Corporate Governance Report

We are dedicated to upholding the highest standards of corporate governance. Our corporate governance principles reflect our focus on strong leadership, effective internal controls and risk management, a robust corporate culture, accountability to shareholders and engagement with stakeholders.

We are pleased to report that for the financial year ended 31 March 2023 (FY2022-23), we have complied with the core principles of corporate governance laid down by the Code of Corporate Governance 2018 (2018 Code) and also, in all material respects, with the provisions that underpin the principles of the 2018 Code. Where there are any deviations from the provisions of the 2018 Code, we have provided appropriate explanations.

Recognition received in FY2022-23 for SATS' commitment to best practices in corporate governance:

- Winner of Gold and Silver Awards for Best Investor Relations and Best Managed Board respectively, Singapore Corporate Awards 2022/2023
- Topped the Singapore Governance and Transparency Index (SGTI) Index for the third year under the general category
- Runner up for the Singapore Corporate Governance Award (Diversity Category), SIAS Investors' Choice Awards 2022

Board of Directors

Key features of our Board:

- Separation of the role of Chairman, and President and Chief Executive Officer (PCEO)
- Eleven out of our twelve Directors are independent non-executive Directors
- Five out of our twelve Directors are female

Role of the Board

The Board provides entrepreneurial leadership, and is responsible for overseeing the business, financial performance and affairs of the Group. The Board's key functions include:

- Setting the overall business strategies, directions and long-term goals of the Group (which include appropriate focus on growth, value creation, innovation and sustainability) to be implemented by Management, and ensuring that adequate resources including financial and human resources are available
- Setting the values and standards (including ethical standards) of the Group and appropriate tone-from-the-top and desired organisational culture, ensuring that the Group's policies and practices are consistent with the culture, and that there is proper accountability within the Group
- Providing sound leadership and guidance to, and constructively challenging, the PCEO and Management
- Monitoring the performance of the PCEO and Management
- Engaging with and providing guidance to the PCEO and Management in the event of unforeseen and/or challenging macro-economic situations
- Evaluating and approving important matters such as major investments, funding needs and expenditure
- Having overall responsibility for the corporate governance, strategy, risk management and financial performance of the Group, including the processes of evaluating the adequacy of internal controls, risk management systems, financial reporting and compliance (including legal, tax and regulatory compliance)
- Ensuring policies, structures and mechanisms are in place to comply with legislative and regulatory requirements
- Ensuring effective communication with, and transparency and accountability to, key stakeholder groups
- Protecting and enhancing the reputation of the Group
- Considering sustainability issues as part of the Group's strategy
- Setting the Board diversity policy (including qualitative and quantitative objectives, where appropriate)

* For clarity, references to "Management" in this Corporate Governance Report include both members of the SATS Group Management Board (GMB) as well as SATS Group Management Members

The Board has adopted a set of guidelines on matters that require its approval, which include all matters of strategic importance, corporate governance practices, legal and regulatory compliance, risk management, maintenance of performance standards, corporate culture, reputation and ethical standards, corporate strategy, approval of business plans, review of results, approval and monitoring of major investments and strategic commitments, operating and capital expenditure budgets, and all matters which the Board is responsible for, or which the Board has delegated to committees, under relevant laws and regulations. These guidelines are communicated to Management in writing.

The Board also engages with and provides guidance to Management in the development and execution of strategies, stakeholder engagement, as well as a wide range of matters in the areas of business, strategy, operational issues, governance and risk management. A Board Sponsor pairing on areas of special focus for each Director based on their expertise and experience was established to enhance interaction with and provide in-depth guidance to Management in the execution of the Company's strategy. There is a written Financial and Operating Approval Authority Matrix setting out the approval limits (based on established financial thresholds) of the Board, the Executive Committee and the Management for investments, purchases, disposals, selection of vendors, write-offs, etc.

Board Code of Conduct

All Directors aim to objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of SATS and ensure proper accountability within the Company. They understand SATS' business as well as their directorship duties (including their roles as executive, non-executive and independent directors). The Board has adopted a Code of Conduct as a means to guide the Directors on the areas of ethical risk, and help nurture an environment where integrity and accountability are key.

Our Board Code of Conduct includes the following key principles:

- Directors must avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of SATS
- Directors must immediately declare conflicts of interest in relation to any matter and recuse themselves from participating in any discussion and/or decision on the matter, and are expected to take necessary mitigating steps (if appropriate) to avoid the conflict
- Directors should consult the Chairman of the Board and the Chairman of the Nominating Committee before accepting any appointments to the board of directors of another public or private company
- Directors are to exercise due care and maintain the confidentiality of information entrusted to them by SATS or other parties who have business dealings with SATS
- Directors must carry out their responsibilities in compliance with SATS guidelines and policies, and applicable laws, rules and regulations
- Directors must not trade in the securities of SATS if, at the relevant time, they are in possession of non-public materially price-sensitive or trade-sensitive information

The Board has also put in place a detailed Policy on Disclosure of Interests in Transactions by Directors which supplements the Board Code of Conduct. This policy sets out the legal obligations in respect of the disclosure requirements for conflicts under the Companies Act 1967 (Companies Act), and the procedure and best practice recommendations for making such disclosures. The Company also does not extend loans to its Directors.

Board Composition

We have twelve Directors on our Board, eleven of whom (including the Chairman) are independent non-executive Directors (IDs). The PCEO is the only non-independent Director.

Under the 2018 Code, non-executive Directors should make up a majority of the Board whereas independent Directors should make up at least one-third of the Board. Our Chairman is independent and as there is a majority of independent and non-executive Directors on our Board, the requirements of the 2018 Code are well met.

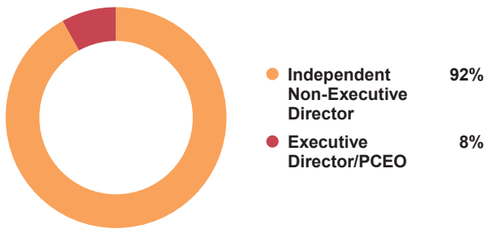
We have not appointed a lead independent Director as our Chairman is not conflicted and is independent. The Chairman and the PCEO are not related to each other.

Our Directors are business leaders and professionals with financial, banking, sales and marketing, branding, consumer business, logistics and supply chain, digital sector, human resource, risk management, operational, technology, legal, venture capital investing, mergers and acquisitions, compliance and accounting backgrounds. The Directors also have broad experience in jurisdictions outside Singapore. We believe that the size and composition of the Board are currently appropriate given the size and geographic spread of our operations.

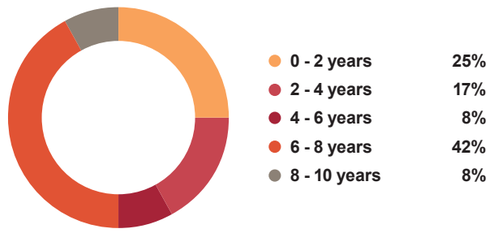
Corporate Governance Report

There is a process of refreshing the Board progressively over time which enables the Board to draw upon the experience of longer-serving Directors while at the same time tapping into fresh external perspectives and insights from more recent appointees.

Independence



Length of Service



Dr Detlef Trefzger and Mr Eng Aik Meng were appointed as independent non-executive Directors on 15 April 2023. Dr Trefzger has deep experience in the logistics and supply chain industry whereas Mr Eng has extensive local and international experience in the healthcare, shipping and maritime industries, and has been both a corporate executive as well as entrepreneur. Both of their capabilities will enhance the Board's existing competencies and skills collectively.

Mr Tan Soo Nan, who has served for seven years as an independent non-executive Director and who will be retiring by rotation at the forthcoming Annual General Meeting (2023 AGM), has notified the Company that he will not be seeking re-election as a Director of the Company at the 2023 AGM. In addition, Mr Yap Kim Wah, who has served for close to seven years, will step down as an independent non-executive Director at the conclusion of the forthcoming 2023 AGM.

Board Diversity Policy, Targets, Timelines and Progress

We are committed to building an open, inclusive and collaborative culture and recognise the benefits of having a Board and Board Committees with diverse backgrounds and experience. We have adopted a Board Diversity Policy which focuses on the importance of an appropriate balance of skills, experience, gender, ethnicity, age, industry and geographical background and experience and professional qualifications in building an effective Board with the ability to guide and support us in achieving our strategic objectives and for sustainable growth and development. Such diversity will help to avoid groupthink, whilst at the same time allow the Board to better identify potential risks, foster constructive debate, raise challenging questions, and contribute to problem-solving.

Under our Board Diversity Policy, the Nominating Committee will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, consider aspects such as professional qualifications, industry and geographic knowledge, experience, skills, length of service and the needs of the Company. In particular, we consider gender to be an important aspect of diversity and strive to ensure that there is adequate gender mix on the Board; our Board Diversity Policy has been updated to introduce measurable targets to achieve diversity on the Board – our progress made on achieving these targets is further elaborated on below. All Board appointments will be based on merit, and will be considered against objective criteria and having due regard for the benefits of diversity on the Board, our needs and our core values.

The current make-up of our Board reflects our commitment to Board diversity in terms of gender, ethnicity, skills and experience and geographical background and experience. The Nominating Committee will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness, and will recommend appropriate revisions to the Board for consideration and approval.

New Appointments

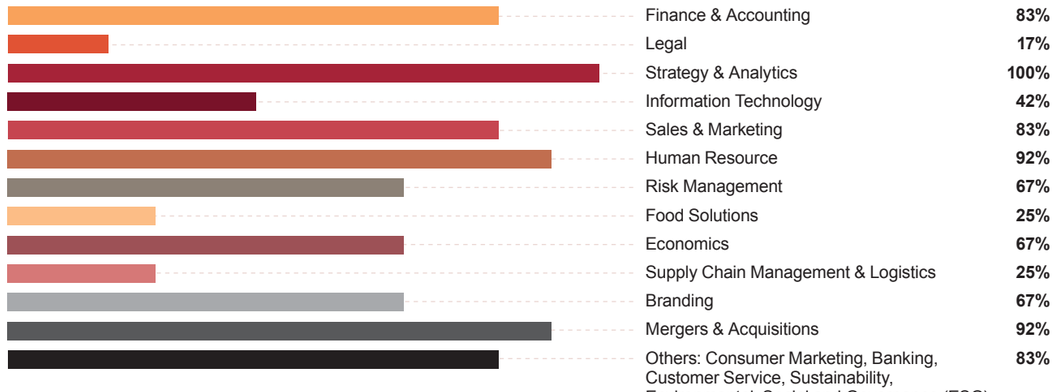
In 2023, the Board made progress in achieving various aspects of diversity with the appointment of the following two new Directors:

- Dr Detlef Trefzger was appointed as an independent non-executive Director on 15 April 2023. He is currently a member of the board of directors of Accelleron Industries AG, Switzerland and easyJet plc, United Kingdom. He held different executive roles in the global transport and logistics industry in the past three decades. Dr Trefzger is based in Switzerland and contributes to Board diversity in terms of geographical background and experience, nationality, skills and knowledge in logistics and in the supply chain industry. He will be attending the Singapore Institute of Directors' Listed Entity Director Programme in 2023.
- Mr Eng Aik Meng was appointed as an independent non-executive Director on 15 April 2023. He is the co-founder of TE Asia Healthcare Partners and Group Chief Executive Officer of TE Healthcare Advisory Pte Ltd. He spent 20 years in the maritime and shipping industry in various leadership roles and also has extensive local and international experience in the healthcare, shipping and maritime industries, and has been both a corporate executive as well as an entrepreneur. Mr Eng contributes to Board diversity in terms of age, geographical background and experience and skills in different industries. Mr Eng is also an independent director and a member of the investment committee of 65 Equity Partners Pte Ltd (65EP), which is a subsidiary of the Company's substantial shareholder, Temasek Holdings (Private) Limited (Temasek). Mr Eng has confirmed that he is not accustomed or under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek in relation to SATS' corporate affairs. His roles in SATS is exercised on the basis of his independent business judgment and in the best interests of the respective organisations. He will be attending the Singapore Institute of Directors' Listed Entity Director Programme in 2023.

Board Diversity Targets, Timelines and Progress

The Company's diversity targets for the Board (which are broadly categorised into "Skills and Experience", "Geographical Background and Experience", "Gender" and "Ethnicity"), its plans and timelines for achieving the targets, and its progress towards achieving the targets, are described below.

Skills and Experience



As at 15 April 2023

Areas of Diversity, Targets and Timelines

We aim to have Directors who, as a group, comprise individuals with an appropriate combination of qualifications and competencies, including skillsets and/or experience in at least a majority of the identified core competencies of accounting, finance, legal, supply chain management and logistics (including in the food and associated supply chain sectors), branding, business and management experience (including human capital development and management).

The Company's target is to maintain this level of diversity in skills and experience in the period leading up to 31 March 2026.

The Company believes that diversity in skills and experience would support the work of the Board and Board Committees and needs of the Company, and would also help shape the Company's strategic objectives and provide effective guidance and oversight of Management and the Company's operations.

By adding Directors with cargo and supply chain and logistics experience to our Board following the completion of the acquisition of Worldwide Flight Services (WFS), we strive to enhance and strengthen our capabilities in the realm of cargo and supply chain management.

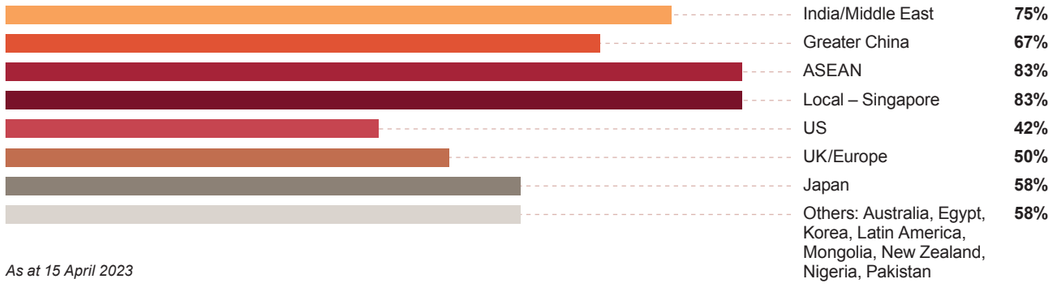
Targets Achieved/Progress Towards Achieving Targets

Achieved – The current Board comprises Directors who collectively have an appropriate combination of qualifications and competencies – in particular, the Board possesses a majority of the identified core skillsets and experience as illustrated above.

As disclosed above, the appointments of Dr Detlef Trefzger and Mr Eng Aik Meng on 15 April 2023 have further enhanced the Board's diversity in skills and experience, especially in the areas of supply chain management and logistics.

Corporate Governance Report

Geographical Background and Experience



As at 15 April 2023

Areas of Diversity, Targets and Timelines

We aim to ensure that our Directors, as a group, represent geographically diverse backgrounds and experiences, which can effectively navigate challenges and opportunities, especially in the European and United States of America (US) markets in light of the acquisition of WFS.

The Company's target is to maintain this level of diversity in geographical backgrounds and experience in the period leading up to 31 March 2026.

The Company believes that diversity in geographical backgrounds and experience would provide a broad spectrum of perspectives in Board and Board Committee deliberations, enabling the Company to effectively navigate the challenges and opportunities in the markets in which the Group operates.

We continue to search for Directors with a deep understanding of the European and US markets.

Targets Achieved/Progress Towards Achieving Targets

Achieved – The current Board, as a group, consists of Directors with varied geographical backgrounds and experience globally including the Association of South East Asian Nations (ASEAN) region, the Middle East, Japan, US, the European Union, United Kingdom (UK), Greater China and India as illustrated above.

As disclosed above, the appointments of Dr Detlef Trefzger and Mr Eng Aik Meng on 15 April 2023 have further enhanced the Board's diversity in geographical background and experience – in particular, Dr Trefzger has background and experience in India, Middle East, Greater China, Japan, ASEAN region, Singapore, US, UK/Europe, and The Americas (North, Middle and South), and the Southern African Continent and Mr Eng has background and experience in Middle East, Japan, ASEAN, Singapore, US, and UK/Europe.

Gender

As at 15 April 2023

- Male Directors **58%**
- Female Directors **42%**

Areas of Diversity, Targets and Timelines

Our Board Diversity Policy has a formalised target of at least 35% female representation on the Board. The Company's target is to maintain this level of gender diversity in the period leading up to 31 March 2026.

The Company believes that ensuring an optimum balance of gender representation on the Board would benefit the Company by giving it access to a broader talent pool as well as to ensure that perspectives and experiences are broad, and diverse, so as to facilitate strategic thinking and problem solving.

Targets Achieved/Progress Towards Achieving Targets

Achieved – Currently, 5 out of 12 Directors (42% of the Board) are female as illustrated here.

Ethnicity

As at 15 April 2023

- Chinese **75%**
- Other Ethnic Groups **25%**

Areas of Diversity, Targets and Timelines

We aim to bring together Directors with varied backgrounds, cultural insights and experiences. In particular, we aim to ensure that the Board comprises Directors, who as a group, belong to different ethnic groups, and to maintain this level of ethnic diversity in the period leading up to 31 March 2026.

The Company believes that an ethnically diverse Board would benefit Board and Board Committee deliberations, and allow the Board to better understand SATS' businesses and customers in different markets.

Targets Achieved/Progress Towards Achieving Targets

Achieved – Currently, the Board comprises Directors who are from different ethnic groups – 9 out of 12 Directors (75% of the Board) are Chinese and the balance 3 Directors (25% of the Board) belong to other ethnic groups (i.e., Indian and European) as illustrated here.

Corporate Governance Report

We are committed to implementing the Board Diversity Policy, and any progress made towards the implementation of this policy will be disclosed in future Corporate Governance Reports, as appropriate.

The Board, taking into account the views of the Nominating Committee, considers that diversity of the Board in terms of, *inter alia*, skills and experience, geographical background and experience, gender, and ethnicity, will contribute to the quality of its decision-making process and serve the needs and plans of the Group. Further details on the Directors can be found in the "Board of Directors" section of this Annual Report.

Role of the Chairman and the PCEO

The roles of our Chairman (Ms Euleen Goh) and PCEO (Mr Kerry Mok) are clearly separated to ensure appropriate checks and balances, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the PCEO have a relationship of trust, and collaborate with each other on the development and communication of strategies and performance monitoring. The Chairman and the PCEO are not related to each other.

The responsibilities of the Chairman and the PCEO are clearly established and documented in writing in formal Role Statements, which have been adopted by the Board. The Chairman provides support and advice to the PCEO while at the same time respecting executive responsibility. The PCEO seeks support and advice from the Chairman while at the same time respecting the independence of the Chairman.

The Chairman heads the Board and acts independently of Management. Her primary role is to provide leadership to the Board and its committees and to monitor the translation of the Board's decisions into executive action. In particular, the Chairman is responsible for the following:

Leadership, Strategy and Culture

- Leading the Board and upholding the highest standards of integrity and probity
- Ensuring that the Board plays a full and constructive part in the development and determination of our strategy, overall objectives and sustenance and growth of our business, and promoting a culture of openness and debate
- Enhancing our standing with the outside world
- Ensuring an appropriate balance between the interests of our shareholders and other stakeholders such as employees, regulators, creditors and customers
- Promoting high standards of corporate governance
- Engaging with and providing guidance to the PCEO and Management in the event of unforeseen and/or challenging macro-economic situations (e.g., the COVID-19 pandemic)

Board Matters

- Ensuring that the Board is properly organised, functions effectively and meets its obligations and responsibilities, including ensuring the Directors receive accurate, timely and clear information
- Setting the agenda for Board meetings and conducting effective Board meetings
- Ensuring effective liaison and communication and encouraging constructive relations within the Board and between Board and Management, in particular, between the Board and the PCEO
- Ensuring that the Directors have enough time and information to engage Management and to discuss various matters, and to facilitate the effective contribution of all the Directors
- Ensuring the responsibilities of the Board are well understood by both the Board and Management and the boundaries between the Board and Management are clearly understood and respected
- Ensuring that new Directors participate in a tailored orientation programme and that Directors are able to continually update their skills and knowledge
- Ensuring that the performance of the Board and each Director is evaluated at least once a year

Relationship with Shareholders, Regulators and Key Customers

- Ensuring effective communication with shareholders and other stakeholders
- Representing the Board at official functions and meetings with stakeholders
- Ensuring that the views of shareholders are communicated to the Board
- Promoting our interests when engaging with the regulators and key customers

The PCEO, assisted by the senior members of Management, makes strategic proposals to the Board and after robust and constructive Board discussions, executes the agreed strategy, manages and develops the Group's businesses and implements the Board's decisions. The PCEO also communicates on behalf of the Company to different stakeholder groups such as shareholders, employees, government authorities and regulators, and the public.

