

An aerial photograph of a large-scale solar farm. The solar panels are arranged in neat, parallel rows, stretching across the landscape. The panels have a blue monocrystalline or polycrystalline surface with visible grid lines. They are mounted on metal frames supported by concrete pillars. The perspective is from a high angle, looking down at the panels, which creates a strong sense of depth and repetition.

sats

# TECHDRIVEN PEOPLELED

Inaugural Sustainability Report 2016-17



# Our Sustainability Pillars



## Sustainable Nutrition

Make Healthy Food Affordable

Tackle Food Wastage

Ensure Supply Chain is Sustainable

Food Safety



## Treasuring Resources

Use Scarce Resources Efficiently

Reduce Emissions

Grow with SATS



## Connecting People

Ensure Seamless Connections

Empower Communities

Safety

### Other Sections:

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\* Any discrepancies in the tables, graphs and charts included in this report between the listed amounts and total thereof are due to mathematical rounding.

# About SATS

Handling over 102 million passengers and serving more than 123 million meals in FY2016-17, SATS is the leading provider of Gateway Services and Food Solutions. Spurred by our brand promise “**Passion to Delight**”, we strive towards our mission to be the first-choice provider by delighting customers with innovation and passion.

SATS’ Food Solutions business comprises airline catering, food distribution and logistics, industrial catering, as well as chilled and frozen food manufacturing, bed linen and laundry services. With the support of our large network of partners, our food solutions business has extended its reach throughout Asia Pacific and beyond the aviation sector to industries such as healthcare, hospitality and government agencies.

Our Gateway Services encompass airfreight, baggage and ramp handling, passenger services, aviation security, cargo, warehousing, perishables handling to cruise handling and terminal

management. In addition to being the leading ground handler and in-flight catering service provider at Changi International Airport, one of the world’s best airports, we now have ground handling and in-flight catering presence in more than 40 airports across Asia. We also operate Singapore’s cruise terminal Marina Bay Cruise Centre Singapore, together with our partner Creuers del Port de Barcelona, the terminal operator of Europe’s leading cruise homeport.

With a geographical presence spanning 54 cities and 47 airports in Asia and the Middle East, our vision of Feeding and Connecting Asia is driven by our values:

- **Safety & Security:** Safety and Security is our first priority.
- **Innovation:** We are inspired to create new opportunities and generate new value in our business.
- **Excellence:** We are passionate about excellence and strive to give our best in everything we do.
- **Trust:** We are honest and caring towards our customers, colleagues, business partners and the community.
- **Collaboration:** We work closely with our customers and care for our colleagues. Together we bring out our best.

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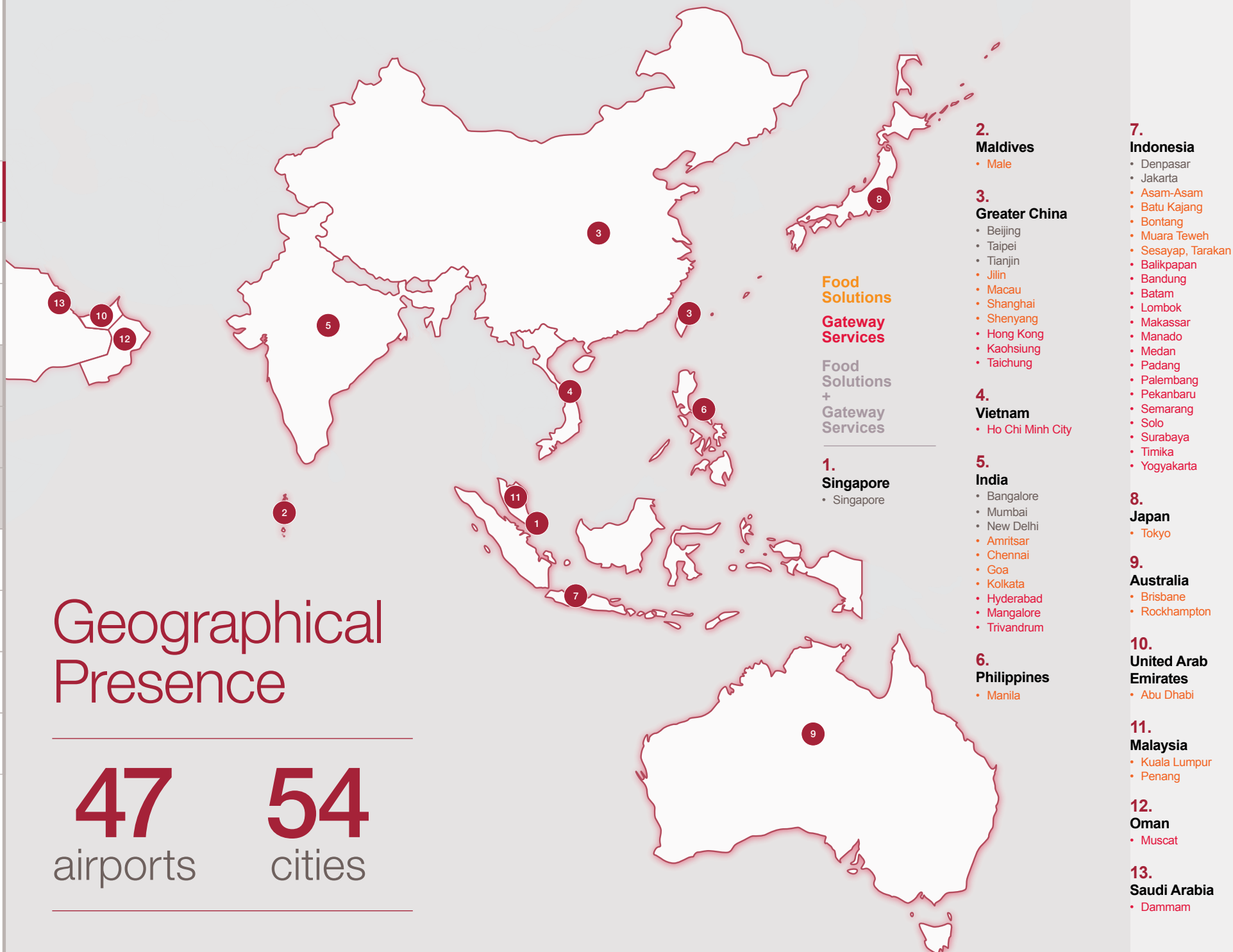
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# Geographical Presence

**47**  
airports

**54**  
cities





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# About this Report

This is SATS' inaugural Sustainability Report, which references disclosures from the Global Reporting Initiative. This Report contains data from SATS' financial year of 1 April 2016 to 31 March 2017, and covers the operations owned and managed by SATS' Singapore headquarters and its wholly-owned Singapore-incorporated subsidiaries. Future sustainability reports will be produced annually for each financial year.

We value your feedback and suggestions, which may be directed to:

## **SATS Public Affairs and Branding**

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# Board and PCEO's Statement

SATS' vision of Feeding and Connecting Asia is centred on people. As Asia's leading provider of gateway services and food solutions, we employ over 13,000 people who produce 123 million meals and manage 545,000 flights, 103 million passengers and 4.4 million tonnes of cargo in FY2016-17. Our growth reflects the increase in air travel, greater demand for quality, safe food and growth in eCommerce, which are driven by rapid urbanisation in Asia. Through our activities, we help unite and connect families and friends from around the

world, provide great-tasting, nutritious meals that build healthier communities, and enable trade that drives economic success.

While this is the inaugural SATS sustainability report, our values have always guided us to conduct business in a sustainable way. For example, safety and security are of paramount importance to our people, our customers, and our communities and stakeholders. The report contains many examples of initiatives at SATS that are already

from left to right

**Euleen Goh**  
Chairman

**Alex Hungate**  
President and  
Chief Executive Officer



## Board and PCEO's Statement

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implemented, or currently underway, as part of our sustainable business strategy.

We engage our stakeholders regularly to gain insights that guide our decision-making. Feedback is received from multiple channels such as operations review meetings, networking sessions, and regular customer surveys. Informed by emerging trends in the region and guided by stakeholder feedback, SATS has conducted an internal materiality assessment and prioritised the key topics that will impact the long-term sustainability of our business. Some of the sustainability initiatives we have implemented have created new opportunities. We have also established ambitious 2030 goals and pragmatic mid-term goals. The sustainability framework that SATS has adopted is built on three pillars: sustainable nutrition, treasuring resources and connecting people, and are aligned with the vision of SATS to Feed and Connect Asia with our Technology-Driven, People-Led approach.

The Board sets the risk appetite for SATS to pursue our vision of Feeding and Connecting Asia and has oversight of the company's progress on sustainability. We entrust the execution and monitoring of the sustainable business strategy to the President and Chief Executive Officer and his Sustainability Committee comprising senior members of the executive management team. The Sustainability Committee is supported by dedicated representatives from various parts of the organisation who execute the strategy and collate results. The Sustainability Committee regularly reports progress to the Board.

We report 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 continually review our sustainable business strategy to improve our stewardship and reporting format.

Our focus on key material topics guides us to make prudent investment decisions that will grow greater economic value for our stakeholders, while our Technology-Driven, People-Led approach provides a sustainable foundation upon which to build the future of our business.

We thank our customers and business partners for supporting us on this journey. We sincerely hope that our sustainable business strategy will inspire innovative solutions that will contribute to healthier ecosystems and stronger communities.

**Euleen Goh**  
Chairman

**Alex Hungate**  
President and Chief Executive Officer

23 May 2018



**2017 was the year that we formalised these diverse initiatives into a clear framework and, as a team, set ambitious targets for ourselves. This report outlines our sustainability framework and the priorities for our business.**



# Board of Directors

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**01.**  
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Non-Executive and  
Independent Director

**07.**  
**Michael Kok**  
Non-Executive and  
Independent Director

**02.**  
**Alex Hungate**  
Executive Director  
President and  
Chief Executive Officer

**08.**  
**Jessica Tan**  
Non-Executive and  
Independent Director

**03.**  
**Yap Kim Wah**  
Non-Executive and  
Independent Director

**09.**  
**Yap Chee Meng**  
Non-Executive and  
Independent Director

**04.**  
**Thierry Breton**  
Non-Executive and  
Independent Director

**10.**  
**Tan Soo Nan**  
Non-Executive and  
Independent Director

**05.**  
**Chia Kim Huat**  
Non-Executive and  
Independent Director

**11.**  
**Achal Argawal**  
Non-Executive and  
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**06.**  
**Koh Poh Tiong**  
Non-Executive and  
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# Sustainable Business Strategy

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OUR VISION

**FEEDING & CONNECTING ASIA**

OUR SUSTAINABILITY PILLARS

**Sustainable Nutrition**

**Treasuring Resources**

**Connecting People**

Better, more nutritious food from sustainable sources to improve the health and well-being of our communities and ecosystems

Lower emissions and waste through increased efficiency and shift to renewable and sustainable energy, water and material sources

A people-centric approach to automation and digitisation, to help our people to fulfil their full potential

Passion to serve our communities and help them to reach their full potential

OUR STRATEGY

**TECHNOLOGY-DRIVEN PEOPLE-LED**

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## Our Sustainability Framework

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. By adopting a **technology-driven, people-led** approach towards sustainability, we aim to create greater value for all our stakeholders. In all **three pillars** of our sustainability framework, our approach to harnessing technology to improve productivity and achieve scale has always been ground up. We use technology to help our stakeholders fulfil their full potential by providing healthier meals using food technology, optimising our resources through automation, up-skilling our people to enhance productivity, and using digitised platforms to ensure more seamless connectivity for our customers.



# Our Sustainability Framework

The framework sets out key priorities across the three pillars of Sustainable Nutrition, Treasuring Resources, and Connecting People that will guide the implementation of our sustainability programme. By setting 2030 ambitions, we have set a high bar for innovative solutions.

Our inaugural report uses this framework as the basis for sharing SATS' sustainability performance. Future reports will use this framework as a means to communicate our progress and performance.

## Pillars

## 2030 Ambitions

## FY2016-17 Highlights

## United Nations' Sustainable Development Goals



### Sustainable Nutrition

Better, more nutritious food from sustainable sources to improve the health and well-being of our communities and ecosystems.

#### MAKE HEALTHY FOOD AFFORDABLE

- All customers are offered a healthy choice option
- Nutritional information will be provided for all in-flight meals

#### TACKLE FOOD WASTAGE

- Halve food wastage in all operations from a 2018 baseline

#### ENSURE SUPPLY CHAIN IS SUSTAINABLE

- Food supply chain for 100% of high risk products traceable to origin
- 100% of seafood and palm oil originates from certified sustainable sources

Our subsidiary SATS Food Services Pte Ltd, which handles institutional catering, has been endorsed as a Healthier Caterer by Singapore's Health Promotion Board

7% of the seafood in meals prepared by SATS in Singapore were sourced from MSC-certified sources



### Treasuring Resources

Lower emissions and waste through increased efficiency and shift to renewable and sustainable energy, water and material sources.

#### USE SCARCE RESOURCES EFFICIENTLY

- 100% wastewater treatment
- 50% water recycled for non-food use
- Sustainable food packaging

#### REDUCE EMISSIONS

- 100% electric ground handling equipment\*
- 40% usage of renewable energy in SATS-owned buildings
- 80% reduction in carbon footprint by 2030

#### GROW WITH SATS

- Employee engagement score of 80%
- 80 hours of employee training per year
- 30% of talents for critical and key positions filled by internal transfers
- 40% female representation at senior management level

Four-year masterplan (2017-2020) to convert diesel ground support equipment to electric ones

Installation of solar panels at AFT 5 and 6 provides 4.5GWh/year of electricity

74% employee engagement score



### Connecting People

Passion to serve our communities and help them to reach their full potential.

#### ENSURE SEAMLESS CONNECTIONS

- 100% paperless hub
- High score on seamless connectivity customer and cargo experience
- Zero-tolerance of security breaches (robust fallback system)

#### EMPOWER COMMUNITIES

- Touch four million lives by 2030 through social and community investments that impart our expertise, to empower people to fulfil their fullest potential

Saving over a million copies of paper through e-airway bill, e-freight, and Cargo Operations System

Donated close to \$1 million to charity



\* subject to development of infrastructure and facilities to support electric ground equipment by airports

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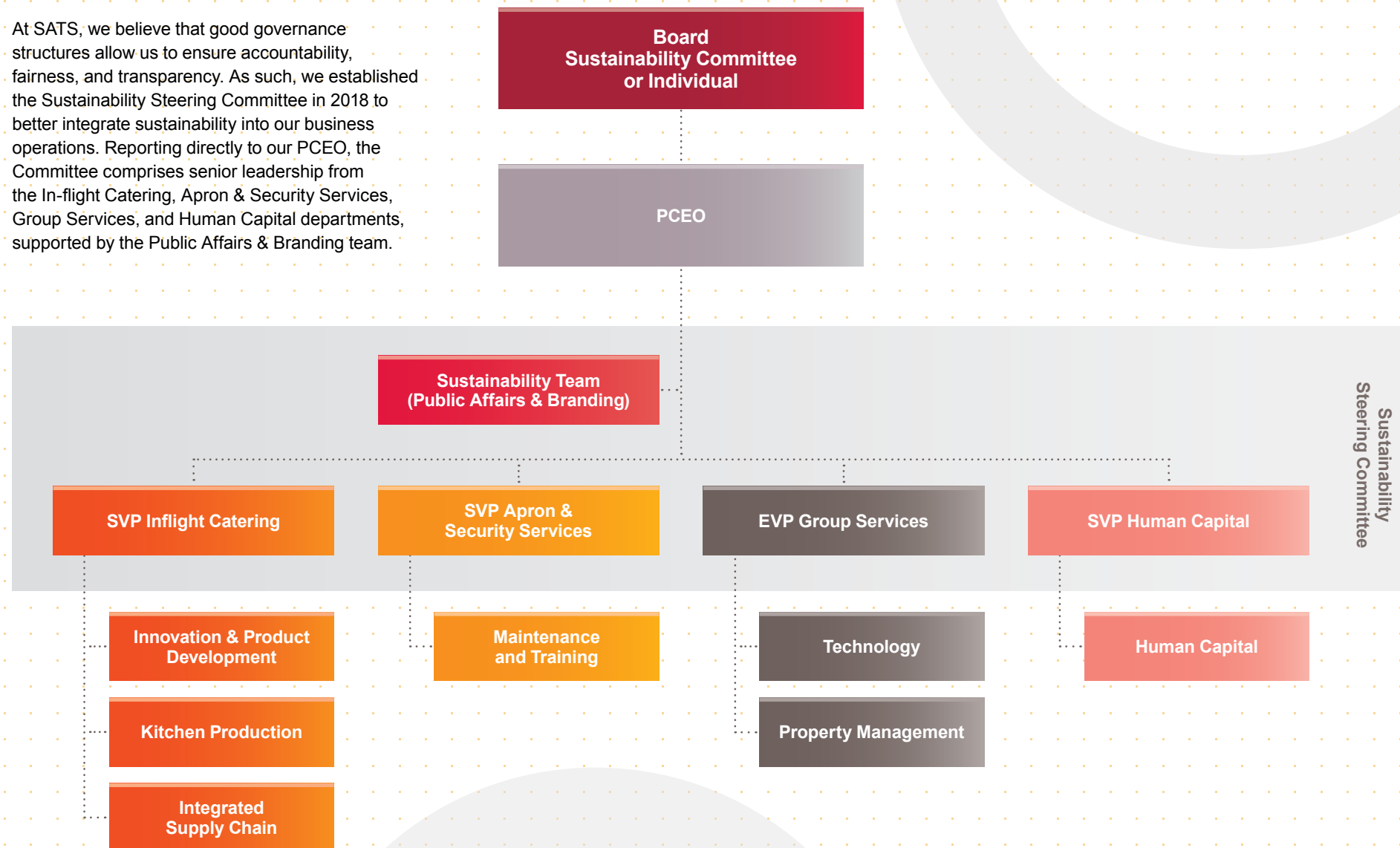
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# Sustainability Governance

At SATS, we believe that good governance structures allow us to ensure accountability, fairness, and transparency. As such, we established the Sustainability Steering Committee in 2018 to better integrate sustainability into our business operations. Reporting directly to our PCEO, the Committee comprises senior leadership from the In-flight Catering, Apron & Security Services, Group Services, and Human Capital departments, supported by the Public Affairs & Branding team.



