

Corporate Governance

Overview of Governance Approach

DFI Retail Group (Dairy Farm International Holdings Limited (the 'Company') and its subsidiaries together known as the 'Group') understands the value of good corporate governance to long-term sustainable success and attaches importance to the corporate stability that strong governance brings, as well as the opportunities that result from it being part of the Jardine Matheson Holdings Limited ('Jardine Matheson') group.

The Group is committed to high standards of governance. The system of governance it has adopted has been developed over many years by the members of the Jardine Matheson group, and both the Group and its stakeholders regard as appropriate to the nature of its business and the long-term strategy it pursues in its Asian markets. The governance framework is tailored to the Group's size, ownership structure, complexity and breadth of businesses. It enables the Company to benefit from Jardine Matheson's strategic guidance and professional expertise while at the same time ensuring that the independence of the Board is respected and clear operational accountability rests with the Company's executive management teams. Having an effective corporate governance framework supports the Board in delivering the Group's strategy and supports long-term sustainable growth.

Group Structure

Jardine Matheson is the ultimate holding company of the Group. The structural relationship between the Jardine Matheson group and the Group is considered a key element of the Group's success. By coordinating objectives, establishing shared values and standards, and sharing experience, contacts and business relationships, the Jardine Matheson group companies aim to optimise their opportunities across the Asian countries where they operate.

The Company is incorporated in Bermuda. The retailing interests of DFI Retail Group are entirely in Asia. The Company's equity shares have as their primary listing a standard listing on the Main Market of the London Stock Exchange (the 'LSE'), and the Company's primary regulator is the Financial Conduct Authority in the United Kingdom (the 'FCA').

The Disclosure Guidance and Transparency Rules (the 'DTRs') issued by the FCA require that this Report addresses all relevant information about the company's corporate governance practices beyond the requirements under Bermuda law.

The Company also has secondary listings in Singapore and Bermuda. As the Company has only secondary listings on these exchanges, the listing rules of such exchanges are not generally applicable. Instead, the Company must release the same information as it is required to release under the rules applicable to it as a standard listed company on the LSE, in compliance with the rules applicable to those exchanges in Singapore and Bermuda.

Governance and Legal Framework

As a company incorporated in Bermuda, the Company is governed by:

- The Bermuda Companies Act 1981 (the 'Companies Act');
- The Bermuda Dairy Farm International Holdings Limited Consolidation and Amendment Act 1988 (as amended), pursuant to which the Company was incorporated and the Bermuda Dairy Farm International Holdings Limited Regulations 1993 (as amended) was established; and
- The Company's Memorandum of Association and Bye-laws.

Governance and Legal Framework *continued*

The shareholders can amend the Company's Bye-laws by way of a special resolution at a general meeting of the Company.

The Company's standard listing in London means that it is bound by many of the same rules as premium-listed companies under the UK Listing Rules, the DTRs, the UK Market Abuse Regulation ('MAR') and the Prospectus Regulation Rules, including in relation to continuous disclosure, periodic financial reporting, disclosure of interests in shares, market abuse and the publication and content of prospectuses in connection with admission to trading or offering securities to the public. In addition, the Company is subject to regulatory oversight from the FCA, as the Company's principal securities regulator, and is required to comply with the Admission and Disclosure Standards of the Main Market of the LSE. The Company and its Directors are also subject to legislation and regulations in Singapore relating to insider dealing.

The Company is not required to comply with the UK Corporate Governance Code (the 'Code'), which applies to all premium-listed companies and sets out the governance principles and provisions expected to be followed by companies subject to the Code.

When the shareholders approved the Company's move to a standard listing from a premium listing in 2014, the Company stated that it intended to maintain certain governance principles as was then applicable to the Company's premium listing. As a result, the Company has adopted several governance principles (the 'Governance Principles') based on the then-applicable requirements for a premium listing, which go further than the standard listing requirements.

The key elements of the Governance Principles are as follows:

- When assessing a significant transaction (a larger transaction which would be classified as a class 1 transaction under the provisions of the UK Listing Rules), the Company will engage an independent financial adviser to provide a fairness opinion on the terms of the transaction.
- If the Company carries out a related party transaction which would require a sponsor to provide a fair and reasonable opinion under the provisions of the UK Listing Rules, it will engage an independent financial adviser to confirm that the terms of the transaction are fair and reasonable as far as the shareholders of the Company are concerned.
- Further, as soon as the terms of a significant transaction or a related party transaction are agreed, an announcement will be issued by the Company providing such details of the transaction as are necessary for investors to evaluate the effect of the transaction on the Company.
- At each annual general meeting ('AGM'), the Company will seek shareholders' approval to issue new shares on a non-pre-emptive basis for up to 33% of the Company's issued share capital, of which up to 5% can be issued for cash consideration.
- The Company adheres to a set of Securities Dealing Rules which follow the provisions of MAR with respect to market abuse and disclosure of interests in shares.

The Management of the Group

The Board

The Board is responsible for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets in a way supported by the right culture, values and behaviours throughout the Group.

