

# CORPORATE GOVERNANCE

The Board of Jardine Cycle & Carriage believes that good corporate governance is integral to the Company's success. It has put in place corporate governance policies, 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"). These are constantly reviewed and refined in line with changing requirements.

This report describes the corporate governance practices of the Company for the financial year ended 31st December 2017 ("2017"). 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 *Limit on Number of Directorships* section on page 37 for an explanation.

## BOARD RESPONSIBILITIES

### SIZE, COMPOSITION AND INDEPENDENCE

The Board in 2017 comprised 13 directors, eight of whom, being the majority, were independent directors. There were two executive directors and three non-executive directors.

Director	Position	Status
Benjamin Keswick	Chairman	● ●
Boon Yoon Chiang	Deputy Chairman	● ●
Mark Greenberg	Member	● ●
Alexander Newbigging <sup>1</sup>	Member	● ●
Adrian Teng <sup>2</sup>	Member	● ●
Tan Sri Azlan Zainoi <sup>3</sup>	Member	● ●
Chang See Hiang	Member	● ●
Hassan Abas <sup>4</sup>	Member	● ●
Michael Kok	Member	● ●
Mrs Lim Hwee Hua	Member	● ●
Vimala Menon <sup>5</sup>	Member	● ●
Dr Marty Natalegawa	Member	● ●
Anthony Nightingale	Member	● ●
James Watkins	Member	● ●

1. Group Managing Director

2. Group Finance Director

3. Retired on 28th April 2017

4. Lead Independent Director

5. Joined the Board on 23rd April 2017

No alternate director has been appointed to the Board.

### Key for Status

● Non-executive ● Executive ● Non-independent ● Independent

## BOARD COMPETENCIES

The Board, with the assistance of the Nominating Committee, continually ensures that there is an adequate mix of competencies among its members to meet its responsibilities and effectively lead the Company. The nature of the Company's business is that of investment-holding in market-leading businesses in Southeast Asia. It has a strong regional automotive presence and strategic interests across a wide range of non-automotive businesses in key Southeast Asian economies. Several of the independent directors have extensive experience in managing regional automotive businesses. Other board members have a variety of skills and track record that are critical to managing the Company's businesses such as in the areas of accounting, finance, human resource, legal, strategic planning, customer-based experience, international relations and national policies. Collectively, they represent a Board that is experienced and adept in dealing with investments in public-listed and multi-regional operations. Please refer to pages 25 to 29 of this Annual Report for details of the directors' professional backgrounds.

## DUTIES AND RESPONSIBILITIES

The Board has adopted a comprehensive set of Terms of Reference defining its roles and responsibilities:

### (i) Strategy, Planning and Sustainability

The Board charts the overall strategy and direction, and provides entrepreneurial leadership. It sets 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, social and governance factors are also considered in the formulation process. The Company will be publishing its first Sustainability Report in 2018 which will set out further details on its sustainability practices and approach. The report will be available at [www.jccigroup.com](http://www.jccigroup.com).

### (ii) Risk Management and Internal Controls

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 Internal Controls System and Risk Management section on page 39 for further details.

### (iii) Measuring and Monitoring Performance

The Board ensures proper financial reporting, and reviews the Company's quarterly and full year results

announcements prior to their release to ensure that they present a balanced and understandable view. The Board receives monthly management accounts and information which enables it to make a balanced and informed assessment of the Company's performance, position and prospects throughout the year.

The Board also monitors the performance of management, who is accountable to the Board.

(iv) Remuneration of Directors and Key Management Personnel

The Board is responsible for reviewing and endorsing the remuneration framework for the Board and key management personnel. Please refer to pages 37 to 39 for further details.

(v) Transactions Requiring Approval from the Board

The Board reviews and approves important matters which have been specifically reserved for its approval. They 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 internal guidelines on financial authorisation and approval limits for various operational matters. Significant matters and material transactions exceeding the threshold limits are referred to the Board for review and approval, including major and disclosable transactions as referred to in the Listing Manual of the Singapore Exchange Securities Trading Limited. Matters below the threshold limits are approved by the various levels of management according to the applicable financial authority limits.

(vi) Succession Planning

The Board provides for succession planning of key management personnel and progressive renewal of the Board. Please refer to the Board Appointments and Re-elections and Key Management Succession Planning sections on pages 35 and 37 for further details.

(vii) Setting of Company's Values and Standards, Obligations to Key Stakeholders

The Board sets 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.

