

An aerial photograph of a large solar farm with rows of blue and silver photovoltaic panels stretching across a green field. The panels are mounted on metal frames and are arranged in a grid-like pattern, receding into the distance.

sats

TECHDRIVEN PEOPLELED

Sustainability Report 2017-18

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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ENSURING TRANSPARENCY AND ACCOUNTABILITY	ANNEX	GLOSSARY

* 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 106 million passengers and serving more than 171 million meals in FY2017-18, SATS is the leading provider of Gateway Services and Food Solutions. Spurred by our brand promise “**Passion to Delight**”, we strive towards our vision of Feeding and Connecting Asia.

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 62 cities and 60 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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60

airports

62

cities

● Hub
● Country

Food
SolutionsGateway
ServicesFood Solutions +
Gateway Services

1.
SINGAPORE
• Singapore

2.
MALDIVES
• Male

3.
GREATER CHINA
• Beijing
• Taipei
• Tianjin
• Jilin
• Macau
• Shanghai
• Shenyang
• Hong Kong
• Kaohsiung
• Taichung

4.
VIETNAM
• Ho Chi Minh
City

5.
INDIA
• Bangalore
• New Delhi
• Mumbai
• Amritsar
• Chennai
• Goa
• Kolkata
• Hyderabad
• Mangalore
• Trivandrum

6.
PHILIPPINES
• Manila

7.
INDONESIA
• Denpasar
• Jakarta
• Asam-Asam
• Batu Kajang
• Bontang
• Muara Teweh
• Sesayap, Tarakan
• Balikpapan
• Bandung
• Batam
• Lombok
• Makassar
• Manado
• Medan
• Padang
• Palembang
• Pekanbaru
• Semarang
• Solo
• Surabaya
• Timika
• Yogyakarta

8.
JAPAN
• Tokyo

9.
AUSTRALIA
• Brisbane
• Rockhampton

10.
**UNITED ARAB
EMIRATES**
• Abu Dhabi
• Dubai

11.
MALAYSIA
• Kuala Lumpur
• Penang
• Alor Setar
• Johor Bahru
• Kota Bharu
• Kota Kinabalu
• Kuala
Terengganu
• Kuching
• Miri

12.
OMAN
• Muscat

13.
SAUDI ARABIA
• Dammam

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About this Report

This is SATS' Sustainability Report, which references disclosures from the Global Reporting Initiative. This Report contains data from SATS' financial year of 1 April 2017 to 31 March 2018, and covers the operations owned and managed by SATS' Singapore headquarters and its wholly-owned Singapore-incorporated subsidiaries. SATS' Sustainability Reports will be produced annually for each financial year.

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

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Board Statement

The Board provides guidance on the development of the business strategy at SATS and reviews effectiveness of all the programmes to ensure these are fit for the purpose and sustainable. In this respect, the Board also makes certain that sustainability goals are integrated into the business goals.

While risk appetite for SATS to pursue its vision of feeding and connecting Asia is set by the Board, we entrust the execution and monitoring of the company's business strategy including sustainability goals, to the President

and Chief Executive Officer and his management team. To ensure a dedicated focus on sustainability, he has formed a Sustainability Committee comprising senior members of the executive management team to represent relevant parts of the organisation.

We report sustainability performance in accordance with SGX Sustainability Reporting Guide and take reference from Global Reporting Initiatives for disclosures on performance. Material topics are mapped to the United Nations' Sustainable Development Goals.

from left to right

Euleen Goh
Chairman

Alex Hungate
President and
Chief Executive Officer

Euleen Goh
Chairman

22 Jan 2019

PCEO's Statement

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Dear Stakeholders,

Sustainability is, naturally, a vital facet of our business strategy. Every aspect of the strategy reflects our desire to build a company that will lead our industry long into the future.

While we are confident that growth in aviation, eCommerce, and demand for safe, healthy food will continue to create opportunities for SATS, we also know that competition for talent, raw materials, energy and water will increase operational costs and place strains on our environment.

This is why we take a technology-driven, people-led approach to everything that we do: encouraging innovative solutions to improve services and promote healthy eating without depleting scarce resources.

“

In the year, we have also seen savings in water and energy consumption from our efforts at managing water usage and conversion to renewable sources of energy such as solar panels and electric tractors.

”

I am pleased to inform we have made progress with our sustainability efforts since we started sustainability reporting for the year ended FY2016-17. Despite pricing pressures from the airlines, our automation projects have allowed us to harness volume growth to achieve productivity gains. Over a four-year period, our Value Added per Employment Cost has increased 11.2%. Our employee engagement score remains high at 76%, way above the Asian average of 65%.

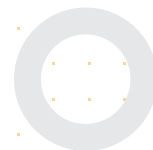
In the year, we have also seen savings in water and energy consumption from our efforts at managing water usage and conversion to renewable sources of energy such as solar panels and electric tractors. Water used per unit meal produced has declined 23% while electricity consumption has decreased

4.6% despite the increase in volume of meals produced and passengers and cargo handled.

Looking forward, our goal is to inspire innovation not just within SATS, but throughout our ecosystem. We hope to be the partner that is the catalyst for companies big and small to work together to create greater value for all our stakeholders.

Alex Hungate

President and Chief Executive Officer
SATS Ltd
13 Dec 2018



Board of Directors

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Euleen Goh
Chairman
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
Independent Director

06.
Koh Poh Tiong
Non-Executive and
Independent Director

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 APPROACH

**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

FY2017-18 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

7.5% of the seafood in meals prepared by SATS in Singapore were sourced from MSC-certified sources

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



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

Our Baggage department successfully implemented 100% usage of electric tractors for the Main Bag Room operations at both Changi Airport Terminals 2 and 3

The implementation of a driving simulator for the familiarisation training of new drivers greatly reduced fuel burn for diesel tractors

A total of 70 units of electric tractors have been implemented progressively between July 2017 and October 2017

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

76% employee engagement score

13 CLIMATE ACTION



5 GENDER EQUALITY



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

Load Control achieved 66% paper savings and 62% paper savings for Silkair and Singapore Airlines respectively due to the implementation of documents' e-filing

Flight Operations achieved paper savings by digitalising flight schedule diary with the use of automated Flight Watch Call-List

Donated close to \$1 million to charity

10 REDUCED INEQUALITIES



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

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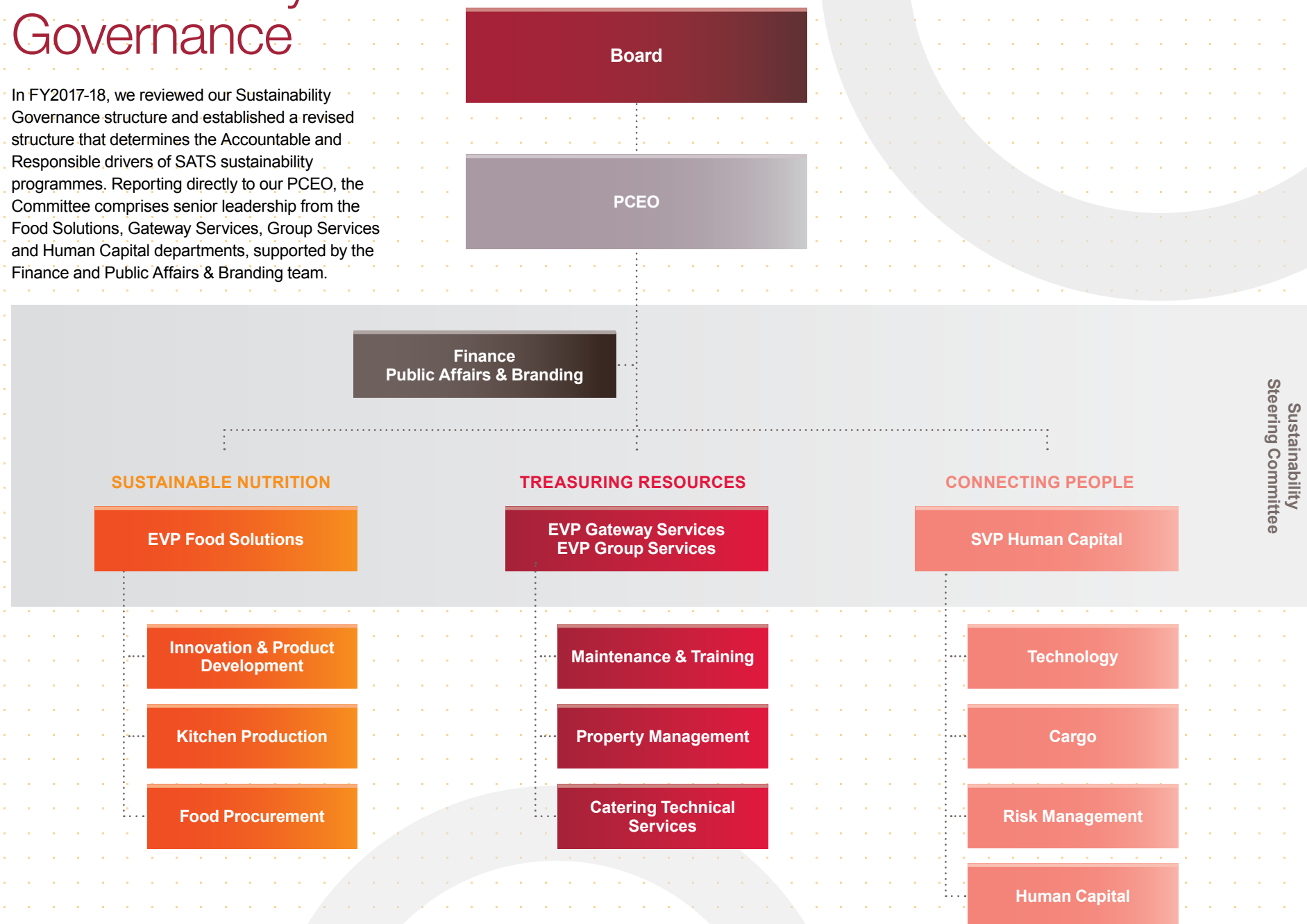
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Sustainability Governance

