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 2021 (FY2020-21), 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 of SATS' commitment to best practices in corporate governance received in 2020:

- Ranked No. 1 Singapore Public Listed Company under the ASEAN Corporate Governance Scorecard (ACGS) 2019
- Ranked No. 1 in the Singapore Governance and Transparency Index 2020
- Country Top 3 Publicly Listed Companies 2019 (Singapore) under the ACGS 2019
- ASEAN Top 20 Publicly Listed Companies 2019 under the ACGS 2019
- Categorised as an ASEAN Asset Class Publicly Listed Company under the ACGS 2019

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
- None of our independent non-executive Directors have served for more than eight years as at the end of FY2020-21
- 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 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
- Overseeing the business, financial performance and affairs of the Group, and 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 (e.g., the ongoing COVID-19 pandemic)
- 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)
- Putting in place policies, structures and mechanisms to ensure compliance 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)

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 Board Executive Committee and the Management for investments, purchases, disposals, selection of vendors, write-offs, etc.

Board's Guidance during the ongoing COVID-19 Pandemic

With the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") which resulted in an unprecedented drop in demand for air travel globally and a correspondingly substantial adverse impact on revenue and profitability of the Company, the Board spent a significant amount of time reviewing the major disruption to our business operations, our financial resilience and the health and safety of our people.

Voluntary Reductions in Directors' Fees and Management Pay

The Company, under the guidance of the Board, responded swiftly to the impact of COVID-19 on its business with a series of cost reduction measures, including a reduction in pay for the senior management team. With the spread of the COVID-19 virus around the world, the Company had announced on 9 March 2020 that the Board and Management of the Company had decided to effect further cuts in executive pay and to reduce Directors' remuneration. Retroactively from 1 March 2020, the non-executive Directors and the executives received cut in pay or fees in the following quantum:

– 15% cut in non-executive Directors' fees
– 15% pay cut for the PCEO
– 12% pay cut for Executive Vice Presidents and Senior Vice Presidents
– 10% pay cut for Vice Presidents
– effective 1 April 2020, all Managers to Assistant Vice Presidents also took a 5% pay cut

Financial Management – Since the start of the pandemic, the Board has paid particular attention to the financial impact of COVID-19 on the Company. The Board and its sub-committees met regularly with Management to review the COVID-19 situation as well as to assess the impact and disruption that the pandemic has caused to the Company's business, both in Singapore and overseas. A key imperative of the Board was in ensuring that the Company continues to have adequate liquidity and resources to operate sustainably and survive the pandemic. This entailed the Company securing necessary debt financing for its operating needs and contingency purposes. All non-critical investments were re-prioritised, including non-essential capital expenses and business activities, and taking into consideration the various scenarios on how COVID-19 would evolve and its impact on the Company.

Corporate Governance Report

The Board together with Management heightened the review of credit risks, monitoring the risks and financial condition of its investments and tracking the utilisation of assets and resources of the Group. The Company released a profit warning on 30 April 2020 to brief shareholders that the Company was expected to record a material decline in profit for the Fourth Quarter of the Financial Year 2020. Management also prioritised its merger and acquisition pipeline to ensure prudent use of funds while continuing to invest in critical capabilities and growth opportunities. Since the onset of the pandemic, the Board has continued to advise Management in the implementation of appropriate measures to ensure that the Company remains financially resilient.

Reshaping and Strengthening the Business – The Company reshaped the business to prepare for the new normal post COVID-19. With reduced aviation volumes, Management looked at new opportunities arising from the crisis, as well as new ways of engaging our people to preserve capabilities for the future.

The Company continues to invest in expertise and capabilities to implement its twin-engine growth strategy of strengthening the core businesses and growing in adjacent markets and sectors. Capabilities such as: CEIV-certified pharma handling expertise, dedicated cold chain handling facilities, shelf-life extension food technologies, e-Acceptance (a one-stop online system to simplify the process of lodging export cargo at the airfreight terminals) have become critical during the pandemic. They have enabled the Company to play a vital role in helping trade and essential travel to continue safely and efficiently, despite the restrictions. Leveraging these capabilities, the Company supported customers with new products and services that are needed to overcome challenges imposed by travel restrictions. For example, the development of passenger aircraft carrying cargo (PACC) flights that are helping shippers and airlines to carry critical medical and food supplies.

As the Company continues to strengthen its operations in each of our operating sites, it is systematically linking these sites with cloud computing networks and common processes and standards. The pandemic validated the wisdom of enhancing connectivity between cargo terminal operations in key cities. At a time when passenger travel is significantly reduced, SATS' cargo businesses in the network are contributing more than a third of SATS' gateway business. SATS Saudi Arabia, for example, started handling cargo for FLYNAS from Dammam to Riyadh in Saudi Arabia from 1 May 2021. FLYNAS is one of Saudi Arabia's leading low-cost carrier. With a fleet of 30 aircraft, operating more than 1,200 weekly flights to 35 domestic and international destinations (prior to the pandemic), winning the cargo handling contract will improve the profitability of SATS' operations in Saudi Arabia and further, its ambition to grow its network in the region.

In Singapore, SATS partnered the Singapore Food Agency (SFA) in 2020 to diversify their sourcing network and strengthen Singapore's food supply resilience to expedite the shipment of essential food supplies. Following Singapore and New Zealand's Joint Declaration to keep trade lanes open for essential items amidst COVID-19, essential food such as eggs and meat were sent to Singapore on a chartered Air New Zealand flight, which was serviced by SATS.

Technology – Digital transformation is key to enabling the Company to strengthen its core businesses while adapting its systems and processes to expand beyond travel. The Company adopts an insights-driven approach to innovation. As consumer touchpoints evolve to become more contactless, SATS preserved its unique blend of "passion to delight" hospitality by implementing technology-driven, people-led innovations. These innovations were designed with consumer challenges in mind, from packaging to usage and touchpoints. Contactless dining in SGH Housemen's Canteen demonstrates how SATS integrates technology with culinary expertise to offer a new dining experience for healthcare workers and the public.

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, 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, human resource, operational, IT/technology, legal, venture capital investing, mergers and acquisitions, compliance and accounting backgrounds. In particular, one of our non-executive independent Directors, Mr Yap Kim Wah, has prior working experience in worldwide airport and reservation services and operations, in-flight services and catering, in-flight entertainment, customer servicing and cargo services. The Directors also have extensive 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.

Mrs Deborah Ong and Ms Vinita Bali were appointed as non-executive independent Directors on 16 November 2020 and 10 May 2021 respectively. Mrs Deborah Ong 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. Ms Vinita Bali is a business leader with extensive experience in successfully leading large companies both in India and overseas. She brings a global perspective to strategy, marketing, innovation and operations, having worked across countries and continents, with responsibility for global and regional roles. Both Mrs Ong's and Ms Bali's wealth of experience will enhance and complement the competencies and skills of the Board.

Mr Yap Chee Meng, who has served for close to eight years as a non-executive independent Director and who will be retiring by rotation at the forthcoming Annual General Meeting (2021 AGM), has notified the Board that he will not be seeking re-election as a Director of the Company at the 2021 AGM.

Corporate Governance Report

Directors' Expertise and Experience Matrix

Finance & Accounting	9%
Legal	1%
Strategy & Analytics	12%
Information Technology	4%
Sales & Marketing	11%
Human Resource	11%
Risk Management	9%
Food Solutions	4%
Economics	6%
Supply Chain Management & Logistics	3%
Branding	10%
Mergers & Acquisitions	10%
Others: Consumer Marketing, Banking, Customer Service	10%

Directors' Expertise and Experience by Geography

India/Middle East	14%
Greater China	16%
ASEAN	18%
Local - Singapore	18%
US/UK/Europe	11%
Japan	9%
Others: Australia, Egypt, Korea, Latin America, Mongolia, New Zealand, Nigeria, Pakistan	14%

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 the new external perspectives and insights from the more recent appointees. None of our independent non-executive Directors have served for more than nine years as at the end of FY2020-21.

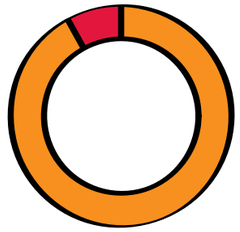
Board Diversity

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, age, industry and geographic knowledge 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, 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 and also to appoint Directors who are from diverse ethnic and age groups. All Board appointments will be based on merit of candidates, 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 the relevant diversity in gender, age, nationality, ethnicity, skills and knowledge. 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.