The Directors have the full power to manage the Company's business affairs, except matters reserved to be exercised by the Company in a general meeting under Bermuda legislation or the Company's Bye-laws. Key matters for which the Directors are responsible include:

- Responsibility for the overall strategic aims and objectives of the Group;
- Establishing the Company's purpose and values;
- Approval of the Group's strategy and risk appetite to align with the Group's purpose and values;
- Approval and oversight of the Group policy framework and approval of appropriate Group policies;
- Approval of the Annual Budget and monitoring of performance against it;
- Oversight of the Group's operations;
- Approval of significant changes to Group's corporate or capital structure;
- Approval of major capital expenditure and significant transactions in terms of size or reputational impact;
- Approval of interim and final financial statements upon recommendation from the Audit Committee, and interim management statements;
- Approval of Annual Report and Accounts;
- Approval of dividend policy and amount and form of interim and final dividend payments for approval by shareholders as required;
- Any significant changes to the Company's accounting policies or practices upon recommendation from the Audit Committee;
- Appointment, re-appointment or removal of the external auditor, subject to shareholder approval, upon recommendation from the Audit Committee;
- Approval of matters relating to the AGM resolutions and shareholder documentation;
- Approval of all shareholder circulars, prospectuses and listing particulars issued by the Company; and
- Approval of material public announcements concerning matters decided by the Board.

Responsibility for certain matters, including the approval of borrowing facilities and of capital expenditure (other than major capital expenditure which is required to be approved by the Board) has been delegated to the finance committee established within the Hong Kong-based Group management company, Dairy Farm Management Services Limited ('DFMS').

The Company sees the value of regularly reviewing the effectiveness of its processes and making improvements where appropriate. The Board will therefore be establishing a Board evaluation review process.

Board Composition and Operational Management

The Board's composition and how it operates provide stability, allowing the Company to take a long-term view as it seeks to grow its businesses and pursue investment opportunities.

The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company.

The Company has a dedicated executive management team led by the Group Chief Executive. The Memorandum of Association of the Company, however, provides for the chairman of Jardine Matheson to be, or to appoint, the Managing Director of the Company. Reflecting this, and the Jardine Matheson group's 78% interest in the Company's share capital, the Group Chief Executive and the Managing Director meet regularly. Similarly, the board of DFMS and its finance committee are chaired by the Managing Director and include DFI Retail Group executives as well as Jardine Matheson's deputy managing director, group finance director and group general counsel.

The presence of Jardine Matheson representatives on the Board and Audit Committee of the Company, as well as on the board and finance committee of DFMS, provides an added element of stability to the Company's financial planning and supervision, enhancing its ability to raise finance and take a long-term view of business development. In addition, the presence of Jardine Matheson representatives on the Company's Board, Audit, Nominations and Remuneration Committees, as well as DFMS' finance committee, also strengthens the ability of management to work effectively together in exploiting the full range of the Jardine Matheson group's commercial strengths.

As at 3rd March 2022, the Company comprises nine Directors, three of whom (33%) – Dave Cheesewright, Weiwei Chen and Christian Nothhaft – are regarded as Independent Non-Executive Directors. A Non-Executive Director – Anthony Nightingale – does not have any executive responsibilities, nor has he been an employee of the Company or the Group within the past five years. He is sufficiently distanced from the day-to-day operations of the Company for the Company to take the view that he is an Independent Non-Executive Director, even though he has served on the Board for over nine years. The names of all the Directors and brief biographies appear on pages 49 and 50 of this Report.

Ben Keswick has been Chairman of the Board since 16th May 2013. John Witt has held the role of Managing Director from 15th June 2020. Ian McLeod has been Group Chief Executive since 18th September 2017. Ben Keswick previously held the roles of Chairman and Managing Director combined from 16th May 2013. The Board considers that there is a clear division of responsibilities among the Chairman, the Managing Director and the Group Chief Executive in order to ensure an appropriate balance of power and authority.

Chairman

The Chairman's role is to lead the Board, ensuring its effectiveness while taking account of the interests of the Group's various stakeholders and promoting high standards of corporate governance. The Chairman's principal responsibilities are in the areas of strategy, relationships, governance and people. In addition, he leads the Board in overseeing the long-term strategic direction of the Group and approving its key business priorities. His key responsibilities also include:

- Leading, with the Managing Director and the Group Chief Executive, the development of the culture and values of the Group;
- Supporting the development and maintenance of relationships with existing and new key business partners, governments and shareholders;
- Ensuring (together with the Managing Director and the Group Chief Executive) an appropriate focus on attracting and retaining the right people and carrying out succession planning for senior management positions;
- Creating a culture of openness and transparency at Board meetings;
- Leading, with the Managing Director, the succession planning for the Group Chief Executive;
- Building an effective Board supported by a strong governance framework;
- Ensuring all Directors effectively contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge;

Chairman continued

- Ensuring all Directors receive accurate, timely and clear information; and
- Promoting effective communication between Executive and Non-Executive Directors.

Managing Director

The Managing Director acts as chairman of DFMS and of its finance committee and is a member of the Company's Nominations and Remuneration Committees. In addition, he has responsibility for representing Jardine Matheson, as the major shareholder in the Company, in its oversight of the day-to-day management by the Group Chief Executive and his leadership team of the businesses.

