

Why risk management at IBL?

For the Board of IBL it is of critical importance to integrate risk management into business decisions at every level of the Group. It strongly believes that the effective identification, assessment, reporting and monitoring of its top risks will support the delivery of its strategic objectives. IBL is therefore fully committed to investing in the right resources to implement and embed a risk management framework across the Group.

As announced in last year's Integrated Report, a risk management function has been created within the Group's Corporate Centre. A Head of Risk Management has also been appointed to drive the Group's risk management strategy.

The function's main objective is to drive risk management across the Group and support businesses in achieving their performance objectives. The Head of Risk Management and his team will work closely with senior executives and the Board, as well as the operational teams on a day-to-day basis to ensure that risks are being comprehensively identified and managed. The risk management function also plays a key role in deep diving as and when needed and keeping the Board up to date on emerging risks.

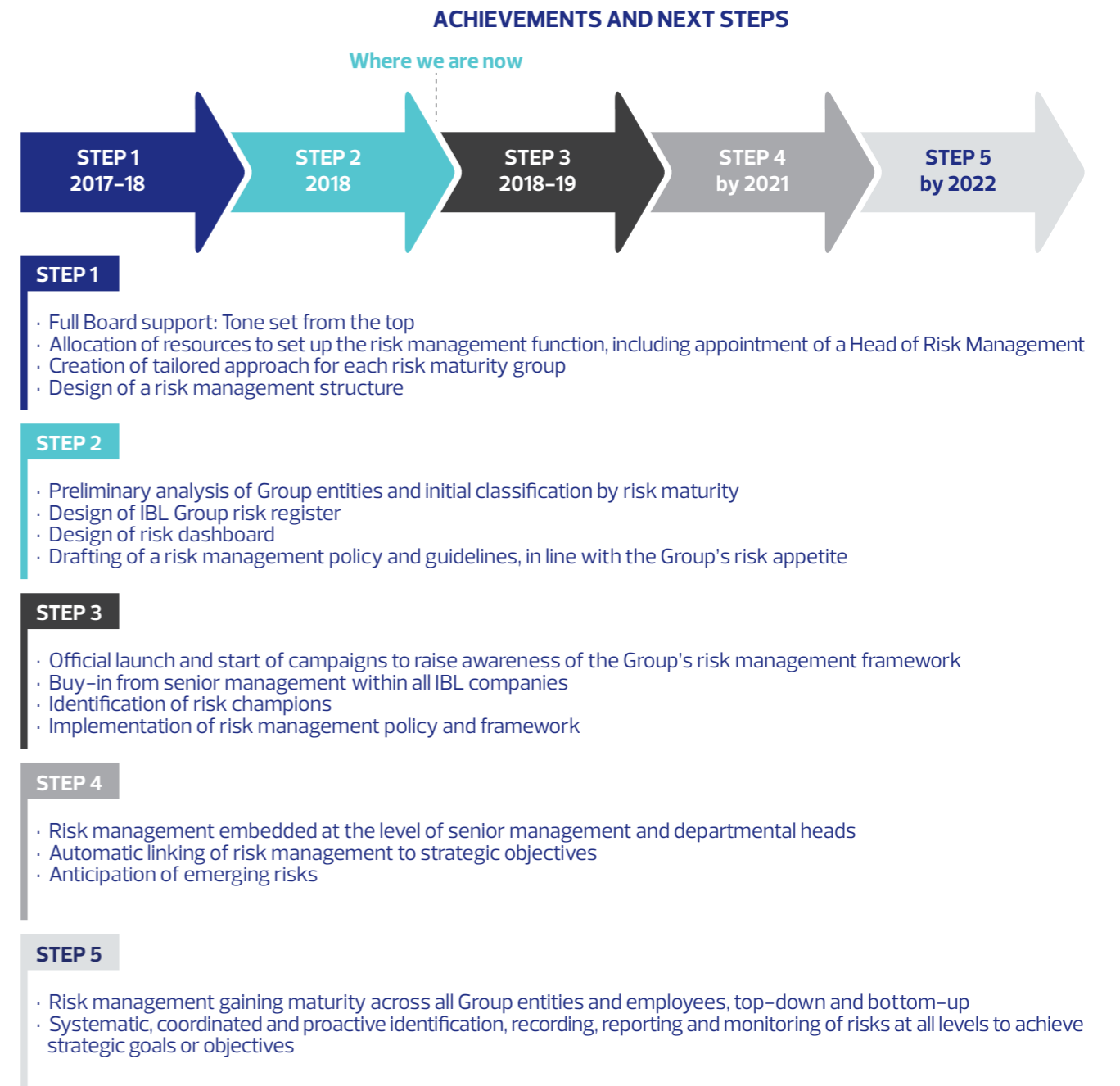
Considering the diversity of the Group's activities, this is a challenging but exciting project, and one that the Board considers key to IBL's future.

