

## **PRESIDENT & CEO'S MESSAGE ON THE SUSTAINABILITY REPORT**

### **DEAR STAKEHOLDERS,**

2016 was a year of continued technology advances, bringing in its wake, more digitisation and business disruptions. For ST Engineering, we are pleased to report that despite these challenges, we have achieved a commendable performance in this difficult environment.

As an engineering and technology Group, we are well positioned to tap into the many opportunities that come with the new digital economy. Technology advancements open up new sustainability development opportunities as well as bring about new risks to be cautious of.

In 2016, we broadened our commercial offerings and invested further in R&D capability to innovate. The Group devoted additional resources to new high growth areas such as robotics and cyber security.

We provide solutions to issues the world faces today and in the future. Our solutions depend on the creativity and ingenuity of our 22,000 employees across the world, and how we harness their talents. We listen to our people, on where and how we can improve. For example, we reviewed our internal management & HR systems in response to feedback from our 2015 biennial Employee Opinion Survey and made appropriate changes. We will continue to engage our people, and review across multiple management and HR frameworks to further strengthen our internal systems.

'Safety Before Profit' is another commitment we made to our customers and our people. It is our duty to ensure that our employees return home safely to their loved ones. In view of mixed performances in our Accident Frequency Rate and Accident Severity Rate for the four sectors in 2016, and a contractor fatality in our Marine sector, we have taken steps to address gaps and mitigate the risk of recurrence. The wellbeing of our employees and contractors is our primary responsibility, and the continual focus of everyone at ST Engineering.

As a global citizen, we seek to mitigate our environment impacts. In 2016, we reduced greenhouse gas intensity by 23% for our Singapore operations compared to 2010. Our Singapore operations also achieved verification in ISO14064-1, strengthening our determination to establish best practice across our sectors.

On new products to support our commitment to energy efficient initiatives, we developed and launched the world's first evaporative cooler that promises outdoor comfort in tropical climates. It provides effective cooling all day with up to 80% energy savings compared to conventional air conditioning systems in the market. Four trial units now sit at the Singapore Zoo and we plan to go into commercial production in 2017. We will continue to study initiatives in environmental sustainability and water efficiency, and evaluate opportunities in environmentally friendly products and solutions.

During the year, we commenced our efforts to establish a new central procurement organisation, headed by a chief procurement officer. We are committed to embrace the principles of sustainable procurement by integrating ethical, environmental, social and economic values into our procurement processes. This is a journey and we will collaborate with our suppliers in achieving the objectives. Our strategy is to build effective partnerships with our suppliers in adopting robust supply chain practices. We believe that this integrated approach provides us an opportunity to strengthen our supplier relationships and at the same time achieve our goals.

Similarly, in our community outreach programmes, we tapped on our people to build empathy towards the underprivileged. We launched the ST Engineering Volunteer Week in 2016, with activities carried out across all business areas where our employees spent time and efforts to serve the communities in

which they work. We make the most positive impact in our community when we utilise our engineering expertise, and continue to build strategic community partnerships.

We move into 2017 determined to continue with best practices in our internal systems and expand reporting of our overseas operations. In addition, we will lead and invest in the development of sustainable solutions.

Going beyond measures of revenues and profits, is our steadfast commitment to governance and sustainability, and these remain key to enabling our long-term business growth.

2017 marks our 50<sup>th</sup> anniversary. This is a testament not only to our commercial success, but also that sustainability of our Group is not just a journey, but a closely-held commitment.

Sincerely,

**Vincent Chong**

President & Chief Executive Officer