Independence



Independent Non-Executive Director	92%
Executive Director/PCEO	8%

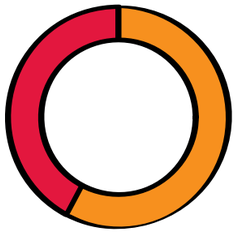
Length of Service

0 - 1 year	17%
1 - 3 years	8%
3 - 5 years	33%
5 - 7 years	17%
7 - 9 years	17%
9 - 10 years	8%

Age of Directors

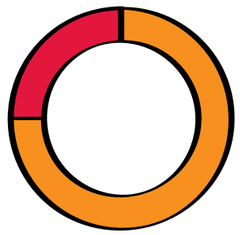
46 - 50	8%
51 - 55	25%
56 - 60	0%
61 - 65	17%
66 - 70	33%
71 - 75	17%

Gender Diversity



Male Directors	58%
Female Directors	42%

Ethnicity



Chinese	75%
Other Ethnic Groups	25%

The current Board composition reflects the Company's commitment to Board diversity, especially in terms of female representation, age range and ethnicity. We are committed to implementing the Board Diversity Policy, and any progress made towards the implementation of such policy will be disclosed in our Corporate Governance Report, as appropriate. In particular, since the publication of our last Corporate Governance Report on 26 August 2020, Mrs Deborah Ong and Ms Vinita Bali have been appointed as non-executive independent Directors. These appointments increased female representation on our Board from 30% at the end of the last financial year to 41.7% as at the date of this report. With the retirement of Mr Yap Chee Meng at the conclusion of the 2021 AGM, the female representation on our Board will increase to 45.5%. Apart from gender representation, the appointments of Mrs Ong and Ms Bali also augmented other aspects of Board diversity in terms of professional qualifications, ethnicity, industry and geographic knowledge and skills and experience.

Corporate Governance Report

Role of the Chairman and the PCEO

The roles of our Chairman (Ms Euleen Goh) and PCEO (Mr Alex Hungate) 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 ongoing 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 management team, 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 Group Management Board (GMB) are usually invited and are present at meetings of the Board and the Board Executive Committee
- The Board and Board Committees may invite any other member of the Management team 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 Director 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 the Management of specific business areas or geographies where they have significant experience and 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 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 will 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 up about four times a year for informal discussions prior to 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 2022 (FY2021-22) remains unchanged since the last revision in FY2018-19, and is set out below:

Types of Appointment	Scale of Directors' fees (FY2021-22) 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 Board believes that the existing fee structure for the non-executive Directors, which is referenced against comparable benchmarks, is appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities.

In FY2019-20, shareholders' approval was sought and obtained for the payment of an aggregate sum of up to S$1,300,000 as Directors' fees for the non-executive Directors and an aggregate amount of S$1,161,667.50 was paid to the non-executive Directors.

Corporate Governance Report

In FY2020-21, shareholders' approval was sought and obtained for the payment of a reduced aggregate sum of up to S$1,200,000 as Directors' fees for the non-executive Directors. This was because, as announced on 9 March 2020, the Board took a voluntary 15% reduction in Directors' fees with effect from 1 March 2020 as part of a series of cost-saving measures taken due to the impact of the COVID-19 pandemic on the Company's business. The aggregate amount of Directors' fees paid and/or to be paid to the non-executive Directors for FY2020-21 is S$980,405.14 (breakdown given below), after taking into account the voluntary 15% reduction in Directors' fees.

For FY2021-22, approval of the shareholders will be sought, at the forthcoming AGM, for the payment of an aggregate sum of up to S$1,300,000 as Directors' fees for the non-executive Directors. The voluntary 15% reduction of Directors' fees ceased with effect from 1 April 2021, in line with the cessation of the salary cuts of the PCEO and Management of the Company. With the cessation of the 15% reduction of Directors' fees for the non-executive Directors, the Company intends to reinstate the Directors' fees to the same level as in FY2019-20.

The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for FY2021-22, 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 additional Board or Board Committee members being appointed in the course of FY2021-22. If approved, the proposed fees for FY2021-22 will facilitate the payment of Directors' fees during or soon after the financial year in which such fees are incurred.

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 FY2021-22 in cash and approximately 30 percent in the form of SATS shares (FY2020-21: 70 percent in cash and 30 percent in shares).

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 FY2021-22 to be paid after the 2022 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 2022 AGM, rounded down to the nearest hundred shares, and any residual balance will be settled in cash.

As disclosed above, Mr Yap Chee Meng will retire from the Board at the conclusion of the forthcoming AGM. As such, his Director's fees for FY2020-21 and FY2021-22 (calculated on a pro-rated basis) will be paid fully in cash. Ms Vinita Bali, who was appointed to the Board on 10 May 2021, will not receive any Directors' fees for FY2020-21.

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 FY2020-21.

Details on the Directors' fees for FY2020-21, date of first appointment to the Board, date of last re-election, membership on Board Committees and attendance at Board and Board Committee meetings and at the last AGM, in respect of the Directors who held office during FY2020-21, are set out below.

Name of Director	Date of first appointment to the Board	Date of last re-election to the Board	Board Meeting (including BSM)	Board Committee Meetings					2020 AGM	Total Directors' fees for FY2020-21 (SGD)
			Attendance rate (1 April 2020 to 31 March 2021)							
			BOD[1]	NC[2]	EXCO[3]	AC[4]	BRSC[5]	RHRC[6]		
			No. of meetings held (1 April 2020 to 31 March 2021)							
			8	3	6	6	4	5		
a) Executive Director										
Mr Alex Hungate	27 Jul 2011	19 Jul 2018	8	–	6	–	–	–	1	No Fee*
b) Non-Executive and Independent Director										
Ms Euleen Goh	1 Aug 2013 (Director) 19 Jul 2016 (Chairman)	18 Jul 2019	8	3	6	–	–	5	1	$214,795.00
Mr Achal Agarwal	1 Sep 2016	24 Sep 2020	8	–	6	–	–	5	1	$97,580.00
Mr Chia Kim Huat	15 Mar 2017	24 Sep 2020	8	3	–	–	4	–	1	$86,190.00
Mr Michael Kok	6 Mar 2015	18 Jul 2019	8	–	6	–	–	5	1	$97,580.00
Ms Jenny Lee	25 Jan 2019	18 Jul 2019	7	–	–	–	–	–	1	$52,700.00
Mrs Deborah Ong[7]	16 Nov 2020	–	2/2	–	–	2/2	–	–	–	$30,190.14
Mr Tan Soo Nan[8]	25 Apr 2016	19 Jul 2018	8	–	–	6	4	–	1	$98,857.79
Ms Jessica Tan	17 Apr 2017	24 Sep 2020	8	3	–	5	–	–	1	$95,710.00
Mr Yap Kim Wah[8]	20 Jul 2016	24 Sep 2020	8	–	–	6	4	–	1	$103,017.21
Mr Yap Chee Meng[9]	1 Oct 2013	18 Jul 2019	8	–	–	6	4	–	1	$103,785.00

Notes:

(1) Board of Directors (BOD) meetings included a 3-day Board Strategy Meeting (BSM) held from 19 to 21 August 2020 in Singapore

(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) Mrs Deborah Ong was appointed as a non-executive independent Director on 16 November 2020 and a member of the AC on 1 December 2020. She attended 2 out of 2 BOD meetings and 2 out of 2 AC meetings held during her term as a member of the Board and AC respectively in FY2020-21.

(8) Mr Yap Kim Wah was appointed as the Chairman of the BRSC on 25 September 2020, replacing Mr Tan Soo Nan who remained a member of the BRSC.

(9) Mr Yap Chee Meng will retire from the Board at the conclusion of the forthcoming 2021 AGM and his Director's fees for FY2020-21 will be paid fully in cash.

* No Directors' fees were paid or are payable to the PCEO, Mr Alex Hungate.

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

Corporate Governance Report

The 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 Alex Hungate • Mr Achal Agarwal • Mr Michael Kok
Audit Committee	• Five members • All IDs	• Mr Yap Chee Meng (Chairman) • Mrs Deborah Ong • 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 Michael Kok
Board Risk and Safety Committee	• Four members • All IDs	• Mr Yap Kim Wah (Chairman) • Mr Chia Kim Huat • Mr Tan Soo Nan • Mr Yap Chee Meng

Board Executive Committee (EXCO)

The EXCO is chaired by Ms Euleen Goh and its members are Mr Alex Hungate, Mr Achal Agarwal and Mr Michael Kok.

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
- 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
- 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 six times in FY2020-21. 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.

Audit Committee (AC)

The AC is chaired by Mr Yap Chee Meng, and its members are Ms Jessica Tan, Mr Tan Soo Nan, Mr Yap Kim Wah and Mrs Deborah Ong. All the AC members (including the AC Chairman) are independent. Mrs Deborah Ong was appointed as a member of the AC on 1 December 2020.

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 four members of the AC (including the AC Chairman), namely, Mr Yap Chee Meng, Mr Tan Soo Nan, Ms Jessica Tan and Mrs Deborah Ong, have recent and relevant accounting or related financial management expertise or experience.

Mr Yap Chee Meng, the AC Chairman, has extensive and practical accounting and financial management expertise and experience and is well qualified to chair the AC. He was a senior partner of KPMG Singapore, the Chief Operating Officer of KPMG International for the Asia Pacific Region and a member of its Global Executive Team during the period between 1 October 2010 and 30 September 2013. He is a Fellow of the Institute of Singapore Chartered Accountants and the Institute of Chartered Accountants in England and Wales.

