

Enterprise Risk Management Framework

ENTERPRISE RISK MANAGEMENT

With SunCity emphasising on its business segments' growth and performance, Enterprise Risk Management (ERM) is utilised to identify all potential risks that need to be addressed. SunCity has an integrated ERM structure that enables identification, evaluation, monitoring and management of all key risks pertaining to the business and its environment.

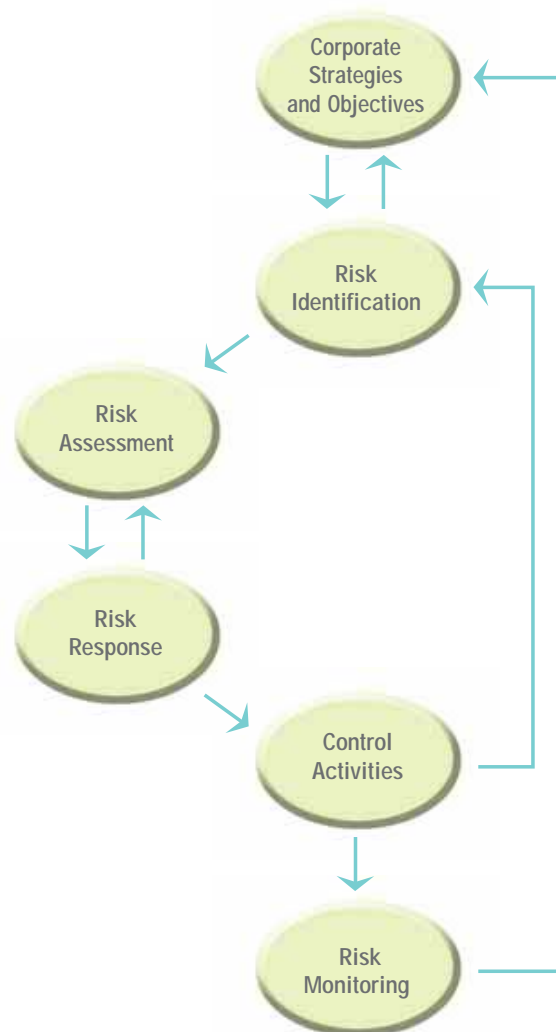
Taking a more proactive approach to managing risks, each division in SunCity is implementing a Key Risk Indicator (KRI) Programme which compels management to ascribe measures for the key risk factors. The KRIs and the acceptable target level are identified for the key risks of each division. The Corporate Risk Scorecard system alerts management when the acceptable target level is exceeded. This is in line with SunCity's aim to maximise every business opportunity, and thus seeks to minimise all potential risks through proactive management.

RISK MANAGEMENT PROCESS

It is the Board's view that SunCity's objectives, its internal organisation and the environment in which it operates continuously evolve; and as a result, the risks that it faces are constantly subject to change. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which SunCity is exposed to.

To ensure effective risk management within SunCity, the following ERM Framework has been identified and implemented throughout SunCity. It is acknowledged that risks are very closely integrated with opportunities and returns, and thus has to be managed to ensure that SunCity is able to achieve its corporate strategies and objectives.

SUNCITY'S ERM FRAMEWORK



Enterprise Risk Management Framework *(cont'd)*

RISK MANAGEMENT STRUCTURE

Strategic and effective management of risks is performed through a centralised reporting and managing structure. The structure comprises four (4) major levels to promote accountability and responsibility of managing risks within SunCity.



(a) Divisional Risk Management Committee (DRMC)

Divisional risk management is performed by the DRMC that works towards effective identification and mitigation of the day-to-day risks at the operational level. The DRMC works closely with all operational staff and ensures that risk management techniques are applied and practised in all facets of the management and operations within each division. The DRMC is also responsible to highlight all foreseeable risks that could hinder the division from achieving its strategic objectives.

Risk reporting and management at the divisional level is integrated with the monthly management meetings of respective subsidiaries to ensure effective management.

(b) Enterprise Risk Review Committee (ERRC)

The ERRC consists of representatives from the DRMC, and also includes the head of Group Internal Audit Department as the independent observer. The ERRC meets quarterly, where representatives from the respective divisions have the overall responsibility to report key risks to the ERRC.

In addition, the ERRC is responsible to deliberate on risks presented by different DRMC representatives and to contribute towards identifying new risks that have yet to be brought to the attention of the ERRC by the respective divisions. Pertinent risk issues, with proposed resolutions are then identified and escalated to the Group Risk Management Committee.

(c) Group Risk Management Committee (GRMC)

The key responsibilities of the GRMC are to provide routine quarterly reporting and update to the Board on key risk management issues as well as ad-hoc reporting and evaluation on investment proposals. The GRMC is also responsible to champion and promote the ERM and to ensure that the risk management process and culture are embedded throughout SunCity.

(d) Board of Directors

The Board of Directors serves as an oversight to the ERM process. Roles of the Board include identifying principal risks of SunCity and ensuring the implementation of appropriate systems to mitigate and manage these risks. The Board through the GRMC, sets, where appropriate, objectives, performance targets and policies to manage the key risks faced by SunCity.