Board Meetings and Activities

The Board meets regularly and our Directors attend and actively participate in Board and Board Committee meetings. To facilitate meaningful participation, our Board and Board Committee meetings are planned and scheduled in advance. In addition, *ad hoc* Board meetings are convened if and when there are pressing matters requiring the Board's deliberation and decision in between the scheduled meetings. Board approvals for more routine matters may sometimes be obtained by the circulation of written resolutions, outside of Board meetings.

Board Meetings

- The agenda for Board meetings is decided by the Chairman in consultation with the PCEO, and is planned to allow for sufficient time to address all items
- Matters requiring decision and approval and matters which are for the Board's information is clearly set out in the detailed agenda
- As part of good corporate governance, key matters requiring Board approval are largely reserved for resolution at Board meetings rather than by circulation to facilitate discussion amongst Board members and Management
- As far as possible, all relevant information, papers and materials are made available to the Directors at least a week prior to the meeting; this would enable any Director who is unable to attend a meeting to provide input and raise queries on the agenda items
- Board papers are detailed and give the background, explanatory information, justification, risks and mitigation measures for each agenda item and mandate sought by Management, including, where applicable, relevant budgets, business plans, forecasts and projections and, in respect of budgets, any material variance between the projections and actual results are disclosed and explained
- Directors can ask for additional information as needed to make informed decisions
- All materials for Board and Board Committee meetings are uploaded onto a secure online portal which can be readily accessed on tablet devices provided to Directors
- A separate resource folder in the online portal contains the terms of reference of all Board Committees and all operating policies of the Group for the Directors' reference
- The Chairman encourages openness and debate at Board meetings and Directors participate actively in Board discussions and share their insights on issues and matters tabled
- Under the Company's Constitution, the quorum for Board meetings is two and Board resolutions are passed by simple majority
- The Company Secretary attends all Board meetings and minutes the proceedings
- The Company Secretary and members of the GMB are usually invited and are present at meetings of the Board and the Board Executive Committee
- Where necessary and/or expedient, the Board and Board Committees may invite any other member of Management or external advisors for specific projects to be present at their meetings
- External professionals may also be invited to present updates on corporate governance, legal, tax and/or accounting matters, listing rules and other relevant topics
- If a Director is unable to attend a meeting in person, he/she can participate by telephone or video conference as this is permitted under the Company's Constitution
- Minutes of meetings are prepared and circulated to the Directors, as far as practicable, within one week of the relevant meeting, and are archived in a separate folder in the secure online portal for easy access by the Directors

Strategy and Other Meetings

- Since 2003, the Board has conducted annual Board Strategy meetings in order to have more focused discussions on key strategic issues
- Board members lend their experience and expertise by being part of and contributing to strategy discussions which may be country or business specific outside of formal Board and Board Committee meetings
- Board members (led by the Chairman or other independent Directors as appropriate) also meet regularly with and without the presence of Management and review and monitor the performance of Management in meeting the goals and objectives set for them, and the chairman of such meetings provides feedback to the Board and/or the Chairman as appropriate
- Where appropriate, Board members are included in strategy discussions ahead of the Board Strategy Meeting to help formulate the strategies that will be presented at the meeting
- Board members provide guidance to Management in specific business areas or geographies where they have significant experience or expertise

Corporate Governance Report

Access to Information

- Board members receive information papers on material matters and issues being dealt with by Management, monthly financial reports covering operating statistics, Group operating expenses, geographical and industry performance, performance of each business segment, associate and joint-venture and an update on the Balance Sheet. The Board also receives monthly reports on the financial performance of the Group, strategy implementation updates, key operational matters, market updates, human resource developments, business development activities and updates on potential investment opportunities
- In addition, Board Committee members receive minutes and reports from Management relating to their specific areas of oversight, which may contain more detailed and specific information
- Queries by individual Directors on circulated papers are directed to Management who will respond accordingly and where relevant, Directors' queries and Management's responses are circulated to all Board members for their information

Access to Management, Company Secretary and Independent Advisers

- The Board has separate and independent access to the members of the GMB, the Company Secretary, and other key members of Management, as well as to the internal and external auditors
- The Board also has separate and independent access to the Company Secretary, who supervises, monitors and advises on all governance matters, and on compliance with the Company's Constitution, applicable laws and regulations, the 2018 Code, and the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST). The Company Secretary, who is trained in legal and company secretarial practices and keeps abreast on relevant developments in such practices, communicates with relevant regulatory authorities and shareholders, facilitates communication between the Board, its committees and Management, and helps with the orientation and the professional development of the Directors. The appointment and removal of the Company Secretary are subject to the approval of the Board
- There is also a Board-endorsed procedure for Directors, either individually or collectively, in furtherance of their duties, to take independent professional advice, if necessary, at SATS' expense
- In the case of mergers & acquisitions and other significant transactions requiring shareholder approval, the Board may appoint independent financial advisors to evaluate the relevant transaction terms

Non-Executive Directors

- We have put in place processes to ensure that our non-executive Directors are well supported by accurate, complete and timely information, have unrestricted access to Management, have sufficient time and resources to discharge their oversight function effectively, and constructively challenge Management and help develop proposals on strategy
- To facilitate open discussion and review of the performance and effectiveness of Management, our non-executive Directors meet at least four scheduled times a year for informal discussions either before or after the scheduled Board meetings, and from time to time where required, without Management being present.

Non-Executive Directors' Remuneration

Every Director receives a basic fee. In addition, he/she receives a Chairman's fee if he/she is the Chairman of the Board, as well as the relevant Board Committee fee (depending on whether he/she served in the capacity as the Chairman or as a member of the relevant Board Committee) for each position held on a Board Committee. Non-executive Directors who cease to be a Director during any part of the financial year are paid pro-rated fees for the term of their office. Each Director also receives an attendance fee for each Board meeting and Board Committee meeting attended by him/her during the financial year. The attendance fees for Board and Board Committee meetings vary according to whether the meeting is held in the state/country in which the Director is ordinarily resident and whether the Director is attending in person or via teleconference/video conference.

Whilst the Remuneration and Human Resource Committee is of the view that non-executive Directors should not be over-compensated, it is mindful that competitive and equitable remuneration will attract, motivate and retain Directors with the necessary experience and capabilities and desired attributes who can contribute to the Company's future development and growth.

The scale of Directors' fees for the financial year ending 31 March 2024 (FY2023-24) remains unchanged since the last revision in the financial year ended 31 March 2019, and is set out below:

Types of Appointment	Scale of Directors' fees (FY2022-23) S$
Board of Directors	
Basic fee	**55,000**
Board Chairman's fee	**85,000**
Board Deputy Chairman's fee	**40,000**
Audit Committee	
Committee Chairman's fee	**36,000**
Member's fee	**23,000**
Board Executive Committee	
Committee Chairman's fee	**36,000**
Member's fee	**23,000**
Other Board Committees	
Committee Chairman's fee	**25,000**
Member's fee	**13,000**
Board Meeting Attendance Fee	
Attendance via teleconference/videoconference	**1,000**
Attendance in person in home city (up to 4 hours for travel within home city)	**2,500**
Attendance in person outside home city	**5,000**
Board Committee Meeting Attendance Fee	
Attendance via teleconference/videoconference	**500**
Attendance in person in home city (up to 4 hours for travel within home city)	**1,200**
Attendance in person outside home city	**2,500**

The significant expansion of the Group's business now calls for a Board with broader and deeper expertise in global markets. However, the Board is committed to support Management in the drive for cost management during this period of integration. Accordingly, the Board has agreed to maintain the existing fee structure for the non-executive Directors, recognising that there will be an increased demands for effort, time spent and responsibilities.

For FY2022-23, shareholders' approval was sought and obtained for the payment of an aggregate sum of up to S$1,350,000 as Directors' fees for the non-executive Directors. The increase in the fees for FY2022-23 of S$50,000 was to cater for additional Board and Board Committee meetings in view of the various initiatives undertaken by the Company during the year.

For FY2023-24, approval of the shareholders will be sought, at the 2023 AGM, for the payment of an aggregate sum of up to S$1,500,000 as Directors' fees for the non-executive Directors. The proposed increase in the fees for FY2023-24 of S$150,000 is to cater for the appointment of additional non-executive Directors and the ongoing re-shaping of the Board, following the expansion of the Group to include WFS.

The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for FY2023-24, assuming attendance by all the Directors at such meetings, and also caters for additional fees (if any) which may be payable due to additional board representations on the Company's subsidiary(ies) and/or joint ventures, or to additional Board Committee members being appointed in the course of FY2023-24. If approved, the proposed fees for FY2023-24 will facilitate the payment of Directors' fees during or soon after the financial year in which such fees are incurred.

As stated above, the scale of fees payable to the non-executive Directors has been held flat since the financial year ended 31 March 2019.

Subject to the requisite shareholders' approvals being obtained, the non-executive Directors (including the Chairman) will each receive approximately 70 percent of his/her total Directors' fees for FY2023-24 in cash and approximately 30 percent in the form of SATS shares (FY2022-23: 70 percent in cash and 30 percent in shares).

Corporate Governance Report

The share component is intended to be paid out in the form of awards under the SATS Restricted Share Plan. The awards will consist of fully paid shares with no performance conditions attached and no vesting periods imposed. However, the non-executive Directors will be required to retain a base shareholding worth up to one year's retainer fee for as long as he/she is on the Board, and for a period of one year after stepping down as a Director, in order to better align the interests of non-executive Directors with the interests of shareholders. A non-executive Director who steps down before the payment of the share component of his/her fees will receive all of his/her fees (calculated on a pro-rated basis, where applicable) in cash.

The cash component of the Directors' fees is intended to be paid half-yearly in arrears. The current intention is for the share component of the Directors' fees for FY2023-24 to be paid after the AGM in respect of FY2023-24 (2024 AGM) has been held. The actual number of shares to be awarded will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 10 trading days after the 2024 AGM, rounded down to the nearest hundred shares, and any residual balance will be settled in cash.

The aggregate amount of Directors' fees paid and/or to be paid to the non-executive Directors for FY2022-23 is S$1,277,800.00 (breakdown given below). The non-executive Directors did not receive any salary, performance-related income/bonuses, benefits in kind, stock options, share-based awards (other than as disclosed above) or other long-term incentives for FY2022-23.

Details on the Directors' fees for FY2022-23, date of first appointment to the Board, date of last re-election, membership on Board Committees (during FY2022-23) and attendance at Board and Board Committee meetings, the Annual General Meeting held on 22 July 2022 (2022 AGM) and the Extraordinary General Meeting held on 18 January 2023 in relation to the Company's proposed acquisition of WFS (2023 EGM), in respect of the Directors who held office during FY2022-23, are set out below.

In addition, there were six WFS advisory committee meetings held during FY2022-23 to guide and advise on the acquisition of WFS. The meetings were chaired by Ms Euleen Goh, attended by Mr Michael Kok, Mr Achal Agarwal, Mr Kerry Mok and Ms Jenny Lee. There was no attendance fee paid to them.

Name of Director	Date of first appointment to the Board	Date of last re-election to the Board	Board Meeting	Board Committee Meetings					2022 AGM	2023 EGM	Total Directors' fees for FY2022-23 (SGD)
			Attendance rate (1 April 2022 to 31 March 2023)								
			BOD[1]	NC[2]	EXCO[3]	AC[4]	BRSC[5]	RHRC[6]			
			No. of meetings held (1 April 2022 to 31 March 2023)								
			11	4	3	5	5	4			
a) Executive Director											
Mr Mok Tee Heong Kerry	1 Jan 2022	22 Jul 2022	11	–	3	–	–	–	1	1	No Fee*
b) Independent Non-Executive Directors											
Ms Euleen Goh	1 Aug 2013 (Director) 19 Jul 2016 (Chairman)	22 Jul 2022	11	4	3	–	–	4	1	1	$262,200.00
Mr Achal Agarwal	1 Sep 2016	22 Jul 2022	11	–	3	–	–	4	1	1	$117,200.00
Ms Vinita Bali	10 May 2021	22 Jul 2021	11	–	–	–	5	–	1	1	$91,500.00
Mr Chia Kim Huat	15 Mar 2017	24 Sep 2020	11	4	–	–	5	–	1	1	$112,700.00
Mr Michael Kok[7]	6 Mar 2015	22 Jul 2021	11	–	3	–	–	4	1	1	$115,700.00
Ms Jenny Lee	25 Jan 2019	22 Jul 2022	11	–	–	–	–	–	1	1	$70,000.00
Mrs Deborah Ong	16 Nov 2020	22 Jul 2021	11	–	–	5	5	–	1	1	$134,100.00
Ms Jessica Tan	17 Apr 2017	24 Sep 2020	10[8]	4	–	5	–	–	1	1	$118,700.00
Mr Tan Soo Nan[9]	25 Apr 2016	22 Jul 2021	11	–	–	5	5	–	1	1	$121,100.00
Mr Yap Kim Wah[10]	20 Jul 2016	22 Jul 2022	11	–	–	5	5	–	1	1	$134,600.00

Notes:

(1) Board of Directors (BOD) meetings included 4 verification meetings in relation to the circular to shareholders on the WFS acquisition and Offer Information Statement on the Company's renounceable underwritten rights issue (Rights Issue) to partially fund the WFS acquisition.
(2) Nominating Committee (NC)
(3) Board Executive Committee (EXCO)
(4) Audit Committee (AC)
(5) Board Risk and Safety Committee (BRSC)
(6) Remuneration and Human Resource Committee (RHRC)
(7) Mr Michael Kok resigned from the Board with effect from 15 April 2023 and his Directors' fees for FY2022-23 was paid fully in cash.
(8) Ms Jessica Tan was absent at one of the verification meetings as she had to attend a Parliament session on 24 February 2023.
(9) Mr Tan Soo Nan will retire from the Board at the conclusion of the 2023 AGM and his Directors' fees for FY2022-23 will be paid fully in cash.
(10) Mr Yap Kim Wah will step down from the Board at the conclusion of the 2023 AGM and his Directors' fees for FY2022-23 will be paid fully in cash.
* No Directors' fees were paid to PCEO, Mr Kerry Mok

Board Committees

The Board is supported in its functions by, and has delegated authority to, the following Board Committees which have been established to assist in the discharge of the Board's oversight function, based on written and clearly defined terms of reference:

- Board Executive Committee
- Audit Committee
- Nominating Committee
- Remuneration and Human Resource Committee
- Board Risk and Safety Committee

Board Composition

The current composition of our Board Committees is as follows:

Board Committee	Composition	Members
Board Executive Committee	• Four members • Three out of four (including Chairman) are IDs	• Ms Euleen Goh (Chairman) • Mr Kerry Mok • Mr Achal Agarwal • Ms Vinita Bali
Audit Committee	• Four members • All IDs	• Mrs Deborah Ong (Chairman) • Ms Jessica Tan • Mr Tan Soo Nan • Mr Yap Kim Wah
Nominating Committee	• Three members • All IDs	• Ms Euleen Goh (Chairman) • Mr Chia Kim Huat • Ms Jessica Tan
Remuneration and Human Resource Committee	• Three members • All IDs	• Ms Euleen Goh (Chairman) • Mr Achal Agarwal • Mr Eng Aik Meng
Board Risk and Safety Committee	• Five members • All IDs	• Mr Yap Kim Wah (Chairman) • Mr Chia Kim Huat • Mrs Deborah Ong • Mr Tan Soo Nan • Dr Detlef Trefzger

Corporate Governance Report

Board Executive Committee (EXCO)

The EXCO is chaired by Ms Euleen Goh and its members are Mr Kerry Mok, Mr Achal Agarwal and Ms Vinita Bali. Ms Bali was appointed as an EXCO member on 15 April 2023, in place of Mr Michael Kok who resigned on the same date.

Key Responsibilities of the EXCO

The key responsibilities of the EXCO include the following:

- Guide Management on business, strategic and operational issues
- Review and monitor key strategic and legal risks, financial policy and risk appetite limits
- Undertake initial review of the three to five year forecast/business plans and annual capital and operating expenditure budgets for the Group and guide the assessment of strategic opportunities and development of related business initiatives
- Grant initial or final approval (depending on the value) of transactions relating to the acquisition or disposal of businesses, assets or undertakings, joint ventures, mergers, amalgamations or similar corporate transactions
- Oversee the development and implementation of the Group's environmental, social and governance (ESG) strategy
- Establish bank accounts
- Grant powers of attorney
- Affix common seal
- Nominate Board members to SATS' subsidiaries and associated companies

EXCO Meetings

The EXCO is required under its terms of reference to meet at least once in each financial year. The EXCO met three times in FY2022-23. Regular reports are presented at each meeting of the EXCO and matters such as the financial performance of the Group, status of strategy implementation, post investment reviews of significant investments and potential investments are discussed prior to seeking the relevant Board approvals and guidance. The Company Secretary and specific members of the GMB (depending on the topics of discussion to be tabled for presentation or approval at each meeting) are usually invited and are present at the meetings of the EXCO. Minutes of the meetings of the EXCO are forwarded to all Directors for their information. All circular resolutions of the EXCO are brought to the Board for notation at each quarterly Board meeting.

In addition, EXCO together with Ms Jenny Lee, formed an ad-hoc special advisory committee to guide and advise on the acquisition of WFS. This committee met six times for the period from 14 April 2022 to 14 September 2022. None of the members received any additional fees during the year.

Audit Committee (AC)

The AC is chaired by Mrs Deborah Ong, and its members are Ms Jessica Tan, Mr Tan Soo Nan and Mr Yap Kim Wah. All the AC members (including the AC Chairman) are independent.

The AC members collectively have extensive experience in finance, accounting, human resource, information technology, business strategy, development and analytics, in the aviation industry, in consumer marketing, and in banking, finance and investments. The Board is of the view that the members of the AC have the necessary and appropriate expertise to effectively discharge their duties as AC members.

In particular, at least three members of the AC (including the AC Chairman), namely, Mrs Deborah Ong, Mr Tan Soo Nan and Ms Jessica Tan, have recent and relevant accounting or related financial management expertise or experience.

Mrs Deborah Ong, the AC Chairman, was a partner in the Assurance practice at PricewaterhouseCoopers LLP and has more than 30 years of public accounting experience, providing audit and advisory services to companies in various industries. Mrs Ong has a proven record of managing the audits of large listed companies with operations both in and outside of Singapore. She is currently a board member of the Monetary Authority of Singapore, a board member and the chairperson of the respective audit and risk committees of the Lee Kong Chian School of Medicine Governing Board at Nanyang Technological University, Workforce Singapore, and SkillsFuture Singapore.

With more than 40 years of professional experience in various sectors including banking, finance and investments, Mr Tan Soo Nan has the relevant financial management expertise and extensive experience to discharge his responsibilities as an AC member. He is currently an executive and non-independent director of Raffles Medical Group Ltd and Raffles Health Insurance Pte. Ltd., and the lead independent director and audit committee Chairman of Engro Corporation Ltd. He is an Associate of the IFS School of Finance and holds a Bachelor of Business Administration degree from the University of Singapore.

Ms Jessica Tan was Chairman of Singapore's Finance, Trade and Industry Government Parliamentary Committee (GPC) from 2010 to 2015. In 2016, she was appointed Chairman of Singapore's Public Accounts Committee (PAC) till June 2020. The PAC examines various accounts of the Government showing the appropriation of funds granted by Parliament to meet public expenditure, as well as other accounts laid before Parliament. In 2021, Ms Tan was appointed as a member of the Finance and Trade and Industry GPC; and the Communications and Information GPC.

None of the AC members were partners or directors of SATS' existing external auditors within the previous two years prior to their appointment to the AC and none of the AC members have any financial interest in SATS' existing external auditors.

With Mr Tan Soo Nan's retirement from the Board and Mr Yap Kim Wah's stepping down as a Director, both with effect from the conclusion of the 2023 AGM, the NC has recommended that Ms Vinita Bali be appointed as a member of the AC with effect from the conclusion of the 2023 AGM.

Key Responsibilities of the AC

The AC's primary role is to assist the Board with oversight of the integrity of financial statements and on the adequacy and effectiveness of internal controls and risk management systems in relation to financial reporting and other financial related risks and controls. It has explicit authority to investigate any matter within its terms of reference, full access to and co-operation of Management, and full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to discharge its functions.