In FY2017-18, we reviewed our Sustainability Governance structure and established a revised structure that determines the Accountable and Responsible drivers of SATS sustainability programmes. Reporting directly to our PCEO, the Committee comprises senior leadership from the Food Solutions, Gateway Services, Group Services and Human Capital departments, supported by the Finance and 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

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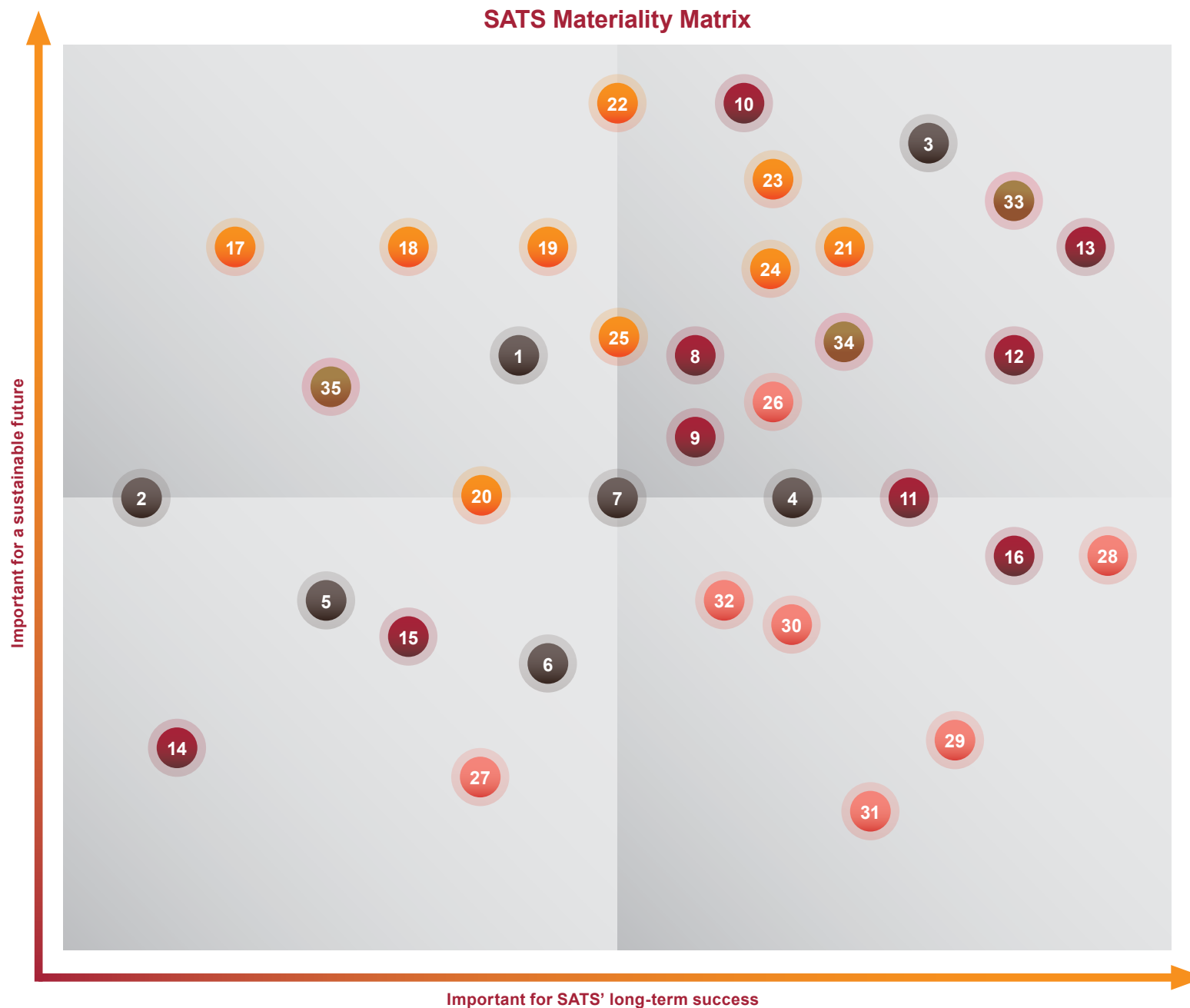
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Our sustainability framework is informed by a preliminary internal materiality assessment facilitated by the independent, sustainability non-profit Forum for the Future, where SATS identified and prioritised pressing social, technological, environmental,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

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

Risks and Opportunities

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

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



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 171 million meals in FY2017-18. 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.

171M

Meals produced in FY2017-18

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.”

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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.

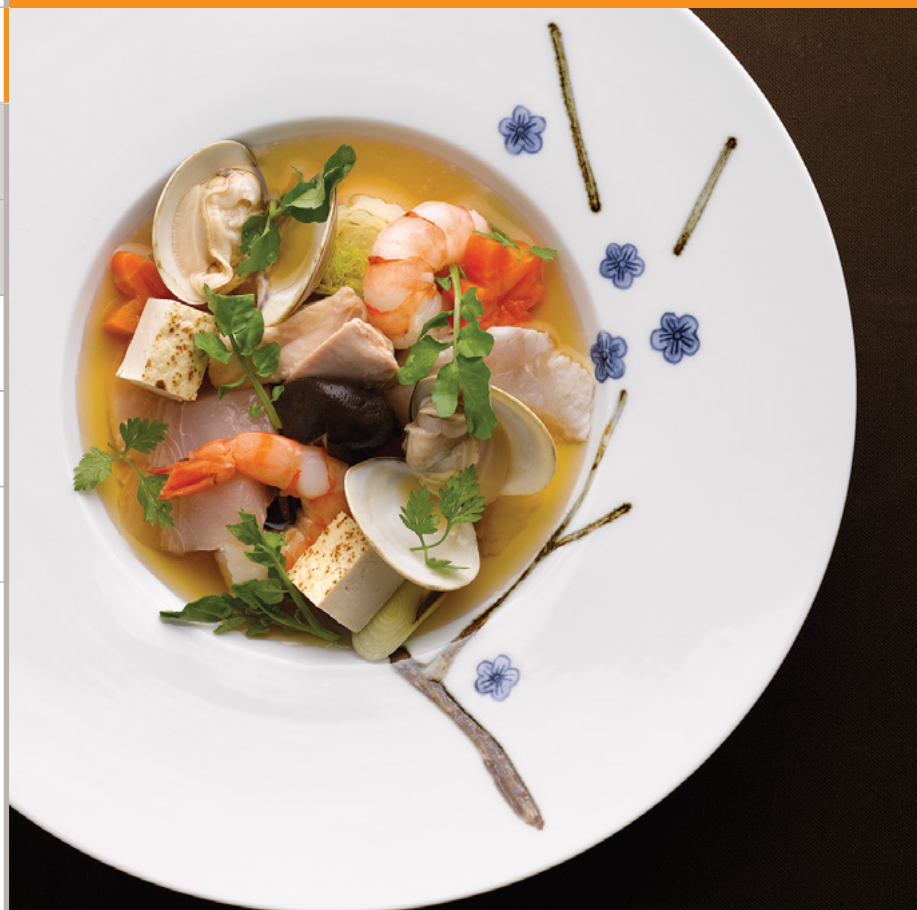
Our oceans are now in a state of crisis globally, brought about by the single greatest threat to ocean-life – overfishing. More than 85% of fishing grounds in the world are already overfished. Sustainable consumption of seafood is the only way to reverse this decline and prevent the depletion of fish 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 FY2017, 7.5% 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

