

# 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.

In line with our commitment to promote high levels of corporate governance, we have elected to adopt the new Code of Corporate Governance 2018 (2018 Code) early. Although under Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST), we are required to describe our corporate governance practices with specific reference to the 2018 Code only in our annual report for the next financial year ending 31 March 2020 (FY2019-20) onwards, we are adopting Rule 710 in advance. In this report, our corporate governance practices for the financial year ended 31 March 2019 (FY2018-19) will therefore be described with specific reference to the 2018 Code, and we will not be making any reference to the Code of Corporate Governance 2012.

We are pleased to report that for FY2018-19, we have complied with the core principles of corporate governance laid down by the 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.

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## **Corporate governance awards won in 2018:**

- Gold Award for the Best Managed Board Award 2018 (companies with \$1 billion and above in market capitalisation) at the Singapore Corporate Awards 2018
  - Best CEO Award (companies with \$1 billion and above in market capitalisation) for Mr Alexander Hungate, our President & Chief Executive Officer (PCEO), at the Singapore Corporate Awards 2018
  - Most Transparent Company Award (services industry) at the SIAS Investors' Choice Awards 2018
  - Runner-up for the Singapore Corporate Governance Award (big market capitalisation) at the SIAS Investors' Choice Awards 2018
  - Top 50 ASEAN public listed companies at the 2nd ASEAN Corporate Governance Awards
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## **BOARD OF DIRECTORS**

### **Key features of our Board:**

- *Separation of the role of Chairman and PCEO*
  - *Nine out of our ten Directors are independent non-executive Directors*
  - *Other than the PCEO, none of our Directors have served for more than six years*
  - *Three out of our ten Directors are female*
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## **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

- 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 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. 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 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 information

The Board has also put in place a detailed Policy on Disclosure of Interests in Transactions by Directors which supplements the 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.

# CORPORATE GOVERNANCE REPORT

## BOARD COMPOSITION

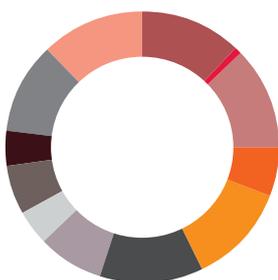
We have ten Directors on our Board, nine of whom (including the Chairman) are independent non-executive Directors (IDs). The PCEO is the only non-independent Director.

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. They 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.

## DIRECTORS' EXPERTISE AND EXPERIENCE MATRIX



● Finance & Accounting	12%
● Legal	1%
● Strategy & Analytics	12%
● Information Technology	6%
● Sales & Marketing	12%
● Human Resource	12%
● Risk Management	8%
● Food Solutions	4%
● Economics	6%
● Supply Chain Management & Logistics	4%
● Branding	11%
● Others: Consumer Marketing, Banking, Customer Service	12%

## DIRECTORS' EXPERTISE AND EXPERIENCE BY GEOGRAPHY



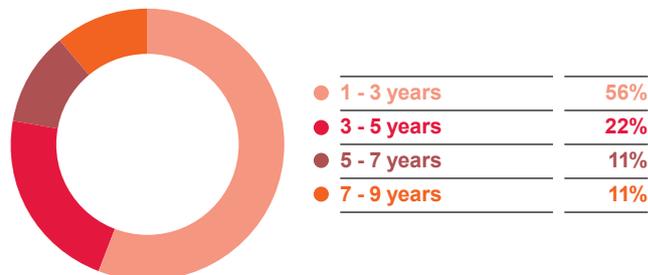
● India / Middle East	17%
● China / North Asia	21%
● Other Parts of Asia-Pacific	19%
● Local - Singapore	21%
● US / UK Europe	12%
● Others: Japan, Australia, Korea, Latin America, Egypt, Pakistan	10%

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. Other than the PCEO, none of our Directors have served for more than six years.

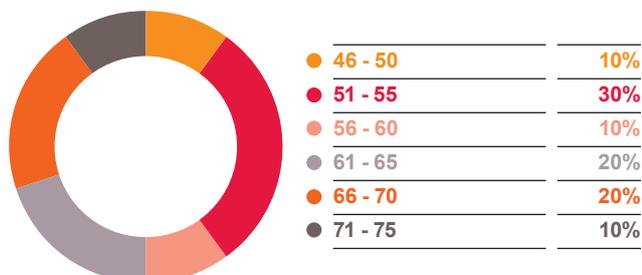
### INDEPENDENCE



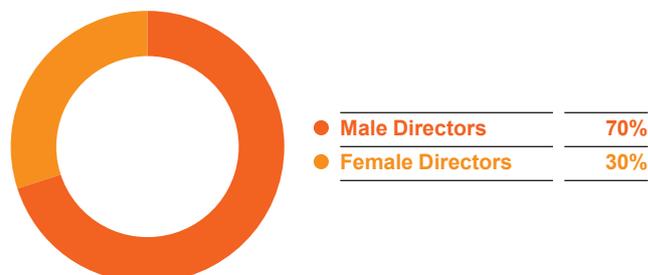
### LENGTH OF SERVICE



### AGE OF DIRECTORS



### GENDER DIVERSITY



## 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 an adequate gender mix on the Board and also to appoint directors who are from diverse 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.

With the appointment of Ms Jenny Lee to our Board during FY2018-19, female Directors now make up almost one-third of the Board. Her appointment contributes to greater diversity of age and gender on our Board and importantly her extensive experience as described under the heading “Selection and Appointment of New Directors” below will benefit Board guidance in the strategic direction of the Company.

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.

# 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 and customers
- Promoting high standards of corporate governance

### 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 shareholders
- 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 Executive Vice Presidents (EVPs) and senior management, makes strategic proposals to the Board and after robust and constructive Board discussions, executes the agreed strategy, manages and develops the Group's businesses and implements the Board's decisions. The PCEO also communicates on behalf of the Company to different stakeholder groups such as shareholders, employees, government authorities and regulators, and the public.

