

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

RISK MANAGEMENT

Risks come in various forms and from different sources that may impact the business. Some risks can be eliminated, some may be accepted and managed as part of our business model, while others are beyond our control and can only be mitigated. The risk management strategy involves assessing and balancing risk probabilities, preparing for reasonable contingencies while minimising precautionary expenditure or activity.

The risk governance structure and framework is set out in the Corporate Governance Report, including risk management processes and internal controls. This section identifies the key risks to our assets and business, as well as the interests of our shareholders.

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

As SingPost handles personal data as part of our business operations, we have put in place a programme to ensure compliance with the Personal Data Protection Act 2012 which came into full force on 2 July 2014. Our framework of compliance is set out in the SingPost PDPA Handbook which is accessible by all staff via the company intranet and our approach towards the management of personal data is set out in our Privacy Policy which is published on our website.

We have put in efforts to create awareness of the PDPA among our employees and to instil in them the importance of complying with the PDPA. These include in-house sharing of the regulatory obligations as well as the provision of regular updates.

Customers may contact the SingPost Group Data Protection Officer by mail, email and phone on any aspects of the following:

1. Questions relating to the processing of their personal data or about our personal data protection policy;
2. Withdrawing their consent to our use of their personal data as set out in the Privacy Policy; and
3. Updating, accessing or making corrections to their personal data records which are under our control or possession.

- **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 conduct cyber security awareness workshops for staff members and have implemented IT tools to detect phishing and malware intrusions. We have also established policies and standards to manage and address cyber security risks. To enhance the management of this risk, we have appointed a Chief Information Security Officer who is responsible for our cyber security risk management strategy and programme.

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- **Technology risk**

Technology is a critical component of SingPost's transformation into an eCommerce logistics company. 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. Information Technology (IT) risk is managed through an enterprise technology risk approach. This covers risk governance, communication, monitoring, assessment, mitigation and acceptance, and is supported by a set of IT policies and standards, control processes and risk mitigation programmes.

Technology failure can disrupt business operations, impact corporate reputation and lead to financial losses. 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. Non-compliance with the above, including service failures and breach of licence conditions may result in financial penalties.

In line 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 obligations and service quality standards 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-wheelers in phases. The three-wheelers improve stability and safety on the road for our postmen and have greater load capacity. We are rolling out SmartPost, an initiative to harness digital technologies to improve operational efficiency and service quality.

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 and security threats, as well as other forms of disruption that might occur in the course of our business. In addition to operational response plans, we have also 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.

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, a crisis management team is in place with action plans for specific groups of staff at risk. Preparations include allocating recovery centres in operational facilities, and stocking up masks and eye drops for those working outdoors.

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- **Innovation and Productivity**

Innovation is critical for SingPost to ensure we stay ahead of our customer's evolving needs and expectations, providing value-creating services that will differentiate us from the competition, while enhancing operational efficiency.

We launched the first application of our SmartPost initiative, progressively equipping our postmen with smartphones preloaded with our proprietary SmartPost app, as well as installing near-field communication tags at delivery points across the island. SmartPost amalgamates 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. At its heart is the creation of a digital backbone that will support greater integration across postal processes, while providing real-time, location-based data that may be used to further optimise work processes and enable new services.

The official opening of our flagship General Post Office (GPO) marks the first of a new Smart Post Office network that will serve Singapore's postal needs in the digital age. The GPO is designed with future-ready features that enable a seamless integration with our SAM Omni-channel platform. Through our SAM self-service automated kiosks, web portal and mobile app, the digital post office will offer access to postal and other essential services anytime and anywhere. Our SAM platform has gained international recognition, winning last year the World Post and Parcel Award for Retail Customer Access, and Digital Innovation of the Year at the Postal and Parcel Technology International Awards.

With increasing last-mile delivery volumes, and changing customer demands, SP Parcels introduced several new products and services that are aimed at catering to the needs of consumers – this is aided by advanced automation at the Regional eCommerce Logistics Hub. The new products and services include Speedpost Economy Singapore, a new low-cost service for local eCommerce marketplaces in which delivery takes three to five days; and Authorisation to Leave, which enables recipients to authorise couriers to hand deliveries to authorised parties.

Our proprietary eCommerce software – EDGE continues to be recognised by the industry as one of the top eCommerce platforms. Enhancements have been made to EDGE this year, including Customer Service Portal enhancements, simpler returns processing to expedite handling times, globalisation enhancements and VAT tax support, as well as StorePoint Omni-channel fulfilment improvements.

