

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

SingPost has been providing vital services in Singapore for more than 150 years. We have since grown into a global organisation spanning 19 markets and employing more than 7,000 people. We are committed to conducting business that benefits the economic, social and environmental interests of those we serve, recognising that our enduring success is intertwined with the well-being of the communities in which we operate.

RISK MANAGEMENT

Business risk arises from many sources. Some risks are controllable and ought to be eliminated, while others may be accepted strategically to generate superior returns. Certain risks are beyond our influence and control and may only be mitigated. Our risk management strategy involves assessing and balancing risk probabilities, providing for reasonable contingencies without incurring unnecessary precautionary expenditures. Recognising that it is not possible to be completely prepared for every outcome, our risk management philosophy is to be prepared sufficiently so that we will not be caught out by devastating developments.

We have outlined our risk governance structure and framework in the Corporate Governance Report, which details our risk management processes and internal controls. In this section, we identify the key risks to our assets and the interests of our shareholders.

- **Post-merger integration**

After making several acquisitions and investments to strengthen our eCommerce logistics capabilities and reach, SingPost has entered a pivotal stage of its transformation journey. Successful integration of these subsidiaries and associated companies is crucial to optimising scale and synergy benefits envisioned in our investment decisions, while avoiding risks of talent flight and corporate culture misfit. To mitigate these risks, a task force was set up in early December 2015, supported by senior management. The task force will oversee the integration of the business and operations flows of the acquired entities with the goal of accelerating growth of SingPost's global eCommerce logistics business, while enhancing sustainability of our mail business.

- **Personal Data Protection Act (PDPA) compliance**

We conduct electronic training programmes on complying with the Personal Data Protection Act, and send periodic email announcements to all SingPost staff, highlighting the importance of complying to the PDPA, and reminding them to refer to the SingPost PDPA handbook which is accessible on our intranet by all staff. We will be adding PDPA compliance instructions in briefing materials for new staff.

- **Cyber threats**

SingPost recognises the threats and potential damage from cyber attacks and invests in people, processes and technology to minimise cyber exposures and mitigate risks. We have in place a four-prong total defence strategy: identification (of signs of attacks and vulnerabilities of SingPost's IT infrastructure), detection, prevention and reaction. We conducted a cyber security awareness workshop for senior management to help them better appreciate the origins, motivations and forms of cyber attacks, especially at the enterprise level. We will be running the workshop for board members as well.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

- **Technology implementation**

A robust technological backbone is a critical component of SingPost's transformation into a global eCommerce logistics provider. In developing and investing in technology, there are associated risks, including the implementation of new infrastructure, data security and continuity of critical IT facilities and systems.

Technology failure can disrupt business operations, impact corporate reputation and lead to financial loss. To mitigate such risks, the Board Risk and Technology Committee, comprising mainly members with core competencies in the field of technology, oversees our technology and IT strategy for acquisitions, investments and capital expenditure. The committee reviews and evaluates plans, policies and proposals relating to IT matters, the progress of major IT projects, and the management of IT risks, and makes recommendations to the Board accordingly. Execution is reviewed monthly by Management.

- **Postal regulatory compliance and declining mail business**

As the designated Public Postal Licencee, we operate under the postal regulatory framework for basic mail services, which requires compliance with stringent service standards, licensing conditions, the Postal Services Act (Cap. 237A), the Postal Competition Code, and other regulations. Non-compliance with regulations and breach of licence conditions may result in financial penalties.

Along with global postal industry trends, we face declining letter mail volumes amid competitive market conditions. Operating costs in Singapore and terminal dues (outpayments to other postal operators for the delivery of international mail) have also been increasing.

To ensure we meet the obligations and uphold service quality standards as the Public Postal Licensee, SingPost has launched several initiatives as part of a transformation programme to beef up our role as a trusted postal services provider. We have invested in our postal infrastructure to enhance service quality and productivity. On top of upgrading our mail sorting infrastructure, we are replacing our two-wheel scooters with three-wheelers. These have greater load capacity, boosting productivity of our postmen. We also review our processes regularly and conduct quality control checks at operational areas and delivery points.

- **Ensuring operational readiness**

We ensure operational readiness through business continuity planning. Systems are in place for business operations to respond effectively to potential crises and threats, and to minimise impact on resources and operations. In addition, our crisis management and communication plans are reviewed and refined periodically, and updated into various business continuity plans. This enables us to respond to crises in an organised and efficient manner, and expedite the recovery process.

For example, in the event of dense haze, there is a crisis management team with action plans for specific groups of staff at risk. Preparations include earmarking recovery centres in operational facilities, and stocking up masks and eye drops for those working outdoors.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

INNOVATION AND PRODUCTIVITY

Innovation is the hallmark of SingPost's drive towards greater productivity and service excellence. FY2015/16 saw many breakthroughs that are transforming how we operate, enabling eCommerce opportunities for businesses, and creating new experiences for consumers the world over.