## BOARD MEETINGS AND ACTIVITIES

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

### Board Meetings

- The agenda for Board meetings is decided by the Chairman in consultation with the PCEO, and is planned to allow for sufficient time to address all items
- Matters requiring decision and approval and matters which are for the Board's information is clearly set out in the detailed agenda
- As part of good corporate governance, key matters requiring Board approval are largely reserved for resolution at Board meetings rather than by circulation to facilitate discussion amongst Board members and Management
- As far as possible, all relevant information, papers and materials are made available to the Directors at least a week prior to the meeting; this would enable any Director who is unable to attend a meeting to provide input and raise queries on the agenda items
- Board papers are detailed and give the background, explanatory information, justification, risks and mitigation measures for each agenda item and mandate sought by Management, including, where applicable, relevant budgets, business plans, forecasts and projections and, in respect of budgets, any material variance between the projections and actual results are disclosed and explained
- Directors can ask for additional information as needed to make informed decisions
- All materials for Board and Board Committee meetings are uploaded onto a secure online portal which can be readily accessed on tablet devices provided to Directors
- A separate resource folder in the online portal contains the terms of reference of all Board committees and all operating policies of the Group for the Directors' reference
- The Chairman encourages openness and debate at Board meetings and Directors participate actively in Board discussions and share their insights on issues and matters tabled
- The Company Secretary attends all Board meetings and minutes the proceedings
- The General Counsel, the Chief Financial Officer (CFO) and EVPs 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 and/or accounting matters, listing rules and other relevant topics
- If a Director is unable to attend a meeting in person, he can participate by telephone or video conference as this is permitted under SATS' 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 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 also participate with Management in ongoing discussions on specific geographical or business topics where they as individuals have particular expertise

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## 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 quarterly 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 and Company Secretary

- The Board has separate and independent access to the PCEO, EVPs, CFO, General Counsel 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 Constitution, applicable laws and regulations, the 2018 Code, and the Listing Manual of the SGX-ST. The Company Secretary communicates with relevant regulatory authorities and shareholders, facilitates communication between the Board, its committees and Management, and helps with 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

## 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, and have sufficient time and resources to discharge their oversight function effectively, and to 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 receives a Chairman's fee if he is the Chairman of the Board, as well as the relevant Board Committee fee (depending on whether he 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 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 FY2019-20 remains unchanged from that for FY2018-19, and is set out below:

Types of Appointment	Scale of Directors' fees (FY2019-20) S\$
<b>Board of Directors</b>	
Basic fee	55,000
Board Chairman's fee	85,000
Board Deputy Chairman's fee	40,000
<b>Audit Committee</b>	
Committee Chairman's fee	36,000
Member's fee	23,000
<b>Board Executive Committee</b>	
Committee Chairman's fee	36,000
Member's fee	23,000
<b>Other Board Committees</b>	
Committee Chairman's fee	25,000
Member's fee	13,000
<b>Board Meeting Attendance Fee</b>	
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
<b>Board Committee Meeting Attendance Fee</b>	
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.

At the forthcoming AGM, approval of the shareholders will be sought for the payment of an aggregate sum of up to S\$1,300,000 as Directors' fees for the non-executive Directors for FY2019-20, which remains unchanged from the previous year. The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for FY2019-20, assuming attendance in person by all the Directors at such meetings, and also caters for additional fees (if any) which may be payable due to additional board representations on the Company's subsidiary(ies) and/or joint ventures, or to additional Board or Board Committee members being appointed in the course of FY2019-20. If approved, the proposed fees for FY2019-20 will facilitate the payment of Directors' fees during or soon after the financial year in which such fees are incurred. Shareholders' approval will also be sought at the forthcoming AGM for alterations to the SATS Restricted Share Plan to enable non-executive Directors to participate in the SATS Restricted Share Plan, so as to permit grants of fully paid shares to be made under the SATS Restricted Share Plan to non-executive Directors as part of their remuneration.

# **CORPORATE GOVERNANCE REPORT**

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 FY2019-20 in cash and approximately 30 percent in the form of SATS shares (FY2018-19: 85 percent in cash and 15 percent in shares), with the share component currently intended to be paid out in the form of awards under the SATS Restricted Share Plan (as altered). The share component of the Directors' fees will be increased by 15 percent as compared to the last financial year, as the Company believes that this will further align the interests of non-executive Directors with the interests of shareholders. 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 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 fees will receive all of his 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 FY2019-20 to be paid after the 2020 AGM has been held or after the release of the Company's first quarter financial results for the financial year ending 31 March 2021 (1QFY2020-21 Results), whichever is the later. 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 2020 AGM or the release of the 1QFY2020-21 Results, whichever is later, rounded down to the nearest hundred shares, and any residual balance will be settled in cash.

With respect to the Directors' fees for FY2018-19 which was approved by shareholders at the Company's 2018 AGM held on 19 July 2018, the Company had disclosed in the notice convening the 2018 AGM that the intention at that time was for the share component of such fees (approximately 15 percent) to be purchased from the market on the first trading day immediately after the release of the Company's first quarter financial results for FY2019-20 or as soon as practicable thereafter. After further deliberation and subject to shareholders' approval being obtained at the forthcoming AGM for the alterations to the SATS Restricted Share Plan, the Company now intends for the share component of the Directors' fees for FY2018-19 to be paid out in the form of awards under the SATS Restricted Share Plan (as altered) instead, with the actual number of shares to be awarded determined by reference to the volume-weighted average price of a share on the SGX-ST over the 10 trading days after the forthcoming AGM or the release of the Company's first quarter results for FY2019-20, whichever is later, rounded down to the nearest hundred shares, and any residual balance will be settled in cash.

If the proposed alterations to the SATS Restricted Share Plan are not approved at the forthcoming AGM, all of the Directors' fees for FY2019-20 and FY2018-19 will be paid in cash.

The aggregate amount of Directors' fees paid to the non-executive Directors for FY2018-19 was S\$1,141,572,74 (breakdown given below). The non-executive Directors did not receive any salary, performance-related income / bonuses, benefits in kind, stock options, share-based awards (other than as disclosed above) or other long term incentives for FY2018-19.

