finance, Operation, and Governance, which holds quarterly meeting. In addition, the committee regularly reports to the Audit Committee at least twice a year and to the Board of Directors yearly.

The Risk Management Department, which directly reports to the Risk Management Committee, has performed the risk management plan such as objective setting, risk identification, risk assessment, risk management, risk control, risk monitoring, and risk evaluation and has implemented tools for integrated risk management such as KRIs dashboard. Furthermore, the risk management culture has been addressed continuously through training for all employees, a risk management plan workshop, newsletter issuing, etc.

Business Risks

1. Strategic Risk

1.1 Risk from asset concentration

The Company operates in 2 geo-locations only (Thailand and the Philippines) and therefore could be exposed to financial, economic, social and even political impacts, or major events that may materially affect regional tourism landscape.

Responses

The Company's strategies to diversify its asset investment are as follows.

1. Focusing on investments that result in diversification and cover both primary and secondary cities in Thailand and the Philippines. The Company also plans to invest in a hotel chain in the Asia-Pacific region for more asset diversification.

2. Expanding the hotel portfolio to cover all types of hotels ranging from five-star to budget hotels to reach out to a diverse client base. The development of the "HOP INN" budget hotel that targets local tourists also lessens our dependence on overseas visitors.
3. Selecting and hiring leading hotel management chains such as Hyatt International, Marriot International and Inter-Continental Hotels Group to create brand and asset diversity as well as a wide distribution and customers reach.

1.2 Competition risk

The hotel business is one of the highly competitive businesses as new players continue to enter the market and therefore may impact on the Company's financial performance and growth.

Responses

1. The Company has restructured the organization of management which will enable the Company to strengthen its position for success in a fast-evolving industry. The new organization will empower two entities, each with its own expertise and mission. The Erawan Group Public Company Limited will focus on strengthening its 3-5-star hotels portfolio to enhance its competitiveness and financial returns as well as developing new selective assets. While Erawan HOP INN Company Limited, ("Subsidiary") will expand HOP INN hotels in APAC and maintain its competitive advantage and leading position as the most consistent budget hotel brand.
2. The company ensures that its hotels are competitive within their marketplace with a special focus on sales, marketing, revenues and distribution channels. Moreover, customer experience is also an area of focus and therefore, service and operation excellence are our first priority as well as product improvement.
3. The Company diversifies its business risk by developing a budget hotel business in a less crowded market segment while selecting locations and strong hotel brands for other types of hotels to increase competitive advantage. Besides, the company has also adjusted the service model to meet the needs of customers at present, such

as HOP Plus, which is a room of HOP INN that can accommodate 3 guests per room, which is suitable for customers staying with friends or family without having to stay in separate rooms.

4. The Company regularly monitors market competition, such as the analysis of key competitive indicators including conducting market surveys, satisfaction assessments and inspection of quality and service to ensure that the Company has the ability to compete continuously.

1.3 Risk from investment expansion to overseas

The Company plans to expand its business to overseas and therefore is exposed to foreign exchange volatility, changes of investment values, project delays and laws and regulations governing the hotel operation as well as applying process of relevant permits.

Responses

We put in place measures to closely oversee investment projects in foreign lands. This includes conducting due diligence and making detailed investment planning. In addition, we also conduct natural currency hedging, hiring consultants and those having expertise in countries where we invest to minimize risk from overseas operation. However, all projects were completed as planned.

1.4 Risk from changes of consumer behavior

Changes of population structure result in changes of travelers, their travel behavior and needs. The Company is exposed to a risk of losing its market share due to failure to adapt to the needs of targeted groups of customers or its inability to understand their needs.

Responses

1. The Company conducts a regular customer satisfaction assessment to assess customer satisfaction with our services.
2. Ongoing service improvement is our priority, first by asking for customers' opinions before analyzing them to respond to their needs.
3. Close monitoring of consumer trends and consumption changes is carried out for a timely response.

2. Operational Risk

2.1 Risk from supply chain management

Reasons that subject several companies to the supply chain risk range from having to work with so many parties, to stocking too many raw materials that jeopardize costs, increase of the minimum wage to the shortage of contractors and labor, contractor's financial problems, rising costs of materials and failure to deliver construction materials on time.

Responses

The Company establishes directions to respond to these risks by, for example, prioritizing contractors and suppliers, constantly updating information with suppliers and contractors, stocking appropriate amounts of raw materials to reasonably reflect the current situation and ongoing projects, specifying wages in labor contracts, recruiting labor through new channels, getting access to a diverse pool of suppliers and contractors and verifying financial reliability before starting a project.

