

RISK

Management

100

OVERVIEW

Currimjee Jeewanjee and Company Limited (CJ) has established a clear and defined organisation for risk management, including ownership and accountability for managing and reporting on risk throughout the Company and its subsidiaries.

The Boards of CJ and its subsidiaries are responsible to ensure that their respective company develops and executes a comprehensive and robust system of risk management.

CJ has adopted an Enterprise Risk Management (ERM) framework which is based on an internationally recognised framework as defined by the Committee of Sponsoring Organisations of Treadway Commission (“COSO”). This framework is being used to implement ERM across CJ and its subsidiaries.

An Audit and Risk Committee is constituted as a committee of the Board of Directors of CJ. The role of the Committee is to assist the Board to ensure that:

- the Company has implemented an effective plan for risk management that will enhance the Company’s ability to achieve its objectives; and
- the disclosure regarding risk is comprehensive, timely, relevant.

This Committee has an independent role and operates as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of senior management.

GOVERNANCE

CJ has adopted the “Three Lines of Defence” model, which is endorsed by the Institute of Internal Auditors. This provides comfort to the Board that the ERM system is operating effectively throughout the organisation including the assurance function.



RISK MANAGEMENT CULTURE - CURRENT MATURITY LEVEL

The Board of Directors recognises the importance to establish a culture of risk management across the Company and its subsidiaries in order to make risk management effective. The Board ensures that executive management is provided with necessary resources to enable them to promote and maintain an acceptable level of risk management culture.

Risk management is embedded into the Company objectives. This is achieved by incorporating risk management in the yearly strategic process.

Senior management enforces risk management policies and procedures approved by the Board of Directors or by itself and review regularly compliance against them.

ENTERPRISE RISK MANAGEMENT CONCEPTS

For CJ, ERM is the foundation concept for managing and monitoring risks within its businesses. The premise in endorsing an ERM is to consider and address all types of risks that could adversely affect an organisation in achieving its business goals/objectives. In effect, efficient and adequate resources should be planned and deployed to manage those risks that may jeopardise growth thereby attaining the optimal balance between business growth and risks.

Objectives

The organisation's objectives must exist before Management can identify events (risks) potentially affecting their achievement. Enterprise risk management ensures that Management has a process in place to set objectives and that the chosen objectives support and align with the entity's mission/vision. CJ management also ensures the following:

- the defined corporate objectives are broadly understood and communicated throughout the organisation;
- objectives include strategic, financial, operational, compliance, human capital and reporting type objectives;
- business unit and functional objectives and strategies are clearly aligned with overall corporate objectives.

ENTERPRISE RISK MANAGEMENT PROCESS

The ERM, at CJ and its subsidiary companies, is a systematic approach to identify risk faced by the Company and takes appropriate steps to control or mitigate the risk. The ERM process consists of the following:



Analysis

The principal goal of the Analysis stage is to understand the Company's business process and collect sufficient information to carry out the Risk Identification and Assessment stages.

RISK MANAGEMENT

Risk Identification

The primary goal of the Risk Identification stage is to identify all risk events, which the company may face, at the outset of activities. This requires undertaking two key activities: think through and recognising the “source” of the risks and searching out and identifying the risks.

Risk identification is a dynamic process which requires constant update as risks change with change in the environment and market conditions.

Risk Assessment

The purpose of the Risk Assessment stage is to provide a judgement of the likelihood and impact of the risks identified. The benefits of undertaking this activity are that assessment provides an order of pain for each risk.

Risk Evaluation

Risk Evaluation is used to understand the likely risk exposure to the Company which may arise from a business activity.

Risk Responses

Once a rating has been assigned to a risk, Management has to decide on controls that have to be put in place to mitigate/treat the risk. The purpose of implementing control is to reduce the risk to acceptable level, which have been defined by the Company.

Depending on the risk rating, impact and probability of risk happening, the Company may decide to take one of the following actions so as to control the risk:

Avoidance - informed decision not to be involved in, or to withdraw from, an activity in order not to be exposed to a particular risk.

Manage - form of risk treatment by which the organisation tries to reduce either impact or probability.

Sharing - form of risk treatment involving the agreed distribution of risk with other parties.

Accept - informed decision to take a particular risk.