We are working with Airbus Helicopters on an autonomous drone delivery system called Project Skyways, which successfully completed its first flight demonstration and is on track to launch a trial service at the National University of Singapore (NUS). The service will see NUS students and staff use Skyways to have their small parcels delivered to them through designated parcel stations within the campus. SingPost is contributing our knowledge of logistics, particularly at the critical first and last mile, and systems planning and software that can manage all the moving parts that are needed for successful operations. These include software systems that control and manage delivery networks, customer-interface systems and real-time back-end links to a delivery system that serves the last mile. The solution we are developing has complete track-and-trace capability, including the tracking of drone operations such as landing, pickup and delivery.

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BUILDING A SUSTAINABLE FUTURE

Just as we are entrusted with connecting businesses and people, we seek to be good stewards of the environment and resources, and contribute towards the wellbeing of the communities we serve.

ENVIRONMENT

We recognise our responsibility in the global challenge of climate change and are committed to promoting greater environmental stewardship.

During the year, we strengthened our environmental oversight with the setting up of an environment committee comprising the heads of operating units that contribute to the Group's carbon footprint. We did this to ensure greater environmental responsibility across the organisation, and have introduced processes to better monitor and manage our environmental programmes and performance. We also continued to explore environmentally friendly modes of operations for our business.

A key focus of our efforts is to integrate environmental principles into our business and operations. Our POPStation smart locker network has improved the fleet efficiency of our courier operations, as multiple deliveries and collections may be made at each POPStation location, reducing the total distance travelled by the couriers.

Approximately 40 per cent of our delivery scooters are now made up of three-wheelers which carry larger pannier boxes and allow for more deliveries to be made each trip, reducing the total distance travelled. Fleet replacements will adhere to new National Environment Agency emission standards for diesel vehicles that were implemented on 1 January 2018.

At our head office, which houses over 600 staff in a single office, the use of shared networks of office equipment, paperless systems and electronic equipment has enabled the monitoring and management of office consumables such as stationery and paper, all of which are Forest Stewardship Council certified. At our operations areas, waste materials generated are segregated for proper disposal and recycling.

We took action in promoting responsible electronic waste management and introduced a nation-wide e-waste recycling programme, ReCYCLE, in collaboration with Singtel. Leveraging our postal network, the programme allows members of the public to mail in small e-waste items using specially designed envelopes, which we then send on to an e-waste recycling company. ReCYCLE bins are also available at select post offices and Singtel outlets for the public to drop off e-waste items for recycling, while larger bins are available at our self-storage solutions operator Lock+Store's sites for the collection of bigger e-waste items. The collaboration with Singtel collected over 9,676 kg of e-waste during the period.

PEOPLE ARE OUR FUTURE

At SingPost, people are the building blocks of our vision to be a postal and eCommerce logistics leader. In transforming our business, we want to be future-ready and key to this, is the development of our people. During the year, we continued to enhance our core learning framework, implementing carefully selected training initiatives that support our current and future business needs.

In support of the national SkillsFuture initiative, we added the SkillsFuture series, a curated set of short industry-related training programmes focused on emerging skills, into our core learning framework. We also introduced SkillsFuture Leave in 2018 to encourage staff members to take charge of their professional development and work to upskill and upgrade themselves. Teams will be supported by a progressive Career Management framework that includes detailed career maps across our businesses, as well as tools and guides to empower them to drive their own careers.

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In March 2018, we launched iLead, an accelerated development programme for high potential talent. iLead comprises a series of developmental interventions over 12 to 18 months that will help them deepen their skills and competencies, as well as prepare them for future critical roles within the Group.

We will also be rolling out a programme to equip our team leaders with skills and knowledge, and cultivate in them values and attitudes that will increase their effectiveness as people managers. Created in-house, the Advanced Manager Effectiveness Programme forms part of the journey of continuous development that we have designed for our management staff.

As SingPost expands globally, our workforce now spans across 19 markets around the world. We have embarked on a technology-led journey to incorporate digital learning in our global training programmes. We began in 2016 with the introduction of an online eLearning platform, Harvard ManageMentor, to support just-in-time development needs of our managerial and supervisory colleagues. In July 2018, we will launch the Learning Management System, which provides our people with better access to information and learning opportunities on a single platform. In addition, we will be digitalising the on-boarding experience for new hires by the end of 2018.

