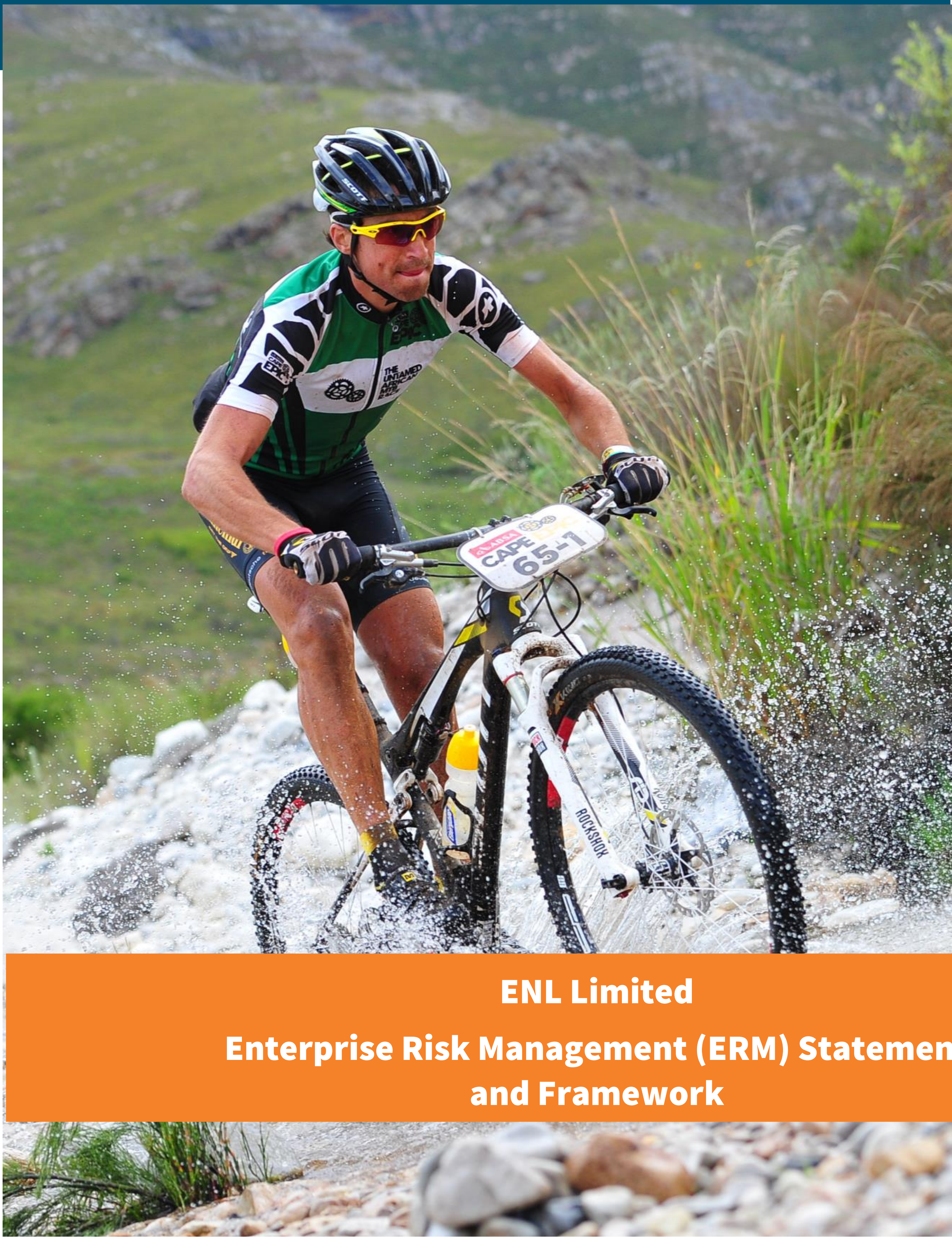
Managing risk in delivering our strategy



ENL Limited

Enterprise Risk Management (ERM) Statement and Framework

April 2023

ERM FRAMEWORK IN A SNAPSHOT

This document outlines the enterprise risk management framework (ERM) in place and applicable at **ENL Limited, its subsidiaries** and its **jointly-controlled** entities (hereafter referred to as 'ENL').