SATS' Group Internal Audit team, and the external auditors, report their findings and recommendations to the AC independently. In particular, should the external auditors, in their review of the Company's year-end financial statements, raise any significant issues which have a material impact on the interim financial statements or financial updates previously announced by the Company, the AC shall bring this to the Board's attention immediately and will also advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates. The external auditors also update and keep the AC informed about relevant changes to accounting standards and issues which have a material impact on the financial statements.

The AC's key responsibilities include the review of:

Financial Reporting

- Financial statements and financial results announcements/voluntary quarterly business updates for the relevant quarters, including the review of significant reporting issues and judgments
- Revisions/additions/updates to the accounting policies for write-offs, capital expenditure, disposal of assets and investments, and other financial policies
- The assurance from the PCEO and Chief Financial Officer (CFO) on the financial records and financial statements

Internal Controls

- Compliance and information technology (financial reporting) risks
- The adequacy and effectiveness of the risk management and internal controls systems regarding financial reporting, accounting and other financial related risks and controls (and other risk and controls as delegated by the Board), at least annually
- The Board's Risk Management and Internal Controls Statement in conjunction with the Board Risk and Safety Committee
- The policy and arrangements by which our employees and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters in order for such concerns to be independently investigated and appropriately followed up on
- Significant matters raised through the whistleblowing channel
- Any suspected fraud or irregularity or suspected infringement of any Singapore law, rule or regulation of which the AC is aware, which has or is likely to have a material impact on our operating results or financial position, and the findings of any internal investigations and Management's response thereto

External Audit

- The external audit plan, the external auditors' management letter, the scope and results of the external audit and Management's response
- The quality of the work carried out by the external auditors and the basis of such assessment, such as the use of ACRA's Audit Quality Indicators Disclosure Framework
- The assistance given by the executive officers of the Group and the Company Secretary to the external auditors
- The adequacy, effectiveness and independence of the external auditors
- The appointment, re-appointment or removal of the external auditors after evaluating their performance (taking into consideration ACRA's Audit Quality Indicators Disclosure Framework), the audit fee and terms of engagement, and making recommendation to the Board on the proposal to shareholders for the selection of external auditors

Corporate Governance Report

Internal Audit

- The adequacy of resources for the internal audit function and that it is staffed with persons with the relevant qualifications and experience and complies with the standards set by nationally or internationally recognised professional bodies, ensuring the appropriate standing of the internal audit function within SATS and its primary line of reporting to the AC
- The adequacy, effectiveness, independence, scope and results of the internal audit function, audit programme and the internal audit charter, including making recommendations to the Board on establishing an adequate, effective and independent internal audit function
- The hiring, removal, evaluation and compensation of the Head of Internal Audit
- Major findings on internal audit during the year and Management's responses thereto, difficulties encountered during the course of the audit, significant changes to the audit programme and compliance with relevant professional internal audit standards

Interested Person Transactions

- Interested person transactions as required under the Listing Manual of the SGX-ST (Listing Manual) and our mandate for interested person transactions (Shareholders' Mandate)

Whistleblowing Reporting

- Review the policy and arrangements by which, staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or other in-scope matters (as defined in the SATS Whistleblowing Policy)
- Review reports on all in-scope whistleblowing incidents and ensure that they will be appropriately dealt with
- Review the disclosure of the SATS Whistleblowing Policy in the Annual Report, and publicly disclose the procedures for raising such concerns as appropriate

The AC is also tasked to perform all other functions and responsibilities of an audit committee that may be imposed by the Companies Act, the Listing Manual, the 2018 Code and other relevant laws and regulations, and reports to the Board on how it has discharged its responsibilities and whether it was able to discharge its duties independently.

During the financial year under review, the AC reviewed the Group's financial statements before the announcement of the Group's half-year and full-year results as well as the voluntary business updates for the first and third quarters of the financial year. In the process, it reviewed the key areas of management judgment, critical accounting policies, and any significant changes that would have a material impact on the financial statements.

As part of its continuous monitoring and financial reporting process, SATS closely assesses the carrying value of its investments in subsidiaries, associates, joint ventures, property, plant and equipment as well as intangible assets for indication of impairment. Management has been proactively following up on the developments of its businesses across the Group and there are regular reviews of the financial performance and projections as well as cash flow status of its investments. For assets or investments with indication of impairment, Management will determine the assets' recoverable amount based on value in use calculations using cashflow projections covering five to ten-year periods. The estimates on revenue forecasts, profit margins, growth rates and discount rates used in these cashflow projections will take into account assumptions on the current market condition, the industry's recovery from the impact of the COVID-19 pandemic, the long-term viability of customers and cost initiatives. Sensitivity analyses were also performed to evaluate whether reasonable changes in the key assumptions would lead to possible impairment. The AC reviewed and challenged Management's assumptions in relation to such asset impairment reviews and provided useful insights and guidance to Management.

The Key Audit Matter(s) are set out below:

Key Audit Matter(s) (KAM)	AC commentary on the KAM(s), how the matter(s) was/were reviewed and what decision(s) was/were taken
Impairment of non-financial assets, including goodwill	The AC reviewed Management's approach and methodology applied in the impairment assessment, focusing on those cash generating units (CGUs) with goodwill and CGUs with indicators of impairment, and the key assumptions used in the determination of their value-in-use, including the macroeconomic outlook and other key drivers of cash flow projections. The value-in-use is highly dependent on the forecasted cashflows as well as recovery assumptions relating to the COVID-19 pandemic as international and regional flights resume. The AC also considered recent analyst market reports to obtain an understanding of the actual growth rates and outlook of the industries in which the CGUs operate. The AC considered the findings of the external auditors, including their assessment of the suitability of valuation methodologies and the underlying key assumptions applied in the determination of the value-in-use of the CGUs. The AC was satisfied with the impairment review process, the approach and methodology used, and the impairment recorded by Management during the financial year.

AC Meetings

The AC is required under its terms of reference to meet at least four times a year. The AC met five times in FY2022-23, including a joint AC and Board Risk and Safety Committee meeting.

The AC meets with the external auditors and with the internal auditors, in each case without the presence of Management, at least annually.

Review of Independence and Objectivity of External Auditors

The AC reviews the independence and objectivity of the external auditors annually, taking into consideration the requirements under the Accountants Act 2004. It has also reviewed the nature and volume of non-audit services provided by the external auditors to the Group during FY2022-23, KPMG LLP, and the fees, expenses and emoluments paid or made to them, and is satisfied that they have no significant impact on the independence and objectivity of the external auditors. The total fees payable to KPMG LLP for FY2022-23, and the breakdown of fees for audit and non-audit services, are as follows:

Fees for FY2022-23	S$(m)
For audit services	1.15
For non-audit services	0.37
Total	1.52

At the recommendation of the AC and as approved by the Board, the re-appointment of KPMG LLP as the external auditors is subject to shareholders' approval at the 2023 AGM.

The Company has complied with Rule 712, Rule 713 and Rule 715 of the Listing Manual in relation to its auditing firms and the rotation of the audit partner.

Accountability

The Company adopts half-yearly reporting of its financial results which are prepared in accordance with the Singapore Financial Reporting Standards (International). Shareholders were presented with the half-year and full-year financial results within 45 days of the end of the half year financial period and 60 days of the end of the financial year respectively. Through the release of its financial results, the Board aims to present the shareholders with a balanced and understandable assessment of SATS' performance, position and prospects. However, in order to provide shareholders with a better understanding of the Company's performance in the context of the current business environment, the Company also provides voluntary quarterly business updates containing meaningful and relevant financial and non-financial information on the Company's performance for the first and third quarters of each financial year. These voluntary quarterly business updates will include a discussion of the significant factors that affected the Company's interim performance and relevant market trends including the risks and opportunities that may have a material impact on the Company's prospects.

Corporate Governance Report

SATS strives to communicate pertinent information to shareholders and the investment community in a clear and detailed manner, and on a regular and timely basis. We disseminate material price-sensitive and trade-sensitive information to the public on a timely and non-selective basis, to provide our stakeholders with the latest and most relevant information they require to make informed decisions about the value of SATS and our long-term prospects. During the course of the COVID-19 pandemic, we have kept shareholders informed on the industry outlook as well as the Group's financials through quarterly business updates. Through social media platforms as well as SATS' corporate website, we have also updated the public on the various initiatives that we have participated in as part of our community efforts to help those in need during the pandemic.

SATS also participates in virtual investor conferences to meet with investors who are interested in knowing more about our business. We also respond to email requests from key institutional investors to meet with the senior members of Management on specific matters and queries about our business. Communications with our stakeholders are conducted in an open and transparent manner and in compliance with the requirements of the Listing Manual.

Integrity of Financial Statements

The Company has in place a process to support Management's representations to the Board on the integrity of the Group's financial statements and internal control systems in relation to the requirement under the Listing Manual for the Board to issue a negative assurance statement that accompanies the Company's announcement of its financial statements.

Monthly management accounts of the Group (covering, *inter alia*, consolidated unaudited profit and loss accounts, consolidated balance sheet and explanatory notes explaining any variance) are circulated to the Board for their information.

Independent Internal Audit Function

The Group's Internal Audit Department's (GIA) objectives, scope of authority and responsibilities are defined in the Group's Internal Audit Charter, which is approved by the AC. The AC is satisfied that GIA is adequately resourced, effective and independent of the activities it audits. GIA does not undertake any operational responsibility or authority over any of the activities within its audit scope.

GIA serves to provide the AC with reasonable assurance that the Group maintains adequate and effective internal controls covering financial, operational, compliance and information technology controls, and risk management systems. GIA also undertakes whistleblowing investigations.

GIA adopts a risk-based approach in formulating the annual internal audit plan that aligns its activities to the key risk areas across the Group. The annual internal audit plan is developed based on a documented risk and control assessment framework, which considers inherent risk and control effectiveness of each auditable entity or process in the Group, and includes consideration of inputs and expectations from Management and the Board. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas. SATS' sustainability reporting process will be subject to an internal review and has been included in the Group's internal audit plan for FY2023-24, as approved by the AC.

The annual internal audit plan is reviewed and approved by the AC. The AC conducts an annual review of the adequacy, effectiveness, independence, scope and results of the internal audit function and ensures that GIA has appropriate standing within the Group to perform its function effectively. GIA also works closely with Management in its internal control advisory review role to promote effective risk management, robust internal control and good governance practices.

Audit reports containing identified issues and corrective action plans are reported to the AC and Senior Management[1]. Progress of the corrective action plans is monitored and past due action plans are included in regular reports to Senior Management and the AC. GIA works closely with the external auditors to coordinate audit efforts and updates the external auditors of all relevant audit matters.

GIA is headed by Head, Group Internal Audit and staffed by suitably qualified and experienced executives. Internal auditors report to the Head, Group Internal Audit, who reports functionally to the AC. In the execution of its audit activities, GIA is authorised to obtain the assistance of specialist or specialised services (such as technology audits) from within or outside of the organisation or to outsource audit projects to reputable firms with project-appropriate resources and specialised skills. In situations where the audit work to be carried out by GIA may potentially give rise to conflicts of interest, it will be brought to the attention of the AC. The AC may authorise such audit work to be carried out by an independent third party as it deems appropriate.

The appointment and removal of the Head, Group Internal Audit are subject to the approval of the AC. Under the Group's Internal Audit Charter, GIA has full access to the AC and unrestricted access to all the Group's documents, records, properties and personnel. Restrictions to these accesses imposed by any employee of the Group (including Management), which prevents GIA from performing its duties, will be reported immediately to PCEO or directly to the AC, based on circumstances as determined by the Head, Group Internal Audit.

GIA is a corporate member of the Singapore chapter of the Institute of Internal Auditors (IIA). It is guided by the Standards for the Professional Practice of Internal Auditing set by the IIA. In line with leading practices, GIA has a Quality Assurance and Improvement Programme that covers its audit activity and conforms to the International Standards for the Professional Practice of Internal Auditing. External Quality Assurance Reviews are carried out at least once every five years by qualified professionals from an external organisation. Training and development opportunities are provided for GIA staff to ensure their technical knowledge and skill sets remain current and relevant. Support is also given to GIA staff to achieve and maintain their certification and relevant professional accreditations (e.g., Certified Internal Auditor, Certified Fraud Examiner, Certified Information Systems Auditor and Chartered Accountants, etc.). A structured programme is in place for professional service providers engaged by the Group to regularly share their knowledge and expertise with GIA staff. GIA staff also attend external trainings and seminars conducted by reputable public accounting and auditing firms, and professional associations such as IIA, Association of Certified Fraud Examiners, Institute of Singapore Chartered Accountants (ISCA), Singapore Accountancy Commission and ISACA.

Review of Interested Person Transactions

The Group has established policies and procedures to comply with the reporting requirements under Chapter 9 of the Listing Manual relating to Interested Person Transactions (IPTs). GIA regularly reviews the IPTs entered into by the Group to verify the accuracy and completeness of the relevant IPT disclosures. The IPTs will be documented and submitted in a report to the AC for their review. During the financial year under review, the AC, assisted by the GIA, reviewed the IPTs (including those IPTs entered into pursuant to the Shareholders' Mandate approved by shareholders at the 2022 AGM), and is satisfied that the IPTs were made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The details of the Shareholders' Mandate (as proposed to be renewed at the 2023 AGM) are set out in the Appendix to the Letter to Shareholders dated 22 June 2023 (2023 Letter to Shareholders). The Appendix describes, *inter alia*, the review procedures for determining transaction prices of, and the relevant internal approval thresholds for, IPTs entered into pursuant to the Shareholders' Mandate.

As required by the Listing Manual, details of the IPTs entered into by the Group are disclosed in this Annual Report. Pursuant to the Listing Manual, where any IPT requires specific shareholders' approval, the interested person and any associate of the interested person must abstain from voting on the resolution and must not accept appointments as proxies unless specific instructions as to voting have been given. In relation to the annual renewal of the Shareholders' Mandate at the Company's AGMs, interested persons covered by the mandate, as well as their associates, must abstain from voting on the resolution to renew the Shareholders' Mandate and the Company will disregard any votes cast by such persons on such resolution.

Nominating Committee (NC)

The NC is chaired by Ms Euleen Goh, and its members are Ms Jessica Tan and Mr Chia Kim Huat. All of the NC members (including the NC Chairman) are independent.

Subject to her re-election as a Director at the 2023 AGM, Ms Jessica Tan will be appointed as the Chairman of the NC with effect from the conclusion of the 2023 AGM, in place of Ms Euleen Goh. For more details, please refer to the "Succession Planning and Board Renewal" section in this Annual Report.

Key Responsibilities of the NC

The key responsibilities of the NC include the following:

- Implement and monitor the Board Diversity Policy, and review and make recommendations to the Board on the composition of the Board, taking into consideration diversity of skills, experience, gender, age, knowledge, size, geography, nationality and ethnicity
- Make recommendations to the Board regarding the process for identification and selection of new Directors, including recommending Directors for appointment to the Board Committees
- Make recommendations to the Board on re-nominations and re-appointments of existing Directors
- Review and make recommendations to the Board on succession planning for Board and Board Committee members, including for the Chairman of the Board and the Chairmen of the respective Board Committees
- Evaluate the independence of Directors on an annual basis, and as and when circumstances require
- Determine if Directors are able to and have been adequately and effectively carrying out their duties as Directors of SATS, especially those who hold multiple directorships and principal commitments
- Implement the Board evaluation process for assessing the effectiveness of the Board as a whole and the effectiveness of the Board Chairman, Board Committees and Directors
- Review and make recommendations to the Board on the training and professional development programmes for the Directors, and ensuring that new Directors are aware of their duties and obligations and undergo the listed entity director training programme (where necessary)
- Save as otherwise disclosed below, such other authorities and duties as provided in the 2018 Code

[1] Senior Management are employees holding the rank of Senior Vice President and above.

Corporate Governance Report

Under Provision 4.1(a) of the 2018 Code, one of the responsibilities of the NC is to make recommendations to the Board on relevant matters relating to the review of succession plans for directors, in particular the Chairman, the CEO and key management personnel. Practice Guidance 4 accompanying the 2018 Code was amended with effect from 1 July 2021 to clarify that the Board, having regard to the particular circumstances of the company, has the prerogative to determine that any other board committee can be given the responsibility to review the succession plans for the PCEO and key management personnel.

The Board has considered the requirements of the Company and decided that the review of succession plans for the PCEO and key management personnel (within the meaning of the 2018 Code and the accompanying Practice Guidance) would be under the purview of our Remuneration and Human Resource Committee (RHRC) instead of our NC. The RHRC, together with the PCEO (as applicable), conducts an annual succession planning review of the Relevant Key Management Personnel[2] and other selected key positions, taking into account, the Group's current needs and future strategic capabilities. Any recommendations made by the RHRC on the review of succession plans for the PCEO and the Relevant Key Management Personnel will be presented to the Board for approval. Such an arrangement allows the RHRC to consider succession planning holistically with other human resource related issues such as remuneration, talent retention and recruitment. Further, the undertaking of the review of succession plans for the PCEO and Relevant Key Management Personnel by the RHRC instead of the NC does not detract from the underlying principle that there should be a formal and transparent process for the appointment of the PCEO and the Relevant Key Management Personnel. Both the NC and RHRC consist entirely of independent non-executive Directors.

NC Meetings

The NC met four times in FY2022-23. The NC terms of reference requires the NC to meet at least once a year.

Review of Board Composition and Size

The Board, through the NC, reviews the composition of the Board, taking into consideration diversity of skills, experience, gender, age, knowledge, size, geographical background and experience, nationality and ethnicity. The NC has developed a set of principles to guide it in carrying out its responsibilities of reviewing and determining an appropriate Board composition, and implements and monitors the Board Diversity Policy. The NC reviews the composition of the Board to ensure that the Board comprises Directors who as a group provide core competencies, in areas such as accounting, finance, legal, supply chain management and logistics, branding, business, management (including human capital development and management) experience, industry knowledge, technology, strategic planning experience, and customer-based experience/knowledge, required for the Board to be effective.

The Board, in concurrence with the NC, is of the view that, taking into account the nature and scope of our operations, the requirements of our businesses and to facilitate effective decision-making, the appropriate size of the Board should range from 8 to 12 members, with independent Directors making up the majority of the Board (in our case, 11 out of 12 Directors are independent) notwithstanding that Rule 210(5)(c) of the Listing Manual only requires that independent directors comprise at least one-third of an issuer's board at any time. No individual or small groups of individuals dominate the Board's decision-making.

No alternate Directors were appointed during FY2022-23. The Board will generally avoid approving the appointment of alternate Directors, which is in line with the principle that Directors must be able to commit time to SATS' affairs. The Board believes that alternate Directors should only be appointed in exceptional circumstances, and will generally not approve the appointment of alternate Directors.

Each Director brings to the Board a myriad of technical, professional, business and geographical experience and competencies to SATS, as can be seen from the "Skills and Experience" and "Geographical Background and Experience" charts set out in the "Board Diversity Policy, Targets, Timelines and Progress" section in this Annual Report. The NC, when sourcing and identifying suitable candidates for the Board, aims to ensure that the Board has an appropriate balance and diversity of skills, experience and knowledge in setting the overall business strategies and directions of the Company and its group of companies as well as providing guidance to the Management. Whilst the current Directors' Expertise and Experience matrix reflects that the Directors have the expertise in the requisite areas identified by the Board as described in the "Board Composition" section in this Annual Report above; the re-shaping of the Board in alignment with the expanded scope of business is continuing. The NC, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, has further given due regard for the benefit of diversity on the Board.

Selection and Appointment of New Directors

The NC regularly reviews the existing attributes and competencies of the Board in order to determine the desired experience or expertise required to strengthen or supplement the Board, taking into consideration the existing composition of the Board and the need for progressive renewal of, and diversity on, the Board. A Directors' Experience and Expertise matrix is prepared, which provides an overview of the Directors' experience and expertise and serves as a guide for the NC when sourcing and identifying suitable candidates for the Board.

The NC is responsible for making recommendations to the Board regarding the identification and selection of new Directors. Taking into consideration the desired qualifications, skill sets, competencies and experience which are required to supplement the Board's existing attributes, if need be, the NC may seek assistance from external search consultants for the selection of potential candidates. No external search consultant was engaged during FY2022-23. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. The NC, together with the Chairman of the Board, then meet with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations as to the appointment of any candidate to the Board for its approval.

Succession Planning and Board Renewal

The NC has reviewed and considered the succession plans for the Board and Board Committee members.

