

PRESIDENT AND CEO'S MESSAGE ON THE SUSTAINABILITY REPORT

DEAR STAKEHOLDERS,

2018 was a challenging year for the global economy. Apart from technological disruptions led by Industrial 4.0, political developments such as US-China trade tensions and Brexit uncertainties created anxiety that negatively impacted economic growth around the world. At the same time, environmental, social and governance (ESG) risks gained greater prominence globally, especially those relating to cybersecurity, climate change and extreme weather events.

As cities and businesses seek solutions to navigate these complex global issues, we at ST Engineering have capitalised on the opportunities while addressing the risks. We strengthened our core businesses and focused on creating sustainable innovative solutions to tackle these global issues. In March 2018, we shared our five-year plan (2018-2022) to grow our core businesses and pursue new growth areas, especially in international defence and Smart City businesses.

Technology and innovation are fundamental to pushing our boundaries and creating solutions to build resilient and sustainable cities globally. Our integrated and multidisciplinary engineering expertise and capabilities enable us to develop smart solutions to meet the ever-evolving needs of cities for connectivity, mobility and security.

In 2018, our smart sensors and Internet of Things networks for sustainable urban city management continued to gain traction globally. We secured projects to pilot the deployment of smart lampposts in Singapore and Hong Kong, as well as new projects to enable near real-time management of urban water resources and smart street lighting in cities across Canada, Israel, New Zealand, the UK, and the U.S. With increasing demand for sustainable urban transport, we expanded our global reach by capitalising on our deep rail electronics expertise, to deliver solutions for Mass Rapid Transit lines in Bangkok, Guangzhou, Jakarta, New Taipei City, Taoyuan, and Wuhan.

At the core of our success is our commitment to a high standard of corporate governance. As part of our continuous effort to ensure a robust governance structure, a new Risk and Assurance function to enhance governance, risk management and compliance, will be formed in mid 2019.

During the year, all operations certified with ISO 9001 Quality Management System certification successfully achieved the latest ISO 9001:2015 standard. We also updated our safety procedures to enhance our preparedness in the event of a terrorist attack and included workplace safety and health preventative measures such as fall prevention and traffic management in our internal cross audit process. In 2019, we target to improve our safety performance and plan to identify initiatives to improve the mental wellbeing of our employees, as part of total workplace safety and health.

In 2018, we reviewed and improved our Talent Management Framework, compensation plans and launched a new Performance Scorecard. We also continued to promote opportunities to deepen our employees' competencies and broaden their skillsets. The Women@STEngineering initiative was launched in March 2019 to promote gender diversity and build a stronger pipeline of women leaders and engineers. Attracting and retaining talent are just as important as building a strong sense of purpose and belonging across our global operations. To support our globalisation initiatives, we plan to implement a Global Leaders Development Programme and review and enhance our suite of learning programmes in 2019.

2018 was Singapore's 'Year of Climate Action'. In keeping with our commitment to mitigate environmental impacts, we raised our GHG emission intensity reduction target to reduce our GHG emission intensity by 36% on a business-as-usual basis by 2030, with 2010 as the base year. This target is aligned with Singapore's Intended Nationally Determined Contribution and was pledged to the Ministry of Environment and Water Resources (MEWR).

We also continue to improve energy-use efficiency at our facilities. We increased the use of renewable energy solutions and replaced lights and ageing air compressors with energy-efficient alternatives. We are pleased to report that we achieved our goal of 1.5% reduction in water consumption intensity from 2017 levels. This was achieved through

monitoring consumption patterns and replacing existing taps with water-efficient alternatives.

To drive sustainability excellence and responsible conduct in our supply chain, we formally established our Vendor Code of Conduct (“Vendor Code”) and Global Procurement Policy. The Vendor Code defines the basic requirements of behaviour and practices that we require of our Vendors, which includes their responsibilities towards their stakeholders and the environment.

Our community outreach activities in 2018 were equally intensive and fulfilling. We contributed a total of \$2.8m to charities in Singapore and the U.S. Besides monetary contributions, we spent over 6,300 volunteer manhours engaging local communities and benefitted more than 140 charities and social service organisations that aid children & family services, eldercare, and persons with disabilities or special needs.

As we progress in our journey to achieve our aspiration of becoming a global technology, defence, and engineering powerhouse, good corporate governance will continue to be at the heart of our businesses. This is a commitment shared by our Board, our management team and our employees.

Thank you for believing in us and joining us on this journey.

Sincerely,

Vincent Chong

President & CEO