01

Executive summary

- Introduction
- Risk Statement at ENL
- Application of the ERM framework

02

Risk management principles

- Basis of the ERM framework
- 5 principles of the ERM framework, in line with COSO – ERM guide, 2017

03

Risk governance

- Governance structure at ENL
- Governance structure at Rogers & Co. Limited

04

ERM Approach

- Integrated ERM process
- Implementation of ERM process
- Risk Categories
- Continuous improvement of ERM practices

05

Risk Appetite

- Outline of the risk appetite structure

06

Annexes

A-1: Revision history
A-2: Glossary of terms
A-3: Business objectives Template
A-4: Key risks Dashboard Template
A-5: Key Opportunities Dashboard
A-6: Risk Register Template
A-7: Risk Heatmap Template
A-7: Assess Risk Rating
A-9: Risk Management Toolkit
A-10: Risk Appetite scale

01 – EXECUTIVE SUMMARY

Introduction

There is no reward without risk in today's dynamic environment and changing risk landscape. Risks are inherent in ENL's business activities and can impact the achievement of objectives set by ENL and its business units. This impact may take the form of opportunities or threats to the business. Thus, a proactive identification and effective management of opportunities and risks are conducive to ensure sustainability of ENL's performance and long-term success. Effective risk management is an essential part of good governance and has as objectives to:

- drive a culture where everyone takes responsibility for risks and opportunities.
- empower our people to make informed decisions
- enhance performance and organisational resilience and appetite.

Risk Statement at ENL

Risk Statement

Effectively managing risks to drive sustainable performance and business continuity is pivotal for ENL in the conduct of its business activities to ensure value creation and preservation for our shareholders, investors and stakeholders.

This **ERM framework** affirms ENL's commitment to building a robust and ethical risk management culture. It provides an overview of our enterprise-wide approach to risk management and illustrates how this approach is implemented within the organisation.

It also sets out the governance mechanism in place, methodology and tools for managing risks. The framework guides the company personnel, management, senior management and Board of Directors, directly or indirectly, involved in the strategic, financial, operational and compliance activities.

Application of the ERM framework

This document applies to **ENL Limited**, **its subsidiaries** and its **jointly-controlled** entities (hereafter referred to as 'ENL' or the 'Group') but excludes Rogers and Company Limited and the direct subsidiaries of this company who has its own policies and procedures.

02 – RISK MANAGEMENT PRINCIPLES

Basis of the ERM framework

The **ERM Framework (referred to as ERMF or Framework)** is a set of components that provides the foundations for designing, implementing, monitoring, reviewing and continually improving risk management.

The framework deployed within ENL is integrated into the formulation of business objectives, development of strategy, and the implementation of those objectives through day-to-day decision-making. This approach is in line with the globally recognised ERM framework released by the **COSO, 2017 (Committee of Sponsoring Organisations of the Treadway Commission) titled 'ERM – Integrating with Strategy and Performance'**, as illustrated below:

Source: ERM framework advocated by COSO, 2017

5 principles of the ERM framework, in line with COSO – ERM guide, 2017

The risk management approach and processes at ENL are based on the following principles:

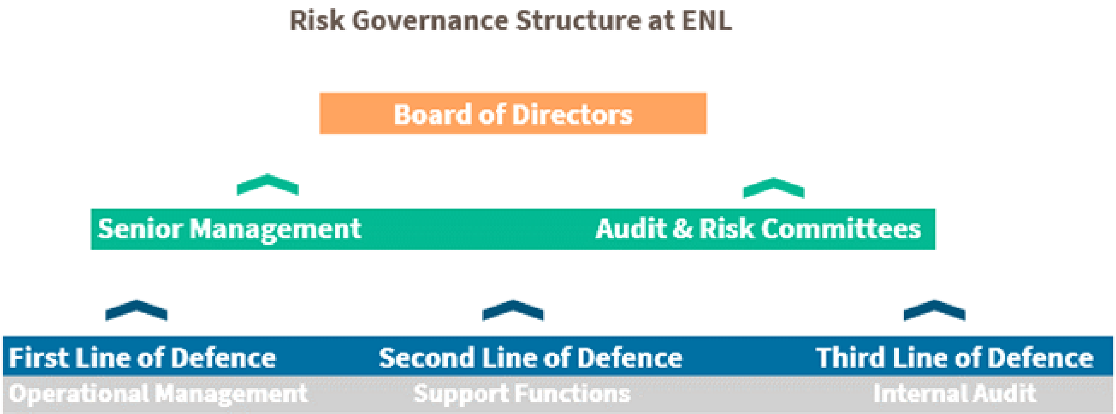
1. Risk Management Governance and Culture	Governance sets the entity's tone, reinforcing the importance of enterprise risk management, and establishing oversight responsibilities for it. The risk governance framework and culture aim at: ▪ setting the tone for our approach to risks; ▪ reinforcing the importance of managing risks proactively; ▪ empowering our people to take responsibility for risks; ▪ fostering a balanced risk culture. Risk governance, culture and oversight is exercised by the Board, Audit and Risk Committee and Senior Management supported by the 3 'lines of defence' (Management, Risk function and Internal Audit) at ENL.
2. Strategy and Objective-setting	The process of objective-setting, development of strategy and enterprise risk management are integrated in the strategic planning process. This allows an