Risk Management/Control Activities

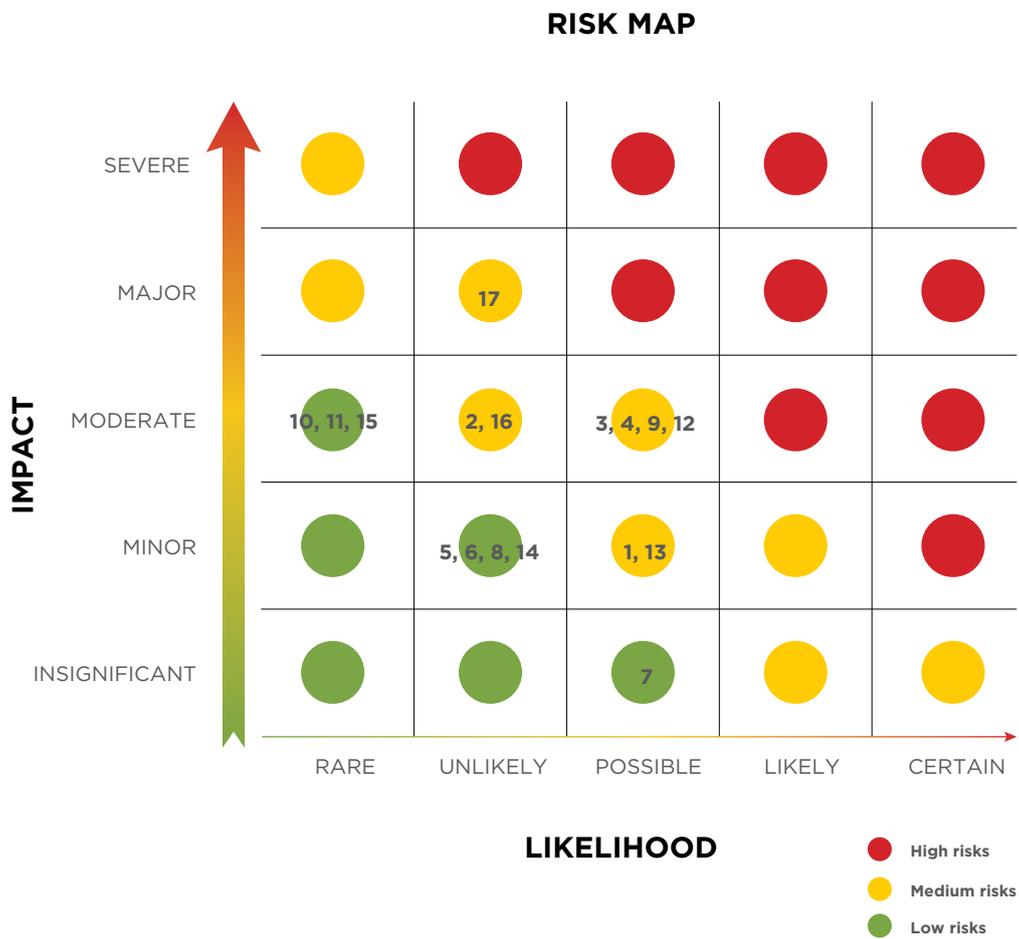
Management identifies control activities needed to help ensure that risk responses are carried out properly and in a timely manner.

Selection or review of control activities includes consideration of their relevance and appropriateness to the risk response and related objective.

MANAGING KEY RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The (material)/key risks are assessed by the Management of each company and at corporate level followed by the identification of mitigating measures so as to reduce them to an acceptable level having regard to the achievement of objectives of the company.

The risk map and table below provide an overview of the key residual risks and the relevant mitigating measures.



RISK MANAGEMENT

RISK REGISTER

#	Risks Relating to our Businesses and Industry	Description & Risk Context		Response To Risks	Strategies Impacted	Risk Rating
1	Economic downturn and market situation	The consequences of an economic downturn and the resulting market situation affect our ability to achieve set objectives.		<ul style="list-style-type: none"> Monitoring of key national economic indicators Review of strategy at strategic committee level SWOT analysis and re-assessment of environment & offers and value proposition Internal capacity to amend and adjust the business model Maintain financial resilience plan by focussing on debt, cost management and revenue diversification 	 	Medium
2	Technology	Failure to adapt to rapid change and evolution in technology due to: <ul style="list-style-type: none"> Our inability to anticipate threats Our inadequate and/or limited knowledge of the industry The presence of disruptive players Demographic shifts of the target customers (Generation Z/ millennials) Our inability to attract the right talent Inability to leverage on technological strengths to improve processes impacting internal and external customers due to failure to embrace digitalisation 		<ul style="list-style-type: none"> Strong international strategic partners which bring and share their expert knowledge and awareness of what is happening on the international scene and how we may react to such changes and evolution. We are also in contact with international experts Clear vision and foresight of adopting new technologies and building future ready network capabilities and IT infrastructure to provide customers with innovative services and products such as, but not limited to, the internet of things, artificial intelligence and virtual assistance and software defined network The relevant companies are flexible in their approach and such flexibility gives us the possibility to optimise/change technology to offer best products Strong resilient attitude of the Management HR policies and practices help us in attracting talents and building up of a strong team of IT professionals across the Group Digitalisation roadmap is in place and the Group has already embarked on the digitalisation process in a phased manner 	 	Medium
3	Innovation	Inability to maintain a sustainable business due to: <ul style="list-style-type: none"> Lack of a focussed strategy on innovation Lacking skilled resources 		<ul style="list-style-type: none"> Focussed strategies on continuous innovation and our ability on more agile service creation Talent pool dedicated to innovative products Innovation being at the core of our business survival, the Group has over time instilled a culture of innovation in a sustainable manner 	  	Medium
4	Customer satisfaction	Failure to meet the customers' expectation due to: <ul style="list-style-type: none"> Lack of skills, competencies and training of our personnel Lack of sound systems, policies and processes Lack of employee engagement Poor quality products and services Lack of support from suppliers Absence of customer surveys or Customer Satisfaction Index is not defined Service level agreement (SLA) not formalised with outsourced parties 		<ul style="list-style-type: none"> Regularly revisiting our product offering to meet evolving customers' expectation Tracking of customer satisfaction level through surveys and customer complaint management system. This tracking system is being upgraded and closely monitored for appropriate actions Appropriate customer surveys are carried out at major companies Skill gaps are addressed through training on product and service delivery SLAs for deliverables are present 	  	Medium

