

## CORPORATE GOVERNANCE

### NON-AUDIT SERVICES BY EXTERNAL AUDITOR

The Audit Committee reviewed the range and value of non-audit services provided by the external auditor and was satisfied that the provision of such services had not affected the independence of the external auditors. The breakdown of the 2018 fees is as follows:

Director	US\$m
Total fees for audit services	6.2
Total fees for non-audit services	1.4
Total fees	7.6

The Company has complied with Rules 712 and 715 of the Listing Manual with regards to the auditing firms.

### RISK MANAGEMENT REVIEW

The Group has a formal risk management process to identify, evaluate and manage significant risks impacting the Group. The process is supported by detailed procedures, methodologies, evaluation criteria and documentation requirements with the aim of ensuring clarity and consistency of application across the Group. These procedures and methodologies are regularly reviewed to include new elements that aim at enhancing the reporting process in order to make it more comprehensive, of greater value to the Audit Committee and in line with current best practices.

Management is required to comprehensively identify and assess significant risks in terms of the likelihood of occurrence, financial impact and velocity. Management is also required to identify and evaluate the adequacy and implementation of mechanisms to manage, mitigate, avoid or eliminate these risks. The status of the residual risks are then rated accordingly. The process encompasses assessments and evaluations at the business unit level before being examined at the Group level.

The Risk Registers are updated biannually and a Risk Management Report is presented to the Audit Committee on the significant risks, measures taken by management to address them and residual risk exposures impacting the Group. Included in the report are considerations such as likelihood of occurrence, financial impact, velocity and impact ratings. Risks are also classified into various categories such as reputational or financial.

The following were classified as major residual risk exposures for 2018:

#### 1. DEPENDENCE ON INVESTMENT IN ASTRA

Astra is the major contributor to the Group's earnings and represents a significant proportion of the Group's total assets. Consequently, any

adverse changes in Astra or in the political, social or economic situation in Indonesia will in turn have a significant impact on the Group's earnings and total assets. Such adverse changes include changes in laws, regulations and policies by the Indonesian or other foreign governments, any termination of or material changes to key licensing and distribution agreements between Astra and its strategic partners or any pricing actions Astra may have to take in response to competition which have a material adverse impact on Astra's financial performance.

The Group is exposed to foreign currency fluctuations, mainly through Astra. Any significant depreciation of the rupiah will have an adverse impact on the Group's earnings and total assets.

#### 2. TERRORISTS' ATTACKS, OTHER ACTS OF VIOLENCE AND NATURAL DISASTERS

Terrorists' attacks, other acts of violence and natural disasters may directly impact the Group's physical facilities or those of its suppliers and customers and have an adverse impact on the Group's earnings and total assets. Such risks cannot be totally eliminated. However, the Group takes up appropriate mitigating measures such as procuring appropriate insurance as part of its risk management.

#### 3. OUTBREAK OF CONTAGIOUS OR VIRULENT DISEASES

A pandemic outbreak or spread of contagious or virulent diseases such as severe acute respiratory syndrome or avian influenza may result in quarantine restrictions on the Group's staff, suppliers and customers and limit access to facilities. These could have a significant negative impact on the Group's earnings and total assets.

#### 4. COMPETITION, ECONOMIC CYCLE, COMMODITY PRICES AND GOVERNMENT REGULATIONS

The Group faces competition in each of its businesses, and more so now with technological innovation. If the Group is unable to compete successfully against its existing competitors or new entrants to the industries in which it operates, its business, financial condition and results of its operations will be adversely affected.

The Group's financial performance fluctuates with the economic cycle. Market forces and their resultant movements can significantly impact the earnings and asset position of the Group.

The Group is also exposed to financial risks arising from changes in commodity prices, primarily crude palm oil and coal.

The Group's businesses are impacted by government regulations and policies relevant to the respective industries and territories. Free trade agreements may also result in increased competition which may have an adverse effect on the Group's earnings and total assets.

## 5. EXCLUSIVE BUSINESS ARRANGEMENTS

The Group currently has a number of subsidiaries, associates and joint ventures in Vietnam, Singapore, Malaysia, Indonesia and Myanmar engaged in the automotive business that enjoy exclusive rights in various forms either as a manufacturer, assembler, distributor or dealer.

Management works to meet targets and improve business performance. Notwithstanding this, any change in the strategies of the principals may be beyond management's control. In certain cases, any withdrawal or dilution of the exclusive rights can potentially have a significant impact on the Group's earnings and total assets.

## 6. FINANCIAL RISK

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity markets, foreign currency exchange rates and interest rates. It manages its exposure to financial risks by using a variety of techniques and instruments.

The Group has an internal policy which prohibits speculative transactions to be undertaken and only enters into derivative financial instruments in order to hedge underlying exposures. The objective is to provide a degree of certainty on costs. The investment of the Group's surplus cash resources is managed so as to minimise credit risk while seeking to enhance yield. The steps taken by the Group to manage its exposure to financial risks are set out in further detail under *Financial Risk Management* on page 87 to 97, Note 2.32 to the Financial Statements. The Group also has a system of internal controls as described in this report.

Notwithstanding the risk management policies of the Group, any unanticipated fluctuations in debt and equity market prices, foreign currency exchange rates and interest rates may have an

adverse effect on the Group's earnings and total assets.

## RIGHTS OF SHAREHOLDERS

### FUNDAMENTAL SHAREHOLDER RIGHT – DIVIDEND PAYMENT

In 2018, the Company made two dividend payments to all shareholders; the final dividend of US\$0.68 per share on 25th June 2018 and an interim dividend of US\$0.18 per share on 5th October 2018. For each of the dividend payments, a S\$ currency election was offered to all shareholders as an alternative and the dividends were paid within 25 market days after the books closure date to cater for the currency election.

### SHAREHOLDER'S RIGHT TO PARTICIPATE EFFECTIVELY AND VOTE IN SHAREHOLDERS' MEETINGS

Shareholders are informed of shareholders' meetings through notices which are sent to all shareholders in advance of the meetings. The notices contain the meeting agenda and are accompanied by explanatory notes, reports or circulars containing detailed information on each of the agenda item. All such information is also available on the Company's website at [www.jcclgroup.com](http://www.jcclgroup.com), and notices of meetings are also published in the newspapers.

At the shareholders' meetings, each specific matter is proposed as a separate resolution and shareholders are given the opportunity to raise questions on each of the motions. All relevant questions, answers and comments are recorded in substantial detail in the meeting minutes, which are available to shareholders upon request.

At every AGM, shareholders have the opportunity to approve the remuneration for non-executive directors, including any increases in such remuneration, as well as to vote for the re-election of directors who are required to retire by rotation every three years.

The Company has been carrying out poll voting for all its resolutions at its AGMs for several years now. The poll voting is conducted electronically by an external service provider, under the scrutiny of an independent scrutineer. The scrutineer explains the voting and vote tabulation procedure to the meeting prior to the start of the voting process. For greater transparency, votes cast for and against each resolution, and the respective percentages, are immediately tallied and displayed 'live-on-screen' to shareholders at the meeting. The scrutineer is present throughout the meeting to ensure