	organisation to shape its business strategy whilst taking into consideration its context and risk appetite. At ENL, business units set their business objectives every 3 years in line with the group's strategic planning process. ENL teams deploy and adjust their strategies whilst ensuring that management of key risks and opportunities. Business units also periodically revisit their 'Risk dashboard' which is an effective tool to identify, prioritise and action on key risks and opportunities likely to have an incidence of the set business objectives.
3. Performance	Monitoring of performance, defined performance measures, commonly known as **Key Performance Indicators (KPIs)** and risks are critical to ensure achievement of set objectives. This allows the organisation to adjust its strategy or responses in event of changes in the risk landscape and/or unplanned shocks faced or opportunities which can be seized by the organisation. At ENL, business units have defined **KPIs** which are regularly monitored by Senior Management. In event of uncertainties or significant risks, response plans are devised to manage such impact on the organisation and its operations.
4. Review and revision	By reviewing enterprise risk management capabilities and practices, and the entity's performance relative to its targets, an organisation can consider how well the enterprise risk management capabilities and practices have increased value over time. At ENL, we are committed towards continuous improvement of the risk management processes and practices to enhance the risk maturity of the organisation and capabilities of teams.
5. Information, Communication and Reporting	An organisation leverages **'relevant information'** when it applies enterprise risk management practices. 'Relevant information' is simply information that **helps the organisation to be more agile in its decision-making** thus, giving itself a competitive advantage. Good communication is important to effective risk management. At ENL, this involves constant sharing of information to the relevant internal and external stakeholders to foster a stronger risk management culture and informed risk responses.

03 – RISK GOVERNANCE

Governance structure at ENL

The tone at the top from the leadership of ENL is the backbone of a well-entrenched risk culture. The prevalent risk governance structure namely through the Board of Directors and Audit and Risk Management Committees (ARMCs) stress on the responsibilities of the widely recognised **'Three lines model'** with regards to identifying, evaluating, responding and monitoring of risks that may impact business objectives, operations and performance. The **'Three lines model'** clarifies accountabilities for risk management as illustrated below:



Source: adapted from the three lines model, Institute of Internal Auditors

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 roles and responsibilities of the Board of Directors and the ARMC of ENL are detailed in the Board and ARMC Charters, which are accessible on the ENL Group website: www.enl.mu, respectively.

Snapshot of the key roles

Board of Directors	Audit and Risk Management Committee	Risk Management	Internal Audit
▪ The Board is responsible for establishing an effective risk management system that ensures comprehensive and consistent management of all material risks and opportunities	▪ The ARMC oversees implementation, embedding of risk management practices and regular monitoring of key risks of ENL and its business units via risks dashboards reported to the ARMC.	▪ The Risk Management function of ENL acts as the second line of defence. It assists in deployment of risk management process and system, provides technical support to Operational and Senior management and facilitates reporting at corporate level.	▪ The Internal Audit fuction of ENL provides independent assurance to the Audit and Risk Management Committee on risk management, controls and governance processes.

Governance structure at Rogers & Co. Limited

Rogers & Co (Rogers) is one of the most significant subsidiaries in which ENL holds a stake of 59.7%. 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:

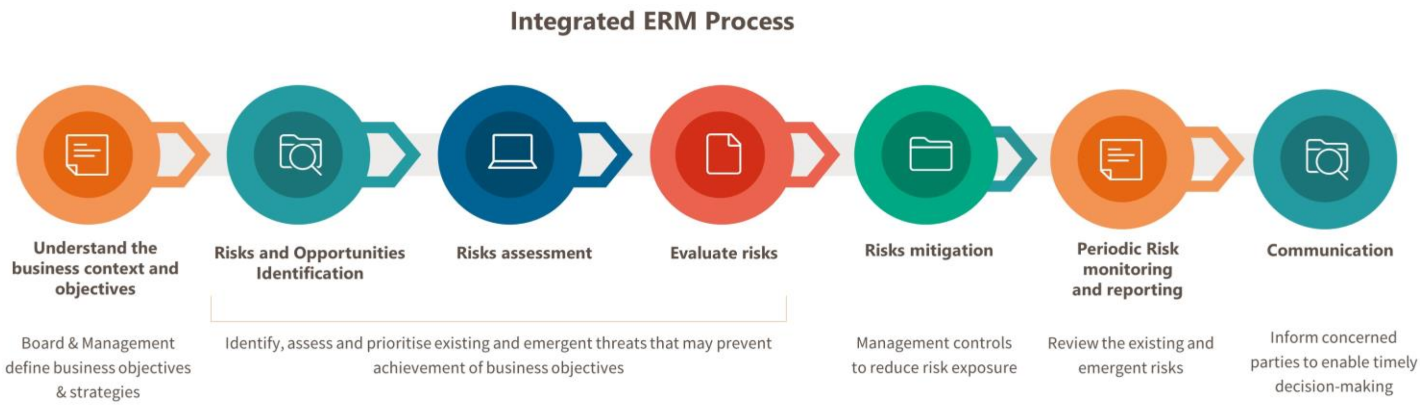
- Executive Directors of ENL being members of the Board of Directors of Rogers.
- Half-yearly reporting of key risks of Rogers to the ARMC of ENL Limited.
- Regular meetings and discussion forums between the Chairman of the ARMC, Risk Management and Internal Audit functions of ENL Limited with the corresponding functions at Rogers with regards to salient risk management and internal audit matters pertinent to ENL Limited.

