

PRESIDENT AND CEO'S MESSAGE

DEAR STAKEHOLDERS,

Like many business leaders, we at ST Engineering recognise the sustainability imperative. We know that the Group has to take an active role in sustainability, and manage the Environmental, Social and Governance (ESG) factors where we operate in and do business with if we want to be successful in the long term.

We have been taking steps in our sustainability journey to improve our efforts, both in terms of scope and quality of reporting. We issued our inaugural sustainability report prepared in accordance with the GRI Standard in 2014 and formally added sustainability oversight at the Board level in 2016.

In 2019, we took a step to further align our sustainability agenda to the United Nations Sustainable Development Goals, supporting all 17 goals. We have identified six towards which we believe we can make the most meaningful contributions.

We continue to focus attention on issues that matter most to the Group and our stakeholders. Increasingly, our sustainability goal is also about value creation, providing solutions that help address some of the world's most pressing problems, enabling more resilient and sustainable communities and cities.

We are in a good position to achieve this, with technology and innovation at the heart of what we do.

Sustainability and innovation

We draw on our multidisciplinary engineering expertise and capabilities to create products and solutions that help our customers adapt to and mitigate the impact of global trends such as population growth, urbanisation, and climate change.

Examples of our solutions that help address sustainability challenges include:

- Intelligent transportation systems that provide transport operators with real-time traffic awareness and operational capabilities to ease traffic flow, reduce fuel consumption and improve commuter safety and experience;
- Rail electronics solutions that help rail operators manage complex and expanding metro networks, cut down travel time and improve connectivity, thereby contributing to a safe, fast and environmentally sustainable transportation system;
- Internet of Things (IoT) applications such as smart street lighting that use innovative technology to monitor and control street lights remotely in response to varying ambient light conditions, resulting in energy savings and increased public safety; and
- Greener land transportation solutions including conversion of internal combustion engine vehicles to electric vehicles, as well as maintenance and repair of hybrid electric and full electric vehicles.

In each of these cases, we enable our customers to work more efficiently and reduce costs, while saving energy and mitigating the impact on the environment. To date, we have completed numerous smart city projects in more than 100 cities across the world, and we will continue our efforts to develop meaningful solutions that improve the liveability and sustainability of cities.

Sustainable practices is throughout our core businesses

Our sustainable practices are designed to minimise and mitigate potential environmental and social impacts at the local level. In our [2019 sustainability report](#), we share what we have done in the year to address our material ESG factors. One noteworthy development was that we achieved in Singapore, a 39% reduction in Greenhouse Gas (GHG) emission intensity, surpassing our target of 36% reduction on a business-as-usual basis for our operations by 2030 (with 2010 as base year). We also achieved a 14% reduction against a 15% target by 2025 (with 2015 as base year), in water consumption intensity for our Singapore operations. We are looking at new targets for going forward.

We are also driving sustainability excellence and managing sustainability risks in our supply chain. We rolled out our Vendor Code of Conduct to all new suppliers in 2019 and formally established a Quality Committee to promote and implement best practices relating to product safety and service delivery to ensure that we continue to meet industry regulatory requirements and international quality standards.

Sustainability in the workplace and the community

Our employees are the bedrock of our success and we continue to focus and invest in them so that their talent and passion can constantly drive ST Engineering to become a stronger and more responsive organisation.

We have stepped up our approach to safety and health with the addition of a Wellness sub-committee under the Total Workplace Safety and Health Committee to promote employees' physical, emotional and social health.

In recent years, as the Group geared up to embrace industry 4.0, we have been readying our workforce with courses targeted at further enhancing their domain expertise in fast evolving areas. In the last two years, about 2,500 employees have attended data analytics, design innovation, cybersecurity, robotics and digital transformation, artificial intelligence and Internet of Things courses offered by institutes of higher learning.

In 2019, we launched a gender diversity initiative, Women@ST Engineering to enable our female colleagues to achieve their full potential in careers as individuals and leaders, and meaningfully integrate work-life commitments.

Outside of work, we continue to support the local communities in locations where we operate, with our expertise and resources. In 2019, the Group contributed S\$2.9 million and our employees an additional S\$0.9 million, to charities in Singapore and the U.S. Beyond monetary contributions, our employees spent a total of 9,833 man hours organising activities and reaching out to the needy and less fortunate in society. In line with our focus on enriching lives through education, we partnered various educational institutions to advance STEM (science, technology, engineering, and mathematics) skills in students and adults.

We also take pride in creating innovations that contribute to the well-being of our communities. In September 2019, we launched AIR⁺ Kids, the first-of-its-kind comfortable, protective respiratory mask system for young children aged three to six years old, to address a market gap. Developed with the support of Temasek Foundation, the successful launch of AIR⁺ Kids illustrates the role that collaboration plays in unlocking innovative breakthroughs. AIR⁺ Kids is an extension of our existing range of AIR⁺ respiratory masks for the family, first launched in early 2015 to provide proven protection for adults and children aged seven years and upwards.

Going beyond profits

We will continue to embed sustainability in our growth strategy, so that we can remain competitive and be successful in the long term. Setting sustainability goals have created accountability among our senior leaders. For example, safety-related performance and resource reduction metrics have long been an element of our executive compensation and we will continue to strengthen the link of senior executive pay to our sustainability metrics.

Across our organisation, we will create an environment so that every employee embrace our purpose of using technology and engineering to solve real world problems. I believe this will in turn provide drivers for the Group's long-term resilience and sustainable value creation that affect not just our profits and bottom line, but positively impact the lives of people and the health of our planet.

Sincerely,

Vincent

President & CEO

Chong