Group Chief Executive

The responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive. The implementation of the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the DFMS finance committee. The Group Chief Executive has day-to-day responsibility for:

- The effective management of the Group's businesses;
- Leading the development of the Company's strategic direction and implementing the agreed strategy;
- Identifying and executing new business opportunities;
- Managing the Group's risk profile and implementing and maintaining an effective framework of internal controls;
- Developing targets and goals for his executive team;
- Ensuring effective communication with shareholders and key stakeholders and regularly updating institutional investors on the business strategy and performance;
- Providing regular operational updates to the Board on all matters of significance relating to the Group's business or reputation;
- Overseeing the Group's capital allocation, business planning and performance;
- Ensuring (together with the Chairman and the Managing Director) an appropriate focus on attracting and retaining the right people and carrying out succession planning for senior management positions; and
- Fostering innovation and entrepreneurialism to drive the Group's businesses forward.

Non-Executive Directors

The Non-Executive Directors bring insight and relevant experience to the Board. They have responsibility for constructively challenging the strategies proposed by the Executive Directors, scrutinising the performance of management in achieving agreed goals and objectives. In addition, Non-Executive Directors work on individual initiatives as appropriate.

Board Meetings

The Board usually holds four meetings each year, and ad hoc procedures are adopted to deal with urgent matters between scheduled meetings. Board meetings are usually held in different locations around the Group's markets.

In 2021, due to travel restrictions imposed as a result of the pandemic, it was necessary to hold all four Board meetings virtually. The Board receives high quality, up to date information for each of its meetings, which is provided to Directors via a secure online board information portal. The Company reviews the information provided to the Board regularly, to ensure that it remains relevant to the needs of the Board in carrying out its duties.

The Company's Directors who do not serve on the board of DFMS and who are based outside Asia will usually visit Asia and Bermuda to discuss the Group's businesses, as well as to participate in the four strategic reviews that precede the regular Board meetings. In 2021, all of these strategic reviews were held virtually due to the pandemic. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge of the Group's affairs, as well as their experience of the wider Jardine Matheson group, provide significant value to the ongoing review by the Company of the Group's businesses and reinforces the Board oversight process.

Board Attendance

Directors are expected to attend all Board meetings. The table below shows the attendance at the scheduled Board meetings:

	Meetings eligible to attend	Attendance
Current Directors of the Company		
Non-Executive Directors		
Ben Keswick	4/4	100%
Dave Cheesewright ¹	1/1	100%
Weiwei Chen ¹	1/1	100%
Adam Keswick	4/4	100%
Anthony Nightingale	4/4	100%
Christian Nothhaft ¹	1/1	100%
Executive Directors		
John Witt	4/4	100%
Ian McLeod	4/4	100%
Clem Constantine	4/4	100%
Former Directors of the Company		
George J. Ho ²	3/3	100%
Delman Lee ²	3/3	100%
Y.K. Pang ²	3/3	100%
Clive Schlee ²	3/3	100%
Percy Weatherall ²	3/3	100%

¹ Dave Cheesewright, Weiwei Chen and Christian Nothhaft joined the Board on 30th November 2021.

² George J. Ho, Delman Lee, Y.K. Pang, Clive Schlee and Percy Weatherall stepped down as Directors on 30th November 2021.

Appointment and Retirement of Directors

The Board appoints each new Director, and the Nominations Committee has been established to assist the Board in such matters. In accordance with the Company's Bye-laws, each new Director is subject to retirement and re-appointment at the first AGM after the appointment. After that, Directors are subject to retirement by rotation requirements under the Bye-laws, whereby one-third of the Directors retire at the AGM each year. These provisions apply to both Executive and Non-Executive Directors, but the requirement to retire by rotation does not extend to the Chairman or Managing Director.

On 30th November 2021, George J. Ho, Delman Lee, Y.K. Pang, Clive Schlee and Percy Weatherall retired from the Board, and Dave Cheesewright, Weiwei Chen and Christian Nothhaft were appointed as Independent Non-Executive Directors of the Company.

In accordance with Bye-law 85, Ian McLeod will retire by rotation at this year's AGM and, being eligible, offers himself for re-election. In accordance with Bye-law 92, Dave Cheesewright, Weiwei Chen and Christian Nothhaft will also retire and, being eligible, offer themselves for re-election. Ian McLeod has a service contract with a subsidiary of the Company with a notice period of six months. None of the other Directors proposed for re-election has a service contract with the Company or its subsidiaries.

Directors need to obtain the Chairman's approval before accepting additional appointments that might affect their time to devote to the role as a Director of the Company.

Company Secretary

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

Committees

The Board is supported by the activities of its Committees (the Nominations, Remuneration and Audit Committees), which ensure the right level of attention and consideration are given to specific matters. Matters considered by each of the Committees are set out in their respective terms of reference. Copies of these documents can be obtained from the Company's website at www.DFlretailgroup.com.

Nominations Committee

The Board established a Nominations Committee (the 'Nominations Committee') in March 2021. The key responsibilities of the Nominations Committee are to:

- Review the structure, size and composition of the Board and its committees and make recommendations on any appointments to maintain a balance of skills, knowledge and experience, as well as a diversity of perspectives;
- Lead the process for Board appointments and nominate suitable candidates to the Board;
- Assess suitable candidates based on merit and objective criteria (giving consideration to the promotion of the diversity of backgrounds, knowledge, experience and skills), taking into account their ability to meet the required time commitments;
- Oversee the development of succession pipelines for both the Board and senior management positions to ensure talent is identified and nurtured to meet the challenges and opportunities facing the Group; and
- Satisfy itself that any skill gaps are addressed in the reviews of Board composition and that appropriate development opportunities are in place for Directors to keep abreast of market knowledge and industry trends to perform their role effectively.

