

ENTERPRISE-WIDE RISK MANAGEMENT

Enterprise-wide risk management (ERM) is an essential part of Frasers Property's business strategy. We maintain a risk management system to proactively manage risks at the strategic, tactical and operational level to support the achievement of our business objectives and corporate strategies. Through active risk management at all levels, the management of Frasers Property creates and preserves value for the Group.

Our Board of Directors is responsible for the governance of risks across the Group and ensuring that the management maintains a sound system of risk management and internal controls to achieve business objectives. It is assisted by the Risk Management Committee (RMC) to oversee our ERM framework, determine the risk appetite and risk strategy, assess our risk profile, material risks, and mitigation plans, as well as to ensure the adequacy and effectiveness of our risk management policies and procedures. The RMC comprises members of the Board who meet quarterly to review material risk issues and the mitigating strategies for such risks. All material risks and risk issues are reported to the RMC for review.

The RMC, on behalf of the Board, approves Frasers Property's risk tolerance statements, which set out the nature and extent of the significant risks that we are willing to take in achieving our business objectives. The risk tolerance statements are supported by the risk thresholds which have been developed by the management. These thresholds set the risk boundaries in various strategic and operational areas and serve as a guide for the management in their decision making. The risk tolerance status is reviewed and monitored closely by management. Any risk that

has escalated beyond its threshold will be highlighted and addressed. The risk tolerance status, together with any associated mitigating action plan, will be reported to the RMC.

RISK MANAGEMENT PROCESS

To facilitate a consistent and cohesive approach to ERM, we have developed an ERM framework and process. We adopt a robust risk management framework to maintain a high level of corporate discipline and governance. The risk management process is implemented by the management for the identification and management of risks of the Group. The process consists of risk identification, risk assessment and evaluation, risk treatment, risk monitoring and reporting.

The ERM framework links Frasers Property's risk management process with the strategic, tactical objectives and operations. Risks are identified and assessed, and mitigating measures developed to address and manage those risks. The ERM framework and process are summarised in an ERM policy for employees.

The risk management process is integrated and coordinated across our businesses. The ERM framework and process apply to all our business units. The risk ownership lies with the heads of the respective business units who consistently review risks and ensure the control measures are effective. They are responsible for the development, implementation and practice of ERM within the business unit. Emerging risks that have a material impact on the business units are identified, assessed and monitored closely. The risk exposures and potential mitigating measures are tracked in risk registers maintained in a web-based corporate risk scorecard system. Where applicable, key risk

indicators are established to provide an early warning signal to monitor risks. Key material risks and their associated mitigating measures are consolidated at the Group level and reported to the RMC quarterly.

We proactively manage risks at the operational level. Control self-assessment, which promotes accountability and risk ownership, is implemented for key business processes. We have put in place a comfort matrix framework, which provides an overview of the mitigating strategies, and internal control assurance processes of key financial, operational, compliance and information technology risks.

An ERM validation is held at the management level annually. At this annual ERM validation, the heads of business units deliberate on key risks and the corresponding mitigating strategies for their business units in response to emerging risks and opportunities, provide assurance to the Group Chief Executive Officer and key management personnel that the business units' key risks have been identified and monitored, and that the mitigating measures are effective and adequate. The results of the ERM validation for the financial year ended 30 September 2020 were reported and presented to the RMC and the Board.

We enhance our risk management culture through various risk management activities. Risk awareness briefings are conducted for all levels during staff orientation. Refresher sessions are also organised for existing staff when required. Periodic discussions of risk and risk issues are held at the business unit level where emerging risks are identified and managed. Business continuity exercises are carried out at least annually at the business units and the Group level to prepare ourselves against unexpected crises.



We seek to improve our risk management processes on an ongoing basis. Our risk management system is benchmarked against market practice. During the financial year, we improved our risk management capability by enhancing the risk tools to include environmental, social and governance factors to provide a wider coverage of risk. In addition, we also identified and included definitions of key non-financial risk parameters for a more comprehensive risk assessment.

For this financial year, we have enhanced our business continuity management capability through the rolling out of a business continuity management programme at the business unit level for the Singapore strategic business unit. We will continue to roll out the business continuity management programme to other business units in the coming years. The business continuity effort is overseen by our Business Continuity Management Committee comprising key heads of departments and business units.

KEY RISKS

The Management has been actively monitoring the key material risks that affect the Group. Some material risks include:

Country risks

With diversified international operations and investments, we are exposed to economic, political and regulatory developments in major economies and key financial and property markets. The risk of adverse changes in the global economy can reduce profits, result in revaluation losses, affect our ability to sell residential development stock and exit from operations and investments.

