



SUSTAINABILITY REPORT 2020



SUSTAINABILITY

BOARD STATEMENT

The Board of Directors oversees the management of material environmental, social and governance (ESG) factors for ST Engineering and takes them into consideration in the formulation of the Group's strategic direction and policies.

We remain steadfast in positively impacting the lives of people and the health of our planet by operating responsibly in our communities and the wider global ecosystem, and in acting as an effective enabler of a more sustainable world through leveraging our technology and engineering solutions to solve real-world problems, including those arising from COVID-19.

We link a range of operational, financial and non-financial key performance indicators to our material ESG factors to encourage the adoption of strategies and practices that are aligned to the sustainability and long-term success of the Group.

Sustainability Governance

As part of the Group's commitment to making sustainability a core part of its business strategy, the Group Chief Strategy Officer took on an expanded role as Group Chief Strategy & Sustainability Officer effective 1 January 2021. This allows us to fully incorporate ESG considerations into our business strategies and plans.

The Group Chief Strategy & Sustainability Officer is accountable to the Group President & CEO and works with the senior leadership team on sustainability matters. He is supported by a sustainability working group, comprising members from key business areas and corporate functions, with specific sub-committees focusing on each material ESG factor.

ST Engineering's Risk and Sustainability Committee (RSC) assists the Board in its sustainability governance responsibility. The RSC's role is one of oversight while the ongoing management of sustainability matters rests with the leadership team. The RSC approves the annual sustainability workplan and is updated on its progress and developments. The RSC is supported by the Risk & Assurance (R&A) function and the Group Strategy & Sustainability function.

The R&A function is accountable to the Group President & CEO for matters relating to governance, risk and compliance. It ensures that ST Engineering manages its risks and has the right governance and controls in place to ensure compliance with all legal and regulatory requirements in the jurisdictions that the Group operates in.

About Sustainability Report 2020

This report focuses on the sustainability practices of ST Engineering and addresses our material ESG factors.

It is prepared in accordance with GRI Standards: Core Option, and is guided by the SGX Reporting Guide and the LBG Framework.

This report should be read in conjunction with the GRI Content Index and other information published in the Sustainability section of our website at www.stengg.com.

Our Approach



Aligned to Global Standards & UN Sustainable Development Goals



SUSTAINABILITY

Materiality Assessment & Stakeholders

We identify and prioritise sustainability issues that matter most to ST Engineering and our stakeholders through materiality assessments.

Our Enterprise Risk Management Framework provided the backdrop upon which the sustainability materiality

assessment was carried out and reviewed, with both financial and non-financial impact assessed against the Group's risk tolerance limits and implications for our key stakeholders.



2020 HIGHLIGHTS

GHG EMISSIONS  <p>33% reduction in absolute GHG emission over 2010 base year</p> <p>44% reduction in GHG emissions intensity over 2010 base year</p>	FINES  <p>Zero significant fines or non-monetary sanctions for non-compliance with environmental, health and safety regulations</p>	CONTINUOUS IMPROVEMENT  <p>\$23.7m of realised productivity savings from continuous improvement programmes in Singapore</p>
RESPONSE TO COVID-19  <p>2 Weeks to ramp up medical-grade surgical mask production in support of national resiliency</p>	STRATEGIC SUPPLIERS  <p>>60% of strategic suppliers engaged on revised Vendor Code of Conduct</p>	PAPER SAVED  <p>~1,800 equivalent of trees saved from paper reduction initiatives over 2015 base year</p>
CORPORATE COMMUNITY CONTRIBUTIONS  <p>\$2.8m worth of community contributions by both company and employees</p>	LEARNING & DEVELOPMENT  <p>>14,000 employees participated in e-learning courses</p>	SAFETY CULTURE  <p>70 workplace safety and health activities to promote safety culture</p>
	GREEN ENERGY  <p>8% of electricity consumption from Singapore operations derived from 24 roof-mounted solar PV systems</p> ANTI-BRIBERY & CORRUPTION TRAINING  <p>98% (12,810) relevant staff trained globally</p>	QUALITY PRODUCTS & SERVICES  <p>Zero product recalls across the Group</p>

SUSTAINABILITY

Environment

We recognise the threat of global warming and the importance of combating climate change.

We believe in conserving resources to minimise the impact of Greenhouse Gas (GHG) emissions, reducing pollution and waste, and conducting our operations efficiently.

We contribute to a more sustainable future by developing and deploying greener products and solutions.

UN SDG



Why It Is More Relevant

We focus on delivering innovative solutions to help build and upkeep air, land, sea, space and information infrastructure.



We leverage our technology and engineering expertise to help cities and communities become more sustainable.



We stay lean and minimise the environmental impact of our operations.



We play our part to help address the global challenge of climate change.