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 an independent Director and AC 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 Committees (GPCs) 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 Finance; Trade and Industry; and Communications and Information GPCs.

Mrs Deborah Ong 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. She has a proven record of accomplishments in managing audits of large listed companies outside of Singapore. She is currently a board member and the chairperson of the Audit and Risk Committee of the Lee Kong Chian School of Medicine Governing Board at Nanyang Technological University, Workforce Singapore and SkillsFuture Singapore; a board member and chairperson of Audit Committee of the Council for Estate Agencies and a member of the Legal Service Commission of Singapore. She has recently been appointed as a Board member of the Monetary Authority of Singapore.

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.

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 and tax reporting and other financial and tax 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' 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.

Corporate Governance Report

The AC's key responsibilities include the review of:

Financial and Tax 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 and tax reporting, accounting and other financial and tax 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 whistle-blowing 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

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 and our mandate for interested person transactions

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 of the SGX-ST, 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.

In view of the global effect of the COVID-19 pandemic and the uncertainties on the recovery, SATS continued to closely assess 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 effect assumptions on the current market condition, the industry's recovery from the COVID-19 pandemic impact, the long-term viability of the customers and cost initiatives. Sensitivity analysis 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 Matters are set out below:

Key Audit Matters (KAM)	AC commentary on the KAMs, how the matters were reviewed and what decisions were taken
Impairment of goodwill	The AC reviewed the outcomes of the goodwill impairment process and discussed the details of the review with Management, focusing on the key assumptions applied in the determination of the value-in-use of the cash generating units (CGUs). The value-in-use is highly dependent on the duration and severity of the economic downturn as a result of the COVID-19 pandemic and the recovery assumptions relating to the pandemic. The AC has also reviewed publicly available aviation industry reports relating to the impact of the COVID-19 pandemic on the global aviation industry, to understand the possible recovery scenarios. 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 assessment that S$24.7 million of impairment charge relating to goodwill was required at this time.
Impairment of associates and joint ventures	The AC considered Management's approach and methodology applied to the impairment of associates and joint ventures, focusing on those 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 duration and severity of the economic downturn as a result of the COVID-19 pandemic and the recovery assumptions relating to the pandemic. In view of the COVID-19 pandemic, 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, including the impact of the COVID-19 pandemic on the global aviation industry, to understand the possible recovery scenarios. The AC was also periodically briefed on the developments in the key associates and joint ventures. The AC received detailed reporting from the external auditors on their assessment of the value-in-use of the associates and joint ventures with indicators of impairment. The AC was satisfied with the impairment review process, the approach and methodology used, and the assessment that S$31.5 million of impairment charge relating to associates and joint ventures was required at this time.

Corporate Governance Report

AC Meetings

The AC is required under its terms of reference to meet at least four times a year. The AC met six times in FY2020-21.

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, Chapter 2 of Singapore. It has also reviewed the nature and volume of non-audit services provided by the external auditors to the Group during FY2020-21, 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 FY2020-21, and the breakdown of fees for audit and non-audit services, are as follows:

Fees for FY2020-21	S$(m)
For audit services	0.9
For non-audit services	0.3
Total	1.2

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 forthcoming AGM. In compliance with the requirements of Rule 713 of the Listing Manual of the SGX-ST, a different audit engagement partner from KPMG LLP has been assigned to the SATS Group for FY2020-21.

The Company has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to its auditing firms.

Accountability

With effect from FY2020-21, the Company has adopted half-yearly reporting of its financial results. 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.

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, most relevant information they require to make informed decisions about the value of SATS and our long-term prospects. During the course of the pandemic, we have kept shareholders informed on the industry outlook as well as financials through the 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 during the pandemic.

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

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 of the SGX-ST 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 (IAD) 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 IAD is adequately resourced, effective and independent of the activities it audits. IAD does not undertake any operational responsibility or authority over any of the activities within its audit scope.

IAD serves to provide the AC with reasonable assurance that the Group maintains adequate and effective internal controls and risk management systems, through assessing the design and operating effectiveness of key internal controls and procedures that govern key business processes and risks identified in the overall risk framework of the Group.

IAD 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 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.

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 IAD has appropriate standing within the Group to perform its function effectively.

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. IAD works closely with the external auditors to coordinate audit efforts and updates the external auditors of all relevant audit matters.

IAD is headed by Vice President, Internal Audit, and staffed by suitably qualified and experienced executives. Internal auditors report to the Head of Internal Audit, who reports functionally to the AC. In the execution of its audit activities, IAD is authorised to obtain the assistance of specialist or specialised services (such as technology audits) from within or outside 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 IAD 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 of Internal Audit are subject to the approval of the AC. Under the Group's Internal Audit Charter, IAD 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 or management of the Group, which prevents IAD from performing its duties, will be reported immediately to PCEO or directly to the AC, based on circumstances as determined by the Head of Internal Audit.

IAD 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. Training and development opportunities are provided for IAD staff to ensure their technical knowledge and skill sets remain current and relevant. Support is also given to IAD 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 IAD staff. IAD 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 Accounts, Singapore Accountancy Commission and ISACA.

Review of Interested Person Transactions

The Group has established policies and procedures for reviewing and approving interested person transactions in accordance with the general mandate from shareholders that such transactions are made on normal commercial terms and will not be prejudicial to the interests of SATS and its minority shareholders.

The Group also complies with the provisions on interested person transactions under the Listing Manual of the SGX-ST.

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

Corporate Governance Report

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.

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 diversity of skills, experience, gender, age, knowledge, size and composition of the Board
- 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 carrying out their duties as Directors of SATS, especially those who hold other listed company directorships and principal commitments
- Make recommendations to the Board on the evaluation process and the objective performance criteria, and develop and carry out the process, for assessing the effectiveness of the Board as a whole and the effectiveness of the Board Committees, and assessing the contributions made by the Chairman and each individual Director of the Board. The assessment of each individual Director's contribution to the effectiveness of the Board is a joint responsibility of the NC Chairman and the Board Chairman
- Review and make recommendations to the Board on the training and professional development programmes for the Board and its Directors, and ensuring that new Directors are aware of their duties and obligations
- Save as otherwise disclosed below, such other authorities and duties as provided in the 2018 Code

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 the CEO and key management personnel. This function is, however, under the purview of our Remuneration and Human Resource Committee (RHRC) instead of our NC. Any recommendations made by the RHRC on the review of succession plans for the PCEO and Relevant Key Management Personnel[2] 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 and 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 non-executive independent Directors.

NC Meetings

The NC met three times in FY2020-21, which exceeded the requirement under its terms of reference. 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 diversity of skills, experience, gender, age, knowledge, size and composition of the Board. The NC has developed a set of principles to guide it in carrying out its responsibilities of reviewing and determining an appropriate Board size and 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.

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

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 eight to twelve members, with independent Directors making up at least one-third of the Board. No individual or small groups of individuals dominate the Board's decision-making.

No alternate Directors were appointed during FY2020-21. The Board will generally avoid approving the appointment of alternate Directors, 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 for independent 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 chart on "Directors' Expertise and Experience Matrix" set out above. 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. The current Directors' Expertise and Experience Matrix reflects that the Directors have the expertise in the requisite areas identified by the Board as described under the heading "Board Composition" above. 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 composition and the need for progressive renewal of 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 in charge of 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 FY2020-21. 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.

During FY2020-21, the NC reviewed and considered the succession plans for the Board and Board Committee members. Following such review and consideration, Mrs Deborah Ong and Ms Vinita Bali were each identified as suitable candidates for directorship and they were subsequently appointed as non-executive independent Directors on 16 November 2020 and 10 May 2021, respectively. The NC also reviewed the composition of the Board Committees and appointed Mrs Deborah Ong as a member of the AC on 1 December 2020. With respect to the BRSC, on 25 September 2020, Mr Yap Kim Wah was appointed as the Chairman of the BRSC in place of Mr Tan Soo Nan who stepped down as the Chairman but remained as a member of the BRSC.

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 of the SGX-ST, 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 of the SGX-ST, 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.

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.

Corporate Governance Report

The NC and the Board have determined that the independent Directors 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, Mr Yap Chee Meng and Mr Yap Kim Wah.

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 Alex Hungate 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 FY2020-21, 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 six out of seven Board meetings and has contributed substantially to the discussions at such meetings.

The role of the Chairman, in particular, requires significant time commitment. As 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 currently serves on the board of another listed company, 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 FY2020-21, except for Ms Jenny Lee who attended six out of seven Board meetings and Ms Jessica Tan who attended all Board and relevant Board Committee meetings save for one AC meeting, 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.

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 Director's performance is carried out annually through evaluation questionnaires. No external consultant was engaged for the Board performance assessment process in FY2020-21. 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, Board processes, information management, investor relations and corporate social responsibility, oversight of strategy and performance, support and recognition of Management, effectiveness of the Board in fulfilling its role of creating and delivering sustainable value to shareholders (while also keeping other stakeholders' interests in balance), benchmarking with industry peers, effectiveness of Board Committees, PCEO performance and succession planning, Directors' development and management and risk management are covered. For the peer evaluation contained in such 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. In FY2020-21, the assessment on the Company's readiness to react and respond to the evolving COVID-19 situation and ensuing pandemic as well as the Company's preparedness to deal with longer-term disruptions based on pandemic risk events were included in the evaluation questionnaire.

