

## **PRESIDENT & CHIEF EXECUTIVE OFFICER'S MESSAGE ON THE SUSTAINABILITY REPORT**

Dear Stakeholders,

2015 saw exciting acceleration in the area of sustainable development globally. The year saw the United Nations adopt the 2030 Agenda for Sustainable Development, while the Paris Climate Change Conference marked the landmark culmination of decades of negotiations between the world's leaders in the first consensus on climate change. Closer to home, stock exchanges in Singapore, Hong Kong and Malaysia have incorporated sustainability aspects into their respective guidelines and listing rules.

As a global company committed to operating responsibly, we continue to roll out strategies and increase our accountability to ensure we continue to contribute to the societies and economies so vital to our operations. Our performance, targets and priorities are reported in our Annual Report.

Ahead of the regulations, we aligned our sustainability reporting to international guidelines. Our increased transparency was recognised with the Gold Award for Best Annual Report at the Singapore Corporate Awards 2015. We also expanded our scope to report sustainability efforts in US operations qualitatively this year.

Innovation continues to be at the core of what we do.

Recognising the potential explosive demand for unmanned technologies, robotics is a potential new business growth area for the Group. We will leverage our experience and portfolio of technologies and expertise to build unmanned solutions for crisis response, airport, seaport, logistics and urban transportation. Our solutions will enable reduced manpower demand in dangerous or undesirable areas, while securing peace and progress for societies. Our solutions, when implemented, have the opportunity to be a significant contributor in Singapore's ambitious imperative to become Smart Nation.

We take the same approach to combat climate change. Our products and services resulted in an estimated savings of 4,030 terajoules for our customers in 2015. Our subsidiary signed a Memorandum of Understanding (MOU) with the Centre for Energy Research and Technology, National University of Singapore, and the Singapore Institute of Power and Gas, to jointly collaborate in creating platforms and training opportunities for integrating Energy Storage Systems with Singapore's power grid. The MOU underscores our interest in working with partners in the local energy industry to creatively integrate renewable energy sources into the nation's electricity grid.

We also leverage on our technological expertise for the benefit of the community. During the 2015 haze, our Air+ Smart Mask, with its innovative Air+ Micro Ventilator, quickly became the most sought after mask in Singapore for its better seal protection and improved breathing comfort. We went a step further to support affected communities, donating Air+ Smart Masks to children in Kalimantan, South Sumatra, and to the Samsung Medical Centre in South Korea for protection against the Middle East Respiratory Syndrome (MERS) outbreak. We are honoured to have received the Design of the Year in 2015 President's Design Award Singapore for our Smart+ Air Mask.

At ST Engineering, we are enthusiastic in integrating sustainability as a crucial aspect of the way we do business. We continue to learn from global best practices in material areas. For example, in the area of product quality and safety, we actively participated in annual International System Safety Conference. A paper we submitted was also selected for presentation at the conference. In addition, we undertook a study of industries in developed countries to understand how organisations manage safety-critical items.

Further, we aim to implement the ISO14001:2015. This latest version of the international environmental management system demands higher level of leadership involvement, and considers improved environmental management processes such as lifecycle thinking, among other changes. While the amount of energy consumed is heavily dependant on the product mix delivered during the year, we are pleased to note that the greenhouse gas intensity registered an 18% decrease compared to the base year 2010. We will continue to monitor our progress to consistently achieve our target of 16% decrease compared to 2010. After achieving ISO 50001 certification this year, we intend to validate our GHG emissions via ISO 14064 Certification. These initiatives are applied across all Singapore operations.

Our people are the force behind the growth and innovation we seek year after year. Their safety and satisfaction is our priority. Our turnover rate for Singapore operations was maintained at 8%, significantly below the national industry average. While our Accident Frequency Rate (AFR) and Accident Severity Rate (ASR) remain below national benchmarks, we note an increase in incidents in our Marine business and accordingly convened a review to improve our safety record. In pursuit of a zero injury work environment, we also reviewed and improved upon many of our health and safety procedures such as that of crane safety and ergonomics.

As we engineer your future and for future generations, we will be guided by our values – having Integrity in our business, being Committed to and Creating Value for our customers and partners over the long term, having the Courage to innovate, while remaining Compassionate for the community.

Sincerely,

Tan Pheng Hock  
President & CEO