



The Group has an established risk management process that is reviewed regularly and covers all business units. This includes the maintenance of risk registers that detail the emerging and existing risks to the future success of the business and the relevant key controls and mitigating factors that address those risks. These are reviewed on a regular basis.

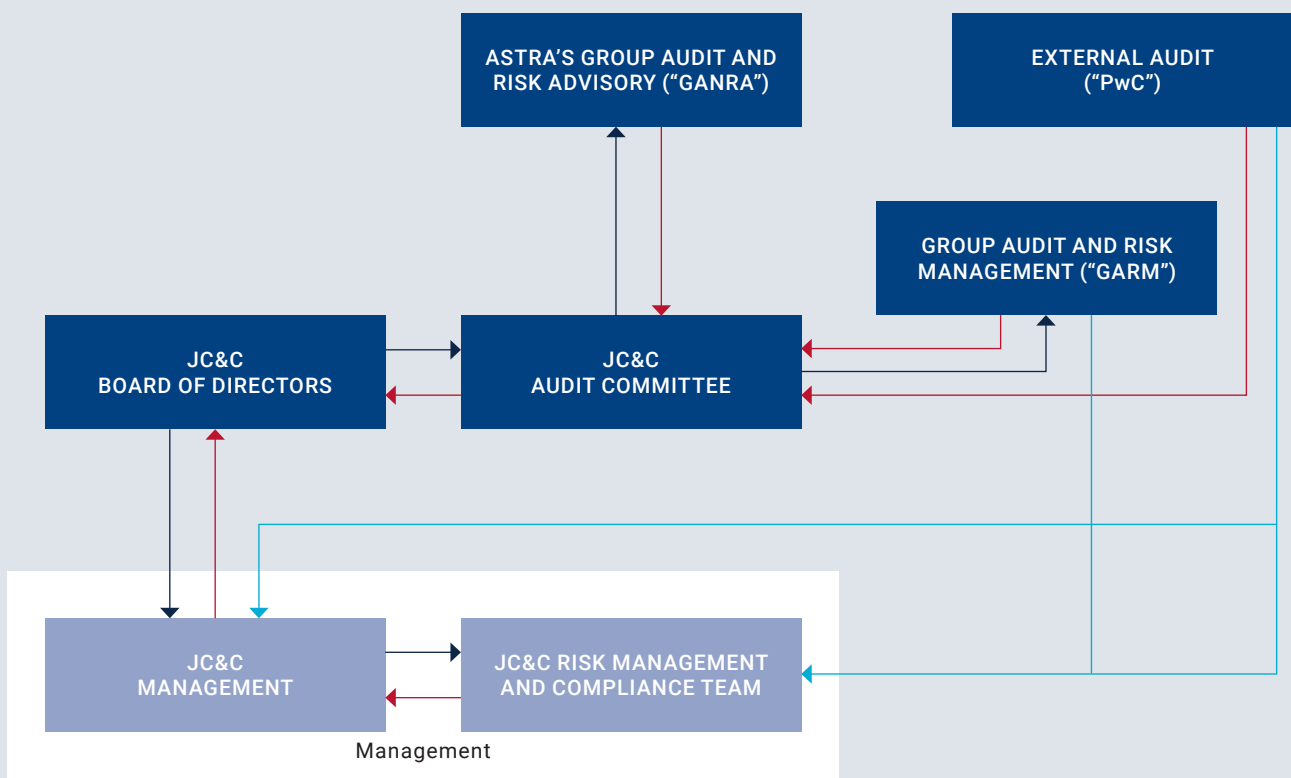
## RISK GOVERNANCE STRUCTURE

Each business unit is responsible for:

- Identifying and assessing principal risks and uncertainties to which it is exposed;
- Implementing the most appropriate actions to mitigate and control those risks to an acceptable level;
- Providing adequate resources to minimise, offset or transfer the effects of any loss that may occur while managing acceptable risk/benefit relationships;
- Monitoring the effectiveness of the systems of risk management and internal control; and
- Reporting periodically to its board of directors and GARM/GANRA on the principal risks and uncertainties.

Information and guidelines for reporting principal risks and risks and uncertainties are regularly communicated to the business units. Risk management initiatives, such as training and sharing sessions are undertaken by the Group. Furthermore, Jardine Matheson has an interactive platform where employees across the Jardine Matheson group are able to share the latest trends in risk management to support an effective risk culture.

