

# Risk Management

## Chairman's Statement

“The future is ours to shape, and we aim at making a difference in the marketplace by seizing opportunities and effectively managing our risks hence, achieving our business potential.”

Mushtaq Oosman, Chairman, Audit and Risk Management Committee

Global efforts of countries to free themselves from the shackles of COVID-19 virus are gradually paving the way to **recovery and rebound** of economies and businesses across the globe.

On the local front, the challenges faced by the hospitality segment in terms of financial sustainability remains on top of the risk radar. In such turbulent economic conditions, several of our served markets being highly dependent on imports face the **systemic challenges** namely supply chain disruption, depreciated Mauritian rupee, hike in costs of imports, freight and inflationary pressures which are **likely to persist in 2022**. Contrastingly, entities of the group engaged in exports of goods/services sector and property development/management are seizing opportunities brought about by the COVID-19 crisis, i.e. logistics, real estate and fintech segments.

The lingering effect of the pandemic also brings forward the dominant issue pertaining to sustainability of our businesses. The unfolding reality of climate change and its vulnerabilities to our operations is no longer an emerging risk. The group is cementing its approach to Environmental, Social and Governance (ESG) by integrating sustainability elements in its structure, business strategy, and operations. *(read more in the Driving Impact section)*

As the next financial year looks promising for rebound; this also brings along a rapidly changing risk landscape driven by external influences. During the year, the Committee set the focus on various areas highlighted below and further detailed in the Corporate governance report.

## Deep-dives of the year



### Risk management

- Half-yearly review of key residual risks of each served market including oversight on Rogers group.
- Emerging risks of 2022 and 2031 (source: Protiviti)



### IT & Information Security

- Implementation of network and email security tools & deployment of e-learning platform
- Cyber risk assessments and cyberattack metrics
- IT Incident response and COBIT implementation



### Internal Audit

- Value-for-money, working capital management audits, operational and process reviews
- AML-CFT audit for Company Secretariat
- Monitoring of progress over implementation of recommendations for past audits



### Data Privacy

- Implementation of the data privacy compliance framework, data privacy culture and awareness plan for ENL Community including e-learning
- Metrics on data breaches, 'Privacy by design' and 'Data privacy impact assessment'



### Compliance with AML-CFT

- Implementation of AML-CFT practices for real estate segment and training for teams and ARMC members on AML-CFT
- Metrics on high-risk clients and suspicious transactions (STR)



### Health & Safety

- COVID-19 sanitary measure and vaccination updates
- Updates on key OSH legal and compliance matters and audit report findings
- Progress over renewal of 'Fire Certificates', accidents at work, and training/sensitisation

Through the group's risk management framework, ENL is apprised of its key existing and emergent risks inherent to its business operations. Refer to the risk profile section. The risk management **framework which captures the governance structure**, and the **harmonised enterprise risk management (ERM) framework** is available on ENL website, [www.enl.mu](http://www.enl.mu).

During the year, we aimed at evolving and adapting our risk management approach and thus, improve our risk agility throughout. With the support of an external consultant, a diagnosis of the risk management approach uncovered improvement areas which are being tackled. Re-engineering of the risk management approach is translated in terms of a roadmap geared towards improving a risk-opportunity mindset and risk maturity across the group.

## Roadmap to enhance enterprise risk management

Roadmap Pillars	2022	2023
<b>Permeate a risk and opportunity preparedness culture across the group</b>		
 Regular insight sharing on 'emerging risks, trends and opportunities'	✓	✓
 Training and upskilling program for managers and team leaders	✓	✓
 Increase risk ownership and revisit of the 'Risk and Opportunity Champions' model		✓
<b>Deployment of the integrated risk management approach linked to business objectives</b>		
 Integrating risk and opportunity monitoring for entities within Cap 23 objectives' monitoring. Leverage on digital platforms for risk oversight	✓	✓
 Dedicated risk meetings at the ARMC level		✓
 Periodic risk conversations with group heads, GMs and managers	✓	✓
 Update of group risk management statement and framework	✓	✓

As a closing note, I would like to thank the ARMC members, the Group's Chief Executive Officer, the management team, and all fellow contributors for their relentless commitment throughout the year.

