

## ENTERPRISE-WIDE RISK MANAGEMENT

The Board and senior management of Fraser and Neave, Limited, (“**F&N**” or the “**Group**”) promote a strong risk management culture through having sound risk management processes and operating procedures that integrate prudent risk limits with appropriate risk measurement, monitoring and reporting, and encourage open communication and escalation of concerns in a timely manner. The purpose is to safeguard the interests of shareholders and the assets of F&N.

The Risk Management Committee (“**RMC**”), which was established by the Board in 2012, has oversight of the Group risk management policies and implementation. It assists the Board in determining and defining the Group’s risk appetite, risk tolerance and risk policies, providing guidance on key risks, and ensuring that Management has in place an effective risk management system for the timely identification, mitigation and management of key risks that may have a material impact on the Group.

In addition, the RMC also has oversight of the Group’s Insurance, Cybersecurity and Business Continuity programmes.

### RISK MANAGEMENT PROCESS

F&N adopts a cohesive risk management framework to manage risks in an integrated, systematic and consistent manner. The framework provides for the identification and management of risks using a top-down and bottom-up approach.

Management (business division heads and business unit heads) has the primary responsibility for identifying, controlling and reducing risks, and reporting to the Board. Material risks, mitigating measures, Key Risk Indicators (“**KRIs**”) and risk ratings are reviewed by Management at least three times a year.

Specifically, the Business Heads are the risk owners, and are responsible for identifying risks, establishing sound practices, and ensuring that effective procedures and robust systems are in place to mitigate the risks.

The key risks of the various business units are consolidated for review by CEOs of the Group’s business divisions, and finally to F&N RMC and Board.

Each business division has a dedicated risk coordinator to conduct risk analyses with management and compile timely reports to the Division Head. Risk coordinators also conduct briefings on adopted risk policies and practices when required. The objective is to increase risk awareness amongst key staff and to involve and commit them to implement measures that have been adopted by the Group.

To facilitate the reporting and monitoring of risks, F&N uses a web-based Corporate Risk Scorecard (“**CRS**”) system which enables business units to report risks and risk status using a common platform. The CRS captures risks, mitigating measures, timelines for action items and risk ratings. Risk parameters, upon which the ratings are based, are reviewed annually.

The Group periodically reviews the identification and recording of risks, streamlines the use of risk scorecards and upgrades the CRS system.

Risk appetite and risk tolerance statements, which set out the nature and extent of the significant risks that the Group is willing to accept in achieving its strategic objectives, are reviewed annually.

At the end of each financial year, Management of each business division and the Company provide assurance to the Board, F&N Audit Committee and RMC on the adequacy and effectiveness of the Group’s risk management system and internal controls.

These assurances for FY2017 are disclosed on Page 70 of this report.

### KEY RISKS IN FINANCIAL YEAR 2017

As at 30 September 2017 the key risks of the Group have been largely mitigated. The proportion of risks that were rated as “very significant” and “high” have been reduced substantially after taking account of the mitigating measures.

The key categories of risks faced by the Group are summarised as follows.

#### Strategic Risks

The Group closely tracks developments in the Food and Beverage (“**F&B**”) and Publishing and Printing industries, and reviews the effectiveness of its strategies as it works towards its vision of becoming a stable and sustainable F&B leader in the ASEAN region. The key risks facing the Group include increasing awareness of possible health effects associated with high sugar consumption, competition from disruptive technology and the risks associated with mergers, acquisitions and industry consolidation.

### Reputational – Food Safety Risks

Food safety remains a key risk to the F&B business division due to the potential reputational impact on the Group. In addition to

- (i) close monitoring of food safety issues worldwide,
- (ii) upholding the strict requirements stipulated under the various food safety standards and certifications,
- (iii) putting in place a robust process to mitigate the risk of food contamination, and
- (iv) close monitoring of the status of KRIs which track food safety risks,

Management also shares learnings on food quality and safety issues and best practices across business units.

### Reputational – Social Media and Communications Risks

With the increasing use of social media as well as promotion of trending stories, new methods of monetising content, and spreading of fake news, business divisions closely monitor this medium and periodically review the effectiveness of policies and procedures that are in place.

### Currency Risks

The Group operates and procures raw materials internationally and is exposed to currency risks. The hedging of committed cash flows is in accordance with the Group Treasury policy. Such policy is reviewed on a regular basis, ensuring it reflects the current needs, objectives and strategy of the business.

### Operational - Risks associated with Business Disruption

Globally, the increase in cybercrime, heightened political tension, risk of terrorism, and threats of epidemic diseases reinforce the need for F&N to remain vigilant and respond promptly to unexpected changes in its operating environment.

The Group has engaged an external consultant to assess the strength and preparedness of its cybersecurity, and recommend improvements to enhance cybersecurity governance, architecture, management and processes. The Group's cyber security measures are reviewed periodically to mitigate IT-related risks such as malware infection, ransomware, denial of service and unauthorised access.

As part of the Crisis Management maintenance programme, the Group continued to conduct call notification exercises, walk-through and desktop exercises, mock product recalls and IT Disaster Recovery Exercises. This year, the Group included a cyber security desktop simulation exercise to assess Management's response and actions in handling cyber breach.

Refresher training was conducted for all staff in the group involved in Crisis Management on key aspects of Crisis Management.

### Operational - Risks associated with Workplace Safety

As a recognition of the Group's continuing efforts in improving workplace safety and health for its employees, most of its Singapore's operations have been awarded with Singapore's bizSAFE certificates. Plants are also surveyed, to identify potential fire hazards and non-compliance to fire safety standards.

### Country Risks

The Group recognises the importance of maintaining a consistent and cohesive ERM programme across the 11 countries where it has a presence, and continues to reinforce risk and BCP awareness throughout the Group.

It also builds on the close working relationships with local authorities and business partners to keep abreast of political, regulatory and economic developments in countries where the Group operates.

The insurance programmes are also reviewed annually to take into account the changing needs of the businesses and the operating environment to better mitigate losses in the event of a claim. Plant and equipment are revalued periodically to ensure adequacy of insurance coverage.

### RISK CULTURE

The RMC encourages proactive and periodic benchmarking of the Group's ERM, BCP, Cyber Security preparedness and insurance programmes against industry best practices and standards. It takes into account recommendations from consultants and insurance advisers in mitigating cyber security and terrorism risks, pandemic, epidemic and adverse climate situations, to ensure that the ERM, BCP and insurance programmes remain adequate and effective.

As every member of staff has a role to play in risk management and BCP, awareness workshops, facilitated by the business divisions and Group Risk Management, are organised for new staff and entities of the Group quarterly. Refresher sessions are organised when required.