RISK MANAGEMENT

#	Risks Relating to our Businesses and Industry	Description & Risk Context			Response To Risks	Strategies Impacted	Risk Rating
5	Reputation	<p>Failure to protect the image of the company due to:</p> <ul style="list-style-type: none"> • Non-compliance with applicable laws and regulations • Non-conductive interaction with our stakeholders as a result of misrepresentation, unethical and fraudulent behaviour • False promises on the delivery standard of products and services • Lack of sound internal governance principles and risk management system 			<ul style="list-style-type: none"> • The Group has a strong governance system in place • Code of Conduct defined and signed by all employees and board members • Whistleblowing policy across the Group • Assurance exercise by both internal and external auditors on compliance matters • Dedicated communication department at corporate • Relevant PR cell in place as and when required • Prompt response to stakeholders' across all media • Monitoring of press and media releases on a daily basis • Regular feedback from customers on matters pertaining to customer satisfaction • Sustainability policies in place • Values constantly reaffirmed 	   	Low
6	Cyber threats	<p>Disruption/halt in IT operations due to cyber threats or any major unforeseen events</p>			<ul style="list-style-type: none"> • Ongoing monitoring of IT infrastructure environment • Yearly drills and assessment of disaster recovery facilities • Access to IT resources are limited and secured • User awareness on Information Security carried out yearly • External IT audit (pen test conducted yearly) • To implement a business continuity plan 		Low
Human capital							
7	Talent management and succession challenges	<p>Failure to attract and retain key personnel and to secure backup resources for key positions as a result of:</p> <ul style="list-style-type: none"> • HR policies not properly defined or inexistent • Being unattractive as an employer • Wrong perception of the Group • Poor talent management system • Lack of succession planning • Existing management resistant to change • Low employee engagement • Cost issue (lack of investment in talent development) 			<ul style="list-style-type: none"> • A formal recruitment policy has been implemented with clear system and policies • Outcome of the employee engagement surveys are being addressed and the engagement level of the employees regularly monitored • The Code of Conduct and HR policies have been reviewed and redefined where necessary • A formal talent development system is in operation for the Group companies • A formal performance management system is in place • Succession planning has been initiated • Salary benchmarking exercise usually conducted every 3 years to ensure alignment • Leadership development initiatives through coaching plans and individual development plans implemented • Continuous investment to improve the work environment • An HR committee of the Board is in place and meet at defined intervals 	  	Low