The Board is responsible for establishing a communications policy and ensuring that the Company facilitates the exercise of ownership rights by all shareholders. Please refer to the Rights of Shareholders section on page 43 for further details.

## BOARD AND COMMITTEE MEETINGS AND ATTENDANCE

The Board met regularly every quarter to deliberate upon and approve the matters as set out under the Duties and Responsibilities section above.

Board and Committee	Number of meetings in 2017
Board	4
Audit Committee	4
Nominating Committee	1
Remuneration Committee	2

Please see below for the individual director's attendance at the Board and committee meetings and Annual General Meeting ("AGM"):

Director	No. of meetings in 2017 attended / held whilst in office				
	Board	AGM	Audit Committee	Nominating Committee	Remuneration Committee
Benjamin Keswick ( <i>Chairman of the Board</i> )	3 / 4	1	NA	0 / 1	1 / 2
Boon Yoon Chiang	2 / 4	1	3 / 4	NA	NA
Alexander Newbigging ( <i>Group Managing Director</i> )	3 / 4	1	3 / 4 <sup>#</sup>	1 / 1 <sup>#</sup>	2 / 2 <sup>#</sup>
Adrian Teng ( <i>Group Finance Director</i> )	4 / 4	1	4 / 4 <sup>#</sup>	NA	NA
Tan Sri Azlan Zainol <sup>*</sup>	0 / 2	0	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	3 / 4	NA	NA
Hassan Abas ( <i>Audit Committee Chairman &amp; Lead Independent Director</i> )	3 / 4	1	3 / 4	1 / 1	2 / 2
Michael Kok	4 / 4	1	NA	NA	NA
Mrs Lim Hwee Hua	4 / 4	1	4 / 4	NA	NA
Vimala Menon <sup>^</sup>	3 / 3	1	3 / 3	NA	NA
Dr Marty Natalegawa	4 / 4	1	NA	NA	NA
Anthony Nightingale	3 / 4	1	NA	NA	NA
James Watkins ( <i>Remuneration Committee Chairman</i> )	3 / 4	1	3 / 4	NA	1 / 2

<sup>#</sup> Attended not as a member but on an ex officio basis

<sup>\*</sup> Retired on 28th April 2017

<sup>^</sup> Appointed on 23rd April 2017

## CORPORATE GOVERNANCE

For 2017, the dates of all Board and committee meetings and the AGM were scheduled in advance to allow the directors to plan ahead. The Company's Constitution allowed directors to participate in meetings via teleconferencing or video conferencing.

### **BOARD'S 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.

For Board and committee meetings, all directors are provided with a detailed agenda and papers which contain related materials, background and explanatory information on each agenda item. Where budgets are concerned, the paper will also address any material variance between the projections and actual results. Minutes of previous Board and committee meetings are also sent to every member of the Board or committee respectively.

The agenda and papers are generally made available to the directors at least a week before the scheduled regular meetings to allow adequate preparation time. The materials are digitally available on a secure site which can be conveniently accessed at any time via handheld devices. Printed copies are also provided for those who prefer them.

Outside of the regular meetings, the Board or committees would pass decisions via circular resolutions on ad hoc matters as warranted by circumstances. In such cases, Board and committee papers will 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 may not 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 the Company Secretary, who is also the Group General Counsel, are therefore present at Board and Audit Committee meetings to provide further information or address queries. The Group Managing Director also attends every Nominating and Remuneration Committee meeting. Management makes available other senior executives at the meetings where the situation warrants. Management also ensures that it is separately and independently accessible to the Board at other times to address queries and provide timely additional information.

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.

### **ORIENTATION PROGRAMME FOR NEW DIRECTORS**

Each new director who joins the Board undergoes a comprehensive orientation programme that includes introduction and briefing sessions by the Group Managing Director and the heads of the various key functions and business units, including finance and legal. Besides being briefed on the Company's businesses, the new director will also receive a formal appointment letter and information regarding his or her duties as a director of a listed company and how to discharge those duties. For first-time directors, the Company will tailor a programme that will include training under the Singapore Institute of Directors' Listed Company Director Programme.

### **BOARD TRAINING**

During 2017, the directors received regular training and education on areas such as accounting standards and issues which had a direct impact on financial statements, directors' duties and responsibilities, corporate governance, Companies Act, continuing listing obligations, risk management and relevant business trends and geopolitical topics. The training was done via updates and presentations by management, the auditors, consultants or a Board member knowledgeable about a particular subject matter, as well as through specially-written Board papers on such topics.

