

Risk management is an important and integral part of the ComfortDelGro Group's strategic planning and decision making process. The Group's Risk Management Framework provides a systematic process for the Business Units to identify and review the nature and complexity of the risks involved in their business operations and to prioritise resources to manage them. The Group is committed to enhance shareholder value through growth that is sustainable and profitable and taking measured and well-considered risks to achieve it.

The Group's approach to risk management is underpinned by several key principles:

- The risk management process is a continuous, iterative and developing one, as the Group's businesses and their operating environments are dynamic. Risk identification and assessment and risk management practices are reviewed and updated regularly to manage risks proactively.
- We promote and inculcate risk awareness among all our employees by embedding risk management processes into day-to-day business operations and setting an appropriate tone at the top. Regular exercises, continuous education and training, as well as communications through various forums on risk management are carried out to sustain a risk-informed and risk-aware culture in the Group.
- Ownership of and accountability for the risk management process is clearly defined and assigned to the Business Units, departments and individuals. Managers at each level have intimate knowledge of their businesses and assume ownership of risk management, with stewardship retained at Senior Management.

The Management Risk Committee (MRC) works closely with the Business Units to ensure that risk management is taken seriously and the Risk Management Framework is properly rolled out across the whole Group. Members of the MRC are drawn from Senior Management staff from the major Business Units and key business functions. Key risks for the Group are identified and presented to the Audit and Risk Committee (ARC) and the Board annually.

The different Business Units have different risk profiles and they have different programmes to manage the risks. The risk management programmes are regularly tested and stressed to ensure that they remain relevant and meet changing business requirements. Some of the key risks faced by the Group, the relevant mitigating factors and how they are managed are set out below.

### FINANCIAL RISKS

The Group has established internal control systems to safeguard its assets and regularly reviews the effectiveness of these controls to improve and fortify financial discipline. All policies and procedures on financial matters, including approval limits and

authority, are clearly defined in the Group's Financial Procedures Manual.

### Financial Authority Limits

Comprehensive and specific financial authority limits are put in place for capital expenditure, operating expenses, treasury matters, direct investments, revenue tender participation and disposal and write-off of assets. These authority limits are delegated based on the organisational hierarchy from the Board down to the Managing Director/Group Chief Executive Officer (MD/Group CEO) and the Heads of Business Units/ Departments, with the Board retaining the ultimate authority. Any expenditure exceeding the highest authority limit is referred to the Board for approval. To ensure that the Group's assets continue to be managed prudently, the Board periodically reviews the mandate that it delegates to Management.

### Budgetary Control

A robust and challenging Annual Budget is prepared and approved by the Board prior to the commencement of each new financial year. Material variations between actual and budgeted performance are reviewed on a monthly basis and explanations provided. Specific approvals are required for unbudgeted expenditures exceeding a relevant threshold. The capital expenditure budget is approved in principle by the Board as part of the Annual Budget. Each capital expenditure is subjected to rigorous justification and review before it is incurred in accordance with the Group's financial authority limits. Tight control on manpower is exercised through headcount budgets.

### Financial Risk Management

The Group recognises that prudent management of financial risks is an important aspect in the creation of shareholder value. The main areas of financial risks faced by the Group are foreign exchange/currency risk, interest rate risk, credit/counter-party risk, liquidity risk and fuel and electricity price risk. It is the Group's policy not to participate in financial derivative instruments, except for use as hedging instruments, where appropriate. Sensitivity analysis and reviews of the Group's exposure to financial risks under changing market conditions are carried out regularly.

A detailed description of the financial risks and how the Group manages them are set out in the Notes to the Financial Statements on pages 80 to 157.

### Economic cycle

Changes in economic conditions in the countries that the Group operates in may impact the businesses in terms of customer demand and the cost of providing the services. We manage these risks by continuously scanning and monitoring political and economic issues. We monitor demand trends and operating margins closely.

Expenses are managed in the light of revenue patterns and changing market conditions and to drive improvements in cost structures. Where possible, revenue risks are mitigated by diversifying revenue streams to non-fare sources.

### **OPERATIONAL RISKS**

Operational risks may arise from failures in internal controls, operational processes or the supporting systems. The Group has put in place operating manuals, standard operating procedures, authority guidelines and a regular reporting framework to manage these risks.

#### **Safety**

Managing the safety and security of our customers, our staff and the public is the cornerstone of the Group's safety and security plan. We run safety awareness and training programmes to instil a safety and security conscious culture in employees at all levels. Safety audits are conducted regularly as part of the review and management process to ensure that safety standards are maintained. The Group works closely with the relevant Authorities to ensure that the security of our bus and train services and facilities are not compromised. Drills and exercises are conducted regularly, both internally and together with external agencies. Fence intrusion detection systems and other security features are installed at operating facilities and security guards deployed to patrol the facilities. Members of the public are encouraged to look out for suspicious objects or persons.

#### **Environmental**

The Group is committed to being a socially responsible organisation through minimising the impact our business activities have on the environment. Our operations, accidents and natural events can cause pollution or other environmental risks. To limit these risks, we engage in active environmental risk management, ensuring that we target the problems that could arise and implement preventive measures. We comply with all relevant regulations in the countries that we operate in. Ways in which the Group works to protect the environment can be found in our Sustainability Report.