Feedback from Senior Management regarding the Board's performance was not conducted in FY2020-21. This exercise is usually conducted once in every three years when NC appoints an external consultant to facilitate such exercise.

The results from the questionnaires and the feedback obtained from the Directors 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:

- Good Board composition and competence of Directors
- Openness between non-executive Directors, PCEO and Management
- Active and open engagement amongst Directors
- Positive and constructive relationship between Board and Management
- The Board worked well with Management to support key initiatives
- Adept communication with stakeholders including the media

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, apron and cargo terminals, abattoirs, 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 of the SGX-ST. 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. Mrs Deborah Ong and Ms Vinita Bali have been provided with briefings from members of Management virtually on the Group's objectives, strategic plans, business, operations and processes. Mrs Deborah Ong had visited the various operational sites of the Group in Singapore. However, due to the COVID-19 situation, newly appointed Director, Ms Vinita Bali was unable to travel to Singapore to visit the various operational sites of the Group. Such visits will be separately arranged when the situation improves.

Corporate Governance Report

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.

Mrs Deborah Ong and Ms Vinita Bali, who were appointed as Directors on 16 November 2020 and 10 May 2021 respectively, have no prior experience as a Director of a company listed on the SGX-ST. Mrs Deborah Ong has completed her training on the roles and responsibilities of a Director of a listed issuer as prescribed by the SGX-ST ("**Prescribed Training**"). Although Ms Vinita Bali has no prior experience as a Director of a company listed on the SGX-ST, she has considerable experience sitting on the boards of companies listed on the London Stock Exchange, New York Stock Exchange, NASDAQ, Bombay Stock Exchange and India's National Stock Exchange. In light of Ms Bali's relevant experience, the NC was of the view that she is not required to attend the Prescribed Training. She was instead, briefed by an external counsel on the roles and responsibilities of a Director of a company listed on the SGX-ST which covered areas such as continuing disclosure obligations, interested person transactions, significant transactions, penalties for non-compliance with Listing Manual, disclosure of interests in securities and disclosure of conflicts of interests and interests in transactions with the Company. The Company will also advise and sponsor Ms Bali for other relevant and useful seminars conducted by external organisations.

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 of the SGX-ST, Securities and Futures Act, etc. 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 and seminars attended by some of the Directors during FY2020-21 included "How to Avoid Being Another "Data Breach" Statistic" and the ACRA-SGX-SID Audit Committee Seminar 2021.

In view of the COVID-19 situation, no arrangements were made for Directors to visit our local and overseas operations during FY2020-21, save for Mrs Deborah Ong who had visited our local operations during her orientation programme.

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 Constitution of the Company and standing for re-election at the forthcoming AGM are Mr Alex Hungate, Mr Tan Soo Nan and Mr Michael Kok. Mrs Deborah Ong and Ms Vinita Bali, who were both appointed after the last AGM, will be retiring under Article 96 of the Constitution of the Company 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.

As disclosed above, Mr Yap Chee Meng is also due to retire by rotation at the forthcoming AGM and has notified the Board that he will not be seeking re-election as a Director at the forthcoming AGM. The Board would like to thank Mr Yap for his invaluable contributions to the Company during his tenure as a Director of the Company, Chairman of the AC and a member of the BRSC. The Board and Management are grateful for his wise counsel and guidance and wish him well in his future endeavours. Upon his retirement as a Director of the Company, he will also step down as the Chairman of the AC and a member of BRSC.

Remuneration and Human Resource Committee (RHRC)

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

The RHRC has access to expert advice from external consultants on remuneration. In FY2020-21, 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
- 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. The RHRC had various succession planning discussions over the financial year with the Board
- 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 five times in FY2020-21.

Corporate Governance Report

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:

<table>
<tr><th colspan="2"></th><th>Remuneration Components</th><th>Remuneration Vehicle</th></tr>
<tr><td rowspan="8">Total Remuneration</td><td rowspan="7">Total Direct Compensation</td><td rowspan="3">Fixed Pay</td><td>Basic Salary</td></tr>
<tr><td>Annual Wage Supplement</td></tr>
<tr><td>Cash Allowances</td></tr>
<tr><td rowspan="2">Variable Bonus</td><td>Performance Bonus</td></tr>
<tr><td>Economic Value Added
(with claw back mechanism)</td></tr>
<tr><td rowspan="2">Long-Term Incentive</td><td>Restricted Share Plan</td></tr>
<tr><td>Performance Share Plan</td></tr>
<tr><td colspan="3">Benefits & Provident</td></tr>
</table>

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.

(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 make employees regular shareholders.

Corporate Governance Report

(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 as a form of retention.

Performance conditions were impacted by COVID-19, resulting in lower RSP awards granted in FY2020-21.

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.

Due to the impact of the pandemic, FY2017-18 PSP awards granted for the performance period of FY2017-18 to FY2019-20 lapsed with no vesting in FY2020-21.

In FY2020-21, a total of 1,102,500 shares and 1,282,500 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, the PCEO or the Relevant Key Management Personnel of the Company (who are not Directors or the PCEO) during FY2020-21.

The Board and the RHRC adhered to the Company's remuneration policies, applying them consistently despite the impact of COVID-19 pandemic on the Company's customers in the aviation industry. Although the impact of COVID-19 cannot be entirely isolated from other factors affecting performance, the Board and the RHRC set clear, quantifiable targets that are challenging considering the uncertainty for the Company created by the pandemic. The Board and the RHRC did not retrospectively revise the performance criteria for the payment of incentives, despite the significant impact of the COVID-19 on the aviation industry. The Board, the RHRC and the Management volunteered to take reductions in base pay during the year. There was no such base pay cut for non-management employees who have a lower average base pay and who therefore are less able to afford such reductions.

The aggregate compensation paid to or accrued to the PCEO, the Chief Financial Officer and the Business Heads for FY2020-21 is set out below:

President and Chief Executive Officer (PCEO)	Salary[2] (S$)	Bonuses[3] (S$)	Benefits (S$)	Total (S$)
Alex Hungate	926,368	1,373,090	80,460	2,379,918

- Total SATS RSP shares of 180,000 awarded and to be vested equally over a three-year period provided terms and conditions of the plan are met.
- Total SATS PSP shares of 340,000 granted and 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] (S$) %	Bonuses[3] (S$) %	Benefits (S$) %	Total (S$) %	Award under SATS RSP[4]	Award under SATS PSP[4]
Mok Tee Heong Kerry	$1,000,001 to $1,250,000	61	33	6	100	72,500	85,000
Yacoob Bin Ahmed Piperdi	$1,000,001 to $1,250,000	50	44	6	100	72,500	85,000
Seah Kok Khong, Manfred	$750,001 to $1,000,000	62	31	7	100	72,500	60,000
Denis Suresh Kumar Marie	$750,001 to $1,000,000	45	29	26	100	50,000	60,000
Cheah Chi Choy Donny	$750,001 to $1,000,000	55	10	35	100	50,000	60,000

Notes:

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

2 Salary includes AWS and employer's CPF for the year ended 31 March 2021.

3 Variable bonus comprises both actual performance bonus and economic value added (EVA) bonus which were paid out in respect of Company and individual performance of FY2020-21.

4 RSP shares will vest equally over a three-year period provided terms and conditions of the plan are met. The final number of PSP award 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.

5 The above table reflects 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 FY2020-21 was S$4,332,673.

No immediate family members of any Director or of the PCEO were employed by the Company or any of its related companies during FY2020-21.

Learning and Development Programmes for Employees

The Company's People vision is to engage and develop employees in an open environment of learning and sharing, led by managers who lead by example. The objectives are to harness the potential of its people and bring out the best in them. To do this, we seek to enhance employee experience and engagement to strengthen their sense of belonging to the organisation, and to maximise employee productivity to help its business grow and thrive. We want to create a purpose-driven environment for our people.

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. SATS is recognised internationally for our ground handling, inflight catering and central kitchen expertise, and our operational know-how and training curriculum is valuable intellectual property. We established SATS Academy in 2018 as the umbrella organisation to consolidate and professionalise this knowledge. Hence, we can accelerate our expansion overseas through deploying standardised programmes.

In anticipation of the changing market landscape and an increase in customer sophistication, SATS invests in employee training and technology to fuel sustainable business growth. In line with our strategy of "Technology Driven, People Led", it is critical to have our people on board this journey of change, in order for our investments in technology to be truly fruitful. The success formula we adopt in SATS is "BE – DO – HAVE". We believe that we can only HAVE the business outcome if we develop the "BEING" of each individual to DO their jobs in a committed and purposeful manner. 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.

