

# BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

## RISK MANAGEMENT

There are many sources of risk that may impact our organisation and disrupt its ability to carry out its business. Some risks can be eliminated, some may be accepted and managed as part of the nature of our business model while other risks are beyond our influence and control and may only be mitigated.

SingPost's risk management strategy involves assessing and balancing risk probabilities, providing for reasonable contingencies without incurring unnecessary precautionary expenditures or activities.

Our risk governance structure and framework is set out in the Corporate Governance Report, including risk management processes and internal controls. At a broad enterprise-level, our organisation faces these "top line" risks and has taken steps to mitigate them:

- **Post-merger integration risk**  
After making several acquisitions and investments to strengthen our eCommerce logistics capabilities and reach, SingPost needs to integrate these new subsidiaries and associated companies into the operational fabric of our organisation. This is critical to achieve scale and synergy benefits envisioned in the investment cases, while avoiding talent flight and culture mismatch.  
  
To mitigate these risks, a task force comprising senior management was set up in early December 2015. This task force leads 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**  
As SingPost manages customers' personal data and stores it for necessary business purposes in our IT systems, we conduct electronic training programmes on complying with the Personal Data Protection Act. All SingPost staff receive training and regular updates to highlight the importance of complying with the PDPA. Our framework of compliance is set out in the SingPost PDPA Handbook which is accessible by all staff via the company intranet.
- **Cyber-attack risk**  
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 holistic cyber defence strategy involving: Identification (of signs of attacks and vulnerabilities of SingPost's IT infrastructure), Detection of intrusion, Prevention and Response. We conducted cyber security awareness workshops for staff members and have implemented IT tools to detect phishing and malware intrusions.

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- **Technology risk**

Technology is a critical component of SingPost's transformation into an 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 of Directors with competencies in technology, oversees our technology and IT strategy for investments and capital expenditure. This Committee reviews and evaluates plans, policies and proposals relating to IT matters, the progress of significant IT projects, and the management of IT risks. Implementation is then carried out at Business and Support Units.

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

SingPost is a designated Public Postal Licensee working within the postal regulatory framework for basic mail services, which requires compliance with regulated service standards, licensing conditions, the Postal Services Act (Cap. 237A), the Postal Competition Code, Postal Services Regulations, Codes of Practices, Directions, and Guidelines etc. Non-compliance with the above, including service failures and breach of licence conditions may result in financial penalties.

Along with global postal industry trends, we face declining letter mail volumes due to substitution by digital communications. Operating costs in Singapore and terminal dues (out-payments to other postal operators for the delivery of international mail) have also been increasing.

To ensure the obligations and the service quality standards imposed on us are met, SingPost has launched several initiatives to ensure competency in our role as Singapore's postal services provider. We have invested in postal infrastructure to enhance service quality and productivity. In addition to upgrading our mail sorting infrastructure, we have also been replacing our two-wheel scooters with three-wheeler scooters in phases. The three-wheeler scooters improve stability on the road for our postmen and have greater load capacity. This not only improves the productivity of our postmen but also increases the road safety factor for both our postmen and other road users.

We ensure operational readiness through business continuity. Systems are in place for business operations to respond to incidents, crises and threats should these ever occur. We have contingency plans for a broad span of scenarios including trans boundary haze, pandemics, security threats as well as many forms of disruption that might occur in the course of our business. In addition to operational response plans, we also have set out processes to communicate in a forthright manner to all our stakeholders and customers in times of disruption or crisis. Stakeholders can expect SingPost to give open and timely accounts of all incidents and the progress of the recovery efforts that are being carried out.

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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.

## **INNOVATION AND PRODUCTIVITY**

Like all industries, enterprises and societies the world over, SingPost has to face and find its place in a world that is being increasingly disrupted by advances in technology, particularly digital technologies.

Devices like smartphones and tablets are in everyone's hands and the power of data processing and global connectivity from these devices is impacting every sphere of human existence. Entire sectors like banking, manufacturing, medical science and government are affected. The postal and logistics industries are not spared and in our future, we see the application of the Internet of Things, Big Data analytics, and robots which can deliver parcels from autonomous vehicles like self-driving vans and drones.