As part of the Board renewal process:

- Mr Michael Kok, who has served more than eight years, has stepped down as a Director with effect from 15 April 2023;
- Mr Tan Soo Nan, who has served for seven years, will be retiring from office at the conclusion of the 2023 AGM and will not be seeking re-election at the 2023 AGM; and
- Mr Yap Kim Wah, who has served for six years, will be stepping down from the Board with effect from the conclusion of the 2023 AGM.

The Board and Management would like to express their gratitude to Mr Kok, Mr Tan and Mr Yap for their invaluable contributions to the Company over the years.

Dr Detlef Trefzger and Mr Eng Aik Meng were appointed as independent non-executive Directors on 15 April 2023. They will retire in accordance with Article 96 of the Company's Constitution and will offer themselves for re-election at the 2023 AGM.

Following the resignation of Mr Kok, the Board (upon the recommendation of NC) made the following changes to the compositions of EXCO, RHRC and BRSC, with effect from 15 April 2023:

i) Ms Vinita Bali has been appointed as a member of the EXCO while relinquishing her role as a member of the BRSC;
ii) Mr Eng Aik Meng has been appointed as a member of the RHRC; and
iii) Dr Detlef Trefzger has been appointed as a member of the BRSC.

As Mr Tan and Mr Yap will cease to be Directors of the Company with effect from the conclusion of the 2023 AGM, the Board (upon the recommendation of NC) has approved the following changes to the compositions of AC and BRSC, which will take effect from the conclusion of the 2023 AGM:

i) Ms Vinita Bali will be appointed as a member of the AC; and
ii) subject to his re-election as a Director at the 2023 AGM, Dr Detlef Trefzger will be appointed as the Chairman of the BRSC.

As part of succession planning, the NC has also recommended that, subject to her re-election as a Director at the 2023 AGM, Ms Jessica Tan take over as Chairman of the NC with effect from the conclusion of the 2023 AGM, in place of Ms Euleen Goh.

In identifying any potential candidates for the Board, the NC will also take into account whether the candidate has fully discharged his/her duties and obligations during his/her previous directorship of a company listed on the SGX-ST, whether the candidate has previously served on the board of a company with an adverse track record or with a history of irregularities or is/was under investigation by regulators and whether a candidate's resignation from the board of any such company would cast doubt on his/her ability to act as a Director of the Company.

Review of Directors' Independence

The NC is tasked to determine on an annual basis, and as and when circumstances require, whether or not a Director is independent, having regard to the definition of an "independent Director" and guidance as to the types of relationships which would deem a Director not to be independent, under the Listing Manual, the 2018 Code and its accompanying Practice Guidance.

Under the 2018 Code, an "independent Director" is one who is independent in conduct, character and judgement, and has no relationship with SATS, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of SATS. Under the Listing Manual, a Director will not be independent if he/she is employed or has been employed by SATS or any of its related corporations in the current or any of the past three financial years, or if he/she has an immediate family member who is employed or has been employed by SATS or any of it related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the RHRC.

[2] Relevant Key Management Personnel in this context are the PCEO and his direct reports.

Corporate Governance Report

The Directors complete an annual confirmation of independence, whereby they are required to critically assess their independence, which the NC takes into account for the purposes of this review. The Directors are mindful, however, that the relationships identified in the annual confirmation of independence are only indicators of possible situations where independent judgment may be impaired, but are not in themselves conclusive. Independence is often only meaningful in the context of each particular relationship considering the business environment, shareholding, organisational structure and operating constraints. Directors also disclose any relationship with SATS, its related corporations, its substantial shareholders or its officers which may affect their independence, as and when they arise.

The NC and the Board have determined that the independent Directors as at the end of FY2022-23 are Ms Euleen Goh, Mr Achal Agarwal, Ms Vinita Bali, Mr Chia Kim Huat, Mr Michael Kok, Ms Jenny Lee, Mrs Deborah Ong, Ms Jessica Tan, Mr Tan Soo Nan and Mr Yap Kim Wah. Both Dr Detlef Trefzger and Mr Eng Aik Meng who were appointed on 15 April 2023 (after the FY2022-23) have been determined by the NC and the Board as indepdendent Directors.

Ms Euleen Goh first joined the Board as an independent Director on 1 August 2013 (and as Board Chairman with effect from 19 July 2016) and reached nine years of service on 1 August 2022. The Company obtained the requisite approvals from shareholders at the Company's 2022 AGM for the continued appointment of Ms Goh as an independent Director beyond 1 August 2022 via the two-tier voting process under the then applicable Rule 210(5)(d)(iii)(A) and Rule 210(5)(d)(iii)(B) of the Listing Manual. But for the recent amendment to the Listing Manual implemented by the SGX-ST to cap the tenure of independent directors of issuers to nine years (as discussed in the next paragraph), the requisite approvals obtained under Rule 210(5)(d)(iii) in relation to the independence status of Ms Goh would have remained in force until (i) her retirement or resignation as a Director, or (ii) the conclusion of the third Annual General Meeting (AGM) following the passing of the relevant resolutions for her continued appointment as an independent Director, whichever is the earlier.

On 11 January 2023, the SGX-ST removed with immediate effect the two-tier vote mechanism under Rule 210(5)(d)(iii) and introduced new Rule 210(5)(d)(iv) which limits the tenure of independent directors serving on the boards of listed issuers to nine years. As a transition, independent directors whose tenure exceeds the nine-year limit can continue to be deemed independent until the issuer's AGM held for the financial year ending on or after 31 December 2023 so long as they meet the requirements in Rule 210(5)(d)(i) and Rule 210(5)(d)(ii) of the Listing Manual. As Ms Goh satisfies these requirements, she can continue to be deemed independent until the conclusion of the AGM for the financial year ending 31 March 2024, which is expected to be held in July 2024.

In seeking the requisite approvals under Rule 210(5)(d)(iii) for Ms Goh to continue as an independent Director at the 2022 AGM, the Company had sought to strike an appropriate balance between the need for Board refreshment and the need to provide continuity in leadership and guidance to Management amidst the challenging operating environment. There had also been changes to the key members of Management over the recent years, including the appointment of Mr Kerry Mok as PCEO on 15 December 2021. As the Company had been gearing up for aviation recovery, there had also been significant transformation to focus on operational excellence and proficiency as well as to meet the increasing demands of our customers and eco-system partners. The NC (with Ms Goh abstaining and recusing herself) had considered the above factors and assessed then that it would be in the best interests of the Company for Ms Goh to continue serving as an independent Director and Board Chairman in order to oversee the Management transition and implementation of the various initiatives. The NC was of the view that the Company would benefit from an independent Director who had, over time, accumulated deep institutional knowledge, expertise and valuable insights into the Company's business and established strong relationships with key regulators and customers. In seeking the requisite approvals under Rule 210(5)(d)(iii) for Ms Goh to continue as an independent Director at the 2022 AGM, the NC and the Board (in both cases, with Ms Goh abstaining and recusing herself from the deliberations as to her independence) determined that Ms Goh's independence from Management had not been compromised despite her long tenure as she remained objective and independent-minded in Board and Board Committee deliberations. In light of her robust discussions with PCEO and the Management team during Board and Board Committee meetings and her constructive challenges to them on matters raised for deliberations and taking into account that during her tenure as an independent Director, there had been various changes to the key members of Management (including the PCEO), the NC and the Board determined that Ms Goh's independence was not compromised due to her long tenure of working with the same management team. For the same reasons, the NC and the Board (in both cases with Ms Goh abstaining and recusing herself from the deliberations as to her independence) are of the view that Ms Goh can continue to be regarded as an independent Director until the conclusion of the AGM for the financial year ending 31 March 2024, which is expected to be held in July 2024.

Ms Jenny Lee was appointed to the Board on 25 January 2019. She was subsequently appointed as a Non-Executive Independent Director of Temasek with effect from 1 January 2022. Temasek is a substantial shareholder of SATS. Ms Lee has confirmed that she is not accustomed or under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek in relation to SATS' corporate affairs. She further confirmed that her appointment as a Director of Temasek does not interfere, and would not be reasonably perceived to interfere, with the exercise of her independent business judgement in the best interests of SATS and she does not have any other relationship (whether familial, business, financial, employment or otherwise) with Temasek that could interfere, or be reasonably perceived to interfere, with the exercise of her independent business judgement in the best interests of SATS. She has agreed to recuse herself from participating in any and all discussions and decisions concerning transactions/matters and/or proposed transactions/matters between SATS and Temasek. The NC and the Board, having reviewed Ms Jenny Lee's declaration of independence and her above-mentioned confirmations, have determined that Ms Lee is an independent Director.

Mr Eng Aik Meng was appointed to the Board on 15 April 2023. He was appointed as a Non-Executive Independent Director of 65EP, a wholly owned subsidiary of Temasek with effect from 15 March 2021. Temasek is a substantial shareholder of SATS. Mr Eng has confirmed to the Company that he is not accustomed or under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek in relation to SATS' corporate affairs. He further confirmed that his appointment as a Director of 65EP does not interfere, and would not be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of SATS and he does not have any other relationship (whether familial, business, financial, employment or otherwise) with 65EP or Temasek that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of SATS. The NC and the Board, having reviewed Mr Eng's declaration of independence and his above-mentioned confirmations, have determined that Mr Eng is an independent Director.

Some of our Directors are board members or executive officers of organisations that provide or receive services to or from the SATS Group in the ordinary course of business and on normal commercial terms. These transactions were entered into based on merit and competitive terms negotiated by Management, and the relevant Directors were not involved in the process for, or approval of, the transactions. These Directors have also confirmed that they were not involved in the decision by their respective organisations to enter into the transactions with the SATS Group. The NC and the Board considered the conduct of each such Director in the discharge of their duties and responsibilities as Directors of SATS, and are of the view that the foregoing relationships did not impair their ability to act with independent judgment in the discharge of their duties and responsibilities as SATS Directors. On this basis, the Board, taking into account the views of the NC, arrived at the determination that each such Director is independent. The relevant Directors recused themselves from the Board's and (where applicable) the NC's deliberations on their own independence.

Mr Kerry Mok is the PCEO, and is the only executive Director on the Board. He is thus a non-independent Director. The nature of our business and operations merit the continuity of an executive Director on the Board to provide independent Directors with the requisite background and knowledge to facilitate their independent judgment and decision-making.

Review of Directors' Time Commitments

The NC determines annually whether a Director has been adequately carrying out his/her duties as a Director of SATS, taking into consideration the number of that Director's other listed company board representations and other principal commitments. The NC is of the view that the number of each Director's other directorships was in line with our internal guideline that the maximum number of listed company board representations which any non-executive Director may hold should not be more than six. Having regard to each Director's attendance record for Board and, where applicable, Board Committee meetings, and his/her ability to contribute effectively thereat, the NC is of the view that each Director has been able to effectively discharge his/her duties as a Director of SATS, and is satisfied that Directors who hold multiple board representations nevertheless devote sufficient time and attention to SATS's affairs. In particular, the NC reviewed the Directors' time commitments in FY2022-23, and the NC and the Board noted that notwithstanding the number of other non-listed directorships that Ms Jenny Lee holds, she has been able to attend all the Board meetings and has contributed substantially to the discussions at such meetings and whenever called upon for ad-hoc meetings.

The role of the Chairman, in particular, requires significant time commitment. As Board Chairman, Ms Euleen Goh plays a crucial role as she is required to provide leadership to the Board and to ensure that the Board plays a full and constructive part in the development and determination of the Group's strategies, objectives and growth. Although Ms Goh also served on the board of another listed company during FY2022-23 (she subsequently retired as a director of this other listed company on 23 May 2023), the NC and the Board (each, without Ms Goh's participation) were of the view that she has managed her other time commitments appropriately and has enough capacity to discharge her obligations as our Chairman. This was reflected in her full attendance of all relevant meetings and the time spent in the conduct of her various duties as outlined in this Corporate Governance Report.

During FY2022-23, except for Ms Jessica Tan who attended 10 out of 11 Board meetings (she did not attend 1 Board meeting due to her attendance at a Parliament session on 24 February 2023 – please refer to Note 8 of the table in the "Non-Executive Directors' Remuneration" section in this Annual Report), the rest of the Directors achieved full attendance for Board and Board Committee meetings held during their respective tenures as Directors and (where applicable) Board Committee members. The meeting attendance records of all Directors, their list of directorships and other principal commitments are fully disclosed in our Annual Report.

Corporate Governance Report

Assessment of Board Performance

The Board, with the assistance of the NC, has approved the objective performance criteria and implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contributions by the Chairman and each individual Director of the Board.

The NC assesses each individual Director's contribution to the effectiveness of the Board annually and as and when required.

Assessment of Board and Board Committees and individual Directors' performance is carried out annually through evaluation questionnaires. In FY2022-23, Egon Zehnder (an independent global management consulting firm with no other connection with SATS or any of the Directors) was engaged to assist in the collation and analysis of the evaluation questionnaires sent to Directors and GMB members, and to conduct interviews with such Directors and GMB members to obtain open and frank feedback regarding the Board's performance. The NC has determined that an external consultant will be engaged once every three years.

The questionnaire sent to Directors has evaluations on the Board and Board Committees, on peer performance, and on self-assessment on independence. Issues such as Board composition, Board independence, Board dynamics and culture (including support and recognition of Management), Board processes, information management and flow, ESG, ethics and investor relations (including effectiveness of the Board in fulfilling its role of creating and delivering sustainable value to shareholders (while also keeping other stakeholders' interests in balance)), leadership and oversight of the Company's strategy and performance, benchmarking with industry peers, effectiveness of Board Committees, PCEO performance and succession planning, Directors' development and management, and risk management are covered. Directors are also encouraged to provide feedback on areas where they have seen improvement or decline in the Board's effectiveness in the past twelve months, areas which the Directors feel the Board benchmarks highly (relative to the other companies which they are a director of), and practices that the Board could benefit from adopting. For the peer evaluation contained in the questionnaire, the Directors are encouraged to provide comments about the contribution of their peers, the objective of which is to show whether each Director has demonstrated his/her willingness and ability to constructively challenge and contribute effectively to the Board, and his/her commitment to his/her roles on the Board.

Feedback from the GMB members regarding the Board's performance was obtained in FY2022-23. This exercise is usually conducted once every three years when NC appoints an external consultant to facilitate the Board evaluation process. The questionnaire sent to the GMB members has evaluations on Board composition and independence, Board and Management team dynamics and culture (including whether the Board is supportive of and gives appropriate appreciation of and recognition to Management; whether the Board has a shared understanding of, and respects, the division of responsibilities between itself and Management, and between the Chairman and the PCEO; whether there is sufficient mutual respect, trust and candor among Directors, and whether Directors have effective working relationships with each other, allowing for frank, constructive, meaningful and open discussion and debate by all Directors, which leads to effective decision making), ESG, ethics and investors relations, Board leadership and oversight of the Company's strategy and performance (including whether the Directors have a comprehensive understanding of the Company's business and challenges; and how the Board brings value to the Management team), and effectiveness of Board Committees (including whether they perceive the relevant Board Committees as having fulfilled their responsibilities as set out in their respective terms of reference). Additionally, the evaluation also explored the question of whether, in light of the acquisition of WFS, the Board has the necessary expertise and experience to navigate an enlarged group and how the Board can assist Management to achieve the Company's strategy, goals and objectives as an enlarged group.

The results from the questionnaires and the feedback obtained from the Directors and the GMB members were collated by the Company Secretary and shared with the Board Chairman and the NC members, and subsequently with the entire Board. Based on the feedback received from the Directors, the following aspects of the Board stood out:

- The Board played a critical role in the WFS acquisition, which is a significant achievement
- The Directors have a wealth of experience and are able to share broad, insightful perspectives
- The Board's experience and competence in governance and risk management is strong
- The Board is committed and energetic, and the Chairman is respected for her dedication, competence and commitment
- There is active and open engagement between the Board and Management
- There is trust and a productive relationship between the PCEO and the Chairman

The Board Chairman held discussions with each individual Director on any concerns which the Director might have, provided him/her with feedback on his/her performance, and also sought his/her feedback on the Chairman's own performance. The Board discussed the findings of the evaluation and agreed to follow-up on proposed action items.

Orientation and Training for Directors

The NC exercises oversight on the orientation, training and professional development of Directors.

We have a formal and structured orientation framework. Newly-appointed Directors undergo a two-day familiarisation exercise whereby they undergo a comprehensive and tailored programme, including visits to major businesses and joint ventures, site visits to the kitchens, SATS Integrated Control Centre and Cargo Security Control Centre etc., as well as presentations by members of Management, to facilitate the Directors' understanding of the Group's objectives, strategic plans, businesses, operations and processes. Each of the newly-appointed Directors is also sent a formal appointment letter setting out their roles, duties, obligations and responsibilities, and requesting the Director to sign the prescribed undertaking to use his/her best endeavours to comply with the requirements of the Listing Manual. External legal counsel may also be engaged to conduct briefing sessions for newly-appointed Directors on the roles and responsibilities of a Singapore listed company director. For the newly appointed directors, Mr Eng had (i) been briefed by members of the Management on the Groups' objectives, strategic plans, businesses operations and processes and, (ii), in May 2023, visited the Company's facilities in Singapore to familiarise himself with its various business operations. Dr Detlef Trefzger's two-day familiarisation exercise has been scheduled for July 2023.

Copies of the minutes of immediate past Board and Board Committee meetings are made available on the secure online portal. Directors are also provided with other materials relating to the Board and Board Committees, including the terms of reference of the various Board Committees on which they are appointed as well as relevant guidelines and policies.

A new Director who has no prior experience as a director of an issuer listed on the SGX-ST must also undergo mandatory training in his/her roles and responsibilities as prescribed by the SGX-ST, unless the NC is of the view that training is not required because he/she has other relevant experience, in which case the basis of its assessment will be disclosed.

Both Dr Detlef Trefzger and Mr Eng Aik Meng will be attending their training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST and will complete such training within one year from their appointment.

The Directors are provided with continuing education, particularly on relevant new laws, regulations and changing commercial risks. They are briefed by the Company Secretary in areas such as directors' duties and responsibilities under the Companies Act, Listing Manual and Securities and Futures Act 2001 (SFA) to enable them to carry out their statutory and fiduciary duties as well as to update and refresh them on matters that may affect and/or enhance their performance as Board members.

As part of the Directors' ongoing training, Directors are encouraged to attend training, conferences, courses and seminars conducted by external organisations such as the Singapore Institute of Directors and Temasek Management Services Pte. Ltd. on corporate governance, leadership and industry-related subjects. The registration process is facilitated by SATS and the course fees are borne by SATS. Workshops, conferences and seminars attended by some of the Directors during FY2022-23 included the Environmental, Social and Governance Essentials course organised by the Singapore Institute of Directors and the Sustainability E-Training jointly organised by ISCA and SAC Capital Private Limited.

Pursuant to Rule 720(7) of the Listing Manual, all of the Directors in office as at the end of FY2022-23 have completed the required training on sustainability matters as prescribed by the SGX-ST during the course of FY2022-23.

Dr Detlef Trefzger and Mr Eng Aik Meng, who were appointed after the end of FY2022-23, will undergo the required training on sustainability matters as prescribed by the SGX-ST during the course of FY2022-23.

Review of Board Tenure

The NC reviews the tenure of the non-executive Directors. With effect from FY2010-11, newly appointed non-executive Directors are appointed to serve an initial term of three years and such initial term of office may be renewed for subsequent terms upon the recommendation of NC and as approved by the Board.

Rotation and Re-Election of Directors

The NC reviews and recommends to the Board the rotation and re-election of Directors at the AGM, taking into consideration the composition and the need for progressive renewal of the Board.

One-third (or the number nearest one-third rounded upwards to the next whole number) of the Directors are required to retire from office at each AGM. All Directors (including the PCEO) are required to retire from office at least once every three years. Retiring Directors are eligible for re-election. All new Directors appointed by the Board during the financial year hold office only until the next AGM, but will be eligible for re-appointment at that AGM.

The Directors who are retiring by rotation under Article 90 of the Company's Constitution and standing for re-election at the forthcoming AGM are Mr Chia Kim Huat, Ms Jessica Tan and Mrs Deborah Ong. Dr Detlef Trefzger and Mr Eng Aik Meng, who were appointed after the last AGM, will be retiring under Article 96 of the Company's Constitution and will be standing for re-election at the forthcoming AGM. The NC (after having taken into consideration the principles for the determination of the Board size and composition adopted by it and where applicable, the duration of their appointments to the Board) recommends the re-election of each of the Directors standing for re-election at the forthcoming AGM. The NC's recommendation, which has been endorsed by the Board, follows the NC's assessment of the Directors' competencies, commitment, contribution and performance (including attendance, preparedness, participation and candour at Board and Board Committee meetings) including, where applicable, his/her performance as an independent Director.

