## Risk Management Review

Executive management oversees the implementation of the systems of internal control within the Group's operating companies, the responsibility for which rests with each company's board and its executive management.

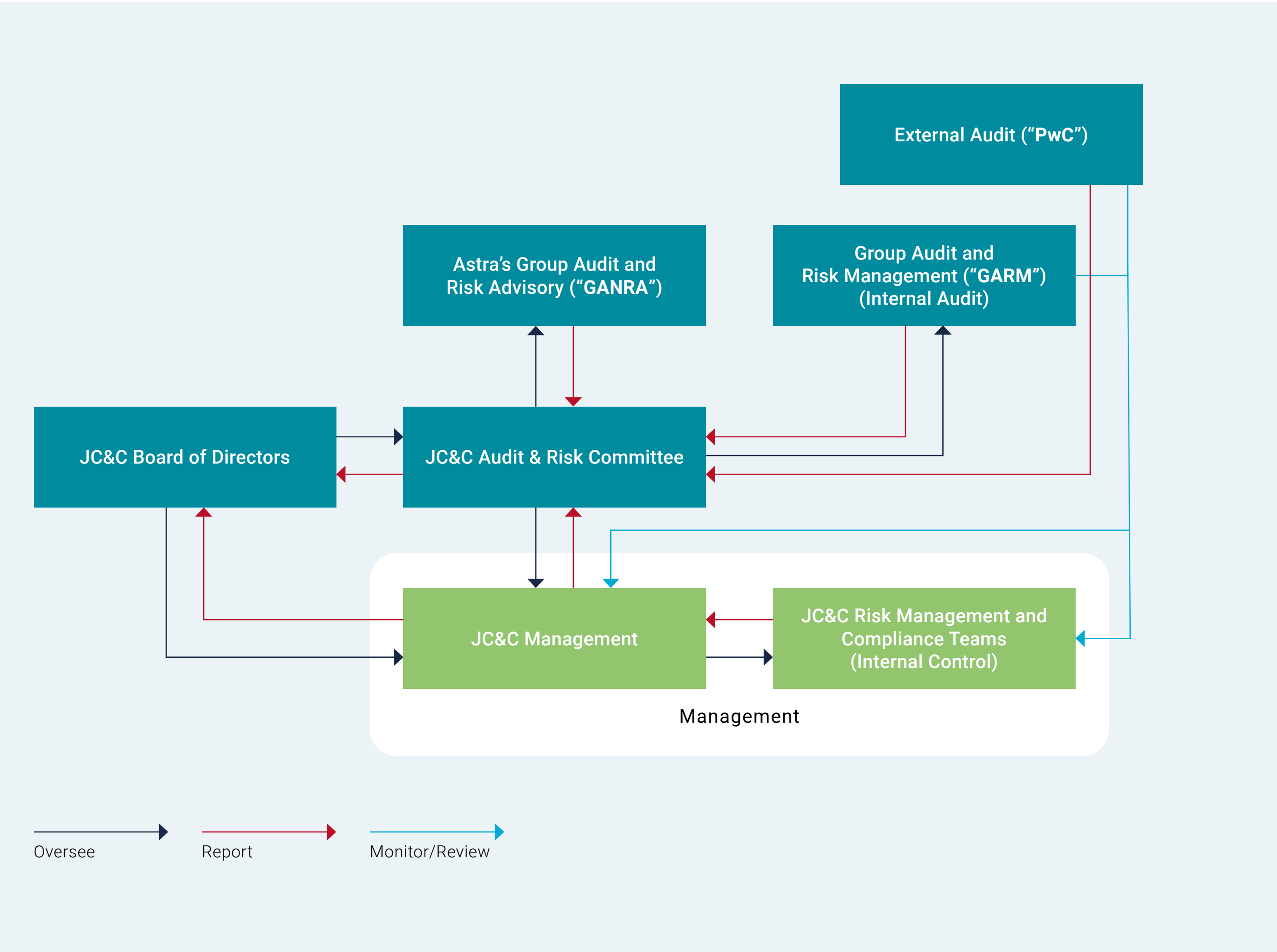
The Group has an established risk management process that is reviewed regularly and covers all business units. This includes the maintenance of risk registers that detail the emerging and existing risks to the future success of the business and the relevant key controls and mitigating factors that address 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, audit committees and GARM/GANRA on the principal risks and uncertainties.

