

“Risk management is not about the elimination or avoidance of risks. In doing business, risks always exist and should not be ignored, but must not be exaggerated or feared. We need to take risks to achieve a return. Risk management does not guarantee that certain business undertakings will not fail. Rather, risk management is about identifying and being aware of the risks associated with a business undertaking. It is about the ability to measure the risks in relation to the returns. It is about having the systems to monitor, to manage, and to control the risks we are taking. It is about tools that help us manage risks better. I would strongly encourage all our companies to continue dedicating time, money, and people to build and strengthen their risk management.”

An extract of our Chairman Peter Seah's speech at a risk management forum, the quote above spells out the essence and rationale of risk management and sets the tone for the enterprise risk management (ERM) framework and processes for SembCorp Industries. In other words, what we try to do in managing enterprise risk is to integrate risk management into the business processes throughout the Group with the objective of optimising our risk/return profile.

A robust enterprise risk management framework

SembCorp Industries' ERM framework incorporates a continuous process for raising risk awareness and embedding a risk management culture within the Group. A systematic approach is adopted for identifying and evaluating major risks affecting SembCorp Industries so that treatment plans can be made to manage such risks. Risk monitoring and reporting systems are employed to enable early detection and escalation of risks to the various levels for review and appropriate action. Risks, policies and systems are regularly reviewed in view of the changing operating environment of our businesses.

Under this broad ERM framework, the respective Chief Risk Officers and risk champions in each of our business units are responsible for developing and implementing risk management systems and practices in their respective operations. However, managers at every level of the organisation are responsible for managing and reporting risks. Significant risks are reported for review and monitored by the relevant Risk Committees.

The role of risk committees

The Board formed a Risk Committee to oversee the effectiveness of ERM systems and practices for the Group. Its key duties are outlined on page 55 of the Annual Report (under Corporate Governance).

At the senior management level, a Risk Review Committee (RRC) was formed to provide overall leadership and direction for ERM. The committee's key duties are as follows:

- Ensure the implementation of Group-wide risk management plans
- Develop and review Group-wide risk policies, guidelines and limits
- Review and analyse Group risk profile, manage and monitor major risk exposures and follow up with risk treatment strategies and actions
- Develop Group-wide risk strategies and plans to address common risk exposures affecting the Group
- Conduct training and development programmes to enhance risk management capabilities

At present, the RRC comprises senior management from the various disciplines such as Finance, Legal, Strategic Planning and Risk Management. The committee will continue to draw members from other disciplines and business units to leverage on their relevant experience and expertise.