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# Stakeholder Engagement

SATS recognises that no company can succeed without meaningful dialogue with its stakeholders. We engage our stakeholders regularly to gain insights that guide our decision-making. Feedback is received from multiple channels such as operations review meetings, networking sessions and annual surveys.

We believe in working collaboratively with external stakeholders to bring together the **expertise** and **passion** of individual organisations. For example, lower-carbon alternatives such as the installation of solar panels and the conversion of diesel tractors to electric ones, require SATS to work with the local airport authorities and vendors in the markets we serve. The same applies to our work with health authorities in the local markets to create safe, nutritious meals to improve the well-being of the community.

# Materiality Assessment

Our sustainability framework is informed by a preliminary internal materiality assessment facilitated by the independent, sustainability non-profit Forum for the Future, where SATS identified and prioritised pressing social, technological, environmental, economic, and political (STEEP) issues.

Material topics were surfaced through a series of interviews with key stakeholders within SATS, an assessment of the sustainability priorities of our peers, and a scan of STEEP issues likely to have a long-term impact on our business. Facilitated by Forum for the Future, our senior management conferred and prioritised topics that were important for a sustainable future, and the long-term success of the business. More details on each topic can be found in the annex.

We recognise the critical need to understand and incorporate external perspectives into our materiality assessment and sustainable business strategy. Our sustainability framework will serve as a key engagement tool, presenting our sustainability initiatives in a consolidated fashion for the first time.

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# Materiality Assessment



## SOCIAL

- 1 Noise pollution
- 2 The human connection
- 3 Health and well-being
- 4 Pandemics
- 5 Ageing
- 6 Changing workforce demands
- 7 Diversity

## TECHNOLOGICAL

- 8 Energy transformation
- 9 Cyber security
- 10 Circular economy
- 11 Food innovation
- 12 Digitisation
- 13 Automation
- 14 Virtual reality
- 15 Aircraft design
- 16 Changing supply chain structures

## ENVIRONMENTAL

- 17 Refrigeration management
- 18 Indoor and outdoor air pollution
- 19 Deforestation and haze
- 20 Transparency in supply chains
- 21 Sustainable sourcing
- 22 Carbon emissions
- 23 Food security
- 24 Water scarcity
- 25 Food and materials waste

## ECONOMIC

- 26 Skilled labour shortage
- 27 Competition from new modes of travel
- 28 Financial stability
- 29 Changing aviation markets (LCCs)
- 30 Localised production
- 31 Growth in new markets
- 32 Middle class growth

## POLITICAL

- 33 Terrorism
- 34 Geopolitical instability
- 35 Changing sustainability regulations

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# Risks and Opportunities

Of the material topics prioritised as important to a sustainable future, we considered the risks and opportunities that these could present to SATS, as well as existing efforts within the business that already address some of these risks and opportunities.

Moving forward, our sustainability framework provides the structure for **the business to track these risks and invest strategically** to take a leadership position and turn risks into new opportunities.

# Risks and Opportunities

The table below summarises our discussion and considerations.

	Material Topic	Risks	Opportunities	Our Efforts
Sustainable Nutrition	<b>HEALTH AND WELL-BEING</b>	<ul style="list-style-type: none"> <li>Poor perception of airline food</li> <li>Airline customers falling behind consumer trend (airlines are not specifying what their passengers want)</li> <li>Consumers' expectations and actual behaviour are not aligned</li> </ul>	<ul style="list-style-type: none"> <li>Able to set trends</li> <li>Food innovation (market leader as a food caterer)</li> <li>Leader in understanding customer preferences (drive healthy dining and eating, using our culinary and dietary expertise)</li> <li>New market segment: convenient foods</li> </ul>	<ul style="list-style-type: none"> <li>Investment in food science expertise</li> <li>Work with airlines to design healthy menu, in dialogue with the Health Promotion Board to address airline food programme</li> <li>Leverage digitisation to clarify and tap on consumer trends</li> </ul>
	<b>FOOD SECURITY</b>	<ul style="list-style-type: none"> <li>Safety and adverse events</li> <li>Supply impact</li> </ul>	<ul style="list-style-type: none"> <li>Deliver value to customers</li> <li>Differentiate from competitors</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that suppliers meet certain standards and qualifications</li> <li>Maintain multiple suppliers for critical items</li> </ul>
	<b>SUSTAINABLE SOURCING AND TRANSPARENCY IN SUPPLY CHAINS</b>	<ul style="list-style-type: none"> <li>Reputational impact and third-party perception</li> <li>Risk of increased cost due to narrower sustainable supply pool</li> <li>Potential reduction of cargo import/export flows (localised production)</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain transformation – create sustainable sources</li> <li>Transparency in supply chain gives us the ability to procure for other markets</li> </ul>	<ul style="list-style-type: none"> <li>Procuring from accredited suppliers only</li> <li>Introduction of sustainability practices in supplier code of conduct</li> </ul>
	<b>DEFORESTATION AND HAZE</b>	<ul style="list-style-type: none"> <li>Health hazard</li> <li>Flight disruptions</li> <li>Lower tourism and travel</li> <li>Reputation – source of purchase</li> <li>Political tension</li> </ul>	<ul style="list-style-type: none"> <li>Showcase capabilities to handle disruptions</li> <li>Opportunities for convenience meals</li> <li>New business, less refrigeration, nutrition</li> <li>Employee welfare</li> <li>Branding and reputation – sustainable accredited sources</li> </ul>	<ul style="list-style-type: none"> <li>In-flight – no palm oil, institutional – sustainable sources</li> <li>Sustainability workshop</li> <li>Investments – equipment/gear; communication; education (news advertisements); capabilities (handling institutions)</li> </ul>
	<b>FOOD WASTE</b>	<ul style="list-style-type: none"> <li>Reputational risk – expectation from consumers for SATS to be responsible</li> <li>Disposal costs</li> <li>Rising costs of sourcing/procurement</li> </ul>	<ul style="list-style-type: none"> <li>Helping airlines to reduce cost and improve environmental sustainability efforts</li> <li>Convert food waste to biofuel fertiliser</li> <li>Extend shelf-life by large batch cooking – less yield loss, less utility, and less labour</li> </ul>	<ul style="list-style-type: none"> <li>Work with research centre in waste management to reduce waste, reuse organic waste and recycle material</li> </ul>

# Risks and Opportunities

	Material Topic	Risks	Opportunities	Our Efforts
Treasuring Resources	<b>SKILLED LABOUR SHORTAGE</b>	<ul style="list-style-type: none"><li>• Increase in operating cost</li><li>• Inability to replace workforce</li></ul>	<ul style="list-style-type: none"><li>• Opportunity to expand outside of Singapore</li><li>• Cross-deploy outside Singapore</li><li>• Encourage innovation and automation</li><li>• Focus on high value products and services</li><li>• Hub capabilities and abilities to run modernised facilities</li></ul>	<ul style="list-style-type: none"><li>• Embracing innovation and automation</li><li>• Succession planning</li><li>• Export expertise</li></ul>
	<b>RESOURCE SCARCITY</b>	<ul style="list-style-type: none"><li>• Increase in operating cost</li><li>• Inability to replace workforce</li><li>• Due to absence of resources, some products cannot be manufactured</li></ul>	<ul style="list-style-type: none"><li>• Opportunity to expand outside of Singapore</li><li>• Cross-deploy outside Singapore</li><li>• Encourage innovation and automation</li><li>• Focus on high-value products and services</li><li>• Hub capabilities and abilities to run modernised facilities</li></ul>	<ul style="list-style-type: none"><li>• Embracing innovation and automation</li><li>• Succession planning</li><li>• Export expertise</li></ul>
	<b>MATERIALS WASTE</b>	<ul style="list-style-type: none"><li>• Inefficiency from additional work and resource usage</li><li>• Environmental impact affecting supply and costs</li><li>• Increasing regulation will impact supply and costs</li></ul>	<ul style="list-style-type: none"><li>• 4Rs – Refuse, Reduce, Reuse, Recycle</li><li>• Helping airlines to reduce cost and improve environmental sustainability efforts</li></ul>	<ul style="list-style-type: none"><li>• Work with licenced recycling vendor to recycle plastic, metal, carton boxes, cooking oil and glass</li></ul>
	<b>CARBON EMISSIONS</b>	<ul style="list-style-type: none"><li>• Compliance cost</li><li>• Carbon taxes</li><li>• Potential equipment obsolescence</li></ul>	<ul style="list-style-type: none"><li>• Trade of renewable energy attributes</li><li>• Sale of excess solar-sourced electricity</li><li>• Marketable to European/ American customers</li></ul>	<ul style="list-style-type: none"><li>• Alternative energy in Airfreight Terminal</li><li>• Use of electric vehicles</li><li>• Use of energy efficient equipment</li></ul>
	<b>REFRIGERATION MANAGEMENT</b>	<ul style="list-style-type: none"><li>• Regulatory risks</li><li>• Potential tariffs</li></ul>	<ul style="list-style-type: none"><li>• Design enhancement to existing systems</li><li>• Opportunity to win business from eco-friendly airlines and prepare more ambient meals</li></ul>	<ul style="list-style-type: none"><li>• Environmental policies in place to manage CFC/HCFC emissions</li><li>• Implemented chiller modernisation programme</li></ul>
	<b>ENERGY TRANSFORMATION</b>	<ul style="list-style-type: none"><li>• Damage of reputation for non-compliance with regulations</li><li>• Higher cost of consumption over time</li></ul>	<ul style="list-style-type: none"><li>• Value proposition to build reputation as a market leader in environmental protection</li><li>• Better positioned to conform to green standards set by customers</li></ul>	<ul style="list-style-type: none"><li>• Solar-powered on-tarmac coolers for storage</li><li>• Conversion of diesel ground support equipment to electric ones</li><li>• Replacement of existing chiller plant systems to new ones with energy management systems (AFT/ICC)</li></ul>
	<b>INDOOR AND OUTDOOR AIR POLLUTION</b>	<ul style="list-style-type: none"><li>• Poor health/decline in staff health</li><li>• Less attractive work environment (increased difficulty in retaining staff)</li></ul>	<ul style="list-style-type: none"><li>• Become a market leader by creating a safer environment through the usage of renewable energy sources</li></ul>	<ul style="list-style-type: none"><li>• Comply with mandatory ICAO certification (support our airline customers)</li></ul>



# Risks and Opportunities

## Connecting People

### Material Topic

#### CYBER SECURITY

### Risks

- Disruption of big operations
- "Ransom"/Extortionary threats
- PDPA issues
- IP leakage (loss of competitive advantage)
- Safety and security breaches
- Reputational risk

### Opportunities

- Secure and reliable system as a key brand/reputation selling point
- Strong and secure systems as fall back systems for customers

### Our Efforts

- Robust Business Continuity Plan to handle IT/OT disruption
- "Hardening" infrastructure for resilience
- Training and raising awareness of staff

#### GEOPOLITICAL INSTABILITY

- Protectionism, nationalism, disrupting trade flow
- Inefficiencies due to visa requirements
- Increased acquisition risks

- Regional headquarters in Singapore makes it a safe haven
- Opportunities for growth

- Making Singapore our headquarters
- Identify, assess, monitor and manage business risks for business expansion

#### TERRORISM

- Restriction in air travel (long-term) – loss of revenue in both gateway and food
- Loss of life, airport shutdown

- Position SATS as a safe hub (in view of global terrorism)

- Processes in place to enable us to manage threat levels – physical/electronic/cyber/surveillance
- State of preparedness – what to do in such situations
- Business Continuity Plan/crisis management

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# Sustainable Nutrition

Make Healthy Food Affordable



Tackle Food Wastage



Ensure Supply Chain is Sustainable



Food Safety





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# Sustainable Nutrition

Our commitment to sustainable nutrition is one of the pillars of SATS' sustainability framework, and is driven by our desire to provide not simply more, but better, nutritious food from more sustainable sources to **improve the health and well-being of our communities and ecosystems.**

We constantly leverage our culinary and food science expertise to create meals that support healthy eating. A regular in-flight hot meal (excluding sides) provided by SATS has approximately 450 kcal., and we work with customers to create dishes bearing the Healthier Choice Symbol. In fact, our subsidiary SATS Food Services Pte Ltd, which handles institutional catering, has been endorsed as a Healthier Caterer by Singapore Health Promotion Board.

Our goal of sustainable nutrition is pursued through three parallel routes: making healthy food affordable, tackling food wastage and building sustainable supply chains.





# Make Healthy Food Affordable

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“

**With our expertise in large batch production of freshly cooked food, we are in the position to make nutritious food affordable for more people.**

”

Urbanisation has led to increased travel and higher demand for safe, healthy and high quality freshly prepared food. SATS produced 123 million meals in FY2016-17. With our expertise in large batch production of freshly cooked food, we are in a position to make nutritious food affordable for more people.

As we grow our institutional and in-flight catering presence in the region, our 2030 ambitions in this area are twofold: to raise awareness of the importance of healthy eating by providing nutritional information on all our in-flight meals, and to support our customers' healthy eating lifestyles by offering them a healthy choice option.

## 123M

**Meals produced in FY2016-17**

# Tackle Food Wastage

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SATS is committed to doing our part to tackle food wastage.

We invest in new food preparation and packaging methods that extend the shelf life of freshly prepared food without the use of preservatives. In this way, we work in partnership with our customers to improve demand planning and ensure more of the food that is produced is actually consumed.

There are a few important reasons for reducing food and material wastage. Food and material are resources, so reducing wastage translates into financial benefit. Cutting back on food and material wastage also means a reduction in the amount of pollution emitted into the environment, whether from decomposition of by-products or disposal logistics. Lastly, wasting less food and material also reduces the amount of energy needed to harvest raw material.