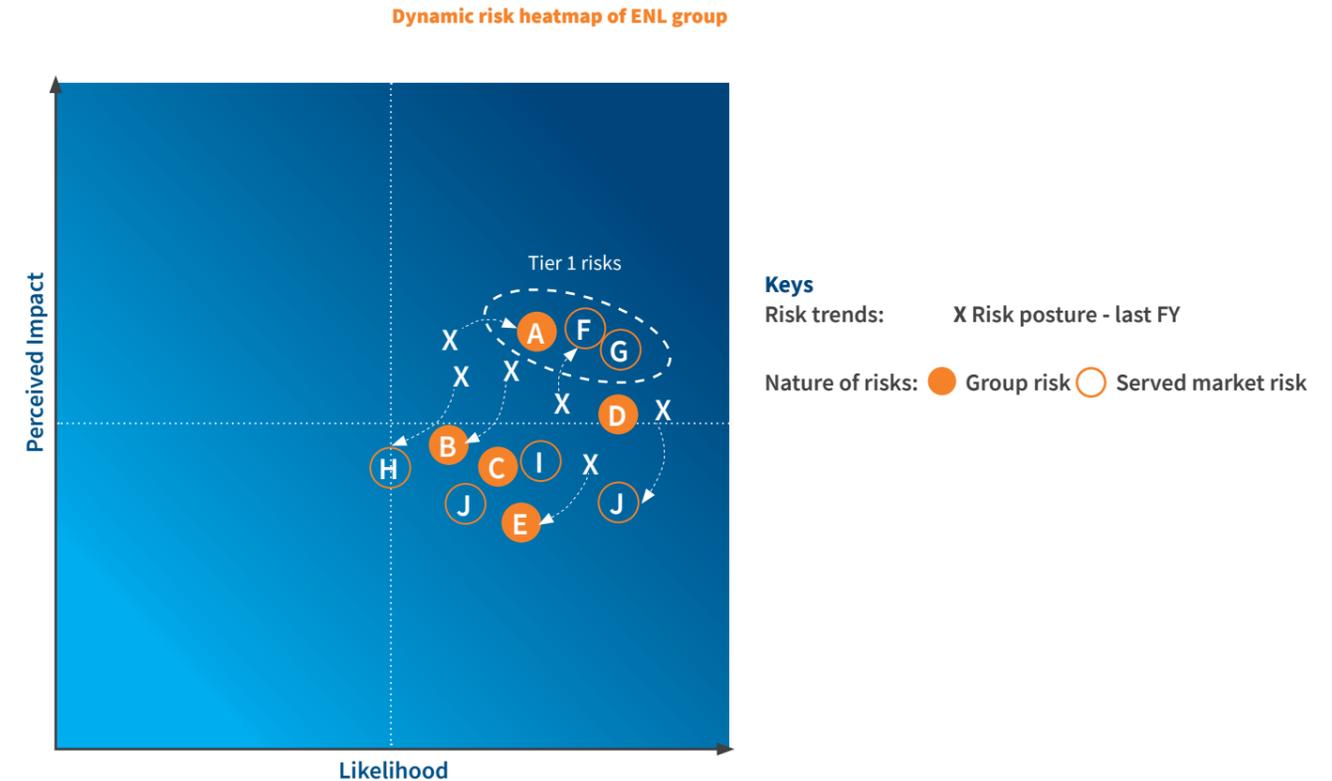


**Mushtaq Oosman**  
Chairman  
Audit and Risk Management Committee

## Dynamic risk heatmap

Our risk profile is a summary of risks at group level, i.e. those risks cut across the group's served markets and are therefore significant for ENL and risks specific to served markets. The key residual risks of ENL and how those risks have evolved are translated on a 'Risk heatmap'.

The principal risks depicted on the diagram are the outcome of discussions with Senior Management and Audit and Risk Committee (ARMC) members to identify and prioritise those risks that can impact ENL. Tier 1 risks, those in the upper-right quadrant, are of greater concern. The symbol 'X' in the heatmap below denotes the risk position of last year.