Details on the Directors' fees paid for FY2018-19, date of 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 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					AGM 2018	Total Directors' fees for FY2018-19 (SGD)	
				Attendance rate (1 April 2018 to 31 March 2019)							
				BOD <sup>(1)</sup>	NC <sup>(2)</sup>	EXCO <sup>(3)</sup>	AC <sup>(4)</sup>	BRSC <sup>(5)</sup>			RHRC <sup>(6)</sup>
				No. of meetings held (1 April 2018 to 31 March 2019)							
			6	2	5	4	4	3			

**a) Executive Director**

Mr Alex Hungate	27 Jul 2011	19 Jul 2018	6	–	5	–	–	–	1	No Fee*
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**b) Non-Executive and Independent Director**

Ms Euleen Goh <sup>(a)</sup>	1 Aug 2013 (Director)  19 Jul 2016 (Chairman)	21 Jul 2017	6	2	5	–	–	3	1	\$249,393.44
Mr Achal Agarwal <sup>(b)</sup>	1 Sep 2016	21 Jul 2017	6	–	3/3	2/2	–	2/2	1	\$110,492.90
Mr Chia Kim Huat <sup>(c)</sup>	15 Mar 2017	21 Jul 2017	6	1/1	–	–	4	–	1	\$98,092.90
Mr Michael Kok	6 Mar 2015	21 Jul 2017	6	–	5	–	–	3	1	\$129,240.10**
Ms Jenny Lee <sup>(d)</sup>	25 Jan 2019	–	2/2	–	–	–	–	–	–	\$19,972.53
Mr Tan Soo Nan	25 Apr 2016	19 Jul 2018	6	–	–	4	4	–	1	\$127,600.00
Ms Jessica Tan <sup>(e)</sup>	17 Apr 2017	21 Jul 2017	6	2	–	2/2	–	–	1	\$103,887.43
Mr Yap Chee Meng	1 Oct 2013	21 Jul 2017	6	–	–	4	4	–	1	\$128,600.00
Mr Yap Kim Wah	20 Jul 2016	21 Jul 2017	6	–	–	4	4	–	1	\$115,600.00

**c) Non-Executive and Independent Directors who retired/stepped down on 19 July 2018**

Mr Koh Poh Tiong <sup>(f)</sup>	1 Nov 2011	19 Jul 2016	1/1	1/1	2/2	–	–	1/1	1	\$42,163.39
Mr Thierry Breton <sup>(g)</sup>	1 Oct 2015	19 Jul 2016	0/1	–	–	–	–	–	0	\$16,530.05

**Notes:**

<sup>(1)</sup> Board of Directors (BOD) meetings included a 2 day Board Strategy Meeting (BSM) held from 30 to 31 Aug 2018 in Singapore

<sup>(2)</sup> Nominating Committee (NC)

<sup>(3)</sup> Board Executive Committee (EXCO)

<sup>(4)</sup> Audit Committee (AC)

<sup>(5)</sup> Board Risk and Safety Committee (BRSC)

<sup>(6)</sup> Remuneration and Human Resource Committee (RHRC)

<sup>(a)</sup> Ms Euleen Goh was appointed as the Chairman of the NC with effect from 20 July 2018.

<sup>(b)</sup> Mr Achal Agarwal stepped down as a member of the AC with effect from 20 July 2018 and attended 2 out of 2 AC meetings held during his term as a member of the AC in FY2018-19. He was appointed as a member of the EXCO and RHRC with effect from 20 July 2018. He attended 3 out of 3 EXCO meetings and 2 out of 2 RHRC meetings during his term as a member of the EXCO and the RHRC respectively in FY2018-19.

<sup>(c)</sup> Mr Chia Kim Huat was appointed as a member of the NC with effect from 20 July 2018. He attended 1 out of 1 NC meeting held during his term as a member of the NC in FY2018-19.

<sup>(d)</sup> Ms Jenny Lee was appointed as an independent non-executive Director of the Company with effect from 25 January 2019. She attended 2 out of 2 Board meetings in FY2018-19 during her term as an independent non-executive Director of the Company in FY2018-19.

<sup>(e)</sup> Ms Jessica Tan was appointed as a member of the AC with effect from 20 July 2018. She attended 2 out of 2 AC meetings held during her term as a member of the AC in FY2018-19.

<sup>(f)</sup> Mr Koh Poh Tiong retired from the Board and relinquished all Board Committee appointments on 19 July 2018. He attended 1 out of 1 Board meeting, 1 out of 1 NC meeting, 2 out of 2 EXCO meetings and 1 out of 1 RHRC meeting held during his term as a member of the Board, Chairman of the NC and a member of the EXCO and RHRC respectively in FY2018-19.

<sup>(g)</sup> Mr Thierry Breton retired from the Board on 19 July 2018 and did not attend the 1 Board meeting which was held during his term as a member of the Board in FY2018-19.

\* No Directors' fees were paid to the PCEO, Mr Alex Hungate.

\*\* Mr Michael Kok was the Chairman of SATS Food Services Pte. Ltd.'s (SFS) joint venture subsidiary, SATS (Kunshan) Food Co., Ltd. (Kunshan) and resigned on 26 February 2019. He is entitled to a retainer fee of S\$15,000 p.a. and meeting attendance fees of S\$2,000 per meeting, payable by SFS. He was paid a pro-rated retainer fee of S\$13,640.10 for his services as a Director of Kunshan up to the date of his resignation. No Board meeting was held by Kunshan in FY2018-19.