Corporate Governance Report

Learning and development is part of our DNA at SATS. We put great emphasis on people development because we believe that a workforce that is well-trained with the necessary competencies coupled with the adaptability to change is the critical success factor to the growth of the business. The SATS Academy was appointed by SkillsFuture Singapore to deliver the Pilot Enhanced Training Support Package for the air transport sector. The package, which was announced on 2 March 2020, is intended for employees in the aviation community who are affected by the disruptions and economic downturn caused by the COVID-19 pandemic. Under this support package, SATS Academy offered 115 training programmes covering topics such as ground handling support technical skills, culinary skills, critical core skills such as Managing Conflicts, Leading through People, Flying with Wellness etc. SATS Academy also extended its programmes to about 20 other key players in the air transport sector, including value chain partners. Over the past one year, more than 50,000 training seats were filled by more than 10,000 trainees in the aviation sector.

Only with this focus on people development, will SATS be able to achieve its vision to be the market leader by delighting customers with innovative food and seamless connections and 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.

Annual Performance Assessment of the PCEO and Succession Plan for the PCEO and Relevant Key Management Personnel

The RHRC reviews the performance of the PCEO and Relevant Key Management Personnel annually and submits its assessment of their performance level to the Board for approval.

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 RHRC instituted a rigorous process for the PCEO's succession plan and conducted an annual succession planning review of senior management and other selected key positions including PCEO, taking into account current needs and future strategic capabilities. An annual discussion is held with the Board to review the potential successors and their corresponding development plan. The potential successors and high performing employees are put through a structured talent development programme based on the development assessment centre methodology.

The RHRC also reviews the talent development framework and processes to build deep bench strength and a strong talent pipeline. Critical jobs are identified and a total of nine potential successors are identified for each position. Human Capital engages the PCEO and the business leaders to review the list of critical jobs and the potential successors annually based on current and future business needs.

Board Risk and Safety Committee (BRSC)

The BRSC is chaired by Mr Yap Kim Wah, and its members are Mr Yap Chee Meng, Mr Tan Soo Nan and Mr Chia Kim Huat. All of the BRSC members (including the BRSC Chairman) are independent Directors. Mr Yap Kim Wah was appointed as the Chairman of the BRSC on 25 September 2020 in place of Mr Tan Soo Nan who remained as a member of the BRSC.

Key Responsibilities of the BRSC

The BRSC oversees and reviews the adequacy and effectiveness of the Group's risk and safety management systems and programmes. Its key responsibilities include review of:

- The Group's operational and information technology risks (including cyber security risks)
- The adequacy of resources for the risk management functions and that they have appropriate standing within the Group
- The risk management policies and practices and the types and level of risks faced by the Group
- The activities of the SATS Group Risk and Safety Committee (SGRSC), which is responsible for putting in place risk management processes and methodologies, identifying risks and instilling mitigation plans, updating risk registers and profiles
- Reports on any material breaches of risk limits and the adequacy of proposed action
- The Board's Risk Management and Internal Controls Statement in conjunction with the Audit Committee
- The Group's safety system and programmes for effectiveness and compliance with regulatory requirements and best industry practices for food safety, workplace safety and health
- The regular reports on safety, initiation of remedial actions and assessment of level of compliance with the safety management plan
- Food safety and accident investigation findings and implementation of recommendations by Management
- The adequacy of insurance coverage for the Group

BRSC Meetings

The BRSC is required by its terms of reference to meet at least four times a year. The BRSC met four times in FY2020-21.

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 and reviews at least annually 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 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

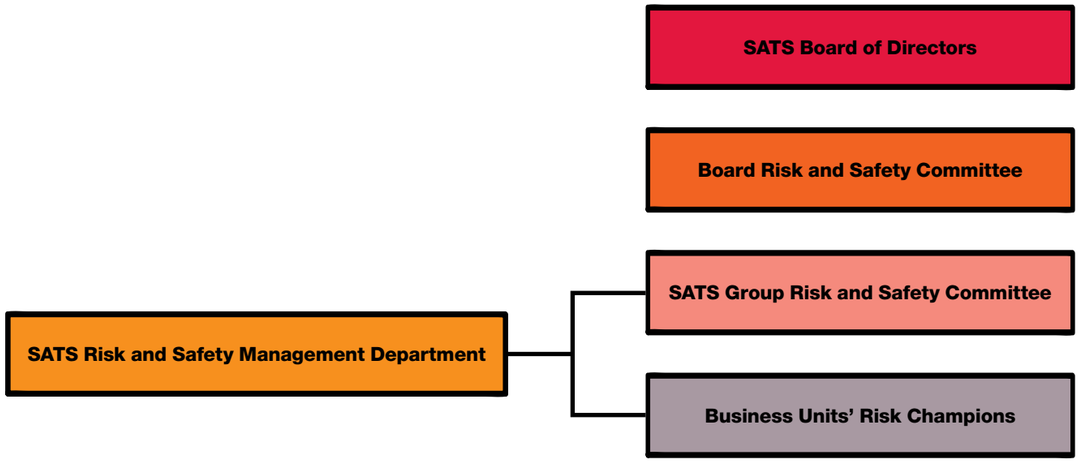
Risk Management Organisational Structure

The BRSC assists the Board in reviewing the adequacy and effectiveness of the systems of safety and risk management. 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 reviews the activities of the SGRSC, including regular risk management reports, initiatives, processes and exercises. The SGRSC, chaired by the PCEO, meets on a quarterly basis to review the risk management system and mitigation measures.

The Risk and Safety Management 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.



Corporate Governance Report

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 Enterprise Risk Management framework with Strategy and Performance to manage the risks involved with investments.

SATS has three main risk areas – financial, strategic and operational risk.

Category	Risk Areas	What are the risks?
Financial	**Credit**	Risk of not being able to raise funds due to poor credit rating; unhealthy D/E ratio.
	Credit – Counterparty	Risk of potential financial loss resulting from customer/counterparty/business partners' failure to meet their financial obligations, i.e. default payment.
	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/ service finance obligations from maintaining 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	**Talent Attraction**	Risk of not being able to attract and develop adequate key personnel and talent with skills, knowledge and expertise to allow proper deployment.
	Talent Retention	Risk of not being able to maintain a working environment which supports current staff in remaining with the Company.
	Market Competition	Risk of competitive forces eroding the Company's market share/negatively impacting the business e.g. suppressed profits/reduced revenues due to competitive pricing, increasing operating costs, declining margins, loss of key customers or employees. This also includes: • failure to identify and respond to trends/landscape in a timely manner; • poor contract/project/supply chain management; • increased insurance premiums for business liabilities; • over-reliance on single supplier; and • underperforming vendors.
	Customer Demand	Failure to keep up with customers' (B2B) expectations and demands and/or end-consumers' (B2B4C) shifts in preferences/consumption trends. Includes delivery delay, poor product or service quality from outsourced services.
Strategic (con't)	**Innovation**	Failure to continuously improve and differentiate the Company's products, processes, people and systems.
	Country Concentration	Risk of potential losses which is specifically attributed to events in a specific country (or group of countries); where the Group is unable to receive payments or generate revenue from customers/investments in a specific country as a result of political or economic events in the country.
	Investment Management	Failure to manage uncertainties arising from entering/operating in new markets that may lead to loss of shareholders value, revenue, reputation. Includes failure to manage concentration of investments in new/unfamiliar markets, as well as failure to: • adapt to the regulatory environment; • adapt to political regimes; • establish control over JV partners; • align strategic interests and business practices with those of our JVs; and • set, communicate and execute strategic directions in investment decisions.
	Customer Concentration	Risk where there is a concentration of customers/services/products where risk diversification is not maintained at an acceptable level.
	Environmental Responsibility	Adverse impact on living and non-living natural systems, including land, air and water ecosystems e.g. effluents, emissions, resource depletion arising from the Company's activities.
Operational	**Food Safety Incident**	Risk that food is prepared under unhygienic conditions or not compliant with acceptable practices, intentional or otherwise, leading to food poisoning/loss of licenses, customers, reputation (this includes reputational impact to our stakeholders such as customers and authorities).
	Major Accident	Failure to protect the physical and mental well-being of stakeholders e.g. employees, customers, authorities, resulting in injury/fatality/loss of operating licenses/assets/customers/financial penalties/sanctions/persecution/reputation damage (includes reputational impact to our stakeholders such as customers and authorities) due to: • failure to conform to safe work procedures/standard operating procedures; and • failure to comply with licensing conditions/legal requirements.
	Terrorist Attack	Occurrence of adverse external events (e.g. earthquake, typhoon, pandemic, supplier business disruption, etc.) that causes significant business disruptions, threatens business continuity and/or results in material loss/ physical or reputational damage (includes reputational impact to our stakeholders such as customers and authorities) due to: • terrorist attacks at airside/airport/on premise/surroundings; and • acts of sabotage by employees/third parties.
	Adverse External Event	
	Adverse Internal Event	
	Cyber Attack	IT security violation resulting in business disruptions, systems breakdown, loss of business/life/assets, reputational damage (includes reputational impact to our stakeholders such as customers and authorities), due to: • inadequate/lack of proper maintenance/setup of equipment/IT systems; and • malicious acts by employees or external parties to penetrate the Company's IT network or tampering with equipment.

