

SINGAPORE POST LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199201623M)

**EXTRAORDINARY GENERAL MEETING TO BE HELD ON FRIDAY, 26 NOVEMBER 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

Singapore Post Limited (the “**Company**” or “**SingPost**”) would like to thank shareholders for submitting their questions in advance of the Extraordinary General Meeting (“**EGM**”) to be held by way of electronic means on Friday, 26 November 2021 at 2.30 p.m.

The Appendix annexed herein sets out the Company’s responses to the substantial questions received from shareholders that are relevant to the EGM resolution and the business of the Company.

Issued by Singapore Post Limited on 25 November 2021.

Appendix

No.	Question	Response
1.	Please give a presentation of the prospects of to be acquired company.	A presentation on the proposed acquisition will be made during the EGM, including information on Freight Management Holdings Pty Ltd ("FMH") and how we envisage FMH to fit in with SingPost's Australia strategy going forward. The presentation slides will be released on SGXNet after the EGM.
2.	With the size of the transaction, how would SingPost maintain its liquidity and would any plans such as the Paya Lebar Central Partnership be impacted as a result?	<p>The acquisition will be funded by a mix of internal cash resources and external borrowings. SingPost's balance sheet and liquidity position remains strong, and there is no impact on our participation in the Paya Lebar Central partnership.</p> <p>SingPost will continue to adopt a prudent approach in managing cash flows taking into account the ongoing execution of strategic initiatives.</p>
3.	<p>Will this investment turn out badly like in the case of the past acquisition of JAGGED PEAK?</p> <p>What ADDITIONAL steps, processes and practices were put in place to ensure the success of this proposed acquisition (versus the past acquisition of JAGGED PEAK)?</p>	<p>The SingPost Board has exercised full oversight over the transaction which is governed by SingPost's M&A policy, supported by robust processes and the use of professional advisors.</p> <p>Extensive due diligence and advice was taken at the time of our initial minority investment and the transaction structured with options to increase our stake over time, with a path to control and subsequently full ownership. This structure is designed to give us time to become comfortable with increasing our investment, build our relationship with management and as a risk mitigation.</p>
4.	SingPost has made many acquisitions in the past and have not been able to execute some of the major acquisitions, resulting in them being written off. Can the board explain the steps it has taken to ensure successful execution of this acquisition?	<p>Through our participation on the Board of FMH, alignment on the strategy, the strong performance of the company and confidence in the management, we are now ready to move to a controlling interest. Control of the Board of FMH is a further risk mitigation.</p> <p>A Long Term Incentive Plan ("LTIP") has been structured to retain and motivate key management and ensure an alignment of interests.</p> <p>SingPost has operated in Australia for a number of years and we are familiar with both the country and the industry.</p>

No.	Question	Response
5.	Can the board explain the considerations for the staggered acquisition spread over several years with many different scenarios?	<p>This transaction is negotiated with the selling shareholders to allow the opportunity for continued participation in the growth of the company for a period of time, and to keep interests aligned.</p> <p>The tranches will be based on the future earnings of FMH, which also serves to manage risks as well as align interests with FMH management and shareholders.</p>
6.	The company has appointed legal advisers in Singapore and Australia for the acquisition. Has the board appointed advisers on the commercial merits of the transaction and was the board advised to undertake this transaction in a staggered manner over several years?	<p>As part of the due diligence process in the original transaction a year back, a professional advisor was appointed to assess the commercial merits of FMH.</p> <p>Staggering the transaction is a decision taken by SingPost and is the outcome of negotiations with the selling shareholders and in line with SingPost's risk mitigation requirement. As mentioned, this transaction is negotiated to allow the selling shareholders to continue to participate in the future growth of the company, while allowing SingPost a path to full ownership in a risk mitigated manner.</p>
7.	The staggered acquisition with the FMH management shareholders being bought out from late 2024 to late 2026, together with the introduction of the LTIP, suggest that retaining FMH management and motivating them is critical. Can the board explain if the plan is to continue to rely on current FMH management to manage FMH and to allow considerable operational autonomy to FMH even after it becomes a wholly-owned subsidiary?	<p>FMH has a strong management team and the LTIP is designed to retain, motivate and align the management's interest with SingPost's.</p> <p>SingPost will control the Board and the governance framework ensures SingPost oversight and participation in all major decisions. FMH management will be granted appropriate operating autonomy. In the medium term we expect our Australia businesses to be progressively integrated under an appropriate management structure.</p>
8.	In the event that FMH management leave in the short-term, would SingPost be able to successfully derive value from this acquisition? What measures are there in place to mitigate such a risk and what contingency plans are in place if that happens?	<p>While the founding shareholder continues to play a strategic role through the FMH board, the management team, led by the CEO, has played a key role in driving the day-to-day operations with a professional management team.</p> <p>SingPost has developed a deep understanding of FMH's business since our initial investment in December 2020. The Proposed Offers to Buy and LTIP are designed to retain and incentivise FMH management. In addition, as part of our SingPost succession plans, we will also ensure that FMH has a robust succession plan in place.</p>

