

Corporate Governance

The Board of Jardine Cycle & Carriage believes that good corporate governance is one of the keys of the Company's success. The Board has put in place a Corporate Governance Policies Manual which sets out the Company's corporate governance practices and terms of reference for the Board, Audit Committee, Nominating Committee and Remuneration Committee, in line with the principles prescribed by the Code of Corporate Governance 2012 ("Code").

This report describes the corporate governance practices of the Company for the financial year ended 31st December 2016, in adherence to the principles and guidelines of the Code. The Company has complied in all material aspects with the principles and guidelines of the Code except for Guideline 4.4 relating to the setting of a policy on the maximum number of listed company board representations which any director may hold. Please refer to the section on *Individual Director's Performance and Time Commitments* on page 27 for an explanation of the deviation.

The Board

Composition

The Board in 2016 was composed largely of non-executive directors, the majority of whom were independent directors. It comprised two executive directors and 11 non-executive directors of whom seven were independent.

Director	Position	Status	
Benjamin Keswick	Chairman	Non-executive	Non-independent
Boon Yoon Chiang	Vice Chairman	Non-executive	Non-independent
Mark Greenberg	Member	Non-executive	Non-independent
Michael Kok	Member	Non-executive	Non-independent
Alexander Newbigging ¹	Member	Executive	Non-independent
Adrian Teng ²	Member	Executive	Non-independent
Chiew Sin Cheok ³	Member	Executive	Non-independent
Tan Sri Azlan Zainol	Member	Non-executive	Independent
Chang See Hiang	Member	Non-executive	Independent
Hassan Abas ⁴	Member	Non-executive	Independent
Mrs Lim Hwee Hua	Member	Non-executive	Independent
Dr Marty Natalegawa	Member	Non-executive	Independent
Anthony Nightingale	Member	Non-executive	Independent
James Watkins	Member	Non-executive	Independent

¹ Group Managing Director

² Group Finance Director from 1st April 2016, succeeding Chiew Sin Cheok

³ Group Finance Director up to 31st March 2016

⁴ Lead Independent Director

Key information regarding the directors relating to their academic and professional qualifications, date of first appointment as director, date of last re-appointment, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments can be found on pages 16 to 19 of this Annual Report.

Key information on the directors' shareholding in the Company and its related corporations can be found on pages 38 to 39 of this Annual Report.

No alternate director has been appointed to the Board.

The Board, with the assistance of the Nominating Committee, continually ensures that there is a diverse but appropriate mix of core competencies and skills among its members to provide the depth of knowledge and experience necessary to meet its responsibilities and effectively lead the Company. The core competencies and skills which the Board considers as relevant to the Company's businesses are accounting, finance, human resource, legal, strategic planning, customer-based experience, international relations and national policies.

The Board members come from a variety of professional backgrounds which together fulfils all of the core competencies mentioned in the preceding paragraph. Additionally, a majority of the directors are either existing or ex-CEOs with many years of knowledge and experience in managing businesses, some of which are public-listed and multi-regional operations. Please refer to pages 16 to 19 of this Annual Report for details of the directors' professional backgrounds.

The Company has been led by a Board that has been relatively stable in its composition over the years. This is one of the cornerstones of the Board's effectiveness and the Company's success. However, the Board is mindful of the need for fresh perspectives and diversity. There has been a process of progressive Board renewal with the addition of carefully selected new members; in the last six years, three new directors have joined the Board, bringing with them a wealth of experience and skills. At the same time, the Board continues to benefit from long-serving members who have amassed valuable knowledge of the Group's businesses over the years and who are able to provide strategic direction and oversee management's performance in the medium to long-term.

Together, there is a good balance and diversity of knowledge, experience and skills on the Board as well as strong stability in the Company's leadership.

Roles and Responsibilities

The Board has adopted a comprehensive set of Terms of Reference defining its roles and responsibilities. These are further elaborated on below.

The Board is responsible for charting the overall strategy and direction of the Group and providing entrepreneurial leadership. It sets strategic objectives and broad policies on matters of a significant nature, and ensures that sufficient resources are available to meet them. Sustainability issues

such as environmental and social factors are also taken into consideration in the formulation process.

The Board works with management to oversee the business and affairs of the Company and to safeguard shareholders' interests and the Company's assets. It is responsible for establishing a sound system of internal controls and risk management, including reviewing regular risk management and internal audit reports. Please refer to the section on *Internal Controls and Risk Management* of this report on page 25 for further details.

It also ensures proper financial reporting, and reviews the quarterly and full year results announcements of the Company. These results announcements provide shareholders and the public with regular updates on the financial performance, position and prospects of the Company. The Board reviews the results announcements prior to their release to ensure that they present a balanced and understandable view. The Board is provided with monthly management accounts and explanations and information on a regular basis which enables it to make a balanced and informed assessment of the Company's performance, position and prospects throughout the year.

The Board is also responsible for ensuring that the Company adheres to all other disclosure obligations under legislation and the Singapore Exchange's listing rules, including timely and adequate disclosure of material price sensitive information. Announcements to be released via SGXNET contain adequate information as per the Singapore Exchange's Listing Manual requirements and guidelines. The Board ensures that the announcements are prepared by persons who are familiar with these requirements, which includes the finance and legal teams and external lawyers, and the Board delegates authority to senior management to approve the final drafts for release.