# CORPORATE GOVERNANCE REPORT

## 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

The composition of our Board Committees is as follows:

Board Committee	Composition	Members
Board Executive Committee	<ul style="list-style-type: none"> <li>• Four members</li> <li>• Three out of four (including Chairman) are IDs</li> </ul>	<ul style="list-style-type: none"> <li>• Ms Euleen Goh (Chairman)</li> <li>• Mr Alex Hungate</li> <li>• Mr Achal Agarwal</li> <li>• Mr Michael Kok</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• Four members</li> <li>• All IDs</li> </ul>	<ul style="list-style-type: none"> <li>• Mr Yap Chee Meng (Chairman)</li> <li>• Ms Jessica Tan</li> <li>• Mr Tan Soo Nan</li> <li>• Mr Yap Kim Wah</li> </ul>
Nominating Committee	<ul style="list-style-type: none"> <li>• Three members</li> <li>• All IDs</li> </ul>	<ul style="list-style-type: none"> <li>• Ms Euleen Goh (Chairman)</li> <li>• Mr Chia Kim Huat</li> <li>• Ms Jessica Tan Soon Neo</li> </ul>
Remuneration and Human Resource Committee	<ul style="list-style-type: none"> <li>• Three members</li> <li>• All IDs</li> </ul>	<ul style="list-style-type: none"> <li>• Ms Euleen Goh (Chairman)</li> <li>• Mr Achal Agarwal</li> <li>• Mr Michael Kok</li> </ul>
Board Risk and Safety Committee	<ul style="list-style-type: none"> <li>• Four members</li> <li>• All IDs</li> </ul>	<ul style="list-style-type: none"> <li>• Mr Tan Soo Nan (Chairman)</li> <li>• Mr Chia Kim Huat</li> <li>• Mr Yap Chee Meng</li> <li>• Mr Yap Kim Wah</li> </ul>

## 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

- 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 five times in FY2018-19. 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 General Counsel, the CFO and the EVPs 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 and Mr Yap Kim Wah. All of the AC members (including the AC Chairman) are independent.

The AC members collectively have extensive experience in finance, accounting, information technology, strategy and analytics, in the airline 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 members of the AC.

In particular, at least two members of the AC, (including the AC Chairman), namely, Mr Yap Chee Meng and Mr Tan Soo Nan, 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 in 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.

Mr Tan Soo Nan has relevant financial management expertise and 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 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. He has more than 40 years of experience in various sectors including banking, finance and investments.

None of the AC members were partners or directors of SATS' existing external audit firm within the previous 2 years prior to their appointment to the AC and none of the AC members have any financial interest in SATS' existing external audit firm.

### Key Responsibilities of the AC

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

Its key responsibilities include the review of:

#### Financial Reporting

- Quarterly and annual financial statements and financial results announcements, including the review of significant financial 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 CFO on the financial records and financial statements

# CORPORATE GOVERNANCE REPORT

## Internal Controls

- Compliance and information technology (financial reporting) risks
- The adequacy and effectiveness of the risk management and internal controls systems regarding financial reporting, accounting and other financial-related risks and controls (and other risk and controls as delegated by the Board), at least annually
- The Board's Risk Management and Internal Controls Statement in conjunction with the Board Risk and Safety Committee
- The policy and arrangements by which our employees and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters in order for such concerns to be independently investigated and appropriately followed up on
- Significant matters raised through the 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 year, the AC reviewed the Group's financial statements before the announcement of the quarterly and full-year results. 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.

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	<p>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).</p> <p>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.</p> <p>The AC was satisfied with the impairment review process, the approach and methodology used and the assessment that no impairment of goodwill was required at this time.</p>
Impairment of associates and joint ventures	<p>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 AC was periodically briefed on the developments in the key associates and joint ventures.</p> <p>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.</p> <p>The AC was satisfied with the impairment review process, the approach and methodology used, and the assessment that no impairment of associates and joint ventures was required at this time.</p>
Accounting for business combinations	<p>The AC reviewed Management's processes for the review and determination of the accounting for its business combinations, including the treatment of contingent consideration and goodwill where significant estimates and judgments were involved. The AC was regularly briefed on Management's plans for its investments and divestments.</p> <p>The AC considered the findings of the external auditors in relation to the accounting for business combinations.</p> <p>The AC was satisfied with the accounting and disclosures in the financial statements for the Group's investments and divestments.</p>

### AC Meetings

The AC is required under its terms of reference to meet at least four times a year. The AC met four times in FY2018-19.

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

# CORPORATE GOVERNANCE REPORT

## 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 FY2018-19, 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 FY2018-19, and the breakdown of fees for audit and non-audit services, are as follows:

Fees for FY2018-19	S\$(m)
For audit services	0.8
For non-audit services	0.2
<b>Total</b>	<b>1.0</b>

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.

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

Shareholders are presented with the quarterly and full-year financial results respectively within 45 days of the end of the quarter and 60 days of the end of the financial year. 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. 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 quarterly and full-year 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. 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.

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.

#### **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**

- 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.
- 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

# CORPORATE GOVERNANCE REPORT

Under Provision 4.1(a) of the 2018 Code, one of the responsibilities of the NC is to make recommendations to the Board on relevant matters relating to the review of succession plans for 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<sup>1</sup> 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.

<sup>1</sup> Relevant Key Management Personnel in this context are employees holding the rank of PCEO and his direct reports.

## NC Meetings

The NC met two times in FY2018-19, 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.

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 FY2018-19. 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.

## 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 FY2018-19. 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.

Ms Jenny Lee joined the Board in FY2018-19. In considering her appointment, the NC took into account her vast experience in operating in the venture capital space in China and the USA. She is currently a Managing Partner at GGV Capital and has over 16 years of global venture capital experience. She has been instrumental in investing and helping her portfolio companies go public on NYSE, Nasdaq, ChiNext and HKSE and/or facilitating their exit via M&A transactions. Ms Lee's previous operation and finance work experience with ST Aerospace, Morgan Stanley and JAFCO Asia enhanced her role as a preferred board mentor and investor to many entrepreneurs in China. Her strengths are in venture capital investing with a focus on finding and partnering with disruptive technology companies, coming up with latest technical inventions that can benefit the corporate world at large. With more than 16 years of experience in venture capital investing, her wealth of experience will enhance and complement the competencies and skills of the current Board. The Board approved the appointment of Ms Lee as an independent non-executive Director of the Company after having considered the recommendation of the NC and having reviewed the experience and skillset of Ms Lee.

