

# Enterprise-Wide Risk Management (“ERM”)

The objective of enterprise-wide risk management is to safeguard shareholders' interests and the company's assets as the company pursues its strategic objectives. Fraser and Neave, Limited, (“F&N” or the “Group”) achieves this objective through having a risk management framework that encompasses all key areas of 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, timelines for action items and risk ratings.

Risk parameters, upon which the ratings are based, are reviewed annually.

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 relevant 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) coordinates the risk review and reporting process.

Risk tolerance statements of the Group setting out the nature and extent of the significant risks that the Group is willing to take in achieving its strategic objectives have been formalised and adopted. The risk tolerance statements will be reviewed periodically.

The Group initiated a review of the identification and recording of risks in the Risk Scorecards and based on such review, the business units have considered for adoption any recommendations to improve such identification and recording, where appropriate.

## 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
- Operational risks

At the end of each financial year, an ERM validation is held where Management of the business units provide assurance to the F&N Risk Management Committee, that key risks at the business unit level have been identified, the mitigating measures are adequate and the system of risk management is adequate and effective to address risks in certain key areas which are considered relevant and material to the operations.

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 Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council in May 2012 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 are facilitated jointly by the business units and Group Risk Manager/Risk Coordinator for new staff and entities of the Group and refresher sessions organised, where required.

## KEY RISKS IN FINANCIAL YEAR 2012/2013

During the financial year ended 30 September 2013, the key categories of risks faced by the Group are summarised as follows.

### Reputational Risks

Food safety risk remains as a key risk to the Food and Beverage division of the Group. In addition to close monitoring of food safety issues worldwide, a robust process has been put in place to mitigate the risk of food contamination through upholding the strict requirements stipulated under the various food safety standards and certifications.

The status of KRIs which are tracked for the management of food safety risk has been reported to the Risk Management Committee at quarterly intervals.

With the increasing use of social media, the business units closely monitor this medium of communication and periodically review the response plans put in place to mitigate risks related to such use.

The Group's cyber security measures are reviewed periodically to mitigate IT-related risks such as malware infection and hacking.

### Strategic Risks

Competition from the food and beverage players attracted to the growing Asia Pacific arena, heightened regulatory constraints imposed on the property sector and property loans and competition from the digital media, are key 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 Operational Risks

The onset of haze, threat of natural disasters and political tensions reinforce the need for F&N to be resilient and respond promptly to unexpected changes in the operating environment. F&N regularly reviews the robustness of business continuity plans through call notification, desktop and simulation exercises. The complexity and scale of the exercises are progressively stepped up in our efforts to improve the awareness and preparedness of staff in responding to crisis. The insurance programmes are also finetuned to take into account the changing needs of the businesses and better mitigate losses in the event of a claim.

The Group recognises the importance of maintaining a consistent and cohesive ERM programme across the 20 countries where we have a presence, and continues its efforts to reinforce risk and business continuity plan awareness throughout the Group.

The Group continues to build on the close working relationships with local authorities and business partners to keep abreast of political, regulatory and economic developments in countries in which entities of the Group operate.