### **SEPARATE CHAIRMAN AND GROUP MANAGING DIRECTOR (CEO)**

The Chairman of the Board is a separate role from that of the Group Managing Director and are held by different individuals who are not related to each other. In 2017, 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 more 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. 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.

## 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

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 2017 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.

## BOARD APPOINTMENTS AND RE-ELECTIONS

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.

One of the cornerstones of the Board's effectiveness and the Company's success is the relative stability of the Board's composition over the years. Longer-serving Board members amass valuable knowledge of the Group's businesses and are able to provide strategic direction and oversee management's performance in the medium to long-term. Succession planning at the Board level takes this critical factor into account. Board renewal is carried out progressively with the addition of carefully selected new members every few years.

For new appointments, 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 should have the requisite skills in one or more of the core competencies such as accounting, finance, human resource, legal, strategic planning, customer-based experience, international relations or national policies, and preferably with experience in Southeast Asia. Additional factors such as integrity and ability to make independent and sound decisions will be considered. The Nominating Committee will assess the candidate's suitability and potential contribution to the Board, before nominating him or her to the Board for approval.

The Nominating Committee also makes recommendations to the Board on the annual re-election of the directors. Factors such as attendance, preparedness, participation and candour during meetings will be taken into account.

All newly appointed directors are subject to re-election by shareholders at the next AGM. For existing directors, at least one-third of them, including the Group Managing Director and the Group Finance Director, are required to retire by rotation and submit themselves for re-election at each AGM. This means that each director would be submitting himself or herself for re-election about once every three years.

At the upcoming AGM, Mrs Lim Hwee Hua, Alexander Newbigging, Anthony Nightingale, Michael Kok and Boon Yoon Chiang will retire pursuant to the one-third rotation rule. 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 146 of this Annual Report, and key information about them can be found on pages 25 to 29 and 50 to 51 of the Annual Report.

## INDEPENDENT DIRECTORS

The Nominating Committee is responsible for assessing the independence of the non-executive directors annually.

The Board considered a director to be independent 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 considered 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.

## CORPORATE GOVERNANCE

The directors were asked to declare if there existed such a relationship or circumstances. They were also asked to assess if they considered themselves independent despite the existence of such a relationship or circumstances.

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.

The Nominating Committee assessed the remaining eight directors, namely Hassan Abas, Chang See Hiang, Anthony Nightingale, James Watkins, Mrs Lim Hwee Hua, Dr Marty Natalegawa, Michael Kok and Vimala Menon to be independent according to the guidelines under the Code and the Listing Manual.

Four 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, James Watkins and Anthony Nightingale. These directors were subjected to particularly rigorous review with extra considerations as set out below, and the Nominating Committee found that all of them fulfilled these considerations:

- 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 the personal attributes, skills and competency of these directors in relation to the current and future needs of the Board.

### BOARD AND INDIVIDUAL DIRECTOR'S APPRAISAL

The effectiveness of a good Board is reflected in the performance of the company that it governs. The Company's quarterly financial results attest to

how well the Board and its committees are able to work with and guide management. Besides the financial results, Board and individual Director's appraisals are also carried out annually and overseen by the Nominating Committee.

### BOARD APPRAISAL

For Board appraisal, there is a set of quantitative and qualitative performance criteria which have remained relatively unchanged year to year.

The quantitative assessment process 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 criteria are share price performance, return on capital employed and earnings per share.

The Company's information on each of these criteria is compiled by the consultant over a five-year period. The information is then compared against the Straits Times Index and a benchmark index of industry peers. The peers are selected on the basis that they have one or more similar businesses as the Company. The components of the peer benchmark index and their weightages are reviewed annually to ensure that they remain relevant. The results of the comparison are set out in a performance benchmark report for the Nominating Committee and Board's review.

The qualitative assessment process is a self-reflection exercise where various aspects of the Board process and functions are examined. The areas include 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.

### INDIVIDUAL DIRECTOR'S APPRAISAL

Each director performs a self-appraisal and completes a checklist of 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 are designed to encourage the director to reflect on his/her performance and contribution during the course of the year. Each director's self-appraisal is reviewed by the Nominating Committee and reported to the Board.

## LIMIT ON NUMBER OF DIRECTORSHIPS

The Nominating Committee also considers the competing time commitments faced by a director who serves on multiple boards and has other principal commitments when assessing the director's performance. However, the number of listed company board representations should not be the only measure of a director's commitment and effectiveness. The Board feels that this 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.