04 – ERM APPROACH

Integrated ERM process

The ERM framework at ENL is designed to identify, assess, prioritise, mitigate and monitor prominent risks associated with business operations, to minimise their potential impact on the ENL. **The objective of the framework is to contribute to ENL's goals of higher performance, shareholder value, sustainability without compromising our reputation.**

The established ERM process, as depicted below, provides an **overarching approach which looks at the spectrum of risks faced by ENL and its business units** both from an internal and external environment. More importantly, it provides useful insights for Senior Management and Management on **existing and emerging risks as well as key risk dependencies**. The framework enables both a top-down (i.e., risks applicable to the ENL group) and a bottom-up approach (i.e., risks emanating from subsidiaries of ENL group) to ensure that risks influencing the group's ecosystem are duly considered and subsequently prioritised in decision making processes.



Implementation of ERM process

The table below provides a step-by-step guide for the implementation of the process:

Implementation steps	Description
Step 1: Understand the business context and objectives	Identify the objectives set by the business in the ST and MT and then consider the internal and external parameters within which the risk must be managed. Refer to the Business objectives documentation, detailed in Annex A-3, at this stage.
Step 2: Identify risks and opportunities	Identify the risks and/or opportunities that might have an impact on the objectives of the business unit, i.e., what could happen?, why might it happen?, what might be the impact?, and so on.

	Refer to the Key risks and Opportunities dashboards, detailed in Annex A-4 and A-5, at this stage.
Step 3: Risk assessment	This step focuses on those risks likely to have a significant impact on the organisation and its performance. At this stage, it is important to assess the following: ▪ **Inherent risk**: likelihood, impact and velocity of the risk ▪ Existing measures to manage the inherent risk ▪ **Residual risk** (risk rating after considering existing measures): Refer to the risk assessment and heatmap tools, detailed in Annex A-7 and A-8.
Step 4: Evaluate the risk	**Management must decide whether the residual risk is acceptable or unacceptable.** Whether a risk is acceptable or unacceptable relates to willingness to tolerate the risk — i.e., the willingness to bear the risk after it is assessed to reach the desired objectives. If the residual risk is not acceptable or tolerable or if the desired risk rating is different from the residual risk, then the risk should be treated.
Step 5: Risk mitigation	Ensure that effective treatment plans are in place to minimise the frequency and severity of the identified risk. Develop actions and implement treatments that aim to control the risk and achieve the desired target rating.
Step 6: Risk monitoring and reporting	Monitor changes to the source and context of risks, the tolerance for certain risks, and the adequacy of controls as well as the use of **Key Risk Indicators (KRIs)**. Ensure processes are in place to review and report on risks regularly.
Step 7: Communication	Effective communication and consultation enhance risk management. **It is essential to inform the concerned parties of the key risks of the organisation to enable informed decision-making.**

Risk Categories

The risk universe of ENL is categorised into 8 subsets of risks as detailed below.

Continuous Improvement of risk management practices

At ENL, measures implemented in the scope of enterprise-wide risk management (ERM) are intended to add new building blocks to risk management practices done. ENL and its subsidiaries must focus on key drivers to enhance their risk management maturity, namely through

(i) strengthening of the risk culture,

(ii) continuously improving the internal control system,

(iii) reporting of their existing and emergent risks to the respective Board of directors on a regular basis.

