

PMPC RISK MANAGEMENT POLICY

1. PURPOSE:

This policy sets out the risk management objectives and requirements for the PMPC business units. Management is expected to conduct structured risk management in accordance with this policy.

2. SCOPE:

The policy is applicable to all PMPC business units, departments and divisions. It is also applicable at group level and for group staff functions including but not limited to Financial, Manufacturing Operations, Human Resources, Sales & Marketing, Tax and Legal.

3. POLICY:

- 3.1. To structure and formalize the risk management activities across the business units, PMPC has developed a risk management framework (see copy of PMPC's risk management framework policy). The PMPC business units are required to implement and use this common risk management framework.
- 3.2. PMPC takes risks inherent to its strategy in order to achieve its corporate and business units' objectives and to deliver superior shareholder returns.
- 3.3. PMPC has developed a common and systematic approach for managing risk across the enterprise. This approach increases risk awareness, ensures the appropriate management of risks, and makes the business unit risk profiles transparent, thus enabling risks to be compared and aggregated and allowing one to take a portfolio approach to risk management.
- 3.4. The PMPC business units, departments and divisions shall actively anticipate and manage their risks, taking advantage of opportunities and containing potential hazards in line with their risk tolerance.
- 3.5. The external and internal risks facing PMPC's business units are changing constantly and the business units are expected to proactively:
 - (i) Utilize experience through knowledge sharing;
 - (ii) Deal with ambiguity, uncertainty and increasing complexity;
 - (iii) Prioritize, make decisions and implement solutions on a timely basis;
 - (iv) Recognize and act on opportunities as they occur;
 - (v) Ensure results in spite of a changing business unit environment.

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4. DEFINITIONS:

- **Risk management policy** – the present policy document summarizing the objectives and requirements for risk management;
- **Risk management process** – a common four-step process for identifying, assessing, responding to and monitoring business unit risks;
- **Roles and responsibilities** – clearly defined responsibilities for managing and reporting on risks within line management and separately for supporting and auditing the risk management process;
- **Risk reporting** – common terminology, formats, and frequencies for reporting on key business unit risks;
- **Risk measurement** – common scales for measuring the likelihood and potential impact of risks;
- **Risk categorization** – common categories for risks, allowing risk consolidation and identification of key risk areas;
- **Assurance structure** – an accompanying assurance structure, including a risk compliance auditor, which monitors and assures the application of the risk management framework within the business units;
- **Support structure** – a dedicated support function (Risk Support Officer) and a set of common user-friendly tools that allow the business units to implement and apply the elements of the risk management framework.

5. PROCEDURES:

5.1 Risk strategy and risk tolerance

5.1.1. Risk is part of doing business and risk management is therefore part of day-to-day business management. PMPC to achieve its business unit objectives recognizes that it will take on certain business unit risks. PMPC aims to take risks in an informed and proactive manner, such that the level of risk is consistent with the potential business unit rewards and that it understands and is able to manage or absorb the impact of the risk in the event that it materializes.

5.1.2. Management will establish such risk responses as are required to achieve the business unit objectives in accordance with the acceptability of the risk.

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5.1.3. Quantified business unit risk tolerances will be formulated and regularly updated by management at group, divisional, departments and business-unit level.

5.1.4. PMPC will aim to actively avoid risks that could:

- Negatively affect the safety of our employees or other stakeholders, such as customers;
- Negatively affect our reputation;
- Negatively affect operation
- Lead to laws or regulations being breached; or
- Endanger the future existence of the company.

5.2 Risk management requirements and procedures

In order to formalize risk management across PMPC and to set a common level of transparency and risk management performance, a number of requirements have been defined for the business units. The PMPC group, divisions and business units are obliged to address the following requirements with regard to risk management:

1. Develop and review, at least annually, a statement on the risk tolerance of the group/division/business unit;
2. Conduct a formalized risk assessment at least annually, this assessment to include the identification, prioritization, measurement and categorization of all key risks that could potentially affect the business unit's objectives;
3. Report annually on the key business unit risks as identified in PMPC risk reporting formats;
4. Continuously monitor key risks and controls and implement appropriate risk responses where necessary;
5. Formalize responsibilities for managing risk and for sustaining PMPC risk management framework within the business unit;
6. Monitor and review the application of the risk management framework.