- | Group risks   | Served markets' risks   |
|---|---|
| <b>A</b> Economic uncertainties driven by persistent COVID-19           | <b>F</b> Mutation of COVID-19 and travel restrictions accentuate the sluggish pick-up of tourists and sustainability of operations. |
| <b>B</b> Evolving customer preferences and greater client experience    | <b>G</b> Unprecedented supply chain disruption and decline in margins   |
| <b>C</b> Mobility of talents and changing expectations of the workforce | <b>H</b> Rebound of the cane activities in spite of high production costs   |
| <b>D</b> Vulnerabilities to climate change and rising ESG expectations  | <b>I</b> Rising costs of construction and failing purchasing power may affect sales momentum and trading density                    |
| <b>E</b> Technology, security and digitalisation risks                  | <b>J</b> Shortfall in revenue optimisation triggered by lower airtime and delayed maritime traffic                                  |
|   | <b>K</b> Exogenous and macro-economic factors hinder growth prospects   |

# Our risk profile

## Top group risks

Our challenges and their impact	How we respond	Opportunities	Link to Strategic Focus areas	Capitals impacted
<p><b>A Economic uncertainties compounded by persistent effects of COVID-19</b></p> <p>Slow recovery of the global and local economy driven by the emergence of new COVID-19 variants, supply chain congestion and disruption, rising energy costs, devalued Mauritian rupee and inflationary pressures constrain sectorial growth opportunities.</p> <p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>Sustainability of performance of key served markets and key investments of the group.</li> <li>Rise in prices of products and services having direct incidence on consumption pattern and adverse impact on revenue streams.</li> <li>Ability to secure funding from institutions at attractive cost of capital and desired covenants which will hinder development plans.</li> <li>Heightened credit risk of players, across industries.</li> </ul>	<ul style="list-style-type: none"> <li>Business resilience plans encompass several initiatives in line with Cap 23 objectives.</li> <li>Consolidate expansion of shopping malls (Bagatelle Extension) and real estate developments in Moka, Gros Bois and Bel Ombre regions.</li> <li>Integration of hotels and leisure activities through 'Rogers Hospitality' to gain synergies and cost benefits while offering a differentiated customer experience.</li> <li>Secure equity and debt funding with long-term tenors to further propel development plans and maintain cost containment measures especially for loss-making segments.</li> <li>Regular monitoring of performance of subsidiaries and investments by the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Accelerating sales and development plans for the real estate segment, strengthening our stock management and supply chain, implementation of 'Vivacis' programme and 'Command &amp; Conquer' initiative.</li> </ul>	<p><b>Operational excellence</b></p>  <p><b>Customer-centricity</b></p> 	<p><b>Financial</b></p>  <p><b>Manufactured</b></p>  <p><b>Human</b></p> 
<p style="text-align: center;"><b>Risk rating after mitigation</b></p> <p style="text-align: center;">Low <span style="display: inline-block; width: 100px; border-bottom: 2px solid black; position: relative; top: -5px;"> <span style="position: absolute; left: 0; top: -5px; width: 100%; height: 2px; background: linear-gradient(to right, blue, orange);"></span> <span style="position: absolute; right: 0; top: -5px; width: 10%; height: 2px; background-color: orange;"></span> </span> High</p>				
<p><b>B Evolving customer preferences and greater client experience</b></p> <ul style="list-style-type: none"> <li>In the backdrop of growing competition and declining purchasing power, the key risk resides in the group's ability to adapt rapidly to evolving customer needs and secure product availability despite supply chain disruptions.</li> <li>Difficulties to fully tap on 'big data' potential to increase marketing opportunities, real-time market intelligence and new product/service developments.</li> </ul>	<ul style="list-style-type: none"> <li>A new pole created at corporate office dedicated to customer data-strategy and data governance.</li> <li>Sales and marketing strategies revisited based on customers' and competitors' insights.</li> <li>Increased reliance on digital and innovation to offer superior brand experience to customers.</li> </ul>	<ul style="list-style-type: none"> <li>Deployment of data-driven marketing, culture, and customer engagement plans.</li> <li>DPA and GDPR rules being solidified and deployed across the customer journey.</li> </ul>	<p><b>Customer-centricity</b></p> 	<p><b>Intellectual</b></p>  <p><b>Manufactured</b></p> 