05 – RISK APPETITE

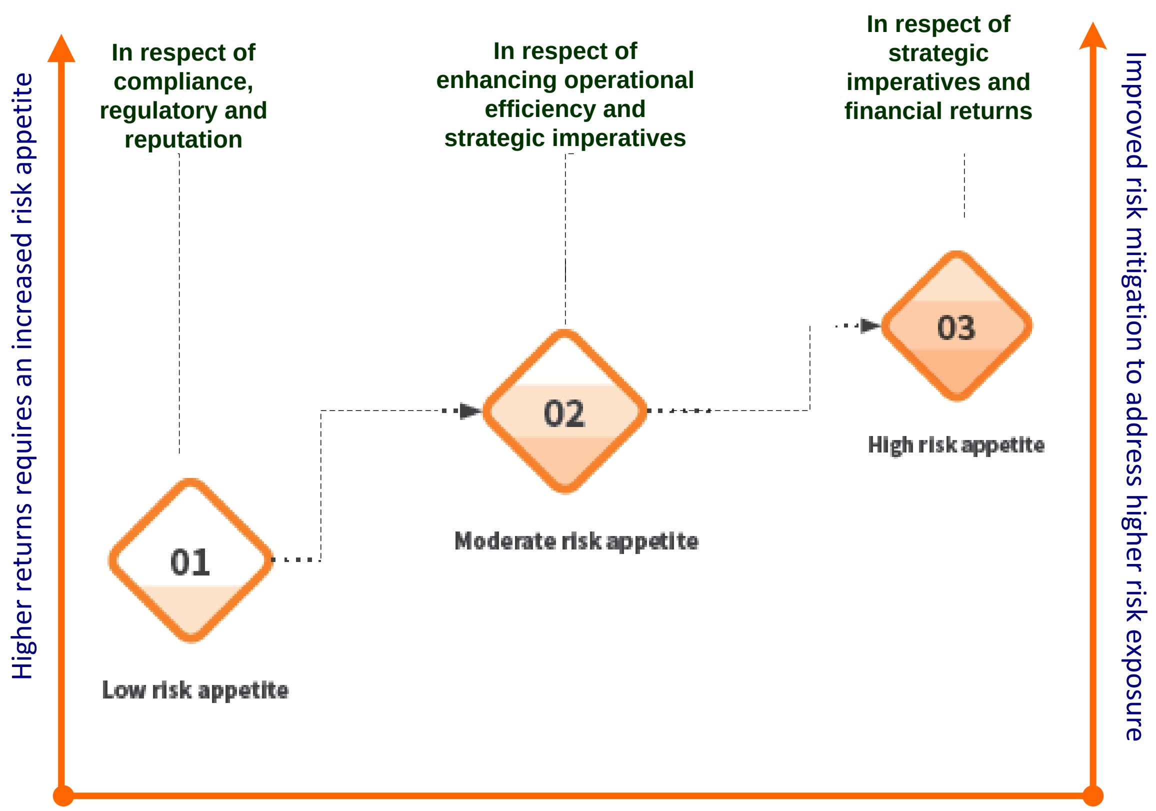
Outline of the risk appetite structure

The Board of ENL Limited and its subsidiaries determines the level of risk tolerance and risk appetite in accordance with set business objectives. In a nutshell,

- **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 the pursuit of the defined 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 depends on several factors such as prevalent economic cycle; shareholders' expectations, changes in laws and regulations, stakeholders' expectations amongst others; and the risk appetite may vary accordingly. The risk appetite can be pictured as follows:



Further guidance on how to assess the level of risks to be taken within a business whilst considering the risk appetite of the business is determined by the Board. Guidance on the risk appetite scale is detailed in Annex A-8.

06 – ANNEX

Annex – A-1:

Revision history

This document shall be reviewed and updated, on a periodic basis or at least every 3 years, to enhance our risk maturity and thus, ensure it remains relevant to ENL. The revised version of the document will be submitted to the Board Committee of ENL (Audit and Risk Management Committee) for validation and recommendation to the Board of Directors for approval.

Requests for revision or amendments to this document must be submitted to the GRC Manager at ENL Corporate Services Limited for review and subsequent updates. The amendments will be submitted to the Board Committee and Board of Directors for validation. A list of authorised changes made thereto will be tracked in the table below:

Revision History			
Revision ref	**Date**	**Description of changes**	**Requested by**
V1.0	April 2023	Initial document	GRC Manager

Annex – A-2:

Glossary of key terms

Terms	Definition
Risk	Risk is defined as the effect of uncertainty on objectives and an effect is a positive or negative deviation from what is expected. It measured in terms of consequence (impact) of the event and the associated likelihood (probability) of occurrence.
Risk Assessment	The overall process of risk identification, risk analysis and risk evaluation.
Risk Criteria	Terms of reference against which the significance of risk is evaluated.
Risk Escalation	Communication of risks that fall outside the control of a line manager to the appropriate level ofmanagement.
Risk Rating	Expression of the effect of a risk, in terms of likelihood of occurring and the consequences if it were to occur. Risk levels are assessed at the controlled and residual (after treatments have been applied) positions.
Risk Management	Coordinated set of activities to direct and control an organisation with regard to risk.
Risk Management Process	Systematic application of management policies, procedures and practices to the tasks of communication, consultation, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.
Risk Owner	Person(s) or entity that has been given authority to manage a particular risk and is accountable for doing so.
Risk Register	A database of risks that face an organisation at any one time. It provides managers with a high-level overview of the services' risk status at a particular point in time and becomes a dynamic tool for the monitoring of actions to be taken to mitigate risk.
Risk Tolerance	Readiness to bear risk, after treatment, in order to achieve outcomes.
Risk Treatments	Additional strategies/activities required to be developed and implemented should the risk level be unacceptable after controls are applied. Generally treatments are specific to a risk. A treatment only becomes a control after it has been fully implemented and deemed effective in modifying the risk to an acceptable level.
Key Risk Indicators (KRIs)	KRIs are critical predictors of unfavourable events that can adversely impact organizations. They monitor changes in the levels of risk exposure and contribute to the early warning signs that enable organizations to report risks, prevent crises and mitigate them in time.

