

PRESIDENT & CEO'S MESSAGE ON THE SUSTAINABILITY REPORT

DEAR STAKEHOLDERS,

2017 marked the golden jubilee anniversary of ST Engineering. For over 50 years, we have continuously delivered engineering solutions to solve real-world problems. As cities and companies seek solutions to the complex issues which the global community is facing, we find ourselves in a unique position to alleviate and resolve them with our deep engineering expertise and technological capabilities across the Group.

In 2017, our consortium with Tuas Power Ltd was commissioned by Public Utilities Board to construct Singapore's fifth desalination plant, to improve the water security of our water-scarce nation. Some of the latest technologies such as smart analytics will be integrated into the design of the plant to optimise productivity and efficiency. Our subsidiary Kinetics Drive Solutions developed and launched hybrid hydraulic drives that can reduce fuel consumption and carbon emissions by up to 40% on a typical route compared to conventional vehicle transmissions of similar capacities.

Security, in its many forms such as terrorism, cyber security and water security, remains a source of vulnerability and concern for many modern cities. Our Smart City solutions, built on our strong track record of delivering rail and road solutions, emergency response systems, physical security and cyber security solutions, sensor networks for water and utility management, water treatment and waste management, allow cities to continue to thrive and grow, while making them inclusive, safe, resilient and sustainable.

Never resting on our laurels, we continue to promote a strong innovative culture especially among our engineers to experiment and embrace "intrapreneurialism". In 2017, we launched an Open Innovation Lab for our engineers, start-ups and early stage companies to collaborate, research and develop new concepts. Designed for open access, the Open Lab offers multi-disciplinary applied engineering capabilities through facilities and a full suite of prototyping and development equipment.

We have zero tolerance for corruption, within our operations, our robust governance and risk framework sets the tone for doing business in an ethical manner. We review and update our policies periodically to ensure that they stay relevant. During the year, we engaged a consultant to review our anticorruption framework to ensure its continued robustness. We strengthened our culture of "Safety before Profits" through programmes that constantly remind our people to be vigilant. We are heartened to see improved occupational health and safety performance.

With technology and innovation as our lifeblood, we believe in harnessing the collective genius of our 22,000 employees across the world. We listen to our people on where and how we can improve. In

2017, we refreshed and relaunched our Employee Opinion Survey as the Employee Engagement Survey. The new survey is tailored to measure and enhance engagement levels and benchmark ourselves against others. It was rolled out to all 15,000 employees in Singapore and we also plan to roll it out to employees outside of Singapore.

In keeping with our commitment to mitigate environmental impacts, we reduced greenhouse gas (GHG) intensity of our Singapore operations by about 30% compared to 2010. We continue to increase the use of solar photovoltaic systems at our facilities. When fully operational, our investments in solar energy will replace 8.9% of our existing electricity usage, thereby reducing our overall GHG emissions by 4,408 tonnes of carbon dioxide equivalent annually.

In 2017, we contributed a total of \$1.92 million to charity in Singapore and US\$0.3 million in the US. Our employees engaged local communities and contributed a total of 11,623 volunteer man hours. Over and above our total community contribution, the Group raised funds through our ST Engineering 50th Anniversary Charity Golf, ST Engineering Charity Draw and staff donation drive in support of 15 charities that provide assistance to youth at risk and persons with disabilities or special needs. We have always been focused on community outreach and will continue to do so, enriching lives through education and touching lives through engineering.

For more than 50 years, we have built a successful business based on good governance and sustainability principles. As we pursue the next lap of growth through innovation, we remain committed to these principles. We make the most impact to communities when we leverage our technological expertise, and we will continue to do so, to deliver solutions for a better future.

Sincerely,

Vincent Chong

President & CEO