

# Risk Management

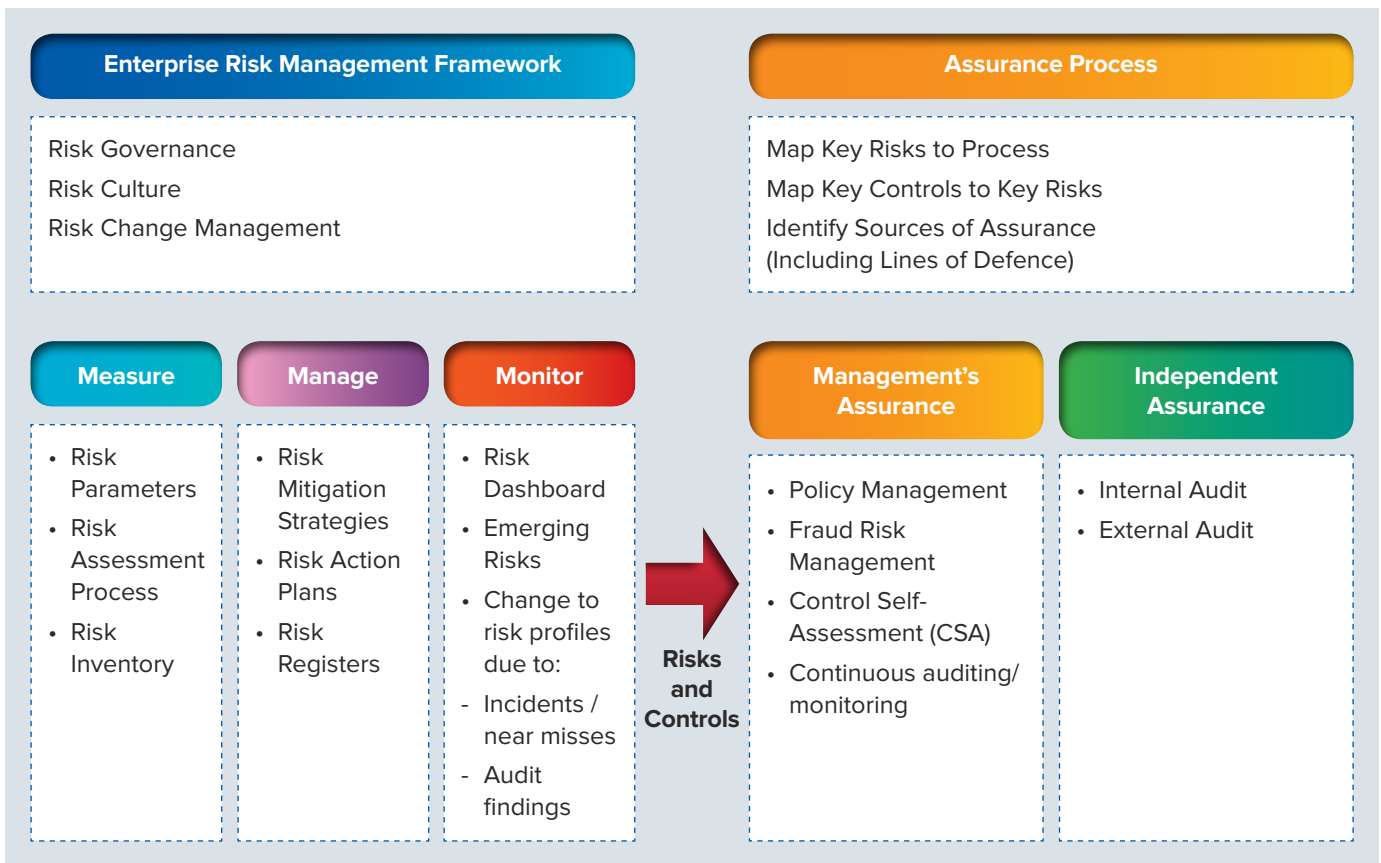
## Risk Management Programme

The business entities of the SPH Group have integrated risk management in their activities to create, enhance, and protect value for stakeholders. Undertaken as part of day-to-day operations, SPH proactively manages risks and has, wherever applicable, complied with the Risk Governance Guidelines for Listed Boards. The Board, through the Board

Risk Committee (BRC), is overall responsible for the governance of risk within the Group and ensures that Management maintains a sound system of risk management and internal controls to safeguard stakeholders' interests and the company's assets. In the process, the Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives.