Corporate Governance Report

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 minimise 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 many opportunities for growth, allowing them to reach their fullest potential with SATS. More information can be found in the "Grow with SATS" section of the Group's sustainability report.

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

Contributing to environmental responsibility towards greater 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 "Skills for the Future" section of the Group's sustainability report.

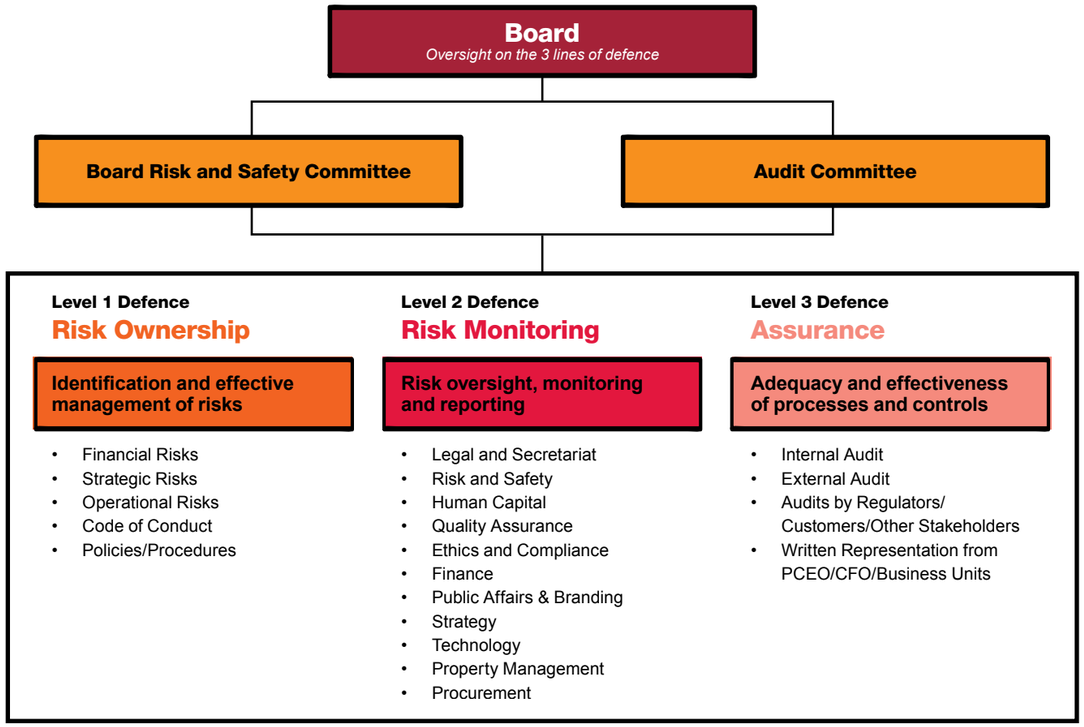
Given the critical nature of SATS' operations in the aviation sector, the Group's operational risks include the potential for adverse exogenous events, terrorism, cyber-attacks, workplace and food safety incidents. SATS aims to reduce these risks through inculcating a culture of vigilance, cybersecurity,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

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 ubiquity 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.

Management Controls and Assurance Framework

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



Level 1 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 properties), 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 of 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 the local tax law where it operates. SATS exercises due care and activates prescribed protocols in tax risk management and also embraces a transparent posture in meeting its tax reporting obligations.

Corporate Governance Report

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.

Cyber Security Governance and Management

SATS has put in place an Information Security Policy which is aligned with ISO27001. All users of information assets owned or managed by SATS are required to comply with this policy and its supporting standards and guidelines. In addition, SATS has also established a Cyber Security Management Framework designed to protect against, detect and respond to cyber security threats and recover quickly from any attacks. As part of this framework, cyber security reports are presented to the BSRC at its quarterly meetings. The framework covers security controls (leveraging on people, process and technology) in the following three areas to protect SATS businesses and information assets.

Cyber Security Management Framework

Protection	Operations	Governance
Ability to protect, limit or contain the impact of a potential Cyber Security event with Defense-in-Depth	**Timely discovery of Cyber Security events and response to recover the system**	**Proactively identify cyber risks and establish processes and procedures, and prioritise efforts towards minimising Cyber Security risks**
Perimeter Defence • Intrusion Prevention System • Firewall • Virtual Private Network • Secure Internet Access • Email Protection	Identity and Access Management	Policies
Network Segmentation	Security Information and Event Management	Standards
Mobile Security	Incident Response and Management	Procedures
Host Security	Cyber Threat Intelligence	Guidelines
Infrastructure Security	Vulnerability Management	User Awareness
Application Security	Patch Management	Security Testing
Data Encryption	Asset and Capacity Management	Audit and Compliance
Role-Based Access Control	IT Disaster Recovery	Service Level Agreement
Multi-Factor Authentication	Business Continuity Management	Risk Management
	Cyber Resilience Exercise	Metrics and Reporting

The Cyber Security Agency of Singapore (CSA) launched the Operational Technology (OT) Cybersecurity Framework to enhance the security and resilience of Singapore's essential service sectors and SATS, recognised as one of the pioneer organisations implementing OT security was invited to give our inputs to help to shape the framework. SATS has also developed the OT cyber security framework and conducted assessment on the OT systems deployed in SATS operations, and will continue to work with relevant agencies and partners to strengthen the cybersecurity posture and maturity of SATS' OT systems.

Level 2 Defence – Risk Monitoring

The Enterprise Risk Management (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. Business Continuity Management (BCM) as one of the key risk management components is incorporated under the broader framework of ERM has been developed to enable strong business resilience to disruptions. 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 on-going process to identify, assess, monitor and manage business risks that will impede the achievement of the Group's objectives is continuously reviewed for improvements. The key risks are evaluated based on probability, consequence and velocity of a preset scale and ranked accordingly. The risk management process, which has been put 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.

Corporate Governance Report

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 level, to review the existing risks in the risk register and to identify new risks that may have emerged;
- fraud risk review exercise conducted at various departments, 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
- control self-assessment (CSA) exercise carried out by the business units. This exercise requires the various business units to assess the status of their respective internal controls and develop action plans to remedy identified control weaknesses.

Fraud risk management processes include conflict of interest and bankruptcy declaration, mandatory block leave for sensitive positions, as well as implementation of policies such as the SATS Whistle-Blower 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.

Level 3 Defence – Assurance

Management monitors internal controls through CSAs that have been developed based on the principle of minimum acceptable controls. During the course of the year, CSA controls were reviewed for relevancy and adequacy to business processes. The controls are assessed by the business unit control 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 which 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.

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 information technology risks.

Given the severity of the COVID-19 impact on the aviation industry, the Board and AC/BRSC have been rigorous in identifying and reviewing key risk areas, and ensuring adequate measures have been put in place to contain the risk. 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 and AC/BRSC on the financial condition of the Group.

In view of the challenging environment under COVID-19 which has 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.

A dedicated COVID-19 taskforce was formed which was jointly chaired by Chief Human Capital Officer and Chief Corporate Officer. The taskforce has been disseminating information internally and externally with key stakeholders including authorities such as CAAS, MOH, MOM etc. and coordinating actions within the organisation. Material updates and risks were highlighted to the BRSC at the quarterly meetings as well as through the monthly Risk Reports. The BRSC was kept abreast of the financial impact due to COVID-19 and quarterly reports on financial forecast was provided to the BRSC. The Key Risk Indicators were enhanced to include tracking of cashflow forecasts as well as compliance to covenants. The BRSC was also updated monthly on the COVID-19 situation in Singapore and overseas entities and the adequacy of essential Personal Protective Equipment (PPE).

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 Group's 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 information technology controls) which 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 opinions.

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 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:

(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 it 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 IAP is required by its terms of reference to meet at least two times each financial year. The IAP held its first meeting on 15 February 2021.

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 within the employees, customers and business partners.

Corporate Governance Report

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 are fully committed to conducting business with integrity, having responsible business practices consistent with the highest ethical standards and being in compliance with all applicable laws and regulatory requirements. This serves to protect the Group's business reputation and to safeguard the interests of our shareholders and all other stakeholders (including creditors). As we continue to grow in a complex business environment and expand to different jurisdictions, an Ethics and Compliance department was established with a reporting line to the Board Risk and Safety Committee. An ethics and compliance framework has been implemented and together with a plan to achieve the milestones under the framework to strengthen the ethical culture of SATS and mitigate risk exposures relating to bribery/corruption and other compliance-related matters. In FY2020-21, the Ethics and Compliance department organised a company-wide speak up contest, held virtual Gifts & Entertainment ("**G&E**") / speak up clinic sessions, and undertook a ISO37001 pre-audit assessment to prepare for the certification journey. Work continues in building the Ethics and Compliance network through monthly virtual meetings.

