

## ENTERPRISE-WIDE RISK MANAGEMENT

The objectives of risk management are to safeguard the shareholders' investments and the company's assets so as to steer the company to the next level of growth whilst operating within the company's risk parameters. Fraser and Neave, Limited, ("F&N" or the "Group") achieves these objectives through having a risk management framework that encompasses all areas of our operations.

Enterprise-wide risk reporting is facilitated through a web-based Corporate Risk Scorecard system which enables entities within the Group to report risks and risk status using a common platform in a consistent and cohesive manner.

### Risk Management Process

Risks are reported and monitored at the operational level using a Risk Scorecard which captures risks, mitigating measures, timeline for action items and risk ratings.

Where applicable, Key Risk Indicators ("KRIs") are established to monitor risks.

For risks that are material, the mitigating measures and KRIs are presented in the form of a Key Risk Dashboard and reviewed by Management on a regular basis.

There are 3 levels of risk reporting: Operating Units reporting into the Subsidiaries which in turn report to the Business Units and finally to the Group.

Risks are reviewed and managed at each level of reporting and consolidated for review at the next higher level, before they are escalated for review at Group level.

A risk coordinator appointed within each entity (ie. operating unit, subsidiary, business unit, etc.) coordinates the risk review and reporting process.

In response to the fast changing global landscape and increasing scale of operations, formal risk reviews and reporting take place quarterly for FY2011, as part of F&N's efforts to raise risk awareness as well as to better align the responses of the Group to new developments.

### Risk Update

Risks are reported and monitored at the scorecard level and grouped under the following risk categories for the purpose of management reporting.

- Reputational risks
- Strategic risks
- Country and political risks
- Currency and interest rates risks
- Commodity risks
- Property risks

At the end of each financial year, an annual ERM validation session is held where Management of the business units provides assurance to the Group Management Committee, that key risks at the business unit level have been identified and the control measures are adequate.

This is followed by an ERM validation before the Group Audit Committee, where the respective business units provide assurance to the Committee that key risks at Group level have been identified and the controls are adequate.

F&N also seeks to benchmark its ERM programme against industry best practices and standards. In assessing areas for improvement and how the ERM processes and practices can be strengthened, reference was made to the best practices in risk management set out in the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee in October 2008 and the ISO 31000 standards on risk management.

As every staff has a role to play in risk management, ERM and business continuity plan awareness workshops were facilitated jointly by the business unit and Group Risk Manager/Risk Coordinator for new staff and entities of the Group and refresher programmes organised where required.

### Key Risks in FY2011

During the last financial year, the key categories of risks faced by the Group are summarised as follows.

#### Reputation Risks

Food safety concerns as reported in some Asian countries served to reinforce the importance of managing the risks related to food safety management. While F&N has in place a robust process to mitigate the risk of food contamination through upholding the strict requirements stipulated under the various food safety management standards, the status of food safety risk is reported by the Food and Beverage division of the Group at quarterly intervals.

#### Strategic Risks

Asia Pacific being the key region of growth, has attracted more new players to the food and beverage industry. This, coupled with the heightened pace in digital transformation, and evolving European debt crisis, posed new challenges to the various businesses within the Group. The Group closely tracks these developments and reviews the effectiveness of its strategies so as to sustain its competitiveness.

#### Country and Property Risks

The recent natural disasters particularly in Japan and Thailand as well as political unrests in Asia and Middle East, have led to the more critical review of the effectiveness of our emergency response plans and insurance programmes. We continue to fine-tune our emergency responses, business continuity plans and insurance programmes from key learnings gained both internally and from other organisations.

The Group recognises the importance of maintaining a consistent and cohesive ERM programme across over 30 countries where we have a presence, and continues its efforts to roll out such ERM programme including business continuity plans to newly acquired business units.

The Group also maintains close working relationships with local business partners and authorities to keep abreast of political developments, and changes in the regulatory framework and business environment in which entities of the Group operate.