Use Scarce Resources Efficiently >

Reduce Emissions >

Grow with SATS >

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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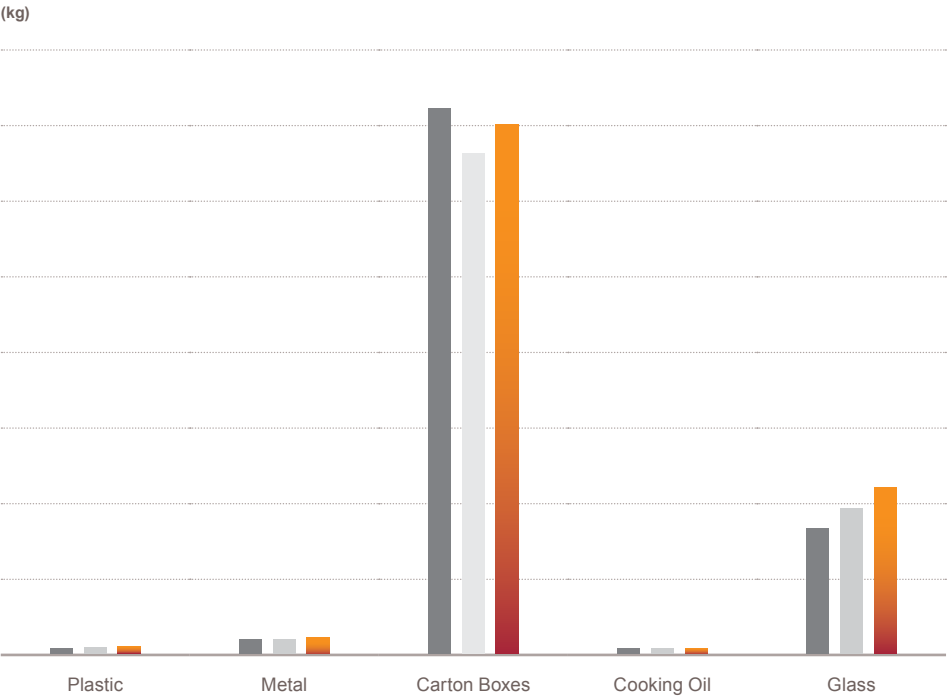
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CHART 1.0

WEIGHT OF WASTE BEING RECYCLED AT SICC1 and SICC2



(kg)	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
FY2017-18	8,328	26,782	877,190	7,350	274,454

Use Scarce Resources Efficiently

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WATER MANAGEMENT

Water is essential to SATS: we use 773,626,000 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 FY2017-18, water consumption across SATS' operations increased as a whole, however this was attributed to the increase in the number of gross meals produced from our in-flight kitchens and the number of ship calls handled at our Marina Bay Cruise Centre. Furthermore, the amount of cargo handled also grew by an estimated 6.8%, which resulted in the increase in amount of water used in our cargo operations. Based on a simple output performance indicator of water consumed per gross meal produced, FY2017-18 registered an improved result of 4.5litres/gross meal as compared to 5.9litres/gross meal in FY2016-17. This shows that we are using our water more efficiently. During the reporting period, recycled water also 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.

+4%

Number of meals produced in FY2017-18

7%

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

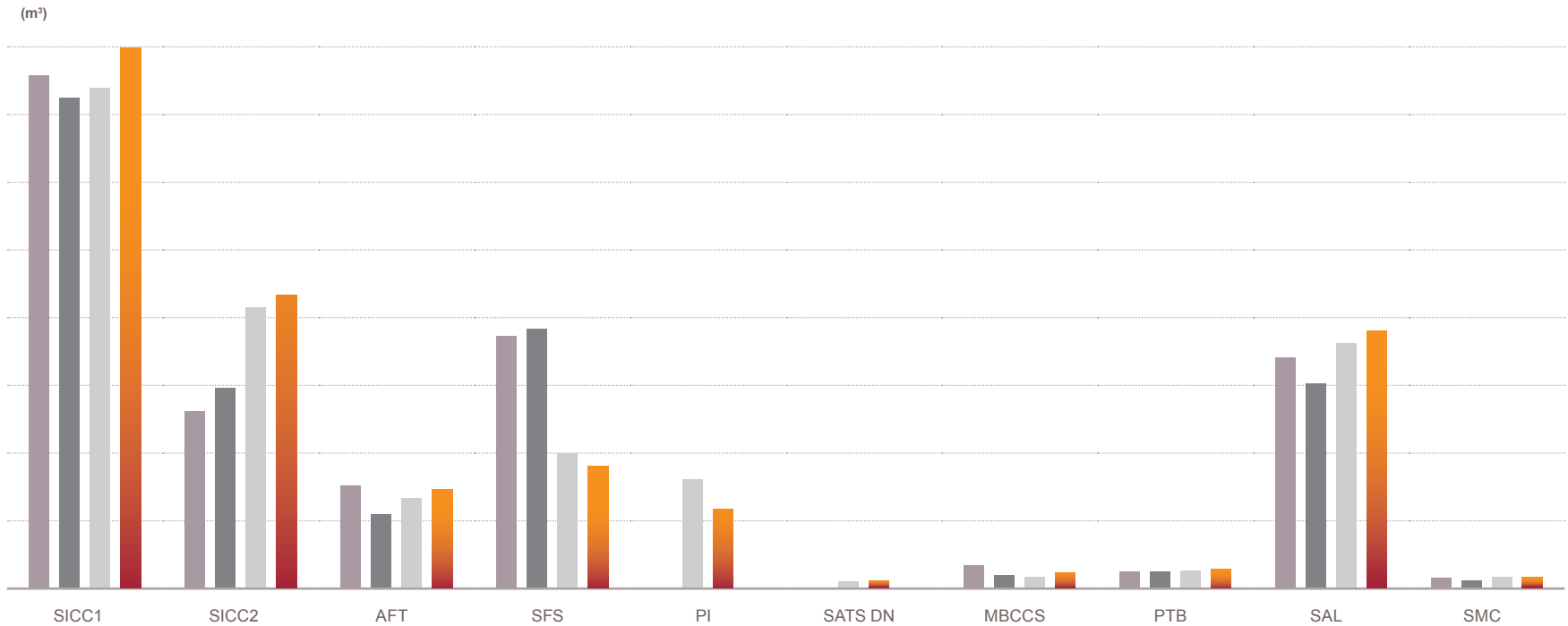
please refer to

CHART 1.1

Use Scarce
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Efficiently

CHART 1.1

WATER CONSUMPTION FOR RESPECTIVE PREMISES



(m³)	SICC1	SICC2	AFT	SFS	PI	SATS DN	MBCCS	PTB	SAL	SMC
● FY2014-15	475,383	163,286	94,383	232,872	—	—	20,348	14,210	212,942	9,100
● FY2015-16	454,866	185,119	67,976	239,812	—	—	11,215	14,527	189,446	6,485
● FY2016-17	463,852	260,334	82,626	124,316	100,600	5,200	9,397	15,179	226,595	9,254
● FY2017-18	501,706	271,921	91,173	112,743	72,989	5,925	13,613	16,904	238,505	9,429

1 cubic metre = 1000 litres

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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 was 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

- Expected savings: 1.9GWh/year
- Current status: 100% completion in November 2018 for SICC1 and SICC2.