Annex – A-3:

Business objectives documentation – Template

The template below is used for capturing the key business objectives set by the organisation. Business objectives can be classified as Value growth objectives (i.e., objectives set by the business for the medium or long-term) and Value preservation objectives (i.e., which relate to imperatives that need to managed for ensuring day-to-day operations). The Risk management process starts with identifying those objectives and assessing the risks to achievement of those objectives.

Attachment:

01. ENL RPT Risk Framework_Busines:

Template

Value Growth objectives of the business (e.g. 3-year plan objectives)	Importance/ Significance (H or M or L)	Value Preservation Objectives of the business (i.e., imperatives of the day-to-day operations)	Importance/ Significance (H or M or L)
Strategic:		**Strategic:**	
Customer:		**Customer:**	
Operations:		**Operations:**	
Financial:		**Financial:**	
People & Operations:		**People & Operations:**	

Annex – A-4:

Key Risks Dashboard Template

The template below is used for capturing the key business risks faced by the organisation. An example of the information which needs to be captured therein serves as a guide to enable business units of the group to document their key risks accordingly.

Attachment:

ENL Key Risk Dashboard_Templat

<u>Requirement:</u> Business units should monitor their key risks, at least on a half-yearly basis, as part of their strategic monitoring.

What are our main risks ?

Objective: Identify the **mains risks** from a strategic perspective

Focus on forward looking risks: Political, Economical, Social, Technological, Environmental, Legal

Main risks	Impact (quantify if possible)	Strategic response	Opportunities	Risk Rating	Risk Trend (next year)
INTERNAL					
Risk 1				● (High)	→
Risk 2				● (Moderate)	↑
EXTERNAL					
Risk 1	▪ xxx ▪ xxx	▪ Xxx ▪ xxx	▪ xxx ▪ Xxx	● (Moderate)	→
Risk 2					
….					

Template to fill

Legend – risk rating: ● High ● Moderate ● Low **Risk trend (next year):** ↑ Increasing ↓ Decreasing → Same

Annex – A-5:

Key Opportunities Dashboard Template

The template below is used for capturing the key Opportunities which can be seized by the organisation. An example of the information which needs to be captured therein serves as a guide to enable business units of the group to document their key opportunities accordingly.

Attachment:

ENL Key Opportunities_Temp

<u>Requirement:</u> Business units should monitor their key opportunities, at least on a half-yearly basis.

What are our key opportunities?

Objective: Identify the **mains opportunities** from a strategic perspective

Focus on forward looking opportunities: Political, Economical, Social, Technological, Environmental, Legal

Nature	Key Opportunities	Business Impact	Actions & Owner (if any)	Target date
	▪	▪	▪	
	▪	▪	▪	

Template to fill

Annex – A-6:

Risk Register Template

The template below is used for the Risk Register of the organisation. The Risk register aims to be a repository of the key risks faced by the business and mitigation plans in place.

Attachment:

04. ENL RPT Risk Register Template.xl

Risk Register Template											Residual Risk Rating					
Business Objectives	**No.**	**Generic Risk Areas**	**Risk Category**	**Is it an Existing or Emergent risk**	**Served Markets - Segments impacted**	**Highlight of Risk & Impact on the business**	**Financial Analyses**	**What Mitigating Controls are in place**	**Control Adequacy** (Adequate, Inadequate, Partly)	**Action Plans (if any)**	**LIKELIHOOD**	**IMPACT**	**VELOCITY OF RISK**	**Residual risk**	**Risk Trajectory** (next 6 months)	**Risk Owner**

Annex – A-7

Risk Heatmap Template

The template below is used for the Risk Register of the organisation. The Heatmap provides a visual positioning of the Principal Residual risks. **The risks in the upper-right hand quadrant are risks of greater concern and require effective/ timely management.**

Responsibility: It is the responsibility of Management to ensure that its risk heatmap is revisited at least once per annum to re-assess existing and emergent risks in their eco-system.

Risk Heatmap

Perceived Potential Impact on the Business

Very High (Major)	5	M	M	High	Critical	Critical
High	4	Low	M	M	High	Critical
Moderate	3	Low	M	M	M	High
Low	2	Remote	Low	M	M	M
Very Low (Insignificant)	1	Remote	Remote	Low	Low	M
		1	2	3	4	5
		Rare	Unlikely	Possible	Likely	Almost Certain

Likelihood of risks occurring

Legend:	Risk Ranking score = Likelihood X Perceived Potential Impact
Critical Risk Ranking	Aggregate score ≥ 20
High Risk Ranking	15 ≤ Aggregate score ≤ 16
Moderate Risk Ranking	5 ≤ Aggregate score ≤ 12
Low Risk Ranking	1 ≤ Aggregate score ≤ 4

Annex – A-8:

Assess the Risk Rating i.e., Likelihood, Impact or Consequence, Velocity, Risk Trend

The template below is used for assessing the risk score, i.e., **Risk score = (Likelihood + Velocity) x Impact**