RISK MANAGEMENT AT THE CENTRE OF IBL'S STRATEGY AND OPERATIONAL EFFICIENCY



Our risk management roadmap

A roadmap has been put into place to support this project. It sets out the key steps that will enable us to develop a mature risk management framework. A number of milestones have been achieved to date, as described in the diagram below. Step 5 should not be seen as an end-point but as the start of a mature and dynamic risk management process that is subject to continuous improvement.



A risk management approach tailored to IBL

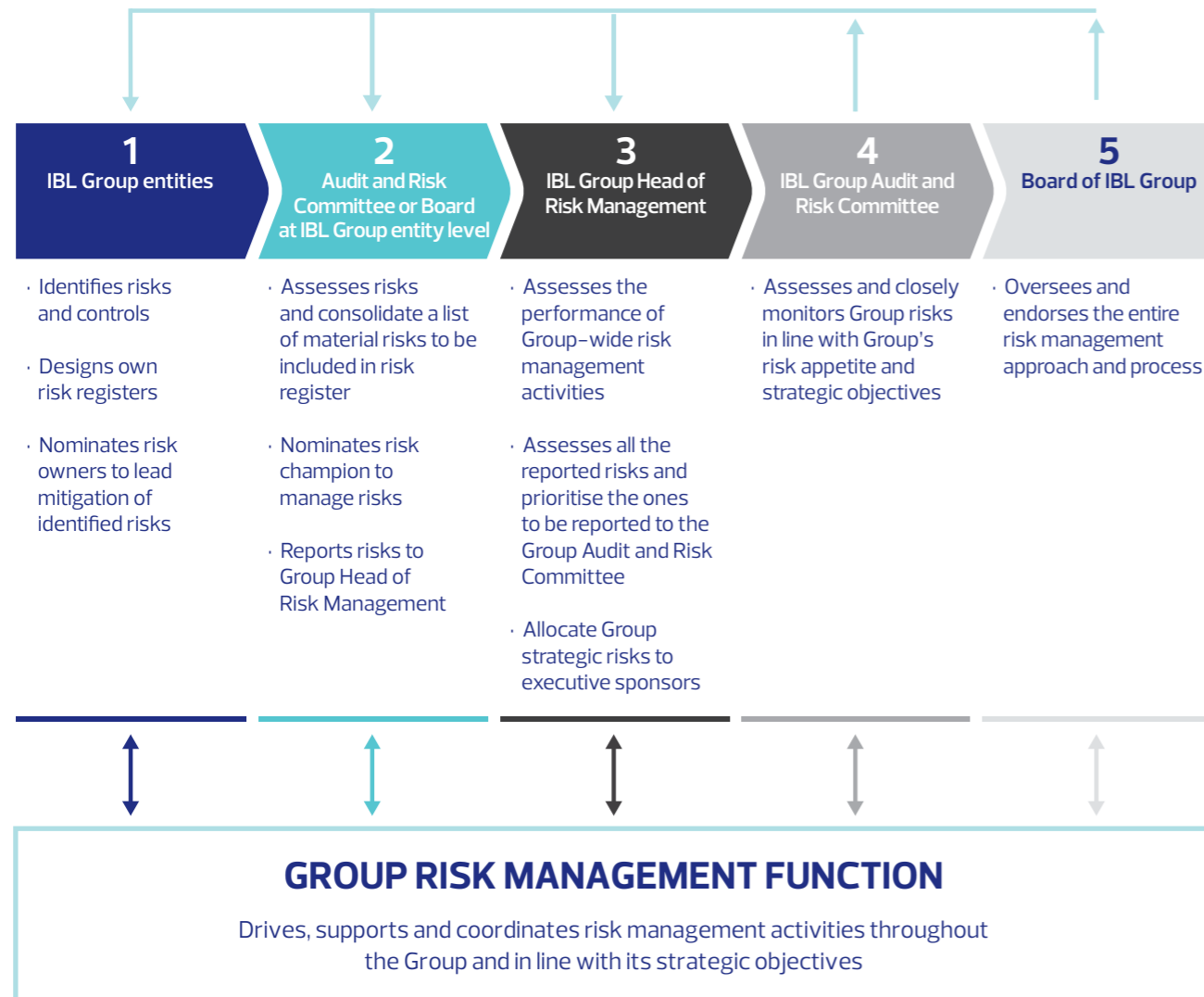
A group like IBL requires a tailored framework that addresses not only the full range of its business activities but also the varying levels of maturity and capabilities in terms of risk management. We have therefore defined three approaches, as most appropriate for each entity, to guide the implementation of the framework across the Group.