<p style="text-align: center;"><b>Risk rating after mitigation</b></p> <p style="text-align: center;">Low <span style="display: inline-block; width: 100px; border-bottom: 2px solid black; position: relative; top: -5px;"> <span style="position: absolute; left: 0; top: -5px; width: 100%; height: 2px; background: linear-gradient(to right, blue, orange);"></span> <span style="position: absolute; right: 0; top: -5px; width: 10%; height: 2px; background-color: orange;"></span> </span> High</p>				
<p><b>C Mobility of talents and changing expectations of the workforce</b></p> <ul style="list-style-type: none"> <li>Increased mobility of key personnel, shortage or departure of skilled/qualified employees and insufficient succession planning which may impact on our strategy execution.</li> <li>Shifts in expectations and aspirations of the new generation not being met for sustainability of the business.</li> </ul>	<ul style="list-style-type: none"> <li>Investment in our people, securing new talents through performance &amp; reward schemes, reinforce the 'employee-value proposition', integrate 'diversity' and ongoing training to help our teams achieve their potential and higher productivity.</li> <li>Monitor and improve employee engagement level through surveys, planned every 2 years.</li> </ul>	<ul style="list-style-type: none"> <li>Successful deployment of the #myInPACT engagement programme.</li> <li>Secured the 'Great Place to Work' certification for 15 subsidiaries in December 2021.</li> </ul>	<p><b>Teams</b></p> 	<p><b>Financial</b></p>  <p><b>Human</b></p> 
<p style="text-align: center;"><b>Risk rating after mitigation</b></p> <p style="text-align: center;">Low <span style="display: inline-block; width: 100px; border-bottom: 2px solid black; position: relative; top: -5px;"> <span style="position: absolute; left: 0; top: -5px; width: 100%; height: 2px; background: linear-gradient(to right, blue, orange);"></span> <span style="position: absolute; right: 0; top: -5px; width: 10%; height: 2px; background-color: orange;"></span> </span> High</p>				
<p><b>D Vulnerabilities to climate change and rising ESG expectations</b></p> <p>Combined effect of transition and physical risks associated with climate change may entail in:</p> <ul style="list-style-type: none"> <li>Forthcoming changes in policies and regulations as the country aims at reduction of its carbon footprint by 2030.</li> <li>Disruption in businesses operations due to harsher climate changes, e.g. rising sea level, severe cyclones, flash floods, biodiversity loss.</li> <li>Scrutiny of investors and stakeholders to environmental, social and governance (ESG) considerations of the business.</li> </ul>	<p>From an ESG standpoint, key initiatives are:</p> <ul style="list-style-type: none"> <li>Governance: Integrating sustainability plans in business models.</li> <li>Environmental: Actions devised by each served market revolve around renewable energy (launch of this new activity pole), waste management and certifications amongst others.</li> <li>Social: Consolidate our strong footprint in helping communities (CSR) and drive entrepreneurship and innovation culture.</li> </ul>	<ul style="list-style-type: none"> <li>Deployment of several projects such as Waste management and investments in renewable energy.</li> <li>SEMSI listing was secured in February 2022.</li> </ul>	<p><b>Sustainability</b></p> 	<p><b>Natural</b></p>  <p><b>Financial</b></p>  <p><b>Manufactured</b></p> 
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<p><b>E Technology, security and digitalisation risks</b></p> <ul style="list-style-type: none"> <li>IT and security-related risks taking the form of evolving cyber threats, threats to loss of confidential data and data privacy, given increasing business dependency on networked system and connected devices (IOT).</li> <li>Risks associated with connectivity to our devices and internet as well as delays in adoption of disruptive technology.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous focus on digital transformation, automation of processes, use of RPAs in operations and e-commerce to gain competitive advantage in line with Cap 23 strategic goals.</li> <li>The Group CISO function enabled materialisation of key initiatives to uplift 1) IT &amp; Security processes, 2) people awareness and 3) technology security platforms.</li> </ul>	<ul style="list-style-type: none"> <li>Deployment of network and e-learning tools for security of workstations and increased awareness for our teams.</li> </ul>	<p><b>Operational excellence</b></p> 	<p><b>Human</b></p>  <p><b>Intellectual</b></p> 
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## Top served markets' risks

The table summarises the key inherent risks, linked to the strategic objectives of each served market, and corresponding strategic responses geared to achievement of set goals.

