

## Report on risk management

### Risk management

Risk is inherent in all businesses and the effective management of risk is a core competence within the Group. The Group has formally established an ERM framework since 2001 and it forms an integral part of the Group's corporate governance structure and a key management tool. The Group's Risk Management Facilitation Team provides the main support to the Risk Management Council, chaired by the Group Managing Director and comprises Senior Management staff of the Group.

The Group adopts a systematic, structured and disciplined approach to risk management through its integrated ERM. A good ERM framework advocates a holistic, robust, integrated, focused and process-oriented approach is implemented to assist the Group to manage all key businesses and opportunities with the intent of optimizing and creation of stakeholders' values for the Group as a whole.

The underlying principal of ERM is for the risk functions to operate as an independent control working in partnership with the business units to provide competitive advantage to the Group. This is also to establish a common risk management language that includes common measures around likelihood, impact and common risk categories.

The risks facing the Group in its businesses and operations can result from internal and external factors, hence the context within which the Group manages the risks and key focus of accountability are as shown in diagram A.

The Group recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is hence the Group's objective to maintain an effective risk management programme to assess and mitigate these risks and thereby facilitate the Group in meeting all its business objectives, most specifically:

- To enhance the Group's high standards of corporate governance;
- To safeguard shareholders' investment;
- To safeguard the Group's assets;
- To develop the Group's employees and promote their well-being; and
- To facilitate the Group's long-term growth under all business conditions.

The Group's Annual Risk Management Programme is approved by the Risk Management Council. The Risk Management Facilitation Team facilitates the conduct of risk management activities outlined in the Programme which include updating of risk profiles; "just-in-case" risk scenario planning; and risk analysis of business or operational initiatives issues emerging in the Group.

### Risk management process

The Group's risk management processes involves establishing the context of risk in relation to the Group and thereon risk identification, analysis, evaluation and treatment. Throughout this process, there is continuous monitoring and review; and communication and consultation. The process is illustrated in diagram B.

Diagram A



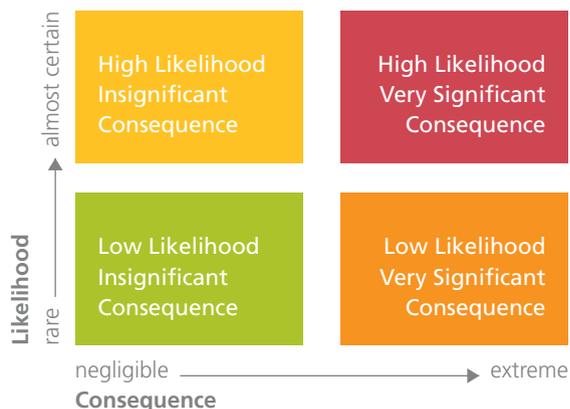
Diagram B



The Group's risk management process is described further in the "Statement on Internal Control" on page 062 of this Annual Report.

### Risk analysis and mitigation

The identified risks are analysed according to their likelihood of occurrence and significance of their consequences. Based on the risk analyses and subsequent evaluation for treatment priority, the appropriate risk mitigation strategies are devised to treat the risks accordingly. The following illustrates risk profiles in general and describes generally the respective risk mitigation strategies of the Group.



#### ■ risk A

The risk must be managed by senior management with a detailed action plan or significant senior management attention is required. Extensive management of the risk is essential with focus on both reducing the likelihood of the risk and mitigating its consequence.

#### ■ risk B

Considerable management attention is required including specifying management responsibility. Given the significant consequences of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level. Ideally, contingency measures should also be maintained to mitigate the consequence of the risk should it eventuate.

#### ■ risk C

While the consequence of the risk is insignificant, its high likelihood of occurrence should be reduced. Management should monitor the risk; identify its root causes; and design and implement corrective measures to reduce its likelihood of occurrence.

#### ■ risk D

The risk may be management by routine procedures or may be worth accepting with monitoring by management. The risk may also not need specific application of resources in which case the risk is accepted by management.