
Enterprise-wide Risk Management

Managing Enterprise Risks, Safeguarding Shareholders' Value

In a fast changing and interdependent world, organisations face more complex risks. The global economic crisis has also brought increased uncertainties to businesses. Fraser and Neave, Limited ("F&N" or the "Company") recognises that the ability to understand, track and respond swiftly and effectively to enterprise risks is vital in safeguarding shareholders' value and steering the Company towards the next level of growth.

Capturing Risks across the Enterprise

Taking calculated risks is essential to any business pursuing growth and expansion. With diversified businesses spanning more than 20 countries, the F&N Group's businesses are subject to changing conditions in economic, political, legal, regulatory, social, financial and industry-related risk factors. If these risks are not adequately and effectively mitigated, they could have a material impact on the Company's performance and financial condition.

The F&N Group ERM implementation encompasses an on-going risk identification process and the establishment of Risk Registers by all business operations, and the use of the web-based Corporate Risk Scorecard ("CRS") system to set a consistent and cohesive ERM infrastructure, and facilitate a uniform database of risks across all businesses. Management of each Business Unit takes a top-down, strategic approach in risk management. There is a process to perform periodic risk reviews, and assess the effectiveness of risk controls that are embedded in key operational workflows, processes and systems to track and mitigate existing as well as new risks faced by its businesses. Key Risk Indicators are set to act as early warning signs, to track identified key risk drivers.

Towards the end of every Financial Year, the F&N Group Annual Risk Validation exercise is held with the objective to ensure that new risks are effectively managed and mitigation controls for existing risks remain effective and appropriate.

Identified key material risks that have a significant impact on the Group, and reports on key risk indicators, and business continuity plans ("BCP"), are presented for the Audit Committee's review at its meetings periodically. Gaps identified during these reviews are translated into new implementation plans moving forward, as appropriate.

Risk management involves collective effort from and the participation of all employees. To continue and grow the risk-awareness culture within the F&N Group, ERM framework, methodology and processes are introduced to all new employees as part of the orientation program for new hires. This is in addition to the on-going ERM and BCP communication and training workshops that are run progressively in various business units, including the overseas operations.

F&N also seeks to continually benchmark its ERM implementation against industry best practices. During the year, best practices in risk management set out in the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee were referred to, to identify areas that the business units can work on to improve and further strengthen their ERM implementation and practices.

Key Risks in Financial Year 2008/2009

During the last financial year, the three key categories of risks faced by the Group are summarised below:

Strategic Risks

The economic crisis surfaced complex challenges to businesses. The Group tracked evolving competitive forces and effective execution of its business strategies closely to sustain current competitive advantages, to drive successful new product developments and to penetrate new markets. Efforts were also made to work closely with the F&N Group's business partners to manage the business complexities of joint ventures and associated companies.

Reputational Risks

During the year, Business Units activated BCPs in response to and in preparation for potential worsening of the H1N1 pandemic situation that might have an adverse impact on its business functions, and which may erode the Company's business reputation. Businesses tested planned business continuity procedures, including system infrastructures, to ensure that identified critical business functions would remain operational if the situation worsened.

Country and Political Risks

With geographical presence in more than 20 countries, the Group's businesses faced different degrees of country and political exposures. The Company maintained close working relationships with local business partners and authorities to keep abreast of political developments, country risks as well as changes to laws and regulations.