SATS carefully manages our food waste based on cost. Processes are in place to ensure raw materials are used in a timely manner, reducing the need for unnecessary disposal:

- Kitchens try to produce quantities that are close to the advance loads given by airlines. For example, SATS Inflight Catering Centre ("SICC") 1 is able to obtain Singapore Airlines' advance loads up to four days in advance so that our chefs have good visibility to plan, order, and utilise the raw materials.
- Every bin containing raw materials has a date code sticker with the receiving date to facilitate the practice of first in, first out ("FIFO").
- The Sous Chef or Chef de partie regularly checks quality and quantity of raw materials in the chillers and dry stores. We take stock of our inventories at the start of each day to ensure we order only what we require for the day.
- Dishing staff practise FIFO by first using the Gastronorm ("GN") trays that have an earlier production date.
- At SICC1, GN buffers at dishing areas have been programmed to practise FIFO – to first charge out items that are half-dished before using a full GN tray. We also keep food waste low through the judicious use of food trimmings.

Every month, the estimated total food wastage for our in-flight kitchens, including trimmings, amounts to about 12,750kg. Food wastage, including trimmings, accounts for about 3% of our monthly total production of 425 tonnes. To further reduce food wastage, we plan ways for food trimmings to be used in our menus.

Every month, both SICC1 and SICC2 utilise about 6,500kg of trimmings, and we reuse these in the following areas:

- Beef trimmings used in soup, lasagna, beef pie and beef satay
- Fish trimmings (e.g. perch) used in otah
- Lamb trimmings used in satay or made into minced lamb to be used in dishes
- Minced chicken used for consommé, to enrich stock
- Salmon trimmings used in specially requested meals

We are currently looking into implementing an eco-friendly system to convert our fruit and vegetable waste to compost or water. With this system, we will be able to convert solid food waste materials into compost or reusable water which can be used for multiple purposes such as washing the floor. We expect to have this system in place by 2020.

By 2030, we aim to halve food wastage in all operations (with reference to a 2018 baseline), and to reduce in-flight meals uploaded through better demand planning.

“**SATS carefully manages its food waste and we continuously explore better ways to reduce food wastage.**”

# Ensure Supply Chain is Sustainable

Raw material costs account for 17% of SATS' expenditure. We work with 3,700 suppliers from all over the world. With our substantial purchasing power, we could influence suppliers to adopt sustainable practices and protect the long-term viability of our business. Safety and Security is the number one priority for SATS. Having 100% traceability of high-risk products helps to enhance our food safety policy.

Most industrial production methods are currently not sustainable, and could threaten long-term food security in the region. There is a need to shift towards more sustainable and less wasteful production methods to arrest or reverse this trend and provide food for Asia's growing populations.

## 3,700

Suppliers from all over the world

The production of palm oil, for example, may result in serious adverse effects on the environment and local communities. For this reason, we keep our use of palm oil to a minimum – SATS Catering Pte Ltd, which handles in-flight catering services, uses no palm oil at all, while the palm oil used in our institutional catering services are purchased only from sustainable sources.

We aim to establish food supply chains for high-risk products that are 100% traceable to their origins by 2030, with all seafood and palm oil originating from certified sustainable sources.





Ensure Supply  
Chain is  
Sustainable

# CASE STUDY

## Sourcing Seafood from Sustainable Sources

Sustainable seafood can be wild-caught or farmed in aquaculture. Wild-caught seafood may be sustainably sourced from fast-growing, highly productive species that are caught by methods that do not destroy ocean habitats. Sustainably farmed seafood is usually grown in closed aquaculture systems that neither destroy coastal habitats nor depend on wild fisheries for feed.

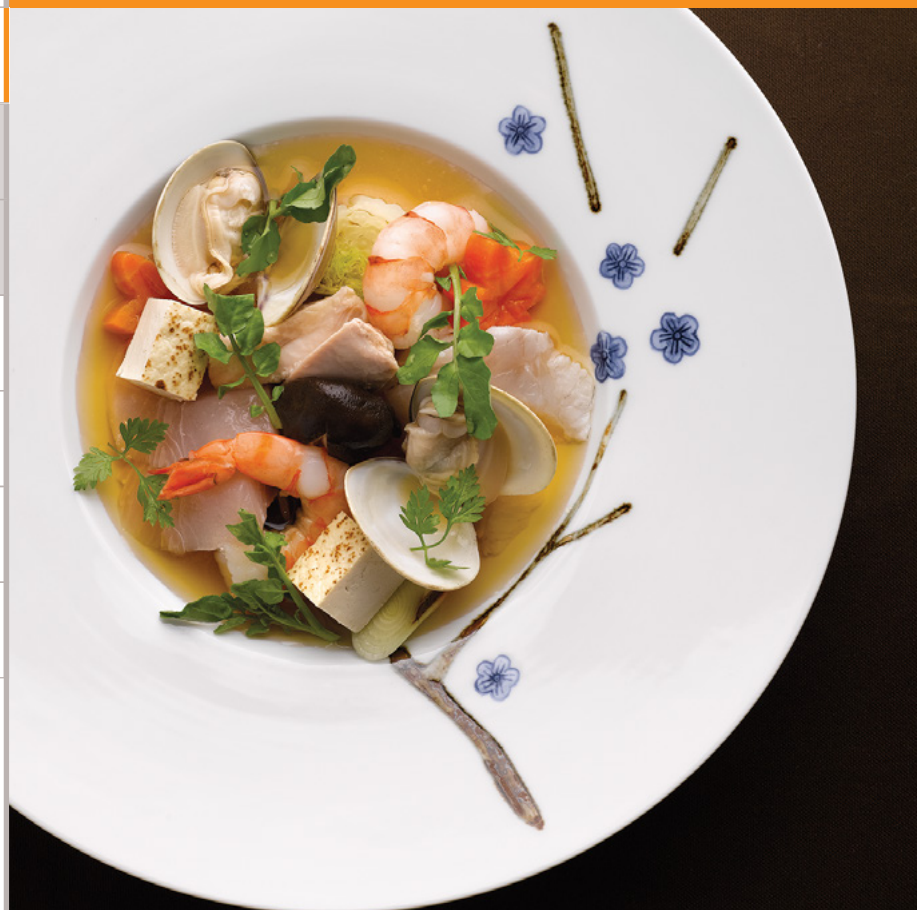
Our oceans are now in a state of crisis globally, brought about by the single greatest threat to ocean-life – overfishing. More than 85% of fishing grounds in the world are already overfished. Sustainable consumption of seafood is the only way to reverse this decline and prevent the depletion of fish stocks, failing which future generations may no longer have seafood to enjoy.

85% 

Fishing grounds in the world are already overfished.

Increasingly, consumers want to know where their food comes from and what it contains. SATS understands the importance of purchasing seafood from sustainable sources and food traceability. As such, SATS worked towards and attained the Marine Stewardship Council (MSC) consumer facing organisation (CFO) Multi site Chain of Custody (CoC) (MSC-C-55971) and the Aquaculture Stewardship Council (ASC) CFO Multi site CoC (ASC-C-01503) in 2017.

**In 2017, 7% of the seafood in in-flight meals prepared by SATS in Singapore was sourced from MSC-certified sources. We are working towards featuring more types of sustainably-sourced fishes for our catering businesses.**



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## Food Safety

In our Food Solutions business, we have established a robust Food Safety and Quality Management System to enable our customers to meet their clients' expectations for safety, speed and accuracy. To further ensure the quality of our products is maintained throughout the food processing chain, SATS has an end-to-end integrated quality assurance and traceability system which covers food sourcing, suppliers approval,

storage, central food processing, as well as meal preparation and catering services. Our processes adhere to International Flight Services Association's World Food Safety Guidelines, Singapore Food Regulations, Agri-Food & Veterinary Authority of Singapore's food safety standards, Hazard Analysis & Critical Control Points ("HACCP") and the ISO 22000 Food Safety Management System.

## CASE STUDY

# Perishable Meat Products

With effect from October 2016, meat from New Zealand destined for the European Union ("EU") markets can transit through Singapore. SATS Coolport was officially listed by the EU's DG Sante as the authorised ground handler and establishment for meat products travelling from New Zealand to the EU and the United Kingdom. With this, SATS became the world's first ground handler to be approved by the EU as an authorised establishment, for the provision of multi-modal meat transshipment services between New Zealand and the EU. This not only underscores our leadership in multi-modal transportation solutions – it is also a testament to our unique capabilities in perishables handling and our reputation for high safety and quality standards.

Generally, meat products heading for the EU are not allowed to transit through a third country for the breaking down and reconsolidation of shipments unless the country had been approved by the EU

as a transit location. The authorisation is not limited to lamb products, but extends to other types of meat like cattle, poultry, wild and farmed game meat from approved plants in New Zealand.

With the availability of this multi-modal transshipment, New Zealand is able to airfreight meat products to Singapore before shipping them to the EU via seafreight, cutting the total transit time to between 18 and 20 days. Compared to a shipment method using only sea freight, this doubles the products' shelf life to a month, thereby contributing towards our ambition to reduce food wastage and provide sustainable nutrition.

## +10%



Meat transshipment traffic via Singapore expected to increase in the next two years

We expect the multi-modal protocol to increase the meat transshipment traffic via Singapore by at least 10% in the next two years. This competency amplifies not only our ability to future-proof our business – it also helps us ensure that we create sustainable value for our customers and the communities we operate in.

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# Treasuring Resources

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Grow with SATS >



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# Treasuring Resources

At SATS, we understand the impact our operations will have on the environment, and we use our resources responsibly.

As the leading provider of gateway services and food solutions in the region, we are committed to reduce emissions and waste through increased efficiency, and to shift towards renewable and sustainable energy, water and material sources.

Embracing our “Passion to Delight” service attitude, we adopt a people-friendly approach to automation and digitisation, ensuring that technology enables our employees to be more productive and fulfil their full potential.



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## Use Scarce Resources Efficiently

Resource scarcity amplifies the need for businesses to use resources efficiently. Waste reduction will not only create efficiency, but also lower costs. As we reduce, reuse, and recycle, we can derive savings from materials, energy and transport.

At SATS, we recognise that the traditional model of 'take-make-use-dispose' is unsustainable. As such, we are committed to harnessing technology and improving our processes to ensure that wastage is kept to a minimum. In the long-term, we aim to contribute meaningfully to the circular economy, where industrial systems are intentionally restorative and regenerative.



## Use Scarce Resources Efficiently

“

**By taking a more proactive stance towards environmental sustainability, we are confident that we will continue to build trust and create value for our stakeholders in the long run.**

”

Recognising the need for a more holistic and systematic approach towards identifying, measuring, monitoring and managing our environmental issues, we embarked on the ISO 14001 Environmental Management certification in 2017. In addition to facilitating improvement in environmental performance through more efficient use of resources and reduction of waste, the ISO 140001 certification process has also helped us to ensure that waste management and daily working procedures meet international industry-specific environmental standards.

In the process of obtaining this certification, we reviewed our existing operational procedures and also

developed new procedures to better align with the ISO 140001 standards. These procedures include improvement in the disposal methods of used batteries, oil-stained clothes and metal spare parts etc. to be more environmentally-friendly. More significantly, we have made improvements to the maintenance of our waste oil treatment plant to reduce pollution incidents.

We require the suppliers who work with us to comply with local environmental laws, and encourage them to observe best environmental practices. Suppliers who adopt sustainable business practices are also preferred. By taking a more proactive stance towards environmental sustainability, we are confident that we

will continue to build trust and create value for our stakeholders in the long run.

In the reporting period, there were no incidences of non-compliance with environmental laws and regulations.

At our In-flight Catering Centres, we have been working with our licenced recycling vendor since 2008 to recycle plastic, metal, carton boxes, cooking oil and glass at SICC1 and SICC2. Compared with 2015, our recycling rate has improved as a whole.

*please refer to*

**CHART 1.0**

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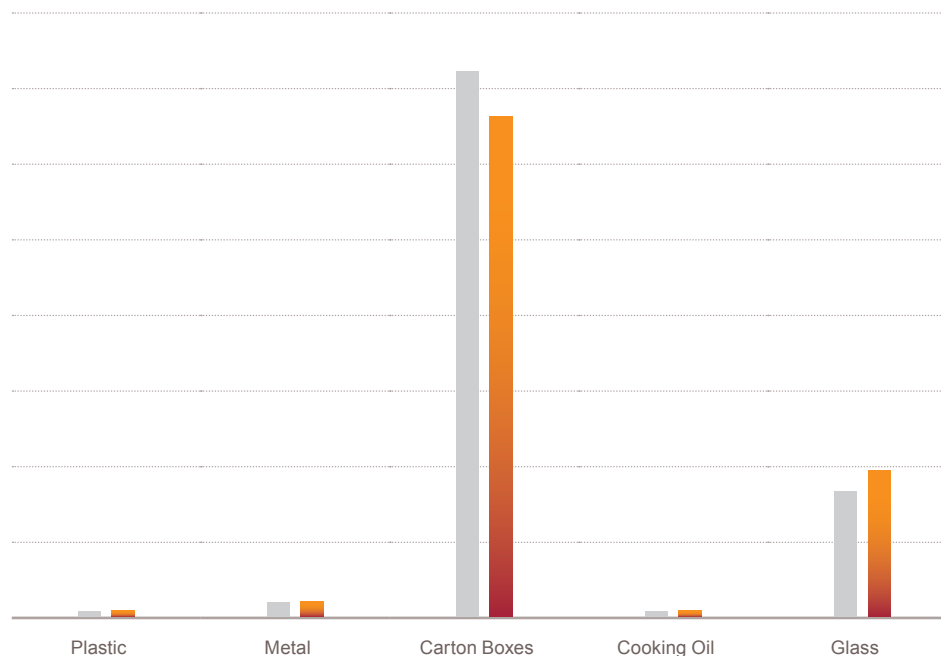
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**CHART 1.0**

## WEIGHT OF WASTE BEING RECYCLED AT SICC1 and SICC2

(kg)



(kg)	Plastic	Metal	Carton Boxes	Cooking Oil	Glass
FY2015-16	6,617	21,978	904,210	6,590	206,090
FY2016-17	7,786	22,606	828,630	8,085	239,816



## Use Scarce Resources Efficiently

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### WATER MANAGEMENT

Water is essential to SATS: we use 656,000,000 litres of water in SICC1 and SICC2 alone. It is crucial that we use water efficiently to keep our operations going. Appreciating the importance of water conservation, we continue to employ water-efficient technologies and improve our processes as part of our ongoing conservation efforts:

#### Installation of water-saving fittings on pantry and garden taps in SICC1 and SICC2

- Key outcome: Reduce water consumption by 60%
- Current status: Installed 24 fittings on pantry taps and 247 garden taps in both centres

#### Dishwasher replacement in SICC1 and SICC2

- Key outcome: Reduce water consumption by 20%
- Current status: Replaced one unit in SICC1 and two units in SICC2, and target to replace two more units in SICC2 by May 2019.

In FY2016-17, water consumption across SATS operations increased as a whole due to the replacement of chillers at SICC1 where water was drained to facilitate the replacement work. 2016 was also one of the hottest and driest years Singapore experienced; as such, the amount of water used for cooling increased significantly in 2016. Furthermore, as a result of an extended period of haze, there was more frequent washing of the Air Handling Units and vehicles. At the same time, the number of meals produced increased 5% compared to the previous year. During the reporting period, recycled water comprised 7% of total water consumption at our Inflight Catering Centres in Singapore.

Using sustainable packaging also helps to keep our environment clean and protects our water resources and supply chains.