Innovation is therefore critical for SingPost to stay ahead of the evolving demands of our customers. Digital technology and communications have increased demands on postal and eCommerce logistics companies like ourselves – customers want greater speed, flexibility, accuracy and traceability – but lower costs.

In FY2016/17, we embarked on several initiatives across our postal and eCommerce logistics businesses to raise our service quality and productivity, while creating new experiences for our customers.

Our SmartPost initiative is working on amalgamating the use of customised mobile apps, near-field communication, radio frequency identification, imaging technology and electronic notification to enhance postal service levels and improve operational efficiency. Trials and pilot studies are underway for integrated solutions to optimise postal operations: from collection to sorting, last mile delivery and quality assurance. Rollout is targeted to complete by March 2019.

We made a major step forward in our vision for the digital post office with the islandwide rollout of a new version of our SAM self-service automated kiosks. Together with our SAM web portal and mobile app, they form an omni-channel platform that will give our customers access to postal and other services anytime and anywhere.

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To improve productivity of our postal operations, we launched a Kaizen programme, structured on the Lean Six Sigma methodology. Through this, sorting efficiency of registered articles was improved by more than 55 per cent through mechanisation, inspection time of sorting machinery was reduced by over 75 per cent by introducing WiFi-digital monitoring equipment, and delivery receipt processing has become more efficient after adopting high speed scanners to digitise and store the receipts electronically.

We officially opened our Regional eCommerce Logistics Hub. This is an important development for our eCommerce logistics network as Singapore's regional connectivity makes the hub ideally positioned as a centre for eCommerce fulfilment. The hub brings together warehousing and delivery capabilities in one highly automated facility, enabling us to provide brands and retailers with an integrated, end-to-end solution, from the front-end eCommerce platform to delivery. The integration we have planned into the hub achieves faster turnaround, as well as provides capacity for larger volumes. The facility has been designed to be scalable, and new technologies and other upgrades may be retrofitted to meet the needs of the future.

In Australia, CouriersPlease launched its Delivery Choices POPPoint Network, made up of POPStation parcel lockers and POPShop retail outlets (in conjunction with HUBBED) at convenient locations across Australia. Delivery Choices allows customers to choose their delivery options by SMS or email, giving access to their parcels at times and places convenient to them.

In Singapore, POPStation functionality was enhanced to enable eCommerce returns and payment collection, and parcel posting through our online service ezy2ship. We launched Singapore's first islandwide open parcel locker service – Rent-a-POP. This is a cost effective last mile delivery option that offers end-to-end tracking to retailers, marketplace sellers and consumers. These new services build on the flexibility that has driven POPStation's adoption by retailers and consumers.

Through the amalgamation of our eCommerce businesses, we created a global end-to-end, direct-to-consumer platform for companies to connect with consumers in North America, Europe and the Asia Pacific through our global fulfilment and distribution network. Jagged Peak's EDGE platform was recognised by Gartner and Forrester as a powerful distributed order management platform that enables inventory to be shared across multiple sales channels, making omni-channel retailing possible.

Further ahead SingPost has a vision where every smartphone and tablet (in whatever shape they take in the years ahead) will be able to function as a post office, we look forward to being part of the urban logistics solution that will further Singapore's goal to be Smart City and a Smart Nation.

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## ENVIRONMENT

The Group values the environment in which it operates and establishes programmes in its businesses as part of its efforts to conserve and protect the environment. We are committed to promoting greater environmental responsibility and continue to explore using technology to enable innovative, efficient and environmentally friendly modes of operations for our business.

We are gradually replacing the fleet of delivery scooters with three-wheelers that carry a larger pannier box and allow more deliveries to be made per trip, hence reducing fuel utilisation and carbon emissions. Further, in collaboration with TUMCREATE, a research platform to improve Singapore's public transportation, we have started the road trial of a prototype electric three-wheeler. The vehicle produces zero local exhaust emissions, offers near silent operation and is equipped with a smart instrument cluster that includes dynamic GPS routing. The ongoing vehicle replacement program also gradually replaces ageing delivery vans with Euro V and VI compliant vehicles.