The Board also reviews and approves important matters which have been specifically reserved for its approval as set out in its Terms of Reference. These include acquisitions, disposals, capital

expenditure, lease commitments, financial assistance, capital investment, bank facilities and derivative transactions which are material in nature as per the specified limits. The Board also approves the operating plan and budget. To safeguard shareholders' interests, there are also internal guidelines setting out the financial authorisation and approval limits for various operational matters. Significant matters and material transactions which exceed the threshold limits are referred to the Board for review and approval, and these include major and discloseable transactions as referred to in the Singapore Exchange's Listing Manual. Matters below the threshold limits are approved by the various levels of management according to the applicable financial authority limits.

The Board also monitors management's performance, which remains accountable to the Board.

The Board's responsibility also extends to setting the Company's values and standards of doing business (including ethical standards) and ensures that obligations to shareholders and other key stakeholders are understood and met.

Board Meetings and Attendance

In 2016, the Board met regularly every quarter during which it reviewed and approved the release of the Company's quarterly results as well as received management's updates on the performance and development of the Group's businesses. Various other matters were also deliberated upon, such as declaration of interim and final dividends, significant investments and divestments, corporate and risk strategies, budget, operating plans, internal audit reviews and Board re-appointments, independence and performance appraisal.

The full Board attended the Annual General Meeting of the Company to address questions from shareholders.

Below are the details of Board and committee meetings and Annual General Meeting held in 2016 and the attendance of every director at these meetings:

Director	No. of meetings held whilst in office / attended				
	Board	AGM	Audit Committee	Nominating Committee	Remuneration Committee
Benjamin Keswick (<i>Chairman of the Board</i>)	4 / 4	1	NA	1 / 1	2 / 2
Boon Yoon Chiang	4 / 3	1	4 / 4	NA	NA
Alexander Newbigging	4 / 4	1	4 / 4 [#]	1 / 1 [#]	2 / 2 [#]
Adrian Teng [*]	3 / 3	1	3 / 3 [#]	NA	NA
Chiew Sin Cheok [^]	2 / 2	1	2 / 2 [#]	NA	NA
Tan Sri Azlan Zainol	4 / 3	1	NA	NA	NA
Chang See Hiang (<i>Nominating Committee Chairman</i>)	4 / 4	1	4 / 4	1 / 1	2 / 2
Mark Greenberg	4 / 4	1	4 / 4	NA	NA
Hassan Abas (<i>Audit Committee Chairman & Lead Independent Director</i>)	4 / 4	1	4 / 4	1 / 1	2 / 2
Michael Kok	4 / 4	1	NA	NA	NA
Mrs Lim Hwee Hua	4 / 4	1	4 / 4	NA	NA
Dr Marty Natalegawa	4 / 4	1	NA	NA	NA
Anthony Nightingale	4 / 3	1	NA	NA	NA
James Watkins (<i>Remuneration Committee Chairman</i>)	4 / 3	1	4 / 3	NA	2 / 1

* Appointed on 1st April 2016.

[^] Ceased as Director on 28th April 2016.

[#] Attended not as a member but on *ex officio* basis.

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For 2016, the dates of all Board and committee meetings and the Annual General Meeting were scheduled and circulated in advance to allow the directors to plan ahead, resulting in optimal attendance. All directors attended the meetings in person, and on the rare occasion where a director was not able to be present, the Constitution of the Company allowed the director to participate in the meeting via teleconferencing or video conferencing. Every director received a set of Board papers tabled for discussion at the meeting and the resulting minutes, regardless of whether he or she was able to attend the meeting.

Outside of the regular Board meetings, the Board passed decisions via circular resolutions on ad hoc matters as warranted by particular circumstances. In such cases, board papers were circulated to each director giving full information regarding the matter, and management was available to answer any questions which a director may have had.

Access to complete, adequate and timely information

In order to fulfil their duties, directors have access to adequate and timely information provided by management, including monthly management accounts.

All directors are provided with a detailed agenda of each Board and committee meeting, and related materials, background and explanatory information on each of the agenda items in the form of Board and committee papers. Where budgets are concerned, the paper will also address any material variances between the projections and actual results.

The agenda and papers are generally made available to the directors at least a week before the scheduled regular meetings to allow them time to process the information and prepare themselves for the meetings. The materials are digitally available on a secure site and can therefore be conveniently accessed by the directors via an application on the iPad which is provided by the Company to each director. Additionally, the Company also provides printed copies to the directors who prefer them in paper form. For circular resolutions on ad hoc matters outside of the quarterly scheduled meetings, Board and committee papers will also be circulated to the directors, giving full information regarding the matter, and management will be available to answer any questions which a director may have.

Management acknowledges that the information provided in the Board and committee papers is unlikely to be enough and it is the Board's duty to question and challenge management as part of its oversight function. The Group Managing Director, Group Finance Director and Company Secretary who is also the Group General Counsel are therefore present at every Board and Audit Committee meeting to provide further information or address specific queries which the directors may have. The Group Managing Director also attends every Nominating and Remuneration Committee meeting, and the General Manager – Group Finance attends every Audit Committee meeting. Management may make available other senior executives to attend the meetings where the situation warrants. Management also ensures that it is separately and

independently accessible by the Board at other times and will address queries and provide additional information in a timely manner.