Together with the Infocomm Development Authority of Singapore (IDA), we conducted a successful trial using an Unmanned Aerial Vehicle for last-mile mail and eCommerce delivery. This was the world's first successful secure, recipient-authenticated aerial drone mail delivery by a postal service. SingPost is exploring drone technology to provide enhanced end-to-end solutions to facilitate urban logistics as well as tap on burgeoning eCommerce growth in Asia Pacific.

We integrated our eCommerce division with leading US-based eCommerce providers TradeGlobal and Jagged Peak to form a global eCommerce enabler for brands and retailers. Combining the technologies and logistics networks of the three entities, we now help companies enter and expand in the world's biggest and fastest growing eCommerce markets. We provide end-to-end solutions that span web store development and operations, global fulfilment, omni-channel order management, cross-border commerce, performance marketing, and customer care services.

Thanks to SingPost's partnership with eCommerce service aggregator Hubbed, online shoppers in Australia can now collect purchases, drop off parcels, and buy delivery products from a conveniently-located friendly neighbourhood newsagent. Hubbed's network of 680 newsagents covers every major city of the country. This collaboration is a significant enhancement to our eCommerce logistics ecosystem, providing customers with greater flexibility to pick up their parcels at any time and at their convenience.

SingPost also launched a collaboration with SATS to integrate our airport consignment outbound operations at Changi Airport. SATS' investment in a new automated facility is set to improve efficiency and space utilisation. The integration will enable single scanning and sorting, and remove the need to tow mail, parcel bags and pallets between facilities. This will enhance operational efficiency, including shorter cycle and connection times, and increase productivity. When fully operational, the SATS eCommerce AirHub is expected to achieve a productivity gain of more than 30 per cent.

SingPost began revamping in October 2015 its retail mall and office tower at Singapore Post Centre. The new mall will house online retailers and offline brick-and-mortar shops under one roof, harnessing eCommerce logistics solutions to give consumers a new retail experience that offers greater convenience and choice.

We completed construction of a regional eCommerce logistics hub in March 2016. The facility is expected to improve cost efficiency by between 30 and 40 per cent over the next 10 to 15 years. The three-storey, 51,358-square metre facility is the first of its kind in Southeast Asia. Equipped with cutting-edge technology, it will feature integrated automated warehousing equipment linked to parcel sorting systems that will automate processes from sorting, picking and packing to shipping and returns management. The hub will also serve as a living laboratory where new technologies can be tested jointly with technology providers and SingPost's clients.

Our innovation initiatives received much recognition in the year. We were presented a CIO Award in the innovation category by CIO Asia magazine for our EzyTrak project. This is believed to be the first Android phone application by a postal company that replaces proprietary handheld devices used by couriers in parcel collection and delivery.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

Our POPStation smart lockers garnered the top accolade in retail customer access at the 16th World Mail Awards. They offer an easy way for customers to pick up their parcels without the inconvenience of waiting for or missing deliveries. They also enable our couriers to fulfil multiple deliveries at one location, greatly enhancing their productivity. Our POPStation system has grown to about 140 locations and is one of the world's densest networks with just two kilometres on average between POPStations.

We won the 2015 Digital Innovation of the Year award at the Postal Technology International Awards for ezyCommerce. This cloud-based, fully integrated end-to-end eCommerce fulfilment solution handles everything from orders to last-mile delivery and returns. The service was extended to Australian retailers during the year.

ENVIRONMENT

SingPost values the environment in which it operates and has established green initiatives across our businesses.

We have installed about 140 POPStations across Singapore. The smart lockers enable our couriers to fulfil multiple deliveries at one location, reducing the distance they travel each month by 103,985 kilometres on average, thus curbing fuel use and carbon emissions.

We are replacing our delivery scooters with three-wheelers. These are fitted with bigger pannier boxes that allow our postmen to carry more items per trip, reducing the number of return journeys to delivery bases. Fuel use is further reduced through optimisation of delivery routes.

We adopt energy-saving practices for lighting and air-conditioning use and actively engage and educate our staff to conserve and recycle.

PEOPLE ARE OUR PRIDE

People are key to SingPost's transformation into a global eCommerce logistics company. To ensure that talent needs across the Group are met in the transition, we launched a new people strategy for a high performing and engaged workforce, with deep bench strength and a strong talent pipeline.

The new strategy, called P.R.I.D.E, has improved staff hiring, development, rewards and engagement. Employee referrals, for instance, increased by over 70 per cent during the year.

Policies across different human resource practices, such as performance management, learning and development, and compensation and rewards, are being integrated, resulting in greater consistency, focus and efficacy. It also affords us a lean and scalable human resource infrastructure.

We enhanced our onboarding programme to reduce assimilation time for new hires and help them become productive more quickly. The augmented programme runs over three months and introduces new staff to the people, culture and businesses of the company.