The smart locker POPStation network has helped to reduce delivery trips made by SingPost couriers. With about 150 smart lockers across the island, multiple deliveries are made at each location, reducing the distance travelled by couriers by up to 100,000 kilometres a month on average.

At the SingPost Centre head office, the consolidation of the majority of support functions and business units in a single location has enabled savings in office equipment and consumables. The "smart head office" utilises a shared network of 11 multifunctional photocopiers in seven zones in the office, compared to more than 30 photocopiers and fax machines in individual departments prior to the consolidation. The centralised structure and use of paperless systems and e-equipment such as e-white boards and smart writing panels have enabled office consumables such as paper and stationery usage to be monitored, managed and reduced. Paper procured for the office is Forest Stewardship Council certified.

In our operations, we have switched to utilising environmentally friendly biodegradable polybags for printed materials for the letter shopping business. On average, up to 10 million pieces of polybags are used each year. In addition, a process was instituted for segregation of waste materials generated at the letter shopping operations for disposal and recycling.

Following our first BCA Green Mark Award for Retail (Platinum) for our new post office in City Square Mall, we aim to achieve the Green Mark rating for other new post offices.

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## PEOPLE ARE OUR FUTURE

To build a workforce ready for the future, SingPost's human resource strategy centres on efforts to develop and grow our staff. This is embedded into SingPost's business strategy to increase competitiveness and to be future ready.

SingPost's people development framework is designed to create a learning culture, focused on each employee taking ownership to learn and develop his or her organisational and functional capabilities in alignment with business needs. Since 2016, we have used an online eLearning platform, Harvard ManageMentor, to support Just-In-Time development for managerial and supervisory staff while our On-the-Job-Training framework supports development of operations staff. Additionally, complementing the national SkillsFuture initiative to encourage Singaporeans to adopt lifelong learning, SingPost, as a supportive employer has educated all eligible staff on the avenues and resources available for their personal and professional development in order to support capability development and career growth. Employees will also be supported with a progressive Career Development programme that will be rolled out to all staff in 2017.

This year, SingPost also launched its in-house developed Manager Effectiveness Programme, which has been created to equip all people managers with the right attitude, skills and knowledge to be effective managers who are in turn able to inspire and lead performance of their teams by being role models of professional capability and commitment.

As SingPost's operations expand globally and the people within our business units become more diverse, we have also introduced a programme to build team collaboration through a behavioral preference tool called Emergenetics. This tool helps our people understand, communicate and collaborate with each other through building insights into each other's thought and behavioural traits. This programme which was launched in 2014 has become the means to build a "common language" across SingPost.

SingPost was recognised in February 2017 as one of the pioneering enterprises of the Tripartite Alliance for Fair and Progressive Employment Practices' Human Capital Partnership Programme. This partnership highlights SingPost's strong Singaporean core workforce at all levels and our efforts to develop careers for Singaporeans through progressive human capital practices.

In March 2017, SingPost hosted Mr Chan Chun Sing, Secretary-General of NTUC and Minister in the Prime Minister's Office, and NTUC/UTES leaders for an industry visit to the Regional eCommerce Logistics Hub. The union leaders had the opportunity to conduct dialogues with operations staff from Quantum Solutions, SP Parcels and SingPost. At this visit, Mr Chan shared his thoughts on the future economy with the management and staff who were present. The relationship between SingPost leaders and the union continues to be strong and we will work together to build a workforce ready for the future.

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This year we continued to drive the revamped performance management review system and business objective driven bonus plan. The review includes 360 degree feedback, performance measured against defined competencies and achievement of indicators on a balanced score card. The performance review takes into account the extent the individual exhibits the SingPost values of 5T – Trust, One Team, Total Customer, Top Execution and Transformation.

To ensure these values percolate through the entire organisation, a staff engagement programme to promote the 5T values is in place - each month, staff are encouraged to recognise their colleagues who demonstrate they live out the 5T values. Recognition is made through shopping vouchers and publicity in internal communication.

SingPost's staff social and recreational committee, Zest.O, continued to build wider staff interaction in informal settings. This includes monthly sporting and social programmes and this year SingPost held its first Leadership Bonding Day 2016, bringing together more than 400 managers and senior leadership.

