Principal Risks and Uncertainties

Set out below are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the DTRs, as well as a summary of the steps taken to mitigate those risks.

These risks are in addition to matters referred to in the Chairman's Statement, Group Managing Director's Review and other parts of the Annual Report.

Economic Risk

Most of the Group's businesses are exposed to the risk of adverse developments in global and regional economies and financial markets, either directly, or through the impact such developments might have on the Group's joint venture partners, associates, franchisors, bankers, suppliers or customers. These developments could include recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs, oil prices or the cost of raw materials. Such developments might increase operating costs, reduce revenues, lower asset values or result in some or all of the Group's businesses being unable to meet their strategic objectives.

Mitigation Measures

- Monitor the volatile macroeconomic environment and consider economic factors in strategic and financial planning processes.
- Make agile adjustments to existing business plans and explore new business streams and new markets.
- Review pricing strategies and keep conservative assumptions on global commodity prices.
- Insurance programme covering property damage and business interruption.

Commercial Risk

Risks are an integral part of standard commercial activities, and where practicable steps are taken to mitigate them. Risks can be more pronounced when businesses are operating in volatile markets.

A number of the Group's businesses make significant investment decisions regarding developments or projects, which are subject to market risks. This is especially the case where projects are longer-term and take more time to deliver returns.

The Group's businesses operate in sectors and regions which are highly competitive and evolving rapidly. Failure to compete effectively, whether in terms of price, tender terms, product specification, application of new technologies or levels of service, and failure to manage change in a timely manner, can hurt earnings or market share. Significant competitive pressure may also lead to reduced margins.

It is essential for the products and services provided by the Group's businesses to meet the appropriate quality and safety standards, and there is an associated risk if they do not, including the risk of damage to brand equity or reputation, which might adversely impact the ability to achieve sufficient revenues and profit margins.

In addition, growing sustainability consciousness in customers' purchasing preferences has resulted in customers being more willing to switch to other companies, brands or providers that provide sustainable products or services.

Mitigation Measures

- Utilise market intelligence and deploy digital strategies for business-to-consumer businesses.
- Establish customer relationship management programme and digital commerce capabilities.
- Engage in longer-term contracts and proactively approach suppliers for contract renewals.
- Re-engineer existing business processes.

Financial and Treasury Risk

The Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

The market risk the Group faces includes i) foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency; ii) interest rate risk through the impact of rate changes on interest bearing liabilities and assets; and iii) securities price risk as a result of its equity investments and limited partnership investment funds which are measured at fair value through profit and loss, and debt investments which are measured at fair value through other comprehensive income.

The Group's credit risk is primarily attributable to deposits with banks, contractual cash flows of debt investments carried at amortised cost and those measured at fair value through other comprehensive income, credit exposures to customers and derivative financial instruments with a positive fair value.

The Group may face liquidity risk if its credit rating deteriorates or if it is unable to meet its financing commitments .

Mitigation Measures

- Limiting foreign exchange and interest rate risks to provide a degree of certainty about costs.
- Management of the investment of the Group's cash resources so as to minimise risk, while seeking to enhance yield.
- Adopting appropriate credit guidelines to manage counterparty risk.
- When economically sensible to do so, taking borrowings in local currency to hedge foreign exchange exposures on investments.
- A portion of borrowings is denominated in fixed rates. Adequate headroom in committed facilities is maintained to facilitate the Group's capacity to pursue new investment opportunities and to provide some protection against market uncertainties.
- The Group's funding arrangements are designed to keep an appropriate balance between equity and debt from banks and capital markets, both short and long term in tenor, to give flexibility to develop the business. The Company also maintains sufficient cash and marketable securities, and ensures the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.
- The Group's Treasury operations are managed as cost centres and are not permitted to undertake speculative transactions unrelated to underlying financial exposures.

The detailed steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on pages 48 to 49 and Note 42 to the financial statements on pages 166 to 175.

Concessions, Franchises and Key Contracts Risk

Many of the Group's businesses and projects rely on concessions, franchises, management, outsourcing or other vital contracts. Accordingly, cancellation, expiry or termination, or the renegotiation of any such concession, franchise, management, outsourcing or other third-party key contracts could adversely affect the financial condition and results of operations of certain subsidiaries, associates and joint ventures of the Group.

Mitigation Measures

- Strengthen existing relationships with the principals through sustaining substantial market shares and complying with dealer standards and principals' policies.
- Monitor sales performance and manufacturer scorecards.
- Regular communication with franchisees and strengthen quality assurance programmes to maintain requirements by franchise principals.

Regulatory and Political Risk

The Group's businesses are subject to several regulatory regimes in the territories they operate. Changes in such regimes in relation to foreign ownership of assets and businesses, exchange controls, planning controls, emission regulations, tax rules, and employment legislation could potentially impact the operations and profitability of the Group's businesses.

Changes in the political environment, including political or social unrest, in the Group's territories, could adversely affect the Group's businesses.

Mitigation Measures

- Stay connected and informed of relevant new and draft regulations.
- Engage external consultants and legal experts where necessary.
- Raise awareness via principals' brand conference with an annual update on new regulations that may have been implemented in other markets.