The Nominations Committee consists of a minimum of three members, selected by the Chairman of the Board. The Chairman of the Board is the chairman of the Nominations Committee. The current members of the Nominations Committee are Ben Keswick, Adam Keswick and John Witt. The Nominations Committee meets at least annually and more often if necessary, or by the circulation of Committee circulars and recommendations to the Board for approval as it deems appropriate. It plays a key role in the process of recruiting senior executives. Candidates for appointment as Executive Directors of the Company or other senior management positions may be sourced internally or externally, including by using the services of specialist executive search or recruitment firms. The aim is to appoint individuals who combine international business knowledge and experience, industry knowledge and experience if possible, and familiarity with, or adaptability to, Asian markets. When appointing Non-Executive Directors, the Committee pays particular attention to the Asian business experience and relationships that they can bring.

Insurance and Indemnification

The Company purchases insurance to cover its Directors against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by law, the Company also indemnifies its Directors. However, neither insurance nor indemnity arrangements provide cover where the Director has acted fraudulently or dishonestly.

Delegations of Authority

The Group has an organisational structure with defined lines of responsibility and delegation of authority in place. There are established policies and procedures for financial planning and budgeting, information and reporting systems, assessment of risk, and monitoring the Group's operations and performance. The information systems in place are designed to ensure that the financial information reported is reliable and up to date.

The Group's 50% associate, Maxim's Caterers Limited ('MCL'), has a separate board, audit committee, risk management and internal audit structure. The Group is represented on the board of MCL, at which reviews of strategy, operations, budgets and significant investments are undertaken. The MCL board has delegated to the MCL group's audit and risk management committees and its audit department responsible for reviewing major risk areas and the effectiveness of the internal control procedures.

Directors' Responsibilities in respect of the Financial Statements

Under the Companies Act, the Directors are required to prepare financial statements for each financial year and present them annually to the Company's shareholders at the AGM. The financial statements are required to present fairly, in accordance with International Financial Reporting Standards ('IFRS'), the financial position of the Group at the end of the year, and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied consistently and supported by prudent and reasonable judgements and estimates, have been followed in preparing the financial statements. The financial statements have been prepared on a going concern basis.

Substantial Shareholders

As a non-UK issuer, the Company is subject to the provisions of the DTRs, which require that a person must in certain circumstances, notify the Company of the percentage of voting rights attaching to the share capital of the Company that person holds. The obligation to notify arises if that person acquires or disposes of shares in the Company which results in the percentage of voting rights which the person holds reaching, exceeding, or falling below, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

The Company has been informed of the holding of voting rights of 5% or more attaching to the Company's issued ordinary share capital by Jardine Strategic Limited ('Jardine Strategic'), which is directly interested in 1,049,589,171 ordinary shares carrying 77.56% of the voting rights. By virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the Company's issued ordinary share capital as of 3rd March 2022.

There were no contracts of significance with substantial corporate shareholders during the year under review.

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 33 to the financial statements on pages 99 and 100.

Securities Purchase Arrangements

The Directors have the power under the Companies Act and the Company's Memorandum of Association to purchase the Company's shares. Any shares so purchased shall be treated as cancelled and, therefore, reduce the Company's issued share capital. When the Board reviews the possibility for share repurchases, it will consider the potential for the enhancement of earnings or asset values per share. When purchasing such shares, the Company is subject to the provisions of MAR.

Annual General Meeting

The 2022 AGM will be held on 5th May 2022. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting, which accompanies this Report. In addition, a corporate website is maintained containing a wide range of information of interest to investors at www.DFIretailgroup.com.

Group Policies

Code of Conduct

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are set out in its Code of Conduct, a set of guidelines to which every employee must adhere. It is reinforced and monitored by an annual compliance certification process and modelled on the Jardine Matheson group's code of conduct. The Code of Conduct requires that all Group companies comply with all laws of general application, all rules and regulations that are industry-specific and proper standards of business conduct. The Code of Conduct prohibits the giving or receiving of illicit payments. It requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organisations.

The Company's policy on commercial conduct underpins the Group's internal control process, particularly in the area of compliance. The policy is set out in the Group's Code of Conduct.

Data Privacy

The Group is committed to being a responsible custodian of the data entrusted to it by customers, employees, suppliers and other stakeholders keeping the data secure and processing it in accordance with legal requirements and stakeholder expectations as they continue to evolve.

In addition, the Group's Personal Data Protection Policy and Security Incident Response Plan underlines the Group's commitment to being a responsible data custodian.

Speak-Up Policy

The Group has a Speak-Up policy covering how individuals can report matters of serious concern on a named or anonymous basis. The Audit Committee is responsible for overseeing the effectiveness of the formal procedures to raise such matters and is required to review any reports made under those procedures referred to by the internal audit function. In addition, the Group has a speak-up service managed by a third-party service provider to supplement existing channels in the business units to assist in reporting of suspected illegal or unethical behaviour and is intended to help foster an inclusive, safe and caring workplace. The service, which is available 24 hours in multiple languages, is accessible through phone hotline or online. The reports are treated confidentially, and protection is provided to anyone who reports a case.

