

Risk Management

ENTERPRISE RISK MANAGEMENT PROGRAMME

SPH has established a holistic Enterprise Risk Management Programme (ERM Programme), which complies with the Corporate Governance Council's Risk Governance Guidance for Listed Boards, so as to ensure that the Group's resources are employed in a prudent and effective manner to harness opportunities while mitigating threats. This is centered around an ERM framework that identifies, evaluates and reviews the major risks that SPH faces.

ERM FRAMEWORK

Our ERM framework, which is modelled on the ISO 31000: 2018 Risk Management – Principles and Guidelines, covers the key strategic, operational, financial, compliance and information technology risks facing SPH. The ERM framework is supported by appropriate risk management policies and procedures which provide guidance to our various business units on managing risks.

RISK GOVERNANCE

Our ERM Programme is reviewed on a regular basis and, where appropriate, refined by key Management with guidance from the Board Risk Committee (BRC) and the Board of Directors (Board).

The Board, through the BRC, has overall responsibility for risk governance and ensures that the Management maintains a robust system for risk management in order to safeguard stakeholders' interests as well as the Group's assets and resources. In addition, the BRC sets the tone on the appropriate risk culture and provides guidance on the enterprise risk management system and the corresponding policies and procedures. The BRC meets quarterly, and currently comprises of four independent Board members and the CEO. The meetings are also attended by key Management.

The BRC and the Board regularly review the top Enterprise Risks, taking into account the Group's strategic objectives and priorities in the context of the requirements of various stakeholders, including the regulatory frameworks of the various geographies and industries within which SPH operates. Key risk indicators are identified, measured, monitored and reported to BRC and key Management. To ensure that risks are adequately and effectively managed, we adopt a forward-looking risk culture and industry best practices by embedding processes to scan the environment for new and emerging risks and opportunities

and concomitantly, update our understanding of previously identified risks.

Our risk governance framework enables the BRC to monitor risks, proactively seek assurance and ensure that any inadequacies are addressed promptly. The framework also facilitates the Board in carrying out its duties in reviewing, assessing and disclosing the adequacy and effectiveness of the risk management and internal control systems in SPH.

ENTERPRISE RISK MANAGEMENT PHILOSOPHY AND APPROACH

Our philosophy and approach to Enterprise Risk Management (ERM) is as follows:

- Our overarching ERM principle is that risks can be managed but cannot be totally eliminated. Accordingly, our risk exposures are mitigated to acceptable levels by a continuous and iterative process involving inputs from the respective business units;
- ERM should be aligned with and driven by business values, goals and objectives;
- BRC shall be consulted on material matters relating to the various key enterprise risks and development of risk controls and mitigation processes;
- Risk management is the responsibility of all staff. As such, risk awareness among staff is critical and we promote such awareness through constant communication and education;
- Risk management processes are integrated with other business processes such as corporate planning and business development; and
- Where possible, risks are shared and transferred via relevant insurance policies.

The key outputs of our Enterprise Risk Management Programme are:

- Identify key risks affecting SPH's strategic plans, business objectives and major investments;
- Identify and develop strategic options and mitigants required to treat the identified risks;
- Implement measures and processes required for monitoring and review of risk severity and treatment effectiveness; and
- Update the BRC and the Board promptly on emerging risks and any changes to the identified risks.

Risk Management

The following sections outline the enterprise risks that may impact SPH, and the approaches to manage these risks.



COVID-19 RISKS

When Covid-19 surfaced in early 2020, SPH recognised the risk of possible infection which might disrupt our businesses. We assessed the potential impact of Covid-19 on our businesses and undertook initiatives to protect our employees whilst maintaining key operations, reviewed various financial scenarios and also stabilised our supply chain to ensure continuity of operations.

In line with government directives, we implemented telecommuting and split team operations for our employees. As we had embarked on our digital transformation, we were prepared for the transition for staff to work from home, as well as to implement split operations expeditiously. Currently, measures are in place to ensure safe environments for our staff and customers. The BRC and Board have been updated regularly about the impact of Covid-19 on the financial and operational performance of our various businesses.



ECONOMIC AND BUSINESS RISK

Adverse macroeconomic conditions in the global and domestic environment may have a significant impact on our portfolio of businesses going forward. Singapore's GDP growth has been adversely impacted by the Covid-19 pandemic. The outlook for 2021 is uncertain, with expectations of a global recession amid a second wave of infections. Recovery could take some time and present significant uncertainties for SPH's businesses. We proactively manage risk exposure on the economic front by prudently reducing costs and maintaining a healthy cash reserve to ensure the robustness of our balance sheet. We have also streamlined our portfolio of businesses by divesting our non-core assets.

A rapidly evolving multimedia landscape continues to pose challenges to SPH's core media businesses. In order to

stay ahead of such disruptive forces and meet customers' evolving needs, we continue to enhance our media offerings, while constantly monitoring the risks affecting our media businesses and striving to harness available opportunities to refresh our products and services to stay ahead of the curve.