Served markets	Our challenges and their impact	How we respond	Opportunities	Link to Strategic focus areas	Capitals impacted
<b>F</b>	<p><b>Mutation of COVID-19 and travel restrictions accentuate the sluggish pick-up of tourists and sustainability of operations</b></p> <p><b>Hospitality</b></p> <ul style="list-style-type: none"> <li>Financial sustainability of hotel activities being put under strain driven by the outbreak and new waves of COVID-19 variants.</li> <li>Unforeseen lockdown in several countries, travel restrictions, and 'red-listing' of countries nurture the 'fear of travel' and thus, lower tourist arrivals.</li> </ul> <p><b>Impact:</b> low room occupancy and high fixed costs in spite of having implemented cost containment measures. Heightened liquidity risk.</p>	<ul style="list-style-type: none"> <li>Resilience of the segment is underpinned by our strategy of rigorous working capital management comprising of the 'value-offering' and sanitary protocol.</li> <li>Diversification of the revenue base by refining the product pricing strategies, close monitoring of forward bookings, increased use of digital advertising for brand visibility.</li> <li>Collaboration with authorities such as MTPA to promote the destination and our brands.</li> </ul>	<ul style="list-style-type: none"> <li>Integrating hotels and leisure activities to offer differentiated products.</li> <li>Finalised support from MIC. Negotiated moratorium on foreign currency-denominated loans.</li> <li>Recruitment of key personnel to consolidate marketing and digitalisation teams.</li> </ul>	<p><b>Customer-centricity</b></p>  <p><b>Operational excellence</b></p> 	<p><b>Financial</b></p>  <p><b>Human</b></p> 
<b>G</b>	<p><b>Unprecedented supply chain disruption and decline in margins</b></p> <p><b>Commerce &amp; industry</b></p> <ul style="list-style-type: none"> <li>Supply chain disruptions, semi-conductor crisis and slow-down in global supply likely to persist in 2022, driven by the COVID-19 variants, thus affecting our growth ambition.</li> <li>Hike in costs of intrants and associated costs (foreign exchange and freight).</li> <li>Fierce competitive rivalry and battle of main competitors to seize higher market share.</li> </ul> <p><b>Impact:</b> stock run-out and lost sales, higher selling prices affecting customer demand and profitability margins.</p>	<ul style="list-style-type: none"> <li>Leverage on our customer service and wide array of products to offer suitable alternatives to retain and attract clients.</li> <li>Improve our supply chain resilience by increasing product portfolio diversity, stock ordering limits, negotiation with suppliers to secure attractive pricing.</li> <li>Sustain our market competitiveness and appeal through aggressive sales strategy and product visibility to boost sales volume.</li> </ul>	<ul style="list-style-type: none"> <li>The building materials companies secured higher stock holdings to meet demands of the booming construction sector.</li> <li>Secured the Decathlon flagship brand which will be an important revenue stream.</li> </ul>	<p><b>Operational excellence</b></p> 	<p><b>Financial</b></p>  <p><b>Manufactured</b></p>  <p><b>Human</b></p> 
<b>H</b>	<p><b>Rebound of the cane activities in spite of high production costs</b></p> <p><b>Agro-industry</b></p> <p><b>Cane activities</b></p> <ul style="list-style-type: none"> <li>Shrinking tonnage over years and lower cane yield (ENL Agri and Agria) due to bad crop season and extended crop period.</li> <li>Restrictive labour regulations governing sugar sector resulting in high production costs.</li> </ul> <p><b>Other activities</b></p> <ul style="list-style-type: none"> <li>Drop in demand from hotels and more aggressive 'price-service' by competitors are the main challenges to revenue and profit margin optimisation.</li> </ul> <p><b>Impact:</b> higher costs of intrants driven by the lingering effects of COVID-19. Shortfall in revenue and profits.</p>	<ul style="list-style-type: none"> <li>Grow revenue through expanding food crop and farming. Review our cost model through cost controls and alternative sourcing and labour force to contain maintenance cost.</li> <li>Seize the momentum of opened borders to be more aggressive in marketing and customer centricity to sustain and broaden our clients' portfolio. Maintain high quality of products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Capitalise on high sugar prices and valorisation of biomass, from Rs 137 to Rs 3,300 per sugar tonne, to fuel cane replantation strategies and investment in operations.</li> </ul>	<p><b>Operational excellence</b></p> 	<p><b>Natural</b></p>  <p><b>Financial</b></p>  <p><b>Manufactured</b></p> 