Risk identification, evaluation, review and reporting form part of management responsibility. Based on the Group's risk evaluation, management is expected to implement risk management measures (as described in its risk



➡️ **Oversee** ➡️ **Report** ➡️ **Monitor/Review**

management framework) to address the identified risk. Executives' remunerations are tied to measures that reflect the successful execution of business strategies including risk management. Line managers are expected to execute controls that reflect risk management while executing their day-to-day tasks. Their remuneration is tied to measures that reflect the successful execution of operations while keeping risk in mind via the execution of controls.

## RISK MANAGEMENT FRAMEWORK

Risk management is integrated into each business unit's strategic planning, budgeting, decision-making and operations. Central to this is the continuous and systematic application of:

- Risk Identification
- Risk Assessment
- Risk Treatment
- Risk Reporting & Monitoring

Our Risk Management Framework, based on ISO 31000 and COSO principles, is an integrated multi-disciplinary company-wide process to identify, assess and define strategies to be adopted to monitor risks. The risk registers prepared by each business unit provide the basis for an aggregation process, summarising the principal risks and uncertainties facing the Group as a whole.

The key elements of the Risk Management Framework are as follows:

### Risk Identification

- Identify and document the Group's exposure to uncertainty with existing strategic objectives
- Adopt structured and methodical techniques to identify critical risks

### Risk Assessment

- Evaluate risks by estimating likelihood, financial and reputational damage, and the speed at which the risk materialises, based on its inherent and residual level

- Determine risk rating using the risk heatmap, with four levels of residual risk status

### Risk Treatment

- **Tolerate** – accept if within the Group's risk appetite
- **Terminate** – dispose or avoid risks where there is no appetite
- **Transfer** – take up insurance or share risk through contractual arrangements with business partners
- **Treat** – redesign or monitor existing controls or introduce new controls

### Risk Reporting & Monitoring

- Periodic review of principal risks and uncertainties
- Setting key risk indicators to enhance monitoring and mitigation of risks
- Regular reporting of principal risks and uncertainties from business units to the Group's Board of Directors via the Audit Committee

The risk registers are updated bi-annually and a Risk Management Report is presented to the Audit Committee on the significant residual risk exposures impacting the Group. The report includes considerations such as the likelihood of occurrence, financial impact, velocity and impact ratings.

## PRINCIPAL RISKS AND UNCERTAINTIES

The following were classified as major residual risk exposures (including operational risks) for 2022:

### 1. Geopolitical Situation

In the past year, the impacts of the global geopolitical situation have significantly increased. External risks created from political tensions, such as the dynamic between Russia and Ukraine and its Western alliances, could affect global markets, dampen economic activity, disrupt supply chains and place more pressure on rising inflation and interest rates.

While the Group does not have direct business relationships in these countries, the consequences of these armed conflicts are unpredictable and, therefore, may pose significant uncertainty to the portfolio.

The Group monitors the situation closely to manage any operational changes collectively; for example, sourcing alternative suppliers to prepare for potential supply chain disruption.

### 2. Cybersecurity

The global pandemic has triggered an exponential rise in the adoption of technologies. The Group's businesses have increased their online operations and, as such, are more dependent on the network infrastructure and critical supporting systems. Given the leading positions of the Group's businesses in their industries, any security breaches resulting in the leakage of sensitive data may result in regulatory fines and/or litigations. This external risk could potentially have a long-term impact if the Group's reputation is affected.

The Group continually reviews its network infrastructure and critical supporting systems to ensure resilience. A cyber incident response plan is defined for the Group to respond to emergencies and catastrophic events. In addition, business continuity plans and insurance policies are in place.

### 3. Dependence on 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 Indonesia's political, social or economic situation will significantly impact 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, supply chain disruptions or any pricing actions Astra may have to take in response to competition that 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.

Over the years, the Group has increased its exposure in Other Strategic Interests, which, together with the Direct Motor Interests and THACO, account for 20% of JC&C's underlying profits in 2022.

#### 4. Climate Change

Climate change has been recognised as a key long-term risk businesses faced globally.

Physical risks such as forest fires, floods and other natural disasters may directly impact the Group's physical facilities or those of its suppliers and customers and adversely impact the Group's earnings and total assets. Such risks cannot be eliminated completely. However, the Group takes appropriate mitigating measures such as procuring appropriate insurance as part of its risk management. Additionally, the Group maintains operational resilience by regularly reviewing its Business Continuity Management ("BCM") plans.

Aside from physical risks arising from climate change, the Group is exposed to transition risks such as the shift towards electric vehicles, increased carbon taxes and investments in low-carbon technologies.

The Group manages climate change risk by conducting climate risk assessments and scenario

analyses following the TCFD framework, to identify key focus areas for its portfolio businesses and build overall climate resilience.