*please refer to*

**CHART 1.1**

**+5%**

Number of meals produced in 2018

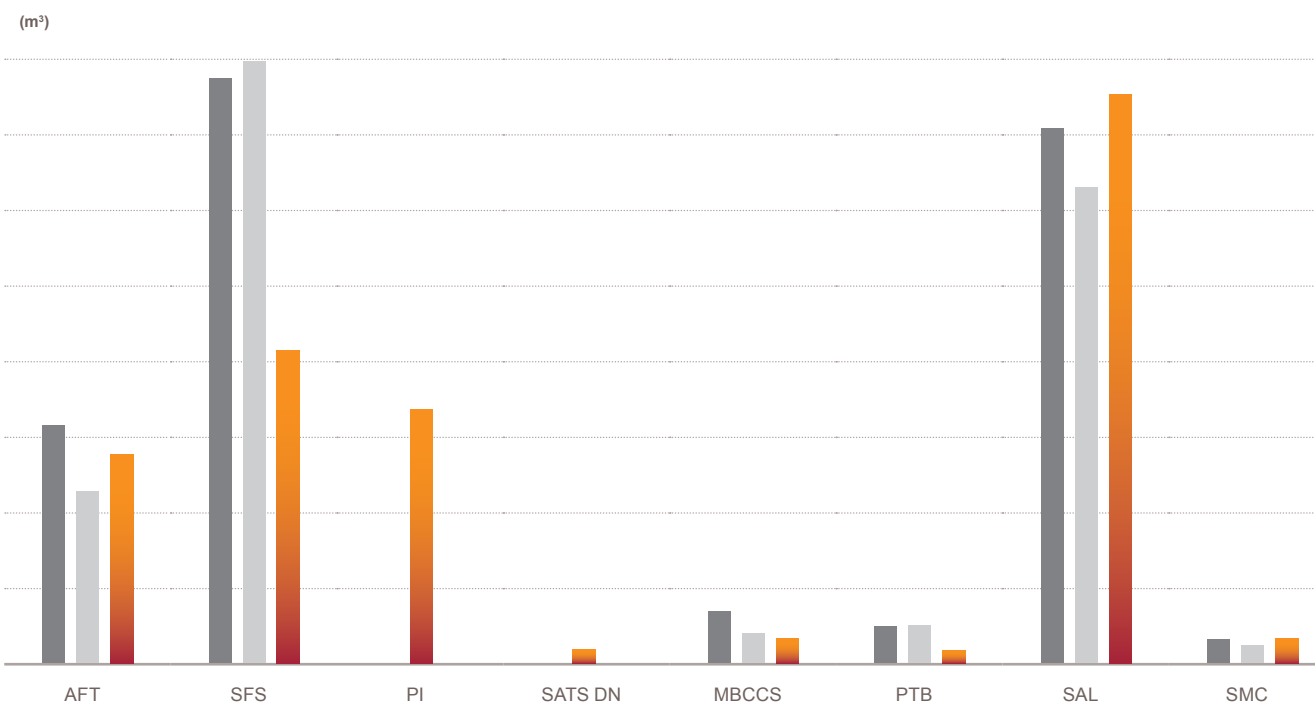
**7%**

Of total water consumption at our In-flight Catering Centres is recycled

# Use Scarce Resources Efficiently

**CHART 1.1**

## WATER CONSUMPTION FOR RESPECTIVE PREMISES



(m <sup>3</sup> )	AFT	SFS	PI	SATS DN	MBCCS	PTB	SAL	SMC
● FY2014-15	94,383	232,872	—	—	20,348	14,210	212,942	9,100
● FY2015-16	67,976	239,812	—	—	11,215	14,527	189,446	6,485
● FY2016-17	82,626	124,316	100,600	5,200	9,397	4,671	226,595	9,254

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# Reduce Emissions

Carbon emissions will cause climatic changes that could impact our sources of supply. It will also create health risks for our people working outside at airports.

Moving from fossil power to renewable energy will help shrink our carbon footprint and reduce the impact our operations have on the environment. Digitisation makes our operations more efficient, minimising the movement of people and equipment, thereby reducing energy consumption. For example, we have deployed Autonomous Guided Vehicles (AGVs) in our central kitchens, Smart Glass in Ramp and Smart Watch in Technical Ramp operations. Please refer to page 57 for more details on the Smart Glass and Smart Watch.



## Reduce Emissions

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**We are committed to reducing emissions and waste through increased efficiency, and a shift towards renewable and sustainable energy, water and material sources.**



### REDUCE CARBON FOOTPRINT

Mindful of the consequences of climate change, we actively minimise and manage our impact on the environment by embarking on several initiatives that have resulted in significant energy savings, to reduce our carbon footprint. In Singapore, for instance, a chiller modernisation programme which will be completed in August 2018 is estimated to save approximately 3.9GWh per year – enough energy to power some 7,800 refrigerators for a year. Our goal is to achieve an 80% reduction in carbon footprint from a 2018 baseline, by 2030.

#### LED tube installation in SICC1 and SICC2

- Key outcome: Reduce electricity consumption by 60% by replacing fluorescent tube with LED tube
- Current status: 85% completion for SICC1 and 70% completion for SICC2. 100% completion expected by November 2018

#### Adjustment to air con set point in office areas at SICC1 and SICC2

- Key outcome: Increased the set point from 22°C to 24.5°C and decrease the load of chiller system
- Current status: Implemented at SICC1 and SICC2

#### Chiller replacement project in SICC2

- Key outcome: Improved chiller efficiency and saved an estimated 1.8GWh/year by replacing aging chillers with more efficient ones
- Current status: Seven old chillers to be consolidated, and replaced with five new chillers. The tender has been awarded and the replacement works are expected to be completed by October 2018.

#### Installation of solar panels at Changi Airfreight Terminals 5 and 6

- Key outcome: Provide 4.5GWh/year of electricity by switching to renewable energy sources
- Current status: Completed installation of solar panels in December 2016; commissioned in April 2017

#### Replacement of high bay light to energy-efficient induction light

- Key outcome: Saves electricity usage by 1.2GWh/year
- Current status: Project was completed in 2014

As a result of these energy-saving initiatives, our electricity consumption for SICC1 and SICC2 fell during the reporting period. By 2030, we aim to achieve 40% of renewable energy use in our buildings.

*please refer to*

**CHART 1.2**

**CHART 1.3**

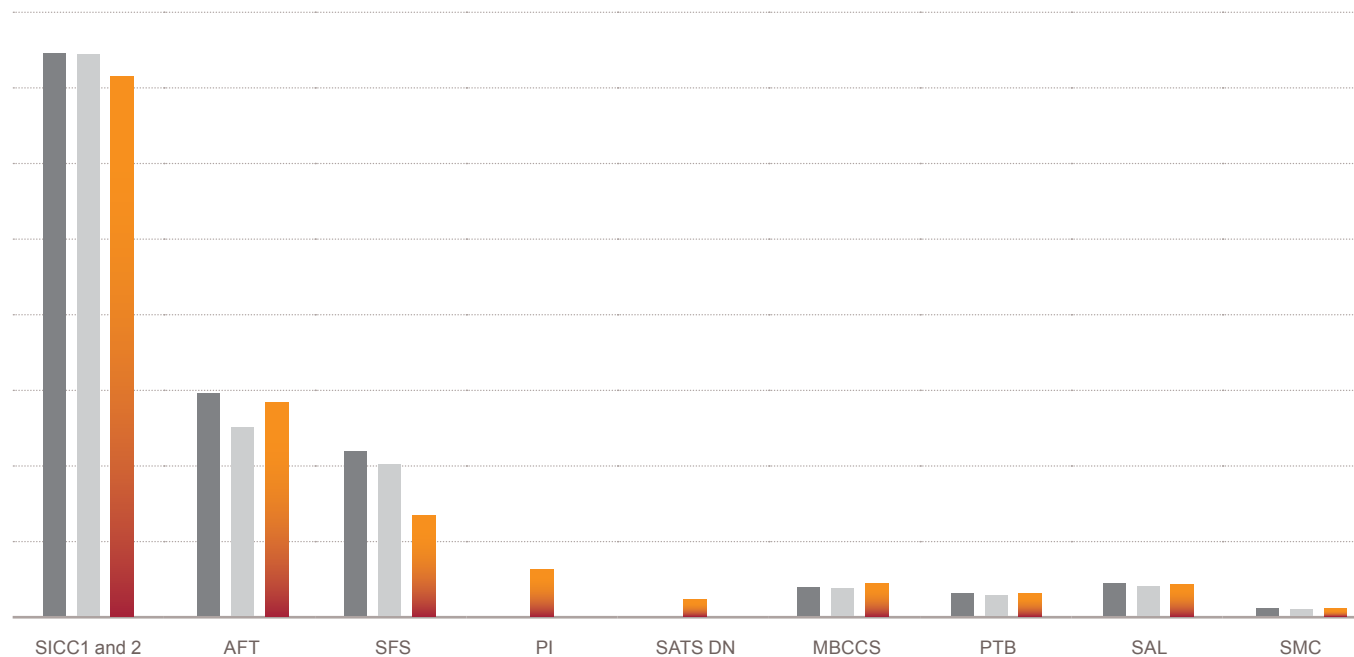
**CHART 1.4**



CHART 1.2

## ELECTRICITY CONSUMPTION FOR RESPECTIVE PREMISES

(kWh)



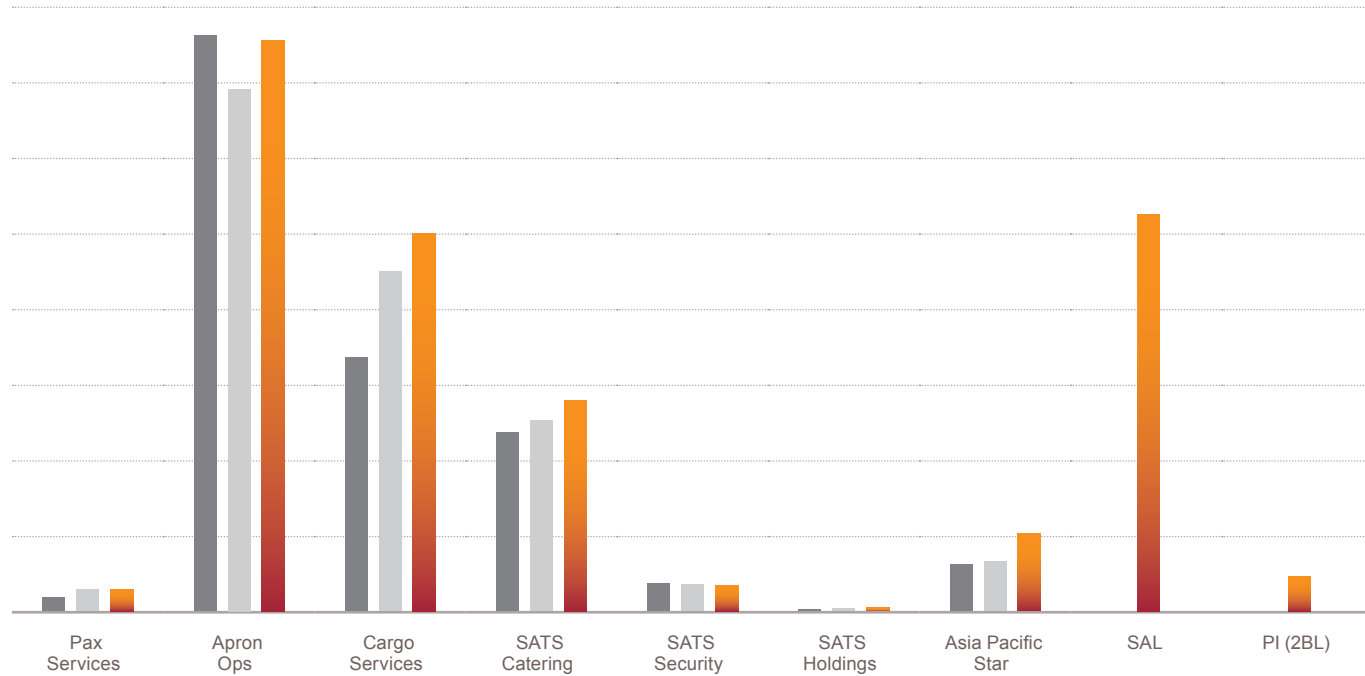
(kWh)	SICC1 and 2	AFT	SFS	PI	SATS DN	MBCCS	PTB	SAL	SMC
● FY2014-15	65,033,465	25,686,582	19,057,958	—	—	3,282,864	2,568,452	3,731,370	835,990
● FY2015-16	64,901,649	21,771,992	17,564,489	—	—	3,143,756	2,415,336	3,453,601	803,703
● FY2016-17	62,412,128	24,746,409	11,667,751	5,385,361	1,861,855	3,814,381	2,604,126	3,698,230	815,563

# Reduce Emissions

**CHART 1.3**

## DIESEL CONSUMPTION FOR RESPECTIVE BUSINESS UNITS

(litres)

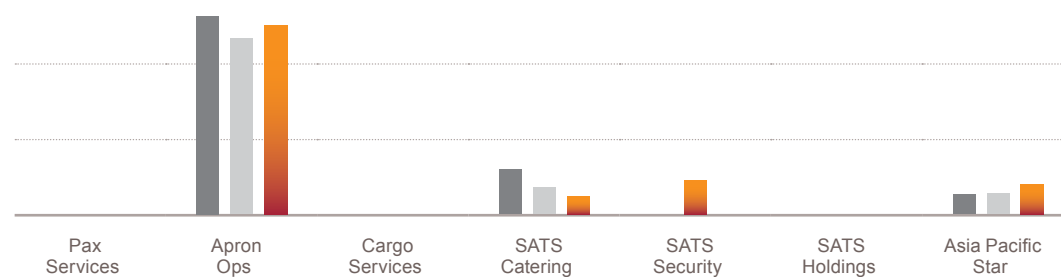


(litres)	Pax Services	Apron Ops	Cargo Services	SATS Catering	SATS Security	SATS Holdings	Asia Pacific Star	SAL	PI (2BL)
● FY2014-15	91,773	3,816,821	1,681,721	1,183,927	183,465	617	305,471	—	—
● FY2015-16	140,442	3,459,319	2,249,818	1,261,006	174,388	850	325,767	—	—
● FY2016-17	144,202	3,779,392	2,501,655	1,391,799	169,846	1,113	510,788	2,629,055	230,000

CHART 1.4

## PETROL CONSUMPTION FOR RESPECTIVE BUSINESS UNITS

(litres)



(litres)	Pax Services	Apron Ops	Cargo Services	SATS Catering	SATS Security	SATS Holdings	Asia Pacific Star
● FY2014-15	–	32,804	–	7,298	–	–	3,275
● FY2015-16	–	29,118	–	4,420	–	–	3,433
● FY2016-17	–	31,245	–	2,844	5,544	–	4,920

## Reduce Emissions

### CASE STUDY

# Going Electric

To reduce emissions that could impact the environment, we put together a four-year master plan (2017-2020) to convert our diesel GSEs to electric ones. 48 hybrid tractors, which have a higher fuel efficiency than traditional diesel tractors, are currently being used for our operations at Changi Airport Terminals 2 and 3. By 2020, we aim to convert

59% of our diesel GSE to electric ones. In addition, we have also embarked on a two-year master plan (2017-2018) to install charging points for our electric tractors. Subject to the development of the infrastructure by the airport authorities, we aim to have a full fleet of electric ground handling equipment by 2030.