In addition, the Board has separate and independent access to the Company Secretary and other members of senior management. It is also empowered to seek independent professional advice as considered necessary, at the Company's expense.

Board Orientation and Training

An orientation pack is provided to newly-appointed directors explaining their duties and obligations, and briefings on the Group's businesses and strategic plans are arranged. A first-time director will also be provided with training under the Singapore Institute of Directors' ("SID") Listed Company Director Programme which covers modules such as listed company director essentials, Audit Committee, Nominating Committee, risk management and investor relations.

The directors are also provided from time to time with continuing training and education to ensure that they are kept abreast of relevant new laws, regulations and practices that affect the Board's functions. The directors are kept updated on industry-related developments to improve their understanding of the issues involved, leading to appropriate decision-making as Board members. These are done via Board papers circulated to all directors, and updates and presentations during Board and committee meetings by management, the auditors, consultants or a Board member who is knowledgeable about a particular subject matter. These would cover areas such as accounting standards and issues which have a direct impact on financial statements, directors' duties and responsibilities, corporate governance, Companies Act, continuing listing obligations, risk management and other relevant business or geopolitical topics and trends.

Chairman and Group Managing Director

The Chairman of the Board is a separate role from that of the Group Managing Director and both roles in the Company are held by different individuals who are not related to each other. In 2016, the Chairman of the Board was Benjamin Keswick and the Group Managing Director was Alexander Newbigging.

There is a clear division of responsibilities between the two roles to ensure effective oversight, an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Group Managing Director is the chief executive officer of the organisation who manages the day-to-day business operations of the Company in accordance with the strategies, budgets and plans approved by the Board, whereas the Chairman occupies a non-executive position, leads the Board and oversees all of its functions to ensure that the Board performs effectively in its role.

Lead Independent Director

Since the Chairman is not an independent director, a lead independent director, Hassan Abas, has been appointed to provide shareholders with an independent channel for contact with the Company.

Communication with Shareholders and Conduct of Shareholder Meetings

The Board ensures regular and timely communication with shareholders through announcements on the SGXNET, which are also contemporaneously posted on the Company's website, www.jcclgroup.com, as well as quarterly and year-end reporting of its results. Such results are also available on the same website under the "Investor Relations" section.

Shareholders are informed of shareholders' meetings through notices published in the newspapers and which are also sent to all shareholders in advance of the meetings. The shareholders will also receive explanatory notes, reports and circulars containing relevant information on the matters to be tabled for their approval at such meetings. All such information is also made available on the Company's website at www.jcclgroup.com.

At the shareholder meetings, each specific matter is proposed as a separate resolution to be put to a vote by poll. Shareholders are also invited to put forth any questions they may have on the motions to be discussed and decided upon. The Company engages an external service provider to facilitate the poll voting which is carried out electronically. 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 appointed scrutineer is also present at the meeting to ensure that the voting exercise is conducted properly and signs off on the results of the voting. After the meeting, the Company releases a detailed announcement via SGXNET showing the results of the meeting in terms of number of votes cast for and against each resolution and the respective percentages.

If any shareholder is unable to attend, he/she is allowed under the Company's Constitution to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance to all shareholders with clear instructions on how they should be completed and returned to the Company and the relevant deadline. Under the multiple proxy regime, depository agents such as banks, securities custodians and the Central Provident Fund ("CPF") are allowed to appoint more than two proxies. This enables indirect investors, including CPF investors, to attend and participate at the meetings as proxies. Voting in absentia by mail, facsimile or email is currently not allowed.

After each shareholders' meeting, the Company Secretary prepares the minutes of the meeting which are available to shareholders upon request. The minutes reflect substantial and relevant queries and comments from shareholders with reference to a specific agenda item, and also record the Board and management's response to these queries and comments.

The Annual General Meeting is the principal forum for dialogue with shareholders, where the directors, chairmen of the Board Committees and external auditors are available to answer questions. For 2016, the full Board and external auditors attended the annual general meeting in person. The Company's Annual Report is sent to all shareholders

prior to the Annual General Meeting, and copies of the present Annual Report and those of the last four years are available on the Company's website at www.jcclgroup.com.

Investor Relations

The Company meets once a year with analysts after the announcement of its full year results to brief them on the results, and uses the opportunity to gather views and address issues or concerns. A similar meeting may also be scheduled after the announcement of its half year results, if considered appropriate. The Company also receives requests from time to time from institutional and retail investors and meets with them on an ad hoc basis as part of its efforts to directly engage with shareholders and to gather feedback or address specific concerns. It also participates in investor roadshows or investors' day briefings. Designated management spokespersons are present at such meetings. They include the Group Managing Director, Group Finance Director and Company Secretary.

The Company has a dedicated "Investor Relations" section on its website, www.jcclgroup.com, which provides relevant information for investors. Materials given out during analyst briefings are also made available in that section.

