

RISK MANAGEMENT

SBS Transit's Risk Management Framework provides a systematic process for the Businesses 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, while taking measured and well-considered risks.

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

- The risk management process is a continuous and iterative one, as the Group's businesses and operating environments are dynamic. Risk identification, 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 risk owners. Managers at each level have intimate knowledge of their businesses and take ownership of risk management, with stewardship retained at Senior Management.

While the Covid-19 pandemic has abated, our business operations are still impacted by Geopolitical risks, resulting in inflationary pressures, including higher energy prices.

In 2023, we reviewed our Enterprise Risk Register, conducted risk prioritization workshop, identified key and emerging risks, and developed the requisite risk controls and risk treatment action plans. One of our key risks was associated with manpower. The labour market, though tight in some quarters, is showing signs of recovery amid weaker economic conditions; however, the recruitment of Bus Captains remains a challenge.

We are enhancing the remuneration package to attract more locals to join the profession and to keep attrition low. Apart from monetary rewards, we are introducing greater flexibility in working arrangements, ranging from part-time to 4/5/6 day work pattern. We have also launched an app-based Employee Assistance Programme, as well as worked with NTUC to introduce UPlay, which is a phygital (physical and digital) suite of social and recreational offerings, to better support their mental and physical wellness.

In recognition of our robust risk and sustainability management framework and stakeholder communications, SBS Transit received four awards from Ms Grace Fu, Minister for Sustainability and the Environment at the SIAS Investors' Choice Awards 2023 Presentation Ceremony held on 8 November 2023. The four awards are:

- a. Singapore Corporate Governance Award
- b. Singapore Corporate Sustainability Award
- c. Shareholder Communications Excellence Award
- d. Most Transparent Company Award

The SBS Transit Risk Steering Committee (RSC) at the Group level works closely with all Businesses to ensure that risk management is taken seriously, and that the Risk Management Framework is diligently implemented across the group. The Group CEO chairs the RSC, and members are drawn from major Businesses/Departments Heads. Key risks for the Group are identified and presented to the Audit and Risk Committee and the Board half-yearly. The key risks faced by the Group, the relevant mitigating factors and how they are managed are set out in the paragraphs 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.



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FINANCIAL AUTHORITY LIMITS

Comprehensive and specific financial authority limits are put in place for capital expenditure, operating expenses, treasury matters, bus/rail tenders, and disposal and write-off of assets. These authority limits are delegated based on the organisational hierarchy from the Board down to the Group CEO and the Heads of Business/ 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 comprehensive Annual Budget is prepared and approved by the Board prior to the commencement of each financial year. Material variations between actual and budgeted performance are reviewed on a monthly basis. 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. Specific approvals must be sought for unbudgeted expenditures. Tight control on manpower is exercised through the headcount budget.

ECONOMIC CYCLE

Changes in economic conditions 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 also monitor demand trends, cost structures and operating margins closely. Expenses are managed in the light of revenue patterns and changing market conditions. Where possible, revenue risks are mitigated by diversifying revenue streams to non-fare sources. A detailed description of the financial risks and how the Group manages them are set out in the Notes to the Financial Statements.

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 rigorous reporting framework to manage these risks.

SAFETY AND SECURITY

Managing the safety and security of our customers, tenants, staff and the public is the cornerstone of the Group's safety and security policy. We run safety awareness and training programmes to instil a safety and security conscious culture in our employees at all levels. Safety and security audits are conducted regularly to ensure that 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 jointly with external agencies. Besides patrolling guards, fence intrusion detection systems and other security features are installed at all our operating facilities. Members of the public, staff and tenants 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 result in 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 that preventive measures are put in place. We comply with all relevant regulations. Ways in which the Group works to protect the environment can be found in our Sustainability Report.

MANPOWER

The Group's ability to develop and grow the business depends on the quality of its employees, and we are committed to invest in building its resource pool.