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9.	What is the level of due diligence done to ensure the success of this FMH acquisition?	Prior to the Tranche One investment in December 2020, we had together with independent professional advisors performed rigorous due diligence on FMH covering all material aspects of the business including Financial, Legal, Commercial, Technology and Tax. We had also engaged professional advisors to assess the valuation of FMH.
10.	Can the board explain the due diligence that has been undertaken for the acquisition of FMH?	Since FMH became an associate company of SingPost Group in December 2020, SingPost's nominee directors have attended 9 FMH board meetings where the management and directors deliberated on performance and strategy. This has enabled SingPost to further assess FMH's performance and governance, and has allowed SingPost to develop a strong relationship with the FMH management team.
11.	Experience and stability in management are critical to successful execution. SingPost has seen the recent departure of its group CEO and the appointment of a new group CEO. Is there adequate management experience for successful execution and would there be further changes in management in the near future that may affect execution?	<p>Mr Vincent Phang, Group CEO has been with SingPost since April 2019 and the Board is confident of the strategy we have adopted together with the management to successfully execute SingPost's transformation.</p> <p>The GCEO has put in place a new organization structure that simplifies our group business, while putting focus on executing our strategy which is namely on Singapore our home market, our International business, as well as Australia our second home market. As we have previously announced, we have promoted two leaders from within our organization to lead the Singapore and International businesses and we will continue to evolve the leadership structure for Australia with the integration of our businesses in Australia at the appropriate time.</p> <p>We will continue to review opportunities between internal promotions and new hires to support our transformation and hence we do expect that there will be further changes to the management team. We do not anticipate any negative impact on the execution of the transaction or our strategies as a result of management changes.</p>
12.	FMH appears to have a founder/entrepreneur culture which may be very different from SingPost's culture. Has the board assessed the cultural fit between SingPost and FMH?	The SingPost Board is aware of the culture of FMH and together with the management, is comfortable of the cultural fit and strategic alignment between SingPost and FMH, where we share a common vision for success. This has been demonstrated by the way we have been operating over the last 12 months since our initial stake.

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		<p>FMH may have its origins as an entrepreneurial startup, but over the last 20 years, it has evolved and developed a performance led culture, embedded in a strong and professional management team. FMH has also strengthened the management team with further external hires from the Australian industry, and we see FMH's culture continuing to evolve professionally.</p>
13.	<p>How does the SingPost board plan to exercise oversight over FMH whilst allowing it sufficient operational autonomy and preserving its entrepreneurial culture, which seems to be critical for FMH to remain successful?</p>	<p>SingPost has been represented on the Board of FMH since 2020. As part of our obligations as a listed company, SingPost will put in place an appropriate governance framework, but also provide adequate operational autonomy for the management of FMH to continue its success.</p> <p>While the origins of FMH may be entrepreneurial, the company has evolved and developed a performance led culture, embedded in a strong and professional management team. FMH has also strengthened the management team with further external hires from the Australian industry, and we see FMH's culture continuing to evolve professionally.</p>
14.	<p>How was SINGPOST initially introduced into FMH? Who was the introducer for the (initial) acquisition?</p>	<p>FMH has been a long-standing commercial relationship as a customer of CouriersPlease, a wholly-owned subsidiary of SingPost Group, for many years.</p>
15.	<p>Are there conflicts of interests between the acquirer and acquired? How are these conflicts being addressed, if any?</p>	<p>There are no conflicts of interest between SingPost Group and FMH in connection with this transaction. The interests of Directors and controlling shareholders of SingPost Group are disclosed in the Circular to shareholders dated 11 November 2021.</p>
16.	<p>What are the competitive advantages of FMH?</p> <p>Does FMH have a moat (economic or otherwise)? Please elaborate what moat does FMH have, if any?</p>	<p>FMH is an asset-light, 4PL service company which leverages its proprietary technology platform to manage and execute customers' supply chain and distribution requirements. By utilising its technology, analytics and network, FMH is able to match customers' freight profile with the optimal carrier.</p> <p>This technology enabled ecosystem sets FMH apart from its competitors, and over the last 21 years FMH has built up a diversified client base of over 500 businesses across a broad range of industries, as well as a wide network of over 150 partner carriers with whom FMH has long-standing relationships.</p>