Risk management activity	Methodology and response
Identification of risks	<ul style="list-style-type: none"> Interviews with key employees at all levels Use of various risk identification tools including questionnaires, workshops, etc. Analysis and moderation of information received Alignment with strategic objectives, risk appetite, IBL's core values and significant business decisions
Identification of existing controls	<ul style="list-style-type: none"> Meetings with process owners to identify existing controls for each identified risk Process walkthroughs to corroborate controls Identification of risk owners
Risk assessment	<ul style="list-style-type: none"> Interactive workshops with key stakeholders to measure the likelihood/impact of identified risks Ratings carried out at inherent (excluding the existing controls) and residual (considering existing controls) levels Analysis of identified risks, in isolation and when combined with other risks
Risk response and action plan	<ul style="list-style-type: none"> Analysis of risk ratings against appetite level Gap analysis and risk and reward assessment Establishment of short, medium or long-term risk responses Deployment of risk improvement plans aligned with risk appetite Creation of timelines and trackers
Monitoring	<ul style="list-style-type: none"> Monitoring of risk management activities Review of risk management performance using risk indicators Regular review of the relevance of risk management actions
Reporting	<ul style="list-style-type: none"> Risk dashboard Reporting to Boards and to Audit and Risk Committees Top-down feedback and continuous improvement

Risk management structure and responsibilities

The diagramme below illustrates the Group's risk management structure and key responsibilities. These ensure that risk management processes are effectively embedded across the IBL Group.



Comprehensive notes to the Risk Management Structure

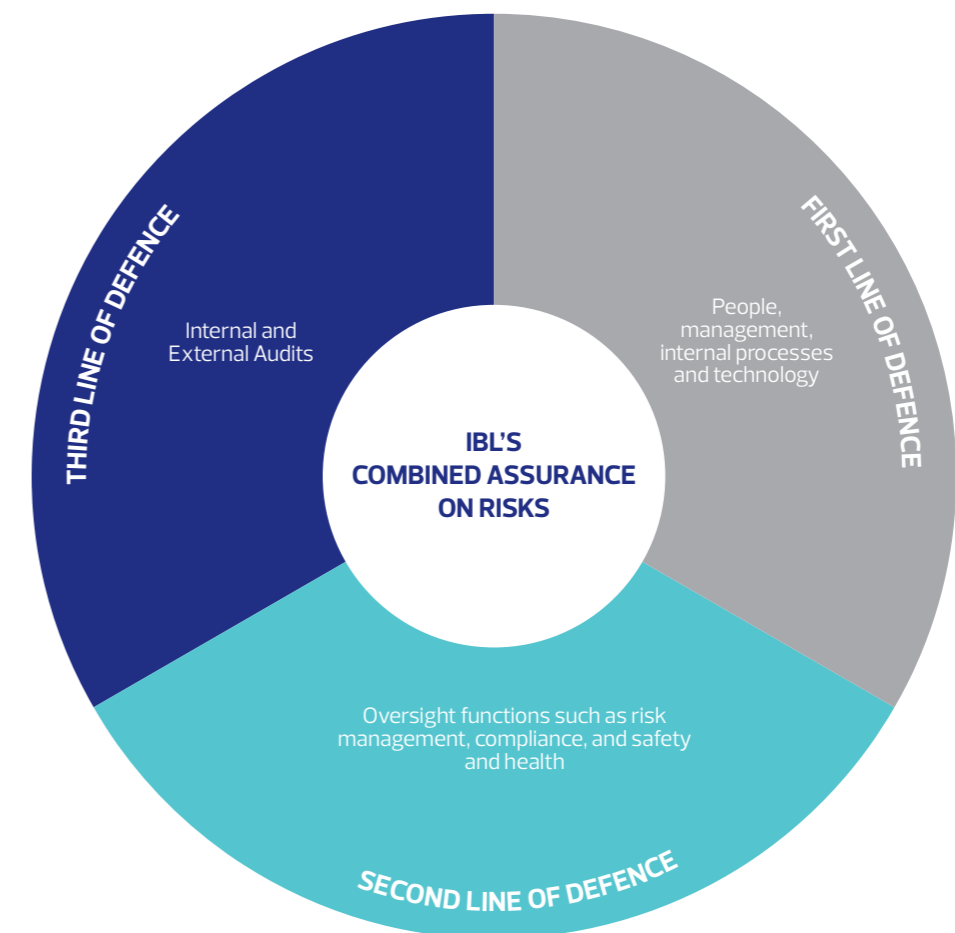
- The risk management structure is agile.
- If the IBL Group entity does not have an Audit and Risk Committee, the Group risk management function can assist the entity's Board with the tasks specified under step 2.
- The Group Head of Risk Management is ultimately responsible for the identification, assessment, monitoring and reporting of risks. He reports to the IBL Group Audit and Risk Committee.