Corporate Governance Report

Remuneration and Human Resource Committee (RHRC)

The RHRC is chaired by Ms Euleen Goh, and its members are Mr Achal Agarwal and Mr Eng Aik Meng. All of the RHRC members (including the RHRC Chairman) are independent Directors.

Mr Eng Aik Meng was appointed as a member of the RHRC on 15 April 2023, in place of Mr Michael Kok who resigned as a Director of the Company with effect from the same date.

The RHRC has access to expert advice from external consultants on remuneration. In FY2022-23, the RHRC sought views on market practices and trends from an external consultant, Aon Hewitt, on top management compensation. The RHRC undertook a review of the independence and objectivity of the external consultant through discussions with them and was satisfied that the external consultant has no relationships with the Company that would affect their independence and objectivity.

Key Responsibilities of the RHRC

The RHRC plays an important role in helping to ensure that we are able to attract, recruit, motivate and retain the best talents through competitive remuneration and progressive policies such as pay-for-performance so as to achieve the Group's goals, provide good stewardship and deliver sustainable shareholder value. Its key responsibilities include:

- Reviewing and recommending the remuneration framework of the Company (including compensation structure, bonus and employee share plans) to the Board for endorsement
- Reviewing and recommending the specific remuneration packages for each Director, the PCEO and each Relevant Key Management Personnel, to the Board for endorsement
- Overseeing the terms of appointment and scope of duties of the PCEO and other Relevant Key Management Personnel, including succession planning for their roles
- Evaluating on an annual basis, the achievement of performance targets for each Relevant Key Management Personnel as agreed at the beginning of the financial year with the Board and/or the PCEO, as the case may be, and recommending to the Board their respective total compensation
- Reviewing and approving compensation payable to the PCEO and the Relevant Key Management Personnel in the event of early termination of their contracts of services, if such payment is considered appropriate in the circumstances by the RHRC
- Advising on the organisation structure to drive the Company's strategic growth
- Reviewing succession planning for Relevant Key Management Personnel including the PCEO position and other selected key positions, with the PCEO, taking into account current needs and future strategic capabilities
- Reviewing talent development framework and processes to build deep bench strength and a strong talent pipeline
- Carrying out such other authorities and duties as provided in the 2018 Code

In discharging its responsibilities, the RHRC considers all aspects of remuneration and performs benchmarking against comparable organisations, to ensure that all aspects of remuneration (including termination terms) are fair and competitive.

The RHRC's recommendations regarding remuneration of the PCEO, Relevant Key Management Personnel and the non-executive Directors have been submitted to and endorsed by the Board, which is ultimately accountable for all remuneration decisions.

RHRC Meetings

The RHRC is required by its terms of reference to meet at least twice each financial year, with additional meetings to be convened as and when required. The RHRC met four times in FY2022-23.

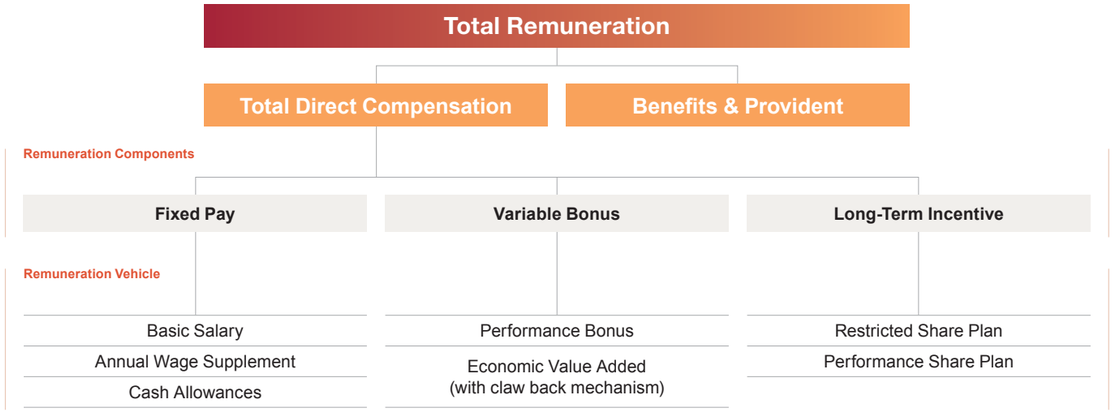
Key Executives' Remuneration

The Company's key executives' remuneration framework is designed to link a significant and appropriate proportion of rewards to the Company and individual performance, and takes into consideration the risk policies of the Company so as to be symmetric with risk outcomes and sensitive to the time horizon of risks. The framework aligns key executives' compensation with the interests of shareholders, balancing between short-term and long-term business interests and sustainability, as defined within the Company's strategy and risk policies.

Remuneration Mix for Key Executives

The principle of remuneration starts with the compensation mix – fixed pay, variable bonus and long-term incentive. Such direct compensation in cash or SATS shares, together with benefits and provident for social security where applicable, make up total remuneration.

Total direct compensation and its respective remuneration components' pay-out are symmetric with Company and individual performance over time. These remuneration components, in turn, consist of remuneration vehicles separately targeting and moderating pay-outs contingent on short and long term shareholder interest and business sustainability. The eligibility, granting and payout conditions for each vehicle differ. Overall remuneration components and types are summarised below:



Benchmarking and Target Pay Positioning

A target fixed pay for each key executive position is benchmarked to the market, ensuring market responsiveness to position job worth. Individuals are paid relative to their target pay position determined by their performance and competencies against expectations of the position. At the total direct compensation level, individuals' annualised pay-out is benchmarked to the market to reflect individual and Company performance. Benefit policies are benchmarked and assessed separately based on competitiveness and prevalence of provision in the market.

Fixed Pay

This consists of basic salary, annual wage supplement (AWS) and cash allowances.

Variable Bonus

This comprises Performance Bonus (PB) and Economic Value Added (EVA).

(a) Performance Bonus

PB rewards annual financial and operating achievements at the Group, Company and individual level. Target levels across each of the following Key Performance Indicators (KPI) are determined at the beginning of each financial year and are cascaded down. The following KPIs are allocated with equal weightage for non-managerial level employees:

- SATS Group PATMI
- SATS Company's Operating Profit
- SATS Company's Operational Performance Scorecard

The Group Balanced Scorecard is used for the measurement of achievement for managerial level employees. The targets comprised in the Group Balanced Scorecard include Financial, Operational Excellence, Customer, People and Strategic Initiatives including Sustainability. The weightage of each of the respective targets is approved by the RHRC.

For key Senior Management, an individual Performance Scorecard comprising the following quantitative and qualitative targets are used: Financial and Business, Customer, People and Strategic Transformation Objectives. In determining the payout quantum for each Relevant Key Management Personnel, the RHRC considers the overall actual achievement against Group, business unit and individual performance scorecard.

After the close of the financial year, the RHRC reviews and approves a bonus pool that is commensurate with the achievements against targets, taking into consideration exogenous factors such as the changing business environment, regulatory landscape and industry trends.

For individuals in control functions, performance targets are principally based on the achievement of the objectives of their functions.

Corporate Governance Report

(b) Economic Value Added – based Incentive Plan (EBIP)

The EBIP rewards for sustainable shareholder value creation over the medium term achieved by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of the business. A portion of the annual performance-related bonus of key executives is tied to the EVA achieved by the Group in the year. Under the plan, one-third of the accumulated EBIP bonus, comprising the EBIP declared in the financial year and the balance of such bonus brought forward from preceding years (which comprises multiple years of incentive dollar retained in the EVA bank), is paid out in cash each year. The remaining two-thirds are carried forward in the individual executive's EBIP account and such amount is at risk as it is subject to performance-related clawback and could be reduced in the event of EVA underperformance in future years. This mechanism encourages key executives to work for sustainable EVA generation and to adopt strategies that are aligned with the long-term interests of the Group.

The rules of the EBIP are subject to review by the RHRC, which has the discretion, under the authority of the Board, to amend the rules where appropriate and relevant to the business conditions.

Long-Term Incentives

Long-term incentives reward for long-term shareholder value creation (contingent on Group and Company financial and operating achievements, individual performance level, Total Shareholder Returns (TSR) and Transformation KPIs. SATS provisionally grants share awards to employees of managerial grade and above, including key executives, via the SATS Restricted Share Plan and the SATS Performance Share Plan. When performance conditions are met, vested share awards lead to employees becoming shareholders.

(a) The SATS Restricted Share Plan (SATS RSP)

The SATS RSP is an incentive plan for management level employees. Under the plan, a specified number of shares to be granted at the end of the performance cycle will depend on individual position level, and the extent of the achievement of the financial and operating achievements at the Group, Company and individual performance level.

Performance period and performance conditions are required for the financial year preceding each tranche of payment. The first tranche of the award will vest immediately after the end of the performance period and the remaining balance will vest equally over the next two financial years to encourage the retention of such employees.

Grants of fully paid shares under the SATS RSP may also be made to the non-executive Directors in lieu of part of the cash amount of their Directors' remuneration. Such grants will have no performance conditions attached and no vesting periods imposed.

(b) The SATS Performance Share Plan (SATS PSP)

Under the SATS PSP, an initial award is made in the form of a right to receive shares, provided TSR and other performance targets are met in the future. Annual awards are made based on performance of key senior executives. The final award, which can vary between 0-150% of the initial award, depends on stretched value-aligned performance targets. They are based on absolute TSR (30%) and Transformation KPIs (70%) targets being met over the performance period of three financial years.

In FY2022-23, a total of 2,701,900 shares and 296,300 shares have been granted under the SATS RSP and SATS PSP respectively.

Details such as the plan description, performance conditions, vesting conditions and payouts under the SATS RSP and SATS PSP are set out in the Annexure below, and also in the Share-Based Payment section of the "Directors' Statement" and in the "Notes to the Financial Statements" in the "Financials" section of this Annual Report.

No termination, retirement or post-employment benefits were granted to Directors or the PCEO during FY2022-23.

The aggregate compensation paid to or accrued to the PCEO, the Chief Financial Officer and the Business Heads for FY2022-23 is set out below:

President and Chief Executive Officer (PCEO)	Salary[2] (S$)	Bonuses[3] (S$)	Benefits (S$)	Total (S$)
Mok Tee Heong Kerry*	873,495	948,678	74,028	1,896,201

* SATS RSP shares of 288,000 awarded and to be vested equally over a three-year period (such period commencing FY2023-24) provided the terms and conditions of the plan are met. SATS PSP shares of 86,300 were awarded on 24 June 2022 for FY2022-23 and were reported in the Annual Report for FY2021-22. The final number of SATS PSP shares to be vested will range from 0% to 150% of the initial grant and is contingent on the achievement of pre-determined targets over a three-year performance period.

Relevant Key Management Personnel	Remuneration Band[1]	Salary[2] (%)	Bonuses[3] (%)	Benefits (%)	Total (%)	Awards under SATS RSP[4]
Seah Kok Khong, Manfred[5]	$1,000,001 to $1,250,000	52%	43%	5%	100%	131,700
Chi Cheng Bock[5]	$750,001 to $1,000,000	60%	32%	8%	100%	131,700
Cheah Chi Choy Donny[5]	$750,001 to $1,000,000	57%	6%	37%	100%	54,000
Goh Yuen Por Stanley[6]	$250,001 to $500,000	76%	16%	8%	100%	0

Notes:

1 Remuneration bands as indicated do not include the value of any awards granted under the SATS RSP and / or the SATS PSP.

2 Salary includes Annual Wage Supplement and employer's CPF for the year ended 31 March 2023.

3 Variable bonus comprises of both actual performance bonus and economic value added (EVA) bonus in respect of Company and individual performance of FY2022-23.

4 SATS RSP shares will vest equally over a three-year period provided the terms and conditions of the plan are met.

5 SATS PSP shares that were awarded to Seah Kok Khong, Manfred (60,000) and Cheah Chi Choy Donny (15,000) on 24 June 2022 for FY2022-23 were reported in the Annual Report for FY2021-22. Chi Cheng Bock was awarded 50,000 shares for the same period. The final number of SATS PSP shares to be vested will range from 0% to 150% of the initial grant and is contingent on the achievement of pre-determined targets over a three-year performance period.

6 Mr Goh Yuen Por Stanley's remuneration band for FY2022-23 is reflective of his joining date, being 12 September 2022.

7 The above tables reflect the remuneration of the employees who hold the rank of PCEO, Chief Financial Officer and Business Heads.

The aggregate total compensation paid to the Chief Financial Officer and the Business Heads (who are not also Directors or the PCEO) for FY2022-23 was S$3,128,690.

No immediate family members of any Director or of the PCEO were employed by the Company or any of its related companies during FY2022-23.

Learning and Development Programmes for Employees

Learning and development is part of our DNA at SATS. We have anchored training and development to build a performance-driven culture centred around SATS' five core values: Passion to Delight, Safety, Innovation, Trust and Teamwork. We put great emphasis on people development because we believe that a workforce that is well-trained with the necessary competencies and has the adaptability to change is the critical success factor to the growth of the business. The objectives are to harness the potential of its people and to bring out the best in them. To do this, we seek to enhance employee experience and engagement by strengthening their sense of belonging to the organisation, and maximising employee productivity to help SATS' businesses grow and thrive. We want to create a purpose-driven environment for our people.

At SATS, the success formula we adopt is "BE – DO – HAVE". We believe that it is only when we develop the "BEING" of each individual to DO their jobs in a committed and purposeful manner, we then can HAVE the desired business outcome. Our leaders work together to define the four leadership principles that aim to build an open organisational culture, where every employee embraces the leadership principles in their daily work.

The four leadership principles are:

(1) be outcome-oriented;
(2) be open-minded;
(3) be courageous; and
(4) be a servant leader.

As SATS grows its businesses locally and globally, we recognise that corporate governance remains a fundamental and core aspect to focus on to ensure that SATS continues to operate in a responsible and ethical manner. In line with this, SATS will continue to craft and update mandatory learning programmes on topics pertaining to corporate governance, such as legal regulations, cybersecurity, people management etc. SATS employees undergo relevant training and subsequent refresher trainings to ensure that understanding and adherence to regulations is embedded in all job grades and at all times. In addition, to equip our employees with skills for the future economy we have designed learning paths which align with the SkillsFuture Critical Core Skills (CCS) in the areas of critical thinking, interacting with others, and staying relevant.

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Learning and development is essential in ensuring that employees have the necessary knowledge, skills, and abilities to perform their jobs effectively and adapt to changing business needs. We believe that when the organisation is focused on people development, we can then truly achieve our vision of becoming the market leader in delighting customers with innovative food and seamless connections, as well as fulfil our purpose to feed and connect communities. More information on the Company's purpose, vision and core values, can be found on our corporate website at the URL https://www.sats.com.sg/about-sats/who-we-are.

Succession Planning and Organisation Structure

SATS firmly believes in grooming our internal talents to take on key management roles, and we have put in place a structured process in talent and succession management. The talent development framework and processes to build deep bench strength and a strong talent pipeline are discussed between the RHRC and Management, together with reviews of the organisation structure to meet changes in organisational needs.

At SATS, there are two tiers of talents identified for the organisation – the Business Unit (BU) Talent Pool and the Group Talent Pool. With the diverse nature of SATS' business, the BU Talent Pool allows for the identification and development of talents for specialised functions and expertise at the Gateway, Food Solutions and Corporate level. These three pools intersect at the Group Talent Pool where broad-based experience of the different businesses and strong leadership potential allows for the identification and grooming of Group Talents for key leadership positions. Conversations with the PCEO and business leaders are held regularly to identify individuals for the BU Talent Pool and Group Talent Pool.

As we review the organisation's succession planning, potential successors and high performing employees are put through a structured talent development programme based on the development assessment centre methodology. Our talent development programme is tailored for different employee grades and helps to assess the employees' areas for development in order to prepare them for higher roles. Deliberate steps are also taken to ensure that talents have sufficient exposure to different job functions in the organisation. These rotation plans form part of the talents' individual development plans and ensure that they will have the exposure needed to better lead the organisation in the future.

Board Risk and Safety Committee (BRSC)

The BRSC is chaired by Mr Yap Kim Wah, and its members are Mr Chia Kim Huat, Mrs Deborah Ong, Mr Tan Soo Nan and Dr Detlef Trefzger. All of the BRSC members (including the BRSC Chairman) are independent Directors.

Dr Detlef Trefzger was appointed as a member of the BRSC on 15 April 2023, in place of Ms Vinita Bali. Ms Bali stepped down as a member of the BRSC when she was appointed as a member of the EXCO on 15 April 2023.

Mr Yap Kim Wah will step down from the Board with effect from the conclusion of the 2023 AGM and will thereafter cease to be the Chairman of the BRSC. Subject to his re-election as a Director at the 2023 AGM, Dr Detlef Trefzger will be appointed as the Chairman of the BRSC with effect from the conclusion of the 2023 AGM, in place of Mr Yap Kim Wah. For more details, please refer to the "Succession Planning and Board Renewal" section in this Annual Report.

Key Responsibilities of the BRSC

The BRSC oversees and monitors the adequacy and effectiveness of the Group's[3] risk and safety management systems and programmes. Its key responsibilities include providing guidance on:

- The activities of the SATS Group Risk and Safety Committee (SGRSC) chaired by the PCEO, which is responsible for putting in place risk management processes and methodologies, identifying risks, implementing mitigation plans, and updating risk registers and profiles
- The Group's risk areas related to strategic, financial, operational, technology (including cybersecurity), and legal and regulatory compliance considerations
- The adequacy of resources for the risk management functions and whether they have an appropriate standing within the Group
- The risk management policies and practices as well as the types and level of risks faced by the Group
- The adequacy of proposed actions in response to any material breaches of risk limits
- In conjunction with the AC, the Board's Risk Management and Internal Controls Statement
- The Group's risk and safety management system and programmes for effectiveness and compliance with regulatory requirements and industry best practices for food safety, workplace safety and health
- Adequacy of the reporting on safety, initiation of remedial actions and assessment of the level of compliance with the safety management plan
- Food safety and accident investigation findings and implementation of recommendations by Management

BRSC Meetings

The BRSC is required by its terms of reference to meet at least four times a year. The BRSC met five times in FY2022-23, including a joint AC and BRSC meeting.

Risk Management and Internal Controls Statement

The Board is responsible for risk governance, and for determining the Company's level of risk tolerance and risk appetite. The Board oversees, monitors and provides guidance at least annually on the adequacy and effectiveness of the Group's internal controls and risk management system implemented by Management to address risks. This system aims to provide reasonable assurance to investors regarding:

- Safeguarding of the Group's assets against unauthorised or improper use or disposal
- Protection against material misstatements or losses
- Maintenance of proper accounting records
- Reliability of financial information used within the business and for publication
- Compliance with appropriate legislations, regulations (including requirements under the listing rules of the SGX-ST) and adoption of applicable corporate governance best practices
- Identification and management of business risks

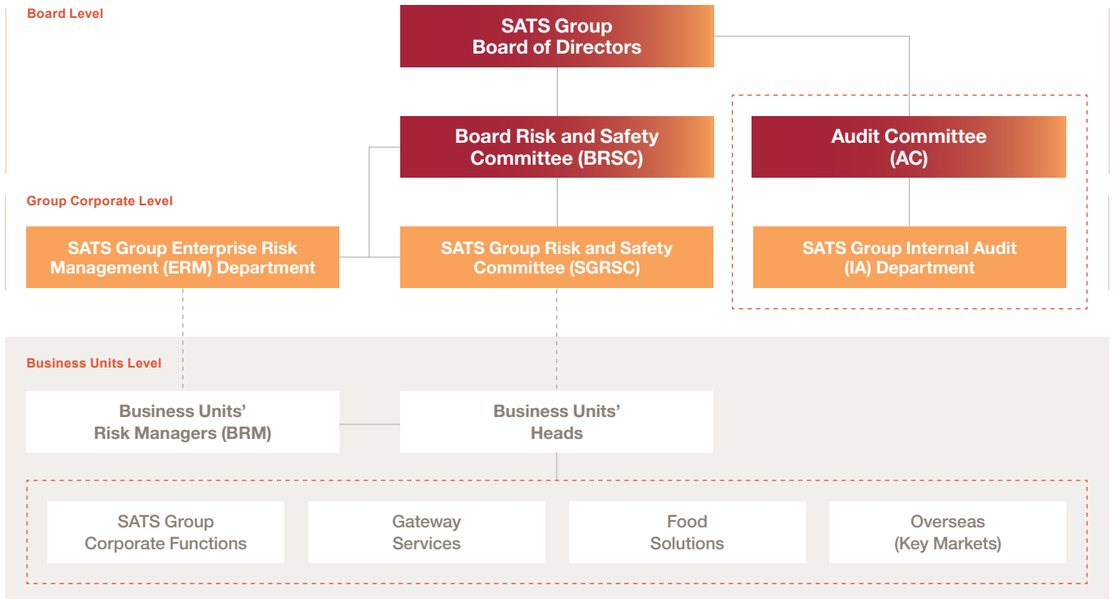
Risk Management Organisational Structure

The BRSC assists the Board in overseeing the adequacy and effectiveness of the safety and risk management systems. Under its oversight, the safety and risk management programme is executed with an integrated view of the organisation and its needs in mind.