### **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 is employed by SATS or any of its related corporations for the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by SATS or any of its related corporations for the past three financial years, and whose remuneration is determined by the Remuneration and Human Resource Committee.

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

The NC and the Board have determined that the independent Directors are Ms Euleen Goh, Mr Achal Agarwal, Mr Chia Kim Huat, Mr Michael Kok, Ms Jenny Lee, 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 the relevant 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.

# CORPORATE GOVERNANCE REPORT

## Review of Directors' Time Commitments

The NC determines annually whether a Director has been adequately carrying out his duties as a Director of SATS, taking into consideration the number of that Director's other listed company board representations and other principal commitments. In respect of FY2018-19, 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 range from five to seven. Having regard to each Director's attendance record for Board and, where applicable, Board Committee meetings, and his or her ability to contribute effectively thereat, the NC is of the view that each Director has been able to effectively discharge his duties as a Director of SATS. In particular, the NC is satisfied that Directors who hold multiple board representations nevertheless devote sufficient time and attention to SATS's affairs.

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 boards of two other listed companies, 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 report.

During FY2018-19, every Director 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 assessed 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. The questionnaire 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, 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 or her willingness and ability to constructively challenge and contribute effectively to the Board, and his or her commitment to his or her roles on the Board.

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:

- Strategic Chairmanship
- Board members' business experience and diverse backgrounds add to robust discussions
- The Board effectively monitors business performance against strategic plans and budgets
- High quality Board Strategy Meetings
- Good relationship between Board and Management
- Informal meeting of the Directors enable issues to be surfaced and discussed
- Both Chairman and PCEO are accessible for consultation
- Competent Board and effective working relationship with Management
- Board of Directors with complementary skillsets

- Good robust discussions and understanding of the issues, process managed by effective Chairman
- Directors have effective working relationships with each other, allowing for frank, constructive, meaningful and open discussions and debate by all Directors, which leads to effective decision making

The Board Chairman held discussions with each individual Director on any concerns which the Director might have, provided him or her with feedback on his or her performance, and also sought his or her feedback on the Chairman's performance. A clear action plan was then discussed with the Board and acted upon. The Board discussed the findings of the evaluation and agreed to follow-up on the 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 best endeavours to comply with the requirements of the SGX-ST Listing Manual. External legal counsel may also be engaged to conduct briefing sessions for newly-appointed Directors on the roles and responsibilities of a Singapore listed company director.

Copies of the minutes of immediate past Board and Board Committee meetings are made available on the online portal. They 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 roles and responsibilities as prescribed by the SGX-ST, unless the NC is of the view that training is not required because he has other relevant experience, in which case the basis of its assessment will be disclosed. Ms Jenny Lee was appointed to our Board in January 2019. The NC was of the view that mandatory training was not required for Ms Lee because she already has extensive experience as a director of listed companies and is a director of public companies listed on NASDAQ and NYSE. In any case, the Company arranged for Ms Lee to attend a training on the "Roles and Responsibilities of a Singapore Listed Company Director" which was conducted by external counsel in April 2019.

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.

During FY2018-19, the Directors visited Changi Airport Terminal 4 in May 2018 to understand the new technology that Changi Airport Group has deployed. Workshop and seminars attended by some of the Directors included "Dealing with Crisis – An Immersive Boardroom Session", the "Global Board Leadership Summit" and "Directors-in-Dialogue: The Future World for Boards" during FY2018-19. Our Directors also attended trainings on the "Internal Inquiry Process Best Practices" and "Revised Code of Corporate Governance" during FY2018-19, both of which were conducted by external counsels.

### 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.

# CORPORATE GOVERNANCE REPORT

## 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 Ms Euleen Goh, Mr Michael Kok and Mr Yap Chee Meng. Ms Jenny Lee will be retiring under Article 96 of the Constitution of the Company as she was appointed by the Board during the course of FY2018-19. The NC (after having taken into consideration the principles for the determination of the Board size and composition adopted by it and the duration of their appointments to the Board) recommends their retirement and re-election as Directors, after assessing their competencies, commitment, contribution and performance (including attendance, preparedness, participation and candor) including his or her performance as an independent Director, and the Board has endorsed the recommendation.

## 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 FY2018-19, the RHRC sought views on market practices and trends from two external consultants, Aon Hewitt and Willis Tower Watson on top management compensation. The RHRC undertook a review of the independence and objectivity of the external consultants through discussions with them and was satisfied that the external consultants have 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 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 convened three meetings in FY2018-19.

### 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. These direct compensation ("Direct Compensation") in cash or SATS shares, together with benefits and provident for social security where applicable, makes 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:

TOTAL REMUNERATION	Total Direct Compensation	Remuneration Components	Remuneration Vehicle
		Fixed Pay	Basic Salary
			Annual Wage Supplement
			Cash Allowances
		Variable Bonus	Performance Bonus
			Economic Value Added (with claw back mechanism)
	Long-Term Incentive	Restricted Share Plan	
Performance Share Plan			
Benefits & Provident			

### 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).

# CORPORATE GOVERNANCE REPORT

## (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:

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

For key senior management<sup>2</sup>, 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 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 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 employees of managerial grade and above in the Company, 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.

## (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.

<sup>2</sup> Senior Management are employees holding the rank of Senior Vice President and above.

Shareholders' approval will be sought at the forthcoming AGM for alterations to 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 remuneration. Such awards 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 and Transformation KPIs targets being met over the performance period of three financial years.

In FY2018-19, a total of 745,000 shares have been granted under the SATS PSP.

Since 2006, the Company has phased out the award of employee share options under the Senior Executive Share Option Scheme (one of the two schemes under the SATS Employee Share Option Plan (ESOP) which was adopted by the Company in 2000) as part of the key executives' remuneration framework with effect from FY2007-08. The final grant of share options under the ESOP was made in July 2008.

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 FY2018-19.