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17.	<p>Who are the competitors of FMH?</p> <p>What market share does FMH currently have?</p>	<p>FMH is a logistics service company which manages its customers' supply chain and distribution requirements. It competes directly and indirectly with the many logistics service providers in Australia who service parts of or the entire supply chain. In other words, it competes with large integrated logistics businesses like Toll Group as well as other 4PL companies like AFS Logistics and Parcelnet Australia.</p> <p>As a whole the Australian logistics market is highly fragmented with many players, however based on our estimates, FMH is the largest 4PL company in Australia and well ahead of its next closest competitor.</p>
18.	<p>The proprietary technology, including its core 4PL technology platform OneFlo, is one of the critical success factors for FMH. Would SingPost have full ownership and control over this proprietary technology and can this be leveraged to benefit SingPost's business outside of Australia?</p>	<p>SingPost will have ownership and control over FMH's technology once it becomes a subsidiary of SingPost Group.</p> <p>FMH's technology is generally suited to more mature and sophisticated logistics markets, and we will assess whether there are opportunities to leverage this technology outside of Australia in future.</p>
19.	<p>Are there any clawback provisions if this acquisition turns out bad, like in the case of JAGGED peak?</p>	<p>While there are no clawback provisions, we have managed the risks involved in this acquisition by taking a phased and calibrated approach to the investment, with future tranches paid based on future earnings.</p>
20.	<p>Given the current spike in freight rates, which can imply a higher valuation for FMH, are management projections on FMH conservative enough so we can avoid overpaying and subsequently the value destruction witnessed in 2015 when the previous management acquired Jagged Peak and Trade Global?</p> <p>Does the existing majority shareholders have a lock in period to have their skin in the game and have our values aligned since FMH and CourierPlease are complementary to each other. If possible, can management share how long is that?</p>	<p>The recent spike in freight rates is due to international shipments, both sea and air, and is not relevant to FMH's business.</p> <p>While there is no lock in period for existing FMH shareholders, under the Proposed Offers to Buy, these FMH shareholders will be granted a series of options which will allow them to sell their shares to SingPost over time up to 2026. Under the option terms, the consideration payable by SingPost to acquire the shares is based on the future earnings of FMH, and this serves to align interests.</p>

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21.	It was stated that there would be synergies between Singpost and FMH. What synergies do you foresee and expect out of this acquisition? Could you elaborate?	<p>By taking control of FMH, we will be better able to integrate FMH with SingPost's other Australia businesses – CouriersPlease, Quantum Solutions and Famous Holdings. We will also work with FMH to jointly build our Australia business and capability, offering customers the complete suite of end-to-end eCommerce logistics services and achieving the right scale and capability to compete as a significant player in the eCommerce logistics sector.</p> <p>With the above in place, we aim to derive synergies in terms of revenue growth, cost savings and profit growth.</p>
22.	Is FMH a business that benefits from COVID restrictions and lockdown measures put in place by the Government and states? Once these restrictions and lockdown measures are lifted, would FMH be adversely affected? If so, what is the impact and how does the company mitigate them?	<p>While we have seen beneficial contribution from Covid-19, the overall eCommerce market continues to grow as this structural trend has been in place even before the pandemic. Furthermore, Covid-19 has caused a shift in consumer habits towards eCommerce, and this is expected to have a positive impact even after Covid-19 abates.</p>