# 48



Hybrid tractors used at Changi Airport Terminals 2 and 3

*please refer to*

CHART 1.5

CHART 1.6



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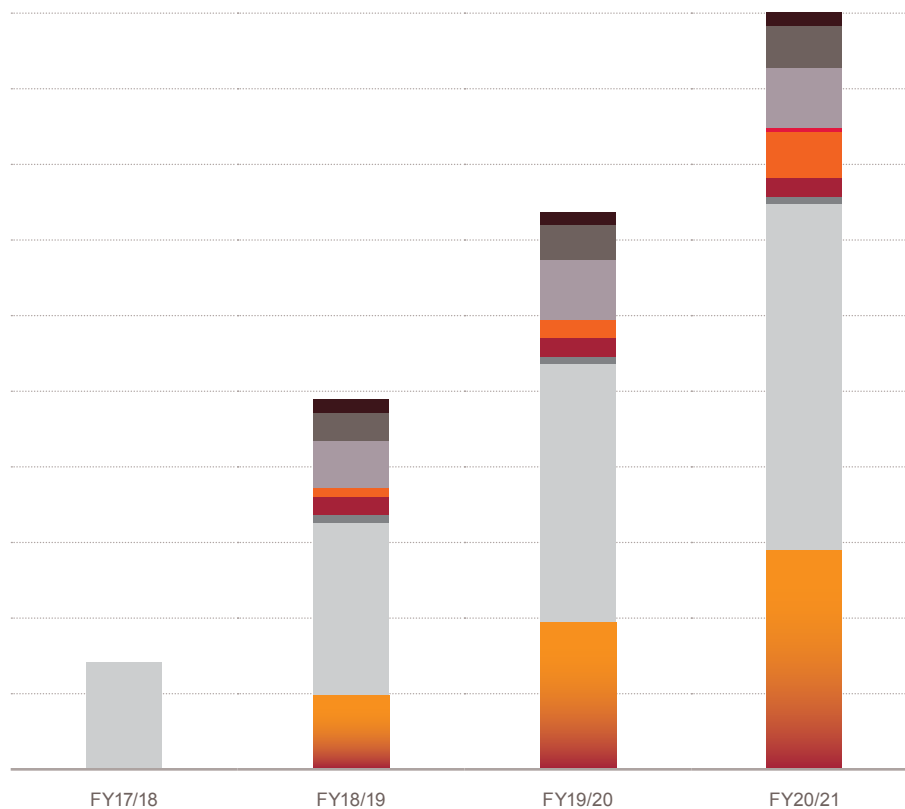
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CHART 1.5

## CONVERSION OF DIESEL GSE TO eGSE

(No. of Units)

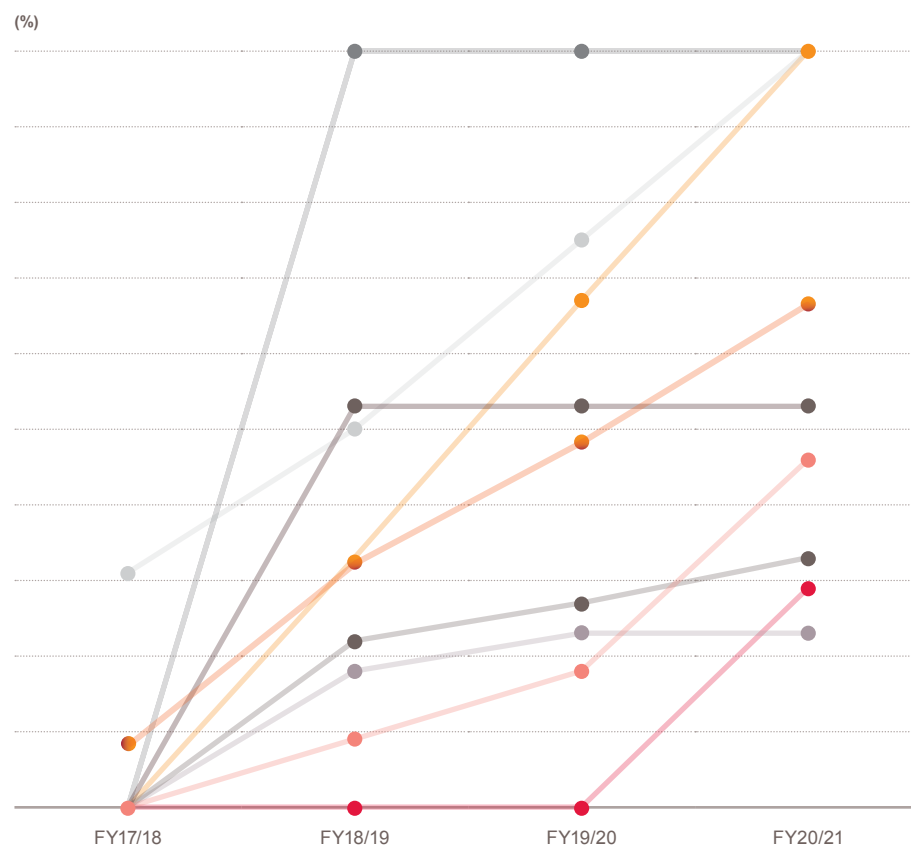


(No. of Units)	FY2017-18	FY2018-19	FY2019-20	FY2020-21
● Passenger Step	—	9	9	9
● JCPL	—	19	23	28
● Van/Car	—	31	40	40
● Apron Bus	—	—	—	2
● Skyloader	—	6	12	31
● Hi-Lift: AIC	—	12	12	12
● Hi-Lift: APS	—	5	5	5
● Tractor	70	114	171	229
● Forklift	—	48	96	144
<b>Total</b>	<b>70</b>	<b>244</b>	<b>368</b>	<b>500</b>

# Reduce Emissions

CHART 1.6

## CONVERSION RATE OF DIESEL GSE TO eGSE



(%)	FY2017-18	FY2018-19	FY2019-20	FY2020-21
● Passenger Step	0	53	53	53
● JCPL	0	22	27	33
● Van/Car	0	18	23	23
● Apron Bus	0	0	0	29
● Skyloader	0	9	18	46
● Hi-Lift: AIC	0	100	100	100
● Hi-Lift: APS	0	100	100	100
● Tractor	31	50	75	100
● Forklift	0	33	67	100
● Total	8	29	43	59

# Grow with SATS

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Our people are valuable and we recognise their contributions with fair pay and safe working conditions. We promote respect and understanding in the workplace, offering equal opportunities to all our people. We encourage our people to develop new skills and lead innovation to improve services for our customers. Higher productivity helps to create more opportunities for them and we fund better pay through a progressive wage model. We are committed to providing an open culture guided by our leadership principles.

A testament to our employee engagement efforts, our annual attrition rate stands at 11% during the reporting period, substantially below the national average of 23.4%<sup>1</sup> in 2016. Likewise, our recruitment rate at 16% is significantly lower than the national average of 26.4%<sup>2</sup>.

<sup>1</sup> Source: <http://stats.mom.gov.sg/Pages/Labour-Turnover-Summary-Table.aspx> (23.4% computed by multiplying the annual average monthly resignation rate by 12)

<sup>2</sup> Source: <http://stats.mom.gov.sg/Pages/Labour-Turnover-Summary-Table.aspx> (26.4% computed by multiplying the annual average monthly recruitment rate by 12)

*please refer to*

**CHART 1.7**

**CHART 1.8**

Age Group/ Gender	Food Solutions	Gateway	Corp	Grand Total
<b>FEMALE</b>	<b>154</b>	<b>380</b>	<b>24</b>	<b>558</b>
<30	54	231	4	<b>289</b>
30 to 39	41	106	13	<b>160</b>
40 to 49	14	29	6	<b>49</b>
50 to 59	21	12	1	<b>34</b>
>60	24	2	—	<b>26</b>
<b>MALE</b>	<b>220</b>	<b>395</b>	<b>11</b>	<b>626</b>
<30	77	179	—	<b>256</b>
30 to 39	51	113	5	<b>169</b>
40 to 49	25	55	5	<b>85</b>
50 to 59	49	28	1	<b>78</b>
>60	18	20	—	<b>38</b>
<b>Grand Total</b>	<b>374</b>	<b>775</b>	<b>35</b>	<b>1,184</b>

**Overall Annualised Voluntary Attrition Rate**

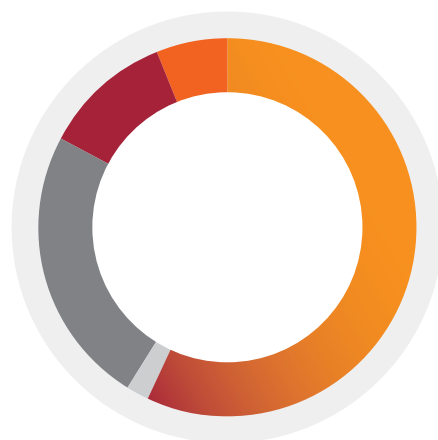
**11%**

Age Group/ Gender	Corp	Food Solutions	Gateway	Grand Total
<b>MALE</b>	<b>28</b>	<b>367</b>	<b>756</b>	<b>1151</b>
<30	7	179	457	<b>643</b>
30 to 39	8	84	168	<b>260</b>
40 to 49	9	57	70	<b>136</b>
50 to 59	4	36	37	<b>77</b>
>60	—	11	24	<b>35</b>
<b>FEMALE</b>	<b>24</b>	<b>173</b>	<b>371</b>	<b>568</b>
<30	7	78	260	<b>345</b>
30 to 39	9	48	94	<b>151</b>
40 to 49	5	27	13	<b>45</b>
50 to 59	3	14	3	<b>20</b>
>60	—	6	1	<b>7</b>
<b>Grand Total</b>	<b>52</b>	<b>540</b>	<b>1,127</b>	<b>1,719</b>

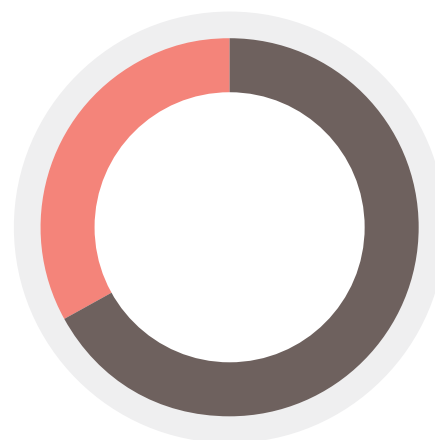
**Overall Annualised Rate of New Hire**

**16%**

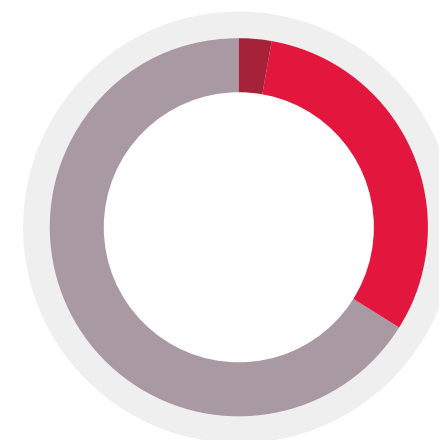
CHART 1.7

NEW EMPLOYEE HIRES  
BY AGE GROUP

● <30	57%
● 30 to 39	24%
● 40 to 49	11%
● 50 to 59	6%
● >60	2%
Total	100%

NEW EMPLOYEE HIRES  
BY GENDER

● Male	67%
● Female	33%
Total	100%

NEW EMPLOYEE HIRES  
BY BUSINESS UNITS

● Corporate	3%
● Food Solutions	31%
● Gateway Services	66%
Total	100%

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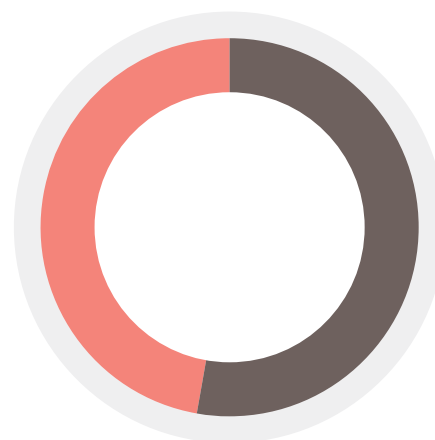
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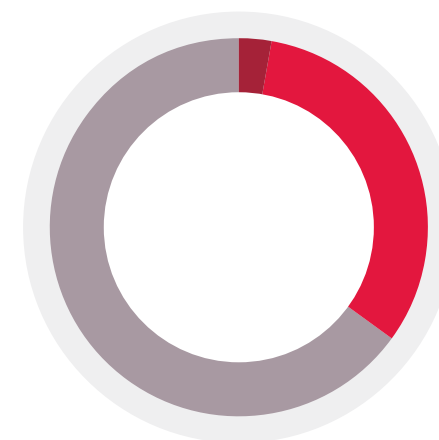
CHART 1.8

EMPLOYEE TURNOVER  
BY AGE GROUP

● <30	46%
● 30 to 39	28%
● 40 to 49	11%
● 50 to 59	9%
● >60	5%
Total	100%

EMPLOYEE TURNOVER  
BY GENDER

● Male	53%
● Female	47%
Total	100%

EMPLOYEE TURNOVER  
BY BUSINESS UNITS

● Corporate	3%
● Food Solutions	32%
● Gateway Services	65%
Total	100%

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### LEARNING AND DEVELOPMENT

As a leading global services company headquartered in Asia, our people are critical to our business growth. In order to achieve this, we foster an open culture to drive employee engagement.

We are devoted to people development. Leading by example, managers encourage our people to develop new skills and lead innovation to enable them to reach their fullest potential at work.

Our People vision is to engage and develop employees in an open environment of learning and sharing.

Our Human Capital Development Framework comprises:

- (i) functional skills training and
- (ii) soft skills training

We build a performance-driven culture centred on SATS' five core values: Excellence, Safety & Security, Innovation, Trust, and Collaboration. In line with this, we have established a People Development System comprising learning principles, policies, learning centre, training framework, learning roadmap, learning initiatives, learning management system, and Development Assessment Centre.

To reinforce a strong service culture across all levels, our training programme for each new employee begins with the SATS Ambassador Programme. All employees across management levels are required to undergo this two-day training programme.

During the reporting period, 100% of our employees received a regular performance and career development review. On average, our employees received 68 hours of training in the year under review. By 2030, we aim to have an average of 80 hours of training per employee, per year.

“

**Leading by example, managers encourage our people to develop new skills and lead innovation to enable them to reach their fullest potential at work.**

”

**100%**

SATS employees received regular performance and career development review

**68 hours**

Total hours for training in the year under review

**SATS ACADEMY**

SATS Academy was set up with the strategic intent to develop employees and allow them to grow with SATS. The programmes at the Academy comprise (i) functional skills training and (ii) soft skills training. The functional skills programme aims to develop technical competencies by mapping our programmes to SkillsFuture Singapore's Skills Framework for Air Transport and international organisations such as International Air Transport Association (IATA). Employees who have completed these programmes will be awarded certifications. On the other hand, the soft skills training will focus on shaping the culture, building and developing management, and leadership competencies.

“

**We believe that a well-trained workforce is critical to the growth of our business.**

”

The programmes are designed to be a mixture of structured facilitated learning, structured non-facilitated learning, and informal learning – all aimed to engage a diversified employee profile with different learning needs and styles. Learning activities are customised to the topics covered to help employees learn through their own discovery and participation.

All our trainings are andragogically designed and activity-based to engage the five senses of participants.

We believe that a well-trained workforce is critical to the growth of our business. We train our employees to deliver the SATS brand promise of “Passion to Delight” so that we achieve our mission “to be the first choice provider” and our vision of Feeding and Connecting Asia.

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### SATS CONNECT

As we expand our presence in the region, we need to transform our culture into one where our people are more entrepreneurial, resilient, future-ready, quicker to adapt; and our leaders are more dynamic to lead and drive change.

To prepare our leaders to lead, shape, and engage our people, we have created a three-level leadership development programme known as SATS Connect. It begins with a focused workshop with the Senior Management Team. The programmes are designed to develop leadership competencies that will help them to become nimble in handling complex, ambiguous situations or relate to trends, to inspire our people to achieve results. Some examples of the

workshops conducted include topics on understanding future trends; methodology for crisis communication; and storytelling skills to inspire and engage.

In 2017, the Senior Management Team committed to developing a SATS culture that is aligned with accelerating change and transformation. A key outcome of the workshop was the establishment of a set of core leadership principles. These principles underpin SATS' efforts to accelerate transformation and create a culture that embraces growth, change, and innovation.





### Leadership Programmes

The Global Leadership Programme grooms global leaders for SATS through a process of identifying internal talents, putting them through a one-year training programme, before posting them overseas for a year. The plan is to place 48 leaders through the programme by the end of 2022. To ensure that our employees have a global orientation, we also provide opportunities for them to have overseas exposure. As of March 2017, 37 of our employees have gone on overseas assignments. We hope to have 30% of critical and key positions filled by internal transfers by 2030.

### Redesigning Jobs

SATS adopts a technology-driven, people-led approach to employee up-skilling and job enlargement. To better serve our customers, we invest in technology to enhance our capabilities to

handle large-scale operations efficiently, and improve the quality of our food and services. The use of technology has allowed us to increase volume without a proportionate increase in cost, leading to an improvement in margins and productivity. In the reporting period, SATS' productivity, measured by Value Added per Employment Cost, increased 4.1% year-on-year. By harnessing technology, we have also achieved a 310 basis point expansion in operating margin and 7.7% increase in Value Added per Employment Cost over the past three years.

Recognising the shift towards digitisation and technological transformation, and taking into consideration our nation's aging population, we embarked on a journey to streamline our business processes. Specifically, we explored automation to make our operations less labour intensive. This has enabled us to redesign jobs so that we can remunerate our employees based on a progressive wage model and enable their career advancement with us.

For example, the SATS eCommerce AirHub deploys technology to triple mailbag processing capacity and deliver

quicker turnaround for international eCommerce mail. This technology-driven approach has transformed the jobs of 100 employees under mail operations and allowed us to consolidate the roles of an equipment operator, operations assistant, and cargo coordinator into a new higher-value position entitled "eHub Specialist". To date, 24 employees have been reassigned this role after undergoing three months of training. These eHub Specialists are given additional allowances for their enlarged scope of work.