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 both SICC1 and SICC2

Chiller replacement project in SICC1 and SICC2

- Expected savings: 6.7GWh/year
- Current status: Seven old chillers have been consolidated, and replaced with five new chillers in October 2018.

Chiller replacement projects for Changi Airfreight Terminals 1 to 6

- Expected savings: 2.0GWh/year

Implementation of Driving Simulator at SATS Maintenance Centre

The implementation of a driving simulator for the familiarisation training of new drivers greatly reduced fuel burn for diesel tractors.

This year, we also enjoyed the full savings from our solar panels installation by switching to renewable energy, resulting in a 13.8% drop in electricity consumption at the Airfreight Terminal.

please refer to

CHART 1.2

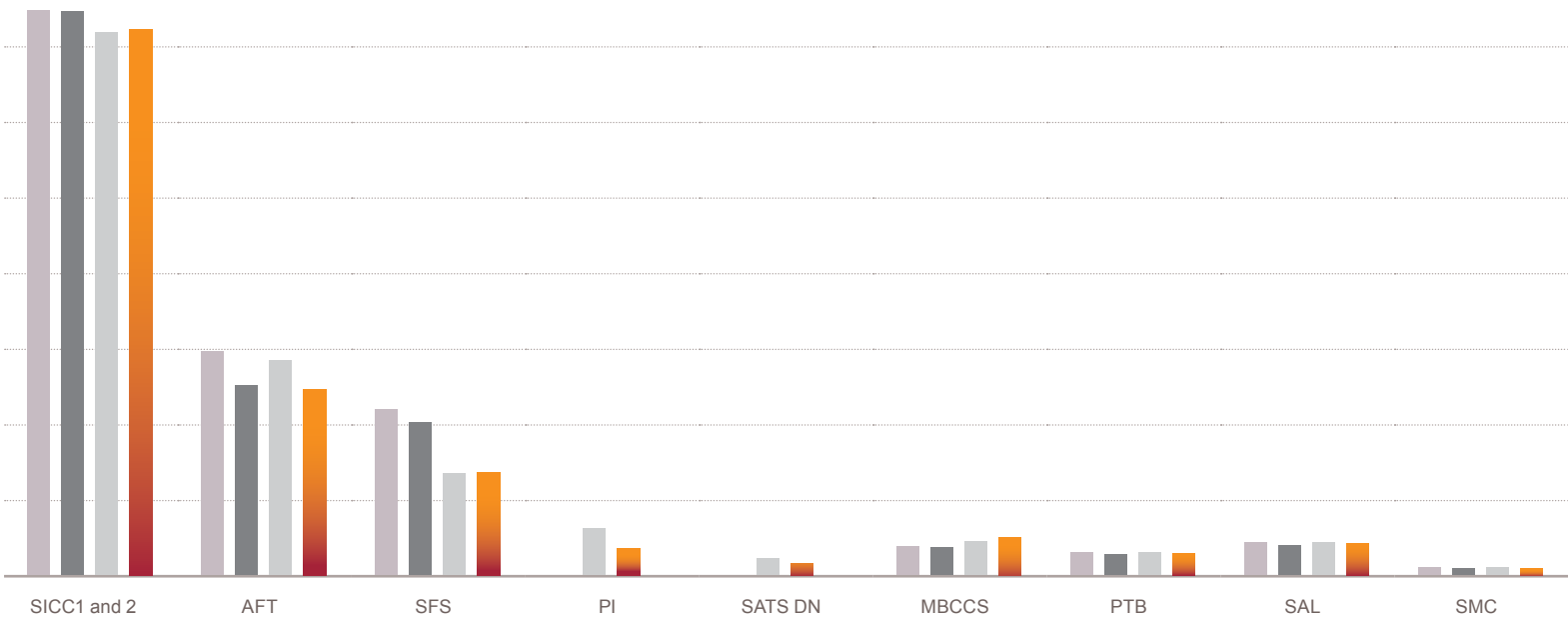
CHART 1.3

CHART 1.4

CHART 1.2

ELECTRICITY CONSUMPTION FOR RESPECTIVE PREMISES

(kWh)

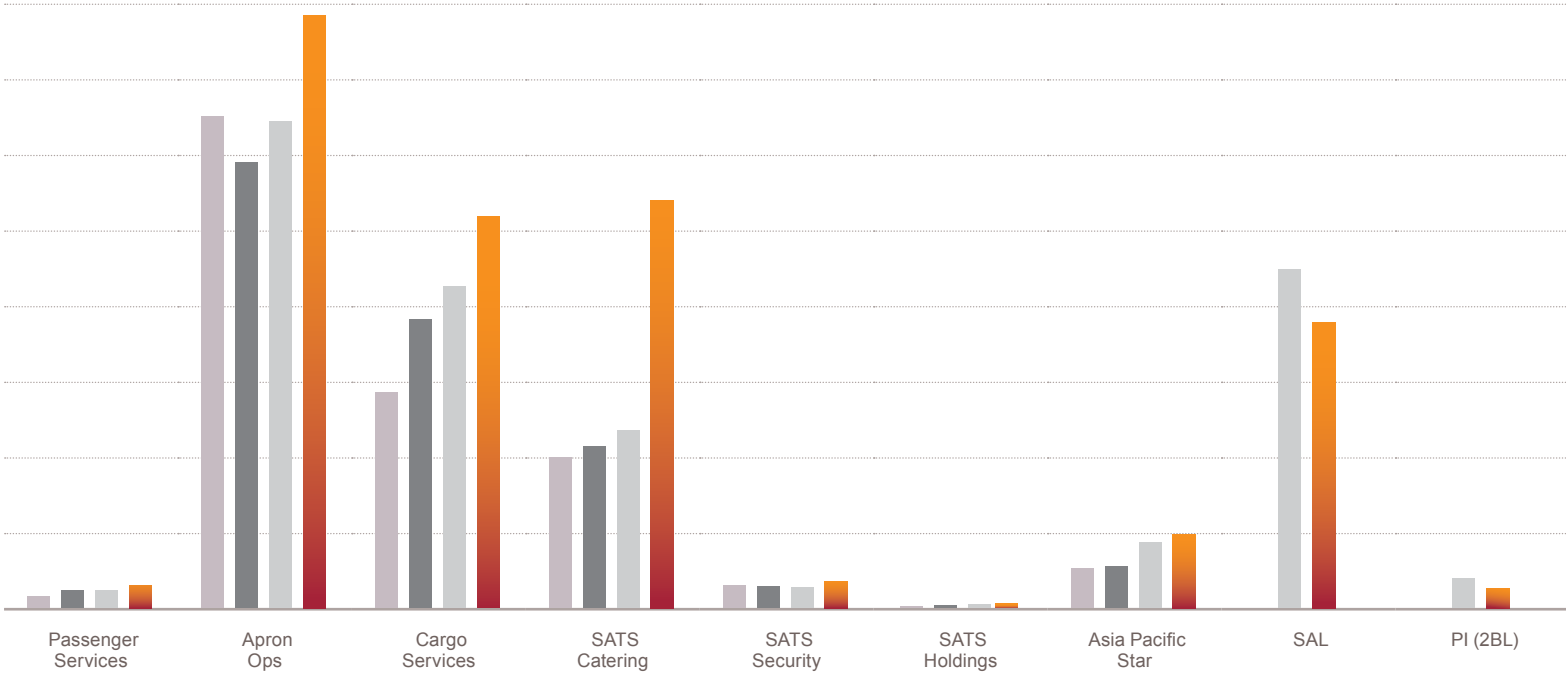


(kWh)	SICC1 and 2	AFT	SFS	PI	SATS DN	MBCCS	PTB	SAL	SMC
● FY2014-15	65,033,465	25,686,582	19,057,958	—	—	3,282,864	2,568,452	3,731,370	835,990
● FY2015-16	64,901,649	21,771,992	17,564,489	—	—	3,143,756	2,415,336	3,453,601	803,703
● FY2016-17	62,412,128	24,746,409	11,667,751	5,385,361	1,861,855	3,814,381	2,604,126	3,698,230	815,563
● FY2017-18	62,826,442	21,331,850	11,759,229	3,110,412	1,350,660	4,346,842	2,495,141	3,667,728	785,554

CHART 1.3

DIESEL CONSUMPTION FOR RESPECTIVE BUSINESS UNITS

(litres)

