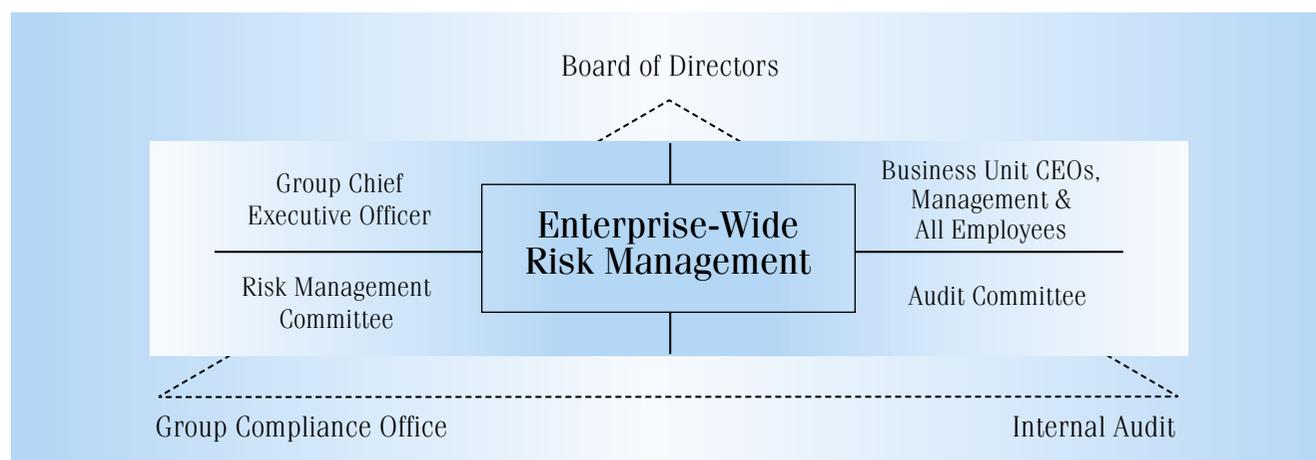


# ENTERPRISE-WIDE RISK MANAGEMENT



Risk management is equivalent to sound business management. The F&N Group is committed to taking well managed risks to create value for the organisation and our shareholders.

The Group established a consistent, systematic and on-going Enterprise-Wide Risk Management (ERM) programme in 2002 to manage and review the Company's operational and key material risks that may have adverse impact on its mission and vision, shareholders' investments and the assets of the F&N Group.

The ERM Framework is an integrated and coordinated effort with oversight by the Board of Directors, the Group Compliance Office and Internal Audit. The ERM methodology is operationalised and embedded within the divisional, operational and process levels in the F&N Group in Singapore and overseas. Every employee of the F&N Group is involved in the risk management system and the process of identifying, analysing, assessing, treating and monitoring business risks.

## Risk Management Committee ("RMC")

The RMC assists the Board in exercising oversight of the corporate and financial risk profiles of the F&N Group, safeguarding shareholders' investments and the assets of the F&N Group. The Committee reviews and guides management to ensure the timely identification, mitigation, and management of key material risks that may have a material impact on the F&N Group, our profit and loss, and balance sheet, taking into account the mission and vision of the F&N Group, our risk appetite and risk profile. The management of such risks includes business continuity plans and the use of insurance as a tool for the transfer of certain portions of risks.

The formalisation of the ERM framework for all business and operating units encompasses the following key elements:

- a) The F&N Group ERM Policy and the ERM Process and Procedures Manual, which depict the ERM reporting structure and responsibilities at the Board, Audit Committee, Risk Management Committee and management levels.
- b) Regular Risk Awareness Programmes and ERM Workshops for all business and operating units' management and operational staff to inculcate a uniform understanding of the F&N Group ERM methodology.
- c) Creation and maintenance of risk registers by all business and operating units through the use of the corporate risk scorecard system for:
  1. risks identified;
  2. possibility of occurrence;
  3. impact on the F&N Group; and
  4. controls and management actions in place to mitigate risks, minimise losses and maximise opportunities.
- d) Appointments of risk managers and coordinators of all business and operating units for ERM.
- e) Meetings of the Risk Management Committee at least three times a year to review the adequacy and effectiveness of the business units' risk management processes, business continuity plans and insurances. ERM progress and findings are reported to the Audit Committee and the Board after each review.

- f) Key material risks of all business units are reviewed and discussed at the annual Group Risk Validation Session chaired by Top Management, and attended by CEOs and management staff of all Business Units.
- g) A report is submitted to the Audit Committee and Risk Management Committee on the key material risks affecting the F&N Group; and
- h) Internal audit reviews the ERM process as part of their audit plan.

A range of risk factors affects the operations and performance of the F&N Group. As many of the risk factors identified are inherent risks, diversification is one of the cornerstones for risk management. The Group diversifies our risks by spreading our businesses in different geographical regions and industries. By leveraging on our strengths and core expertise in three core businesses, the Group can minimise the impact of any industry specific risks.

An analysis of the six key material risks faced by the Group is as follows:

### Reputational Risks

The reputation of the Group depends on our ability to meet and exceed our stakeholders' expectations. The Group continuously strives to achieve good corporate governance, trusted product quality and brands, responsible environmental awareness, strong customers and employees relations, and deliver financial performances to sustain and grow its reputation as well as shareholders' values. ERM works to guard potential loss from events that may result in negative impact on the Group's reputation, public perception and branding.

### Property Risks

Properties of the F&N Group include both real property such as land and buildings, and intangible property such as intellectual property rights, research and development, brands and goodwill from acquisitions. The Group has in place business continuity plans to mitigate any adverse impact on the operations and properties of the Group by catastrophic events and interruptions. However, there are risks in plan execution and the Group's operations and financial performance may be adversely affected. An intellectual property management system is in place to safeguard the brands and property rights of the F&N Group.

### Commodity Risks

Raw materials such as sand, granite and steel are critical to the growth of property businesses, while sugar, milk product and aluminium are key ingredients of the food and beverage businesses. Shortages and/or fluctuations in the prices for commodities may have an adverse impact on the Group's businesses. As part of ERM, the Group performs multi-sourcing of raw materials and tracks key indices of raw material prices closely. Contractual forward planning purchases are also exercised to reduce commodity risks.

### Currency and Interest Rates Risks

The Group is exposed to various financial risks including foreign currency risk, liquidity risk, credit risk and interest rate risk. The Group uses derivative financial instruments and other instruments to hedge against the financial risks. The Group's financial risk management is discussed in detail in Note 37 to the Financial Statements.

### Country and Political Risks

Political instability adversely impacts the economic and social conditions of the countries in which the F&N Group operates. Changes in regulations may have a material adverse impact on the industry in which the Group operates and limit our flexibility to respond to competition and market conditions. Identified geographical overseas hubs are developed to grow and bring in exciting risk-adjusted returns for the Group. The country and political risks are generally higher in the developing countries that the Group operates in.

### Strategic Risks

Changes in economic and business conditions in the markets that the F&N Group operates in may have a material adverse impact on the demand for our products and services and the performance of the Company. The Group places strong emphasis on earnings-based businesses based on leveraging of brands, distribution, intellectual properties, know-how and value-add activities to achieve higher profitability. The Group is also committed and will continue to build on our diversified business model to reduce earnings volatility and specific business segment strategic risks.