The aggregate compensation paid to or accrued to the PCEO, the Chief Financial Officer and the Business Heads for FY2018-19 is set out below:

President and Chief Executive Officer (PCEO)		Salary <sup>2</sup> (S\$)	Bonuses <sup>3</sup> (S\$)	Benefits (S\$)	Total (S\$)	Award under SATS RSP <sup>6</sup>	Award under SATS PSP <sup>6</sup>
Alex Hungate		1,073,020	2,195,932	84,470	3,353,422	–	340,000

Relevant Key Management Personnel	Remuneration Band <sup>1</sup>	Salary <sup>2</sup> %	Bonuses <sup>3</sup> %	Benefits %	Total %	Award under SATS RSP <sup>6</sup>	Award under SATS PSP <sup>6</sup>
Yacoob Bin Ahmed Piperdi	\$1,000,001 to \$1,250,000	43	52	5	100	–	85,000
Tan Chuan Lye	\$1,000,001 to \$1,250,000	76	18	6	100	–	–
Seah Kok Khong, Manfred	\$1,000,001 to \$1,250,000	46	49	5	100	–	50,000
Mok Tee Heong Kerry <sup>4</sup>	\$750,001 to \$1,000,000	67	27	6	100	–	50,000
Denis Suresh Kumar Marie <sup>5</sup>	\$500,001 to \$750,000	54	40	6	100	–	50,000

**Notes:**

- Remuneration bands as indicated do not include the value of any awards granted under the SATS RSP and/or SATS PSP.
- Salary includes AWS and employer's CPF for the year ended 31 March 2019.
- Variable bonus comprises both actual performance bonus and economic value added (EVA) bonus which were paid out in FY2018-19 in respect of FY2017-18 Company and individual performance.
- Mr Mok Tee Heong Kerry joined on 28 June 2018.
- Mr Denis Suresh Kumar Marie was appointed as CEO of SATS India effective from 14 January 2019.
- Denotes the base awards of shares granted under the SATS PSP for FY2018-19 on 14 December 2018. The final number of PSP award 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.
- The fair value at allocation for the SATS PSP for FY2018-19 is at \$3.23.
- The above table reflects the remuneration of the employees who hold the rank of PCEO, Chief Financial Officer and Business Heads.

# **CORPORATE GOVERNANCE REPORT**

The aggregate total compensation paid to the Chief Financial Officer and the Business Heads (who are not also Directors or the PCEO) for FY2018-19 was S\$4,738,319.

No immediate family members of any Director or of the PCEO were employed by the Company or any of its related companies during FY2018-19.

## **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 have anchored training and development to build a performance driven culture centred around SATS' five core values: Excellence, Safety & Security, Innovation, Trust and Collaboration. 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.

Workshops on Accelerating Change & Transformation through Leadership are conducted to bring awareness to our employees of these leadership principles. We also work with Capelle to contextualise the national program "SkillsFuture for Digital Workplace (SFDW)" and use it as a platform to bring this awareness to all employees in SATS. Employees volunteered to be change champions at Business Units to facilitate the change, and assist fellow colleagues to build ownership needed for making progress, both for themselves and for the organisation. Initiatives such as "Bright Spots" are also put in place to recognise people practicing the principles, as a reminder and reinforcement of our intention in building an open culture.

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. With these in place, our employees will be able to continue to deliver our SATS brand promise "Passion to Delight" so that we can achieve our mission "to be the first choice provider" and the vision of "feeding and connecting Asia".

## **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 the 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 9 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 Tan Soo Nan, and its members are Mr Yap Chee Meng, Mr Yap Kim Wah and Mr Chia Kim Huat. All of the BRSC members (including the BRSC Chairman) are independent Directors.

#### **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, 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 FY2018-19.

### **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

# CORPORATE GOVERNANCE REPORT

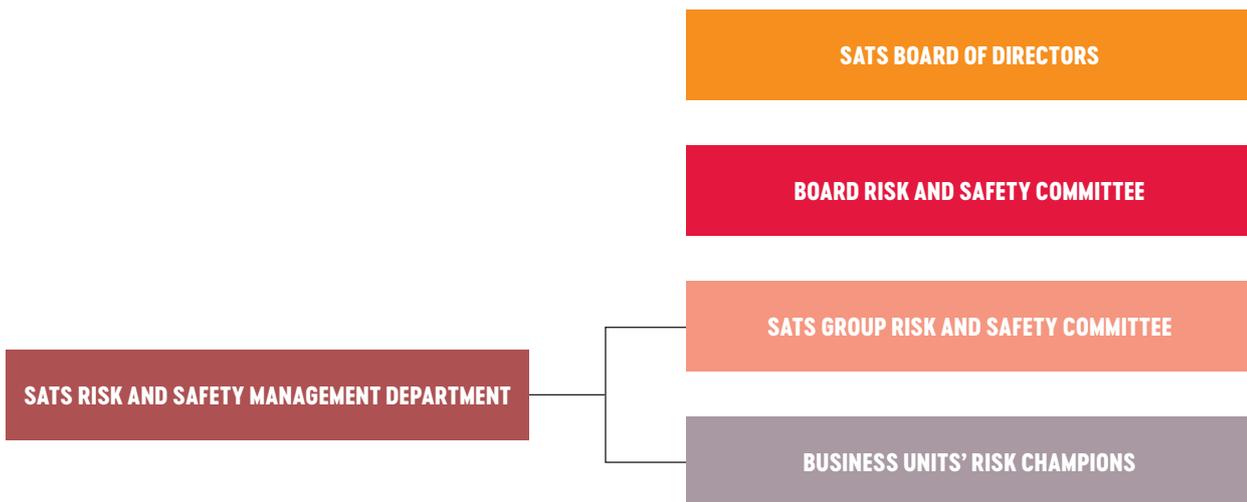
## Risk Management Organisational Structure

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 SATS Group Risk and Safety Committee (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.