Pandemic and Natural Disasters Risk

The Group businesses could be impacted by a global or regional pandemic which seriously affects economic activity or the ability of businesses to operate smoothly. The pandemic has also created heightened demand and competition across industries for various skillsets. In addition, many of the territories in which the Group operates can experience natural disasters such as earthquakes and typhoons from time to time.

Mitigation Measures

- Flexible work arrangements and compliance with hygiene protocols.
- Supply chain stabilisation includes sourcing backup suppliers and better coordination with logistics partners.
- Engage external consultants for climate risk analysis.
- Business Continuity Plans are tested and audited periodically.
- Insurance programmes that provide robust cover for natural disasters.

Cybersecurity Risk

The Group's businesses are ever more reliant on technology in their operations and face increasing cyberattacks from groups targeting both individuals and businesses. As a result, the privacy and security of customer and corporate information are at risk of being compromised through a breach of our or our suppliers' IT systems or the unauthorised or inadvertent release of information, resulting in brand damage, impaired competitiveness or regulatory action. Cyberattacks may also adversely affect our ability to manage our business operations or operate information technology and business systems, resulting in business interruption, lost revenues, repair or other costs.

The potential impact on many of our businesses of disruption to IT systems or infrastructure, whether due to cyber-crime or other factors, could be significant. There is also an increasing risk to our businesses from negative social media commentary, which could influence customer and other stakeholder behaviours, impact operations or profitability, or lead to reputational damage.

Mitigation Measures

- Engage external consultants to perform assessments on the business units with industry benchmarks.
- Define cybersecurity programme and centralised function to provide oversight, manage cybersecurity matters, and strengthen cyber defences and security measures.
- Perform regular vulnerability assessment and/or penetration testing to identify weaknesses.
- Maintain disaster recovery plans and backup for data restoration.
- Arrange regular security awareness training at least annually and phishing testing to raise users' cybersecurity awareness.

Investment, Strategic Transactions and Partnerships Risk

Competition for attractive investment opportunities has increased with the rise of global investment funds and deep pools of low-cost capital, supporting a greater appetite by investors across sectors for strategic transactions and partnerships to optimise the business portfolio and enhance growth. As the Group's businesses pursue projects and investments against keen competitors, they face pressure on the terms they are willing to secure and accept prized assets and relationships.

In addition, conflicts with strategic partners may arise due to various reasons such as different corporate cultures and management styles.

Mitigation Measures

- Establish Group Investment and Business Development Committee.
- Conduct sufficient research, due diligence and evaluation of investment opportunities and potential business partners.
- Develop clear frameworks and levels of authority for investment or partnership decisions.
- Regular performance monitoring and strategic reviews of new businesses and projects.

People Risk

The competitiveness of the Group's businesses depends on the quality of the people that it attracts and retains. Unavailability of needed human resources may impact the ability of the Group's businesses to operate at capacity, implement initiatives and pursue opportunities.

The pandemic has accelerated corporate investments in digital projects and stimulated global consumer demand for e-commerce. This has created heightened demand and competition across industries for various skillsets, particularly in IT and logistics. Pandemic-related travel restrictions and a more stringent approach to issuing work visas to non-locals in some of the key markets have also disrupted the availability of labour across borders, exacerbating labour shortages as economies rebound.

Mitigation Measures

- Ensure proactive manpower planning and succession planning are in place.
- Enhance modern employer branding, training for staff members, compensation and benefits, talent development plan.
- Implement strategy to promote diversity and inclusion across the Group.
- Provide employee retention programmes.
- Establish employee assistance programmes.

Environmental and Climate Risk

Global climate change has led to a trend of increased frequency and intensity of potentially damaging natural events for the Group's assets and operations. With interest in sustainability surging in recent years from investors, governments and other interested parties, expectations by regulators and other stakeholders for accurate corporate sustainability reporting and commitments towards carbon neutrality and other sustainability related goals are also growing. This brings increasing challenges to the Group and its businesses to meet key stakeholders' expectations.

Mitigation Measures

- Sustainability Leadership Council established to mobilise and coordinate sustainability efforts across the Group.
- A sustainability strategy framework, including a Climate Action pillar, drives the Group's sustainability agenda.
- A Climate Action Working Group, with representatives from all business units, drives Group-wide initiatives which strengthen collaboration and share knowledge.
- A Group-wide climate change policy is being developed to build climate resilience across Jardines.
- Developing a plan to make net zero commitments across Group businesses.
- Assessing emerging Environmental, Social and Governance (ESG) reporting standards and requirements, to align Group disclosures to best market practice.
- Conducting climate risk assessments and adaptation action plans based on recommendations of Task Force on Climate-related Financial Disclosure (TCFD), including implementing measures to address physical risks posed by climate change and identifying opportunities in global transition to a low carbon economy.

Monitoring of Risk Management and Internal Control Systems

The effectiveness of the Company's risk management and internal control systems is monitored by the internal audit function, which reports functionally to the Audit Committee of the Company, and by a series of audit committees or risk management and compliance committees that operate in each significant business unit across the Group. The internal audit function also monitors the approach taken by the business units to managing risk. The findings of the internal audit function and recommendations for any corrective action required are reported to the relevant audit committee and, if appropriate, to the Company's Audit Committee.