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.

## KEY MANAGEMENT SUCCESSION PLANNING

The Board will provide for succession planning of key management personnel. This may involve identifying talented candidates within the business, and providing training and career planning advice. It is a well thought out and a deliberate process where talent across the group is developed to ensure proper growth, and exposure is given to the appropriate personnel to prepare them for future roles.

## REMUNERATION COMMITTEE

The members of the Remuneration Committee in 2017 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.

## 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 remuneration framework for executive directors and senior executives. 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, and 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 appraisal 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 2017.

## CORPORATE GOVERNANCE

### 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.

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 include board committee membership fees, attendance fees and benefits-in-kind, all of which are approved by shareholders at the AGM.

The non-executive directors' fee structure for 2017 were as follows:

Fees payable per annum (\$\$)	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

An attendance fee of S\$1,500 per director per day of meeting is payable (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 2017, including their names, is shown in the following tables, broken down into the various elements in dollar terms and percentages, respectively:

Directors	Directors' fees S\$'000	Base salary S\$'000	Variable bonus S\$'000	Defined benefits/ plans S\$'000	Benefits-in-kind S\$'000	Total S\$'000
Benjamin Keswick	165	-	-	-	-	165
Boon Yoon Chiang	100	-	-	-	2	102
Alexander Newbigging <sup>#</sup>	-	639	2,565	160	999	4,363
Adrian Teng <sup>#</sup>	-	467	645	93	408	1,613
Tan Sri Azlan Zainol <sup>*</sup>	23	-	-	-	-	23
Chang See Hiang	126	-	-	-	-	126
Mark Greenberg	101	-	-	-	-	101
Hassan Abas	145	-	-	-	-	145
Michael Kok	76	-	-	-	-	76
Mrs Lim Hwee Hua	101	-	-	-	-	101
Vimala Menon <sup>^</sup>	70	-	-	-	-	70
Dr Marty Natalegawa	76	-	-	-	-	76
Anthony Nightingale	75	-	-	-	-	75
James Watkins	115	-	-	-	-	115

<sup>#</sup> Executive Director

<sup>\*</sup> Retired on 28th April 2017

<sup>^</sup> Appointed on 23rd April 2017

Key Management Personnel	Base salary %	Variable bonus %	Defined benefits/ contribution plans %	Benefits-in-kind %	Total %
<b>S\$750,000 to S\$999,999</b>					
Alvyn Ang	31	61	2	6	100
Cheah Kim Teck	53	35	1	11	100
Jeffery Tan	52	39	2	7	100
<b>S\$1,000,000 to S\$1,249,999</b>					
Eric Chan	32	58	2	8	100
Haslam Preston	26	42	5	27	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 2017.
- 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 2017 was S\$4,906,000.
- No stock options or share-based incentives or awards were paid to directors and key management personnel for 2017.
- In 2017, there were no Company employees who were immediate family members of a director.

## AUDIT COMMITTEE

The members of the Audit Committee in 2017 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
Vimala Menon*^	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. Four of the members have expertise in financial management, of whom two are chartered accountants. The Audit Committee exceeded (by a factor of 2.3) 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 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 has reasonable resources to enable it to discharge its functions properly.

## INTERNAL CONTROLS SYSTEM 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 2017, 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 2017, as well as the assurances from the Group Managing Director and Group Finance Director as mentioned above.

## CORPORATE GOVERNANCE

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 to eliminate business risk completely. 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 on page 42.

### INTERNAL AUDIT

The Internal Audit function (excluding Astra) reports directly to the Chairman of the Audit Committee. It 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.

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.

The Internal Audit function reviews the effectiveness of the internal controls system and management control system. These reviews are conducted regularly throughout the year in accordance with an agreed plan to ensure 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.

### EXTERNAL AUDIT

The Audit Committee 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 Securities Trading Limited'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.

### REVIEW OF RESULTS ANNOUNCEMENTS

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 the management for shareholders, as well as the channel of communication between the Board and external auditors.

## INTERESTED PERSON TRANSACTIONS

The interested person transactions (“**IPTs**”) entered or proposed to be entered into during the year as recorded in the Register of IPTs (excluding transactions less than S\$100,000) were approved in accordance with the Group’s procedures for such transactions.