Inclusion and Diversity

The Group will continue to foster a culture of inclusivity and empowerment, where colleagues with different backgrounds feel comfortable in being themselves, in voicing their ideas and have equal opportunities to thrive. Bullying, intimidation, discrimination, and harassment of others has no place in the Group and will not be tolerated.

As a multinational Group with a broad range of businesses operating across Asia, the Group believes in promoting equal opportunities in recruiting, developing and rewarding its people regardless of race, gender, nationality, religion, sexual orientation, disability, age or background. The scale and breadth of the Group's businesses necessitate that they seek the best people from the communities in which they operate most suited to their needs.

All staff are encouraged and supported to develop their full potential and contribute to the sustainable growth of the Group. Employees views and ideas are essential, and they are encouraged to express them respectfully with colleagues at all levels within the organisation.

The Company keeps the composition of its Board and senior management positions under review to ensure that it adapts to the changing business landscape. The Company recognises that gender diversity is an important issue, and this is something it is actively focused on, with consistent improvement in this area.

The Group is developing a formal Diversity and Inclusion Policy which is expected to be published in 2022.

Remuneration Report

Message from the Board/Remuneration Committee

The Board is pleased to present shareholders with the 2021 Remuneration Report. This report sets out the Group's approach to remuneration for its executives and directors, particularly the link between the Group's strategy and its remuneration framework, the link between performance and reward, and remuneration outcomes for senior executives.

The Group's Remuneration philosophy and framework for rewarding staff

The remuneration outcomes in 2021 reflect the intended operation of the remuneration framework.

At the heart of the Group's remuneration framework is our commitment to deliver competitive remuneration for excellent performance to attract the best and motivate and retain talented individuals while aligning the interests of executives and shareholders.

It does this through:

- Incentives based on financial measures and strategic objectives that reflect key goals critical to sustained organisational success;
- Consideration of business and operational risk, as well as sustainability development goals through the design of performance objectives;
- Incentives and policies that align the interests of executives to those of shareholders;
- Ensuring remuneration outcomes are reasonable, taking into account community and stakeholder expectations; and
- Target remuneration levels and outcomes appropriately reflect the challenge and complexity of being a multinational Asian conglomerate with diverse businesses.

The Group's Remuneration philosophy and framework for rewarding staff continued

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognised that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms, and the nature of the remuneration packages is designed to reflect this. Executive Directors joining from outside the Group may be offered an initial fixed-term service contract to reflect any requirement to relocate.

Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Chief Financial Officer, are decided upon by shareholders in general meetings as provided for by the Company's Bye-laws.

Remuneration Committee

The Board has overall responsibility for setting remuneration across the Group, ensuring it is appropriate and supports the Group's strategy, creating value for stakeholders. The Remuneration Committee has been established to assist the Board in these remuneration matters.

In November 2021, the Remuneration Committee established by the Board within DFMS in March 2021 had been dissolved. The Board had established a Remuneration Committee (the 'Remuneration Committee') at the Company level. The key responsibilities of the Remuneration Committee are to:

- Oversee the formulation of a Group-wide reward strategy and ensure the business implements the reward strategy in alignment with its industry-specific needs;
- Review and approve the compensation of the Group Chief Executive and leadership team of the business;
- Review the terms of and design of performance-related incentives (both short- and long-term), including the review and approval of any changes to plan design, targets and metrics;
- Review and approve the overall compensation costs, including salary and bonus budgets, of the business; and
- Remain abreast of trends and developments in executive compensation and corporate governance related to the Group's industry and countries of operation.

The Remuneration Committee consists of a minimum of three members, selected by the Chairman of the Board. The Chairman of the Board is the chairman of the Committee. The current members of the Remuneration Committee are Ben Keswick, John Witt and Graham Baker. In addition, the Group Chief Executive, the Group Human Resources Director and Jardines group human resources director will generally attend meetings of the Remuneration Committee. The Remuneration Committee meets at least twice annually and more often if necessary, with its meetings aligned with the key events in the Group's annual remuneration cycle, or by the circulation of Committee circulars and recommendations to the Board for approval as it deems appropriate.

How Remuneration framework is linked to the business strategy

The Group's remuneration strategy is designed to support and reinforce its business and sustainability strategies. The at-risk components of remuneration are tied to measures that reflect the successful execution of these strategies in both the short and long term. Our strategic drivers of 'Grow in China, Maintain Strength in Hong Kong, Revitalising Southeast Asia, Building Capability, Driving Digital Innovation, and Own Brand Development' are reflected in bonus performance measures. So, the Group's actual performance directly affects what executives are paid.

The Group's Remuneration philosophy and framework for rewarding staff continued

Remuneration Outcomes in 2021

For the year ended 31st December 2021, the Directors received from the Group US\$8.2 million (2020: US\$8.5 million) in Directors' fees and employee benefits, being:

- US\$0.6 million (2020: US\$0.8 million) in Directors' fees; and
- US\$6.8 million (2020: US\$6.4 million) in short-term employee benefits, including salary, bonuses, accommodation and deemed benefits in kind;
- US\$0.1 million (2020: US\$0.1 million) in post-employment benefits; and
- US\$0.7 million (2020: US\$1.2 million) in share-based payments.