As we diversify into new growth verticals such as overseas properties and aged care, we are mindful of associated risks such as Covid-19, execution and reputational risks. We adopt appropriate business practices to ensure that our values and reputation are not compromised and that business growth is sustainable.



REGULATORY/COMPLIANCE RISK

Our newspaper business is dependent on the annual renewal of printing licence and newspaper permit licence for each newspaper, pursuant to the provisions of the Newspaper and Printing Presses Act (Chapter 206, Singapore Statutes). The Group's online publications and radio business are also subject to the Broadcasting Act and its relevant Codes of Practice. Failure to comply with the relevant Acts and Codes may subject SPH to significant liabilities, such as fines, suspension, or the revocation of operating licences. In addition, SPH is also required to comply with other statutory and regulatory requirements such as the Singapore Exchange Listing Manual requirements, the Companies Act, Monetary Authority of Singapore regulations, the Securities & Futures Act, the Competition Act and market practice codes prescribed by the Infocommunications Media Development Authority of Singapore. SPH's other business segments like aged care and purpose-built student accommodation (PBSA) are also subject to the applicable statutory and regulatory requirements such as the Private Hospitals and Medical Clinics Act, Allied Health Professions Act and the Nurses and Midwives Act for the aged care business, and the Housing Act 2004 (England), Housing Act 2006 (Scotland) and the Building Act 1984 for PBSA.

In response to such statutory and regulatory requirements, we have implemented compliance frameworks and internal protocols to monitor the level of compliance and minimise any lapses.

We have put in place formal processes for Workplace Safety and Health compliance for our offices, warehouses, businesses and public facing services.

There are also policies and processes in place to comply with the requirements of the Personal Data Protection Act 2012 (PDPA) and the European Union General Data Protection Regulation (GDPR), where applicable.



OPERATIONAL RISK

Operational risk relates to the risk of business operations failing due to human error and inadequate and ineffective controls in systems or processes. Such operational risks are inherent in organisations with multiple functions.

Effective operational risk management is one of the fundamental elements in our ERM Programme, and we have designed and implemented our system to mitigate such risk.



NEWSPRINT COST RISK

One of our main cost drivers is newsprint price. A significant spike in newsprint price or a reduction in newsprint availability can result in higher production costs and adversely impact our operating margins. To mitigate the risk, we have adopted measures such as advance purchasing and developing a core group of reliable, sustainable and responsible suppliers.



FRAUD RISK

SPH does not tolerate any malpractice, impropriety, statutory non-compliance or wrongdoing by staff in the course of their work. Our anti-fraud stance and practices are communicated through our Code of Ethics. The Code of Ethics also covers areas to safeguard the integrity of our assets, proprietary information and intellectual property.

We seek to promote and foster a strong fraud risk awareness culture by making the Code of Ethics accessible to employees via the staff portal and to new staff during the staff induction programme. We also have in place a Whistle-blowing Policy to guide staff and other stakeholders to raise concerns, in confidence, about possible improprieties e.g. fraud, corruption and employee misconduct. The Whistle-

blowing policy and hotline number are found on the staff portal and internet (<https://www.sph.com.sg/corporate-governance/whistleblowing-policy-procedure/>).



TECHNOLOGY AND CYBER RISK

In order to sustain our competitive edge in the media industry amidst rapid technology changes, we strive to stay on top of cybersecurity and technological trends, implementing adequate and effective IT controls to address potential exposures and threats. We have established various measures towards ensuring the security of our IT systems and to further strengthen our cybersecurity posture. As cyber-attacks become more organised and sophisticated, we will continue to invest in strengthening our cyber defences.

In order to foster a culture of awareness, the Group's Information Technology Acceptable Use Policies are communicated to all staff. The policies guide all staff on appropriate and acceptable use of computing resources such as hardware, software and data. Cybersecurity awareness education is conducted regularly to strengthen corporate awareness against potential hacking, phishing, malware and other cyber-crimes. In the coming financial year, we will continue to prioritise cybersecurity measures to ensure continued access and confidence in the robustness of our key systems.



BUSINESS CONTINUITY RISK

Availability and safety of our newspaper printing facilities, aged care facilities, student accommodation properties and retail properties are of paramount importance to SPH as our customers rely on SPH to provide them with seamless services and trustworthy products.

We recognise our organisation's exposure to internal and external threats and seek to increase our resilience to minimise the impact of a crisis on business operations, people and assets. Putting in place effective prevention and recovery measures will ensure that we continue to maximise value for our stakeholders.

Our Business Continuity Planning Programme (BCP Programme) aims to minimise any disruptions to our critical business activities and to restore services quickly in the event of a disruption. To instill resilience in our operations, staff from frontline and supporting business units participate in simulation exercises that are conducted periodically.