The BRSC is supported by the SGRSC. The BRSC monitors the activities of the SGRSC, including regular risk management reports, initiatives, processes and exercises. The SGRSC meets on a quarterly basis to review the risk management system and mitigation measures.

The Group Enterprise Risk Management (ERM) Department coordinates and facilitates the risk management processes within the Group. It provides support to the SGRSC in carrying out its functions.

The Group risk management reporting structure is as depicted in the diagram below.



[3] Although WFS became a member of the SATS Group on 3 April 2023, being the Group's largest subsidiary, it is being directly overseen by an Advisory Board (please refer to the "WFS Advisory Board" sub-section of this Corporate Governance Report for further details). The WFS Advisory Board then reports to the Board on all WFS matters, including risk and safety management.

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Risk Management Overview

SATS' risk management process begins with the Board's assessment and approval of the Group's risk appetite statements. This determines the nature and extent of material risks that the Group is willing to take to achieve its strategic and business objectives. Taking the interests of key stakeholders (including creditors) into consideration, SATS' risk appetite clearly denotes the Group's desired risk profile and ensures it is aligned with the Group's strategy and business plans. The Board generally makes its considerations during the first quarter of the financial year and is kept updated on evolving risk trends, issues and Management's corresponding mitigating actions and plans in the course of the year.

Recognising the importance of connecting strategic decision-making and entity performance with risk management to accelerate the Group's growth and value creation, the Group has integrated the ERM framework with Strategy and Performance to manage the risks involved with investments.

Management has identified five main risk areas – financial, strategic, operational, technology (including cybersecurity) and legal and regulatory compliance risks. The Board, including its various committees, oversees the executive actions taken by Management in the following risk areas.

Financial

Risk Areas	What are the risks?
Credit	Risk of not being able to raise funds due to poor credit ratings; unhealthy debt/equity ratio.
Credit – Counterparty	Risk of potential financial loss resulting from customer/counterparty/business partners' failure to meet their financial obligations, i.e., payment defaults.
Interest Rate	Risk of fluctuations in interest rates which exposes the Company to volatility in its financing cost.
Liquidity	Risk of not being able to finance operations, meet short-term obligations, or service finance obligations due to insufficient levels of cash, difficulty in raising funds and/or cash flow fluctuations.
Foreign Exchange	Risk of unfavourable exchange rate movements of foreign currencies.

Strategic

Risk Areas	What are the risks?
Talent Attraction	Risk of not being able to attract and develop adequate key personnel and talent with the skills, knowledge and expertise to allow proper deployment.
Talent Retention	Risk of not being able to maintain a working environment which encourages current staff to remain with the Company. • Inability to retain key personnel and talent to operate the business and/or for succession planning, or • Insufficient/excess manpower due to increase/decrease in demand or inappropriate allocation of resources within SATS.
Knowledge Retention	Risk of inadequate skilled manpower, critical skills, capabilities, experience and knowledge capture and retention to support SATS' operations, resulting in negative impact on SATS' effectiveness, efficiency and operating results. Failure to retain and avoid loss of critical knowledge: • During resignations/transfers/retirement/employee downsizing; and/or • Due to gaps in existing knowledge management processes and systems.

Strategic (cont'd)

Risk Areas	What are the risks?
Growth and Competition	Risk of various forces eroding the Company's market share and/or negatively impacting the business, e.g., suppressed profits/reduced revenues due to competitive pricing, increased operating costs, declining margins, lack of innovative products, failure to manage uncertainties arising from entering/operating in new markets, loss of key customers or employees. These include market competition, innovation, investment management and customer demand risks, which are: • Failure of innovation initiatives to continuously improve and differentiate the Company's products, processes, people and systems; • Failure to manage uncertainties arising from entering/operating in new markets that may lead to loss of shareholder value, revenue, and reputation; • Failure to identify and respond to trends/changing landscape in a timely manner; and/or • Increased insurance premiums for business liabilities.
Customer Demand	Failure to keep up with shifts in B2B customer expectations and demands and/or end-consumer preferences/consumption trends. Includes delivery delays, poor product or service quality from outsourced services, etc.
Innovation	Failure to continuously improve and differentiate the Company's products, processes, people and systems.
Country Concentration	Risks associated with heavy reliance on a specific country or group of countries for SATS' business, investment, operations or supply chains, leading to potential business disruptions, losses, and negative operations and financial impacts resulting from the possibility of adverse events or changes in that specific country or group of countries.
Investment Management	Failure to manage uncertainties arising from entering/operating in new markets that may lead to loss of shareholder value, revenue and reputation. Includes failure to manage concentration of investments in new/unfamiliar markets, as well as failure to: • Adapt to the regulatory environment; • Establish control over joint venture (JV) partners; • Align strategic interests and business practices with those of our JVs; and/or • Set, communicate and execute strategic directions in investment decisions.
Customer Concentration	Risk where there is a concentration of customers where risk diversification is not maintained at an acceptable level.
Sustainability	Risk exposure to practices that negatively impact the environment and stakeholders in terms of climate change, natural resources, pollution and waste. These include degradation of land, air and water ecosystems, poor labour conditions and human rights, e.g., effluents, emissions, resource depletion arising from company's activities, etc. This risk area also includes the "environmental" and "social" aspects of ESG.

Operational

Risk Areas	What are the risks?
Food Safety Incident	Risk that food is prepared under conditions that are unhygienic or otherwise not compliant with acceptable practices, intentional or otherwise, leading to food poisoning and/or loss of licences/customers/reputation (including reputational impact to stakeholders such as customers and authorities).
Major Incident	Risk of loss of operating licences/damage to customers' assets/loss of customers/financial penalties/sanctions/prosecution/reputation damage (including reputational impact to stakeholders such as customers and authorities) due to aircraft-related or major operational incidents.
Workplace Health and Safety (WHS)	Risk associated with WHS, which includes any potential harm, injury, or illness that can occur in SATS' work environment. • The risks arise from various factors, such as physical hazards, chemical exposures, ergonomic issues, psychological stressors and organisational factors. • Risk of not being able to protect the physical and mental well-being of employees resulting in injury/fatality/loss of operating licences/loss of customers/financial penalties/sanctions/prosecution/reputational damage.

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Operational (cont'd)

Risk Areas	What are the risks?
Terrorist Attack	Occurrence of adverse events due to terrorist attacks at an airport, on premises or in the surroundings, that causes significant business disruptions, threatens business continuity and/or results in material loss or physical/reputational damage (including impact on stakeholders such as employees, customers and authorities).
External Shock	Occurrence of adverse external events such as disease outbreaks, fire, earthquakes, physical climate-related hazards (e.g., typhoons, tropical cyclones, river floods, sea level rise, drought, heat & precipitation stress), etc. that causes significant business disruptions, threatens business continuity and/or results in material loss or physical/reputational damage.
Adverse Internal Event	Occurrence of adverse internal events due to failure of internal process management (whether related to employees, counterparties or vendors), resulting in business disruption, threats to business continuity and/or material loss or physical/reputational damage.
Supply Chain	Risk arising from end-to-end supply chain activities, including: • Poor contract/project/supply chain management; • Supplier concentration or over-reliance on a single supplier; • Underperforming vendors; and/or • Poor 3rd party management.
Project Management	Risk of failure to manage key projects, including information technology (IT) and mergers and acquisitions projects, which leads to significant business disruptions, threatens business continuity and/or in material loss or physical/reputational damage (including reputational impact on stakeholders such as employees, customers and authorities).
Operational Compliance	Risk arising from failure to comply with Company policies and standard operating procedures, which leads to business disruptions, equipment/system failure or security breaches.

Technology

Risk Areas	What are the risks?
Technology Obsolescence	Risk of service, system or equipment becoming inadequate or obsolete in comparison with those of industry competitors, for the purpose of the service being provided in the course of business.
Cybersecurity	IT security violation resulting in business disruptions, systems breakdown, loss of business/life/assets, reputational damage (including reputational impact to stakeholders such as employees, customers and authorities), due to: • Lack of or inadequate maintenance/setup of equipment/IT systems; and/or • Malicious acts by employees or external parties to penetrate the Company's IT network or to tamper with equipment.

Legal and Regulatory Compliance

Risk Areas	What are the risks?
Non-Compliance, Fraud and Corruption	Risks arising from changes to political regimes, the non-enforceability of contracts, exposure to lawsuits, adverse legal judgments, non-compliance with or violation of rules, regulations, laws (including those relating to sanctions), internal codes of conduct and business practices.

SATS recognises the need for a comprehensive financial risk management system, given the globalised and diversified nature of the Group's businesses. SATS' overall philosophy to financial risk management is to manage the effects of economic uncertainty on the Group's financial performance, with its policies subject to regular Board reviews. Currently, foreign currency, interest rate, credit and liquidity risk form the main areas of concern for SATS' financial risk management. More information on these risk areas can be found in the "Notes to the Financial Statements" in the "Financials" section of this Annual Report.

In terms of strategic risk, the Group concerns itself with having the right mix of talent and capital for future success. SATS believes that employee empowerment leads to higher productivity and improved services for customers. Thus, many initiatives have been launched to provide employees with more opportunities for growth, allowing them to reach their fullest potential with SATS. More information can be found in the "Nurturing Skills for the Future" section of the Group's sustainability report.

Current and future portfolio considerations form another key aspect of SATS' strategic risk. SATS regularly monitors overseas developments, sensing growth in new markets and seizing investment opportunities when they arise. Over the course of such current and future investments, factors such as customer and country concentration or exposure to higher-risk countries have to be accounted for.

Contributing to environmental responsibility and improved sustainability, the Group adopted a technology-driven, people-led approach to create greater value for our stakeholders. This includes enhancing SATS' operational efficiencies and reducing carbon footprint and waste while shifting to renewable and sustainable sources of energy, water and raw materials to lessen the impact that the business has on the environment. More information can be found in the Group's sustainability report.

Given the critical nature of SATS' operations in the aviation sector, the Group's operational risks include the potential for adverse exogenous events, terrorism and workplace and food safety incidents. SATS aims to reduce these risks through inculcating a culture of vigilance and resilience, cybersecurity, food hygiene and mindfulness for workplace safety at all organisational levels. Risk managers within all business units have also been appointed to efficiently consolidate and streamline the risk management processes across the various business units.

SATS is actively monitoring and mitigating the first and second order risks created by the on-going conflict between Russia and Ukraine, including global supply chain disruptions, increased food and energy prices, and resultant inflationary pressures. Management has determined that the direct impact of the conflict in terms of lost business, bad debt provisions, etc. has not been material. Nonetheless, the Board actively monitors the Group's exposure or link to sanctions-related risks which are relevant and material to SATS' operations as an enlarged group following the acquisition of WFS.

SATS recognises that cybersecurity risks have become a key concern for the Group as we continue to embrace digital transformation and leverage advanced technology solutions to drive business growth and optimise efficiencies. SATS is committed to implementing a robust cybersecurity risk management strategy to protect against constantly advancing and evolving cyber threats.

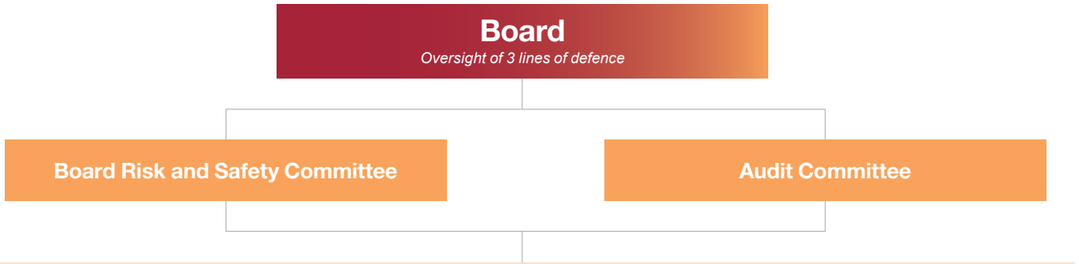
SATS also conducts regular audits across all its operational domains to ensure that stringent safety and quality standards are met. These include internationally recognised certifications such as ISO 45001, ISO 9001 and HACCP. More information on such accreditation can be found in the "Safety" section of the Group's sustainability report. SATS has also actively participated in the SGSecure@Workplaces programme, having been registered under the Singapore Police Force and Singapore Civil Defence Force's Safety and Security Watch Group scheme.

Furthermore, owing to the strength of the SATS brand as a major institution in ground handling and catering, much importance is placed on developing sustainable work practices and managing reputational and compliance risks, including fraud, involved in the Group's daily operations. SATS has implemented a comprehensive set of procedures to ensure that legal and industry regulations are complied with, thus mitigating as far as practicable the occurrence and impact of these risks as they arise.

Corporate Governance Report

Management Controls and Assurance Framework

The Group's Management Controls and Assurance Framework (Framework) comprises three levels of defence to ensure the adequacy and effectiveness of the Group's system of risk management and internal controls.



1st Line of Defence – Risk Ownership

Management ensures good corporate governance through the implementation and management of policies and procedures relevant to the Group's business environment. These policies and procedures govern financial, operational, information technology and compliance matters.

The Group's key policies and procedures include:

- Written terms of reference for Management and Board Committees
- Defined roles and responsibilities, and authorisation levels for all aspects of the businesses that are set out in the Financial and Operating Approval Authority Matrix, including guidelines on matters requiring the Board's approval
- Appropriate management organisational structures
- A planned and coordinated budgeting process where operating units prepare budgets for the coming year that are approved by both Management and the Board
- Policies that set out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. They cover areas such as workplace health and safety, conduct in the workplace, safeguarding of the Company's assets (including proprietary information and intellectual property), confidentiality, conflict of interest, and non-solicitation of customers and employees

The Group has its own approval limits and procedures for every banking and finance transaction, having regard to the nature of the transaction concerned. All banking and finance transactions undertaken by the Group must be properly authorised, including the opening of new bank accounts and the taking up of any proposed credit facilities and the Group's key insurance coverage, the adequacy of which is reviewed on a yearly basis. These approval limits and procedures are updated from time to time and are available on request to the bankers and lenders to the Group.

Tax Strategy and Governance Framework

In line with SATS' Corporate Governance principles and core values, SATS adheres to the highest standard of integrity in managing its tax affairs and in complying with applicable local tax laws. SATS exercises due care and activates prescribed protocols in tax risk management and also embraces a transparent posture in meeting its tax reporting obligations.

Compliance with Tax Law

As SATS continues to expand its global footprint, it is fully committed to complying with the tax law and regulations where SATS has established a taxable presence or where a tax reporting obligation arises according to the local law.

SATS exercises good faith effort in meeting all tax filings and payment obligations on a timely basis. Operating in the current global business landscape has become increasingly dynamic and challenging where there are stricter regulatory requirements in tax reporting and tax transparency. SATS commits to being a responsible taxpayer and remains vigilant in meeting these requirements. More importantly, SATS does not condone the behaviour of profit shifting with a tax avoidance intent to minimise its tax obligation and maintains the principle of paying its fair share of taxes in all relevant countries where it has a tax filing obligation.

Where relevant, business or legal entity reorganisation plans are led by valid commercial reasons that support SATS' business strategy. In the event that these business reorganisation plans may give rise to tax consequences, appropriate external tax advice will be sought to address the relevant risk and potential financial impact that may arise from these business reorganisation plans.

Governance for Managing Tax Risk

SATS' tax risk and governance framework conforms to the principles under its Corporate Governance framework. SATS' Board has fully embraced the Corporate Governance principles since their adoption. Appropriate delegation of authority has been put in place to set up an adequate tax governance and control framework. The tax governance and control framework is fully endorsed by the Board and is designed to safeguard the Group from material financial or reputational risks.

Tax laws and regulations are constantly evolving and becoming more complex. The heightening demands in tax reporting obligations significantly increases the risk of unintentional non-compliance. SATS is committed to act responsibly and with integrity in relation to the management of its tax affairs.

SATS supports competitive business growth without compromising the integrity of its tax risk and governance principles. Differences in interpretation and/or enforcement of tax laws, rules and regulations may create tax risks, which SATS will proactively seek to identify, evaluate, manage and monitor through compliance, disclosure and an adequate control framework. Any significant tax issues will be channelled to the Senior Management and/or the Board according to the established risk management protocols and the delegation of authority framework.

The level of tax risk that SATS accepts is aligned with its business strategy, core values, corporate social responsibility and reputation. SATS seeks the counsel of external advisors, when relevant, to assess the tax risks associated with the interpretation of tax laws, rules or regulations. Care is duly exercised in the assessment of tax risks based on the available facts.

Relationship with Tax Authorities

SATS is committed to nurture a collaborative relationship with the tax authorities and to exercise due care and professionalism in responding to questions or queries raised by the respective tax authorities. We seek appropriate opportunities to develop mutually respectful relationships with tax authorities based on transparency and trust. Where relevant, SATS intends to work with relevant authorities and legislators to engage in discussions, obtain advance rulings on certain transactions or seek clarity around any points of uncertainty arising from the interpretation or application of tax laws, rules and regulations.

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Cybersecurity Governance and Management

SATS continues to prioritise and maintain a strong focus on cybersecurity management. SATS' Information Security policy and its supporting standards and guidelines are aligned with ISO 27001. The SATS Cyber Security Management Framework is designed to protect, detect and respond to cybersecurity threats, and strengthen SATS' cyber resilience. This framework's focus has been updated during FY2022-23 and an additional area was added to reflect the ever-changing cybersecurity landscape.

Cyber Security Management Framework

Defence-in-Depth	Attacker's Perspective	Cybersecure Culture	Collective Defence
Deploying multiple layers of security measures to protect against different types of attacks, reduce the likelihood of successful attacks and minimise the impact of any breaches.	**Looking at SATS' systems and networks from the point of view of attackers to understand how they might try to exploit SATS' systems and take proactive steps to prevent or mitigate those attacks.**	**Promoting safe and responsible behaviour when using SATS' IT assets and empowering employees to spot and report cyberattacks promptly.**	**Working together within a trusted community by collaborating and sharing insights, best practices, and resources to improve our overall security posture and better defend against cyber threats.**
Standardised System Criticality baselines: 1. Critical 2. Essential 3. Standard	Continuous attack surface monitoring	Security awareness programme	Threat insight sharing within trusted community (Temasek Dome)
Cyber Maturity assessment based on National Institute of Standards and Technology at the U.S. Department of Commerce	External penetration tests programme	Phishing simulations	Knowledge sharing and collaboration with the Singapore aviation ecosystem
Multi-layer security controls: • Firewalls • Intrusion Prevention System • Secure Internet Access • Email Protection • Network Segmentation • Mobile Security • Endpoint Protection • Cloud Security • Infrastructure Security • Application Security • Data Encryption • Multi-Factor Authentication • Zero Trust	System and infrastructure vulnerability assessments	Cyber tabletop exercises	Active community involvement and partnership
	Red-team exercises	Incident reporting reward programme	
	Technical Incident Response rehearsals	Acceptable Use Policy	
	Cyber Threat Intelligence	Data Privacy Policy	

In line with our commitment to transparency and accountability, cybersecurity reports are presented to the SGRSC and BRSC on a quarterly basis.

2nd Line of Defence – Risk Oversight

The ERM framework has been integrated with Strategy and Performance as the Group recognises the importance of connecting strategic decision-making and entity performance with risk management to accelerate the Group's growth and enhance performance.

The risk management system concentrates on those key risks which may have a significant influence on the Group's assets, finances and profits, and those that may potentially endanger the continued existence of the Group's companies. The procedures adopted facilitate the early detection and control of risks.

