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Risk management

At ENL, we recognise the importance of having an effective risk management mechanism in delivering our strategy, achieving the group's objectives and ultimately, sustaining the growth of shareholders' wealth. Given the group's footprint in various served markets, our risks relate to numerous aspects ranging from strategic, operational, financial and people and technology-related risks.

“ Risk management is an important mechanism that allows our teams to gauge and assess those risks that matter for the business in line with our objectives of delivering long-term value for our shareholders. ”

Hector Espitalier-Noël
CEO, ENL Group

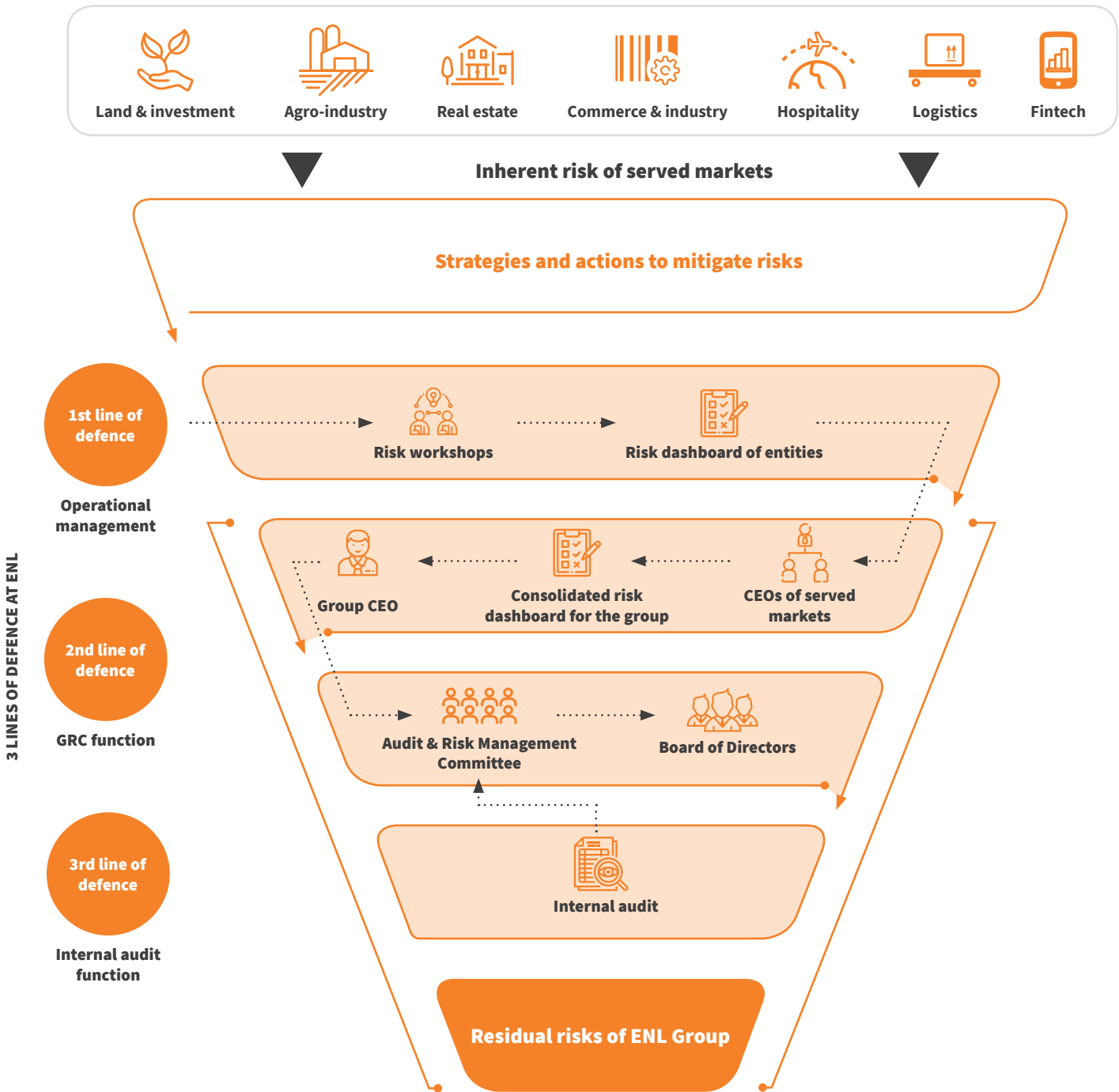
1. Structure in place to manage risk

Our Enterprise Risk Management (ERM) approach helps in harmonising the identification, assessment, management and reporting of risk factors that can have adverse exposure for ENL. In line with the Principle 5 “Risk Governance and Internal Control” of the National Code of Corporate Governance (2016), the Board of Directors (i.e., the Board) of ENL Limited and its subsidiaries (i.e., ENL Group or ENL) have an oversight over risk management and maintenance of a sound internal control system through the Audit and Risk Management Committee (ARMC). **The risk governance structure is further detailed in the corporate governance section detailed in our Integrated Report.**

The Board is responsible for establishing an effective risk management system that ensures comprehensive and consistent management of all material risks and opportunities. As such, identification of the **principal residual risks of the group goes through the rationale of assessing the materiality of the group's subsidiaries.** Rogers & Co (Rogers) is one of the most of significant subsidiary in which ENL holds a stake of 60%. The Board of ENL Limited relies on the governance structure in place at Rogers, namely the Risk and Management Committee (RMAC) and Board of Directors, for overseeing the risk management system and effective risk management. Risk oversight is exercised through:

- Executive Directors of ENL being part of the Board of Directors of Rogers.
- Regular meetings and discussion forums between the Chairman of the ARMC, Head of Internal Audit and the GRC (Governance, Risk & Compliance) Manager of ENL Limited with their corresponding homologues at Rogers with regards to salient risk management and internal audit matters pertinent to ENL Limited.

ENL adopts the “**Three lines of defence**” mechanism to clarify accountabilities for risk management as illustrated below:

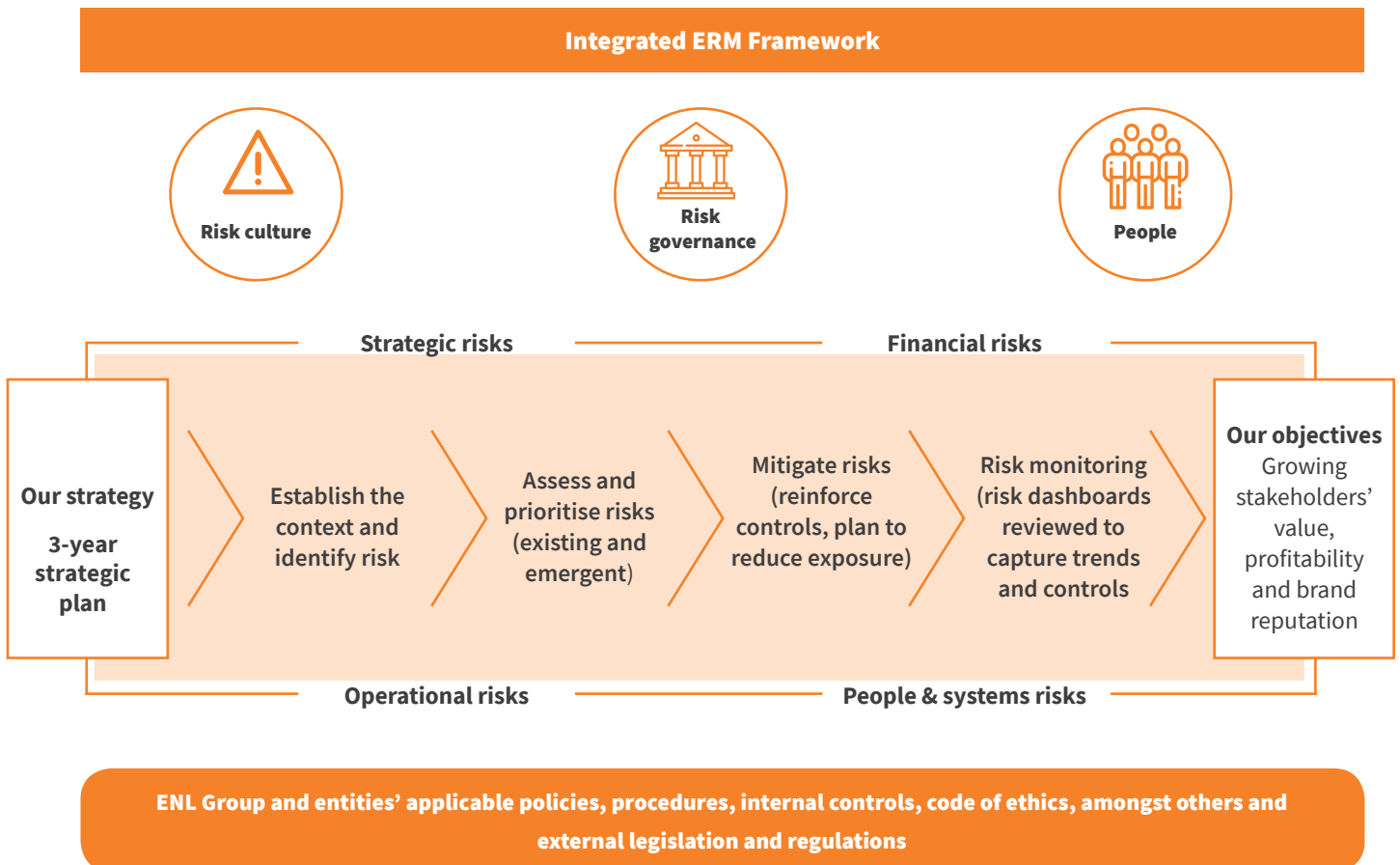


2. ERM approach integrated with strategy

Our ERM framework

The risk management approach rests on 3 pillars:

- **Risk culture** is part and parcel of business operations and people's mind-set.
- **Risk governance** sets the structure for risk management in line with the three lines of defence mechanism.
- **People** is about nurturing the mind-set of assessing risks and opportunities in decision making process.



Source: Adapted from Ernst & Young - 'an integrated approach towards effective and sustainable risk management.'

Given that risks and strategy are two sides of the same coin, the ERM framework connects with business objectives, as defined in our 3-year strategic plan, to identify those risks that can impact achievement of the set objectives. The ERM framework is intended to effectively mitigate the group's exposure to existing risks, emergent risks and uncertainties.

How does ERM work in practice?

Our ERM framework enables both a **top-down** (i.e., risks applicable to the group) **and a bottom-up approach** (i.e., risks emanating from subsidiaries of the group) to ensure that risks influencing the group's ecosystem are duly considered and subsequently prioritised in decision making processes.

- At entity level, Management periodically review their principal risks as per their risk management registers, assess their impact and prioritise their importance in the form of a risk dashboard. Same is tabled at their respective Board meetings to enable risk oversight by the Board of subsidiaries.