IBL's risk appetite

The Board believes that a clearly defined risk appetite is crucial to the success of IBL's risk management approach. Risk appetite has always been a key consideration for the Board and its committees in their assessment of significant projects and business opportunities. The Board will continue to make decisions in line with its strategy, to maximise value creation and based on acceptable risk levels.

Integrating risk management and other lines of defence

The risks that the Group faces are so diverse that the risk management function cannot provide assurance on its own. The risk management function recognises the need to combine and coordinate its work with that of all assurance providers, including internal and external auditors. The risk management function will work closely with each line of defence to create a holistic approach to assurance across the organisation – addressing the risks that matter while ensuring the most efficient and effective deployment of resources.



Our top risks today

In interviews and via questionnaires, senior managers across the Group's operations and the Corporate Centre were asked to identify the main operational and strategic risks they face. Where relevant, key members of their teams were also invited to take part in this process. IBL's senior executives then assessed each risk at an inherent (before mitigating controls) and residual (after mitigating controls) levels. The top 15 risks identified via this exercise are presented below.

Capitals



Risk categories	Risk description
1. Cybersecurity threats	Cyber-attacks and security breaches of IT systems leading to the disruption of operations, fraud and reputational damage.
2. Confidentiality breaches	Breach of confidential information or disclosure of trade secrets resulting in the loss of competitive edge, reputational damage, loss of stakeholder trust and failure to achieve strategic objectives.
3. Foreign exchange fluctuations	Fluctuations in the exchange rate of principal currencies v/s MUR, impacting performance and return on investment.
4. Sugar cluster performance	Performance of the IBL Agro cluster affected by unfavourable global sugar market and production cost pressures.

Strategic directions


1. Strengthening IBL's Mauritian core
2. Regional expansion into the Indian Ocean & East Africa
3. International expansion anchored in world-class professional expertise
4. Transforming the Corporate Centre
5. Deploying a Human Capital Strategy at Group-level to identify, attract, develop and retain the right talent for the long term
6. Digitalisation Strategy to improve user experience, work better and more efficiently and take advantage of commercial opportunities online
7. Sustainability approach to monitor the Group's SG performance, change mindsets and train people up, and adopt better, more sustainable ways of working