In addition, the local suppliers have been considered. There are sufficient and proper suppliers and there is a list of suppliers on hand for mitigating its risk.

2.2 Risk from digitalization and new technology

Artificial Intelligence (AI), Predictive Analytic, Internet of Things and robotics, which represent rapid technological progress, have rapidly become part of the hotel business scene. The Company may be exposed to a risk of being a late newcomer to adopt this technology or may cause a disadvantage in competition.

Responses

The Company has established an ad-hoc working team consisting of employees from various departments to initiate projects relating to technology and innovations. Studies were conducted to introduce new techniques such as touchless check-in and check-out, the use of smartphones to replace a key card, e-payment, hybrid conference and robots for hotel cleaning. These initiatives enable us to deliver the best experience to customers while reducing long-term costs. Also, encouraging employees to present new ideas for developing and improving their work.

2.3 Macroeconomic risk and risk from geopolitical uncertainty

2.3.1 Macroeconomic risk - Economic uncertainty, which directly affects the hotel business at all levels, also impacts the Company's operation results due to the downturn in the tourism industry. Factors affecting the Thailand's weakening economy that may affect the hotel business are:

- Lower-than-expected governing spending
- Rising unemployment
- Lower wage or income
- Falling consumer's confidence
- Rising interest rate
- Thai Baht appreciation
- Oil price hike

2.3.2 Risk from geopolitical uncertainty – The Company may not be able to avoid a geopolitical risk that may involve a world war, terrorism and international conflicts that may affect domestic political situation or even international relations, all of this could cause a chain reaction and send a direct negative impact to the local economy, the Company's financial environment and its operation results and growth.

Responses

The macroeconomic risk and the risk from geopolitical uncertainty are beyond our control.

As for the macro-economic risk factors, the Company has always prepared to consider changing measures in accordance with the situation by monitoring key economic indicators. In terms of the geopolitical uncertainty that caused supply chain disruptions, investment delay, surging energy prices. All the uncertainty has resulted in increased transportation costs around the world, and it also affects food security. There are also tensions between mighty nations from time to time.

So, we always assess uncertainty and closely monitor the situation while taking into consideration risks from every perspective that could impact the hotel business so that we have the most updated information to come up with an appropriate plan to adapt and manage our finance that reflects our strategy. The Company has diversified its risks by reducing its reliance on customers from any one country.

2.4 Risk from cyber security and information security

Risk from cyber and information security is a major threat in today's business since our operation involves the collection of large amounts of customer information which must be protected under high security standards in order to avoid hacking and leakage that may result in business disruption or damage which may affect the reputation, regulatory, and financial damage

Responses

The Company focuses on strengthening cyber and information security by integrating this topic into our business strategy. We continue to invest in the upgrading of our security system and procedures to protect our business, customers, and stakeholders. We set a budget for investment in IT security. The Company's Data Protection Committee supervises personal information safety to ensure confidence and compliance with the Personal Data Protection Act. Moreover, there are training sessions, internal newsletter, and Townhall to make ERW's people aware of Data Privacy & Security. The Company has an Annual Phishing Email Testing 2022 and set up Cyber Security Insurance Committee to find a cybersecurity insurance company for the Company to diversify its risk if an incident occurs.

2.5 Human Resources risk

Employees are pivotal in driving our organization to success. Inadequate number of employees and risk to retain talents may reduce the efficiency and effectiveness of an operation or may lead to a business interruption.

Responses

The Company manages this risk by strengthening employee engagement and by providing ongoing capacity-building and skill enhancing opportunities to retain talents and induce new staff to work with us. We establish the Individual Development Plan (IDP), set up the online ERW Learning Center for learning from anywhere, encourage job transfer to advance a career path, focus on wellbeing and fair wages, introduce diversity at workplace to enhance HR management, including increasing recruitment channels by signing a memorandum of understanding (MOU) with universities in some positions to reduce the risk of recruitment. We introduce a bottom-up management strategy to incentivize a new way of work as well as support and recognize differences among

staff through a non-discriminatory practice regardless of race, color, gender, age and faith as an equal opportunity employee and also to retain long-term employees.

2.6 Disaster risk

External factors that may affect the Company's assets and operation, most of which are uncontrollable and unpredictable, are, among a few, natural disasters (flood and earthquake), terrorism or local and international political unrest.

Responses

The Company has bought all-risk insurance and insurance against income disruption due to business suspension and against political violence to mitigate damages that may directly impact assets and operation. It establishes measures to minimize impacts upon assets and the operation as a result of such incidents and will intensify them based on international standards to properly reflect the risk.