Step 1: Assess the Risk LIKELIHOOD of Risks on the Business i.e., the probability of a risk occurring over a pre-defined time period

SCORE	RATING	OCCURRENCE IN FUTURE	CERTAINTY	OCCURRENCE IN PAST
5	Almost Certain (Expected)	Very high, will be almost a routine feature every month within the immediate next year	> 80%	Similar instances have commonly occurred every month in the past
4	Likely	High, may arise several times within the immediate next year	50 to < 80%	Similar instances have commonly occurred several times in the past year
3	Possible	Possible, may arise once or twice within the immediate next year	10 to < 50%	There have been 1 or 2 similar instances in the past
2	Unlikely	May occur once or twice between 2 (from now) to 5 years	5 to <10%	Though not routinely, but there have been similar instances in the last 2 to 5 years
1	Rare	Not likely, almost impossible to occur between 2 (from now) to 5 years	< 5%	Similar instances have never occurred in the past

Step 2: Assess the Risk Velocity, i.e., is referred to as the time to impact or the speed at which a risk can impact or affect an organisation

SCORE	Velocity	Description of risk velocity
5	Very High	Very high, little or no warning, instantaneous
4	High	Risk can occur in a matter of **days up to 1 month's time**
3	Medium	Risk can occur in a matter of **a few months** (next 3 months)
2	Low	Risk can occur in a matter of **several months** (next 6 - 12 months)
1	Very Low	Very low occurrence, can occur over 1 year or more

Step 3: Assess the Risk Impact, i.e., is referred to the extent to which the risk, if realised , would affect the business.

SCORE	RATING	FINANCIAL IMPACT - Turnover or Profitability	STRATEGIC/ OPERATIONAL OBJECTIVES	REPUTATIONAL DAMAGE	EFFECT ON PRODUCTIVITY/ EFFICIENCY	IMPACT ON CUSTOMER BASE	IMPACT ON SUSTAINABILITY	NON-COMPLIANCE	IMPACT ON MARKET SHARE
5	Very High (Catastrophic)	Above 25% impact	Unable to achieve key business objectives	Wide comment on widely held perception of negative view of business	Impact causes inefficiencies or missing possible efficiency gains target by more than 20%	The event results in erosion of more than 15% of the customer base and ENL is not able to attract new customers	Substantial prolonged or frequent outages due to breakdown in critical systems and processes	Significant non-compliance with any statute or regulation, resulting in regulatory sanction (e.g. fine or hold up of business activity)	Not achieving desired operation and financial targets by more than 15%
4	High	10% to 25% impact	Reduced ability to achieve business objectives	Ongoing comment and perception of negative view of business	Impact causes inefficiencies or missing possible efficiency gains target between 10% and 20%	The event results in erosion of 5-15% of the customer base and ENL faces problems to attract new customers	Outages of major systems or processes with inadequate recovery affecting hotel operations and profitability	Major non-compliance with any statute or regulation, potentially resulting in regulatory intervention	Not achieving desired operation and financial targets by 10-15%
3	Moderate	5% to 10% impact	Disruption of normal operations	Limited comment and perception of negative view of business	Moderate inefficiencies caused or missing possible efficiency gains target by more than 10%	The event results in erosion of no more than 5% of the customer base and inconveniences in operations	Outages of major systems or processes with slow recovery affecting hotel operations and profitability	Moderate compliance breakdowns	Not achieving desired operation and financial targets by 5-10%
2	Low	0% to 5 % impact	Able to deal with matter in short term within normal business activities	Isolated comment and perception of negative view of business	Minor inefficiencies caused or missing possible efficiency gains target by more than 5%	Some direct impact on the customer base and limited inconveniences in operations	Outages of critical systems or processes	Minor compliance breakdowns	Impact on ability to meet desired operation and financial targets is compromised by no more than 5%
1	Very Low (Insignificant)	Little or no impact (less than 1%)	Able to deal with matter instantly within normal business activities	No comment on and perception of negative view of business	Possible future negative impact on productivity/efficiency	Negligible impact on the customer base of ENL and operations	Outages of less critical systems or processes	No compliance breakdowns	Impact on ability to meet desired operation and financial targets is negligible

Step 4: Assess the **Risk Trend**, **i.e.**, how a risk is anticipated to evolve within 6 months and/or next year.

