

ERM System

CIEL defines risk as a variable that can cause deviation from an expected outcome. CIEL defines ERM as a comprehensive and integrated framework for managing key risks to achieve business objectives, minimise unexpected earnings volatility, and maximise company value. CIEL summarises its risks into three main types:

- Preventable risks: these are risks that arise from events that occur internally and that may be controlled. They offer no benefit to the enterprise and as such should be eliminated completely or at least mitigated as far as CIEL is concerned.
- Strategy risks: these are risks that are intentionally accepted or undertaken with the prospect of a reward and are almost completely dependent on the risk appetite of the enterprise.
- External risks: these risks arise from events that lie beyond the influence and control of the enterprise and may come as a benefit or a cost to the enterprise.

For reporting purposes, CIEL further subdivides its risk into the following factors (reflecting the internal and external environment in which it operates):

Risk Factors (External)	Definition
Political	These factors consider the extent to which government and government policy may impact on an organisation or a specific industry.
Economic	Economic factors consider the current and future state of the economy. This includes the business cycle as well as supply & demand dynamics.
Sociological	These factors relate to the current social environment and the awareness of emerging social trends.
Technological	These factors consider the rate of technological innovation and development that could affect a market or industry.
Legal	These factors relate to the understanding of what is legal and allowed within the territories operated in. These factors also related to the awareness of any change in legislation and the impact this may have on business operations.
Environmental	These factors relate to the influence of the surrounding environment and the impact of ecological and health-related issues.
Risk Factors (Internal)	Definition
Financial	Financial factors relate to the uncertainty in the extent of financial loss and the availability of financial resources.
Reputational	Reputational factors relate to the risk of loss arising from damage to a firm's reputation.
Operational	Operational factors relate to the prospect of loss resulting from inadequate or failed procedures, systems, people or policies.
Strategical	Strategical factors relate to the potential for loss arising from strategies that turn out to be defective or inappropriate.

Governance Structure

CIEL has adopted an ERM governance structure that is characterised by three lines of defence:

FRONT LINE

Employees are responsible for managing their day-to-day risks. Among these are the appointed risk champions who express leadership characteristics and are ERM optimists. Risk champions periodically assess, control, monitor and report on the risks associated with their designated line of business.

SECOND LINE

The risk officers and the Risk Oversight Committees are there to ensure that key risks are objectively prioritised. In addition, they are there to highlight the steps taken to address the key risks, drive the implementation of control measures and to ensure risks are reported on in a timely, presentable and accurate manner.

THIRD LINE

Audit & Risk Committees with the support of internal and external audit. The primary role of this line of defence is to obtain reasonable assurance that the ERM system is effective. The Board of Directors takes full responsibility for the effectiveness of the ERM system.



