

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, to ensure that the Group's resources are employed in a prudent but effective manner to harness opportunities while mitigating threats.

ERM FRAMEWORK

Our ERM framework is modeled largely on the ISO 31000:2009 Risk Management – Principles and Guidelines, and cover the key strategic, operational, financial, compliance and information technology risks facing SPH. The ERM framework is supported by appropriate risk policies and procedures and provides guidance to our various business units on managing risks.

RISK GOVERNANCE

Our ERM Programme and internal controls are 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 Management maintains a robust system of risk management and internal controls to safeguard stakeholders' interests and the company'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 which meets quarterly, currently comprises of three independent Board members and the CEO. The meetings are attended by key Management.

The Enterprise Risk Appetite Statement addresses the key risks and sets out the risk appetite and tolerance for the Group. The BRC and Board regularly review the Enterprise Risk Appetite Statement, 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. Guided by the Enterprise Risk Appetite Statement, each business unit then establishes its respective risk appetite statement to govern operations. Key Risk Indicators are identified, measured, monitored and reported to BRC and key Management. To ensure that risks are adequately and effectively managed in a rapidly evolving business environment, 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 identified risks.

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

ENTERPRISE RISK MANAGEMENT PHILOSOPHY AND APPROACH

Our philosophy and approach to Enterprise Risk Management (ERM) is set out below:

- ➔ 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 is aligned with and driven by our business values, goals and objectives.
- ➔ BRC is 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 budgeting, mid/long-term planning and business development.
- ➔ Where possible, risks are shared and transferred via relevant insurance policies such as Industrial All Risks, Public Liability, Work Injury Compensation, Fidelity guarantee, Cyber Liability, Multimedia Professional Indemnity, and Group Personal Accident policies.

The key outputs of our Enterprise Risk Management Programme are:

- ➔ Identify key risks affecting major investments, business objectives and strategic plans.

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- ➔ Identify and evaluate existing controls and develop additional plans required to treat the identified risks (mitigate, reduce, transfer, etc).
- ➔ Implement measures and processes to enable the ongoing monitoring and review of risk severity and treatment effectiveness.
- ➔ Identify changes to identified risks, or emerging risks and promptly bring these to the attention of the Board where appropriate.

The following sections outline the risk environment that may impact SPH's businesses and our approach to managing these enterprise risks.

ECONOMIC AND BUSINESS RISK

Adverse macroeconomic conditions in the global and domestic environment could have a significant impact on our businesses. Singapore's 2019 GDP growth has been forecasted by MTI to be between 0.0% and 1.0%, with the economic outlook for next year expected to be cloudy. Strong disruptive headwinds such as the China-US trade war could trigger a global recession and present significant uncertainties and downside risks. We proactively manage risk exposure on the economic front by making sustained efforts to diversify into new growth markets locally and overseas, as well as streamlining our business processes for cost optimisation and adopting prudent financial management practices.

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 sharpen 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 execution and reputational risks. To manage such risk exposure, we adopt appropriate business practices that facilitate effective execution whilst ensuring that our values and reputation are not compromised.

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 technological trends and implement adequate and effective IT controls to address potential exposures and threats. During the year, we have worked to identify and implement various measures to further strengthen our cyber security posture. As cyber attacks become more organised and sophisticated, we will continue to invest to strengthen our cyber defences.

We further recognise that human weakness presents a most fundamental threat to cyber and information security. In order to ensure the efficiency and integrity of our IT systems, the Group's Information Technology Acceptable Use Policies are put in place to guide all staff on appropriate and acceptable use of computing resources such as hardware, software and data. Cyber-security awareness education is a continuous cultural

initiative implemented to strengthen corporate defence behaviour against potential hacking, phishing, malware and other cyber-crimes.

REGULATORY/ COMPLIANCE RISK

Our newspaper business is dependent on the annual renewal of the 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 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 order to ensure compliance with such statutory and regulatory requirements, we have implemented compliance frameworks that include

instructional tools and processes 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 services.

We have 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, and is always inherent in organisations with multiple functions.

Effective operational risk management has always been one of the fundamental elements of our ERM Programme, and we have designed and implemented our system of internal controls with a view to mitigate such operational 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.

BUSINESS CONTINUITY RISK

Availability and safety of our newspaper printing facilities, editorial functions and data centres are of paramount importance to SPH as our readers rely on SPH to provide them with timely and accurate news via our suite of news products and services.

We recognise our organisation's exposure to internal and external threats and seek to increase our resilience to potential business interruptions and 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. Towards this end, we have a comprehensive Business Continuity Planning Programme (BCP Programme) to minimise any disruptions to our 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.

FRAUD RISK

Every organisation faces some risk of fraud incidents from within. SPH has a Code of Ethics which includes policies on Workplace Conduct and Fraud Risk Management. The SPH Code of Ethics 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 Ethics also covers areas such as safeguarding of assets, proprietary information and intellectual property. Any breach of the Code of Ethics may result in disciplinary action including suspension or termination of employment. To promote and foster a strong risk awareness culture, the Code of Ethics is accessible to all employees via the staff portal and new staff are educated on the guidelines as part of our staff induction programme.

We also have in place a Whistle-blowing Policy which staff and any other persons may, in confidence, raise concerns about possible improprieties including matters involving fraud, corruption and employee misconduct. The policy is published on the staff portal and internet (<https://www.sph.com.sg/corporate-governance/whistleblowing-policy-procedure/>) for staff and public information with a hotline number, email and online form made available for complaints and any observations to be raised.