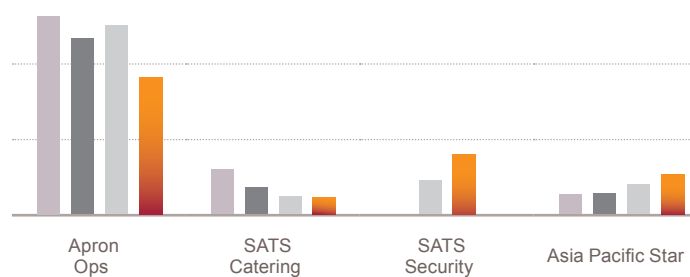


(litres)	Passenger Services	Apron Ops	Cargo Services	SATS Catering	SATS Security	SATS Holdings	Asia Pacific Star	SAL	PI (2BL)
FY2014-15	91,773	3,816,821	1,681,721	1,183,927	183,465	617	305,471	—	—
FY2015-16	140,442	3,459,319	2,249,818	1,261,006	174,388	850	325,767	—	—
FY2016-17	144,202	3,779,392	2,501,655	1,391,799	169,846	1,113	510,788	2,629,055	230,000
FY2017-18	175,560	4,601,277	3,045,677	3,174,201	219,409	8,241	566,550	2,216,474	155,000

Reduce Emissions

CHART 1.4
PETROL CONSUMPTION FOR RESPECTIVE BUSINESS UNITS

(litres)



(litres)	Apron Ops	SATS Catering	SATS Security	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
● FY2017-18	22,703	2,747	9,836	6,602

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. In FY2017-18, we have converted our 48 hybrid tractors to full electric tractors, which have been implemented at Changi Airport Terminals 2 and 3. A total of 70 units of electric tractors

have been implemented progressively between July 2017 and October 2017. To date, all 70 electric tractors are operating in Changi Airport Terminals 2, 3 and 4. Our Baggage department also successfully implemented 100% usage of electric tractors for the Main Bag Room operations at both 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.

70 

Electric tractors used at Changi Airport Terminals 2, 3 and 4

please refer to

CHART 1.5

CHART 1.6



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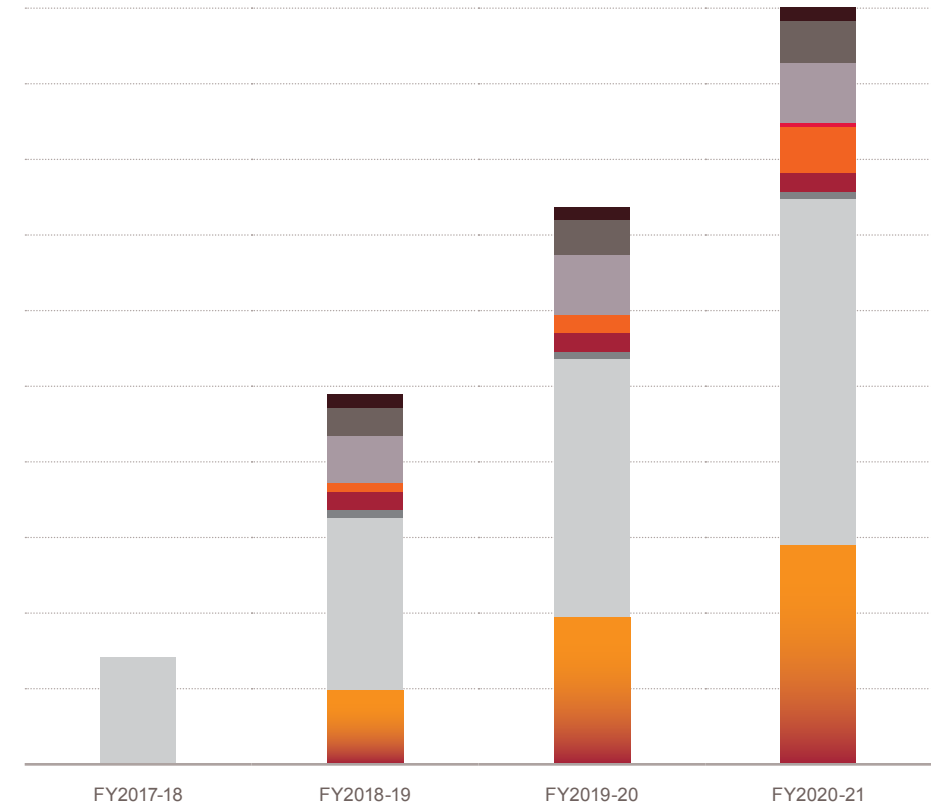
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CHART 1.5

CONVERSION OF DIESEL GSE TO eGSE

(No. of Units)

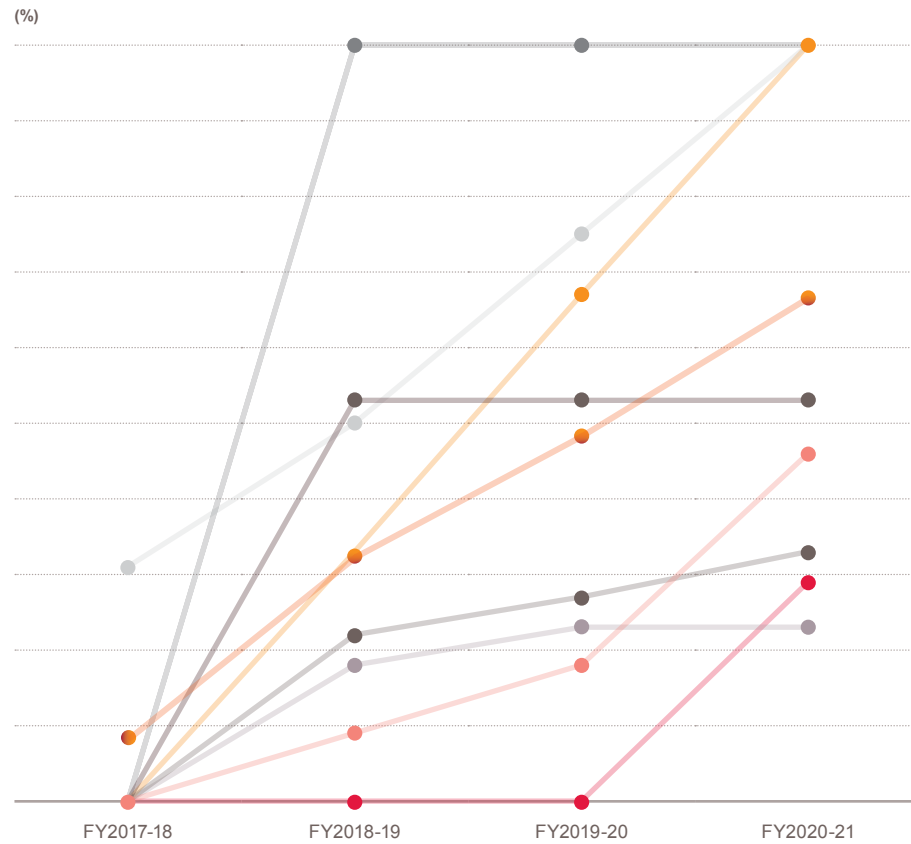


(No. of Units)	FY2017-18	FY2018-19	FY2019-20	FY2020-21
● Passenger Step	—	9	9	9
● JCPL	—	19	23	28
● Van/Car	—	31	40	40
● Apron Bus	—	—	—	2
● Skyloader	—	6	12	31
● Hi-Lift: AIC	—	12	12	12
● Hi-Lift: APS	—	5	5	5
● Tractor	70	114	171	229
● Forklift	—	48	96	144
Total	70	244	368	500

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 21.6%¹ in 2017. Likewise, our recruitment rate at 16% is significantly lower than the national average of 25.2%².

