

# Risk Management

Realizing the significance of various risks that affect our business based on the Corporate Governance Code, the Board of Directors requires the Risk Management Committee, whose mandate is to systematically review risk management plans, to monitor and establish risk management directions and measures to handle impacts and promote assessable and effective risk responses in order to mitigate impacts that could possibly impact the entire organization.

## Business Risks

### 1. Asset Concentration Risk

The Company is exposed to the fact that our hotels are concentrated in Thailand and the Philippines and therefore could be exposed to financial, economic, social, household 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 into multiple destinations in Thailand and the Philippines in key cities and prime locations, which allows to access business opportunities where possible. The Company have planned to expand and develop the hotel network in the Asia-Pacific region.
2. Expanding the hotel portfolio to cover all types of hotels ranging from luxury 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, Marriott International and Inter-Continental Hotels Group to create a brand and asset diversity to reduce income volatility.

### 2. Competitive Risk

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

#### Responses

1. Having confidence that our hotels will be competitive in terms of marketing operation where the Company will specifically focus on sales, marketing, loyalty, revenues and channels to remain at strategically important locations. As a result, service and operation excellence is our first priority to deliver the best experience to our customers.
2. The Company diversifies its business risk by developing a budget hotel business in a less competitive market segment while selecting locations and strong hotel brands for other segments to increase competitive advantage.

### 3. Financial and Liquidity Risk

The COVID-19 pandemic has inevitably contracted our liquidity and cashflow.

#### 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, discussing with banks to delay principal payments, receiving additional loans from financial institutions, amending loan payment conditions through creditor's support and temporarily suspending all investment plans. In addition, we continue to implement strict cost control measures and reduce unnecessary expenses.

In 2021, we mobilized fund through the right offering from existing shareholders as well as disposed two assets, namely, the Renaissance Koh Samui Resort and Spa and ibis Samui Bophut, to strengthen our financial status for future project expansion and investment. The Company also oversees budgeting to keep monitoring the financial status.

#### 4. Supply Chain Management Risk

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 group has addressed the methodology or approach to response key 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.

#### 5. Pandemic Risk

COVID-19 does inflict vast, expansive and unpredictable effects not only to the Company's revenues but also to construction delay and structural changes in the tourism industry.

##### Responses

All our hotels are fully open for business operations along with uplifting hygiene and cleanliness standard and safety in order create a Covid Free Setting. We also encourage as many staff as possible to get vaccinated to reassure customers. Measures such as cost control, setting aside liquidity reserves and cash management are still in place to respond to the current uncertainty.

#### 6. International Investing Risk

The Company plans to expand its hotel business to overseas and therefore is exposed to foreign exchange volatility, changes of investment values 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 countries. 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.

#### 7. Digital Disruption and New Technology Risk

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.

##### 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 contact-less check-in and check-out, the use of smart phone to replace a key card or mobile key, e-payment, hybrid conference and robots for room services and hotel cleaning. These initiatives enable us to deliver the best experience to customers while reducing long-term costs.

#### 8. Macroeconomic and Geopolitical Uncertainty Risk

8.1 Macroeconomic Risk - Economic uncertainty, which directly affects the hotel business at all levels, also impacts the Company's operation results due to downturn in the tourism industry. Factors affecting the Thailand's recession 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

8.2 Geopolitical Uncertainty Risk – 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

Since the macroeconomic risk and geopolitical uncertainty risk are beyond our control, we 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.

## 9. Consumer Behavior Changes Risk

Changing demographics to polarize tourist preferences and impact on travel habits and demand patterns. The Company is exposed to a risk of losing its market share due to failure to adapt to the need of targeted groups of customers or its inability to understand their needs.

### Responses

1. Customer's satisfaction survey is carried out at every step of service on a regular basis to make sure that customer are happy.
2. 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.
3. Close monitoring of consumer's trends and consumption changes is carried out for a timely response.

## 10. Cyber Security and Data Security Risk

Cyber security and data security risk is a major threat in today's business since our operation involves the collection of huge 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 financial damage.

### Responses

The Company focuses on strengthening cyber security and data 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 with a focus on customers and stakeholders. We set budget for investment in the IT security. The Company's Data Protection Committee supervises personal information safety to ensure confidence and compliance with the Personal Data Protection Act.

## 11. Climate Change and Environmental Risk

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, 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.

## 12. Human Resources Risk

Employees are pivotal for 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. During COVID-19, the Company had trouble of not able to recruit staff on an ongoing basis.

### 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, introduce a bottom-up management strategy to incentivize a new way of work as well as support and recognize diversity and inclusion 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.

### 13. Compliance and Regulatory Risk

1. The compliance and regulatory risk may result in financial damages and penalties due to failure to comply with regulatory requirements.
2. The Company is to comply with lots of national rules, regulations and laws governing tourism. When it conducts a 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 an anti-corruption policy, the Code of Conduct for business partners and employees and the Corporate Governance Policy to reassure accurate responses to the supervisory and regulatory risk. In 2021, it required everyone to attend a mandatory training on the anti-corruption policy as part of an attempt to establish a tangible supervision practice.
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.

### 14. Hazard Risk

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

#### Responses

All hotel properties of the company are covered under all risk, business interruption and political violence insurance policies to cover the aforementioned impacts. The company also issues measures to help lessen the impact from these circumstances in a cascade manner based on the nature of the situation upon international standards.

These external factors do affect the number of inbound visitors, which directly impact our short-term and long-term revenues and profits, depending on the intensity and length of the situation. However, our hotels being operated by international hotel operators, are well equipped to respond to these risks as they have experiences in unusual situations around the world as well as ready business continuity plans.