5.3 Audit and evaluation of risk management process

5.3.1 The PMPC's Internal Audit Department (IAD) shall conduct a systematic program of operational and financial audits across the business units with respect to appropriateness of risk management process.

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5.3.2. Through the risk management process, divisions, departments and business units are responsible for assessing their risks, for implementing appropriate controls, for monitoring risks and controls, and for gaining assurance that the risks are being managed as intended.

5.3.3 The Internal Audit Department focuses on auditing how divisions, departments and business units apply the risk management framework. Operational and financial audits will be executed on a regular basis from corporate level. The outcome of the risk assessment process will be used as input for the audit planning of Internal Audit.

5.4 Risk management roles and responsibilities

Risk management is primarily the responsibility of management. Specific responsibilities for applying, supporting and auditing the risk management process are detailed in this section.

Business unit management

By definition, risk management is a normal part of day-to-day management practice. The specific responsibilities of business unit management with respect to structured risk management are to:

1. Implement the risk management framework within the business unit;
2. Develop and review the business unit's risk tolerance;
3. Identify and assess the risks faced, and report material risk information annually as part of the budget and ad-hoc in the case of significant new risks arising;
4. Manage the material risks within the business unit and ensure the actual risk profile is consistent with the risk tolerance;
5. Develop and maintain an appropriate organization to facilitate the application of the risk management framework.

CEO Responsibility or Risk Management Committee Head

- Formulate and update PMPC's Risk Management Policy;
- Formulate the corporate risk tolerance; review and approve the business unit risk tolerance statements;
- Determine, communicate and support PMPC's risk management approach to the business units;
- Review business unit risk reporting critically and provide feedback to the business units as part of yearly planning process;

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- Ensure that the appropriate structure, processes and competences are in place across PMPC in order to address the requirements set out in this policy;
- Report to the Board and the Audit Committee on material risks.

PMPC Board and Audit Committee

- Review and approve the risk management policy insofar as it is consistent with PMPC corporate objectives;
- Review and approve the corporate risk tolerance;
- Be aware of the most significant risks across the business units and of whether management is responding appropriately;
- Review the portfolio of risks and consider it in the light of the corporate risk tolerance;
- Monitor and ensure the appropriate application of the risk management framework within the business units.

PMPC Risk Support Officer

The Risk Support Officer is a dedicated part-time function at PMPC level which is filled by the Head of Internal Audit. The Risk Support Officer ensures that risk management is conducted in a structured, systematic and continuous manner across the PMPC business units. The Risk Support Officer's specific responsibilities are to:

- Maintain PMPC risk management framework (tools and methodologies);
- Support business units in their use of these tools and methodologies;
- Maintain risk management communication within the PMPC organization;
- If requested by a business unit, facilitate a risk assessment as part of the annual plan and as part of support for key decisions;
- Provide an annual risk report for PMPC management, as well as a consolidated risk report;
- Coordinate and supply training in risk management.

PMPC Risk Compliance Auditor or its Equivalent in PA

The Risk Compliance Auditor is responsible for reviewing and reporting on how well the business units are addressing the requirements set out in PMPC's Risk Management Policy. The Risk Compliance Auditor is generally externally resourced (Risk Compliance Officer from PA Singapore) and reports directly to the Audit and Compliance Committee. The Risk Compliance Auditor's specific responsibilities are to:

- (i) Evaluate and report on the compliance of the business units with PMPC's Risk Management Policy;

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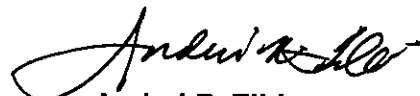
- (ii) Evaluate controls in key risk areas on an ad-hoc basis;
- (iii) Evaluate compliance with other PMPC policies on an ad-hoc basis;
- (iv) Review and report on the extent to which management has applied PMPC's risk management framework.

5.5 ADMINISTRATION


The PMPC's Risk Management Committee is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed. In case the Risk Management Committee intends to revise any provision of this policy the Internal Audit shall be consulted to check whether the changes made to this policy is appropriate.

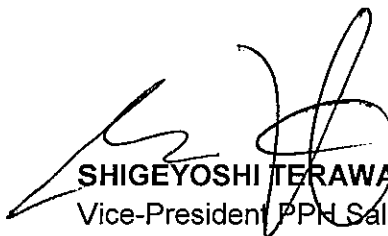
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Date of Signing: JUNE 17, 2011