Mitigations	Strategic directions	Capitals impacted
<ul style="list-style-type: none"> · New IT governance framework and reporting being implemented · Cybersecurity roadmap developed · Due diligence on external partners undertaken · High-calibre IT specialists recruited · Financial resources deployed to enhance IT security framework 	1 2 3 4 5 6	
<ul style="list-style-type: none"> · Awareness-raising regarding the importance of confidentiality and consequences of a breach · Promotion of ethical business behaviours and endorsement of Code of Business Ethics and governance charters · Enhanced IT security procedures to monitor access and confidentiality of data · Signature of specific confidentiality undertakings by key people 	1 2 3 4 5 6 7	
<ul style="list-style-type: none"> · Central treasury department to collaborate and assist businesses with assessing and mitigating impact of adverse forex movements · Diversification of activities and income sources worldwide 	1 2 3	
<ul style="list-style-type: none"> · Geographical diversification towards markets less influenced by world/European Union market conditions or in which Mauritius enjoys a competitive advantage · Diversification into higher value-added products which are less sensitive to global market conditions · Diversification of income sources by optimising revenue from by-products · Improved productivity through operational excellence · Accelerated mechanisation/automation programmes 	1 2 5 7	

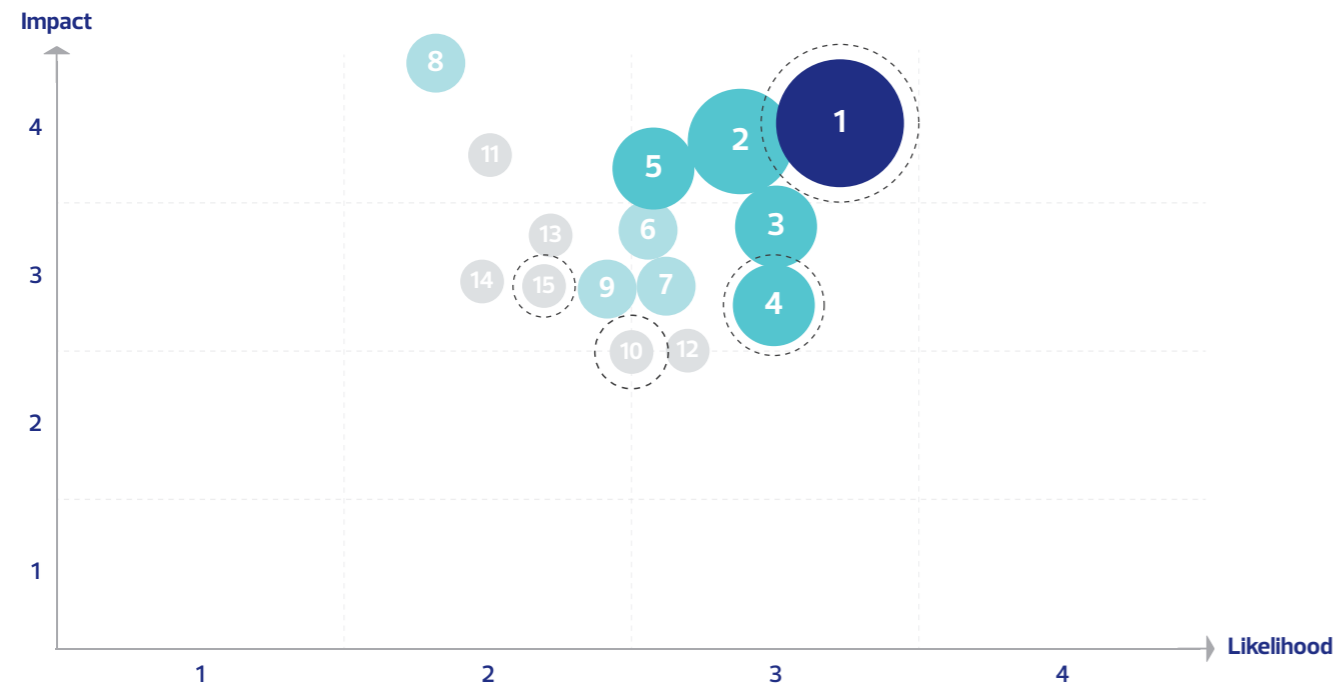
Risk categories	Risk description
5. Sustainability of tuna stocks	Availability of tuna stocks impacting the seafood cluster, but also the logistics and shipbuilding clusters.
6. Geopolitical instability	Political, social and economic instability in countries from which IBL derives significant revenue.
7. Market concentration	Group results over-reliant on businesses based in Mauritius; slow market growth in Mauritius; and inability to invest internationally, impacting group expansion.
8. Acts of terrorism	Terrorist acts or civil unrest impacting businesses in Mauritius.
9. Property sales performance	Property sales targets not being met, resulting in cash flow issues and an inability to cover financial costs.