We have in place various programmes and processes that focus on several key areas, including talent management, building management bench strength, succession planning, performance management, compensation and benefits, training and development and employee conduct and supervision. We ensure that our employees are selected and promoted based on merit, 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. We ensure that all policies, processes, terms and conditions of employment, including those relating to foreign labour force, are in compliance 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 our sister company, ComfortDelGro Insurance Brokers Pte Ltd. 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 databases and other assets. Such risks can arise from adverse natural events like flooding, or from pandemic outbreaks. The BCPs include identification and planning of alternate recovery centres, operational procedures to maintain communication, measures to ensure continuity of critical business functions, protection of our employees and customers, and recovery of information databases. 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 AND OPERATIONAL TECHNOLOGY RISKS

Information and operational technology system failures and cyber risks are key risks for the Group since almost all the businesses rely heavily on technology. In particular, the operational technology systems of our Rail Business have been designated as Critical Information Infrastructure (CII), cyber security is of critical importance here. This can take the form of major system failures which can result in disruption of the business or a security breach of our information technology systems. Cyber security is about protecting information systems and data from unauthorised access, use, disclosure, disruption, modification or destruction. Our security management framework complies with the latest industry standards. We have put in place various types of 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, identify potential vulnerabilities and to strengthen 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 Singapore. 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 Land Transport Authority, 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 effectively to ensure that standards are met, thereby reducing significantly the risk of penalty.

STRATEGIC RISKS

We continually review our business strategy to ensure that we remain a relevant and significant player in the public transport market by participating in competitive public transportation tenders. SBS Transit's strategic risks include (1) competition – how we can/must defend and/or win public transport tenders, and (2) government contract risk – how we build resilience by pro-actively engaging the authorities to realise objectives articulated in the Land Transport Master Plan 2040.

FRAUD

The Group prioritises proactive fraud prevention through comprehensive internal controls and audits, ensuring compliance and transparency. Vigilant risk awareness and ethical conduct are ingrained in our culture, securing our future through unwavering vigilance and integrity.

Our key deterrent and mitigation actions include:

- **Commitment, Oversight, and Tone from Top:**

The Management sets the tone from the top in promoting ethical culture and having zero tolerance to fraud. Our employees are required to declare any conflicts of interest annually. They undergo frequent training pertaining to Anti-corruption, Anti-bribery, Ethics and Competition Law. To ensure our supply chain partners maintain the same level of rigour we set internally, our suppliers are required to comply with our Supplier Code of Conduct.

- **Whistle Blowing Policy:**

The Group has an established Whistle Blowing Policy that provided a whistleblowing alert line that empowers our employees to report any misconduct or fraud directly to the Chairman of ARC and/or the Group Chief Internal Audit Officer. Employees are given a Company e-handbook detailing how they can go about raising their concerns. The ARC provides independent oversight on the investigations conducted by Group Internal Audit. Reported incidents will be dealt with promptly and thoroughly.

- **Proactive Risk Identification and Mitigation:**

Our commitment in preventing and detecting fraud extends beyond robust internal controls, including checks and balances and multi-step approvals. We leverage our comprehensive Minimum Acceptable Controls Questionnaire (MACQ) to establish consistent baseline controls across the Group, enhancing the effectiveness of our finance and business processes.

AUDIT PROCESS

The Internal and External Auditors conduct reviews in accordance with their audit plans to assess the adequacy of the internal controls that are in place. A risk-based approach has been adopted in developing the annual internal audit plan, and in identifying the auditable universe of the Group. In the course of their audits, the Internal and External Auditors will highlight to the Management and the ARC the areas where there are material deficiencies, non-compliance, weaknesses or where there are occurrences or potential occurrence of significant risk events. The auditors will also propose mitigating measures and treatment plans. The audit recommendations are followed up as part of the Group's continuous review of its system of internal controls, and the implementation status is reported to the ARC.

The Group Internal Audit is independent of the activities it audits, and has unfettered access to the ARC, the Board and the Management. In line with best practices, Group Internal Audit has a Quality Assurance Programme that covers all aspects of its audit activities and conforms to international standards of auditing. During the year, the Group engaged Protiviti Pte Ltd to conduct a Quality Assurance Review of the Group's Internal Audit function. The Group Internal Audit continues to meet or exceed the IIA Standards in all key aspects. The Quality Assurance Review is conducted every 5 years.