Together with Internal Audit, the Ethics and Compliance department facilitated Risks & Controls in Aviation Sector classes, commencing March 2021. These classes are mandatory for Administrative Officers to Vice Presidents, and are supported by SkillsFuture Singapore Funding. The classes cover topics such as risks, fraud awareness, internal controls, SATS anti-bribery policy and G&E guidance, explore ethical culture, reinforce the importance of speaking up (including a review of SATS whistleblowing policy) and promote the use of a tool – RIGHT (Rules, Integrity, Good, Harm and Truth) for decision making.

Whistle-Blowing Policy

Our "Policy on Reporting Wrongdoing" institutionalises the Group's procedures on reporting possible improprieties, independent investigation of such matters, and follow-up actions. Complaints or suspicions of impropriety can be made by employees, customers, suppliers or other persons in the form of emails, faxes, letters or written/verbal reports. A dedicated email address and hotline is published on the Company's website and maintained by the Internal Audit Department to receive such complaints or reports. Anonymous complaints may be considered, taking into account factors such as the seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources.

Our Internal Audit Department is responsible for reviewing all complaints received unless it concerns the Head of Internal Audit or the PCEO. Any complaint concerning the Head of Internal Audit or the PCEO is escalated to the AC Chairman who may delegate investigation of such complaints to any person deemed fit by the AC Chairman. Depending on the complexity and the nature of complaint, external service providers may be engaged to assist in investigations.

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 practises 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 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 or custodian banks or through a CPF agent bank 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.

Communication with Shareholders

Investor Relations

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 disclose material price-sensitive and trade-sensitive information to the public on a prompt and inclusive basis, to provide 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. The SATS website also introduces our Purpose which is to feed and connect communities, as well as the Mission and Values that reflect our ambition to drive positive impact across our business and for our customers, industry partners, shareholders and employees.

As required by the Listing Manual of the SGX-ST, the Company discloses the names of its substantial shareholders[1] and a breakdown of their direct and deemed interests (including how such interests are held or derived) in its annual reports every year. The Company also disseminates, via SGXNET, the notifications it receives from its substantial shareholders, in accordance with the provisions of the Securities and Futures Act.

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.

[1] 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.

Corporate Governance Report

In addition, we have many channels that offer engagement and dialogue opportunities with the SATS Management team for our stakeholders to better understand our business strategy. In FY2020-21, we organised post-results conference calls at the end of each quarter for the first three quarters, with live audio webcasts to brief shareholders, the investment community and the media on our financial performance and key business and corporate developments. For the fourth quarter of FY2020-21, we typically host a face-to-face briefing for both analysts and the media, with live audio webcast. However, our recent fourth quarter and full-year results for FY2020-21 were announced through a live audio webcast in consideration of Singapore's heightened measures to control the COVID-19 pandemic. Following each earnings conference, we also make available on our website, an on-demand audio recording of the session 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 make it a point to respond to email requests from key institutional investors to meet with Senior Management on specific matters and queries about our business.

Our Public Affairs & Branding 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 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 our Management team. Shareholders who wish to contact SATS may get in touch with the Public Affairs & Branding department. The department's contact details are listed on our website.

A dedicated investor relations team in the Finance Department works closely with the Public Affairs & Branding team to implement a defined investor relations programme. Upon receiving queries and feedback, our Public Affairs & Branding 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

The reputation of SATS in the marketplace is precious, especially during times of crisis. The Board has helped by reviewing its brand positioning and architecture. The refreshed brand positioning and architecture will provide the target audience with better clarity of SATS' business, build brand equity across business units, and help drive growth in non-travel related businesses. To appropriately reflect the different ecosystems that SATS serves through its various activities and initiatives, the Company's purpose was updated to become "to feed and connect communities". The updated vision for SATS is to be the market leader by delighting customers with innovative food solutions and seamless connections. The Board has also approved a new brand architecture that will enable the Company to grow its brand equity and penetrate new market segments. SATS will apply the master brand strategy for both food and gateway businesses in aviation and non-travel related B2B businesses.

Sustainability

The pandemic has heightened the awareness of the impact of the Company's business activities on the environment and the communities in which we operate. This year, we refreshed our sustainability framework, which supports our core purpose to feed and connect communities, and outlines how our contribution to global sustainability challenges will drive the future success of SATS as a business. 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. Our Board also makes certain that we integrate sustainability goals into business goals, making sustainability a vital facet of our business strategy.

We adopt a technology-driven, people-led approach to deliver long-term value for our stakeholders. Building upon our core competencies to enable our business, stakeholders and the community to grow with purpose, we have updated our 2030 goals within our refreshed sustainability framework that drives our three focus areas – i.e., to reduce and process food and packaging waste sustainably, build smart infrastructure to reduce our environmental impact and develop skills for the future.

We report our sustainability performance in accordance with the SGX Sustainability Reporting Guide and the Global Reporting Initiative (GRI) Standards: Core option. The increasing focus on climate change has resulted in calls for a transition to a lower-carbon economy. Therefore, we are committed to aligning our climate-related disclosures to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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.

We engage our internal and external stakeholders regularly through multiple channels to seek alignment on material issues that guide our decision-making. By working collaboratively with all stakeholders, we create a greater positive impact on the environment and the communities we serve.

To encourage commitment to drive sustainability throughout the organisation, we have appointed key executives as accountable drivers to spearhead sustainability initiatives. This year, we have also included a carbon reduction target as part of the Group Management performance initiatives tied directly to remuneration.

We engage with external stakeholders through regular meetings in order to validate SATS' assessment of the issues material to our business, and to align our sustainability goals with those of our stakeholders to guide us on the prioritisation of resources for various sustainability programmes.

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 of the SGX-ST. The past five years' dividend payouts (if any) are set out in the "Five-Year Group Financial and Operational Summary" section of the Annual Report.

As previously announced, in light of the significant uncertainties in our operating environment, the Board of Directors believes that it would be prudent not to pay dividends with respect to FY2020-21. This will allow the Company to preserve more jobs and capabilities to support our customers as aviation volumes resume, and to pursue new opportunities outside of aviation.

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 and responses from the Board and Management. Beginning from our 2018 AGM, these minutes are published on our corporate website.

2020 AGM

In light of the COVID-19 pandemic, the Company convened and held its 2020 AGM by way of electronic means on 24 September 2020 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 2020 AGM. The notice of the 2020 AGM was sent to shareholders solely by electronic means through publication on SGXNET and the Company's corporate website. Shareholders were invited to submit their questions for the 2020 AGM in advance of the meeting, and the Company provided its responses to substantial and relevant questions via SGXNET and on its corporate website on 24 September 2020 prior to the commencement of the 2020 AGM. Shareholders voted by appointing the Chairman of the 2020 AGM as their proxy.

Corporate Governance Report

2021 AGM

Shareholders will again not be able to attend the forthcoming AGM in person because of the ongoing COVID-19 situation and, like last year, the forthcoming AGM will be held by way of electronic means pursuant to the Ministerial Order. The same alternative arrangements for the AGM will be put in place except that this year, shareholders will be able to submit questions to the Chairman of the Meeting "live", via text at the AGM. Details of the steps for pre-registration, submission of questions and voting at the forthcoming AGM by shareholders, including CPF and SRS investors, are set out in a separate announcement released on SGXNET on 30 June 2021.

Dealings in Securities

In line with the rules of the Listing Manual of the SGX-ST, 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 management team, 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 of the SGX-ST 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 Securities and Futures Act whenever trading in our or any other corporation's securities. Directors are also reminded of their obligations under the Securities and Futures Act 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. During FY2020-21, we carried out an extensive engagement exercise with our key stakeholder groups to validate our material issues and gauge stakeholders' perception on the importance of Environmental, Social, and Governance (ESG) topics, so as to align our goals with those of our key stakeholders. As a result of this engagement exercise, we identified and prioritised a list of material ESG issues. 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 postponing any engagement during blackout periods.

Due to Singapore's COVID-19 Circuit Breaker and other restrictions in place for FY2020-21, a large-scale engagement session with suppliers was not conducted. Instead, SATS held a virtual supplier summit for our top 200 suppliers to onboard them to a new e-procurement platform as part of our supply chain digital transformation, which enables process automation and provides end-to-end visibility.

SATS Food Procurement also conducts a performance evaluation of the active suppliers and engages under-performing suppliers for improvement. Similarly, SATS' central purchasing & tenders management (CPTM) department identifies key vendors comprising service crew providers, commercial services contractors, and the top 20 vendors by annual purchase value for commercial and technical goods/services. For vendor performance evaluation purposes, CPTM conducts internal surveys with various business units before engaging underperforming vendors on service improvements to ensure the smooth running of SATS' operations.

In relation to the COVID-19 pandemic, SATS proactively established a COVID-19 taskforce at the onset of the crisis in early 2020 to closely monitor developments, disseminate critical information, and coordinate action within the organisation. This taskforce comprises representatives from SATS' business operations, Legal and Secretariat, Public Affairs & Branding, Risk & Safety, and Human Capital, who are instrumental in managing the impact on employees. On a broader level, SATS' COVID-19 taskforce operated in tandem with the Company's existing business continuity plans, while the Company actively participated as a member of Changi Airport's Pharma@Changi Taskforce Committee, as well as the Changi Ready Joint Taskforce to prepare Singapore for COVID-19 vaccines handling.