The operational business units meet regularly to review risk and control matters, including ascertaining that there are effective follow-up procedures. The outcome and status of such matters are reported to the BRSC and the AC for review and information.

The Group carried out reviews of its key risk profiles, with preventive and mitigating control actions further refined and developed for adequacy and effectiveness.

The ongoing process to identify, assess, monitor and manage business risks that can impede the achievement of the Group's objectives is continuously reviewed for improvements. The key risks are assessed by their probability, consequence and velocity on a predetermined scale, and then ranked accordingly. The risk management process, which is in place throughout the year and up to the date of this statement, is firmly embedded within the Group's business operations and is every employee's responsibility.

The following are the key risk management activities carried out within the Group during the year:

- Enterprise risk review and identification exercises conducted at the business unit and department levels, to review the existing risks in the risk register and to identify new risks that may have emerged. It allows the business units to review the adequacy and effectiveness of their key risk controls and to develop risk treatment plans to address risk exposures so that business objectives are pursued in a risk-controlled manner;
- Fraud risk review exercise conducted at the business units and department levels, to identify the potentially fraudulent activities that could occur in key processes, and implement a combination of preventive and detective anti-fraud control measures;
- Business continuity/contingency plans were tested during the financial year under review. The procedures were fine-tuned and enhanced for improvements further to the post-mortem briefings held; and
- Risk and control self-assessment (RCSA) compliance test exercises carried out by the business units. This is a process to provide an overview of control compliance, including whether controls are executed effectively as intended by the business units. This exercise serves as a basis to acquire assurance on the operating effectiveness of the controls, identify any control deficiency and weakness and develop remediation actions to ensure controls are operating effectively.

Fraud risk management processes include conflict of interest and bankruptcy declarations, mandatory block leave for sensitive positions, as well as implementation of policies such as the SATS Whistleblowing Policy and Code of Conduct to establish a clear tone from the top regarding employees' business and ethical conduct. It also considers all potential fraud risks, schemes, scenarios and employees' positions/designations in the Company identified through the Fraud Risk Assessment, for monitoring and implementation of additional controls based on positions and risk levels.

In addition, as part of our initiatives to enhance the senior members of Management's leadership commitment, legal compliance awareness, and risk management skills, enabling them to promote a positive safety culture and make informed decisions to create a safe and healthy work environment, all senior members of Management have undergone the bizSAFE[4] Level 1 training (or its equivalent in their respective countries). Moving forward, all Board members will also undergo this training. The bizSAFE training equips senior members of Management and the Board with foundational knowledge to prioritise the safety of SATS employees and ensure legal compliance.

3rd Line of Defence – Independent Assurance

Management monitors internal controls through RCSAs that have been developed based on the principle of minimum acceptable controls. During the course of the year, RCSA controls were reviewed for relevancy and adequacy to business processes. The controls are assessed by the business unit testers, control owners, risk owners and independently by the various internal audit teams, including the Group's Internal Auditors. Action plans are developed to remedy identified control weaknesses.

Written assurances and representations, together with an attached checklist of key elements of internal controls approved by the Board, have been obtained from all the executive heads of all the Company's operating subsidiaries as well as from the executive heads or other appropriate officers of all of the Company's active associated companies, that their respective companies' internal controls were adequate during the financial year under review. The written assurances and representations also included the assurances provided by respective business heads on the Group's compliance with the Interested Person Transaction Manual and Gifts & Entertainment Guidance Paper.

The external auditors will highlight any material internal control weaknesses that have come to their attention in the course of their statutory audit. Any significant non-compliance or failures in internal controls and recommendations for improvement are reported to the AC.

The details of the Group's independent Internal Audit function are set out in the "Audit Committee" sub-section of this Corporate Governance Report.

[4] bizSAFE is the nationally recognised capability building programme in Singapore, designed with the support of the Ministry of Manpower to help companies build workplace safety and health capabilities.

Corporate Governance Report

Board's Oversight

The Board of Directors, supported by the AC and BRSC, oversees the Group's systems of internal controls and risk management. The Board required and has received assurance from the PCEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and financial position.

Additionally, the PCEO and relevant business heads who are responsible have provided the Board assurances on the adequacy and effectiveness of the Group's risk management and internal control systems, addressing financial, operational, compliance and technology (including cybersecurity) risks.

While the aviation industry has started to recover from the impact of COVID-19, the severity of the pandemic's impact can still be felt. The Board, AC and BRSC have been rigorous in identifying and reviewing key risk areas, and ensuring adequate measures have been put in place to contain and/or manage the risks. The AC vigilantly reviews the Group's financials, projections, and its finance watchlist, which provides visibility on higher risk areas such as accounts receivables, carrying value of investments, asset obsolescence and funding requirements. Key financial ratios and financial covenants are also tracked and presented to alert the Board, AC and BRSC on the financial condition of the Group. In view of the challenging environment during COVID-19 which led to changes in the mode of operations, adequate attention has also been given to ensure operational and financial controls remain robust across the Group.

Material updates and risks were highlighted to the BRSC at its quarterly meetings as well as through the monthly risk reports. The BRSC was kept abreast of the financial impact of significant risks (if any) and quarterly reports on the financial forecast were provided to the BRSC. The Key Risk Indicators were enhanced to include tracking of cashflow forecasts as well as compliance with covenants.

Conclusion

Taking into account the views of the AC and BRSC in the exercise of their responsibilities under their respective terms of reference, the framework of management controls, the internal control policies and procedures established and maintained by the Management, the reviews conducted by the internal and external auditors and the documented governance assurance, the Board is of the opinion that the systems of internal controls and risk management (addressing financial, operational, compliance and technology controls) that the Group considers relevant and material to its current business scope and environment were adequate and effective as at the date of the 'Directors' Statement'. The AC concurs with the Board's opinion.

However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud, cyberattacks or other irregularities.

Advisory Panel

Indonesia Advisory Panel

The Indonesia Advisory Panel (IAP) was constituted on 15 January 2021 with a non-executive advisory function to provide expertise and advice in relation to SATS' investments, strategic imperatives and growth aspirations in Indonesia. The knowledge and expertise of the distinguished panel members help SATS keep abreast of market developments and policy initiatives in this important market.

The specific objectives of the IAP are to:

(i) share perspectives on major economic, social and industry trends that may affect the Company in Indonesia;
(ii) lend their expertise, insights and advice on specific projects undertaken by the Company in Indonesia;
(iii) provide guidance and advice on managing partnerships, regulators and other key stakeholders in Indonesia including advising the Company on navigating the business and regulatory environment and, political and cultural sensitivities; and
(iv) advise SATS in establishing communication with contacts in Indonesia such as industry players, potential business partners and advisers to help the Company achieve its growth aspirations in Indonesia.

IAP members are not Board directors and the IAP is not a decision-making forum. However, the IAP is directly accountable to the Board. The IAP is chaired by Mr Nihal Kaviratne CBE, and its members are Dr. Kuntoro Mangkusubroto and Dr R.M. Marty M. Natalegawa. The PCEO, Board Chairman and Mr Chia Kim Huat (who is assigned to provide added counsel to the management of the Company's Indonesian business) attend these meetings.

WFS Advisory Board

The board of SATS Investments (III) Pte. Ltd. (SIPL3), a wholly-owned subsidiary of SATS, is institutionalised within SATS as the WFS Advisory Board (WAB). The WAB which formed on 3 April 2023, operates as an advisory board that specifically provides expertise, advice and guidance in relation to the business affairs, strategic and operational matters of the WFS group (WFS Group) following the acquisition of WFS.

The members of the WAB include (i) Ms Euleen Goh, who serves as the Chairman of the WAB; (ii) Mr Nils Andersen, who serves as Deputy Chairman of the WAB, (iii) Mr Kerry Mok; (iv) Dr Detlef Trefzger; and (v) Mr Onno Boots. Mr Andersen has extensive experience in fast-moving consumer goods, oil and gas, transport and logistics whereas Mr Boots' experience is in the aviation, logistics and supply chain industry. Their expertise and experience will be an asset to the collective capabilities of the WAB. Pursuant to its terms of reference, the WAB is delegated with full authority by the Board to oversee and provide guidance on the business affairs of the WFS Group. There is a delegation of authority matrix under which the WAB's approval is required for certain key WFS Group matters.

Corporate Culture

SATS Code of Conduct

The SATS Code of Conduct sets out the standards of behaviour by which we deal with our customers, business partners, colleagues, suppliers and each other. All employees are required to read and acknowledge the Code of Conduct upon joining the Company. Employees are regularly reminded of the need to comply with the Code of Conduct.

The principles covered in the Code of Conduct are:

Passion to Delight

Standing behind our promise of quality are the people with the passion to delight. We believe in fostering a collaborative environment where every employee of the organisation is obliged to observe our code of conduct in interactions between employees, customers and business partners.

High Integrity

We build trust with business partners through integrity. We forbid employees to seek work outside of SATS so that they can give full devotion to the work they do for us. Integrity is further protected through non-competition and non-solicitation requirements for a period of one year after the employee has ceased employment with us.

We are careful to avoid situations where personal connections or financial interests may influence impartiality. Employees are required to inform us of situations where they have family members who have business dealings with us. Further, employees and members of their family are not allowed to accept gifts or preferential treatment arising from their employment with us.

Information is valuable to our business. Employees are expected to keep confidentiality, not make false claims and refrain from insider trading.

Safety in the Workplace

Workplace safety is of paramount importance to our business. We ensure that all employees and contractors are adequately trained to perform their tasks competently and we insist on strict adherence to safety rules.

Safeguarding Assets

Employees are expected to exercise responsibility and good judgement in the use of Company assets. Use of these properties must be authorised and the individual is required to comply with the rules governing usage.

Ethics and Compliance

We strongly believe in conducting business with the highest standards of ethics and integrity, and being in strict compliance with all applicable laws and regulatory requirements. As we grow globally, we are also inevitably exposed to more complex legal and regulatory risks. In the face of such opportunities and uncertainties, our Company firmly adopts a zero-tolerance approach towards bribery, corruption, fraud and unethical behaviour, and aims to limit its risk exposure through adoption of best practices and in attaining the ISO 37001 standard certification as an assurance of the robustness of our established anti-bribery management system. These endeavours aim to protect the reputation of our Company and also serve to safeguard the interests of our shareholders and stakeholders.

In FY2021-22, we successfully obtained the ISO 37001 Certification for SATS Ltd, SATS Airport Services Pte Ltd, SATS Catering Pte Ltd, SATS Aero Laundry Pte Ltd, SATS Food Services Pte Ltd, SATS Institutional Catering Pte Ltd, SFI Manufacturing Pte Ltd and SATS Seletar Aviation Service Pte Ltd. In FY2022-23, we extended the certification to another six Singapore-based subsidiaries, namely SATS Security Services Pte Ltd, SATS Asia-Pacific Star Pte Ltd, Primary Industries Pte Ltd, Hog Auction Market Pte Ltd, SATS-Creuers Cruise Services Pte Ltd, and Country Foods Pte Ltd. To mitigate risks faced in other jurisdictions, we plan to also obtain ISO 37001 certification for our overseas subsidiaries in the near future.

Corporate Governance Report

In FY2022-23, SATS also issued its Code of Ethics & Business Conduct, which provides guidance to our staff on their expected ethical behaviour in carrying out their roles and responsibilities and when they deal with our various stakeholders. This public document was also published on the SATS corporate website as a testament to SATS' commitment to upholding the highest standards of integrity and business conduct and in complying with all local laws and regulations, Company policies and operating procedures wherever we operate.

To ensure effective implementation of compliance policies, an Ethics & Compliance champion was appointed by each subsidiary and business unit. These champions were trained by the Ethics & Compliance team to be equipped with skills and knowledge to help discharge their roles.

For awareness and training, the completion rate of the Anti-bribery & Anti-Corruption e-learning module by employees exceeded 92% in 2022. Posters were also strategically used to raise employees' awareness of whistleblowing channels, gift & entertainment declarations and issues regarding anti-bribery and anti-corruption.

In addition, the Ethics & Compliance team also facilitated many deep-dive sessions with selected business units to better understand the bribery and corruption risks faced by such business units, so that relevant and effective control measures could be identified and employed to mitigate risk exposure. Every year, each business unit is required to conduct a bribery risk review exercise to ensure that changes to its business context are regularly updated in the risk registers and to assess the effectiveness of control measures employed to mitigate identified risks. In addition, ISO 37001 internal audits are also conducted on business units on an annual basis. Selected business units will also be subjected to annual Surveillance Audits by external ISO 37001 certification auditors. These serve to assure stakeholders of the robustness of SATS' Anti-Bribery Management System.

As building an ethical and compliant culture is an ongoing journey, the Ethics & Compliance team will continue to review its existing systems and processes for better effectiveness and efficiency. SATS will also continue to communicate its unwavering position against any form of bribery, corruption and unethical behavior to all its stakeholders, including business partners.

Whistleblowing Policy

The Group has put in place the SATS Whistleblowing Policy which sets out the procedure to make a report on possible or suspected misconduct or wrongdoing relating to the Group and its officers by a whistleblower. A whistleblower could be an employee, officer, Director, customer, supplier, contractor, agent or any member of the public. Under the SATS Whistleblowing Policy, all employees and officers of the Group have the responsibility to promptly report any misconduct or wrongdoing involving suspected fraud, corruption, other illegal or unethical practices or other similar matters which may cause financial loss to the Group or damage the Group's reputation.

Whistleblowers may identify themselves or make anonymous reports in the form of emails, letters or written/verbal reports directly to the GIA, or via dedicated whistleblowing channels through email at tipoffs@sats.com.sg, via hotline number at +65 6399 0013, and through the online whistleblowing platform at https://sats.whispli.com (whistleblowing channels). On the online whistleblowing platform, whistleblowers can continue to communicate anonymously via the secured messaging channels to provide additional information or receive updates. The SATS Whistleblowing Policy further provides that reports and investigations, as well as the identity of the whistleblower, are kept confidential to the extent practicable or permitted by law or the applicable regulatory authority.

The SATS Whistleblowing Policy and SATS Code of Conduct expressly provide that there shall be no reprisal (whether in the form of termination, retribution, harassment or any unfair treatment) against a whistleblower who has made a report in good faith, even if the concerns raised may be mistaken.

Our GIA is the independent function which is responsible for reviewing and investigating all whistleblowing reports received to consider the seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources and if such reports are made in good faith. After considering these factors, an assessment is made as to whether further investigations are required and if investigations should be undertaken by the GIA or another appropriately skilled and knowledgeable independent investigation team as appropriate. Depending on the complexity and the nature of the reports, external service providers may be engaged to assist in investigations. If a report concerns the Head, Group Internal Audit or the PCEO, the report is escalated to the AC Chairman who may delegate investigation of such report to any person deemed fit by the AC Chairman.

The AC is responsible for the oversight and monitoring of whistleblowing and reviews the adequacy of the whistleblowing arrangements. On a quarterly basis, the GIA reports to the AC on all reports received and the outcome of investigations on reports involving fraud, corruption, theft, conflict of interest and financial statement fraud. The above internal processes ensure that reported incidents are subject to independent thorough investigations and appropriate follow-up actions, including referral to the appropriate disciplinary process where there is misconduct.

As part of the Group's efforts to promote strong ethical values as well as fraud and control awareness, references to the SATS Whistleblowing Policy are made in the SATS Employee Handbook and SATS' Anti-Bribery Policy and are covered during employee trainings and periodic communications to all employees. The SATS Whistleblowing Policy is made available to all employees on the Group's intranet and the whistleblowing channels on the Group's intranet and corporate website.

Banking Transaction Procedures

Our lenders are notified that all bank transactions undertaken by any member of the Group must be properly authorised, including the opening of new bank accounts and any proposed credit facilities. Each member of the Group has its own approval limits and procedures for every banking transaction, having regard to the nature of the transaction concerned. These approval limits and procedures are updated from time to time and are available on request. The bankers of each member of the Group have been advised to verify, in accordance with the verification process set out in the applicable procedures, that the transaction is properly authorised.

Accountability to Shareholders

Shareholder Rights

SATS practices fair and equal dissemination of information. All media releases, announcements and investor presentations are issued via SGXNET and uploaded on our website, providing timely information to shareholders.

Shareholders are informed of general meetings through notices published in the newspapers, electronic releases and/or reports or circulars sent to all shareholders. We generally provide our shareholders with longer than the minimum notice period required for general meetings. We also give our shareholders the necessary information on each resolution so as to enable them to exercise their votes on an informed basis. In particular, for resolutions on the election or re-election of Directors, sufficient information is provided on their background, their contributions to SATS and their Board and Board Committee positions so that shareholders may properly assess the candidacy of such Directors.

Shareholders are given the opportunity to participate effectively in and vote at general meetings. They are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. Shareholders also have the right to call for general meetings by requisition, in accordance with the provisions of the Companies Act.

Provision 11.4 of the 2018 Code provides for a company's constitution to allow for *absentia* voting at general meetings of shareholders. Our Constitution currently does not, however, permit shareholders to vote at general meetings *in absentia* (such as via mail, email or fax). We will consider implementing the relevant amendments to the Company's Constitution if the Board is of the view that there is a demand for such alternative methods of voting, and after we have evaluated and put in place the necessary security processes to facilitate *in absentia* voting, and prevention measures against errors, fraud and other irregularities. Shareholders nevertheless already have the opportunity to communicate their views on matters affecting the Company even when they are not in attendance at general meetings as each shareholder is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. Institutional shareholders are allowed to appoint multiple proxies, so indirect investors who hold shares though nominee companies, custodian banks, CPF agent banks or SRS operators may be appointed as proxies to attend, speak and vote at the AGM.

The voting rights of shareholders are described in the Annual Report, and shareholders are briefed by independent scrutineers on the rules and voting procedures at the beginning of general meetings. We encourage shareholders to actively participate in general meetings, which are held at convenient locations.

Corporate Governance Report

Communication with Shareholders

Investor Relations

SATS' purpose is to feed and connect communities, and our ambition to create value across our businesses for our customers, industry partners, shareholders and employees is reflected in our Mission and Values. As such, SATS strives to communicate pertinent information to shareholders and the investment community in a clear and detailed manner on a regular and timely basis. We commit to disclosing material price- and trade-sensitive information to the public on a prompt and inclusive basis, providing our stakeholders with the latest, most relevant information they require to make informed decisions about the value of SATS and our long-term prospects. Material information relating to our financial performance, business and strategic developments is published on SGXNET first, followed by our website at www.sats.com.sg.

As required by the Listing Manual, the Company discloses the names of its substantial shareholders[5] and a breakdown of their direct and deemed interests (including how such interests are held or derived) in its annual report every year. The Company also disseminates, via SGXNET, the notifications it receives from its substantial shareholders, in accordance with the provisions of the SFA.

A dedicated investor relations section on our website enables access for our shareholders and the investment community to pertinent information about SATS such as annual reports, financial results/voluntary quarterly business updates, webcasts of earnings briefings, and the latest corporate presentations. Shareholders are also able to access a copy of the Company's Constitution on its website.

In addition, we have many channels that offer engagement and dialogue opportunities with the Management team for our stakeholders to better understand our business strategy. In FY2022-23, we organised post-results conference calls at the end of every quarter of the financial year, with live audio webcasts to brief shareholders, the investment community and the media on our financial performance and key business and corporate developments. We also make available an on-demand audio recording of such sessions on our website within three business days.

Furthermore, we regularly participate in investor conferences held both locally and overseas to meet with investors who are interested in knowing more about our business and we make it a point to respond to requests from key institutional investors to meet with the senior members of Management on specific matters and queries about our business. In FY2022-23, we extended our reach to investors through our participation in 13 conferences.

Our Corporate Communications department acts as our corporate liaison to facilitate the flow of information between SATS and our stakeholders, including investors, analysts, government agencies, the media and the general public. The department disseminates corporate information that promotes a transparent and positive relationship with all our stakeholders and manages enquiries about our business performance and requests for meetings with Management. Shareholders who wish to contact SATS may get in touch with the Corporate Communications department. The department's contact details are listed on our website.

A dedicated investor relations team in the Finance Department works closely with the Corporate Communications team to implement a defined investor relations programme. Upon receiving queries and feedback, our Corporate Communications team will consult the relevant subject matter experts before responding appropriately. Communications with our stakeholders are conducted in an open, transparent manner and in compliance with SGX requirements.