¹ Source: <http://stats.mom.gov.sg/Pages/Labour-Turnover-Summary-Table.aspx> (21.6% computed by multiplying the annual average monthly resignation rate by 12)

² Source: <http://stats.mom.gov.sg/Pages/Labour-Turnover-Summary-Table.aspx> (25.2% computed by multiplying the annual average monthly recruitment rate by 12)

please refer to

CHART 1.7

CHART 1.8

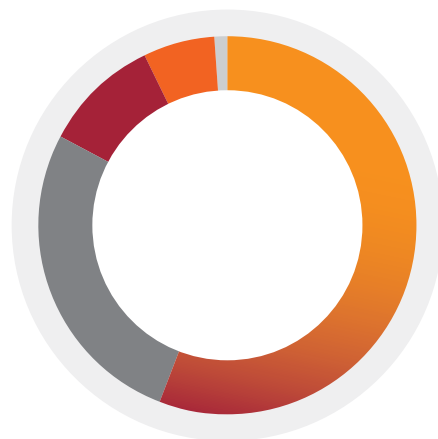
Age Group/ Gender	Corporate	Food Solutions	Gateway Services	Grand Total
FEMALE	30	139	525	694
<30	2	47	355	404
30 to 39	19	41	121	181
40 to 49	7	36	36	79
50 to 59	2	14	11	27
>60	—	1	2	3
MALE	33	256	786	1,075
<30	8	106	473	587
30 to 39	16	81	194	291
40 to 49	6	42	54	102
50 to 59	3	24	46	73
>60	—	3	19	22
Grand Total	63	395	1,311	1,769

Overall Annualised Rate of New Hire **16%**

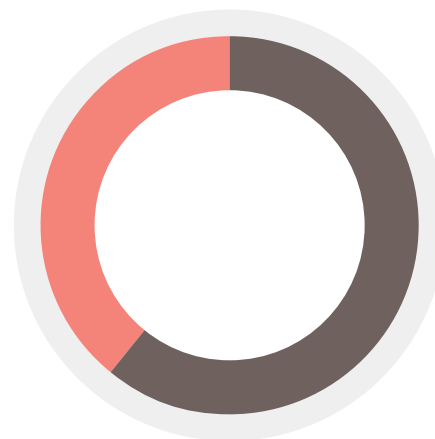
Age Group/ Gender	Corporate	Food Solutions	Gateway Services	Grand Total
FEMALE	21	165	332	518
<30	2	50	198	250
30 to 39	11	47	98	156
40 to 49	5	21	18	44
50 to 59	3	30	14	47
>60	—	17	4	21
MALE	16	232	486	734
<30	1	75	222	298
30 to 39	4	69	143	216
40 to 49	8	38	40	86
50 to 59	3	35	44	82
>60	—	15	37	52
Grand Total	37	397	818	1,252

Overall Annualised Voluntary Attrition Rate **11%**

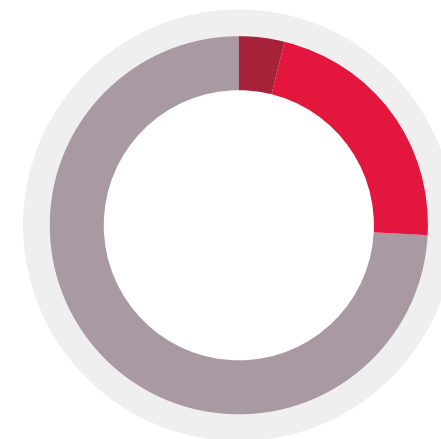
CHART 1.7

NEW EMPLOYEE HIRES
BY AGE GROUP

● <30	56%
● 30 to 39	27%
● 40 to 49	10%
● 50 to 59	6%
● >60	1%
Total	100%

NEW EMPLOYEE HIRES
BY GENDER

● Male	61%
● Female	39%
Total	100%

NEW EMPLOYEE HIRES
BY BUSINESS UNITS

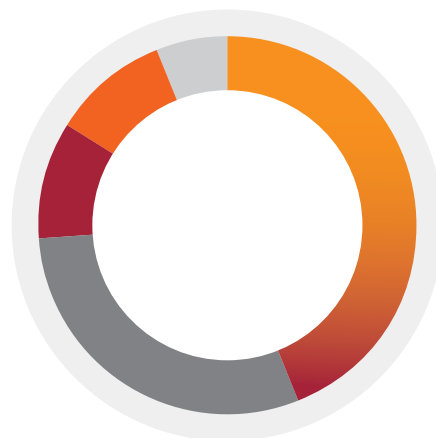
● Corporate	4%
● Food Solutions	22%
● Gateway Services	74%
Total	100%

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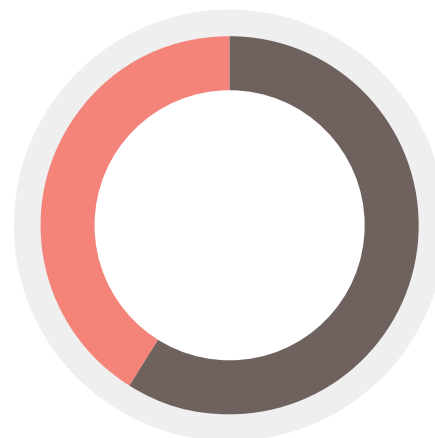
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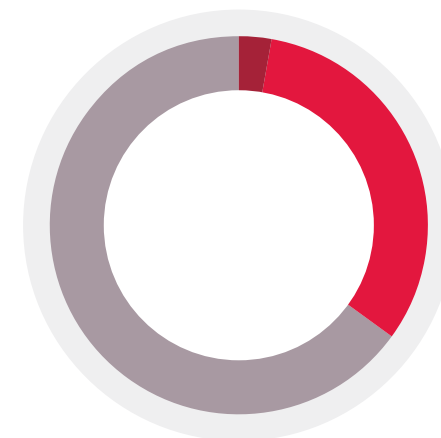
CHART 1.8

EMPLOYEE TURNOVER
BY AGE GROUP

● <30	44%
● 30 to 39	30%
● 40 to 49	10%
● 50 to 59	10%
● >60	6%
Total	100%

EMPLOYEE TURNOVER
BY GENDER

● Male	59%
● Female	41%
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.

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.



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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 2018, 40 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 3.2% year-on-year. By harnessing technology, we have also achieved a 7.4% 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) have been undergoing 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.

+3.2%

**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**

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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 76%, above the national average of 60%³. 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, 925 female and 1847 male employees across SATS' operations in Singapore were entitled to parental leave. Out of which, 44.1% (408) of female employees and 59.1% (1092) of male employees utilised their parental leave. In the reporting period, 100% of our employees returned to work after parental leave ended. 398 female and 1081 male employees who returned to work after their parental leave remained

76%

Employee engagement score

employed 12 months after their return to work, signifying a 98% and 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.

³ 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.

EMPLOYEES BY AGE GROUP

Age Group/ Gender	Senior Management	Managers to VP	Executive	Non- Executive	Flexi/ Temp	Grand Total
FEMALE	4	96	277	3,290	361	4,028
<20	–	–	–	60	51	111
21-30	–	6	105	939	109	1,159
31-40	–	36	81	670	22	809
41-50	1	35	51	697	54	838
51-60	3	18	33	632	71	757
>61	–	1	7	292	54	354
MALE	13	178	434	6,565	294	7,484
<20	–	–	–	36	48	84
21-30	–	2	83	1,713	90	1,888
31-40	1	44	116	1,418	5	1,584
41-50	1	65	104	1,322	20	1,512
51-60	9	50	92	1,466	37	1,654
>61	2	17	39	610	94	762

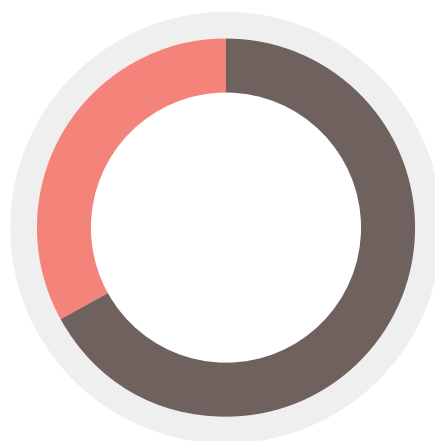
During the reporting period, there were no reported incidences of discrimination.