- At ENL Group level, the GRC function assists in ensuring a harmonised approach towards risk management across ENL. The GRC function submits quarterly risk reports to the ARMC, conducts and reports over half-yearly follow-up of key risks at subsidiary and group level to the Group CEO.
- Entities within the group are subject to a risk assessment, as per an annual risk management plan, which is approved by the Audit & Risk Management Committee (ARMC) of ENL Limited – the terms of reference of the ARMC is accessible in the corporate governance section of the Integrated Report.

3. Risk appetite

The Board is responsible for strategy setting, leadership and decision-making all of which are subject to risks. The Board of ENL Limited and its subsidiaries thus determine the level of risk tolerance and risk appetite in accordance with set business objectives.

- **Risk appetite** is a core consideration in an enterprise risk management approach. Risk appetite can be defined as: 'the amount and type of risk that an organisation is willing to take in order to meet pursuit of its strategic objectives'.
- **Risk tolerance** is defined as the acceptable performance variation between the actual residual risk profile and the target risk profile in relation to the risks identified and managed through the ERM Framework.

When risk tolerance is exceeded, management is required to take actions, i.e. to treat, transfer or terminate the associated risk. The risk appetite is dependent on several factors such as prevalent economic cycle; shareholders, regulators and other stakeholders' expectations; and the risk appetite may vary accordingly. The risk appetite can be pictured as follows:



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