### **PROMOTING WORKPLACE SAFETY AND HEALTH**

SingPost has been re-certified a bizSAFE Level 3 organisation in August 2016 by the Workplace Safety and Health Council of Singapore. We are committed to provide a safe work environment for our employees with a strong safety culture in the workplace. This year, we sponsored 88 delivery drivers and riders to attend defensive driving and riding courses to give them the skills to deal with potentially hazardous road situations and the unpredictable behavior of other road users.

We have continued to put in place measures to protect our employees' hearing. Where staff are exposed to equipment noise for long periods such as in the Mail Processing Centre, they are provided with ear plugs and are sent for annual audiometric testing.

During the outbreak of Zika in Singapore between August and October 2016, mosquito repellents were issued to all staff working in "hot zones". Expectant mothers whose workplaces were in such areas were given the flexibility to work from home.

### **HELPING OUR PEOPLE KEEP FIT**

We initiated an effort with the Health Promotion Board (HPB) to reach out to operation staff in the Mail Processing Centre to promote wellness and preventive care. The programme includes workshops on healthy cooking, on-site health screening for diabetes, hypertension and high cholesterol. HPB-appointed ergonomists are also brought in to develop programmes for staff who perform manual work involving repetitive lifting so as to prevent musculoskeletal disorders that may be caused by poor posture and incorrect lifting methods.

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## **COMMUNITY**

It is our responsibility as good corporate citizens to contribute towards enriching our communities of residence and work.

### **Leveraging competencies to serve the community**

The Group leverages its network and resources to serve the community. During Giving Week 2016, SingPost sponsored the postage of up to 400,000 postcards issued by the National Volunteer & Philanthropy Centre, to encourage organisations and individuals to express their appreciation to loved ones. We partnered Mercy Relief, a humanitarian aid agency, for its fund-raising with the placement of donation tins at 18 post offices across Singapore. Our post offices also offered digital TV slots to help raise awareness of campaigns, such as Singapore Cancer Society's Relay for Life and Singapore Police Force's scam alerts, among the public.

We continued our collaboration with Food from the Heart, a charity that manages food distribution to the needy in the community and schools. Our postal staff and vans are deployed to collect unsold bread and pastries from bakeries and hotels several times a week and distribute the food to various collection centres across the island. SingPost also works with Food from the Heart to sponsor monthly supplies to needy students in its Food Goodie Bag programme.

Our subsidiary General Storage, which operates Lock+Store self-storage solutions, focuses its CSR program on animal welfare, and partnered an animal welfare group for a photo exhibition at its facilities to promote the adoption of stray dogs.

In Australia, CouriersPlease leverages its network to support the local charities. It is a partner of the RSPCA Queensland, providing monthly pick-up and delivery of promotional materials to the charity's retail partners. CouriersPlease also supports The Smith Family, a charity that helps underprivileged children, with pick-up and delivery of educational materials to needy children.

### **Donations and sponsorships**

SingPost honours its heritage by making annual contributions to the Singapore Philatelic Museum for the upkeep and preservation of philatelic materials and museum activities, and promotion of stamp collecting. To preserve and promote the legacy of post, SingPost will be setting up a heritage corner in the flagship General Post Office to be opened in FY2017/18.



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The Group makes cash and in-kind donations to various charities and sponsors bursaries for the children of its unionised workers. It also continued to match staff contributions to the Community Chest employee payroll deduction programme.

Overall cash donations and sponsorships by the Group amounted close to S\$500,000 in FY2016/17.

### **Encouraging staff volunteerism**

The Group encourages employees to be involved in community outreach. We introduced a staff CSR program Charity@Work that allows our employees to organise team-bonding activities with a CSR theme.

During the year, our staff undertook various activities to raise funds for charities and volunteer at community initiatives. This included a three-day fund-raising initiative in the head office that offered massages by visually handicapped masseurs and sale of food and snacks. Our Singapore staff donated and organised food and rice distribution to the needy elderly in the Kolam Ayer and Chai Chee housing estates, and also donated toys to underprivileged school children in Food from the Heart's Toys Buffet programme. In Australia, CouriersPlease staff packed and distributed Christmas gifts donated by businesses which were sent out to children in need.