

# Enterprise-Wide Risk Management

Enterprise-wide risk management (ERM) is an essential part of the Group's business strategy. We maintain a risk management system to proactively manage risks at the strategic, tactical and operational levels 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.

The 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 our business objectives. It is assisted by the Risk Management and Sustainability Committee (RMSC), which comprises members of the Board who meet quarterly to review material risk issues and the mitigating strategies for such risks, including personal data protection and sustainability practices. The RMSC oversees our ERM framework, determines the risk appetite and risk strategy, assesses our risk profile, material risks, practices and risk control measures, ensures the adequacy and effectiveness of our risk management policies and procedures, as well as oversees matters in relation to personal data protection and sustainability practices. Material risk issues are reported to the RMSC for review.

The RMSC, 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 to achieve 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 the 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 RMSC.

## 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 and 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 and departments, who consistently review risks and ensure the control measures are effective. They are responsible for the development, implementation and practice of ERM within their business units and departments. Emerging risks that have a material impact on the business units or departments 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 RMSC 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, information technology and sustainability risks.

An ERM validation is held at management level annually. At this annual ERM validation, the heads of business units and departments deliberate on key risks and the corresponding mitigating strategies for their business units and departments in response to emerging risks and opportunities. They also provide assurance to the Group Chief Executive Officer and key management personnel that their business units' and departments' 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 2021 were reported and presented to the RMSC 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 and department 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 for unexpected crisis. Proactive measures, such as the COVID-19 Response Framework and pandemic response plans,

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are activated to manage and monitor the developments relating to the impact of the COVID-19 pandemic. These include adapting our business continuity plans and measures appropriately to minimise any operational disruptions and to ensure the well-being of our stakeholders.

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, the scope of the comfort matrix that business units and departments use to document their internal control process in managing tactical risk was expanded to include factors relating to sustainability, for a wider coverage. Risk management e-learning modules were also developed to enhance risk awareness and capability, especially for new employees. For this financial year, as part of the Business Continuity Management Roadmap, we enhanced our business continuity management capability by rolling out a corporate business continuity management programme for Frasers Property China and Frasers Centrepoint Asset Management. We will continue to

extend this programme to other business units in the coming years. The business continuity effort is overseen by our Business Continuity Management Committee, comprising the 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:

#### **Business disruption and pandemic risk**

Business disruptions arising from the COVID-19 pandemic have brought about widespread impact to the real estate industry, particularly in the property development, retail, office and hospitality sectors. We proactively monitor developments relating to the impact of the COVID-19 pandemic, and respond through established crisis management and business continuity plans and the adoption of country-specific disease prevention and containment regulations. These measures help us minimise disruption and ensure the safety of our employees, tenants, guests and customers.

#### **Country risks**

With diversified international operations and investments, we are exposed to risks from 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 and affect our ability to sell residential development stock and to 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 investment 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. We also review expert opinions and market indicators, keep abreast of economic, political and regulatory changes as well as step

up the crisis preparedness of our properties. Emphasis is also placed on regulatory compliance in our operations.

### Financial risk

With global operations, we 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 obligations are fulfilled. More details can be found in Treasury Highlights on pages 42 to 43 and the Notes to the Financial Statements on pages 235 to 350.

### 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 the 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. More details can be found in the Sustainability Report on pages 100 to 175.

### 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 our employees on business practices,

standards and conduct expected while in their employment with us. A Whistle-blowing Policy is also 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 176 to 212.

### Technology risk

Frasers Property builds digital capabilities and invests in new technologies to ensure our business is future-ready, including embracing cloud technology in order to provide a higher level of business agility, scalability and cost competitiveness. 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 and cybersecurity risks. Group-wide policies, standards and procedures were established to govern the confidentiality, integrity and availability of business data and information technology systems.

The Group has invested in and implemented technology security solutions to manage exposures to risks such as cyber-attacks, phishing and malicious software, including ransomware. Incident Management Procedures and Disaster Recovery Plans have been established to respond to risks and to ensure recovery from any breach of security. We conduct security training to institute employees' awareness of evolving technology threats. External security services providers are also periodically engaged to conduct threat and cyber-security vulnerability assessments and consulted on for proactive technology risk management.

### Environmental, health & safety risks

We place importance in managing environmental, health and safety (EHS) risks in our international operations. We have put in place a Corporate Social Responsibility Policy and an EHS Policy, as well as EHS management systems in key operation areas to manage these risks. We have achieved ISO 45001 (Occupational Health & Safety) and ISO 14001 (Environment) certification, or equivalent, for our key operations. The Singapore Retail Mall Management and Office Building Management have been certified ISO50001 (Energy), on top of ISO 14001 and ISO 45001. Our hospitality business unit, Frasers Hospitality, is planning to expand its bizSAFE certification to cover the Singapore-managed properties. Frasers Property Australia's key operations have also been certified ISO 14001 and AS/NZS 4801 (Australia and New Zealand standard for occupational health and safety). In Frasers 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.

Frasers Property is also in the midst of carrying out climate risk assessments on its asset portfolio based on various climate scenarios (Below 2°C - RCP2.6 and Below 4°C - RCP8.5) and establishing mitigation plans to address climate risks. We noted that transition risks (such as carbon pricing) were prominent in the 1.5-2°C scenario, while physical risks (such as floods and higher temperatures) were prominent in the 4°C scenario. We set targets in reducing greenhouse gas emission, energy usage and water consumption within our asset portfolio. More details can be found in the Sustainability Report on pages 100 to 175.