Internal Controls and Risk Management

The Board believes in the importance of a sound system of internal controls and risk management to safeguard shareholders' interests and the Company's assets as well as to achieve corporate objectives. The Board has overall responsibility for the Group's internal controls and risk management and reviews the adequacy and effectiveness of these control and risk management systems, including financial, operational, compliance and information technology controls.

For 2016, the Board had received assurances from the Group Managing Director and Group Finance Director that the financial records had been properly maintained and the financial statements gave a true and fair view of the Group's operations and finances, and the system of risk management and internal controls in place was adequate and effective in addressing the material risks in the Group in its business environment then.

The Board, with the concurrence of the Audit Committee, was satisfied that adequate and effective internal controls including financial, operational, information technology and compliance controls and risk management systems had been in place and met the needs of the Group in its business environment then. The conclusion was based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management throughout 2016, as well as the assurances from the Group Managing Director and Group Finance Director as mentioned above.

The Board notes that the Group's system of internal controls is designed to manage the Group's risks within an acceptable risk profile, rather than eliminate business risk completely.

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The Group's internal controls and risk management systems provide reasonable but not absolute assurance that the Group will not be materially adversely affected by any event that can be reasonably foreseen and do not provide absolute assurance against material misstatements, the occurrence of material or human errors, poor judgment in decision-making, losses, fraud or other irregularities.

The Company does not have a separate Board risk committee but has in place a risk management programme, under the purview of the Audit Committee, to identify and report on areas of potential business risks, and to recommend counteracting measures to prevent and minimise any loss arising from the business risks identified. This programme is further elaborated upon under the "Risk Management Review" section of this report on page 32.

Board Committees

To assist it in the discharge of its responsibilities, the Board has established the following committees and delegated specific authority to them whilst retaining overall oversight:

- Nominating Committee
- Remuneration Committee
- Audit Committee

These committees operate under clear terms of reference which set out their roles and responsibilities as well as qualifications for committee membership in line with the Code's recommendations. Members of these committees were carefully selected based on the skills and experience required, to maximise the effectiveness of the Board. The composition and functions of these committees are described in the following pages.

From time to time, the Board also establishes ad hoc committees to look into specific matters for operational efficiency.

Nominating Committee

The members of the Nominating Committee in 2016 were as follows:

Director	Position	Status
Chang See Hiang	Chairman	Independent director
Hassan Abas	Member	Lead independent director
Benjamin Keswick	Member	Non-independent director

The majority of the Nominating Committee was independent and it was chaired by an independent director. It also met the minimum size requirement of three members.

The members of the Nominating Committee carry out their duties in accordance with the Terms of Reference defining their roles and responsibilities, which are further elaborated on below.

Board Appointments

The primary function of the Nominating Committee is to make recommendations to the Board on all Board appointments, including the Company's representatives on the boards of the Group's subsidiaries and associates. It ensures that the

Board and Board committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company as well as a mix of core competencies in areas such as accounting, finance, business, management, law, industry knowledge, strategic planning and customer-based knowledge. It also determines the size of the Board after taking into consideration the scope and nature of operations of the Group.

The Nominating Committee leads the process of Board succession planning, appointment and re-appointment of directors of the Company and makes its recommendations to the Board accordingly.

There is a formal and transparent process for the appointment of new directors. The Nominating Committee reviews each proposal for the appointment of a new member to the Board, and the candidate could be identified via a recommendation by a Board member or management, or sourced through the Company's extensive network of contacts or through external help like the Singapore Institute of Directors or search consultants. The candidate will be assessed for his or her suitability and potential contribution to the Board, taking into account the existing competencies, knowledge and experience of the other Board members. After considering factors such as the candidate's professional qualifications, business experience and capabilities as well as integrity and ability to make independent and sound decisions, suitable candidates will be nominated to the Board for approval.

All newly-appointed directors are subject to election by shareholders at the Annual General Meeting following their appointment. Further, in accordance with the Company's Constitution, at least one-third of the directors, including the Group Managing Director and the Group Finance Director, is required to retire by rotation and submit themselves for re-election at each Annual General Meeting. This means that each director would be submitting himself or herself for re-nomination and re-appointment at a regular interval of about once every three years.

The Nominating Committee also makes recommendations to the Board on the re-election of the directors. It develops and maintains internal guidelines used to evaluate the directors' ability and performance for the purpose of recommending them for re-nomination and re-election. Besides the factors that are looked at as part of the Board succession planning exercise, the Nominating Committee will also assess the individual director's commitment, contribution and past performance. Factors such as attendance, preparedness, participation and candour during meetings will be taken into account.

At the upcoming Annual General Meeting, James Watkins, Tan Sri Azlan Zainol, Mark Greenberg, Dr Marty Natalegawa and Benjamin Keswick will retire pursuant to the one-third rotation rule. Other than Tan Sri Azlan Zainol, all the retiring directors will be submitting themselves for re-election. Their names are reflected in the Notice of Annual General Meeting which can be found on page 134 of this Annual Report, and key information about them can be found on pages 16 to 19 of this Annual Report.

Independent Directors

The responsibilities of the Nominating Committee also include assessing annually the independence of the directors.