RISK MANAGEMENT

#	Risks Relating to our Businesses and Industry	Description & Risk Context		Response To Risks	Strategies Impacted	Risk Rating
Investment and Financial Risks						
8	Financial stability	Failure to secure financial resilience across the Group companies due to: <ul style="list-style-type: none"> poor governance principles high gearing unclear dividend payout policy erroneous financial reporting and lack of controls 		<ul style="list-style-type: none"> A corporate finance committee in place to look at financial planning and strategies A medium term debt management plan has been worked out and agreed with the debt providers and is being implemented and monitored through KPIs such as DSCR, interest cover and gearing. The main objective being reduction of debts at the level of the holding company by acting upon the leveraging capability prevailing at the level of the relevant operating companies Finance matters are discussed at different forums such as management and board meetings and also during the annual operating plan exercise Open communication with the finance providers on a regular basis All projects go through a feasibility study process which includes the assessment of proposed funding plan A dividend policy has been devised Financial internal controls are in place and assurance exercises are carried out to ensure their compliance and effectiveness 	  	Low
9	Portfolio mix	Failure to maintain a diversified portfolio due to: <ul style="list-style-type: none"> poor investment strategy unbalanced focus on specific business risk appetite not conducive to growth and diversification inadequate culture for innovation/business incubators long time to market lack of foresight 		<ul style="list-style-type: none"> Diversification of revenue is a major strategic direction and is subject to review on a regular basis at the strategy and finance committee of the Board Current strategies favour investment in hospitality and focussing on new segments such as home broadband, enterprise, delivering contents and development of existing real estate assets 	 	Medium
Industry (sector) Risks						
Telecom & Media						
10	Contents rights	Failure to secure content rights due to: <ul style="list-style-type: none"> Content providers not able to renew their rights Unavailability of substitute contents Pricing 		<ul style="list-style-type: none"> Strategy in place for the management of rights Support and strong agreement with our content providers Constant monitoring of potential alternate channels and contents 	 	Low
11	Trend in content consumption	Risk associated with the shift in content consumption from linear transmission to “catch up” and “video on demand”.		<ul style="list-style-type: none"> Response to the shift in the customer consumption pattern by providing the required innovative products (myCanal, On Demand Content, Play) and leveraging on broadband offers Technology strategy aimed at providing contents anywhere, anytime and on any device Investment in people and building skills and the required infrastructure 	 	Low
12	Content Piracy	Illegal provision of free or paid contents and services in Mauritius due to: <ul style="list-style-type: none"> Technical and economic opportunities to provide such contents/ services Lack of monitoring by the regulator 		<ul style="list-style-type: none"> Monitor and track the pirate content providers Actions by telecom operators to ban access to illegal broadcasters in Mauritius Seek assistance and intervention of the regulator 		Medium

RISK MANAGEMENT

#	Risks Relating to our Businesses and Industry	Description & Risk Context		Response To Risks	Strategies Impacted	Risk Rating
Real Estate						
13	Attractiveness and competitiveness of our properties	<p>Failure to ensure the attractiveness and competitiveness of our properties due to:</p> <ul style="list-style-type: none"> • Shift in customer preference and behaviour (including migration) • Evolution in competitor's offering • Current structure, age and limiting factors of existing properties • Poor accessibility to the property • No access to technology • Change in the physical environment • Inability to conform to green & sustainable conditions 		<ul style="list-style-type: none"> • Strategic reviews of the business and the environment are carried out regularly and any changes required to adapt to the market environment prevailing are considered • Our facilities management unit embraces the green building initiatives • Being a member of the Green Building Council Mauritius, the Management is kept abreast of the green environmental friendly and sustainability best practices in real estate development • One of our properties is classified as a Stock Exchange of Mauritius Sustainability Index (SEMSI) company 	   	Medium
Hospitality						
14	Construction risks (hotel)	<p>The construction of the hotel started in 2018 and we are currently exposed to the following key risks:</p> <ul style="list-style-type: none"> • Cost overrun during the construction phase • Non-delivery of a quality end product by our contractors/ subcontractors • Delay in the completion of the project 		<ul style="list-style-type: none"> • The project provides for contingencies • Judicious selection of contractors and sub-contractors. Consultants with good track records have been appointed for the project • Continuous monitoring of the construction progress with the main contractor • A procurement committee has been established to oversee the tender exercises until final approval 	 	Low
15	Estates (villas) project risks	<p>Implementation risks</p> <ul style="list-style-type: none"> • Not obtaining all the necessary permits • Having the right mix of consultants • Delay in start of construction • Not completing the project within set parameters on costs and quality standards • Unfavourable market conditions resulting in lower demand 		<ul style="list-style-type: none"> • A dedicated and experienced team for the purpose of securing all necessary permits • A regular monitoring of progress on key milestone • Consultants with good track records have been appointed for the project • Option of transferring villas into a rental pool for the hotel 	  	Low
16	Litigation	<p>Litigation on environmental issues as a result of unwarranted actions from local pressure groups resulting in delays and unforeseen cost</p>		<ul style="list-style-type: none"> • Fulfilling all the conditions of the EIA report • In line with our values, our project was based on a fundamental principle which is to protect and enhance the environment around which the hotel is being implemented 		Medium
17	External factors affecting the attractiveness of our destination	<p>Risk that our country may not be regarded as an attractive destination due to:</p> <ul style="list-style-type: none"> • Political instability • Health and security issues • Natural disasters • Perception of being an expensive destination • Human rights and environmental records • Threat of terrorism 		<p>The government has adopted measures to enhance the attractiveness and to protect our destination such as:</p> <ul style="list-style-type: none"> • Road shows together with regular promotions by the airlines • A disaster and crisis management in case of natural calamities • A protocol to contain the possible spread of an epidemic outbreak • Threats of terrorism are taken seriously 	 	Medium