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. It integrates 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 F&N and its shareholders.

The Risk Management Committee assists the Board in its risk oversight. In particular, the committee focuses on the Group's risk appetite, risk tolerance and risk policies, provides guidance on key risks, and ensures that Management has in place an effective and adequate risk management framework.

This year, the scope of the Risk Management Committee has been expanded to include consideration of risks posed by environmental, societal and governance ("**ESG**") factors that can, and increasingly impact F&N's ability to achieve its strategic objectives. Consequently, this committee was reconstituted as the Sustainability and Risk Management Committee ("**SRMC**"). The Board believes that this sustainable enterprise-wide risk management ("**ERM**"), which connects risks, strategy and decision-making, makes the Group more resilient and competitive.

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 setting of risk appetite and risk tolerance, and identifying risks, assessing impact, determining response and recovery strategies using a top-down and bottom-up approach.

Management (business division heads and business unit heads) has the primary responsibility for identifying and managing risks, and reporting to the Board on the status and effectiveness of risks mitigation and strategy implementation. Material risks, mitigating measures, Key Risk Indicators ("**KRIs**") and risk ratings are reviewed regularly by the Management.

The key risks of the various business units are consolidated for review by CEOs of the Group's business divisions; and subsequently circulated to the F&N SRMC at least three times a year. The Audit Committee and Board review F&N's key risk profile annually.

Each business division has a dedicated risk coordinator to conduct risk analyses with Management. Risk coordinators compile timely reports for submission to the Division Head and conduct briefings on adopted risk policies and practices. The objective is to promote a culture of risk awareness.

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 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, Audit Committee and SRMC on the adequacy and effectiveness of the Group's risk management system and internal controls.

These assurances for FY2018 are disclosed on Page 74 of this report.

KEY RISKS IN FINANCIAL YEAR 2018

As at 30 September 2018 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.

The key risks facing the Group include:

(i) changing consumer trend and the impact its products have on the environment

(ii) competition from disruptive technology and

(iii) the risks associated with mergers, acquisitions and industry consolidation.

The Group has continued to work on the development of the soft drink category, focusing on low-calorie, sugar-free and sugar-reduced products. In F&N, we are passionate about improving the environment through finding new innovative ways to reduce waste and extend shelf life (refer to F&N Sustainability Report pages 52 to 83 on the Group's initiatives). The effectiveness of these measures are regularly monitored and evaluated to address the preferences and needs of the consumers.

Similar to the change in consumer demands, the pace of change in technology is also driving our strategic sustainability initiatives. The Group continues its efforts to connect with customers on digital and social platforms and drive sales through e-commerce platforms.

The Group has in place an investment approval process whereby a disciplined approach is taken to review key risks and opportunities presented by potential investments. As part of the approval process, all major investment opportunities are subject to due diligence and are evaluated by cross-functional project team. This ensures that the potential investment is in line with the Group's vision, underlying risk factors and the required return.

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 the spread of misinformation around the world, 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 regularly to ensure it reflects the current needs, objectives and strategy of the business.

Operational – Risks associated with Business Interruption

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's cyber security measures are reviewed regularly 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 conducts call notification exercises, walk-through and desktop exercises, mock product recalls and IT Disaster Recovery Exercises.

All staff in the Group involved in Crisis Management are trained on key aspects of Crisis Management.

Operational – People Risks

People are the most important asset in the Company. The Group recognises the importance of identifying and growing its talent pool to successfully transform our business. Team building workshops and competency based trainings are organised periodically. 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 SRMC encourages proactive and periodic benchmarking of the Group's ERM, BCP 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, BCP and cyber security awareness workshops, facilitated by the business divisions and Risk Management, are organised for new staff and entities of the Group quarterly. Refresher sessions are organised when required.