The Company has in place an annual general mandate of IPTs approved by shareholders at the annual general meeting. The general mandate enabled companies within the Group to enter into approved categories of transactions with interested

persons, provided that such transactions were on normal commercial terms in the ordinary course of business and would not be prejudicial to the interests of the Company and its minority shareholders. The transactions would also have to comply with the approved review procedures.

All IPTs entered into pursuant to the general mandate were reviewed by the internal auditors of the Company as part of its annual audit plan.

For 2017, 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) US\$m	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) US\$m
Jardine Matheson Limited		
– management support services	–	4.2
Jardine Lloyd Thompson PCS Pte Ltd		
– purchase of a used car	–	0.1
Jardine Matheson (Singapore) Ltd		
– rental of premises	–	0.1
JLT Specialty Pte Ltd		
– insurance brokerage services	–	0.2
Jardine Lloyd Thompson Limited		
– insurance brokerage services	–	0.1
PT Hero Supermarket Tbk		
– transportation services	–	0.5
Unicode Investments Limited		
– subscription of shares in a joint venture	17.1	–
PT Astra Land Indonesia		
– subscription of shares by a subsidiary	17.1	–
	34.2	5.2

## CORPORATE GOVERNANCE

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.

### NON-AUDIT SERVICES BY EXTERNAL AUDITORS

The Audit Committee reviewed the range and value of non-audit services provided by the external auditors and was satisfied that the provision of such services had not affected the independence of the external auditors. The breakdown of the 2017 fees is as follows:

	US\$m
Total fees for audit services	6.5
Total fees for non-audit services	0.8
Total fees	7.3

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

### RISK MANAGEMENT REVIEW

The Group has a formal risk management process to identify, evaluate and manage significant risks impacting the Group. The process is supported by 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 biannually and a Risk Management Report is presented to the Audit Committee on the significant risks, measures taken by management to address them and residual risk exposures impacting the Group.

The following were classified as major residual risk exposures for 2017:

#### 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. TERRORIST ATTACKS, OTHER ACTS OF VIOLENCE AND NATURAL DISASTERS

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

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

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

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

The Group faces competition in each of its businesses, and more so now with technological innovation. If the Group is unable to compete successfully against its existing competitors

or new entrants to the industries in which it operates, its business, financial condition and results of 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 79, Note 2.32 to the Financial Statements. The Group also has a system of internal controls as described in this report.

Notwithstanding the risk management policies of the Group, any unanticipated fluctuations in debt and equity market prices, foreign currency exchange rates and interest rates may have an adverse effect on the Group's earnings and total assets.

## **RIGHTS OF SHAREHOLDERS**

### **SHAREHOLDER PARTICIPATION AND VOTE IN SHAREHOLDERS' MEETINGS**

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

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

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

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

## CORPORATE GOVERNANCE

After the meeting, the Company releases a detailed announcement via SGXNET showing the vote results in terms of number of votes cast for and against each resolution and the respective percentages. This is also available on the Company's website at [www.jcclgroup.com](http://www.jcclgroup.com).

If any shareholder is unable to attend the meeting, he/she is allowed under the Company's Constitution to appoint up to two proxies to vote on his/her behalf at the meeting. Proxy forms are sent in advance to all shareholders with clear instructions on how they should be completed and returned to the Company and the relevant deadline.

Nominee agencies such as banks, securities custodians and the Central Provident Fund ("CPF") are allowed to appoint more than two proxies. Therefore, shareholders who hold shares through these nominees, including CPF investors, can attend and participate at the meetings as proxies of these agencies. Voting in absentia by mail, facsimile or email is currently not allowed.

For the AGM held in 2017, the Chairman of the Board, the Group Managing Director and the respective chairmen of the Audit, Nominating and Remuneration Committees were all present in person to address shareholders' queries. All the other Directors were also present, except for one who was retiring at the meeting, as well as the external auditors.

### DIVIDEND PAYMENT

In 2017, the Company made two dividend payments to all shareholders; the final dividend of US\$0.56 per share on 27th June 2017 and an interim dividend of US\$0.18 per share on 6th October 2017. For each of the dividend payments, a S\$ currency election was offered to all shareholders as an alternative and the dividends were paid within 25 market days after the books closure date to cater for the currency election.

### MANAGEMENT OF CONFLICTS OF INTEREST AND INTERESTED PERSON TRANSACTIONS

At Board meetings, the Directors regularly disclose any updates to their directorships and major appointments in other companies and organisations as part of their disclosure of interests to address any potential conflict of interest situation. In addition, the Directors are required to disclose any specific interest they may have in any particular transaction being contemplated by the Company. Depending on the nature of the interest, the Director would abstain from voting on the resolution and might also recuse himself or herself from Board discussions.