The Board considered a director to be independent in character and judgment if neither the director nor his or her immediate family members has a relationship with the Company, its related corporations, its shareholders who have at least a 10% interest in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company. The Board also took into consideration whether there existed any of the relationships and circumstances described by the Code and the Listing Manual which existence were likely or could appear to affect a director's independent judgment.

The directors were asked to declare if there existed such a relationship or circumstances via a form which they completed on an annual basis, or for new directors, upon their appointment. They were also asked to assess if they considered themselves independent despite the existence of such a relationship or circumstances. Consistent with the Code, the Nominating Committee carried out an assessment of the independence of all the non-executive directors at the beginning of 2016 and presented its recommendations to the Board.

A director who was employed by a related corporation of the Company was deemed under the Code as non-independent. The Nominating Committee therefore considered Benjamin Keswick, Boon Yoon Chiang and Mark Greenberg as non-independent directors as they were senior executives of the Jardine Matheson Group, the 75% shareholder of the Company. Michael Kok who was previously the CEO of Dairy Farm, a related corporation of the Company, had retired less than three years ago, and as such, the Nominating Committee still considered him to be non-independent according to the guidelines of the Code. The Board had considered and agreed with the Nominating Committee's recommendations regarding these directors.

The Nominating Committee had assessed the remaining seven directors, namely Hassan Abas, Chang See Hiang, Anthony Nightingale, James Watkins, Tan Sri Azlan Zainol, Mrs Lim Hwee Hua and Dr Marty Natalegawa, to be independent in character and judgment, taking into account the guidelines under the Code and the Listing Manual. For all of them, there did not exist any relationship as stated in the Code that would otherwise deem them as not to be independent. The Board agreed with the Nominating Committee's assessment.

Five of the independent directors had served on the Board beyond nine years from their date of first appointment. They were Hassan Abas, Chang See Hiang, Tan Sri Azlan Zainol, James Watkins and Anthony Nightingale. These directors were therefore subjected to particularly rigorous review by the Nominating Committee. Their independence was assessed based on the following checklist and the Nominating

Committee found that all of them fulfilled the requirements on the checklist:

- whether the director actively participated in deliberations and spoke out (when necessary) to question management's ideas and proposals to avoid a 'group-think' situation;
- whether the director considered himself to be an independent director of the Company and was free of material business or financial connection with the Company;
- whether the director had demonstrated independent character and judgment despite his long tenure on the Board;
- whether the director had demonstrated attributes which helped provide effective oversight of management, namely, a detailed knowledge of the Company's business and proven commitment, experience and competence; and
- whether the Company would continue to benefit from the experience and knowledge of the director, taking into account his personal attributes, skills and competency in relation to the current and future needs of the Board.

Board Performance Assessment

The quality and effectiveness of a good Board is reflected in the results and performance of the company that it governs. The Company's financial results released every quarter are therefore a reflection of the Board and its committees ongoing performance, and are a testament to how well they are able to work with and guide management.

Besides the financial results which speak for themselves, the Board also undertakes an assessment of the Board's performance as a whole and its board committees, and the contribution of each individual director to the effectiveness of the Board. The review is carried out annually and overseen by the Nominating Committee. The formal performance assessment process is set out in the Company's Corporate Governance Policies Manual, and uses self-assessment with certain set performance criteria.

Individual Director's Performance and Time Commitments

For individual director's performance, each director performs a self-evaluation by completing a checklist containing a set of pre-determined performance criteria. The performance criteria cover areas such as attendance and adequacy of preparation for Board and Board Committee meetings, contributions in topics like strategic/business decisions, finance/accounting, risk management, legal/regulatory, human resource management, generation of constructive debate, maintenance of independence and disclosure of related party transactions. These relate directly to areas in which a director would be expected to contribute to and are designed to encourage the director to reflect on his/her performance and contribution during the course of the year. Each director's self-evaluation is reviewed by the Nominating Committee and reported to the Board.

In making its assessment of a director's ability and performance in adequately carrying out his/her duties as a director of

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the Company, the Nominating Committee will also take into consideration the competing time commitments that are faced by the directors who serve on multiple boards and have other principal commitments. However, the Board is of the view that the number of listed company board representations should not be the only measure of a director's commitment and effectiveness, which is better assessed on a qualitative basis based on actual participation and contribution. The Board is made up of high calibre individuals who are leaders in their respective fields, and are naturally sought after to serve on multiple boards and have other principal commitments in various countries. Rather than being a limiting factor, the Board views it as an advantage that its members are continuing to gain regional and international exposure and experience in a range of industries and countries. This helps them become better directors for the Company which has a diverse set of investments in different countries.

Accordingly, the Board has decided not to set a maximum number of listed company board representations which any director may concurrently hold, as this would be arbitrary and may be unnecessarily limiting. The individual directors have the responsibility of monitoring their own time commitments and ensuring that they are still able to effectively discharge their duties as a director of the Company.

Indeed, in 2016 as well as preceding years, the directors have continued to show their commitment to the Company in terms of their high level of attendance and preparedness for Board meetings and participation during meetings. The directors have given sufficient time and attention to the Company's matters, and have all discharged their duties and responsibilities adequately.