The information set out in the section above headed 'Remuneration Outcomes in 2021' forms part of the audited financial statements.

Share Schemes

Share-based long-term incentive plans have also been established to provide incentives for Executive Directors and senior managers. The scheme trustee grants share options after consultation between the Chairman and the Group Chief Executive and other Directors as they consider appropriate. Share options are not granted to Non-Executive Directors. In addition, in December 2018, a new cash-based long-term incentive plan was implemented for senior management to align their remuneration with shareholders' interests by rewarding the delivery of strong EPS growth over the next five years. Pay-outs under the plan will also be dependent on the achievement of appropriate targets linked to the health of the business and the sustainability of earnings growth.

Directors' Share Interests

The Directors of the Company in office on 3rd March 2022 had interests* as set out below in the Company's ordinary share capital. These interests include those notified to the Company regarding the Directors' closely associated persons*.

Ian McLeod	398,342
Clem Constantine	100,000
Anthony Nightingale	34,183

* Within the meaning of MAR

In addition, Ian McLeod held deferred share awards regarding 199,172 ordinary shares issued pursuant to the Company's share-based long-term incentive plans.

Audit Committee Report

Audit Committee

In November 2021, the Audit Committee established by the Board within DFMS (the 'Former Audit Committee') had been dissolved. The Board had established an Audit Committee (the 'Audit Committee') at the Company level. The Audit Committee consists of a minimum of three members, the current members of which are Graham Baker, Weiwei Chen and Anthony Nightingale (Chairman of the Audit Committee). None of them is directly involved in operational management.

With the appointment of Weiwei Chen, an Independent Non-Executive Director, in November 2021 to the Audit Committee, the Company considers that the Committee now has a majority of independent members. Graham Baker is also a member of the Committee with recent financial experience and expertise. In addition, Graham Baker has a deep understanding of risk management.

Audit Committee continued

The Managing Director, Group Chief Executive and Chief Financial Officer, and representatives of the internal and external auditors, also attend the Audit Committee meetings by invitation. In addition, other individuals may attend part of a meeting for specific agenda items as appropriate. The Audit Committee meets twice a year and reports to the Board after each meeting.

The role of the Audit Committee is governed by its terms of reference. The Committee's remit includes:

- Independent oversight and assessment of financial reporting processes including related internal controls;
- Risk management and compliance;
- Overseeing the effectiveness of the internal and external audit functions;
- Considering the independence and objectivity of the external auditors; and
- Reviewing and approving the level and nature of non-audit work performed by the external auditors.

Before completion and announcement of the half-year and year-end results, a review of the Company's financial information and of any issues raised in connection with the preparation of the results, including the adoption of new accounting policies, is undertaken by the Audit Committee with the executive management and a report is received from the external auditors. The external auditors also have access to the full Board when necessary, in addition to the Group Chief Executive, Chief Financial Officer and other senior executives.

The matters considered by the Former Audit Committee during 2021 included:

- Reviewing the 2020 annual financial statements and 2021 half-yearly financial statements, with particular focus on the impact of COVID-19, provisioning and impairment assessments, assumptions that underpinned key valuation models and effectiveness of financial controls;
- Reviewing the actions and judgements of management in relation to changes in accounting policies and practices to ensure clarity of disclosures and compliance with new accounting standards;
- Receiving reports from internal audit on the status of the control environment of the Group and its business divisions, and progress made in resolving matters identified in the reports;
- Reviewing the principal risks, evolving trends and emerging risks that affect the Group, and monitoring changes to the risk profile, as well as the effectiveness of risk management measures and crisis management arrangements;
- Receiving updates on the cybersecurity threat landscape and the Group's cybersecurity environment, risk management approach, training, priorities and control effectiveness;
- Receiving reports from risk management and legal functions on key legal matters and compliance and code of conduct issues, and the actions taken in addressing those issues and strengthening controls;
- Reviewing the annual internal audit plan and status updates;
- Reviewing the Group's governance approach to cybersecurity management, data security and privacy management across its businesses;
- Reviewing and approving the revised terms of reference of the Group's internal audit and risk management functions;
- Reviewing the biennial assessment of the effectiveness of PwC;
- Reviewing the independence, audit scope and fees of PwC, and recommending their re-appointment as the external auditor; and
- Conducting a review of the terms of reference of the Audit Committee.

Former Audit Committee Attendance

The table below shows the attendance at the scheduled Audit Committee meetings:

Members of the Former Audit Committee	Former Audit Committee ¹	Attendance
Director of the Company		
John Witt	2/2	100%
Directors of DFMS		
Graham Baker	2/2	100%
Jeremy Parr	2/2	100%
Former Director of the Company		
Y.K. Pang	2/2	100%

1 The Former Audit Committee was dissolved on 30th November 2021.

Risk Management and Internal Control

The Board has overall responsibility for the Group's risk management systems and internal control. The Board has delegated to the Audit Committee responsibility for providing oversight in respect of risk management activities. The Audit Committee considers the Group's principal risks and uncertainties and potential changes to the risk profile. It reviews the operation and effectiveness of the Group's internal control systems (financial, operational and compliance) and the procedures by which these risks are monitored and mitigated.