In addition, a Crisis Management Committee has been set up to monitor incidents, identify key risks, assess the level of severity, prepare appropriate plans to deal with, and communicate with relevant people in a timely manner. And also, the development of standards to prevent risks from crisis events that may occur again.

These external factors weaken the number of inbound foreign visitors and therefore directly impact the business's revenues and profits, which can be short- and long-term depending on intensity and continuity of the situation. However, our hotels, which are managed by international hotel chains, have plans to respond to irregular and unusual situations around the world as well as ongoing risk management plans to accommodate unfortunate events.

3. Financial Risk

3.1 Financial and liquidity risk

The Covid-19 pandemic has inevitably contracted our liquidity and cashflow. However, the situation during the past year has improved due to the relaxing measures.

Responses

Managing liquidity and cashflow is our first priority in this unusual situation. We have pursued various measures since the beginning of the pandemic up to now, including negotiating payments with stakeholders in all sectors,

receiving additional loans from financial institutions, amending loan payment conditions through creditor's support. In addition, we continue to implement strict cost control measures and reduce unnecessary expenses.

In 2022, The Company already completed the divestment of 3 hotels: ibis Krabi Styles Ao Nang, ibis Kata and ibis Hua Hin in April 2022 with total transaction of 1,050 million baht. Cash proceeds from this transaction will strengthen our financial position.

The Company also oversees budgeting to keep monitoring the financial status. In addition, the situation during the past year has improved, which has improved the Company's financial statement and key financial indicators based on the MD&A report.

4. Compliance Risk

4.1 Supervisory and regulatory risk

4.1.1 The supervisory and regulatory risk may result in financial damages and penalties due to failure to comply with regulatory requirements.

4.1.2 The Company is to comply with lots of national rules, regulations and laws governing tourism. When it conducts business overseas, it must also comply with the laws in relevant countries. Under the environment where laws are amended or new laws are enforced periodically, it's possible that the Company may not be able to fully comply with them.

Responses

1. The Company minimizes its regulatory risk by establishing Corporate Governance Policy, Anti-corruption Policy, the Code of Conduct and the Code of Ethics for Business Partners to reassure accurate responses to the supervisory and regulatory risk. It required everyone to attend mandatory training on the Anti-corruption Policy as part of an attempt to establish a tangible supervision practice. Moreover, The Company has established a Data Protection Committee to oversee its operation in accordance with the Personal Data Protection Act (PDPA).
2. The Company keeps monitoring new rules, regulations and laws governing the hotel business. It also hires a law firm to minimize its non-compliance risk.

5. Emerging Risk

5.1 Risk from pandemic

After the world has been inflicted by the COVID-19 epidemic for a long time, however, due to the situation of the COVID-19 epidemic has greatly eased since the middle of 2022, the risk from the aforementioned epidemic affecting business operations therefore continuously decreasing accordingly.

Responses

Our hotels engaged in upgrading hygiene and cleanliness standards while the business was recovering. We also encourage as many staff as possible to get vaccinated to reassure customers and has prepared a plan to deal with the spread of the virus to cope with a new outbreak that may occur in the future. The Company has been closely monitoring the measures to ease the COVID-19 disease in order to respond to businesses that tend to recover rapidly throughout 2022. At the end of September, the Government declared that the level of COVID-19 disease should be the surveillance level. There are no documentation of vaccines and ATK test results requirements. These policies have contributed to making tourism more convenient. And until the last quarter of 2022, people can travel in and out of Thailand normally. In addition, the occupancy of the hotel industry including Company has continuously increased.

Hence, measures such as cost control, setting aside liquidity reserves and cash management are still in place to respond to the current uncertainty.

5.2 Risk from climate change and environmental

Climate change inevitably affects the Company's business in a form of rising costs, higher consumption of electricity due to higher temperature, declining number of tourists willing to travel long distance and ecological degradation, or changes in relevant regulations, all of which are climate change risks.

Responses

The Company establishes the Environmental Committee, which consists of representatives from various hotels within the group, to incorporate environmental policies in work procedures, set targets and plans for proper implementation and adaptation and improve current operation procedures to better respond to climate change and environmental impacts. To reduce negative environmental impacts, we have designed hotel buildings to minimize internal heat, selected energy-saving appliances, managed electricity consumption and used water-saving and environmental-friendly products including sustainability training to educate employees and raise awareness throughout the Company.



ibis Bangkok Riverside