

# RISK MANAGEMENT

SBS Transit's Risk Management Framework provides a systematic process for the Group and its 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 Audit and Risk Committee (ARC) and the Board, through their oversight role, review and approve the risk management framework designed and implemented by the Management, and ensure that such framework is consistent with the Group's strategic goals and risk appetite, and is effectively implemented. The Group is committed to enhancing shareholder value through sustainable and profitable growth, while taking measured and well-considered risks.

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

- Adopting an agile approach with a risk management process which is continuous and iterative, as the Group's businesses and operating environments are dynamic. The risk identification, assessment, monitoring and reporting practices are reviewed and updated regularly to ensure risks are managed proactively.
- Establishing a clear and defined structure of ownership of accountability for the risk management process within Businesses, departments and individuals. This ensures managers at each level can leverage their in-depth knowledge of their respective businesses to actively own and manage risk, with Senior Management retaining overall stewardship.
- Embedding the risk management processes into day-to-day business operations and setting a strong tone from the top. Key risks are monitored through reporting of key risk indicators and escalated to Senior Management where necessary.
- Promoting risk awareness through regular exercises, continuous education and training, as well as communication through risk management forums to sustain a risk-informed and risk-aware culture in the Group.

In 2024, we reviewed our Enterprise Risk Register, conducted a risk prioritisation workshop, identified key and emerging risks, and developed the necessary risk controls and treatment action plans. Additionally, our review considered climate risks, ensuring that appropriate mitigating measures are in place.

Manpower, particularly the recruitment and retention of local Bus Captains remained a key challenge in 2024. Although the overall Bus Captain shortfall improved by the end of 2024 following the implementation of various recruitment and retention measures, we will continue to focus on this area by introducing additional measures and working closely with the Authorities to address this issue comprehensively.

In recognition of our robust risk and sustainability management framework and efforts in stakeholder communications, SBS Transit received a total of four awards at SIAS Investor's Choice Awards 2024 ceremony held on 17 September 2024. The four awards under mid-cap 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 the Risk Management Framework is diligently implemented across the group. The Group CEO chairs the RSC, and members are drawn from major Business/Division Heads. Key risks for the Group are identified and presented to the Audit and Risk Committee (ARC) 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 Risk

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 an environmentally friendly and socially responsible organisation through minimising the impact our business activities have on the environment. We recognise the importance of understanding and managing our climate-related risks and opportunities. Our operations, accidents, and activities can result in pollution or other environment risks. To limit the impact of our activities to the environment, we engage in proactive 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, as 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.
- **Whistleblowing Policy:** The Group has an established Whistleblowing 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 based on their audit plans to evaluate the adequacy of internal controls in place. A risk-based approach is used for the annual internal audit plan, covering the entire auditable universe of the Group. Throughout their audits, both the Internal and External Auditors will report any material deficiencies, non-compliance, weaknesses, or significant risk events to Management and the ARC. They will also recommend mitigating measures and treatment plans. Audit recommendations are closely followed up as part of the Group's ongoing review of its internal controls, with the implementation status reported to the ARC.

The Group Internal Audit function is independent of the activities it audits and has unrestricted access to the ARC, the Board, and Management. In line with best practices, Group Internal Audit operates a Quality Assurance and Improvement Programme (QAIP) that aligns with international auditing standards. The QAIP is conducted every five years to ensure that the Internal Audit function meets or exceeds the Institute of Internal Auditors (IIA) Standards in all key areas. The last QAIP was conducted by Protiviti in 2023.