**Annual General Meeting to be held on 20 April 2023**
**Responses to Substantial and Relevant Questions**

Singapore Technologies Engineering Ltd (ST Engineering) would like to thank our shareholders who submitted their questions in advance of our 26th Annual General Meeting (AGM) to be held on Thursday, 20 April 2023 at 2:30 p.m. (GMT +8).

As there are areas of overlap in the scope of the questions received, we have grouped related and similar substantial questions together and provided our corresponding responses to them.

Please refer to our responses as set out in the Appendix. The Appendix can also be found on our Investor Relations page on our corporate website at https://www.stengg.com/en/investor-relations/agmegm/

**By Order of the Board**

Tan Wan Hoon
Joint Company Secretary
Singapore, 14 April 2023

**Appendix**

1. **With the challenging geopolitical and economic environment such as the conflict in Ukraine, the rising tension between U.S. and China, the development of a multi-polar world, the U.S. dollar losing its hegemonic status, fallout from collapse of banks, rising social unrests in Europe and U.S. How does the Board:**

    **a) Assess the evolving risks and uncertainties?**
    **b) Protect shareholder value whilst navigating for desired outcomes?**

- The Group has established a Risk and Sustainability Committee (RSC) since 1998 to oversee risk management at both the strategic and operational levels.

- Enterprise risk management (ERM) is an integral part of how we go about managing our business. Under the ERM framework, key risks are regularly reviewed and risk registers refreshed to incorporate new and emerging risks.

- The Russia/Ukraine conflict, geopolitical tensions between U.S. and China, as well as various security, social and economic challenges have been identified as risks that we are confronted with.

- Heightened security focus and defence self-sufficiency augur well for defence businesses in general. Possible economic slowdown requires us to continually improve productivity and save costs to ride through periods of slow economic activities and emerge stronger when the economy recovers. Hence, we have always been focusing on the mid and long-term by investing even in the troughs of economic cycles. We also pay close attention to supply chain resilience and ESG issues.

- For further information about our risk management approach and key practices, please refer to pages 68-71 of our Sustainability Report 2022 and pages 96-101 of our Annual Report 2022.

2. **Does ST Engineering have insurance policies in place to manage the said risks?**

- The Group has a comprehensive insurance programme to protect our worldwide business operations against financial losses arising from property damage, business interruptions, cargo damage in transit, third-party liability etc. Nevertheless, not all risks can be insured at reasonable premiums.



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3. **What was the rationale for the divestment of the U.S. Marine business? Where/how were the losses reported? What other divestment targets do you have?**

- ST Engineering takes a disciplined approach to portfolio management. The Group regularly undertakes portfolio reviews to unlock capital and allow us to accord more focus on businesses that drive value creation.

- In the six years since 2016 when we began to rationalise our investment portfolio, we have divested or terminated 16 businesses. As the markets and the operating environment for each line of business evolve, we will continue to prioritise businesses that allow us to play to our strengths, are attractive, and are scalable. This way, our portfolio yields will remain resilient and continue to generate value for shareholders, customers, and employees alike.

- The decision to exit the U.S. Marine business was made after significant turnaround efforts, including management team changes in the last few years. Despite those efforts, the business remained unprofitable. Following a thorough review of the situation, we decided that divesting the business was the best option for us rather than to continue.

- We had disclosed/described the challenges facing our U.S. Marine businesses where meaningful, when presenting our quarterly/annual results at the Group and segment and/or sector level.

- The losses of the U.S. Marine business were fully incorporated in the segment EBIT of the Defence & Public Security cluster, and before the Group's reorganisation in 2021, under the Marine sector. Financial performances at the individual programmes/projects/business units level are not disclosed for competitive or other business reasons.

- The Group will continue to keep stakeholders informed as and when there are relevant material business developments.

4. **Has the Marine business' leadership compensation considered the U.S. Marine results?**

- Yes, it has been taken into consideration over the years.



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5. **What was the rationale for the Gul yard acquisition for the Marine business?**

- Per our announcement in early February this year, the Group's Singapore Marine business recent acquisition of the Gul yard (site and assets) in Singapore was for its commercial ship repair business. This asset purchase obviates the need to build a greenfield shipyard, which would require much higher construction and material costs as well as lead time. The Gul yard replaces ST Engineering's Tuas shipyard, as its lease will expire at the end of 2024.

- Taking over the brownfield site versus a greenfield site is an effective way to reduce capex in a high-cost environment. More importantly, building on the existing infrastructure and facilities enables us to start operating immediately and effectively with minimal disruption.

- The Group's ship repair business in Singapore has performed well and has been profitable over the years and we expect it to continue to grow.

6. **Can you provide an update on the integration of TransCore, and how will shareholders be updated on its performance?**

- TransCore's transition into the Group covering business operations, policies and processes is nearing completion.

- Meanwhile, TransCore continues to win notable contracts in the U.S. We continue to drive synergies and focus on cross-selling opportunities to bring TransCore's toll solutions into Southeast Asia and tap on its extensive and established market channels in the U.S. to export our Smart Mobility solutions. TransCore will also leverage the Group's R&D and product development capabilities.

- The TransCore acquisition, while achieving the target of being cash flow positive to the Group in 2022, was not yet earnings accretive in the first year. Per our investment case, we expect this investment to be earnings accretive from the second year post-acquisition.

- The Group will continue to provide relevant updates/announcements when there are material developments on TransCore through platforms such as our financial results briefings, market updates briefings, and/or SGXNet announcements.

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