Inconsistent and frequent changes in regulatory policies as well as security threats may also result in higher operating and investment costs, loss in productivity and disruptions to business operations.

We adopt a prudent approach in selecting locations for our investments to mitigate risks. We put measures in place to monitor the markets closely, such as through maintaining good working relationships and engaging with local authorities, business associations and

local contacts, and reviewing expert opinions and market indicators, keeping abreast of economic, political and regulatory changes as well as stepping up the crisis preparedness of our properties. Emphasis is also placed on regulatory compliance in our operations.

Financial risk

We have global operations and therefore are exposed to financial risks such as foreign exchange risk, interest rate risk and liquidity risk. We use derivatives, a mix of fixed and floating rate debt with varying tenors as well as other financial instruments to hedge against foreign exchange and interest rate exposure. Policies and processes are in place to facilitate the monitoring and management of these risks.

To manage liquidity risk, we monitor cash flow and maintain sufficient cash or cash equivalents as well as secure funding through multiple sources, to ensure that financing, funding and repayment of debt obligation are fulfilled. Our financial risk management is discussed in more detail in Treasury Highlights on pages 122 to 123 and the Notes to the Financial Statements on pages 237 to 357.

Human capital risk

We view our human capital as a key factor for driving growth. As such, talent management, employee engagement, the retention of key personnel and maintenance of a conducive work environment are important to the Group. In view of these considerations, the human resources team has developed and implemented effective reward schemes, succession planning, corporate wellness programmes and staff development programmes. Details on the various programmes and initiatives can be found in the Sustainability Report on pages 156 to 160.

Fraud and corruption risk

We do not condone any acts of fraud, corruption or bribery by employees in the course of our business activities. We have put in place various policies and guidelines, including a Code of Business Conduct and an Anti-bribery Policy, to guide employees on business practices, standards and conduct expected while in their employment with us. A Whistle-blowing Policy has also been put in place to provide a clearly defined process and independent feedback channel for employees to report any suspected improprieties in confidence and in good faith, without fear of reprisal. The Audit Committee reviews and ensures that independent investigations and appropriate follow-up actions are carried out. More details can be found in the Corporate Governance Report on pages 181 to 214.

Technology risk

Fraser's Property builds digital capabilities and invests in new technologies to ensure our business is future-ready. To safeguard against the technology risks that come with digitalisation, an Information Technology & Cybersecurity Committee comprising members of the Board and management was formed to provide oversight on technology risks. Group-wide policies, standards and procedures were established to govern the confidentiality, integrity and availability of business data and IT systems. Technology solutions were implemented to manage risk exposures such as cyber-attacks, phishing and malicious software such as ransomware. Incident Management Procedures and Disaster Recovery Plans have been established to respond to and ensure recovery from any breach of IT security. IT security training is conducted for new employees to institute awareness on evolving



▲ Capri by Fraser China Square, Singapore

threats, with ongoing training provided for existing employees as well. External IT services providers are also periodically engaged to conduct IT threat and cyber-security vulnerability assessments and consulted on proactive IT systems management.

Environmental, health and safety risks

We place importance in managing environmental, health and safety (EHS) risks in our international operations. We have put in place an EHS policy and EHS management systems in key operation areas to manage the risks. We have achieved OHSAS18001 (Occupational Health & Safety) and ISO14001 (Environment) certification or equivalent for our key operations. The Singapore Retail Mall Management has been certified OHSAS18001 and is in the process of enhancing its management system to include ISO14001 and ISO50001 in the next one to two years. The Singapore Office Building Management has achieved the ISO14001, OHSAS18001 and ISO50001 (Energy) certification. Both the Singapore Retail Mall Management and Office Building Management are in the midst of transitioning its Occupational Health

& Safety Management System from OHSAS18001 to ISO45001. Our hospitality business unit, Fraser's Hospitality, is expanding its EHS management system in accordance with ISO14001 and ISO 45001 (updated standard on Occupational Health & Safety) to cover the enlarged Singapore-managed properties. Fraser's Property Australia's key operations have also been certified ISO 14001 and AS/NZS 4801 (Australia and New Zealand Standard for Occupational Health & Safety). In Fraser's Property Thailand, a Health & Safety Policy is also in place. We will continue to extend the coverage of our EHS management systems to a wider scope of operations in the future.

Fraser's Property is also in the midst of carrying out climate risk assessment on its portfolio, based on various climate scenarios, and establishing mitigation plans to address climate risk. We set targets in reducing greenhouse gas emission, energy usage and water consumption within our investment portfolio. More details can be found in the Sustainability Report on pages 147 to 155.