Purpose and Brand

During and after the COVID-19 pandemic, SATS has pursued its strategic approach to branding beyond its corporate identity. This has supported acceleration in products and solutions design led by our now well-established Global Innovation Hub, allowing customers and consumers to choose their preferred meal options based on our strong reputation of quality and safety in travel-related businesses and beyond.

Our Company's purpose "to feed and connect communities" appropriately reflects the ecosystems that SATS serves through our various activities and initiatives. It is SATS' vision to be the market leader by delighting customers and consumers with innovative food solutions and seamless connections. The SATS brand continues to support both Food and Gateway businesses in aviation and non-travel related businesses, and with the WFS acquisition, a renewed brand architecture will enable the Company to grow brand equity and penetrate new market segments.

[5] A substantial shareholder is a person who has an interest in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the Company.

Sustainability

Combating climate change is a matter of great urgency and priority, and the status quo is no longer an option. Action against climate change is a task that requires a global joint effort shared across all countries, sectors and supply chains. For SATS, firm and decisive actions to decarbonise our operations will contribute to this collective effort. As aviation volumes ramp up, SATS continues to take the opportunity to improve our ESG performance, with our Singapore hub taking the lead. The Board provides guidance on the development of the Company's business strategy and reviews the effectiveness of all programmes to ensure they are fit for purpose and are sustainable. SATS became the first ground handler in the Asia Pacific to join the International Air Transport Association Environmental Assessment programme, aligning ourselves with international best practices in environmental management in order to support our partners with world-class standards. In FY2022-23, SATS also renewed our membership as a signatory of the United Nations Global Compact demonstrating the Company's commitment to the 10 universal principles in the areas of human rights, labour, environment, and anti-corruption.

SATS has also formalised and published our inaugural Group Environmental Policy, signalling our commitment to minimise our carbon footprint, optimise our resources and mitigate any environmental risks in our business.

Our Board also makes certain that we integrate sustainability goals into business goals, making sustainability a vital facet of our business strategy. In FY2022-23, SATS formed the ESG Steering Committee, comprising senior members of the GMB, to ensure alignment among top decision-makers on ESG ambition and initiatives. This is also in order to evaluate the business case and trade-offs for the implementation of ESG projects, including resourcing, capital allocation and potential financial impact.

Our sustainability goals contribute significantly to fulfilling our purpose to feed and connect communities. Building upon our core competencies to enable our business, stakeholders and the community to grow with purpose, our sustainability framework drives our three focus areas – namely to build smart infrastructure to reduce our environmental impact, reduce and process food and packaging waste sustainably, and nurture skills for the future. In FY2022-23, we conducted a second Materiality Assessment review since the first in 2017, to help the Company recalibrate and focus its sustainability efforts on the topics that matter most in terms of stakeholder relevance and business impact. More details on this assessment can be found in our Sustainability Report.

We report our sustainability performance in accordance with the SGX Sustainability Reporting Guide, taking reference from the Global Reporting Initiative Universal Standards. The increasing focus on climate change has resulted in calls for a transition to a lower-carbon economy. In FY2022-23, we enhanced our Task Force on Climate-related Financial Disclosures' (TCFD) process to further assess the financial quantification of climate-related risks and opportunities, as these will help support investments in mitigation actions and strengthen our climate resilience as a business. We also map material topics to the United Nations Sustainable Development Goals, and continually review our sustainable business strategy to improve our stewardship and reporting format. Following SGX's guidance and/or requirements on mandatory climate reporting, SATS will continue to provide and improve our climate-related disclosures, which are consistent with TCFD recommendations, in our future sustainability reports.

We engage our internal and external stakeholders regularly through multiple channels to seek alignment on material issues that guide our decision-making. As part of our Materiality Assessment review, we also conducted interviews and focus group discussions with key internal and external stakeholders to gather further insights, validate SATS' assessment of the issues material to our business and align our sustainability goals with those of our stakeholders, which will guide us on the prioritisation of resources for various sustainability programmes. By working collaboratively with all stakeholders, we create a greater positive impact on the environment and the communities we serve.

As SATS continues to grow our food-related businesses, we are expanding our ESG policies and practices beyond our own operations to those of suppliers. Starting from 1 April 2023, all sourcing activities of food-related goods and services will incorporate sustainability as part of vendor selection criteria, encouraging our suppliers to incorporate ESG practices to support our collective goals.

We recognise that many of these suppliers are small and medium enterprises, and they may not have the resources or capacity to embark on their own sustainability journeys alone. Therefore, we are endeavouring to provide support and resources to help these suppliers adopt sustainable business practices and enhance their carbon management, through a series of supplier outreach initiatives and workshops. SATS believes that sustainability is a collective effort and we hope to create a shared commitment to sustainability across our supply chain. As we move forward, we will continue to evaluate and improve our supplier outreach and engagement initiatives to ensure that we are making a meaningful impact on our supply chain.

Corporate Governance Report

Dividend Policy

The Company targets to provide sustainable dividend payouts that take into account cash flow generation and balance sheet strength, along with projected capital requirements and investments. In the event of a material variation in declared dividends compared to the previous corresponding period, or any decision not to declare a dividend, the reasons for such will be disclosed in accordance with the Listing Manual.

The Board of Directors believes that it would be prudent not to pay dividends with respect to FY2022-23 as the Company reported a loss excluding government grants and reliefs.

The dividend payouts in the current and past four years are set out in the "Five-Year Group Financial and Operational Summary" section of this Annual Report.

Conduct of Shareholder Meetings

Generally, all Directors are required to attend general meetings and are present for the entire duration of general meetings. The Chairman of the Board, the Chairman of each of the EXCO, AC, NC, RHRC and BRSC and the external auditors are present to address shareholders' queries. Our PCEO makes presentations at AGMs to update shareholders on our performance, position and prospects, and the presentation materials are uploaded onto SGXNET and our corporate website. The Chairman of the meeting is tasked with facilitating constructive dialogue between the shareholders and the Board, Management and the external auditors. Where appropriate, the Chairman allows specific Directors, such as the respective Board Committee chairmen, to answer queries on matters related to their roles. Shareholders are also given an opportunity to interact with the Directors before and/or after general meetings. We try our best not to schedule our AGMs during peak periods when these might coincide with the AGMs of other listed companies.

At general meetings, each distinct issue is proposed as a separate resolution and resolutions are generally not "bundled" or made inter-conditional on each other. Where resolutions are "bundled", the reasons and material implications for doing so are set out in the notice calling for the general meeting.

All resolutions are put to the vote by electronic poll voting. Voting by poll allows for an equitable and transparent voting process. Shareholders will be better able to demonstrate their concerns in a manner more accurately reflective of their shareholdings. Independent scrutineers are appointed to conduct the voting process. Independent scrutineers brief the shareholders on the e-polling voting process and verify and tabulate votes after each resolution. The results of the voting at the general meetings showing the number of votes cast for and against each resolution and the respective percentages are shown to the shareholders at the end of each resolution before the Chairman makes a declaration on the passing of the resolution. In addition, the voting results at the general meetings showing the number of votes cast for and against each resolution and the respective percentages and the name of the independent scrutineer will be announced via SGXNET immediately after each general meeting.

The Company Secretary prepares minutes of shareholders' meetings, which incorporate substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management. Beginning from our 2018 AGM, these minutes are published on our corporate website. Minutes are also released via SGXNET.

2022 AGM

To keep physical interactions and COVID-19 transmission risk to a minimum, the Company convened and held its 2022 AGM by way of electronic means on 22 July 2022 pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the Ministerial Order). The Company complied with all applicable regulatory requirements for the holding of the 2022 AGM. The notice of the 2022 AGM was sent to shareholders solely by electronic means through publication on SGXNET and the Company's corporate website. In addition to being able to submit questions for the 2022 AGM in advance of the meeting (the responses for which were uploaded via SGXNET and on SATS' corporate website more than 48 hours prior to the closing date and time for the lodgement of proxy forms, in order to facilitate shareholders' votes), shareholders were also able to submit questions to the Chairman of the Meeting "live" at the AGM via the audio-visual webcast platform. Shareholders were also able to vote at the 2022 AGM "live" via the audio-visual webcast platform.

2023 EGM

With the improving COVID-19 situation in Singapore, the Company held its 2023 EGM on 18 January 2023, in relation to the Company's proposed acquisition of WFS ("**Proposed Acquisition**"), in a hybrid format pursuant to the Ministerial Order. The Company complied with all applicable regulatory requirements for the holding of the 2023 EGM. Hard copies of the notification letter to shareholders, notice of the 2023 EGM, Proxy Form, Gatefold and Frequently Asked Questions ("**EGM Documents**") were sent by post to shareholders. A circular in relation to the Proposed Acquisition was published on SGXNET and the Company's corporate website along with the EGM Documents. Shareholders could choose to attend the EGM either in person or virtually. In addition to being able to submit questions for the 2023 EGM in advance of the meeting (the responses for which were uploaded via SGXNET and on SATS' corporate website prior to the closing date and time for the lodgement of proxy forms), shareholders were given the opportunity to ask questions "live" during the EGM (either via the audio-visual webcast platform for those who attended virtually or in-person at the EGM for those who attended physically) before submitting their votes "live" electronically. The Board of Directors and senior members of Management were in attendance to address any queries and concerns raised by the shareholders.

2023 AGM

The Ministerial Order will cease on 1 July 2023. Pursuant to recent legislative amendments (with effect from 1 July 2023) to the Companies Act, as read with Rule 730A of the Listing Manual and recent practice guidance amendment by the SGX-ST on the conduct of general meetings by issuers on and after 1 July 2023, listed companies are required to hold all their general meetings either at a physical place in Singapore, or at a physical place in Singapore and using virtual meeting technology. With the further easing of COVID-19 measures globally, the 2023 AGM will be held in a wholly physical format. There will be no option for shareholders to participate virtually. Shareholders will also be given the opportunity to submit written questions prior to the 2023 AGM, and all substantial and relevant comments and queries will be responded to within a reasonable timeframe, prior to the 2023 AGM, through publication on SGXNET and the Company's corporate website.

Dealings in Securities

In line with the rules of the Listing Manual, we have in place a policy and guidelines on dealings in our securities for the Company and for employees of the Group and Directors of the companies within the Group. The policy and guidelines restrict the Company and certain employees (including all administrative officers and employees of managerial grade and above, and employees in departments which are likely to be privy to confidential material price-sensitive or trade-sensitive information, such as the offices of the senior members of Management, the Legal and Finance departments, and departments or units of companies in the Group having charge of business development and/or marketing activities) from trading in our securities during the period of one month immediately preceding the announcement of our half year and full year financial statements and during the period of two weeks immediately preceding the announcement of our voluntary quarterly business updates containing meaningful and relevant financial and non-financial information on our performance for the first and third quarters of each financial year.

We have also adopted a procedure for a trading halt in our securities, which assists us to manage our continuous disclosure obligations in accordance with the spirit of Rule 703 of the Listing Manual in the event of a leak of material unpublished information, or a false rumour or report where a media comment about us is sufficiently specific and detailed to warrant a response or to adequately respond to a query by the SGX-ST arising from such leak of material unpublished information or a false rumour or report.

In addition, we and our Directors and employees are prohibited at all times from trading in the Company's securities whilst in possession of non-public, price-sensitive or trade-sensitive information. The policy and guidelines also remind employees and Directors of the Group that they should not deal in our securities on short-term considerations, and to be mindful of the insider trading prohibitions under the SFA whenever trading in our or any other corporation's securities. Directors are also reminded of their obligations under the SFA to give the requisite notice to the Company of any interests in securities of the Company or of any of its related corporations, and of any changes, within two business days after they acquire such interests or, as the case may be, after they become aware of the changes. In any event, the non-executive Directors who are currently our shareholders hold an insignificant number of shares in SATS.

Engagement with Stakeholders

SATS has appropriate channels in place to identify and engage with its material stakeholder groups. We recognise the importance of sharing detailed knowledge of our business and regular interactions with our stakeholders to determine material concerns for our business. These engagements enable SATS to review business processes, report on the progress of initiatives, as well as share ideas and knowledge for deeper collaborative partnerships. SATS periodically engages with key stakeholder groups while observing best practices such as tailoring relevant information for specific groups, taking into consideration constructive feedback on pertinent issues, and avoiding any engagement during blackout periods.

On the communications front, SATS provides timely and informative updates relating to Company announcements, financial results/voluntary quarterly business updates, news releases, and corporate presentations on its corporate website. In relation to the Company's risk management measures, our ERM team periodically engages key internal and external stakeholders to assess, refine, and implement our ERM framework and business continuity plans.

Upholding safety is our utmost priority at SATS. It is embedded in our core values and we take our responsibility of raising safety awareness and preventing accidents at the workplace and operational sites seriously. All senior members of Management have completed bizSAFE Level 1 training, part of the programme supported by the Singapore Ministry of Manpower to help companies build workplace safety and health capabilities. The Board of Directors will take their bizSAFE Level 1 training in FY2023-24.

Corporate Governance Report

On 7 March 2022, SATS further reinforced our commitment to aviation safety by signing the inaugural safety charter launched by CAAS, together with 79 other aviation organisations at the annual Aviation Safety Forum. SATS will continue to work closely with all stakeholders in the aviation ecosystem to jointly uphold the highest safety standards and strengthen our safety culture.

Beyond aviation, SATS successfully conducted the groundbreaking for our new SATS Food Hub (SFH) in Singapore's Jurong Innovation District (JID) on 7 April 2022. Prior to the milestone event, the Company engaged various stakeholders such as grassroots leaders, JTC, the Singapore Economic Development Board, Enterprise Singapore, and the National Environment Agency to discuss and address the environmental and social impact that the SFH will have on the community in the JID.

The Company also established two purchasing authorities under the procurement function – Global Procurement and SATS Procurement Services – which manage the procurement of food-related goods and services, and non-food related categories, respectively, to drive procurement efficiency. SATS also launched a new Global Procurement Policy which is guided by five principles – best total value, honest, ethical and fair dealings, externally-linked supply solutions, competition and collaboration, supplier long-term partnership – as well as a global procurement operation manual. In line with the above, SATS is engaging our suppliers and vendors to embed the ESG criteria and practices set out in our Global Procurement Policy, supply chain management, and vendor selection and evaluation processes.

Emerging from the COVID-19 pandemic, we are cognisant of how the lingering impacts of COVID-19 and recent geopolitical events have transformed businesses. The pandemic has presented new challenges and opportunities for businesses and communities. To better align our sustainability priorities with those of our stakeholders, we conducted an extensive materiality assessment review from October 2022 to April 2023 and identified eight material topics which will be used to refine our sustainability efforts to create a greater impact. In line with new regulations issued by the SGX-ST, all Board members who held office as at the end of FY2022-23 have completed the required training on sustainability matters as prescribed by the SGX-ST during the course of FY2022-23. Dr Detlef Trefzger and Mr Eng Aik Meng, who were appointed after the end of FY2022-23, will undergo the required training on sustainability matters as prescribed by the SGX-ST during the course of FY2023-24.

As part of SATS' commitment to taking a holistic approach to waste reduction, we participated in the inaugural edition of the OCBC Sustainability Innovation Challenge, which was aimed at addressing the challenges in waste management, primarily the management, treatment and segregation of waste. 100 companies from 24 countries submitted applications. Enexor Bioenergy and TRIA emerged winners of the challenge and SATS will be conducting a feasibility study with both winners.

In a continuous effort to leverage technology to enhance productivity, SATS has participated in several trial projects with Changi Airport. For example, we have tested the use of autonomous baggage tractors for baggage transportation in a live environment at Terminal 3 of Changi Airport Group and are continuing the second phase of the trial to operate the tractor remotely from a control centre. From March 2021 to September 2022, SATS participated in Changi Airport Group's truck dock slot booking trial which was aimed at reducing operating costs, boosting productivity, and reducing congestion at the Changi Airfreight Terminal. Building on learnings from the trial, SATS along with other industry stakeholders will continue to support Changi Airport Group in improving the truck dock slot booking system with a more integrated solution.

In relation to the WFS acquisition, SATS held two SIAS-SATS dialogue sessions with retail investors in Singapore, a briefing with analysts and four meetings with investors in US, Hong Kong and Malaysia, to provide more information on the WFS acquisition to the investment community. At the 2023 EGM which was held on 18 January 2023 to solicit approval from SATS' shareholders for the acquisition of WFS, the acquisition proposal received 96.8% approval from voting shareholders and appointed proxies.

We produced print versions of the EGM and Rights Issue gatefolds for distribution to our investors. A digital copy of the gatefolds was also made available on the SATS corporate website and on SGXNET. To expand the reach to our investors for the Rights Issue, print advertisements were placed in the Straits Times and Lianhe Zaobao newspapers on 9 and 16 March 2023, and digital advertisements ran in both newspapers from 9 to 21 March 2023. Digital advertisements were also placed in The Edge newspaper from 9 to 19 March 2023.

Annexure

Share Plans

SATS RSP and SATS PSP

The SATS RSP and the SATS PSP were approved by shareholders at the Extraordinary General Meeting of the Company held on 19 July 2005 for an initial term of 10 years till July 2015. A 10-year extension until July 2025 was approved at the 41st AGM of the Company. There was no change to the maximum limit of new shares which may be issued under the SATS RSP and the SATS PSP following the extension of their respective durations. These plans were introduced with a view to further strengthening the Company's competitiveness in attracting and retaining talented key senior members of Management and executives. The SATS RSP and the SATS PSP aim to more directly align the interests of key senior members of Management and executives with the interests of shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior members of Management and executives. These plans contemplate the award of fully paid shares of the Company, when and after pre-determined performance or service conditions are accomplished.

The SATS RSP serves as an additional motivational tool to recruit and retain talented executives as well as to reward Company and individual performance. In addition, it enhances the Group's overall compensation packages, strengthening the Group's ability to attract and retain high performing talent. Shareholders' approval was also obtained at the 46th AGM of the Company to alter the SATS RSP to enable non-executive Directors to participate in the SATS RSP, so as to permit grants of fully paid shares to be made under the SATS RSP to non-executive Directors as part of their Directors' remuneration.

The SATS PSP is targeted at a select group of key senior members of Management who shoulder the responsibility for the Company's performance and who are able to drive the growth of the Company through innovation, creativity and superior performance. Awards under the SATS PSP are performance-based, with performance targets set in accordance with medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets based on criteria such as total shareholders' return, economic value added, market share, market ranking or return on sales.

Awards granted to executives under the SATS RSP, which is intended to apply to a broader base of executives, will vest only after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years (time-based restricted awards) or, where the award is performance-based (performance-based restricted awards), after a further period of service beyond the performance target completion date. Awards granted to the non-executive Directors under the SATS RSP in lieu of part of the cash amount of their Directors' remuneration consist of fully paid shares with no performance conditions attached and no vesting periods imposed. However, such non-executive Directors will be required to retain a base shareholding worth up to one year's retainer fee for as long as he/she is on the Board of the Company, and for a period of one year after stepping down as a Director.

No minimum vesting periods are prescribed under the SATS RSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis. The grant of such performance-based restricted awards is intended to ensure that the earning of shares under the SATS RSP is aligned with the pay-for-performance principle. The use of time-based restricted awards will only be made on a case-by-case basis where business needs justify such awards.

The selection of a participant and the number of shares which he/she would be awarded under the SATS RSP will be determined at the absolute discretion of the RHRC, which will take into account criteria such as his/her rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his/her contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

Under the SATS RSP and the SATS PSP, the RHRC has the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the RHRC has the right to make reference to the audited results of the Company or the Group to take into account such factors as the RHRC may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the RHRC decides that a changed performance target would be a fairer measure of performance.

The senior members of Management who are participants of SATS RSP and SATS PSP are required to observe a moratorium on a minimum threshold of their shares in the Company. They are prohibited from trading, pledging or hedging their minimum threshold. The RHRC in their review of the Company's share plans also reviewed the minimum threshold. The RHRC commissioned a review of the minimum threshold by an external consultant, Aon Hewitt, in October 2014 and had approved the findings and recommendation of Aon Hewitt.

The aggregate number of shares which may be issued pursuant to awards granted under the SATS RSP and the SATS PSP, when added to the number of new shares issued and issuable in respect of all options granted under the SATS Employee Share Option Plan (which expired in 2010 and under which there are no longer any outstanding options), and all awards granted under the SATS RSP and the SATS PSP, may not exceed 15 percent of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual)) on the day preceding the relevant date of award.

For FY2022-23, the total number of shares comprised in awards granted under the SATS RSP and SATS PSP did not exceed 0.3 percent of the total number of issued shares (excluding treasury shares and subsidiary holdings).