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.

In 2021, the COVID-19 pandemic continued to affect economies, businesses and livelihoods. For the public transport industry, we worked closely with the Land Transport Authority (LTA) to contain the spread of infection and to ensure travelling on buses and trains remain safe for our customers.

The key efforts of 2021 were thus focussed in ensuring a safe workplace for our people, and a safe commute for our customers. With the emergence of COVID-19 delta variant, our workforce was not spared as we saw a spike of COVID-19 positive cases among our staff between late August and October, though more than 99% of our staff were fully vaccinated. We worked closely with the LTA to enhance Safe Management Measures (SMM) and introduced additional safety measures such as segregation of mask-on/mask-off areas and enhancing airflow by installing additional ventilators in selected toilets and staff rooms. With our concerted efforts and robust Business Continuity Plans (BCPs), we managed to keep the outbreak in control, minimising the impact to operation with the majority of affected bus services experiencing longer wait time of not more than five minutes from the usual.

Amidst the disruption resulting from the COVID-19 pandemic, we refreshed our risk management policies and processes, and reviewed the risk registers. For example, the supply chain risk to critical spares and consumables and measures to minimise the manpower availability risk were reviewed and strengthened. This enables us to assess and better manage our business and operational risks, and explore opportunities in the uncertain and volatile environment.

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 Chief Executive Officer 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 annually. 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.

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 Chief Executive Officer 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.

RISK 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 on pages 77 to 116.

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. In view of current COVID-19 situation, regular audits are also conducted at our premises to ensure strict Safe Management Measures compliance by all. 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 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 TECHNOLOGY RISKS

Information technology system failures and cyber risks are key risks for the Group since almost all the businesses rely heavily on information technology. In particular, the information technology systems of our Rail Business have been designated as the Critical Information Infrastructure (CII) and Operations Technology 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. The Group's information technology security management framework complies with the latest 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, 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 LTA, 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) changes in government policies - how we build resilience by pro-actively engaging the authorities to realise objectives articulated in the Land Transport Master Plan 2040.

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. In the course of their audits, the Internal and External Auditors will highlight to the Management and the Audit and Risk Committee 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 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 Audit and Risk Committee.

CODE OF BUSINESS CONDUCT

The Group has adopted a Code of Business Conduct which sets out the principles and policies upon which businesses are conducted. The Code of Business Conduct includes the anti-corruption and anti-bribery policies that stress on zero tolerance on fraud, improper use of monetary favours, gifts or entertainment. In addition, employees should not put themselves in a position of conflict of interest with the Group. If there is a potential conflict of interest, employees should declare to their immediate supervisors and recuse themselves from the decision process.

WHISTLEBLOWING

The Whistleblowing Policy is to provide a mechanism for employees and external parties to raise concerns about possible improprieties in financial reporting or other improper business conduct, whilst maintaining confidentiality of the identity of whistleblowers and protecting them from reprisal within the limits of the law. Employees are given a Group Handbook detailing how they can go about raising their concerns. Incidents can also be reported via a direct Intranet link to the Chairperson of the Audit and Risk Committee and/or the Group Chief Internal Audit Officer. All cases are investigated and overseen by Group Internal Audit, and dealt with promptly and thoroughly. The number of whistleblowing cases regardless of significance will be registered by the Group Chief Internal Audit Officer, and will be reported to the Audit and Risk Committee quarterly.