

HOTEL POLO TOWERS LIMITED
RISK MANAGEMENT POLICY AND PROCEDURES

1. INTRODUCTION

Risk Management is a key element of the “Corporate Governance Principles and Code of Conduct” of Hotel Polo Towers Limited (the “**Company**”). Risk management policy will enable the Company to strengthen governance practices by proactively managing uncertainty, mitigating negative impacts and capitalize on emerging opportunities.

Section 134(3) of the Companies Act, 2013 requires the Board of Directors (“Board”) of the Company to include a statement in its report indicating development and implementation of a risk management policy including identification of elements of risk, if any, which, in the opinion of the Board, may threaten the existence of the Company.

The Audit Committee is required to evaluate the internal financial controls and risk management systems of the Company and the Independent Directors shall satisfy themselves that the systems of risk management are robust and defensible. Section 177(4)(vii) of the Companies Act, 2013 provides that Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include evaluation of the internal financial controls and risk management systems of the company.

Further, Regulation 17 and 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**Listing Regulations**”), makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company and require constitution of a Risk Management Committee.

The policy, shall be applicable to the Company with effect from the listing of the equity shares of the Company on one or more recognized stock exchanges.

2. OBJECTIVE

The Company is prone to inherent business risks. The main objective of this policy is to ensure sustainable business growth with financial stability, establish a structured and disciplined approach to identify, assess, evaluate, monitor and minimize risks, and to promote a pro-active approach in reporting, evaluating and resolving risks associated (risk awareness) at all levels of management.

This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

3. DEFINITIONS

“Board” means the Board of Directors of Hotel Polo Towers Limited

“Company” means Hotel Polo Towers Limited

“Consequence” are potential resulting events that could be affected by the key group risk.

“Impact” is the degree of consequences to the organization should the event occur.

“Risk” is defined as the possibility of a future event or situation that may have an impact upon company’s objective either favorably or unfavorably. It is measured in terms of consequence and likelihood.

“Risk Database” refers to the risks have been classified based on the Business Units and Functions Repository of all risks facing NTIL. Categorized as High, Medium or Low based on the impact and likelihood ratings.

“Risk Management” encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

“Risk Management Committee” means the committee constituted by the Board in accordance with Regulation 21 of the Listing Regulations.

“Risk Rating” is the relative rating determined from the risk score derived from qualitative analysis of impact and likelihood. Categorized as High, Medium or Low.

“Risk Register” is a prioritized risk register highlighting the key risks for the unit where the Total Risk Score is greater than or equal to 12 and/or the Impact is rated as Very High (5)

“Senior Management” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as key managerial personnel, other than the board of directors, by the listed entity.

“Trigger Events” are events or conditions that could lead to the risk.

Words and expressions used and not defined in this Policy shall have the meaning ascribed to them in the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act and rules and regulations made thereunder

4. RISK APPETITE

The Company defines risk appetite as the level of risk it is willing to accept in pursuit of its strategic and business objectives.

The key determinants of risk appetite are as follows:

- i. Shareholder and investor preferences and expectations;
- ii. Expected business performance and return on capital;
- iii. Capital adequacy to support risk taking;
- iv. Organizational culture and values;
- v. Management competence in risk and control;
- vi. Long term strategic priorities.

The Board and management monitor the risk appetite periodically to ensure alignment between risks undertaken and business objectives.

5. RISK MANAGEMENT FRAMEWORK

The Company's approach to risk management is summarized as below –

a) Identification of risks

To ensure key risks are identified, the Company:

- defines the risks in context of the Company's strategy;
- documents risk profiles, including a description of the material risks; and regularly reviews and updates the risk profiles.

b) Assessment of risks

The risk assessment methodology shall include:

- collection of information;
- identification of major risks;
- rating of each risk on the basis of: consequence, exposure, probability;
- prioritization of risks;
- function-wise exercise on risk identification, risk rating, control;
- function-wise setting the level of responsibility and accountability.

c) Measurement and control

Identified risks are then analyzed and the manner in which the risks are to be managed and controlled are then determined and agreed. The generally accepted options are;

- accepting the risk (where it is assessed the risk is acceptable and where avoiding the risk presents a greater risk through lost opportunity);
- managing the risk (through controls and procedures);
- avoiding the risk (through stopping the activity);
- transferring the risk (through outsourcing arrangements);
- financing the risk (through insurance arrangements).

d) Continuous assessment

The Company's Risk Management Framework requires continuing cycle of implementing, monitoring, reviewing and managing the risk management processes.