The Audit Committee considers the systems and procedures regularly and reports to the Board semi-annually. The internal control systems are designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and give reasonable, but not absolute, assurance against material financial misstatement or loss.

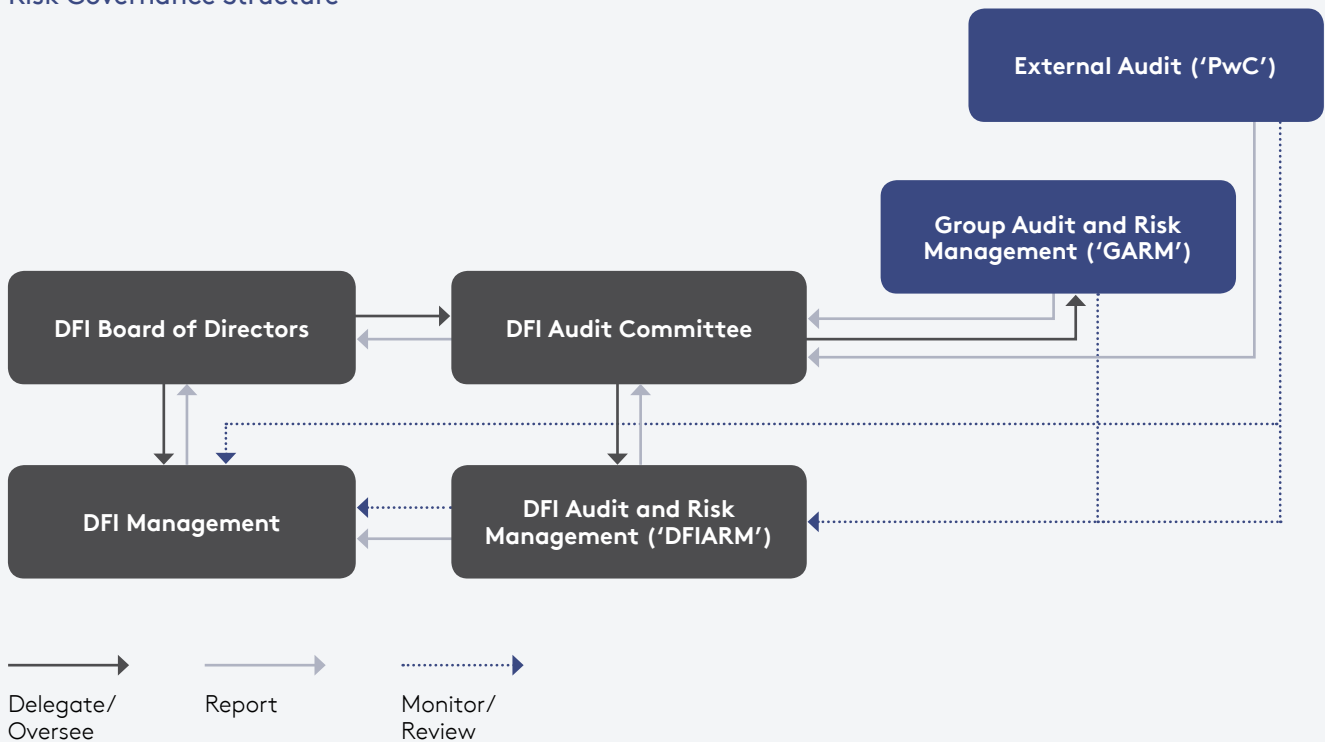
Executive management is responsible for the implementation of the systems of internal control throughout the Group, and a series of audit committees at an operational level and the internal audit function monitor the effectiveness of the systems.

The Group has an established risk management process reviewed regularly and covers all business units within the Group. This includes the maintenance of risk registers that detail the emerging and existing risks to the future success of the business and the relevant key controls and mitigating factors that address those risks. These are reviewed regularly.

The internal audit function also monitors the approach taken by the business units to risk. The internal audit function is independent of the operating businesses and reports its findings and recommendations for any corrective action required to the Audit Committee.

The Company's principal risks and uncertainties are set out on pages 151 to 154.

Risk Governance Structure



DFI Management is responsible for:

- Identifying and assessing principal risks and uncertainties to which it is exposed;
- Implementing the most appropriate actions to mitigate and control those risks to an acceptable level;
- Providing adequate resources to minimise, offset or transfer the effects of any loss that may occur while managing acceptable risk/benefit relationships;
- Monitoring the effectiveness of the systems of risk management and internal control;
- Reporting periodically to DFI Audit Committee on identifying principal risks and uncertainties and measures taken to, mitigate such risks; and
- Working with external and internal auditors to monitor and improve its control environment.

Risk Management Framework

Risk management should be integrated into each business unit’s strategic planning, budgeting, decision-making and operations. Central to this is the continuous and systematic application of:



Risk Management Framework based on ISO 31000 and COSO principles is embedded in the Group to identify, assess and define the strategies to monitor risks. The risk registers prepared by each business unit provide the basis for the aggregation process, which summarises the principal risks and uncertainties facing the Group as a whole.