Information and guidelines for reporting principal risks and uncertainties are regularly communicated to the business units. Risk management initiatives, such as training and sharing sessions are undertaken by the Group to raise employees' risk awareness and embrace the Group's risk culture. Furthermore, Jardines 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 executive management's responsibility. Based on the Group's risk evaluation, management is expected to implement risk management measures (as described in its risk management framework) to address the identified risks. 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 through 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

A Risk Management Framework based on ISO 31000 and COSO principles is embedded within the Group's processes, to identify, assess and define the 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 such as materiality assessment 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 no appetite
- **Transfer** – take out 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 & Risk Committee

The risk registers are updated bi-annually and a Risk Management Report is presented to the Audit & Risk 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 2023:

### *Climate Change*

Climate change has gained widespread recognition as a significant long-term risk faced by businesses on a global scale.

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. While these risks cannot be eliminated completely, the Group takes proactive measures such as procuring appropriate insurance as part of its risk management strategy. 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. These include the ongoing technological shift towards electric vehicles, the imposition of increased carbon taxes and investments in low-carbon technologies

To effectively manage these climate change risks, the Group conducts climate risk assessments and scenario analyses following the TCFD framework, as described in our sustainability reporting. This approach allows the Group to identify key focus areas for its portfolio businesses and build overall climate resilience.

Additionally, the Group has decarbonisation plans in place that have been identified based on JC&C's materiality as described in our sustainability reporting. These plans underscore the Group's commitment to addressing climate change and its associated risks in a holistic and sustainable manner.

### *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. Failure to effectively compete with existing competitors or new entrants in its industries could have adverse consequences on the Group's business, financial health and operational results.

Moreover, the Group's financial performance is susceptible to economic fluctuations, with market dynamics significantly influencing its earning and asset positions.

Furthermore, the Group faces financial risks arising from fluctuations in commodity prices, primarily coal and crude palm oil.

Government regulations and policies relevant to the Group's industries and territories exert a substantial impact on its businesses. The emergence of free trade agreements may intensify competition, potentially affecting the Group's earnings and overall assets negatively. Additionally, timely adoption of low-carbon products and technology is crucial for the Group to benefit from subsidy schemes and policy support in the countries where it operates.

To mitigate competition risks, the Group regularly assesses whether its products and services meet customers' expectations. For instance, the Group actively reviews its product strategy with its principals in the automotive sector to incorporate electric vehicles into its product line-up.

Additionally, the Group collaborates with the local management to leverage their local expertise and knowledge to manage political and regulatory risks effectively.

Finally, 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.

***Cybersecurity***

In today's dynamic digital landscape, the accelerated adoption of technology across industries has led the Group's businesses to expand their online operations significantly. Consequently, they have become increasingly reliant on network infrastructure and critical supporting systems. This transformation has coincided with a surge in cyber threats worldwide, characterised by increased frequency, severity and sophistication.

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 litigation. This external risk could potentially have a long-term impact if the Group's reputation is affected.

To safeguard against these threats, the Group has implemented robust cybersecurity measures, including educating and preparing our employees. Continuous training and awareness programmes are in place to educate our employees in data protection, secure online behaviour and recognition of phishing attempts.

In addition, 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 are in place to ensure minimal disruption to our operations and services in the face of unforeseen challenges. The Group has also secured cyber insurance policies to provide an added layer of financial protection in the event of a cybersecurity incident.

***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, account for 16% of JC&C's underlying profits in 2023.

***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 enjoy 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.

***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 2.31 to the Financial Statements, on pages 101 to 112 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.

***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 Israel-Hamas and Russia-Ukraine conflicts, 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 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.

***Workplace Health and Safety***

The ongoing commitment to the health and safety of our employees and stakeholders stands as a paramount concern. Although the challenges of COVID-19 have subsided to some extent, our commitment to workplace health and safety remains unwavering.

Failure to address workplace health and safety concerns could result in injuries, accidents and fatalities; operational disruptions, downtime and decreased productivity; significant regulatory fines and legal liabilities.

The Group is committed to maintaining a safe working environment at its business operations for all employees, customers and contractors. Our stance on occupational health and safety is articulated in our Health and Safety policy. More details are available under 'Workplace Health and Safety' in our sustainability reporting.

In addition, Workplace Health and Safety has been identified as a materiality topic based on JC&C's materiality assessment as described in our sustainability reporting.

## 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 2023, JC&C made two dividend payments to all shareholders; a final dividend of US$0.83 per share on 30th June 2023 and an interim dividend of US$0.28 per share on 6th October 2023.

### 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 and JC&C's website at www.jcclgroup.com.

Specifically for AGMs, the notices are published together with 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 of 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