The Board is also involved in setting and instilling the right culture throughout the Company for effective risk governance.

The Board Assurance Framework below illustrates how the Board obtains assurance on the adequacy of SPH's risk management and internal controls.



SPH advocates a continuous and iterative process for enhancing risk awareness across the organisation through an enterprise-wide risk management framework (ERM) framework. The SPH ERM framework was modelled largely on the ISO 31000:2009 Risk Management – Principles and Guidelines. The framework provides the operating units and support functions (Business Units) a consistent approach for risk identification and

institutes a common platform to discuss and manage risks. Together with the various Business Units, the Risk Management Department (RMD) identifies, manages and reports the key risks faced by the company to the BRC, which then updates the Board. RMD is also responsible for ensuring that the risk management framework is effectively implemented and that risk registers are maintained by the respective Business Units.

All Business Units carry out a risk review on a regular basis to ensure that risk registers are up-to-date and risk controls are enhanced and kept current. RMD makes regular reports on the company's risk management activities which include operational, financial, compliance, information technology management, internal controls and risk management systems to the BRC.

SPH's risk management philosophy is built on a culture where risk exposures are mitigated by calibrating risks to acceptable levels whilst achieving the organisation's business plans and goals. As part of the company's efforts to ensure that risk management practices are firmly established at all levels, nominated risk coordinators from each Business Unit closely monitor and promptly flag risk events. Risks are systematically managed and reviewed at strategic, operational and project levels. Wherever possible, SPH practises risk transfer by purchasing relevant insurance policies such as Industrial Special Risks, Media Industry Professional Indemnity, Public Liability, Work Injury Compensation, Group Personal Accident and Fidelity Guarantee policies. In pursuit of SPH's risk management philosophy, the following ERM principles apply:

- Risks can be managed, but cannot be totally eliminated.
- ERM is aligned with, and driven by, business values, goals and objectives.
- All staff must assume ownership of Risk Management.
- Engagement of BRC on material matters relating to the various types of risks and development of risk controls and mitigation processes.
- Risk management processes are integrated with other processes including budgeting, mid/long-term planning and business development.

The key outputs of SPH's Risk Management are:

- Defining a common understanding of risk classification tolerance.
- Identifying key risks affecting business objectives and strategic plans.
- Identifying and evaluating existing controls and developing additional plans required to treat (mitigate, reduce, transfer, etc) these risks.

- Implementing measures and processes to enable ongoing monitoring and review of risk severity and treatment effectiveness.
- Identifying changes to risks or emerging risks and promptly bringing these to the attention of the Board where appropriate.
- Risk awareness training and workshops.
- Continuous improvement of risk management capabilities.

In the previous year, BRC launched an exercise to review common key risks with a view to normalise the treatment and controls assigned at divisional level. RMD continues to review the common key risks to ensure that the significant divisional risks reflect the treatments and controls that are aggregated at corporate level.

SPH has also developed a risk appetite framework to determine the amount and types of risks it regards as appropriate in order to execute its strategy. The Board regularly reviews and calibrates the high-level risk appetite statements in the context of the Group's strategy and the requirements of various stakeholders, including the regulatory framework in which we operate. Guided by these high-level risk appetite statements, individual divisions and business functions prepare specific risk appetite statements which govern their objectives.

The following sections outline the risk environment that may impact the financial status and operational effectiveness of SPH's businesses and the approaches to managing these risks.

#### **Economic and Business Risks**

Adverse macroeconomic conditions, globally and locally, have a significant impact on SPH's principal business segments. SPH actively manages its risk exposure on the economic front by proactively streamlining its business processes and adopting prudent fiscal controls.

A rapidly evolving multimedia landscape creates challenges to SPH's core business with media convergence providing alternative choices for readers and advertisers. In order to stay ahead of such developments, SPH constantly assesses the risks affecting its business and plans to harness available opportunities to improve its existing products and services as well as creating new ones in response to customer needs. In addition, SPH has diversified into other business areas such as properties, events and offering digital platforms to reduce its dependency on print revenue.

#### **Operational Risks**

As a large organisation with many functions and processes, SPH faces the risk of business operations failing due to human error.