**I Rising costs of construction and squeeze of purchasing power may affect sales momentum and trading density**



**Property development and sales:**

- Rise in product prices and delays in project completion risks mainly driven by 'double-digit' percentage increase in construction costs and delays in receipt of construction materials impacting project completion.
- Increase in supply of new Grade A office build-ups which put more pressure on occupancy and rates.

**Shopping Malls:**

- Macro-economic uncertainties w.r.t changes in consumers shopping habits, high inflation, falling purchasing power coupled with reinforcement of sanitary measures may have a direct incidence on trading density.

- Review the pricing strategy, construction methods and materials sourcing to remain competitive.
- Sustain our marketing strategy by leveraging on the integrated development model of Moka.
- Accelerate the launch of new residential products and uplift our qualitative offer for offices to nurture customer appetite and optimise revenue streams.
- For malls, sustain investment in terms of infrastructure, secure new international brands and digital experience for our tenants and visitors – all geared to enhance trading density and shoppers' appeal.
- Maintain tenant relief plan and constant follow-up of tenants' performance. Close review of high-risk debtors.

**Impact:** slight potential decrease in property sales thereby affecting cash generation. For malls, exposed to fall rent-to-income turnover ratio and hence, lower financial valuation of investment properties (IPs).



- Accelerated the launch of new projects for residential build-ups and offices in Moka and Telfair.
- Extension of Bagatelle mall – 42 Market Street, Decathlon and forthcoming renovation of Phoenix mall
- Successful negotiation with Metro Express in Phoenix Mall.

**Customer-centricity**



**Operational excellence**



**Financial**



**Manufactured**



**Human**



**J Shortfall in revenue optimisation triggered by lower airtime and delayed maritime traffic**



Lower logistics activities likely to be maintained due to:

- Reduction in air and maritime traffic, worsened by issues faced by the national carrier, and lack of shipping containers creating delays in imports and exports.
- Heightened freight cost and strong foreign exchange causing lower demand.
- Systemic credit risk driven by the sub-par performance of key economic sectors.

- Ongoing efforts to diversify the client base (both locally and in Kenya) and use of assets.
- Credit protection insurance in place in geographies, where the protection is available.
- Adapting to the current situation is key to provide alternative solutions to clients.

**Impact:** lower sales volume due to drop in arrivals/shipments.



- Seizing opportunities brought about by the COVID-19 crisis led to higher profitability.
- Focusing on potential partnership for Velogic France.
- Invest more in automation of internal processes to gain efficiencies and offer better customer experience.

**Operational excellence**



**Financial**



**Human**



**K Exogenous and macro-economic factors hinder growth prospects**



- In spite of de-listing of Mauritius by the FATF and European Commission, Rogers Corporate remains exposed to changes in compliance requirements, legislations, tax laws and monitoring by the FSC and other regulatory bodies.
- Squeeze of household income accentuated by COVID-19 effects (i.e. rising inflation, devalued Mauritian rupee) is a threat to the growth of the consumer finance segment and recovery of receivables.

- Business impact assessment of new/changes in legislations and treaties to adopt effective measures including regular training of teams and audits.
- Focus on marketing more value-added offerings in all segments.
- Consumer finance being reorganised and scaled up.
- Review of the 'consumer finance' portfolio mix in line with growth ambitions.
- Consolidate recovery team in consumer finance business.

**Impact:** reputational damage to the brand, loss of clients and revenue streams in event of non-compliance. Also, exposed to delayed recoveries and write-off of receivables' slate.



- Rogers Technology securing new contracts thereby broadening client base.
- Leverage on digitalisation to enrich the customer experience journey.

**Customer-centricity**



**Operational excellence**



**Financial**



**Human**