6. RISK PROFILE

The Company's risk are categorized as follows :-

6.1 Strategic Risks

- Lack of responsiveness to the changing economic or market conditions that impact the Company's operations.
- Ineffective or poor strategy developed.
- Ineffective execution of strategy.

6.2 Financial Risks

- Financial performance does not meet expectations.
- Capital is not effectively utilized or managed.
- Cash flow is inadequate to meet financial obligations.
- Financial results are incorrectly accounted for or disclosed; and
- Credit, market and/or tax risk is not understood or managed effectively.

6.3 Operational Risks

- Difficulties in commissioning and operating a particular business.
- Unexpected increase in the costs of the components required to run a business.
- Adverse market conditions.
- Failure to meet the expenditure commitments on prospecting/marketing particular business.
- Inadequate or failed internal processes, people and systems for running a particular business.

6.4 Investment Risks

- Failure to provide expected returns for defined objectives and risk such as underperforming to the stated objectives and/or benchmarks.

6.5 People's Risk

- Inability to attract and retain quality people.
- Inadequate succession planning.
- Inappropriate work culture and ethics.
- Inefficient whistle blower mechanism.
- Ineffective policy for woman safety at workplace.

6.6 Legal and Regulatory Risks

- Legal / commercial rights and obligations are not clearly defined or misunderstood.
- Commercial interests not adequately protected by legal agreements.

6.7 Compliance Risks

- Non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

7. RISK MANAGEMENT TOOLS

The Management shall adopt a comprehensive set of Risk Management Tools consisting of Risk Register, Risk Control Matrix and IFC Audit.

- 7.1 **Risk register** is a repository of risks identified by the management w.r.t the entity and its operations, which may be financial and/or operational. The Risk Register shall be made comprehensively by all functional Heads relating to their respective areas and be duly reviewed by MD / CEO and CFO before submission to Audit Committee and/ or Risk Committee.

Risk Register- Salient Features:

- Collates risk information to enable effective sharing and communication of that information.
- Focuses attention on the key risks and therefore drives action.
- Is linked to the capital requirements of the organization.
- Assists in developing a portfolio view of risk.
- Forms the core of an organization's risk knowledge database and is the basis for risk analysis and reporting.

- Facilitates monitoring and review.
- Evidences a systematic and comprehensive approach to risk identification.
- Is subject to regular review and update.

The Risk Register: A risk register typically captures:

- A description of the risk - including causes and influencing factors, both internal and external.
- The classification of risk category
- Probability of occurrence
- Risk ownership
- Risk Priority classification
- Mitigation plan

7.2 Risk control matrix is a repository of controls placed by the management to implement measures to mitigate the risks, identified in the risk register.

7.3 IFC Audit, from a Companies Act point of view, is a test of controls implemented by the management to mitigate the risks, i.e., to test the design and operating effectiveness of these controls.

8. GOVERNANCE STRUCTURE

The Risk Management Framework is implemented through the following governance structure:

- **Board of Directors:** Overall responsibility for oversight and approval of risk management policies.
- **Risk Management Committee:** Responsible for framing and reviewing the risk policy, defining risk appetite, and overseeing risk management across the Company.
- The Risk Management committee shall comprise of:
 - a. Members:** Minimum three (3) members with majority of them being members of the board of directors, including at least one (1) independent director. Senior executives of the Company may also be appointed as the members of the Risk Management Committee.
 - b. Chairperson:** Shall be a member of Board of Directors and senior executives of the Company may be members of the Committee.
 - c. Meeting:** The Committee shall meet at least twice in a financial year on a continuous basis and not more than two hundred and ten days shall elapse between any two consecutive meetings.

d. Quorum: Shall be either 2 members or 1/3rd of the members of the Committee whichever is higher, including at least 1 member of the Board to be present.

- **Chief Risk Officer**

Compliance with this Policy shall be the responsibility of the officer designated by the Board as Chief Risk Officer who shall have the power to ask for any information or clarifications from the management in this regard.

- **Senior Management:** Accountable for effective risk identification, assessment, mitigation and internal control within respective functions.

9. REVIEW OF THE POLICY

This Policy shall be reviewed by the Risk Management Committee and shall be amended from time to time, at least once in every two years, to ensure it remains consistent with the Board's objectives and responsibilities.

10. PUBLICATION OF POLICY

The key features of this Policy shall be disclosed in the Company's Annual Report and made available on the Company's website, in accordance with the Listing Regulations

11. EFFECTIVE DATE

This Policy shall be effective immediately from the date of Listing of Equity Shares of the Company.