Risk Identification	<ul style="list-style-type: none"> Identify and document the Group’s exposure to uncertainty with existing strategic objectives Adopt structured and methodical techniques to identify critical risks
Risk Assessment	<ul style="list-style-type: none"> Evaluate risks by estimating likelihood, financial and reputational damage, and the speed at which the risk materialises, based on its inherent and residual level Determine risk rating using the risk heatmap, with four levels of residual risk status
Risk Treatment	<ul style="list-style-type: none"> Tolerate – accept if within the Group’s risk appetite Terminate – dispose or avoid risks were no appetite Risks may be accepted if mitigated to an appropriate level via: Transfer – take out insurance or share risk through contractual arrangements with business partners Treat – redesign or monitor existing controls or introduce new controls
Risk Reporting & Monitoring	<ul style="list-style-type: none"> Periodic review of principal risks and uncertainties Setting key risk indicators to enhance monitoring and mitigation of risks Regular reporting of principal risks and uncertainties from business units to the Group’s Board of Directors via Audit Committee and Group Audit and Risk Management

Principal Risks and Uncertainties

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the DTRs issued by the FCA and are in addition to the matters referred to in the Chairman's Statement, Group Chief Executive's Review and other parts of this Report.

Economic Risk

Most of the Group's businesses are exposed to the risk of negative 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, the cost of raw materials or finished products. 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.
- Insurance programme covering property damage and business interruption.

Commercial Risk

Risks are an integral part of normal commercial activities and where practicable steps are taken to mitigate them. Risks can be more pronounced when businesses are operating in volatile markets. While the Group's regional diversification does help to mitigate some risks, a significant portion of the Group revenues and profits continue to be derived from our operations in Hong Kong.

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 in nature and take more time to deliver returns.

The Group's businesses operate in areas that are highly competitive and failure to compete effectively, whether in terms of price, product specification, technology, property site or levels of service, failure to manage change in a timely manner or to adapt to changing consumer behaviours, including new shopping channels and formats, can have an adverse effect on earnings. 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 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 acceptable revenues and profit margins.

While social media presents significant opportunities for the Group's businesses to connect with customers and the public, it also creates a whole new set of potential risks for companies to monitor, including damage to brand equity or reputation, affecting the Group's profitability.

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.

Principal Risks and Uncertainties continued

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 page 48 and note 38 to the financial statements on pages 111 to 119.

Concessions, Franchises and Key Contracts Risk

A number of the Group's businesses and projects rely on concessions, franchises, management or other key contracts. Accordingly, cancellation, expiry or termination, or the renegotiation of any such concessions, franchises, management or other key contracts could adversely affect the financial condition and results of operations of certain subsidiaries, associates, and joint ventures of the Group.

Mitigation Measures

- Sustaining and strengthening relationships with franchisors.
- Monitor sales performance and compliance with franchise terms.
- Regular communication with franchisees and concessionaires, including performance management.

Principal Risks and Uncertainties continued

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 matters such as foreign ownership of assets and businesses, exchange controls, licensing, imports, planning controls, emission regulations, tax rules and employment legislation, could have the potential to impact the operations and profitability of the Group's businesses. Changes in the political environment, including political or social unrest, in the territories where the Group operates, 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.
 - Assessing impact on the business and taking appropriate measures.
 - Raise awareness with regular updates on new regulations that may have been implemented in other markets.
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Pandemic and Natural Disasters Risk

The Group's businesses could be impacted by a global or regional pandemic which seriously affects economic activity or the ability of businesses to operate smoothly. In addition, many of the territories in which the Group operates can experience natural disasters such as earthquakes, floods, and typhoons from time to time.

Mitigation Measures

- Business Continuity Teams are in place to deal with incidents as they arise.
 - Business Continuity plans are in place, tested and updated regularly.
 - Insurance programmes that provide robust cover for natural disasters.
 - Engage external consultants for climate risk, to assess the risk to the business and implement solutions accordingly.
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Cybersecurity and Technology Risk

The Group faces increasing numbers of cyberattacks from groups targeting 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 Group is heavily reliant on its IT infrastructure and systems for the daily operation of its business. Any major disruption to the Group's IT systems could significantly impact operations. The ability to anticipate and adapt to technology advancements or threats is an additional risk that may also impact the business.

Mitigation Measures

- Continued investment in upgrading of technology and IT infrastructure.
- Defined 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 by third parties to identify weaknesses.
- Arrange regular security awareness training and phishing testing to raise users' cybersecurity awareness.
- Maintain disaster recovery plans and backup for data restoration.
- Regular external and internal audit reviews.

Principal Risks and Uncertainties continued

Talent 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.

E-commerce growth has 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

- Competitive pay and benefits commensurate with market benchmarks.
 - Proactive manpower planning and succession planning are in place.
 - Enhanced employer branding, training for team members and talent development plans.
 - Promote diversity and inclusion across the Group.
-

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 growing.

Mitigation Measures

- A Corporate Social Responsibility (CSR) strategy framework is in place, which addresses environmental and climate risk.
 - Cross functional working groups are in place to devise and implement plans, to reduce the impact of environmental and climate risk.
 - Adherence to relevant national and international laws and regulations.
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Effectiveness Review of Risk Management and Internal Control Systems

The effectiveness of these systems is monitored by the internal audit function, which reports functionally to the Audit Committee of the Group. The internal audit function also monitors the approach taken by the business units to manage risk. The findings of the internal audit function and recommendations for any corrective action required are reported to the Group Audit Committee.