The directors' self-assessment is part of the framework of annual reviews carried out by the Nominating Committee in respect of each director, including board succession planning and independence review exercise described earlier in this report. All the reviews aim ultimately to assess whether the director continues to contribute effectively and demonstrate commitment to the role. The results of the review will be taken into account in the director's re-appointment or re-election. The Chairman, in consultation with the Nominating Committee, will act on the results and make the appropriate recommendations to the Board accordingly.

Board's Performance

For the Board's performance as a whole and its Board committees, the Company has adopted a set of quantitative and qualitative performance criteria which have remained relatively unchanged year to year.

The quantitative assessment criteria focus on how the Board has enhanced long-term shareholder value. They are share price performance, return on capital employed ("ROCE") and earnings per share. The quantitative assessment is carried out by an external consultancy firm, Deloitte & Touche Financial Advisory Services Pte Ltd, which does not have any connection with the Company or any of its directors. The Company's information on each of these criteria is compiled by the consultant over a five-year period and compared against the Straits Times

Index and a benchmark index of industry peers specially put together for the purpose of the Board performance assessment exercise. The industry peers are selected based on the fact that they have one or more similar businesses as the Company. The components of this peer benchmark index and their weightages are reviewed annually to ensure that the comparison remains relevant. The information and comparison are set out in a performance benchmark report which is then reviewed by the Nominating Committee.

The qualitative assessment is a self-reflection exercise where various aspects of the Board process and functions are examined. The Nominating Committee reviews whether or not the practices put in place are being followed. The areas that are covered are Board structure, conduct of meetings, corporate strategy and planning, risk management and internal control, measurement and monitoring of performance, recruitment and evaluation, compensation, succession planning, financial reporting and communication with shareholders. The results of the review are reported to the Board by the Nominating Committee together with any recommendations for areas of change or improvement.

Remuneration Committee

The members of the Remuneration Committee in 2016 were as follows:

Director	Position	Status
James Watkins	Chairman	Independent director
Chang See Hiang	Member	Independent director
Hassan Abas	Member	Lead independent director
Benjamin Keswick	Member	Non-independent director

The Remuneration Committee consisted entirely of non-executive directors, all but one were independent, and was chaired by an independent director. It met the minimum size requirement of three members.

The members of the Remuneration Committee carry out their duties in accordance with the Terms of Reference defining their roles and responsibilities as further elaborated below.

Executive Directors' and Senior Executives' Remuneration

The Remuneration Committee is responsible for reviewing the remuneration of key management personnel and advising the Board on the framework of remuneration policies for executive directors and senior executives, as well as the framework of fees payable to non-executive directors. These policies are designed to attract, retain and motivate them to align their interests with the growth of the Company, in order to increase shareholder value.

Several members of the Remuneration Committee are knowledgeable in the field of executive compensation. If necessary, the Remuneration Committee will seek expert advice from consultants on executive compensation matters.

The remuneration for executive directors and key management personnel is structured to link rewards to corporate and individual performance. The remuneration policy for executive

directors and key management personnel consists of both a fixed and variable component. The fixed component comprises salary, provident fund contributions and other allowances. The variable component comprises a performance-based bonus, which is payable on the achievement of individual and corporate performance conditions which are set or refreshed annually. The performance of the executive directors is based on the Board's assessment as described in the earlier section, while those of the key management personnel are based on appraisals done by the executive directors.

Incentive Plans

Short-term and long-term incentive plans have been designed to strengthen the pay for performance framework and to reward participants for the success of the business units and the Group. Performance targets to be met under the short-term incentive plan include annual earnings, which are benchmarked against the budget, and individual qualitative key performance indicators, other than earnings, that focus on short-term and long-term success and profitability.

Individual payments are made based on performance appraisals. Under the long-term incentive plan, an incentive pool is created from which payment is made for performance measured in three-year cycles that exceeds baseline targets, as approved by the Remuneration Committee. These performance targets are chosen because they are closely aligned with the long-term success of the Group and shareholders' interests.

The performance conditions under the plans were reviewed to ensure that they were met in respect of any payout for 2016.

Miscellaneous

The Group does not use any contractual provisions to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Group.

Directors	Directors' fees S\$000	Base salary S\$000	Variable bonus S\$000	Defined benefits/contribution plans S\$000	Benefits-in-kind S\$000	Total S\$000
Benjamin Keswick	166	-	-	-	-	166
Boon Yoon Chiang	101	-	-	-	2	103
Alexander Newbigging [#]	-	570	2,355	131	958	4,014
Adrian Teng [*]	-	342	559	68	274	1,243
Chiew Sin Cheok ^{#^}	-	155	255	36	388	834
Tan Sri Azlan Zainol	75	-	-	-	-	75
Chang See Hiang	126	-	-	-	-	126
Mark Greenberg	101	-	-	-	-	101
Hassan Abas	146	-	-	-	-	146
Michael Kok	76	-	-	-	-	76
Mrs Lim Hwee Hua	101	-	-	-	-	101
Dr Marty Natalegawa	76	-	-	-	-	76
Anthony Nightingale	75	-	-	-	-	75
James Watkins	114	-	-	-	-	114

[#] Executive Director

^{*} Appointed on 1st April 2016

[^] Ceased as Director on 28th April 2016

The Company does not currently operate any share-based incentive plan.