Risk Trajectory	Description
⬆	**Risk is anticipated to increase within the next 6 months**
⬇	**Risk is anticipated to decrease within the next 6 months- given measures taken or changes in the business environment**
⬅ ➡	**Risk is anticipated to remain unchanged within the next 6 months**
↺	**Emerging risk ahead**

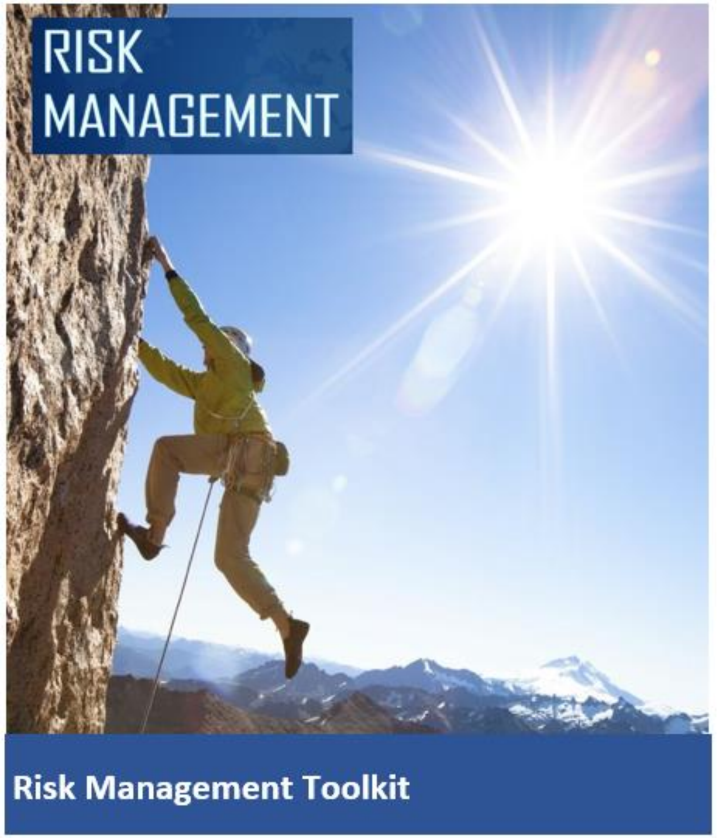
Annex – A-9:

Risk Management Toolkit: Get Started with your ERM journey

The risk management toolkit is intended to be an onboarding document to facilitate new joiners as well as new entities within ENL group as well as their Management team to familiarise themselves with the concept of Enterprise Risk Management (ERM). The toolkit also serves as a walkthrough for implementing good risk management practices within every business entity.

Attachment:

ENL RPT Risk Management Toolki



Annex – A-10:

Risk Appetite scale

The risk appetite scale serves as a guidance to support decision-makers in determining the risk appetite for their business activities.

	1 **Low**	**2** **Low-to-Moderate**	**3** **Moderate**	**4** **High**
Risk Appetite	**Avoidance of risk and uncertainty is a key organisational objective; preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.**	**Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.**	**Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (ROI).**	**Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).**
Category of Risk	**Example behaviors when taking key decisions…**			
Reputation and credibility	▪ Tolerance for risk taking limited to those events where there is no chance of any significant reputational repercussion for the organisation.	▪ Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure.	▪ Appetite to take decisions with potential to expose the company to additional scrutiny but only where appropriate steps have been taken to minimise any exposure.	▪ Appetite to take decisions that are likely to ▪ bring scrutiny of the organisation but where potential benefits outweigh the risks.
Operational and policy delivery	▪ Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. ▪ Innovations always avoided unless essential. ▪ Priority for tight management controls and oversight with	▪ Tendency to stick to the status quo, ▪ innovation generally avoided unless necessary. ▪ Decision making authority generally held by senior management.	▪ Innovation supported, with demonstration of commensurate improvements in management control. ▪ Systems / technology developments considered to enable operational delivery.	▪ Innovation pursued – desire to 'break the mould' and challenge current working practices. ▪ New technologies viewed as a key enabler of operational delivery.

	1 Low	2 Low-to-Moderate	3 Moderate	4 High
	decision making authority held by senior management and limited devolved decision making authority. ▪ Only essential systems / technology developments to protect current operations. ▪ General avoidance of systems / technology developments.	▪ Systems / technology developments limited to improvements to protection of current operations.	▪ Responsibility for non-critical decisions may be devolved.	▪ High levels of devolved authority – management by trust rather than tight control.
Financial / ROI	▪ Avoidance of financial loss is a key objective. ▪ Only willing to accept the low cost option. ▪ Resources withdrawn from non-essential activities. ▪ Only prepared to accept the possibility of very limited financial loss if essential. ▪ ROI is the primary concern.	▪ Prepared to accept the possibility of some limited financial loss. ▪ ROI is still the primary concern but willing to also consider the benefits. ▪ Resources generally restricted to core operational targets.	▪ Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. ▪ Value and benefits considered (not just cheapest price). ▪ Resources allocated to capitalise on potential opportunities.	▪ Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). ▪ Resources allocated without firm guarantee of return – 'investment capital' type approach.
Compliance – legal / regulatory	▪ Avoid anything which could be challenged, even unsuccessfully. ▪ Want to be very sure of winning any challenge. ▪ Play safe.	▪ Limited tolerance for sticking our neck out. ▪ Want to be reasonably sure of winning any challenge.	▪ Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	▪ Chances or losing are high and consequences serious. But a win would be seen as a great coup.