

Financial report

RISK MANAGEMENT AND ICS

In the context of risk management, Jungfrau Railways deals with possible events which could jeopardise the achievement of strategic and financial objectives. Both opportunities and risks are identified. These are discussed regularly as part of the update of the SWOT analysis (see in the management report: «Message from the company management / Opportunities and risks»).

Jungfrau Railways has an internal control system (ICS) that meets legal requirements. This tool is used to check compliance in the particularly sensitive area of finances and to ensure the correctness and reliability of the reporting.

The IT security policy of Jungfrau Railways pursues a best-practice approach. The rules are defined in the IT security policy, the IT security guidelines for employees, and the IT password guidelines / user authorisation concept. In addition, special service levels are defined for all business-relevant applications and the change process is monitored by a specialist group in a risk-based manner.

The risk management process is embedded in the existing process landscape. Process organisation regulates responsibilities and ensures that the relevant measures are planned and implemented. The risk index (risk catalogue) forms the central basis for the formal risk process. The risks are assessed according to financial impact and probability of occurrence and positioned based on their importance for the company (risk profile). The risk catalogue of Jungfrau Railways provides an overview of the operational risks and is revised annually under the direction of the Risk Manager. The Board discusses and supplements the strategic risks when necessary, but at least once a year. In addition to internal audits, which are used by management to check certain areas, Jungfrau Railways is regularly audited by the Swiss Federal Office of Transport, SUVA and the certification body for the ISO quality management.

On a recent occasion, the Board analysed the negative impact of the various terrorist attacks on customer booking behaviour at the end of 2015 and in 2016. At the same time, it was established that customers differentiate between and assess the general security situation more individually than before. This has a positive effect on the fluctuations in demand. The phenomenon of whole markets suddenly collapsing due to such events was not observed. On the other hand, it will also be more challenging to identify and analyse the factors that influence tourism demand in times of Twitter, Facebook, Instagram etc., and to influence them through traditional information channels. Jungfrau Railways is thus increasingly relying on efficient and authentic online marketing, based locally. It is primarily guests reporting their experiences that encourages new guests to book. This is also a probable counter-strategy to the general perception of the security situation, which cannot differentiate between the events in the Jungfrau region, in Paris and even in the Far East. The measures taken are to do with promoting exchange on social media by creating inspiring moments, by enabling the on-site exchange (WiFi), by activating, stimulating and supporting online activities (chats, posting, blogging etc.) In addition to adjustments in marketing, Jungfrau Railways generally pays great attention to the volatility of tourism. Great attention is paid to high self-financing and a cost structure that is as flexible as possible.

A dominant risk to a company active in the high mountains, which is also often reported in the media, is the exposure to natural hazards. While climate change makes the Jungfrau Railway's offer, especially the ascent into a world of ice and snow, ever more exclusive, the challenges arising from the dynamic weather conditions

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and thawing of the permafrost are increasing. To counter this, Jungfrau Railways has a long and proven tradition. Experiences are correspondingly vast and the precautions taken extensive. A constant assessment and documentation of the current risk situation by responsible and trained staff forms the basis of our safety arrangements. Co-ordination takes place between the specialist units within the group and collaboration with the cantonal and municipal bodies responsible for the natural hazards. This is supplemented using periodic overall assessments by external experts (geologists, glaciologists, fire experts, avalanche experts) and subsequent implementation of the required (structural) measures. The rescue and deployment concepts are checked in regular exercises. Jungfrau Railways has its own fire brigade. Taking out insurance also protects investors against the effects of an event occurring despite all safety measures.