

Enterprise-wide Risk Management

The market rewards companies who make strategic business decisions and take well-managed risks to maximise the long term value for the organisation and their shareholders.

Enterprise-wide Risk Management

The F&N Group recognises the value of Enterprise-wide Risk Management ("ERM") and places great emphasis on the management of both material and operational risks within the F&N Group, driving an integrated, consistent and coordinated ERM strategy across all locations, operating units and countries where the F&N Group does business.

The Board of Directors, through the Audit Committee of the Board, reviews and approves the ERM framework and policies, and oversees the adequacy of internal controls, including financial, operational and compliance controls, and risk management systems in the Company.

Risk parameters setting the risk appetite limits of each business unit are reviewed annually by the Group Financial Controller to guide risk assessment and undertaking. The Senior Management team of each business unit is accountable to the Board for ensuring effective risk management processes and practices are in place, communicated and embedded as part of key operational workflows and processes.

In this regard, each business unit maintains a Corporate Risk Scorecard on specific risk areas, including Reputational Risk, Strategic Risk, Country and Political Risk, Currency and Interest Rate Risk, Property Risk, Commodity Risk and Operational Risk.

During the financial year, the ERM implementation was given greater clarity, focus and consistency in the following areas:

Key Risk Indicators

Key Risk Indicators ("KRIs") are flags set to act as detective or predictive signs regarding the changes in the risk profile of a business unit. Effective KRIs enables Management to monitor the effectiveness of controls, mitigating key material risks and take timely action to deal with issues arising.

These KRIs are built into operational and business processes and controls, tracked and reviewed on an on-going basis. KRI parameters provide a systematic and consistent basis to determine "acceptable" risk levels, trigger points and alert thresholds of each KRI.

KRIs and risk mitigations are reviewed by Senior Management and the Audit Committee of the Board as part of the F&N Group ERM on-going review process.

Business Continuity Planning

Business Continuity Planning ("BCP") is part of the F&N Group ERM process to develop effective crisis response plans. BCP increases the resilience of the organisation to potential business disruption and minimises the impact of a crisis on the organisation, its people and assets.

An enterprise-wide consistent BCP programme based on industrial best practices is in place. Common goals are set for business continuity readiness across all business units to manage identified key disaster scenarios based on comprehensive risk assessment and business impact analysis. Each business unit develops a detailed and complete set of processes and procedures to facilitate optimum response, recovery and resumption of identified critical business functions within an acceptable time frame following any crisis.

Structured BCP tests and simulation exercises are regularly performed as an integral part of each business unit's BCP programme to ensure that these plans remain relevant and effective.

ERM Training and Communication

Continuous training and communication are integral in the F&N Group ERM framework to ensure that every employee within the F&N Group appreciates and embraces ERM. With expanding business activities in China in recent years, workshops conducted in Mandarin, complete with training materials in Chinese language, were rolled-out during the financial year to facilitate more effective ERM and BCP training and communication for operating units in China. In addition, ERM training materials were also translated to Thai language for the Company's operating unit in Thailand.

Total Shareholder Returns

F&N remains committed to creating superior long-term value for shareholders.

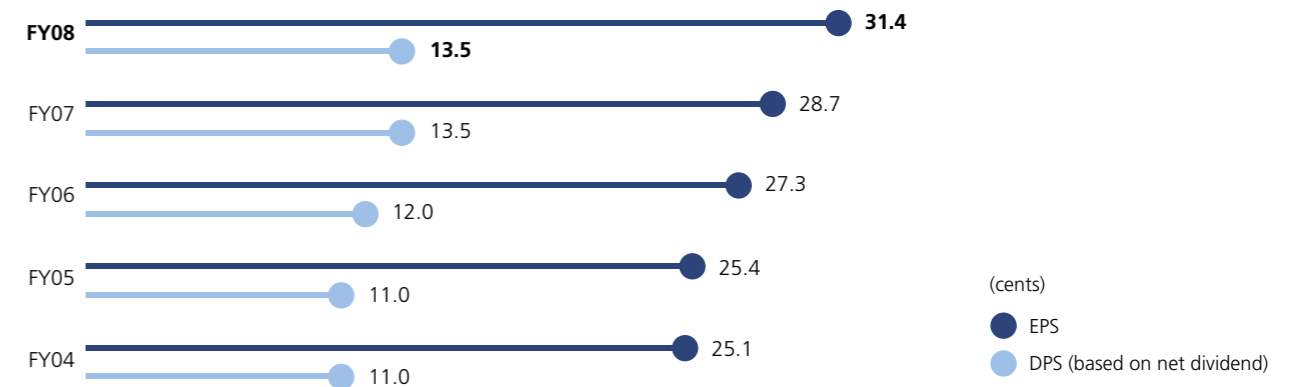
This year, the Group's return on equity dropped marginally to 8.3% due to the enlarged average shareholders' equity from Temasek Holdings' injection in 2007.

Total shareholder returns for the year under review decrease 35%. Cumulatively over a three-year period, it is 13%, and close to 105% over a five-year period. The F&NL share price

has also outperformed the STI Index over the recent five-year period by over 50%.

The Group maintained a healthy track record of generous shareholder distributions and remains committed to paying close to 50% of underlying profit. For the financial year ended 30 September 2008, the directors have recommended a final dividend of 8.5 cents per share, 1-tier tax exempt, which together with the interim dividend of 5 cents brings total dividend for the year to 13.5 cents per share.

Five-Year Earnings Per Share (EPS) and Dividend Per Share (DPS)



TOTAL RETURN (%) ON SHARE PRICE

F&N vs STI