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 view of the COVID-19 pandemic's significant impact on the business, the Company also published an update to its outlook on 9 March 2020, followed by profit guidance for the fourth quarter of the financial year ended 31 March 2020 to advise shareholders and potential investors to exercise caution when dealing in the shares of the Company.

Throughout the challenges posed by the outbreak of the virus, the Company safeguarded the health and safety of its employees by implementing stringent health & safety protocols and measures, issuing personal protective equipment (PPE) to all frontline employees, encouraging COVID-19 vaccinations, as well as adopting rostered routine testing (RRT) for employees working in higher-risk settings and enabling flexible work arrangements.

From January 2020, the Company deployed internal communications through multiple channels such as emails, virtual townhalls, calls and face-to-face meetings to communicate the Company's plans, rationale for cost-saving measures, and support for employees. Within the first quarter of FY2020-21, under the leadership of the PCEO, SATS embarked on the largest redeployment of its employees in the Company's history. A total of 10,000 people were redeployed into new roles or activities across the Group. From providing opportunities for employees to upskill and reskill by attending government-supported place-and-train assignments and SATS Academy programmes, to cross-training them to help with the surge in demand in other areas of operations that supported the flow of essential food and medical supplies and feed essential workers, SATS maintained regular internal communications to support employees in navigating the crisis together.

The sharp decline in aviation volumes caused by the COVID-19 pandemic and lockdowns in FY2020-21 has adversely impacted all our customers, especially the airlines. While SATS continues to value all our customers and endeavours to provide them with continuous service excellence, we conscientiously balance the Company's need to protect and recover its assets appropriately, without taking on undue credit risks. These efforts include deploying more resources to closely monitor receivables, considering the financial condition of the carrier, and further assessing our exposure and collectability by how COVID-19 has affected the relevant countries in terms of death rate and lockdowns. In order to continue rendering our services and supply to our customers in FY2020-21, SATS proactively introduced additional measures such as prepayment and settlement plans (i.e. cash advances, Banker's Guarantees, and letters of credit) on a case-by-case basis. Customers who posed significant risks were also identified and impaired accordingly on our books. At the same time, SATS continues to disburse prompt payments to our vendors and suppliers, and to remain prudent by renegotiating longer-term orders with major vendors to reduce our contingent liabilities and exposure.

Increased globalisation has created greater vulnerability in our interconnected economies. The COVID-19 outbreak demonstrated some of the risks that come with relying on global supply chains for raw materials required for manufacturing and the importance of diversification. With enhanced end-to-end traceability for products and analytics for more accurate demand planning through our digital integrated supply chain and global procurement capabilities, SATS established itself as an essential service during the pandemic.

SATS mitigated supply chain disruptions by driving strategic sourcing and structured category management across key segments, and expanding sales and sourcing channels in our key markets to derive procurement value. In FY2020-21, we continued to invest in integrated systems that enable "procure-to-pay" visibility, as well as inventory management that spans our internal supply chain all the way to shop floor visibility as we transform raw materials into finished goods through our production facilities. Our digital integrated supply chain vision is that, all components of the business will be integrated to facilitate end-to-end planning and visibility of the entire supply chain to drive sustainability and waste reduction across SATS' supply chain network.

Corporate Governance Report

Despite the challenging operating landscape and risks posed by the pandemic in FY2020-21, the SATS Group – including our overseas subsidiaries, joint ventures and associates – stepped up and out to help local communities across our network.

In Singapore, up to 700 employees volunteered to work in the community and healthcare system to help safeguard public health. Our volunteers took up various roles with the Singapore Police Force (SPF), Immigration & Checkpoints Authority (ICA), Ministry of Health (MOH), and Enterprise Singapore (ESG) to facilitate safe distancing measures island-wide, carry out temperature screening at public facilities, manage business-related enquiries at call centres, conduct door-to-door checks for those serving stay-home notices, and even care for patients at low-risk basic-care wards at Changi General Hospital (CGH). SATS also harnessed our culinary know-how to rapidly redirect our capacity to feed essential workers during the pandemic. This ranged from providing dormitory catering for migrant workers to meals for drivers supporting deliveries across the Johor-Singapore Causeway.

Between April to September 2020, SATS-Creuers Cruise Services (SCCS), the terminal operator of Marina Bay Cruise Centre Singapore (MBCCS), undertook the role of managing agent to house migrant workers who had recovered from COVID-19 on board two cruise ships at MBCCS. SCCS was responsible for providing healthcare, meals, employer communications, and taking care of the general well-being of over 8,000 migrant workers. SATS also partnered Temasek Foundation, Singapore Airlines, and community volunteers to provide more than 100,000 meals and 11,000 food snacks to support households in need during Singapore's Circuit Breaker period from June 2020.

SATS' newly-acquired subsidiary in the United Kingdom, Monty's Bakehouse (MB), similarly supported key workers and vulnerable communities by donating over 75,000 free hot snacks and meals to National Health Service (NHS) workers and local community projects across London and the South East of the country. MB set up teams within East Surrey Hospital to bake its meals to feed over 700 doctors and nurses a day and partnered up to deliver thousands more snacks across the country to those in need of food. Building on this, MB launched the Community Kitchen Project (CKP), a frozen meal delivery service that supplies delicious high-quality meals direct to consumers in their homes. The project ran from May to December 2020, and for every order placed, MB donated a meal to someone in the local community who needed help.

Over in India, SATS redeployed resources in its ground handling and catering operations to aid community relief efforts. AISATS helped the airport operator set up clinical booths for airport staff and handled over 600 oxygen concentrators originating from New York. At TajSATS, the flight kitchens have supported organisations such as World Central Kitchen, Deutsche Bank, and Taj Public Welfare Trust to supply more than two million meals to healthcare workers in hospitals and stranded migrant communities in Bangalore, Mumbai, and New Delhi during the nation's lockdown. As of June 2021, these community relief efforts persist as India grapples with the COVID-19 pandemic.

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 management and executives. The SATS RSP and the SATS PSP aim to more directly align the interests of key senior 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 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 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 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 of the SGX-ST)) on the day preceding the relevant date of award.

For FY2020-21, 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). The obligation to deliver the shares is expected to be satisfied out of treasury shares.

Corporate Governance Report

Summary of Disclosures – Corporate Governance

The following table benchmarks the disclosures in this Corporate Governance Report and Annual Report against the express disclosure requirements under the provisions of the 2018 Code.

Provisions of the 2018 Code – Express disclosure requirements	Page reference in this Annual Report
Provision 1.2 The induction, training and development provided to new and existing Directors	Pages 71 to 72
Provision 1.3 Matters that require Board approval	Page 51
Provision 1.4 Names of the members of the Board Committees, the terms of reference of the Board Committees, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities	Pages 61 to 66, 68 to 73 and 78 to 79
Provision 1.5 The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings	Page 61
Provision 2.4 The Board diversity policy and progress made towards implementing the Board diversity policy, including objectives	Pages 54 to 55
Provision 4.3 Process for the selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new Directors and channels used in searching for appropriate candidates	Pages 55, 69 and 72 to 73
Provision 4.4 Where the Board considers a Director to be independent notwithstanding the existence of a relationship which may affect his or her independence, the nature of the Director's relationship and the reasons for considering him or her as independent	Page 70
Provision 4.5 The listed company directorships and principal commitments of each Director, and where a Director holds a significant number of such directorships and commitments, the NC's and Board's reasoned assessment of the ability of the Director to diligently discharge his or her duties	Pages 70, 24 to 27 and 232 to 239
Provision 5.2 How the assessments of the Board, the Board Committees and each Director have been conducted, including the identity of any external facilitator and its connection, if any, with the Company or any of its Directors	Page 71
Provision 6.4 The engagement of any remuneration consultants and their independence	Page 73
Provision 8.1 The policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of (a) each individual Director and the CEO; and (b) at least the top five key management personnel (who are not Directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel	For Non-Executive Directors: Pages 58 to 61 For the CEO and management: Pages 73 to 77
Provision 8.2 Names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, stating clearly the employee's relationship with the relevant Director or the CEO or substantial shareholder	Negative statement on page 77
Provision 8.3 All forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to Directors and key management personnel of the Company, and details of employee share schemes	For Non-Executive Directors: Pages 58 to 61 For Key Management Personnel: Pages 74 to 77 For employee share schemes: Pages 75 to 76 and 94 to 95
Provision 9.2 Whether the Board has received assurance from (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the CEO and the other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems	Page 86
Provision 10.1(f) The existence of a whistle-blowing policy and procedures for raising such concerns	Page 88
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year	Page 61
Provision 11.6 The Company's dividend policy	Page 91
Provision 12.1 The steps taken to solicit and understand the views of shareholders	Pages 89 to 91
Provision 13.2 The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period	Page 92