Non-executive Directors' Remuneration

Directors' fees for non-executive directors are determined having regard to best market practice, the level of duties and responsibilities of the directors and the size and diversity of the Group's operations, and were last reviewed in 2015. The directors' fees paid include board committee membership fees as set out below, attendance fees of S\$1,500 per meeting (capped at one meeting fee per day, regardless of the number of meetings attended on that day) and benefits-in-kind, all of which are approved by shareholders at the Annual General Meeting.

The non-executive directors' fee structure for 2016 were as follows:

Fees per annum (S\$)	Chairman	Member
Board	140,000	70,000
Audit Committee	50,000	25,000
Nominating Committee	15,000	10,000
Remuneration Committee	15,000	10,000

Attendance fee of S\$1,500 per director per day of meeting (capped at one attendance fee per day regardless of the number of meetings attended on that day).

No directors' fees were paid to executive directors.

Disclosure of Remuneration of Directors and Key Management Personnel

The remuneration of the directors and the top five key management personnel (who are not also directors) of the Company for 2016, including their names, is shown in the following tables, broken down into the various elements in dollar terms and percentages, respectively:

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Key Management Personnel	Base salary %	Variable bonus %	Defined benefits/ contribution plans %	Benefits-in-kind %	Total %
S\$500,000 to S\$749,999					
Alvyn Ang	31	60	3	6	100
Cheah Kim Teck	68	17	1	14	100
Jason Wen	38	51	3	8	100
S\$750,000 to S\$999,999					
Eric Chan	31	58	2	9	100
S\$1,000,000 to S\$1,249,999					
Haslam Preston	24	45	5	26	100

Notes:

- Directors' fees for non-executive directors, including benefits-in-kind, were approved by the shareholders as a lump sum at the Annual General Meeting held in 2016.
- Benefits-in-kind refer to benefits such as car, driver, housing and club membership made available as appropriate.
- The total remuneration of the top five key management personnel for 2016 was S\$4,297,000.
- No stock options or share-based incentives or awards were paid to directors and key management personnel for 2016.

In 2016, there were no Company employees who were immediate family members of a director.

Audit Committee

The members of the Audit Committee in 2016 were as follows:

Director	Position	Status
Hassan Abas ^{**}	Chairman	Lead independent director
Boon Yoon Chiang	Member	Non-independent director
Chang See Hiang	Member	Independent director
Mark Greenberg [^]	Member	Non-independent director
Mrs Lim Hwee Hua [^]	Member	Independent director
James Watkins	Member	Independent director

* Chartered accountant

[^] Expertise in financial management

All the members of the Audit Committee were non-executive directors and the majority of them, including the Chairman, were independent. Three of the members have expertise in financial management, of whom, one is a chartered accountant. The Audit Committee exceeded (by a factor of two) the minimum size requirement of three members. None of the members were a former member or director of the Company's existing auditing firm.

The members of the Audit Committee carry out their duties in accordance with the Terms of Reference defining their roles and responsibilities. These are further elaborated on below.

The primary function of the Audit Committee is to help the Board fulfill its statutory and fiduciary responsibilities in relation to the Group's financial reporting, ensuring the integrity of financial statements, reviewing financial and control risks and monitoring of the internal control systems. The Audit Committee has access to management and has the discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Internal Audit function (excluding Astra), which reports directly to the Chairman of the Audit Committee, provides an independent and objective assurance on internal controls and assists the Audit Committee in reviewing how principal business risks in the Group are evaluated. Please refer to the "Internal Audit" section of this report on page 32 for further details.

The Group has in place a risk management programme to identify and report on areas of potential business risks, and to recommend counteracting measures to prevent and minimise any loss arising from the business risks identified. The Risk Registers are updated regularly and a Risk Management Review, which is included in this report on page 32, is submitted to the Audit Committee annually.

In performing its functions, the Audit Committee also reviews and approves audit plans for external audit. It meets with the external auditors to discuss significant accounting and auditing issues arising from their audit, other audit findings and recommendations. The Audit Committee recommends to the Board on the re-appointment of the external auditors, approves their remuneration and terms of engagement, and ensures that Rules 712 and 715 of the Singapore Exchange's Listing Manual are complied with.

The Audit Committee meets with both internal and external auditors annually without the presence of management to discuss any matters that the Audit Committee or auditors believe should be discussed privately.

Prior to the completion and announcement of the quarterly and full year results, the Audit Committee and the senior management review the Group's financial information to ensure that it is properly presented and that appropriate accounting policies have been applied in the preparation of financial information.

The Audit Committee serves as an independent party to review financial information prepared by management for shareholders, as well as the channel of communication between the Board and external auditors.

The Audit Committee also reviews or approves the interested person transactions entered or proposed to be entered into during the year as recorded in the Register of Interested Person Transactions (excluding transactions less than S\$100,000). The Company has in place an annual general mandate of interested person transactions which had been approved by shareholders for renewal at the annual general meeting. The general mandate enabled the Company, its subsidiaries and associated companies that were considered to be "entities at risk" within the meaning of Chapter 9 of the Singapore Exchange's Listing Manual to enter in the ordinary course of business into any of the mandated transactions with the specified classes of interested persons, provided that such transactions were made on normal commercial terms and in accordance with the review procedures for such transactions. In seeking shareholders' approval for the renewal of the general

mandate for 2016, the Audit Committee had provided the following confirmation to shareholders:

- that the methods or procedures for determining the transaction prices under the general mandate had remain unchanged since the last Annual General Meeting; and
- that these methods or procedures were sufficient to ensure that the transactions would be carried out on normal commercial terms and would not be prejudicial to the interests of the Company and its minority shareholders.