We revamped our performance management practice, including a new business-driven performance bonus plan, which will encourage greater alignment of staff goals and behaviour with the company's business objectives.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

As part of a holistic strategy to encourage personal and professional development, we ran programmes to raise awareness among staff about the national SkillsFuture initiative and promote participation in the scheme. Employing a range of channels to cater to the different needs of our staff, including briefings for postmen and other operational staff, we explained how SkillsFuture works and showcased the wide range of skills-related courses available.

In line with the Government's call for employers to provide a more pro-family work environment, we ran a pilot flexible work arrangement for more than 100 staff of the Group Technology team and secured the WorkPro Work-Life Grant from NTUC for the initiative.

Our staff social and recreation committee, Zest.O, launched several special interest groups to reach out to more staff members. These include a health and fitness club, movie club, and parenting club. Zest.O continues to run company-wide programmes every month, such as futsal and bowling competitions, and movie events that are extended to staff families. Zest.O secured the Health Promotion Board's workplace health promotion grant after organising a year of healthy lifestyle activities.

SingPost was recognised again for strong relations between its management and staff, receiving the 2015 May Day Model Partnership awards in both the institutional and HR categories. This longstanding win-win partnership was evident in strong union participation at company events such as the annual long service award ceremony and the symbolic breaking of fast with Muslim frontline staff. SingPost was also conferred two special recognition awards at the 2016 HRM Awards – for Best Silver Talent and Re-Employment Practices, and for Best Diversity and Inclusion Strategies. These accolades reflect SingPost's long-term commitment to our staff, who are integral to the company, and endorse the P.R.I.D.E. strategy that we have put in place.

During the year, the union concluded a special salary adjustment for postmen, on top of the regular annual service increment. This was to acknowledge the dedication of our postmen and our recognition that they remain core staff of SingPost. The salary adjustment will be repeated this year. Further enhancements on job and rewards structures are on track to be completed in the coming year, as are revamped talent, succession, learning and development, and career programmes. We want our staff to be clear about their career paths and development options, and will ensure they receive appropriate support for their progression at SingPost. The new initiatives will also facilitate sustainable business and people integration across the different entities in the Group and better position the Company on its journey to be an employer of choice.

WORKPLACE SAFETY AND HEALTH

SingPost is certified a bizSAFE level 3 organisation by the Workplace Safety & Health (WSH) Council of Singapore.

We are committed to a safe and healthy work environment and the SingPost Workplace Safety & Health Committee regularly assesses potential workplace hazards and reviews our risk control measures. During the year, we updated our workplace risk assessment incorporating Risk Management 2.0 requirements. The updated assessment included risk control measures for exposure to ergonomic risks, noise and fatigue management.

To instill a strong safety culture in the workplace, more than 50 line managers and supervisors attended courses on risk identification and developing risk management implementation plans.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

In accordance to WSH regulations for working at heights, 45 staff were trained and qualified to work and supervise tasks that are carried out at heights of two metres and beyond.

We have implemented a hearing conservation programme for staff working in the Mail Processing Centre. As they are exposed continuously to noise, we have appointed a noise control officer to train them on protecting their hearing. They are required to use ear plugs at work and go for annual audiometric tests.

In September and October 2015, we activated our haze management plan when the Pollution Standards Index fluctuated between the unhealthy and hazardous range. Outdoor delivery staff were required to take regular short indoor breaks to reduce exposure to the haze. They were issued with N95 masks and eye drops. High risk staff, those aged above 65 and those with medical conditions, were redeployed to indoor work.

We set up Company Emergency Response Teams (CERT) during the year, complying with statutory fire safety requirements. We appointed consultants to help develop an emergency response plan and arranged for 24 staff to receive training for their role as CERT members.

COMMUNITY

Beyond serving Singapore as the national postal company, SingPost uses its extensive delivery network to serve the community and further fulfil its responsibilities to society.

Food from the Heart, which serves children, senior citizens and low-income families, is our adopted charity. We deploy our postmen to collect unsold bread, pastries and cakes from hotels and confectioneries four days a week and distribute them to self-collection centres across the island. We sponsor food essentials every month to less privileged primary school students. Staff volunteers also donate, pack and distribute food goodie bags to needy elderly in Kolam Ayer.

We are a sponsor of the Green Carpet Awards, which organises for students nature walks that culminate in an annual photography competition. Partnering the National Parks Board, National Geographic magazine, and the Nature Photographic Society (Singapore), the awards engaged over 5,000 primary and secondary school students, with the aim of nurturing their love for nature and leadership in conservation.

Our Australian subsidiary, CouriersPlease, contributed to cyclone relief efforts in Fiji, raising money through a country-wide bake sale and delivering donations of clothes and other necessities to those in need. Funds raised were matched dollar for dollar and donated to the Australian Red Cross Society.

During the year, we supported the Temasek Cares “Stay Prepared” initiative, helping distribute starter kits comprising N95 masks to households.

We continue to match contributions by our staff to the Community Chest’s Care and Share programme dollar-for-dollar, and waive postage for the mailing of literature for the blind. We also support the Singapore Philatelic Museum for the upkeep and preservation of philatelic materials and exhibits, as well as in museum activities.