Mitigations	Strategic directions	Capitals impacted
<ul style="list-style-type: none"> · Ongoing lobbying so that Indian Ocean Tuna Commission (IOTC) resolutions ensure sustainable tuna stocks in the Indian Ocean · Increased participation in the IOTC Working Groups, Scientific Committee and Commission meetings as part of the Mauritian delegation · Better management of regional quotas across the seafood industry, with additional fishing capacity to be chartered over the longer term 	1 2 3 5 7	
<ul style="list-style-type: none"> · Diversification of activities in the region · Nurturing of positive relationships with relevant stakeholders and retention of experienced advisors to foresee eventual changes that might affect negatively businesses 	1 2 3 5 7	
<ul style="list-style-type: none"> · Implementation of regional development strategy to export and launch businesses in the region · Setting up of a regional office in Kenya and appointment of a Regional Business Development Executive to drive the regional expansion strategy 	1 2 3 4 5 6 7	
<ul style="list-style-type: none"> · Increased security protocols and crisis management plans · Diversification of activities abroad 	1 4 5 7	
<ul style="list-style-type: none"> · Faster emergence of new projects · Harmonisation of offerings and demand · Sufficient liquidity buffer, close management of cash position and availability of funding options · Ensure solutions are available (e.g. the sale of non-core assets) to immediately raise funds 	1 5 6 7	

Risk categories	Risk description
10. Stringent regulatory environment	Increased complexity and stringency in compliance, regulatory and fiscal policies, impacting business performance.
11. Reputation damage	Unforeseen/unfavourable events, gross misconduct or poor decision making, negatively impacting IBL's reputation.
12. Revenue volatility	Dependency on cyclical businesses causing volatility in revenues.
13. Unfavourable government policies	Unfavourable government policy decisions.
14. Misallocation of capital investments	Misallocation or erroneous decision making with regard to significant capital investments in projects.
15. Increasing competition	Increasing competition in Mauritius as a result of new competitors and products.

Mitigations	Strategic directions	Capitals impacted
<ul style="list-style-type: none"> Resources deployed (talent, training and tools) to improve our compliance framework Proactive engagement with authorities to raise awareness of the severe impact of fiscal changes on industries 	1 2 3 5 6 7	 
<ul style="list-style-type: none"> Promotion of the IBL culture via group initiatives Continued awareness-raising / promotion of IBL values and standards of ethical behaviour Processes and communication plans in place to manage IBL's image and reputation 	1 2 3 4 5 6 7	     
<ul style="list-style-type: none"> Strengthening project planning/contract management teams and communication processes (top-down and bottom up approaches) Investigating new avenues for business Close monitoring of all tenders in the region Ordering of specific surveys in specific countries 	1 2 3 5 6	   
<ul style="list-style-type: none"> Geographical diversification of earmarked activities to strengthen resilience Engagement with relevant stakeholders in all markets to achieve better import control/regulations and support for industry 	1 2 3 5 6 7	    
<ul style="list-style-type: none"> Clear and structured approach to allocation of capital to projects Stringent due diligence on potential partners Identification and training or recruitment of talent for new/key project positions 	1 2 3 4 5 6 7	  
<ul style="list-style-type: none"> Regionalisation/move into new markets Development of new product categories for diversification purposes More emphasis on business development to closely monitor overseas activities and seek out new business opportunities Intensification of promotional and marketing campaigns to support development of brands 	1 2 3 5	    

HEAT MAP



Increasing trend: 

Risk categories:

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|----------------------------------|--------------------------------------|--|
| 1. Cybersecurity threats | 6. Geopolitical instability | 11. Reputation damage |
| 2. Confidentiality breaches | 7. Market concentration | 12. Revenue volatility |
| 3. Forex fluctuations | 8. Acts of terrorism | 13. Unfavourable government policies |
| 4. Sugar cluster performance | 9. Property sales performance | 14. Misallocation of capital investments |
| 5. Sustainability of tuna stocks | 10. Stringent regulatory environment | 15. Increasing competition |