All 216 Catering Loading Assistants and Operations Assistant (Delivery) also underwent training to upgrade their existing skills.

Similarly, about 104 Apron Equipment Operators were trained to handle additional apron equipment. This provided them with greater responsibilities and better opportunities to progress to the next job level.

# +4.1%

Productivity based on Value Added per Employment Cost

# 216

Catering Loading Assistants and Operations Assistant (Delivery) underwent skills upgrading

# 104

Apron Equipment Operators' roles have been expanded

## Grow with SATS

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The automation processes have enhanced our customer service by enabling us to provide value-added services in a more efficient manner. It has also resulted in more engaged employees and facilitated succession planning, with a talent pipeline for the company as we develop our employees' competencies for future jobs. During the year in review, we received an employee engagement score of 74%, above the national average of 59%<sup>3</sup>. Our goal is to achieve a score of 80% by 2030.

In a time of fast-paced change, employees are kept apprised of changes to job processes and positions. Town hall sessions, business and department meetings, as well as one-on-one engagement sessions are conducted with employees on a regular basis. Similar sessions and meetings are also held through the unions.

### Professional Conversion Programme (PCP)

Whenever certain job roles are displaced, our first approach is to re-train and redeploy affected employees to other roles. For example, under the Professional Conversion Programme for Air Transport, we re-train employees for new roles in partnership with educational institutions like Temasek Polytechnic. When redeployment is not possible, we work closely with NTUC and agencies such as e2i (Employment and

Employability Institute) for the re-training and outplacement of affected employees to other companies. In situations where we are unable to identify a suitable job even after considering all re-employment options, we offer affected staff an Employment Assistance Payment.

### STAFF WELFARE AND BENEFITS

Besides competitive remuneration, our employees also enjoy comprehensive welfare and benefit schemes. Our full-time and part-time employees are provided with healthcare insurance with deferred coverage for general practitioner, specialist, dental and hospitalisation claims.

All full-time and part-time employees who meet the government funding criteria under the Child Development Co-Savings Act, and who have worked for the Company for at least three months, are entitled to paid childcare leave, as well as maternity/paternity leave.

For the year in review, 1,113 female and 2,344 male employees across SATS' operations in Singapore were entitled to parental leave. Out of which, 48.9% (544) of female employees and 60.3% (1,413) of male employees utilised their parental leave. In the reporting period, 100% of our employees returned to work after parental leave ended. 537 female and 1,397 male employees who returned to work after their parental leave remained

74%

Employee engagement score

employed 12 months after their return to work, signifying a 99% return rate respectively.

In compliance with the Retirement and Re-employment Act, we offer re-employment to eligible employees who are turning 62, up to age 67, to continue their employment with us. In addition, we make contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme which helps employees fund their retirement.

To prepare employees aged 55 and above for re-employment and/or retirement, SATS conducts a programme called "Making my Choice" to help mature employees understand the options that are available to stay active and contribute purposefully as they move into the third age.

<sup>3</sup> Source: <http://www.straitstimes.com/business/singapore-employees-least-engaged-in-asia-study-finds>

**LABOUR PRACTICES  
AND HUMAN RIGHTS**

We provide a fair performance-based remuneration culture that is inclusive, collaborative, and diversified. We practise fair employment that is in line with Singapore's Tripartite Alliance for Fair Employment Practices and Guidelines.

We also recognise that in order to attract and retain talent, fair and favourable working conditions have to be provided for our employees. We are committed to respecting and promoting human rights and good labour practices.

SATS respects our employees' rights to freedom of association and their right to be part of a union. We provide a platform for our union representatives to introduce the unions to new employees at our employee familiarisation programme which is conducted twice a month. 82% of our general employees (GE) are SATSWU members, 56% of our Administrative Officers (AO) are AESU members, while 61% of our SATS Food Services (SFS) general employees are represented in FDAWU.

At SATS, we have established a framework to build a sustainable culture that promotes respect for labour rights, through regular dialogue with employees or their recognised employee representatives. Open communication platforms with our union representatives include monthly breakfast meetings, quarterly tea sessions, luncheons, as well as monthly Union Management (UM) Meetings chaired by our PCEO.

Our business unit (BU) leaders will engage our union representatives at monthly scheduled BU-union meetings. Any operational changes that may impact our workers, will be discussed at any of these avenues or as required before implementation. Annual retreats, regular team-building and CSR engagement activities are also organised to reinforce this trust and collaboration between union and management. In addition, as stated in our Supplier Code of Conduct, we expect our suppliers to respect the human rights of their employees, and provide a safe, fair, and non-discriminatory work environment.

Prior to implementation of significant operational changes, SATS works with the unions and follows the tripartite guidelines depending on the complexity of the change.

**SATS respects our employees' rights to freedom of association and their right to be part of a union.**

## Grow with SATS

### DIVERSITY

At SATS, every employee's contribution is equally respected. We are committed to creating and maintaining an environment that promotes equal opportunity to all and embraces diversity. In general, the ratio of basic salary and remuneration of women to men is 1:1.17. By 2030, we aim to achieve 40% female representation at the senior management level.

#### Board Diversity

We are committed to building an open, inclusive, and collaborative culture, and recognise the benefits of having a Board 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, industry and geographical knowledge, and professional qualification, in building an effective Board with the ability to guide and support us in achieving our strategic objectives for sustainable growth and development.

Such diversity will allow the Board to better identify potential risks, raise challenging questions, and contribute to problem-solving. In particular, we consider gender to be an important aspect of diversity and strive to ensure that there is adequate female representation on the Board. All Board appointments will be based on merit of candidates, and will be considered against objective criteria and having due regard for the benefits of diversity on the Board, our needs and our core values. The current make-up of our Board reflects our commitment to diversity in gender, nationality, ethnicity, skills and knowledge.

### FEMALE EMPLOYEES BY AGE GROUP

Age Group	Job Grade					Grand Total
	Senior Mgt	Managers to VP	Executive	Non-Executive	Flexi/Temp	
<20	—	—	—	60	34	94
21-30	—	5	110	912	103	1,130
31-40	—	35	79	644	20	778
41-50	1	35	48	685	57	826
51-60	3	15	32	579	64	693
>61	—	2	8	353	59	422
<b>Grand Total</b>	<b>4</b>	<b>92</b>	<b>277</b>	<b>3233</b>	<b>337</b>	<b>3,943</b>

### MALE EMPLOYEES BY AGE GROUP

Age Group	Job Grade					Grand Total
	Senior Mgt	Managers to VP	Executive	Non-Executive	Flexi/Temp	
<20	—	—	—	30	23	53
21-30	—	2	76	1,675	82	1,835
31-40	1	42	112	1,387	6	1,548
41-50	1	62	109	1,326	16	1,514
51-60	7	42	82	1,343	35	1,509
>61	3	18	46	750	95	912
<b>Grand Total</b>	<b>12</b>	<b>166</b>	<b>425</b>	<b>6,511</b>	<b>257</b>	<b>7,371</b>

During the reporting period, there were no reported incidences of discrimination.

*please refer to*

**CHART 1.9**

**CHART 1.10**

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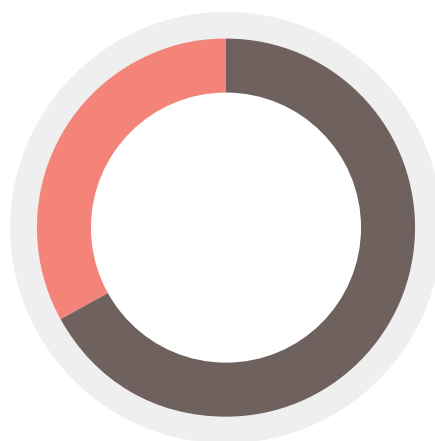
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CHART 1.9

BOARD  
GENDER DIVERSITY

● Male Directors	82%
● Female Directors	18%
Total	100%

AGE OF  
DIRECTORS

● 46-50	18%
● 51-55	9%
● 56-60	9%
● 61-65	37%
● 66-70	27%
Total	100%

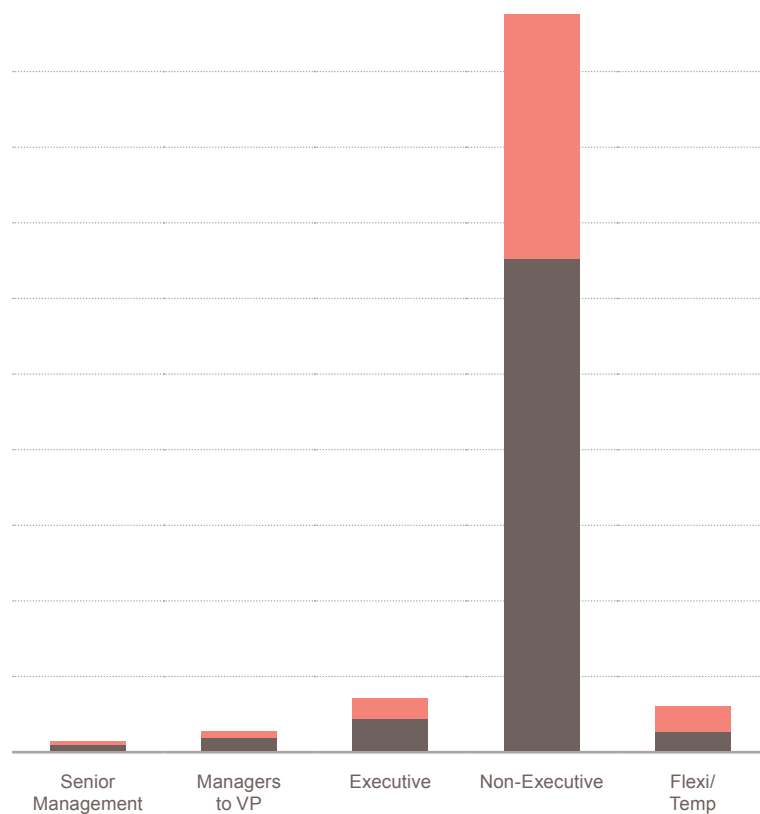
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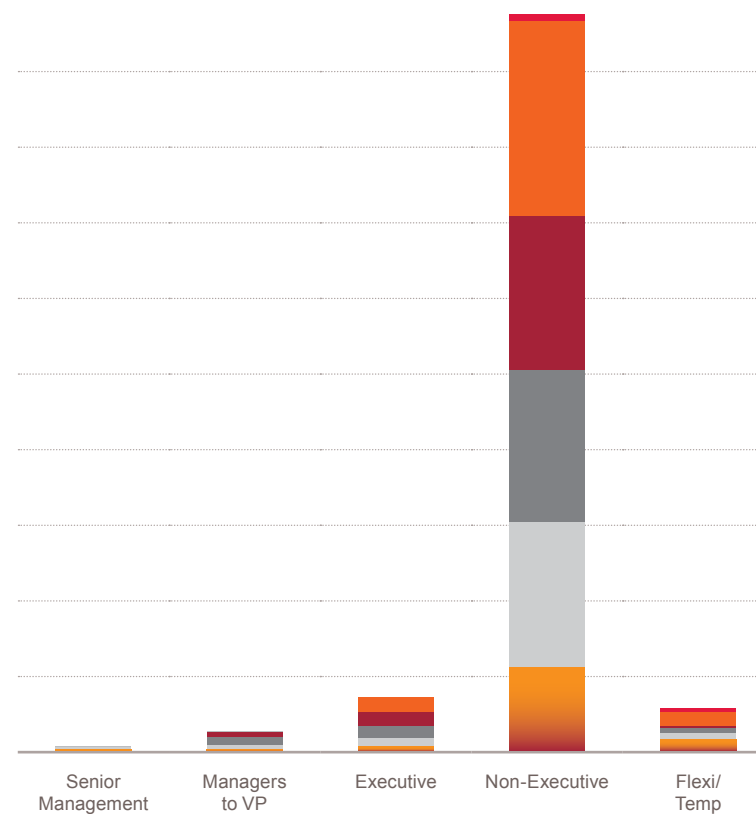
CHART 1.10

## EMPLOYEE CATEGORY BY GENDER



Gender	Senior Management	Managers to VP	Executive	Non-Executive	Flexi/Temp
Female	4	92	277	3,233	337
Male	12	166	425	6,511	257
<b>Total</b>	<b>16</b>	<b>258</b>	<b>702</b>	<b>9,744</b>	<b>594</b>

## EMPLOYEE CATEGORY BY AGE GROUP



Age Group	Senior Management	Managers to VP	Executive	Non-Executive	Flexi/Temp
<20	—	—	—	90	57
21-30	—	7	186	2,587	185
31-40	1	77	191	2,031	26
41-50	2	97	157	2,011	73
51-60	10	57	114	1,922	99
>61	3	20	54	1,103	154
<b>Total</b>	<b>16</b>	<b>258</b>	<b>702</b>	<b>9,744</b>	<b>594</b>

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# Connecting People

Ensure Seamless Connections



Empower Communities



Safety



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# Connecting People

|

At SATS, we adopt a people-led approach to serve our communities and enable them to fulfil their full potential.

In this digital age, we deploy technology to help us achieve better synergies within our operations, improve productivity and provide a seamless, secure experience for our customers and partners. We embrace innovation to work faster and smarter.

In giving back to the communities that we operate in, we continue to fulfil our brand promise – “Passion to Delight”. By empowering those in need through financial support, training and other initiatives, we aim to make a positive and meaningful impact on society.





# Ensure Seamless Connections

An airport is a place where families and friends unite. Through supporting airport activities such as passenger services and air freight, we facilitate trade flows and economic growth. With SATS' ability to manage large volumes of passenger and cargo traffic efficiently, we enable airports, airlines and businesses to grow.

SATS manages 545,000 flights, 103 million passengers and 4.4 million tonnes of cargo a year, and we need to ensure connections are secured in order to protect the privacy of the data we manage. The transition to an increasingly digital world comes with concerns about data privacy and cyber security. Our systems are robust to protect customers' data seamless travel and enable more seamless travel for passengers at each airport that we serve throughout the region. By 2030, we hope to achieve greater customer satisfaction in terms of seamless connectivity for passengers and cargo.

## PAPERLESS HUB

In the move towards digitisation, we have worked with our airline customers to roll out electronic airway bills (e-AWB) and e-Freight initiatives. To date, 12 airlines have implemented export e-AWB, and 17 airlines have implemented import e-AWB. As of March 2017, export e-AWB penetration achieved an average of 55.6%.

We have also implemented an e-acceptance system – a paperless process for freight acceptance advanced information and an electronic receipt. This impacted about 350 freight forwarders and contractors that we worked with, and saved more than 600,000 copies of paper control forms annually for the freight industry. This method of freight acceptance also enables the e-AWB and e-freight processes to be effective.

Our Cargo Operations System was also enhanced in March 2016 to transfer and generate historical reports and store documents electronically for ease of reference and retrieval. This allows us to save close to 800,000 pieces of paper annually.

In line with the International Air Transport Association (IATA) and the Civil Aviation Authority of Singapore's push for reduction of transport paper documents, we aim to adopt mobility devices to replace paper, and utilise e-pouches to facilitate the e-freight process. Our aim is to become a 100% paperless hub by 2030.



# 545,000

Flights handled by SATS

# 800,000

Pieces of paper saved annually

## Ensure Seamless Connections

### CYBER SECURITY

As part of our cyber security efforts, a cyber wargame for senior management and key appointment holders was conducted in March 2017. This wargame was conducted to improve SATS' operational awareness of business impacts from an enterprise-wide cyber attack, and effect future-ready improvements and further integration with Business Continuity Planning. New staff would also go through the Information Security e-Learning Module during their on-boarding.

We have put in place an Information Security Policy which is aligned with ISO 27001 Information Security Management. 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, we have established a Cyber Security Management Framework designed to protect, detect, respond to cyber security threats and recover quickly from any attack. The framework covers security controls in the following three areas (people, process, and technology) to protect SATS businesses and information assets. By 2030, we aim to put in place a robust fall-back system with zero-tolerance of security breaches.