#### 5. Outbreak of Contagious or Virulent Diseases

A pandemic outbreak or spread of contagious or virulent diseases such as COVID-19, severe acute respiratory syndrome and avian influenza may result in lockdowns or quarantine restrictions on the Group's employees, suppliers and customers, and limit access to the Group's facilities, products and services.

During the COVID-19 pandemic, the Group activated its BCM plans and carried out enhanced health and safety programmes to mitigate the risk impact.

The COVID-19 pandemic has also triggered an exponential growth of demand for semiconductor chips, outpacing supply capacity, resulting in a global chip shortage which affected the production of certain products offered by the Group. The Group worked closely with its suppliers to manage its logistics capacity, production planning and inventory control to mitigate such impact.

#### 6. Competition, Economic Cycle, Commodity Prices and Government Regulations

The Group faces competition in each of its businesses, and more so with advancements in energy-efficient and low-carbon products and technology. 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 position 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 regularly considers the outlook of commodity prices in considering the need for active financial risk management. The Group's policy is generally not to hedge commodity price risk, although limited hedging may be undertaken for strategic reasons.

Government regulations and policies relevant to the respective industries and territories impact the Group's businesses. Free trade agreements may also result in increased competition which may adversely affect the Group's earnings and total assets. In addition, if the Group does not transition to low-carbon products and technology in time, it will not benefit from subsidy schemes and policy support provided by the countries where it operates.

To manage the risk of competition, the Group regularly assesses whether its products and services can meet customers' expectations. For instance, the Group actively reviews its product strategy with its principals in the automotive sector and introduces electric vehicles to its product line-up.

The Group also works closely with the respective local management to leverage local expertise and knowledge to manage political and regulatory risks.

#### 7. Exclusive Business Arrangements

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

Management works to meet targets and improve business performance. Notwithstanding

this, any change in the principals' strategies 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.

The Group manages the risk by maintaining good partnerships with the principals and closely monitoring changes in their policies and corporate plans. The Group also ensures strict compliance and governance to their standards and regularly updates the principals on the local market's regulatory and business environment.

## 8. 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 as set out in further detail under 'Financial Risk Management' of Note 2.32 to the Financial Statements, on pages 96 to 106 of this Annual Report.

The Group has an internal policy that prohibits speculative transactions. It enters into derivative financial instruments solely for hedging underlying exposures that mainly affect cash flow. The objective is to provide a degree of certainty on costs.

The Group's surplus cash is managed in a way that minimises credit risk while enhancing yield. 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

### DIVIDEND POLICY AND PAYMENT

JC&C's dividend policy aims to provide a return to shareholders through the payment of a cash dividend, usually on a semi-annual basis, taking into consideration the Group's financial performance, short- and long-term capital requirements, future investment plans and broader business and economic conditions.

In 2022, JC&C made two dividend payments to all shareholders; a final dividend of US\$0.62 per share on 29th June 2022 and an interim dividend of US\$0.28 per share on 29th September 2022.

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

Shareholders are informed of shareholders' meetings through notices, physical copies of which are sent to all shareholders in advance of the meetings. The notices contain the detailed meeting agenda and are accompanied by explanatory notes, reports or circulars containing detailed information on each agenda item and the proxy form. The notices of general meetings and the accompanying documents are also published and publicly available on SGX's website at [www.sgx.com](http://www.sgx.com) and JC&C's website at [www.jcclgroup.com](http://www.jcclgroup.com).

Specifically for AGMs, the notices are accompanied by the annual report, a letter to shareholders (containing further information about specific agenda items) and the proxy form, all of which are available via the avenues mentioned above. Annual reports containing the audited financial statements are issued simultaneously with the AGM notice by the end of March. This is within 90 days of the end of JC&C's financial year of 31st December and is at least 28 days before the date of the AGM.

At 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 and posted on JC&C's website.

At every AGM, shareholders have the opportunity to approve the remuneration for non-executive directors, including any increases in such remuneration, and to vote for the re-election of individual directors who are either retiring by rotation or retiring because they are newly appointed.

JC&C only has one class of shares, namely ordinary shares, and each ordinary share carries one vote.

All resolutions at the AGM are voted by poll. 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 attendees before starting 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 that the voting exercise is conducted properly and signs off on the voting results.

Within the same day after the AGM, JC&C releases a detailed announcement publicly available on SGX's website ([www.sgx.com/securities/company-announcements](http://www.sgx.com/securities/company-announcements)), showing the voting results in terms of the number of votes cast for and against each agenda item and the respective percentages. This announcement is also available on JC&C's website.