please refer to

CHART 1.9

CHART 1.10

CHART 1.9

BOARD
GENDER DIVERSITY

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

AGE OF
DIRECTORS

● 51-55	28%
● 56-60	9%
● 61-65	27%
● 66-70	27%
● 71-75	9%
Total	100%

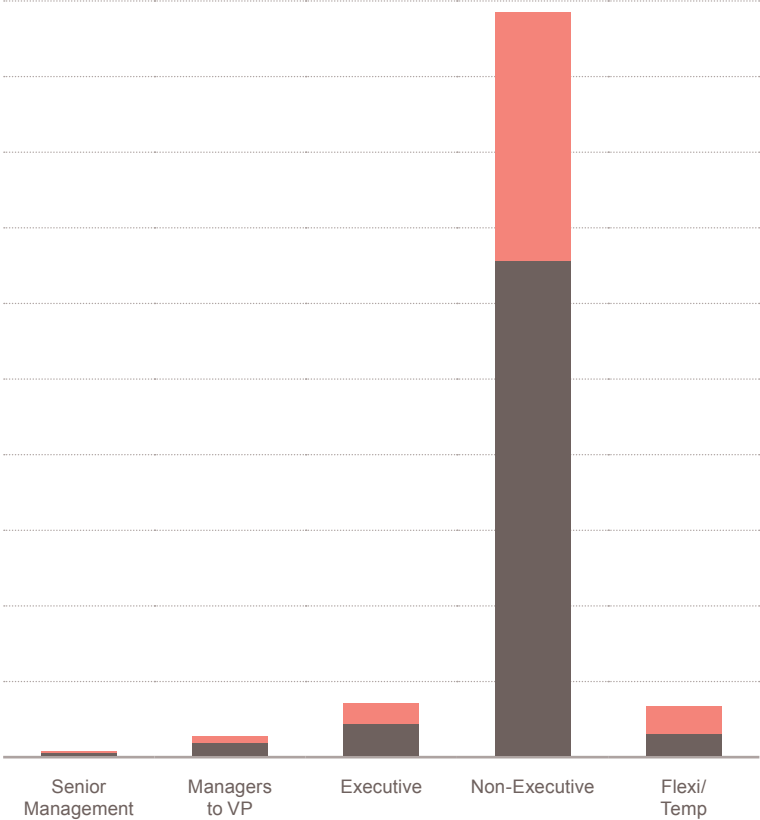
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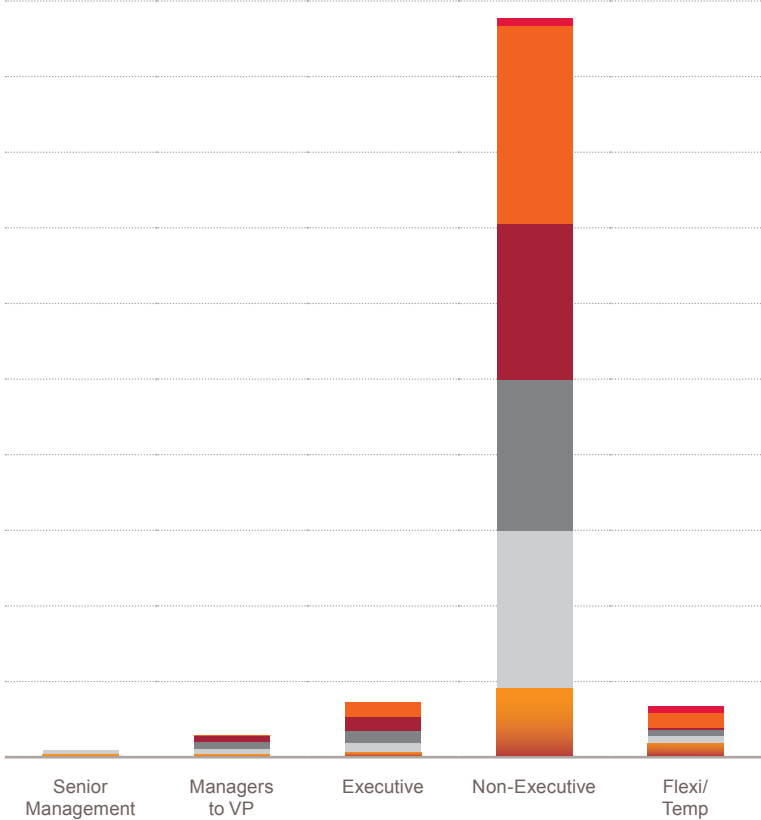
CHART 1.10

EMPLOYEE CATEGORY BY GENDER



Gender	Senior Management	Managers to VP	Executive	Non-Executive	Flexi/Temp
Female	4	96	277	3,290	361
Male	13	178	434	6,565	294
Total	17	274	711	9,855	655

EMPLOYEE CATEGORY BY AGE GROUP



Age Group	Senior Management	Managers to VP	Executive	Non-Executive	Flexi/Temp
<20	—	—	—	96	99
21-30	—	8	188	2,652	199
31-40	1	80	197	2,088	27
41-50	2	100	155	2,019	74
51-60	12	68	125	2,098	108
>61	2	18	46	902	148
Total	17	274	711	9,855	655

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Connecting People

Ensure Seamless Connections



Empower Communities



Safety



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.



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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 661,000 flights, 106 million passengers and 4.7 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 2018, export e-AWB penetration achieved an average of 58.8%.

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.

Our Load Control operations achieved 66% paper savings and 62% paper savings for Silkair and Singapore Airlines respectively due to the implementation of documents' e-filing. Our Flight Operations also achieved paper savings by digitalising flight schedule diary with the use of automated Flight Watch Call-List.



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.

661,000

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

Perimeter Defence

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

Mobile Security

Host Security

Server Security

System Security

Application Security

Data Protection

Access Control

OPERATIONS

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

Identity and Access Management

Security Information and Event Management

Incident Response and Management

Threat Intelligence

Vulnerability Management

Patch Management

Capacity Management

IT Disaster Recovery

Business Continuity Management

GOVERNANCE

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

Policies

Standards

Procedures

Guidelines

User Awareness

Security Testing

Audit and Compliance

Service Level Agreement

Risk Management

Metrics and Reporting

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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
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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.

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.

>50% 

Growth in pharmaceutical loads

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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 \$500,000⁴ (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.

⁴ 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.

Empower Communities

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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:

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

Assure a high level of compliance by meeting applicable legal requirements and adopting best practices.

Train and educate employees and contractors to prevent accidents and injuries, and promoting a healthy lifestyle.

Seek 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.

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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 categories of injuries among SATS' employees are: struck by objects, strains and sprains, and slips, trips and falls. The injury rate and lost day rate across SATS' operations is 4.51 and 273.09 respectively. There were no work-related fatalities in the

reporting period. We are cognisant of the fact that 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.

“

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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SAFETY INNOVATION AND INITIATIVES IN FY2017-18

In July 2017, SATS developed the Universal Ramp Ladder to reduce the risk of aircraft damage during the process of opening and closing of aircraft doors, which can cater to different aircraft types. This innovation is able to substitute the Joint Container Pallet Loader (JCPL) and eliminates the need for different ladder heights. The Universal Ramp Ladder enhances stability and safety for employees during their operation. This project won the Workplace Safety & Health (WSH) Innovation Award – Gold Award at Logistic and Transport Sector and SATS was awarded the patent for this innovation (Patent number 10201506027Q).

In September 2017, SATS hosted a technical tour during the World Congress on Safety and Health 2017, which is the largest global event in the field of Occupational Safety and Health (OSH), jointly organised by Ministry of Manpower (MOM), International Labour Organisation (ILO) and International Social Security Association (ISSA) once every three years. We showcased our innovative safety solutions, which included the Ground Support Equipment (GSE) driving simulator and Catering AGV.



In October 2017, we participated in the 15th Singapore Institution of Safety Officers (SISO) Annual Workplace Safety and Health Officer (WSHO) Conference and shared best practices of "Vehicle Accident Management".

On 17 January 2018, SATS organised a 'Safety is in Your Hands' campaign to reinforce the use of proper tools and safety gears when performing various tasks in our kitchen production. At the event, the Workplace Safety and Health Council (WSHC) also launched its third and final phase of national workplace safety and health campaign 'Safe Hands'. Close to 300 employees and guests attended the event where Mr Sam Tan, Minister of State (MOS), Prime Minister's Office, Ministry of Manpower and Ministry of Foreign Affairs, was invited as our guest-of-honour.

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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 2018, 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 2017-18.

