

Risk MANAGEMENT

SPH has put in place a continuous and iterative process for improving risk awareness and creating a culture of risk ownership. The Enterprise Risk Management (“ERM”) framework provides a common platform to discuss, manage and establish interdependence of risks within the organisation.

SPH systematically reviews the risk profile of the organisation on a regular basis through a structured reporting framework that serves to identify, evaluate and document risks and the corresponding mitigating measures. Risk assessments are conducted across three tiers - strategic, operational and project level - with ERM being a strategic tool for making risk-adjusted business decisions.

The Executive Committee (“EC”) is updated twice a year on the risk profile and mitigation measures for identified risks, while the Board is updated annually. The EC will report and make recommendations to the Board where significant risk matters arise.

On top of six-monthly updates to the EC, SPH’s risk unit systematically cascades division-level risk reviews down to various business units. SPH also conducts operational-level risk reviews on a six-monthly basis, adopting a control self-assessment approach.

As part of the company’s efforts to ensure that risk management practices are firmly established within all levels of SPH, nominated risk coordinators are embedded in divisions to closely monitor and promptly flag risk events.

The focus in SPH’s ERM framework is appraising risks in relation to the accomplishment of objectives. The key thrust is in integrating an organisational culture where SPH mitigates its risk exposure by calibrating risks to acceptable levels while achieving SPH’s business goals.

The key outputs of ERM are:

- Define a common understanding of risk classification and tolerance.
- Identify key risks affecting business objectives and strategic plans.
- Identify and evaluate existing controls and develop additional plans required to treat (mitigate, reduce, transfer etc) these risks.
- Implement measures and processes to enable ongoing monitoring and review of risk severity and treatment effectiveness.

The Board is of the opinion that the risk management framework is adequate.

The following are some of the strategic risks that may impact the financial status and operational effectiveness of SPH’s businesses.

Economic Risks

Adverse macroeconomic conditions in the global and Singapore economy have a significant impact upon SPH’s principal business segments. SPH continues to actively manage its risk exposure on the economic front by proactively streamlining its business processes and adopting prudent fiscal controls.

Regulatory Risks

SPH’s newspaper business is subject to the annual renewal of its publishing licence pursuant to the provisions of the Newspaper and Printing Presses Act (Chapter 206, Singapore Statutes). Failure to comply with the Act may subject SPH to significant liabilities, including fines, suspension or, in extreme circumstances, the revocation of the licence.

Newsprint Cost Risks

SPH’s financial performance is susceptible to newsprint price volatility. The cyclical fluctuation of newsprint prices has a substantial impact on newspaper publishing costs, and a significant spike in newsprint price or a reduction in the availability of newsprint can adversely affect the company’s core business. Failure to adopt mitigating measures, such as advance stockpiling or appropriate inventory management measures and purchasing strategies, may result in SPH incurring higher production costs and lead to lower operating margins.

BUSINESS CONTINUITY PLANNING

Availability and safety of our printing facilities are of paramount importance to SPH as three million residents of Singapore rely on us daily to provide them with timely and essential news via our suite of newspapers. Business Continuity Planning (“BCP”) increases the resilience of the Group to potential business disruptions and minimises the impact of a crisis on business operations, people and assets.

SPH has a comprehensive BCP programme in place to minimise any disruptions to its critical business activities and ensure that the populace continues to be informed in the face of a crisis. Simulation exercises are conducted periodically involving operating and supporting units on locations to fortify operational preparedness. The Group continues to scan for possible threats and establish plans to enhance operational preparedness.