All interested person transactions entered into pursuant to the general mandate were reviewed by the internal auditors of the Company as part of its annual audit plan, and the Audit Committee reviewed the internal auditors' report for 2016 to ascertain that the guidelines and review procedures for Interested Person Transactions have been complied with.

For 2016, the following interested person transactions were entered into:

	Aggregate value of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	US\$m	US\$m
Jardine Matheson Limited		
- management support services	-	3.6
Jardine Matheson (Singapore) Ltd		
- sale of a motor vehicle	-	0.3
- purchase of a used motor vehicle	-	0.1
Jardine Engineering (Singapore) Pte Ltd		
- maintenance service for air-conditioning equipment	-	0.1
PT Hero Supermarket Tbk		
- transportation services (staff/goods)	0.1	0.7
Schindler Lifts (Singapore) Pte Ltd		
- supply and installation of lifts	-	0.2
Jardine Lloyd Thompson Limited		
- insurance brokerage services	-	0.2
Director of the Company, Chang See Hiang		
- sale of a used motor vehicle	0.2	-
Unicode Investments Limited		
- subscription of shares in a joint venture	7.3	-
PT Astra Land Indonesia		
- subscription of shares by a subsidiary	7.3	-
	14.9	5.2

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Save for those transactions disclosed above, no material contract has been entered into by the Group involving the interests of the Group Managing Director, any director or controlling shareholder, either as at the end of the financial year or since the end of the financial year.

The Audit Committee also reviews the range and value of non-audit services provided by the external auditors on an annual basis. For the financial year which recently ended, it was satisfied that the provision of such non-audit services had not affected the independence of the external auditors. The breakdown of the 2016 fees is as follows:

	US\$m
Total fees for audit services	6.2
Total fees for non-audit services	0.9
Total fees	7.1

The Company has complied with Rules 712 and 715 of the Listing Manual issued by the Singapore Exchange's Listing Manual with regards to the auditing firms.

Internal Audit

The Internal Audit function of the Company is performed by the internal audit staff of its holding company, Jardine Matheson. The function is independent of the operating companies of the Group and employs qualified professionals to handle the work in accordance with the prevailing Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("IIA").

The Internal Audit function reviews the effectiveness of the internal control system and management control system. These reviews are conducted regularly throughout the year in accordance with an agreed plan to ensure that material internal controls are in place. The Audit Committee approves the audit plans, reviews the audit findings and follows up on implementation plans. The Audit Committee also evaluates the adequacy of the Internal Audit function annually.

The Internal Audit function of the Astra group is similar to that mentioned in the preceding paragraph and is performed by the various internal audit units which report to the respective boards of commissioners within the Astra group. The internal audit department of Astra's parent company provides advice and support to these various internal audit units to ensure alignment, adequate coverage and consistent standards. The Audit Committee receives quarterly reports on internal audit plans, audit findings and implementation plans from the Astra group.

Company's Codes and Policies

The Group has a Code of Conduct that encapsulates many of the Group's longstanding policies. The Audit Committee reviews and approves any changes made to the code. These policies apply to all employees and set out the standards within which they are expected to act.

The policies are aimed at the maintenance of standards of honesty, integrity and fair dealing by all employees in their dealings with customers, suppliers, interested persons, the community, competitors and other internal units in the performance of their duties and responsibilities. The employees undergo training on the Code of Conduct to ensure that they understand and are reminded of the principles under the code.

The Company encourages the early reporting of matters of serious concern which may affect the professional and compliant operation of its businesses and reputation. It has in place a whistle-blowing policy which comes under the purview of the Audit Committee to ensure independent investigation and appropriate follow-up action on any concerns raised, including those that are raised anonymously.

The Company has adopted internal guidelines on dealings in securities by directors and employees who, by the nature of their position within the Company, are deemed to be in possession of unpublished material price sensitive information. The guidelines incorporate the best practices on the subject issued by the Singapore Exchange. Under the guidelines, directors and affected employees are not permitted to deal on short-term considerations or during the relevant closed periods immediately preceding the announcement of results.

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 a policy as well as 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, magnitude and speed of impact. Management is also required to identify and evaluate the adequacy and implementation of mechanisms to manage, mitigate, avoid or eliminate these risks. The process encompasses assessments and evaluations at business unit level before being examined at the Group level.

The Risk Registers are updated on a bi-annual basis and a Risk Management Review is presented annually to the Audit Committee on the significant risks, measures taken by management to address them and residual risk exposures impacting the Group.

The following are the major residual risk exposures:

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 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. Such risks cannot be totally eliminated. However, the Group takes up appropriate insurance as part of its risk management.

4. Competition, Economic Cycle, Commodity Prices and Government Regulations

The Group faces competition in each of its businesses. 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 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 67, Note 2.31 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.