#### **Human Resource**

The Group's ability to develop and grow the business internationally depends on the quality of its employees and it continues to invest in building up a resource pool to support this growth. We have in place various programmes and processes that focus on several key areas, including talent management and building management bench strength, succession planning, performance management, compensation and benefits, training and development, employee conduct and

supervision, as well as occupational health and safety. We ensure that employees are selected based on merit, that they understand their responsibilities and are given access to necessary training. At all times, a positive, constructive and productive working climate based on strong tripartite relations is fostered. All terms and conditions of employment, along with policies and procedures, comply with the relevant regulations.

#### **Property and Liability**

The Group's exposure to property damage, business interruption and other liability risks is constantly monitored and reviewed with the Group's in-house insurance broking subsidiary. Together with external risk management consultants, we ensure sufficiency of insurance coverage and maintain an optimal balance between risks that are retained internally and risks that are placed out with underwriters.

#### **Business Continuity**

We have put in place Business Continuity Plans (BCPs) to mitigate the risks of disruption and catastrophic loss to our operations, people, information database and other assets. The BCPs include identification and planning of alternate recovery centres, operational procedures to maintain communication, measures to ensure continuity of critical business functions and recovery of information database. We update and test the BCPs regularly. Drills and emergency response exercises are conducted to familiarise employees with the various incident management plans. The BCPs enhance the Group's operational readiness and resilience to potential business disruptions.

### **INFORMATION TECHNOLOGY RISKS**

Information technology system failures are key risks for the Group since almost all the businesses rely heavily on information technology. This can take the form of a major system failure which can result in disruption of the business, loss of data or a security breach of our information technology systems. Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification or destruction. The Group's information technology security management framework complies with current industry standards. We have put in place various controls and data recovery measures to mitigate the risks, including the use of intrusion prevention systems, multi-level firewalls, server protection, software code hardening and data loss prevention controls to manage Internet security and Cyber threats. Penetration tests are carried out regularly to test the systems and identify potential security vulnerabilities and allow us to improve the security hardening of our websites. Information security policies and procedures, including education for all staff, are reviewed and enhanced regularly.

## COMPLIANCE RISKS

The Group keeps abreast and complies with all laws and regulations governing the conduct of business in the countries that it operates in. The businesses within the Group operate in a regulated environment in different countries. These regulations include pricing, service standards, licences to operate and transport policies, which are stipulated by the relevant regulatory Authorities. We work closely with the regulatory Authorities in the respective countries as part of our risk management process to keep abreast of developments and policies that may affect our businesses and the competitive landscape. We manage our operations well and effectively to ensure that standards are met, thereby reducing significantly the risk of licences being withdrawn.

## STRATEGIC RISKS

We evaluate each new investment proposal to ensure that it is in line with the Group's strategy and investment objective and it can meet the relevant hurdle rates of return. This assessment includes macro and project specific risks analysis covering feasibility study, due diligence, financial modelling and sensitivity analysis of key investment assumptions and variables. To ensure that the rate of return on any new investment or business opportunity commensurate with the risk exposure taken, the new investment opportunity is evaluated in terms of (a) profitability; (b) return on investment; (c) pay back period; (d) cash flow generation; (e) potential for internal and external growth; and (f) investment climate and political stability of the country. The investment proposal has to be approved according to the financial authority limits approved by the Board.

## AUDIT PROCESS

The Internal and External Auditors conduct reviews in accordance with their audit plans. In the course of their audits, the Internal and External Auditors highlight to the ARC and Management areas where there are material deficiencies and weaknesses or the occurrence

of significant risk events and propose mitigating measures and treatment plans. Non-compliance and recommendations for improvements are reported to the ARC, which reviews the effectiveness of the actions taken to mitigate the risks. The recommendations are followed up as part of the Group's continuous review of the system of internal controls.

## CODE OF BUSINESS CONDUCT AND WHISTLE BLOWING POLICY

The Group has adopted a Code of Business Conduct which sets out the principles and policies upon which our businesses are conducted, as well as implemented a Whistle Blowing Policy to provide a mechanism for employees to raise concerns, through well-defined and accessible confidential disclosure channels about possible improprieties in financial reporting or other improper business conduct. Employees are given a Company handbook detailing how they can go about raising their concerns. Incidents can also be reported through a direct link to the MD/Group CEO, the Group Human Resource Officer or the Group Internal Audit Officer on the Group's Intranet. All cases are investigated and dealt with promptly and thoroughly.

## OPINION OF THE BOARD

Risk management is an important and integral part of ComfortDelGro's strategic planning and decision-making process. Key risks are identified and presented to the Board annually. Ownership of the risk management process is clearly defined and cascaded to the executive and functional level, with stewardship retained at Senior Management. Action plans that are necessary to manage the risks are in place and closely monitored. The adequacy of the risk governance, risk policy and internal controls in place is also assessed as part of the process. Based on these reviews, the Board is of the view, with the concurrence of the ARC, that there are adequate and effective internal controls in place within the Group to address its financial, operational, compliance and information technology risks.