Corporate Governance and Risk Management

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RISK MANAGEMENT AND INTERNAL CONTROLS STATEMENT

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

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

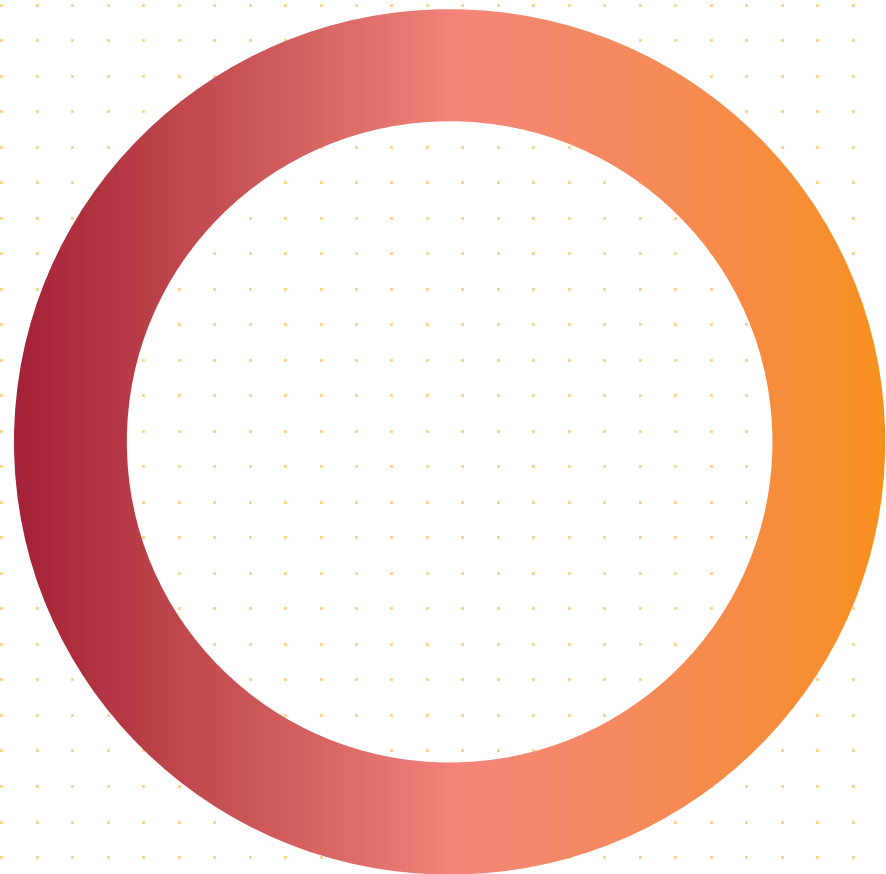
Risk Management Organisational Structure

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

The BRSC is supported by the 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 on the next page.

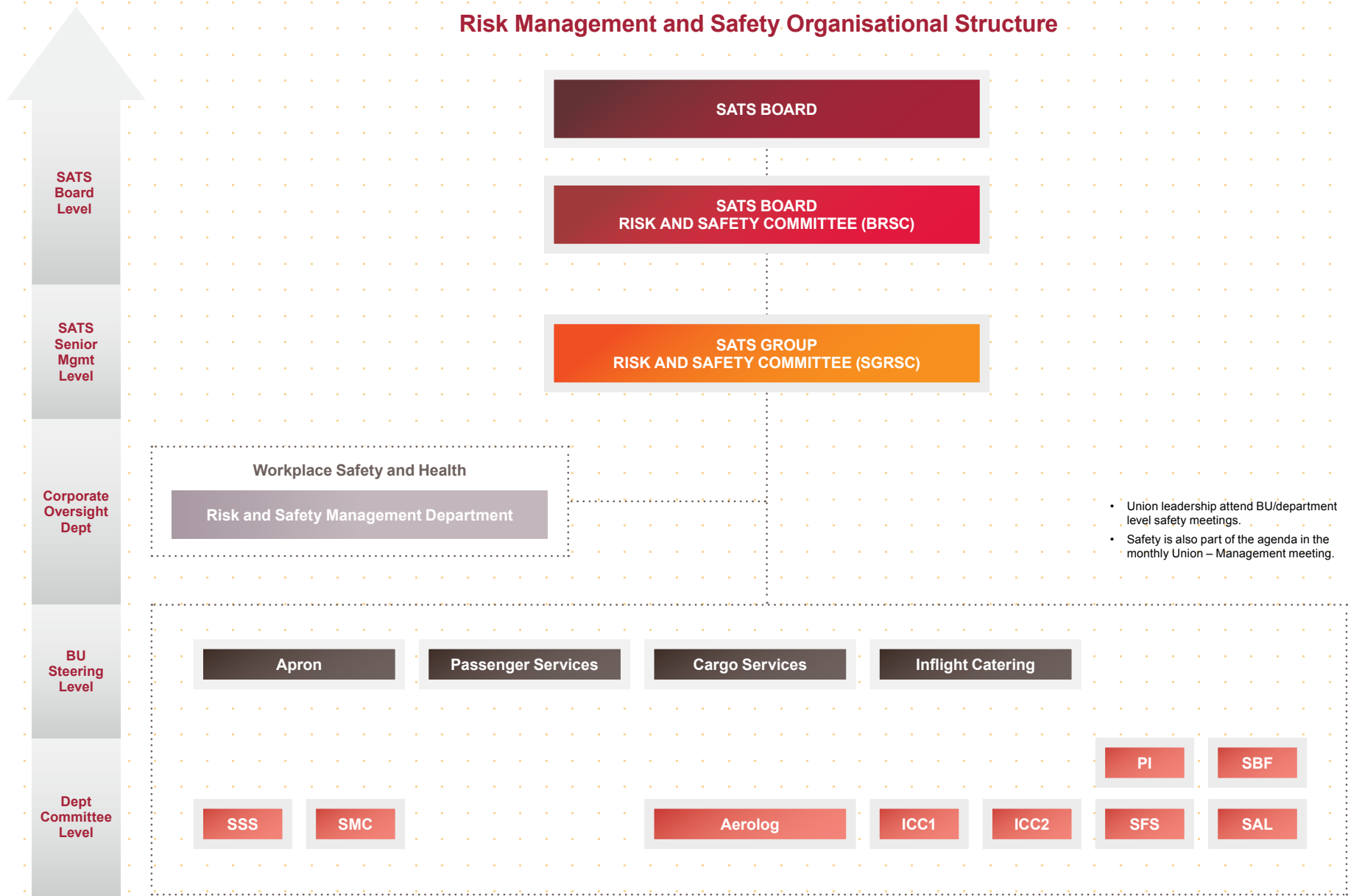


Corporate Governance and Risk Management

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 67 to 72 of SATS Ltd. Annual Report 2017-18.

Risk Management and Safety Organisational Structure



Corporate Governance and Risk Management

BOARD

Board Risk and Safety Committee

Audit Committee

LEVEL 3 DEFENCE - ASSURANCE

INTERNAL

- Internal Audit
- Legal and Compliance
- Written assurance and representation from PCEO / CFO / Business Units

EXTERNAL

- External Audit
- Regulators
- Customers
- Other Stakeholders

LEVEL 2 DEFENCE – RISK MANAGEMENT AND MONITORING

ENTERPRISE
RISK MANAGEMENT

CONTROL SELF
ASSESSMENT

FRAUD RISK
MANAGEMENT

LEVEL 1 DEFENCE – POLICIES AND BUSINESS GOVERNANCE

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OPERATIONAL

INFORMATION TECHNOLOGY

Core Values / Ethics and Employee Conduct

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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.



ANNEX

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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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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Environmental (9)

ABOUT SATS	Sustainable sourcing	Consumers want assurance that their food was sourced in a way that does not harm the environment, farmers, or their own health.
LEADERSHIP STATEMENT	Food security	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	Carbon emissions	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	Food and materials waste	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	Water scarcity	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	Deforestation and haze	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	Indoor and outdoor air pollution	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.
ANNEX	Transparency in supply chains	Technological advancements and consumer demand have led to expectations of transparent and traceable supply chains, especially for food.
GLOSSARY	Refrigerant management	Refrigerants (particularly HFCs) have 1,000 to 9,000 times warming effect compared to CO ₂ . 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.

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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?

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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.

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AC – Audit Committee

AIC – Aircraft Interior Cleaning

AESU – Air-Transport Executive Staff Union

AFT – Airfreight Terminal

AGV – Autonomous Guided Vehicle

APS – SATS Asia-Pacific Star Pte. Ltd.

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

JCPL – Joint Container Pallet Loader

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