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 ensure that the Group's capabilities and resources are employed in an efficient and effective manner to manage both opportunities and threats.

Risks are managed accordingly to the SPH ERM framework, modelled largely on the ISO 31000:2009 Risk Management – Principles and Guidelines, which is implemented across the group and are supported by appropriate risk policies and procedures. The framework provides an universal risk language and sets out the structural components to guide the business units and support functions. The Risk Management Programme and internal controls are reviewed on a regular basis and, where appropriate, refined by Management with guidance from the Board Risk Committee (BRC) and the Board of Directors (Board).

The Board, through the BRC, has an overall responsibility for the governance of risk and ensures that Management maintains a robust 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 BRC provides guidance to the Management in the company's risk management related policies and framework. The BRC currently comprises four independent Board members and meets three times a year. The meetings are attended by the CEO as well as other key Senior Management staff. The SPH ERM framework covers the company's risks under the categories of strategic, operational, financial, compliance and information technology management.

The Enterprise Risk Appetite Statement addresses the key risks and sets out the risk appetites and tolerance for the Group. 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 SPH 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. In an increasingly dynamic and changing business environment, SPH is continuously exploring best practices, and adopts a forward looking risk culture by embedding processes to scan its environment for new and emerging risks and opportunities and concomitantly, to maintain an understanding of existing risks.

The Board Assurance Framework is developed as part of the Enterprise Risk Governance requirements to monitor, proactively seek assurance and ensure inadequacies are addressed through the scrutiny of the Board. It acts as a framework for the Board to satisfy its duties and obligations in relation to reviewing, concluding and disclosing the adequacy and effectiveness of risk management and internal control systems across SPH.

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 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.

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
Operational risk is always inherent in organisations with multiple functions. SPH likewise, faces the risk of business operations failing due to human error and inadequate controls in systems or processes.

Effective operational risk management has always been one of the fundamental element of SPH's risk management programme. The risks are being mitigated by SPH's system of internal controls, which is designed to the extent possible that the Business Units' activities are efficient and effective.

Technology & Cyber Risks
In order to sustain the Group's competitive edge in the media industry amidst rapid technology changes, SPH strives to stay on top of technological trends and implements tight controls within the IT systems to address the exposures and threats. Investment to strengthen cyber defences continues apace with the increased threat level posed by more sophisticated attacks. SPH further recognises that a most fundamental threat to cyber and information security is caused by human faults. 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. Cybersecurity awareness education is a continuous, cultural initiative implemented in SPH to strengthen the corporate defence behaviour towards potential hacking and other cyber-crimes. SPH views data security seriously. 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 dependent on 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 and radio business are also subject to the Broadcasting Act and its relevant Codes of Practice. Failure on its part to comply with the relevant Acts and Codes may subject SPH to significant liabilities, such as fines, suspension, or the revocation of the licence. 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 Infocomm Media Development Authority of Singapore.

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In response to such statutory and regulatory requirements, SPH has 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 for all its office, warehouses, business and public services.

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 collection, use and disclosure 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 recognises 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 July 2017 which included simulation training for the newsroom and major Business Units like Marketing and Finance was conducted successfully. Following this Exercise, we have updated our Emergency Operations Plan which is applicable during National Emergency. 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. **The Group also has 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 local network and internet (http://www.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.