The Company has guidelines in place to ensure that IPTs are conducted fairly and on arm's length basis, and there are procedures for the review and approval of IPTs. Please refer to the Interested Person Transactions section at page 41 for further details.

### INSTITUTIONAL INVESTORS

An analysis of the Company's share register carried out on 5th June 2017 showed that more than 5% of its share ownership were held by institutional investors other than its controlling shareholder.

## ENGAGEMENT OF STAKEHOLDERS

### COMMUNITY ENGAGEMENT

The Company strives to be an active partner of the community through corporate social responsibility initiatives, and in particular, it has a philanthropic focus on mental health. Please refer to the Sustainability & Community section of this Annual Report at page 46 for further details.

### ANTI-CORRUPTION

The Company takes a firm stance on anti-corruption practices. It has a Corporate Code of Conduct that sets out policies on illicit payments and gifts, favours and entertainment. These policies apply to all employees and they undergo regular training on the Code of Conduct to ensure that they understand and are reminded of the principles under the code.

Employees can also report on matters of serious concern on an anonymous basis under the Company's whistle-blowing policy which is further elaborated on below.

### WHISTLE-BLOWING POLICY

The Company encourages the early reporting of matters of serious concern which may affect the professional and compliant operation of its businesses and reputation. Its whistle-blowing policy comes under the purview of the Audit Committee to ensure independent investigation and appropriate follow-up action on any concerns raised. Reports can be made on an anonymous basis, and employees can report directly to the designated director, being the Group General Counsel, or the Group Managing Director if they feel unable to raise concerns within normal reporting lines. Employees can also report directly to the Jardine Matheson Group General Counsel.

### HEALTH, SAFETY AND WELFARE OF EMPLOYEES

The Company has numerous policies relating to the health, safety and welfare of its employees covering topics such as medical (outpatient) treatment, insurance and work injury compensation, fire safety, emergency

response teams, uniform and safety shoes, and grievance procedure.

### **SECURITIES DEALING POLICY**

The Company has in place an internal compliance policy 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 policy incorporates the best practices on the subject issued by the Singapore Exchange Securities Trading Limited. Under the policy, directors cannot deal in the shares of the Company without prior approval of the Board. In addition, directors and employees are to refrain from dealings in securities at any time while in possession of unpublished material price sensitive information, on short term considerations, and during closed periods which are from two weeks before, and up to, the date of announcement of the Company's financial results for each of the first three quarters of its financial year, and from one month before, and up to, the date of announcement of the Company's full year results, and such other closed periods as may be notified by the Company from time to time.

### **DISCLOSURE AND TRANSPARENCY INFORMATION IN THE ANNUAL REPORT**

Key information on the directors' direct and indirect (deemed) shareholding in the Company and its related corporations can be found on pages 50 to 51 of this Annual Report.

Financial performance indicators and highlights of the Company can be found on pages 2 to 3 of this Annual Report.

Information on key risks (including operational risks), and the risk assessment and management process, can be found on pages 42 to 43 of this Annual Report.

Please refer to the Interested Person Transactions section at page 41 for further details on interested person transactions, including the identity of related parties and the nature and value of the transactions.

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 25 to 29 of this Annual Report.

Please refer to the Financial Calendar in this Annual Report for our results announcement dates in 2017 and proposed results announcement dates for financial year ending 31st December 2018.

### **INVESTOR RELATIONS, MEDIUM OF COMMUNICATION AND RESULTS BRIEFINGS**

Shareholders receive regular and timely communication from the Company through announcements on the SGXNET, which are contemporaneously posted on the Company's website, [www.jcclgroup.com](http://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 and provide shareholders and the public with regular updates on the financial performance, position and prospects of the Company.

Announcements to be released via SGXNET contain adequate information as per the Singapore Exchange Securities Trading Limited's Listing Manual requirements and guidelines. The Company 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 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 meets with institutional investors 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 and 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](http://www.jcclgroup.com), which provides relevant information for investors. Materials given out during analysts briefings and investor relations' meetings are also made available in that section. The section has an investor relations contact, and the Company will respond to emails typically within the next working day.

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](http://www.jcclgroup.com).

The Company's website also contains useful up-to-date information about the Company, including the group corporate structure and its various business interests.