### CYBER SECURITY MANAGEMENT FRAMEWORK

#### PROTECTION

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

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 processes and procedures to focus and prioritise its efforts towards minimising Cyber Security risks**

Policies

Standards

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User Awareness

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### SMART GLASS

We use Augmented Reality (AR) technology in our Smart Glass for ramp operations. This technology enables our staff to execute the loading of cargo and baggage onto the aircraft more efficiently and with better accuracy. The load control specifications for each aircraft, which were traditionally printed on rolls of paper, are now being reflected on the Smart Glass through AR technology. The Smart Glass also includes a "See-what-I-see" function, which allows the ramp control centre to observe actual on-ground operations. The use of AR helps to digitise our ramp operations, reducing turnaround time by 15 minutes, from an hour previously. Hence, this improves productivity, reduces the manpower required, and enhances the precision of the loading process.



### SMART WATCH

In 2016, SATS became the first in the world to harness Internet of Things (IoT) technology through the use of the Smart Watch in our technical ramp operations, which allowed us to streamline on-ground processes and enhance communication, productivity and safety. The use of Smart Watch in technical ramp handling eliminates the need for technical ramp agents to make trips back to the office to receive their work orders. Information is pushed to the Smart Watch and communication is via bone-conducting headsets attached to their helmets. The smart watches are paired with bone-conductor headsets via Bluetooth, allowing technical ramp personnel to make and receive hands-free calls, increasing safety and ease of collaboration.

Apart from making the work environment a safer one for our employees, this smart solution boosts efficiency, allowing us to reallocate resources for greater productivity. By capturing the start and completion time of each task, SATS can analyse the data to glean key performance insights to help improve resource planning. Using these wearable technologies has helped to improve productivity, enhanced accuracy and safety.





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### SATS COOLPORT

SATS Coolport is Asia's first on-airport perishables handling centre with an estimated annual operating capacity of 250,000 tonnes, and a host of value-added services such as warehousing, distribution, and an inventory management system. Our facility has a scope for expansion from its amount 8,000 to 14,000 square metres.

SATS Coolport forms an integral part of the overall logistics value chain, strengthening Singapore's position as an air cargo and logistics hub.

We are proud to be the pioneer in the development of this significant milestone in Singapore's air cargo industry.

To ensure it is able to handle temperature-sensitive products to globally recognised standards, SATS Coolport has been designed to meet international safety requirements. Within two years of operations, SATS Coolport has obtained five key certifications:

- Halal-certified zone
- Hazard Analysis and Critical Control Points ("HACCP") certification
- Licensed under AVA's Food Safety Excellence Scheme for Coldstore Establishment (Awarded 'A' grading since certification began)
- Good Distribution Practice for Medical Devices ("GDP-MDS")
- Good Distribution Practice ("GDP")



Ensure Seamless  
Connections

## CASE STUDY

# Enabling Trade Through Pharmaceutical -handling

At SATS, we are aware of the importance of our role in enabling global pharmaceutical trade, to strengthen Changi Airport's position as an established air hub, and Singapore as a biomedical hub. Our high safety, quality and service standards enable us to provide seamless connectivity for our customers in the pharmaceutical sector, where safety and assurance standards are paramount.

In the process of building up our pharmaceutical-handling expertise beyond our GDP certification, we became the world's first IATA-certified Centre of Excellence in Pharmaceutical Handling in February 2014. In collaboration with IATA, we developed the first version of this certification that became the benchmark for airfreight standards in the handling of pharmaceutical products.



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## In November 2014, SATS Coolport was certified as a Centre of Excellence for Independent Validators (CEIV) in Pharmaceutical Handling by IATA – another world's first achievement.

On 14 Jun 2016, Swiss WorldCargo, Cargologic and SATS established a secure temperature-controlled quality corridor between Singapore and Zurich. The three parties synchronised cargo-handling facilities and procedures to deliver accurate and reliable end-to-end handling. Cargologic and SATS are both certified to IATA CEIV and GDP standards. This new corridor promotes the carriage of pharmaceuticals and other temperature-sensitive airfreight on the Singapore-Zurich route, enhancing the connectivity between the two air hubs, and to our wider airfreight handling network across Asia.

>50% 

Growth in pharmaceutical loads

In Singapore, SATS Coolport has also worked closely with strategic airlines and key pharmaceutical and freight forwarders to be certified as an approved point in the approved transportation routes for numerous leading pharmaceutical companies like Roche, Novartis, and MSD. As a result, we have been able to develop new multi-modal pharmaceutical trade flows for the freight fraternity.

Furthermore, we played a significant role in assisting Singapore Airlines Cargo to become the first airline in the Asia Pacific region to achieve CEIV certification. We have also shared our expertise with Swiss Cargo and Asiana Airlines to assist them in their certification.

Since 2013, our pharmaceutical loads have increased by more than 50%. Our new inter-modal pharmaceutical products grew by 50% from 2016.

Through building a network of certified pharmaceutical trade lanes that promise temperature integrity and meet pharmaceutical companies' handling standards, we enable the growth of the pharmaceutical industry.

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# Empower Communities



## COMMUNITY ENGAGEMENT

As a people-led company centred on the needs of our customers as well as those of our local communities, SATS firmly believes in supporting and giving back to our local communities. SATS Foundation was established in 2010, with the support of SATS Ltd, which made an annual donation of \$500,000<sup>4</sup> (0.19% of profits) to support company-wide corporate social responsibility events and initiatives. SATS Staff Association is also deeply involved in such initiatives. For the year in review, we donated approximately S\$1 million which has made an impact on a total of 350,000 beneficiaries. By 2030, we hope to have touched an accumulated total of four million lives through social and community investments that impart our expertise, to empower people to fulfil their fullest potential.

# \$500,000

Annual donation to support corporate social responsibility initiatives

Our community engagement activities have been prioritised to three key themes which represent who we are, our values, and our passions. They are: enabling people to change through providing financial support for individuals and families in need; empowering people to achieve their fullest potential through training, and other initiatives that enhance the likelihood of realising their aspirations; and rebuilding lives through helping disadvantaged individuals, families or communities to reintegrate into society, as well as for retirees in their transition to their second career.

SATS conducts these activities with the support from SATS Foundation and SATS Staff Association. One highlight was the inaugural Be Active @ SATS Charity Run, which saw the participation of 700 employees, family, and friends. We raised a total of S\$200,000 for Assisi Hospice, a local institution which provides palliative care to patients with life-limiting illnesses.

<sup>4</sup> The total amount of donations SATS made to charitable and social causes in the year under review may be more than this amount as in-kind sponsorship is not tracked.

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### SATS STAFF ASSOCIATION (SSA)

Established since 1979, SSA first started operations by running a shelter for the elderly at a void deck in Bedok. Funded by monthly contributions from SATS employees, SSA hopes to inculcate a spirit of giving back to the community through volunteerism.

### INTERNATIONAL CHEFS' DAY

Since 2011, we have been celebrating International Chefs' day together with our chefs, colleagues, and adopted charities as a way of giving back to the community. This year's theme was "Food for Healthy Heroes", and the beneficiaries who attended the event were students from the Association for Persons with Special Needs (APSN) Katong. Our team of chefs served up immaculately prepared food with the assistance of staff volunteers, APSN teachers and the children's caregivers.

### EMPOWERING LOCAL COMMUNITIES THROUGH EDUCATION

Two key thrusts of SATS Foundation is to empower people to achieve their fullest potential and rebuild lives. Our scholarships and bursaries recognise and encourage the future generation to achieve greater academic excellence. During the reporting period, SATS awarded a total of S\$1,166,900 in training grants, scholarships and bursaries.





## SATS OCCUPATIONAL HEALTH & SAFETY (OHS) POLICY

At SATS we are committed to providing a safe, secure and healthy work environment for our people. In line with our core values, we maintain and promote an effective occupational health and safety management program. Our SATS approach is as follows:

**S**trive to anticipate hazards and eliminate them to prevent personal injury/illness to employees or loss/damage to equipment and property.

**A**ssure a high level of compliance by meeting applicable legal requirements and adopting best practices.

**T**rain and educate employees and contractors to prevent accidents and injuries, and promoting a healthy lifestyle.

**S**eek and implement all reasonable measures to provide the best possible care in maintenance of our equipment and facilities.

This Policy will be kept up-to-date and relevant, and communicated to everyone at SATS as well as to all persons working under the control of SATS, so that they are reminded of their individual OHS obligations.

We are all responsible for preventing injury and ill-health, both to ourselves as well as to fellow colleagues.

The prevention of accidents is a joint effort. We collaborate to continually improve our occupational health & safety performance to make our company the best and safest place to work.

Alex Hungate  
President & Chief Executive Officer  
SATS Ltd.



Dated: 01 March 2017

## Safety

Safety is one of SATS' core values, and is deeply rooted in our DNA. As a premium service provider with extensive regional operations, we are committed to ensuring a safe, secure and healthy environment for our employees, contractors, and customers. Our Occupational Health and Safety Management System, which was established in 2008, have been certified as meeting the internationally-recognised OHSAS 18001 Occupational Safety & Health Management System. This certification is audited on an annual basis.

Regular audits are conducted by our customers and partners as well as for numerous local and international safety and quality certifications, including OHSAS 18001, ISO 9001 Quality Management System as well as IATA's

Safety Audit for Ground Operations, which is an audit standard applicable to all ground handling companies worldwide, coupled with a uniform set of standards relevant for the specific activities of any ground handler. Formal joint management-worker health and safety committees oversee safety at both the site and business unit levels. Close to 100% of our employees are involved in these committees.

Safety and health topics are also discussed at SATSWU's monthly meeting with the SATS management, which is chaired by the President and Chief Executive Officer. Topics discussed at the meetings include safety initiatives, safety inspection, work-related accidents, accident prevention, and safety education.



## Safety

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**In 2016, SATS became world's first ground handler to integrate smart watches in technical ramp operations, which enhances operational communication to improve productivity, safety and collaboration.**

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At SATS, we comply with the Workplace Safety and Health Council's Incident Reporting regulation, which stipulates that an iReport must be filed for work injury incidents that meet the reportability criteria. In addition, we have an in-house Incident Reporting Procedure that requires all incidents to be reported to a Supervisor/Safety Personnel within 24 hours.

The three most common injuries among SATS' employees are: caught by or between objects, strains and sprains, and slips, trips and falls. The injury rate and lost day rate across SATS' operations is 3.88 and 177.15 respectively. There were no work-related fatalities in the

reporting period. We are cognisant of the fact that the occupational activities such as loading and unloading of cargo, docking and undocking of Ground Support Equipment to the aircraft, undertaken by our Cargo and Ramp employees, have a higher risk of suffering from strains, sprains and contracting Musculoskeletal Disease. Outreach sessions are held regularly, by Business Unit Management, to increase employees' situational awareness on the common risks they are exposed to. We have also embarked on an Ergonomics and Fatigue Management Programme with the Health Promotion Board (HPB) to prevent work-related health issues, injuries, and improve work postures.

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# Ensuring Transparency and Accountability

## Corporate Governance

SATS is fully committed to upholding the highest standards of corporate governance. Our corporate governance principles reflect our commitment to strong leadership, effective internal controls, a robust corporate culture and accountability to shareholders.

For the financial year ended 31 March 2017, we have complied in all material respects with the principles laid down by the Code of Corporate Governance 2012. For the full Corporate Governance Report, please refer to the SATS Ltd. Annual Report 2016-17.

# Corporate Governance and Risk Management

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## RISK MANAGEMENT AND INTERNAL CONTROLS

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, with the aim to provide reasonable assurance to investors.

## RISK MANAGEMENT AND SAFETY ORGANISATIONAL STRUCTURE

The Board Risk and Safety Committee (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

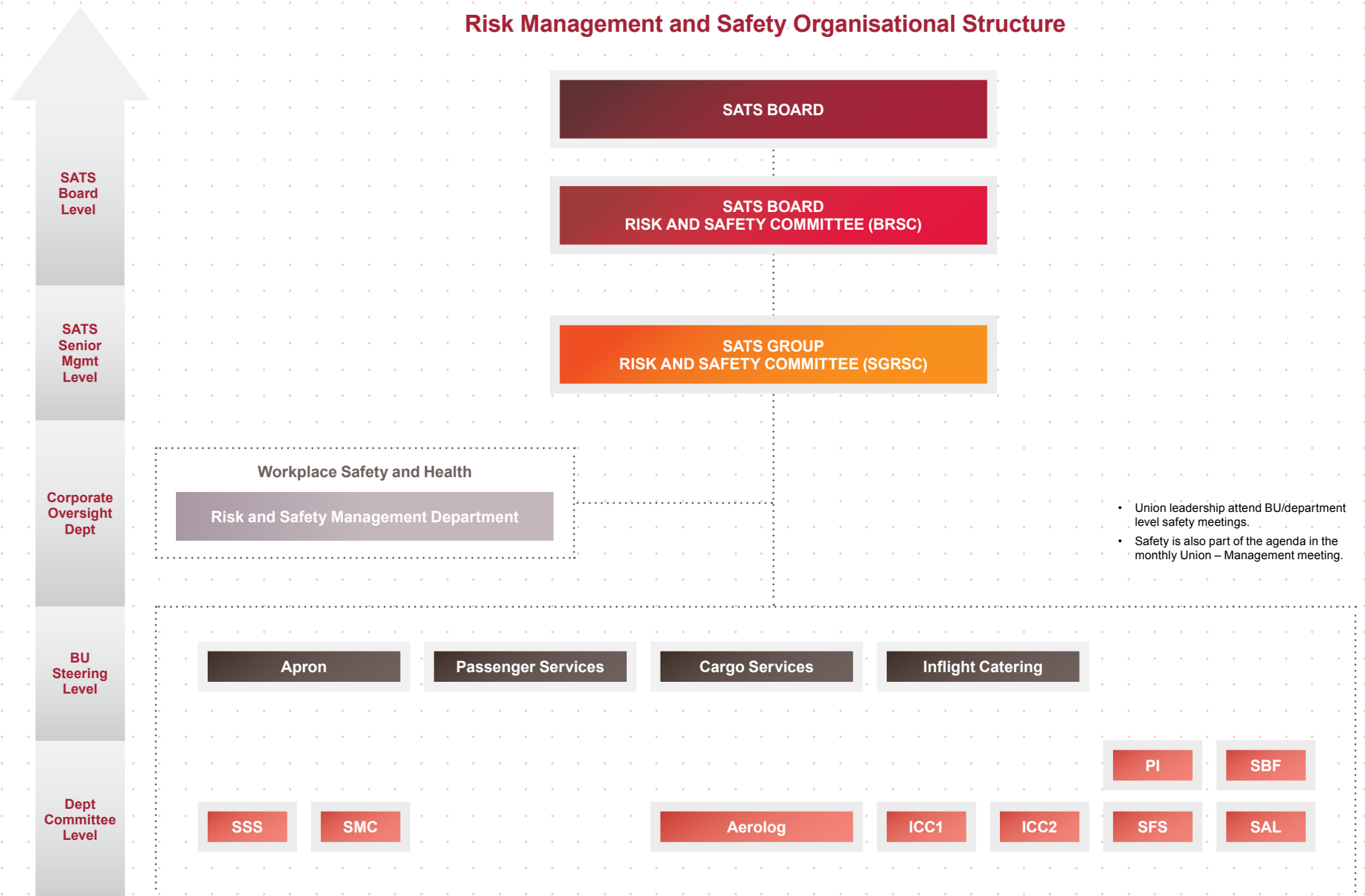
The BRSC is supported by the SATS Group Risk and Safety Committee (SGRSC). The BRSC reviews the activities of the SGRSC, including regular risk management reports, initiatives, processes and exercises. The SGRSC, chaired by the PCEO, meets on a quarterly basis to review the risk management system and 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.