SPH's system of internal controls is designed and operated to support the identification, evaluation and management of risks affecting the group at all operational levels. This system of internal controls focuses on the financial reporting process and the preparation of consolidated accounts and extends across all areas of operations. Operational risk management is integrated into the daily operations of all Business Units. These Business Units are provided with guidance by RMD in the identification, assessment, mitigation and monitoring of risks in their operations.

#### **Technology & Cyber Risks**

In order to sustain the Group's competitive edge in the media industry amidst rapid technology changes, SPH's Information Technology Division plays a vital role by facilitating a thorough understanding of evolving risks in technology and cyber security. It also implements tight controls within the corporate systems to address the threats. In this respect, the Group's Information Technology Acceptable Usage Policy is prescribed to guide all staff on appropriate and

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acceptable use of computing resources including computers, networks, hardware, software, email, applications and data in order to ensure the efficiency and integrity of these computing resources. All systems containing personal data are regularly reviewed to ensure that the security features are adequate for safeguarding and preventing unauthorised use or disclosure of any personal data that is in the Group's possession.

## Regulatory/Compliance Risks

SPH's newspaper business is subject to the annual renewal of its printing licence and newspaper permit licence for each newspaper, pursuant to the provisions of the 'Newspaper and Printing Presses Act' (Chapter 206, Singapore Statutes). Failure on its part to comply with the Act may subject SPH to significant liabilities, such as fines, suspension, or the revocation of the licence. In addition, SPH is also obligated to comply with other statutory and regulatory requirements such as the Singapore Exchange Listing Manual requirements, the Companies Act, the Competition Act, and market practice codes prescribed by the Media Development Authority of Singapore.

In response to such statutory and regulatory requirements, SPH has also implemented compliance frameworks that include instructional tools and processes to monitor the level of compliance and minimise any lapses.

SPH has put in place formal processes for Workplace Safety and Health compliance to all office, warehouses, business and public services. In accordance with the new Energy Conservation Act, SPH will put in place controls at the main printing plant, to reduce energy consumption over the next five years using the energy consumption for 2013 as a base-line.

The Group is committed to comply with the requirements of the Personal Data Protection Act 2012 (PDPA) and has installed a compliance framework containing policies and practices to regulate the proper management of personal data in the Group. The organisation has a process where consent of individuals are obtained for use, collection and distribution of their personal data. In addition, the Group's Privacy Policy Statement is published on its websites to provide the general public with information about how it collects, uses and discloses personal data in its business.

## Newsprint Cost Risks

One of the main cost drivers in SPH business is newsprint prices. The cyclical fluctuation of newsprint prices has a substantial impact on newspaper publishing costs. A significant spike in newsprint price or a reduction in the availability of newsprint can result in higher production costs and impact on its operating margins.

To mitigate against this, SPH adopts measures such as advance purchasing and developing a core group of reliable, sustainable and responsible suppliers.

## Business Continuity Risks

Availability and safety of its printing facilities, editorial functions and data centres are of paramount importance to SPH as its readers rely on SPH to provide them with timely and essential news via its suite of newspapers, online and mobile news and other services.

SPH recognizes the organisation's exposure to internal and external threats and seeks to increase the resilience of the Group to potential business interruptions and to minimise the impact of a crisis on business operations, people and assets. The effective prevention

and recovery for the organisation will ensure that SPH continues to maintain its competitive advantage and maximise value for its stakeholders.

Towards this end, SPH has a comprehensive Business Continuity Planning programme (BCP) to minimise any disruptions to its critical business activities and ensure that the populace continues to be informed in the face of crisis. Simulation exercises are conducted, on location, periodically. Front-line staff, as well as operating and supporting Business Units are involved to ensure operational preparedness. The Group continues to scan for possible threats and establish plans to enhance its BCP.

## Fraud Risks

Every organisation faces some risk of fraud incidents from within. SPH has a Code of Business Ethics and Employee Conduct (Code of Conduct) which states that the company does not tolerate any malpractice, impropriety, statutory non-compliance or wrongdoing by staff in the course of their work. The Code of Conduct covers areas such as fraud, business and workplace behavior, safeguarding of assets, proprietary information and intellectual property. Any breach of the Code of Conduct may result in disciplinary action including dismissal or termination of the employment contract. A WhistleBlower Policy is published on the local network and internet ([http://www.sph.com.sg/whistleblowing\\_policy.shtml](http://www.sph.com.sg/whistleblowing_policy.shtml)) for staff and public information with a hotline number made available for complaints and any observations to be raised.