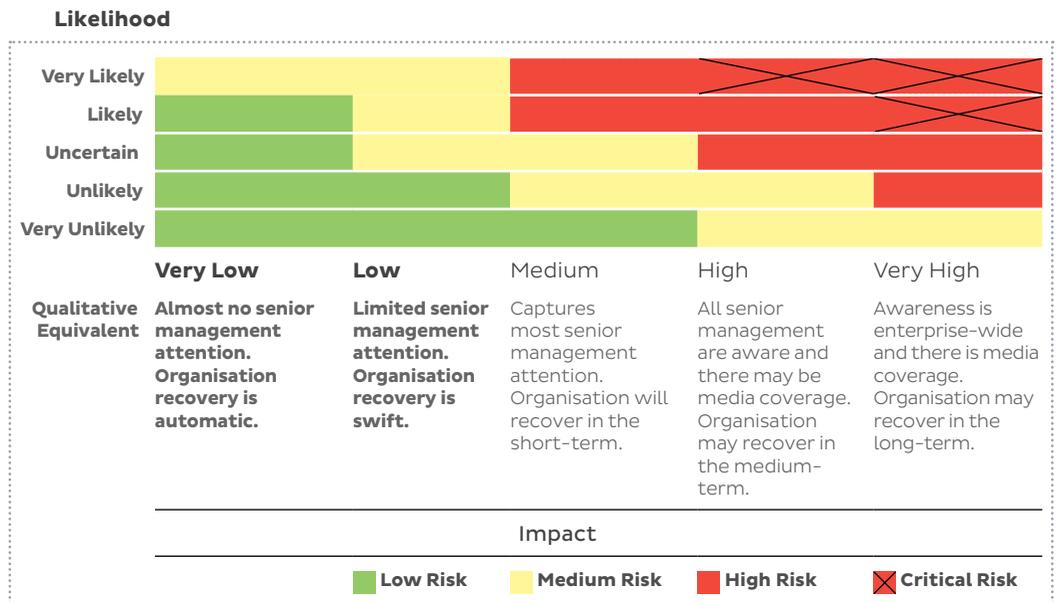
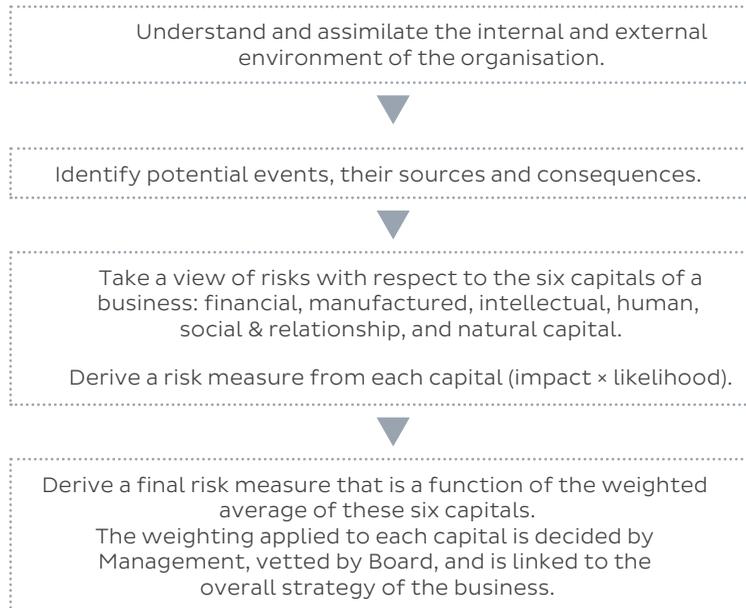
○ Includes Sun Ltd and Anahita Villas and Residences Ltd

● Currently not in place

★ Only for Sun Ltd

Process

CIEL manages risk through effective communication and consultation with all relevant parties along the extended value chain to ensure that it is aligned with its strategy. CIEL responds proactively and undergoes its risk management process in a stepwise manner:



Process & Governance Walkthrough

The risk champion at CIEL Healthcare ('CHL') identified talent management as a potentially high risk, with the assistance of the HR department. Using the automated tool developed by the ERM department at CCS, the risk champion could adequately capture the risk in terms of the event, sources and consequences and in view of the six capitals.



With the help of the HR department, the risk champion inferred that talent management does not only impact the human capital of the business but may also have knock on effects to the social & relationship capital. CHL places significant weight on these two capitals and therefore the automated tool calculated talent management as a high risk.



At the following ROC meeting for CHL, the members discussed the results of the risk assessment done for that quarter. It was at the meeting that the risk assessment was vetted and finally a consensus view on the key risks for CHL was achieved. Among these key risks was talent management.



A senior member of the ROC of CHL reported this information to the ARC of CHL where reasonable assurance of the key risks and the efficacy of the process were obtained before reaching the Board of CHL. A representative of the ARC committee presented the key risks to the Board of CHL and an agreement was reached that talent management needed to be flagged and treated accordingly.



The ARC representative informed the respective risk champion of the Board's decision, who then arranged a meeting with executives and the HR department to discuss a potential mitigation plan.



Meanwhile, the risk officer of CIEL Group followed the same process of acquiring and reporting the key risks for the Group at CIEL Group's ROC. Like the CHL ROC, the main objective of the Group ROC is to vet all incoming information and arrive at a consensus view of the key risks for the Group. Talent management was of course among these key risks.



The Group risk information was then reported to the Group ARC and Board. It was in these meetings that talent management was further discussed. An agreement was reached to provide full support to CHL in achieving a successful mitigation plan.