# Corporate Governance and Risk Management

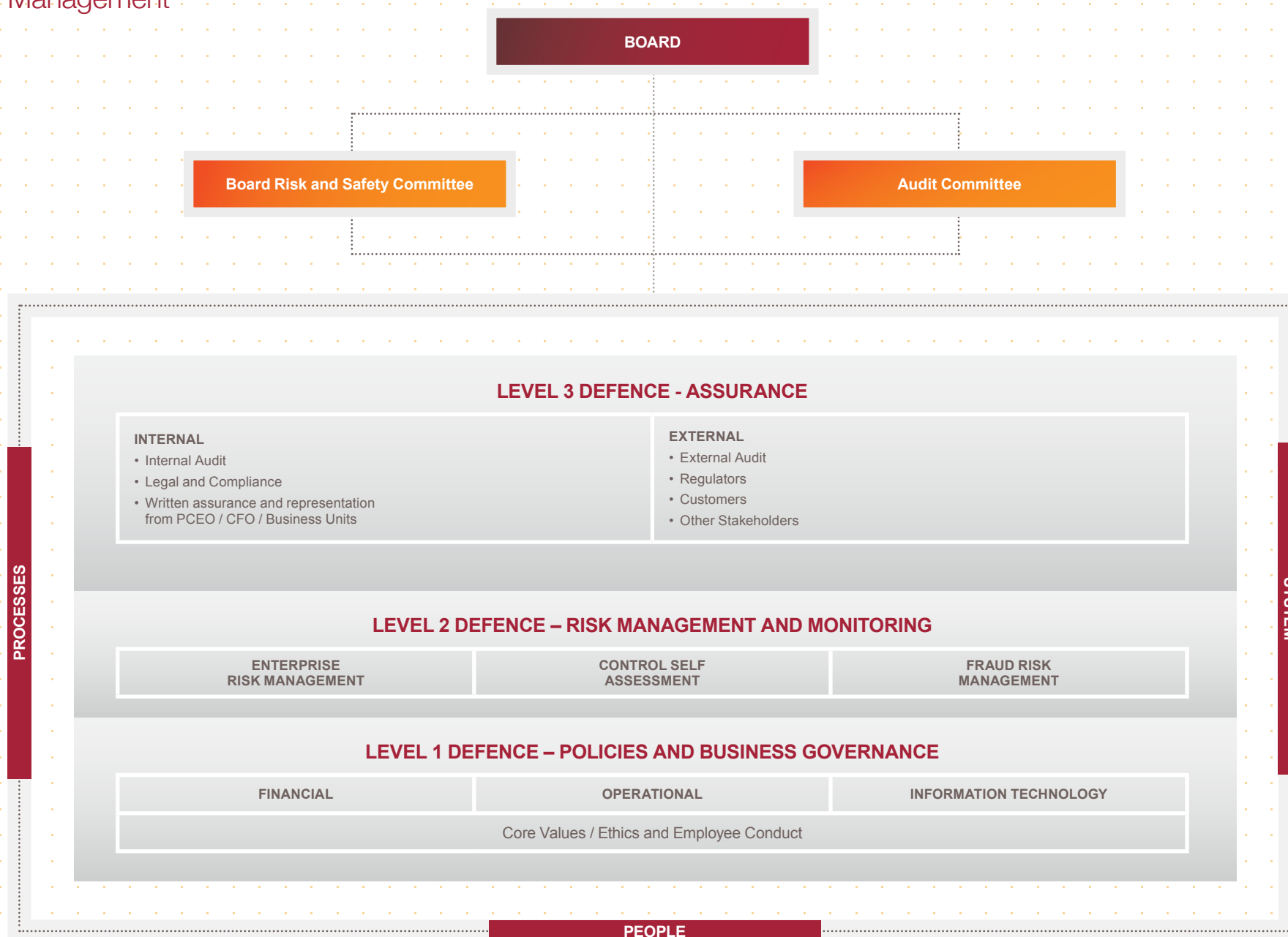
## Management Controls and Assurance Framework

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. For more information on this framework, please refer to pages 62 to 64 of SATS Ltd. Annual Report 2016-17.

## Risk Management and Safety Organisational Structure



# Corporate Governance and Risk Management

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# 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 Standards of 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.

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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. Furthermore, 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 maintain confidentiality, refrain from making false claims and insider trading.

#### **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 ("IAD") 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 IAD 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 Audit Committee ("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.

All information received is treated confidentially to the extent permitted by law or the applicable regulatory authority. Results of the investigation are not disclosed or discussed with anyone other than those who have a legitimate right to know.

#### **Anti-bribery and Anti-corruption Policy**

SATS is fully committed to conducting business with integrity, consistent with the highest ethical standards, and in compliance with all applicable laws and regulatory requirements for the prevention of corruption and bribery.

Our Anti-Bribery and Anti-Corruption Policy applies to all employees, officers and directors of the Group as we firmly believe that the proper actions and conduct of all SATS' employees are essential to maintaining these standards. In addition, employees, officers and directors of the SATS' representatives, vendors, contractors, agents, and any other entity that performs services for or on behalf of SATS are expected to comply with this Policy and all applicable laws.

“

**SATS has a key role to play in ensuring the reduction of carbon emissions within its own value-chain and business ecosystem.**

”

# Independent Statement by Forum for the Future

The Sustainable Development Goals and Paris Climate Agreement have necessitated a shift in how businesses approach sustainability. Organisations are required to fundamentally align their purpose with the imperatives to address environmental and societal challenges. Public expectations of companies are changing. Trust is no longer established through financial performance alone. Stakeholders - whether customers, investors, suppliers or citizens - now expect companies to respond authentically and purposefully to the defining issues of our time. Not doing so signals a lack of commitment to stewardship as well as to long-term value creation. With the launch of their inaugural sustainability report and strategic sustainability framework, SATS defines its strategic vision and set ambitious targets for demonstrating

its commitments towards sustainable development. Their 2030 goals astutely account for the long-term trends that will impact the future of the business and critically, the lives of those affected by it.

The trends that are shaping the future are self-evident: Firstly, the debate on climate change has shifted from whether climate change is happening, to whether we will reach irreversible tipping points within our own lifetimes. In response, the aviation industry has adopted targets to mitigate CO<sub>2</sub> emissions from air transport, but pressure will increase as climate change impacts begin to compound. As Asia's largest ground handler and in-flight caterer within this industry, SATS has a key role to play in ensuring the reduction of carbon emissions within its own value-chain and business ecosystem.

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Secondly, rising incomes and rapid urbanisation are changing how people eat in Asia, contributing to a surge in obesity and diabetes rates, amongst other health concerns. Food service solutions that enable traceable sustainable food production and more sustainable consumption patterns, including smart use of land and water, curbing food loss and waste, and addressing food safety concerns are critical. As an organisation serving 123 million meals a year, and with core competencies in cold-chain logistics and large-scale food production, SATS is positioned to accelerate and lead on solutions that feed Asia sustainably.

This report marks the beginning of a sustainability leadership journey. We look forward to supporting SATS as it strives to build its capacity to drive change, both within its business as well as by seeking new and collaborative ways to catalyse wider systemic sustainability transformations in Asia.

**Ariel Muller**

Director, APAC, Forum for the Future

## About Forum for the Future

Forum for the Future is a leading global sustainability non-profit tackling complex sustainability challenges with over 100 companies in our global leadership network. We specialise in addressing critical challenges by catalysing change in key systems, from food to apparel, energy to shipping. We do this by convening transformational collaborations, by partnering with businesses to help them lead by example, and by building a global community of pioneers and change makers. For more information, please visit

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## Material Topics

### Social (7)

#### Health and well-being

Public education and awareness is driving consumers to focus on preventive healthcare. This includes maintaining mental and physical health through balanced diets and lifestyles.

#### Pandemics

Outbreak of a disease that occurs over a wide geographic area and affects an exceptionally high proportion of the population. Over the last century, the number of outbreaks have tripled, with rising temperatures expected to further contribute to this rise.

#### Diversity

Diversity in gender, skills and experience has shown to improve decision making, risk alertness and responsiveness to change. New reporting standards require companies to disclose the diversity of staff at all levels, including the Board.

#### Noise pollution

Noise from aircraft, vehicles and equipment at airports have long term health impacts on ground handlers and communities living near airports.

#### The human connection

The human touch can be an important part of services. Our increasing dependence on mobile phones has led some to wonder if we are losing the ability to engage in person effectively.

#### Ageing

In Europe and Asian economies like Singapore and China, an increasing proportion of the population is over 60 and out of the workforce, increasing the dependency ratio in many economies.

#### Changing workforce demands

Millennials and other younger generations have new expectations of their work, including flexibility, purpose and capacity building.

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## Material Topics

## Technology (9)

## Energy transformation

Countries and industries are increasingly moving away from fossil fuels and introducing new, decentralised energy generation and consumption models.

## Cyber security

Digitisation and automation increase dependence on IT systems as well as vulnerability to, and potential impact of, cyber attacks.

## Circular economy

An alternative to a traditional linear economy (take, make, use, dispose). In a circular economy we keep resources in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and materials at the end of each service life.

## Automation

The adoption of automated systems decreasing the need for manpower and increasing predictability and data collection.

## Food innovation

New techniques and processes to keep food fresher, longer.

## Digitisation

The movement away from manual, paper systems to data collection, storage, sharing and analysis across digital platforms.

## Changing supply chain structures

New modes, digitisation and automation will change power relationships and roles along supply chains, leading some types of actors to disappear.

## Virtual reality

Computer-simulations that can mimic physical experiences, including travel experiences, meetings, and training environment.

## Aircraft design

Next generation aircraft design continues to drive much of the decision making within the aviation sector. Rethinking design is critical to radically improve energy efficiency and enable circular aviation.

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## Material Topics

## Environmental (9)

ABOUT SATS	<b>Sustainable sourcing</b>	Consumers want assurance that their food was sourced in a way that does not harm the environment, farmers, or their own health.
LEADERSHIP STATEMENT	<b>Food security</b>	Reliable access to sufficient quantities of safe and nutritious food, that is affordable by all members of a society. Fluctuating food supply and prices, coupled with the degradation of agricultural ecosystems, threatens to disrupt global food supply chains.
SUSTAINABILITY FRAMEWORK	<b>Carbon emissions</b>	With the signing of the Paris Climate Change Agreement, governments and private sector have made commitments to reduce carbon emissions and transition to renewable energy sources. Aviation is under particular scrutiny and the sector has set the goal to cap emissions levels by 2020.
SUSTAINABLE NUTRITION	<b>Food and materials waste</b>	The “take, make, use, dispose” model has led to excessive waste, notably for food, plastics and electronics. With insufficient waste management infrastructure, this results in severe land and water pollution. New regulations will hold companies responsible for the collection and disposal of products at end of life, incentivising waste reduction and recycling.
TREASURING RESOURCES	<b>Water scarcity</b>	Global demand for freshwater is increasing at a time when the supply and quality is declining. Water-related risks have topped the World Economic Forum’s Global Risk reports for the past five years.
CONNECTING PEOPLE	<b>Deforestation and haze</b>	Haze pollution has been an almost annual occurrence in Southeast Asia, threatening biodiversity and human health. The palm oil and paper sectors are under intense scrutiny for their contribution to slash and burn land clearing and poor peatland management, which greatly increase the risks of uncontrollable forest fires.
ENSURING TRANSPARENCY AND ACCOUNTABILITY	<b>Indoor and outdoor air pollution</b>	Air quality in indoor and outdoor environments pose health risks for populations worldwide. Most green building certifications now measure indoor air quality to ensure the health and well-being of occupants.
INDEPENDENT STATEMENT	<b>Transparency in supply chains</b>	Technological advancements and consumer demand have led to expectations of transparent and traceable supply chains, especially for food.
ANNEX	<b>Refrigerant management</b>	Refrigerants (particularly HFCs) have 1,000 to 9,000 times warming effect compared to CO <sub>2</sub> . Improved management and disposal of refrigerants, and transition to natural refrigerants as substitutes, has been identified as the primary solution to climate change by 2050.
GLOSSARY		
Inaugural Sustainability Report 2016-17		

## Material Topics

## Economic (7)

**Financial stability**

The ability to withstand temporary problems, such as a decrease in sales, lack of capital or loss of key employees or customers. A sustainable, competitive advantage, healthy cash flow and forward-looking risk management are key to stability.

**Skilled labour shortage**

While some older workers' skill sets are outdated, it is increasingly difficult for companies to find the talent they need to adapt to a new operating landscape.

**Localised production**

Digitised methods of fabrication such as 3D printing enable the de-centralisation of manufacturing, resulting in shorter supply chains and more cost-effective local production. Political pressure has also led several developed economies to pursue "reshoring" initiatives.

**Changing aviation market (LCCs)**

Increasing presence of budget airlines, new routes, and other changes to how airlines manage cargo and passengers will impact the sustainability and how we shape our business model.

**Middle class growth**

Throughout Southeast Asia, consumers' incomes are rising, creating great opportunities for businesses that effectively cater to their needs and desires.

**Growth in new markets**

SATS' growth depends on access to new markets within and beyond Asia, bringing new challenges.

**Competition from new models of travel**

High-speed trains, the Hyperloop, passenger drones and supersonic aircraft are all under development. How will they change existing transport systems?

ABOUT SATS

LEADERSHIP STATEMENT

SUSTAINABILITY FRAMEWORK

SUSTAINABLE NUTRITION

TREASURING RESOURCES

CONNECTING PEOPLE

ENSURING TRANSPARENCY AND ACCOUNTABILITY

INDEPENDENT STATEMENT

ANNEX

GLOSSARY

## ANNEX

## Material Topics

## Political (3)

## Terrorism

Terrorist acts, whether conducted by individuals, organised terrorist networks or autonomous cells, pose major security threats to global transportation hubs.

Geopolitical  
instability

Protectionism in the US and Europe, increasing migrant and refugee flows, as well as uncertainty around North Korea all contribute to an increasingly uncertain and volatile geopolitical context.

Changing  
sustainability  
regulations

The Paris Agreement and the UN Sustainable Development Goals, both inked in 2015, have ushered in a new era where businesses are held accountable for their environmental performance. Governments across Asia are introducing and enforcing new regulations, fees and penalties for the production of waste and carbon emissions.

## ANNEX

## GLOSSARY

# Glossary


ABOUT  
SATSLEADERSHIP  
STATEMENTSUSTAINABILITY  
FRAMEWORKSUSTAINABLE  
NUTRITIONTREASURING  
RESOURCESCONNECTING  
PEOPLEENSURING  
TRANSPARENCY AND  
ACCOUNTABILITYINDEPENDENT  
STATEMENT

ANNEX

GLOSSARY

**AC** – Audit Committee**AESU** – Air-Transport Executive Staff Union**AFT** – Airfreight Terminal**AGV** – Autonomous Guided Vehicle**APSN** – Association for Persons with Special Needs**AR** – Augmented Reality**ASC** – Aquaculture Stewardship Council**AVA** – Agri-Food & Veterinary Authority**BRSC** – Board Risk and Safety Committee**CEIV** – Centre of Excellence for Independent Validators**CFC / HCFC** – Chlorofluorocarbon / Hydrochlorofluorocarbon**CoC** – Chain of Custody**e-AWB** – Electronic airway bills**EU** – European Union**FIFO** – First in, First out**FDAWU** – Food Drinks & Allied Workers' Union**GDP-MDS** – Good Distribution Practice for Medical Devices**GN** – Gastronorm**HACCP** – Hazard Analysis & Critical Control Points**HPB** – Health Promotion Board**IAD** – Internal Audit Department**IATA** – International Air Transport Association**ICAO** – International Civil Aviation Organisation**IoT** – Internet of Things**IP** – Intellectual Property**IT / OT** – Information Technology / Operational Technology**LCC** – Low Cost Carrier**LED** – Light Emitting Diode**MBCCS** – Marina Bay Cruise Centre Singapore**MSC** – Marine Stewardship Council**NTUC** – National Trade Union Council**OHSAS** – Occupational Health and Safety Assessment Series**PCEO** – President & Chief Executive Officer**PCP** – Professional Conversion Programme**PDPA** – Personal Data Protection Act**PI** – Primary Industries Pte Ltd (Subsidiary of SATS Food Services Pte. Ltd.)**PTB** – Passenger Terminal Building**SAL** – SATS Aero Laundry**SATS DN** – SATS Delaware North**SATSWU** – SATS Workers' Union**SFS** – SATS Food Services**SGRSC** – SATS Group Risk and Safety Committee**SGX** – Singapore Exchange**SICC** – SATS Inflight Catering Centre**SICC1** – SATS Inflight Catering Centre 1**SMC** – SATS Maintenance Centre**SSA** – SATS Staff Association**STEEP** – Social, technological, environmental, economic, and political issues