

# RISK MANAGEMENT

## Risk Management Programme

SPH embraces a holistic Enterprise Risk Management Programme (ERM), which complies with the Risk Governance Guidelines for Listed Boards, to manage its risks across the organisation. The ERM is implemented by the operating units and support functions (Business Units) as part of their day-to-day operations.

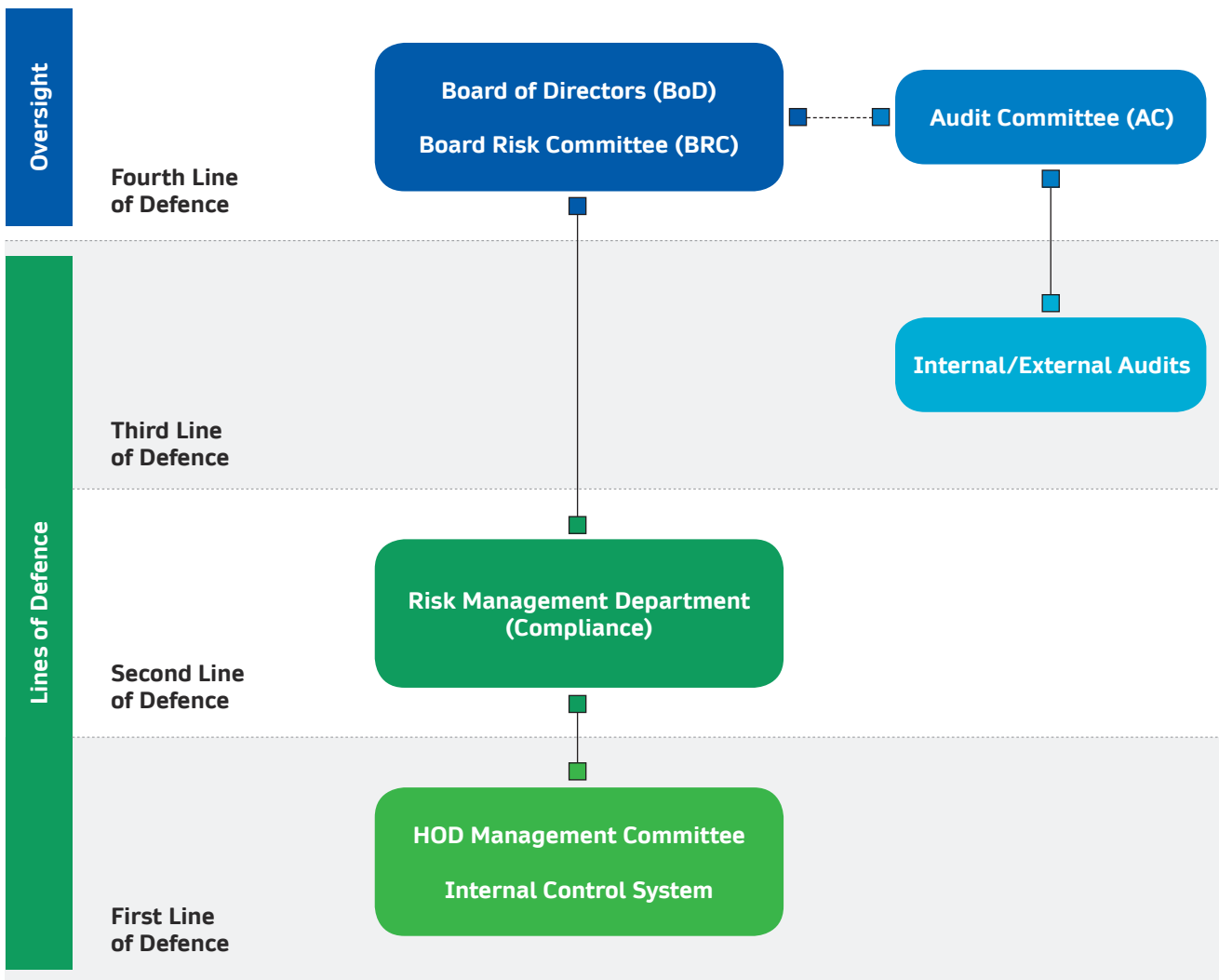
The SPH ERM framework was modelled largely on the ISO 31000:2009 Risk Management – Principles and Guidelines. Business Units carry out a risk review on a regular basis to ensure that risk registers are up-to-date and risk controls are enhanced and kept current.

The Board, through the Board Risk Committee, is overall responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard

stakeholders’ interests and the company’s assets. The Board is also involved in setting and instilling the right culture throughout the company for effective risk governance.

The Risk Management Department (RMD) oversees the SPH ERM framework and reports to the Board Risk Committee on the company’s risks under the categories of operational, financial, compliance and information technology management. The Board regularly reviews the high-level risk appetite statements in the context of the corporate strategies and the requirements of various stakeholders, including the regulatory framework in which we operate. Guided by these high-level risk appetite statements, each Business Unit establishes its respective risk appetite statement to govern its operations. Key Risk Indicators are identified to monitor and calibrate the risks and align them with the Group’s strategic objectives.

## Overview of SPH’s ERM Governance Structure



### Risk Governance & Culture

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 Board Risk Committee 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.

SPH's risk management philosophy is built on a culture where risk exposures are mitigated to acceptable levels by a continuous and iterative process among Business Units. Risk awareness is enhanced through communication, education and workshops.

SPH has an Incidents Reporting framework which provides the channel for Business Units to report to the Board Risk Committee on risk incidents and the treatments implemented to mitigate the consequences and likelihood of future recurrence. SPH also practises risk-transfer solutions by procuring relevant insurance policies, wherever possible, such as Industrial Special Risks, Media Industry Professional Indemnity, Public Liability, Work Injury Compensation, Group Personal Accident, Cyber Security and Fidelity Guarantee policies.

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 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 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. Cybersecurity awareness education for staff is also implemented to strengthen the corporate defence behaviour towards potential hacking and other cyber crimes.

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## 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). Its online publications are also subject to the Broadcasting Act and its relevant Codes of Practice. Failure on its part to comply with the relevant Acts 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 Securities & Futures 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 is 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 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 newspaper 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 latest annual Disaster Recovery Exercise in June and July 2016 which included simulation training for the newsroom and major Business Units like Marketing and Finance were conducted successfully. Following this Exercise, we proceeded to update and improve the Emergency Operations Plan. 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. The Group seeks to promote and foster a strong risk culture by making the Code of Conduct accessible to employees via the staff portal and new staff are made aware of the guidelines through the staff induction programme. A WhistleBlower Policy is published on the local network and internet (<http://sph.com.sg/corporate-governance/whistleblowing-policy-procedure/>) for staff and public information with a hotline number made available for complaints and any observations to be raised.