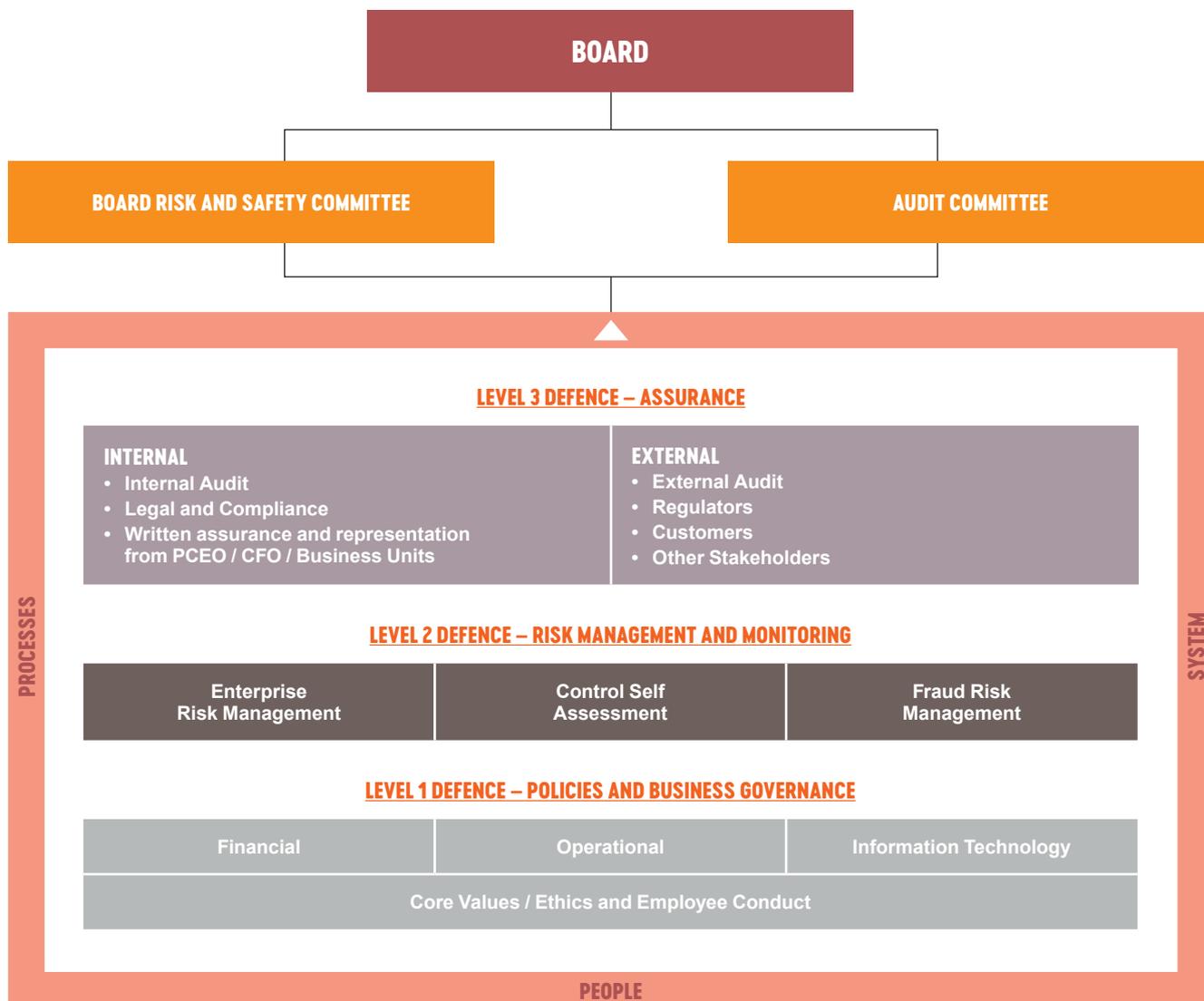
The Group risk management reporting structure is as depicted in the diagram below.



More information on the EXCO, AC and BRSC's composition, authorities, duties and key risk responsibilities can be found in the respective "Board Committees" sub-sections of this Corporate Governance Report.

## 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 – Policies and Business Governance**

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 various 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

# CORPORATE GOVERNANCE REPORT

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.

## 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/exploit. The framework covers security controls (leveraging on people, process and technology) in the following 3 areas to protect SATS businesses and information assets.

## CYBER SECURITY MANAGEMENT FRAMEWORK

### PROTECTION

Ability to protect, limit or contain the impact of a potential Cyber Security event

#### Perimeter Defence

- Intrusion Protection System
- Firewall
- Virtual Private Network
- Proxy Service
- Email and Site Filter
- Switch & Router

#### Mobile Security

#### Host Security

#### Server Security

#### System Security

#### Application Security

#### Data Protection

#### Access Control

### OPERATIONS

Timely discovery of Cyber Security events and response to recover the system

#### Identity and Access Management

#### Security Information and Event Management

#### Incident Response and Management

#### Threat Intelligence

#### Vulnerability Management

#### Patch Management

#### Capacity Management

#### IT Disaster Recovery

#### Business Continuity Management

### GOVERNANCE

Proactively identify cyber risks and establish process and procedure to focus, prioritise its efforts towards minimising Cyber Security risks

#### Policies

#### Standards

#### Procedures

#### Guidelines

#### User Awareness

#### Security Testing

#### Audit and Compliance

#### Service Level Agreement

#### Risk Management

#### Metrics and Reporting

### Level 2 Defence – Risk Management and Monitoring

The Enterprise Risk Management 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. Procedures used facilitate 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 are reported to the BRSC and the AC for review and information.

The Group carried out reviews of the key risk profiles of the Group. The preventive and mitigating control actions were 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.

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

- risk review and identification exercises conducted at the business units and departments, 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 potential 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.

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.

# **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 each of SATS' EVPs 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.

## **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.

## **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. 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.

#### **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. 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.

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

Shareholders are informed of general meetings through notices published in the newspapers, electronic releases via the SGXNET and 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.

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 behalf at the meeting through proxy forms sent in advance. Institutional shareholders are allowed to appoint multiple proxies, so indirect investors who hold shares through nominee companies or custodian banks or through a CPF agent bank may be appointed as proxies to attend, speak and vote at the AGM.