We believe that diversity helps us to build and sustain our competitive advantage, fostering innovative thinking and creative solutions to business challenges. The SingPost Iftar, an annual event where staff and management share the evening meal that marks the end of a day's Ramadan fast for Muslims, is one of many occasions through which we celebrate our diversity and express appreciation to our frontline colleagues for upholding service standards during the fasting month. We were honoured for Associate Professor Dr Yaacob Ibrahim, Minister for Communications and Information and Minister-in-charge of Muslim Affairs, to grace this tradition that was attended by more than 100 staff, management and union representatives.

Workplace Safety and Health

SingPost has always been committed to provide a safe work environment for our employees and inculcate a strong safety culture in the workplace. We were re-certified a bizSAFE Level 3 organisation last year, and took steps to introduce and extend various safety initiatives to our subsidiaries. In recognition of our efforts, our Singapore subsidiaries, namely SP Parcels, Quantum Solutions, Famous Holdings and Lock & Store have also been certified as bizSAFE Level 3 organisations. We have lined up a series of safety programmes in the coming years, which will continue to improve our performance in this area.

Our people are our greatest asset and their wellbeing is of our utmost concern. We provide free annual health screening to all full-time staff members. On-site health screening for diabetics, hypertension and hypercholesterolemia are also available to help our employees identify and address health issues early. We encourage our staff to adopt a physically active and healthier lifestyle, and were an active participant in the National Steps Challenge Season 3: Corporate Challenge 2017.

COMMUNITY

As Singapore's postal service provider for more than 150 years, SingPost has been integral in connecting people and communities.

Preserving our heritage

We have a responsibility to preserve the postal heritage for future generations, even as we innovate and transform for the digital age. We support the Singapore Philatelic Museum, the custodian and curator of Singapore's philatelic materials. Our new General Post Office (GPO) has been designed to capture design motifs of the old iconic Fullerton GPO, with a heritage corner retelling stories from our postal history.

To inspire love and concern for the neighbourhood, we sponsored the delivery of 240,000 open letters, penned by local authors, to various neighbourhoods in the "Love Letters to Singapore" initiative in support of #BuySingLit to promote local literature. In addition, stamp issues during the year conveyed social values, culture and traditions of the community.

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Community outreach

We contribute towards uplifting the wellbeing of the disadvantaged in the communities in which we operate, focusing on causes and issues that align with our business, resources and expertise.

We continued to explore new corporate programmes that leverage our capabilities and network for sustainability. A programme that commenced in the year involves our postmen checking in on the vulnerable elderly identified by social service organisations on the ground. The trial is ongoing and we expect to expand the coverage to more neighbourhoods beyond the two currently on trial. We also conducted dementia awareness training sessions for our postmen to equip them with practical knowledge on how to help residents in the community with dementia.

Ongoing programmes that we have supported for several years include the use of our delivery network to collect unsold food from bakeries and hotels, dropping them off at collection points for the needy, as well as at our touch points to facilitate collections. In FY2017/18, our delivery fleet collected and dropped off approximately 7,450 kg of food items valued at an estimated S\$133,000. This helped to reduce food wastage and supported about 1,000 beneficiaries weekly at the collection centres. We are also supporting the Singapore Police Force in efforts to raise anti-scam awareness, and are part of the Central Narcotics Bureau's United Against Drugs Coalition to spread the anti-drug message.

Our Charity@Work programme encourages staff to initiate fundraising and volunteer activities. During the year, some of the activities organised included a spectacle collection drive where over 50 elderly beneficiaries received new eyeglasses, a blood donation drive which collected over 70 packets of blood, fundraising sales of food and products and participation in charity runs.

Donations and sponsorships

We contributed over \$400,000 in cash donations and sponsorships during the year. We have been a major corporate sponsor of the Singapore Philatelic Museum since 1995. We have also participated in Community Chest's employee payroll donation matching programme, SHARE, since 2004. We continue to support the annual UTES – U Care Bursary awards, contributing \$80,000 towards bursaries for 221 children of our employees.

We provided various means of support to our charity partners. These included space at our retail mall and auditorium for events by community partners, use of POPStations for the collection of donated items for Make A Wish's charity run, provisions of stamps and postcards to Make A Wish children beneficiaries, sponsoring Lock+Store storage space for the New Charis Mission, and freighting of non-urgent humanitarian aid items for Mercy Relief. Undeliverable items received in our networks are also donated to charitable organisations for their fund-raising initiatives.