# CORPORATE GOVERNANCE REPORT

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 on a regular and timely basis, and in a clear, forthcoming and detailed manner. We disseminate material, price-sensitive information to the public on a timely and non-selective basis, to enable our stakeholders to have the latest, most relevant information required 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](http://www.sats.com.sg).

Our Public Affairs & Branding Department is our corporate liaison to the public, shareholders, and the investment community. The department is responsible for the dissemination of corporate information and promotes a positive relationship with our stakeholders. Shareholders who wish to contact us may do so by contacting the Public Affairs & Branding Department. The department's contact details are listed on our website. We also have a dedicated investor relations team and clearly-defined investor relations policy. Upon receiving queries and feedback, our Public Affairs & Branding team will consult the relevant subject matter expert before responding appropriately to the feedback. Communications with our stakeholders are conducted in an open, transparent manner and in compliance with SGX requirements.

There is a dedicated investor relations section on our website where current and past annual reports, quarterly financial results, webcasts of quarterly earnings briefings, the latest corporate presentations, and other information considered to be of interest to shareholders and the investment community are readily available.

In addition, we have many channels that offer opportunities for dialogue with our stakeholders to help them understand our business strategy better.

Every quarter, except for the fourth quarter, we organise an earnings conference call with a live audio webcast to brief shareholders, the investment community, and the media on our financial performance as well as key business and corporate developments. For the fourth quarter, we typically host a face-to-face briefing for both analysts and the media, with a live audio webcast. An on-demand audio webcast is made available on our website on the same day of each earnings conference call and briefing. However, this year, we will host our inaugural Capital Markets Day at SATS Inflight Catering Centre 1 on 30 May 2019 for investors and buy-side analysts.

In addition, we participate in investor conferences locally and overseas on a regular basis to meet with investors who are interested to know more about our business. We also respond to email requests from key institutional investors to meet with senior management on specific matters and queries about our business.

### Sustainability

In 2017, we established a new sustainability framework that 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 sustainability goals are integrated into business goals.

Hence, sustainability is naturally a vital facet of our business strategy. We adopt a technology-driven, people-led approach to everything we do to deliver long-term value to our stakeholders, such as encouraging innovative solutions to improve services and promote healthy eating without depleting scarce resources. We engage our stakeholders regularly through multiple channels to identify material issues that guide our decision-making. By working collaboratively with both external and internal stakeholders, we believe that we can create a greater collective impact on the environment and communities we serve.

We have established ambitious 2030 goals, built on our core competencies to enable our business, stakeholders, and the community to grow with purpose. The framework's three pillars – Nourishing Communities, Connecting People, and Treasuring Resources, are aligned with our vision to feed and connect Asia.

We report our sustainability performance in accordance with the SGX Sustainability Reporting Guide and take reference from Global Reporting Initiatives for disclosures on performance. Material topics are also mapped to the United Nations' Sustainable Development Goals. We will continuously review our sustainable business strategy to improve our stewardship and reporting format.

### **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. The past four years' dividend payouts and the current year's proposed dividend payout are set out in the "Five-Year Group Financial and Operational Summary" section of the Annual Report.

### **Conduct of Shareholder Meetings**

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

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

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

The Company Secretary prepares minutes of shareholders' meetings, which incorporate substantial and relevant comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request and, beginning from our 2018 AGM, are published on our corporate website.

### **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, which have been disseminated to employees of the Group and Directors of the companies within the Group. The policy and guidelines restrict 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 information, such as the offices of the PCEO, EVPs and Senior Vice Presidents, 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 falling two weeks before the announcement of our quarterly financial statements for each of the first three quarters of its financial year and one month before the announcement of our full-year financial statements.

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.

# CORPORATE GOVERNANCE REPORT

In addition, our Directors and employees are prohibited at all times from trading in the Company's securities if they are in possession of non-public, price-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. 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 having intimate knowledge of our business and regular interactions with our stakeholders to determine material issues for our business.

The Company embarked on a stakeholder engagement exercise with customers, suppliers, the investment community, government regulators, non-government organisations (NGOs), the media, supranational institutions, the community, business associations, employees and trade unions in FY2018-19 for its sustainability reporting. The objective was to validate SATS' materiality issues and align our sustainability goals with those of our stakeholders, in order to prioritise resources for various sustainability programmes. Feedback from all stakeholder groups was solicited through online surveys and phone interviews. Internal stakeholder workshops for accountable-drivers and overseas markets were also organised to gather more in-depth views to enhance the Company's sustainability reporting.

SATS' food procurement department also organises an annual engagement session with key suppliers to share the Company's needs and plans for the business, as well as discuss how suppliers can lend their support.

In addition, SATS' Central Purchasing & Tenders Management (CPTM) Department identifies key vendors comprising service crew providers, commercial services contractors, and top 20 vendors by annual purchase values 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.

On the communications front, SATS' Public Affairs & Branding Department conducted a three-month online survey with key stakeholder groups comprising the investment community, employees, potential employees, government agencies and regulators, and customers in FY2018-19 to assess user needs for its corporate website revamp. This exercise was followed by an internal stakeholder workshop to prioritise and determine enhancements that will create a better user experience for visitors to the website.

SATS provides timely and informative updates relating to company announcements, quarterly financial results announcements, news releases, and corporate presentations on its corporate website. Going forward, the Company will include more details on its management of stakeholder relationships during the reporting period, including best practices for compliance.

## ANNEXURE

### Share Plans

#### (I) ESOP

The Company has ceased to issue further grants of share options under the ESOP since the last grant in July 2008. Please refer to the "Directors' Statement" and "Notes to Financial Statements" in the "Financials" section of this Annual Report for more details relating to the ESOP.

#### (II) 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 41<sup>st</sup> 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.

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 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. 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. Award 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 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 or her rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his or 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 or the SATS PSP, when added to the number of new shares issued and issuable in respect of all options granted under the ESOP, and all awards 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 on the day preceding the relevant date of award.

For FY2018-19, 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). The obligation to deliver the shares is expected to be satisfied out of treasury shares.

Shareholders' approval will be sought at the forthcoming AGM for alterations to 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 remuneration.