ESG Factors	Why It Is Material
 Environmental Protection	<p>Climate change is an issue of increasing urgency and importance. A low carbon business strategy is not only good for the environment, it also enables us to better respond to climate change regulations and price volatility of hydrocarbon resources.</p>
 Productivity	<p>Staying lean, efficient and effective in our systems and processes to optimise the use of resources are fundamental to maintaining our competitive edge.</p>
 Green Products & Services	<p>Cities and organisations around the world are increasingly looking to minimise their carbon footprint while reducing operating costs.</p>

How We Manage It	What We Did In 2020	What We Will Do In 2021
<p>Environmental efforts are coordinated by the Environment Committee. All material business units in Singapore are certified to ISO 14001 Environmental Management Systems Standards. Our global operations abide by relevant environmental regulations and requirements.</p>	<ul style="list-style-type: none"> GHG emissions intensity reductions on track. GHG emissions and water consumption reduction targets reviewed and maintained. Waste recycling data for Singapore operations tracked and reported. 	<ul style="list-style-type: none"> Review and set a new GHG emissions target for our global operations. Expand our data reporting and management for GHG emissions, water and waste to include global operations.
<p>Productivity efforts are coordinated by the Continuous Improvement Committee. Initiatives such as Kaizen projects, quality action teams and value innovation teams are embedded into day-to-day operations. We empower employees to identify and eliminate waste, and recognise exemplary contributions.</p>	<ul style="list-style-type: none"> Achieved realised productivity savings of \$23.7m through continuous improvement (CI) initiatives. Achieved a value added per employment cost of 1.54. 	<ul style="list-style-type: none"> Increase year-on-year productivity savings by at least 10%. Continue to roll out CI programmes to business units outside Singapore.
<p>Our technology community actively looks into the design and development of products that are more sustainable. Our engineers incorporate green considerations not just into end products but also from the perspectives of responsible production and through-life support. Through these efforts, we are able to empower and enable our customers to become more sustainable.</p>	<ul style="list-style-type: none"> Identified key attributes for green products and services across the Group. Started training programmes for sustainable engineering. 	<ul style="list-style-type: none"> Enhance tracking of R&D investments in green products and services in our global business units. Increase Group-wide emphasis on sustainability considerations in the design and development of products and services.

SUSTAINABILITY

Environment: Environmental Protection

We recognise the threat of global warming and the importance of combating climate change. We believe in conserving resources to minimise the impact of GHG emissions, reducing pollution and waste, and conducting our operations efficiently. We contribute to a more sustainable future by developing and deploying greener products and solutions.

GHG Emissions

In 2020, the Group achieved a 33% absolute GHG emissions reduction with 2010 as the base year. This translated to a 44% reduction in GHG emissions intensity, which is on track with our current intensity target of 36% reduction by 2030 with 2010 as the base year. Our Singapore operations continued to be verified in accordance with ISO 14064-1:2006.

We decided to set our new GHG emissions target in 2021 instead of 2020 so that we can assess the impact of COVID-19 and align those efforts with our journey to adopt the relevant recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

To further reduce our indirect emissions, we continued to commission solar PV systems for our buildings, increasing the total number of roofs to 24 in 2020. Solar power accounted for 8% of our annual electricity consumption in Singapore and by employing solar power, our GHG emissions was reduced by 3,610 tonnes of Carbon Dioxide Equivalent (tCO₂e). We also contracted additional solar PV systems to cover four more roofs which will come on stream in 2021 and 2022 and increase our green power percentage to over 9.5%.

To further reduce our carbon footprint, we are progressively replacing our fleet of internal combustion engine vehicles with electric vehicles in the coming years. At the same time, we will continue to replace our ageing Air Handling Units to improve the overall energy efficiency of our cooling systems.

Water Consumption

We continued to manage our water consumption judiciously through regular monitoring of consumption patterns and the installation of water-efficient fittings in our facilities wherever feasible.

In 2020, the water consumption intensity of our Singapore operations increased by 4.4% compared to the 2015 base year, mainly due to an increase in manufacturing activities.

We have started to track our water consumption intensity in the U.S. and to explore ways to reduce it.

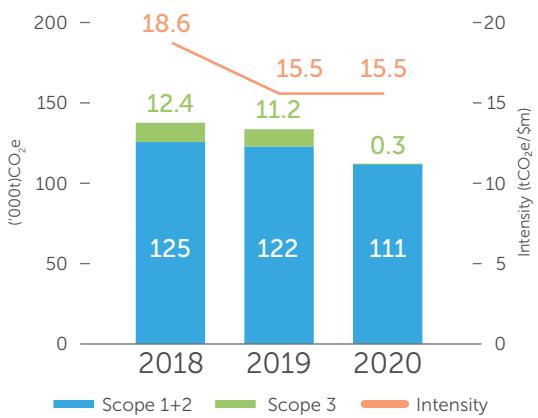
Waste Management

As part of our long-term commitment to protect the environment, we continued to manage our waste through reduce, reuse and recycle initiatives.

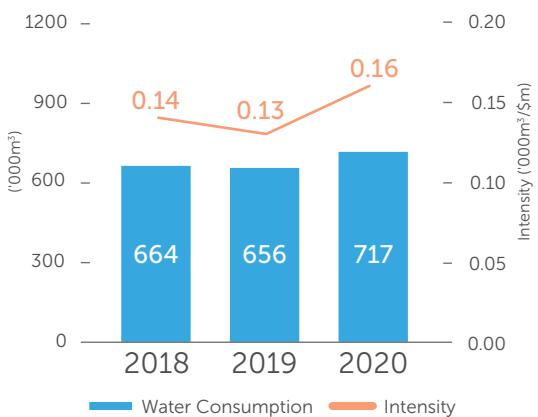
Improving our waste management system and reducing waste at source will continue to be the focus of our waste management initiatives. We have also taken steps to ensure more is done towards responsible waste management. We replaced styrofoam with environmentally friendlier alternatives such as melamine cups, encouraged staff to bring their own foodware and required vendors to adopt recyclable packaging.

In 2020, we recycled 54% of 11,700 tonnes of material and waste generated. The recyclables included waste oil, metal, wood, tyres, paper and batteries.

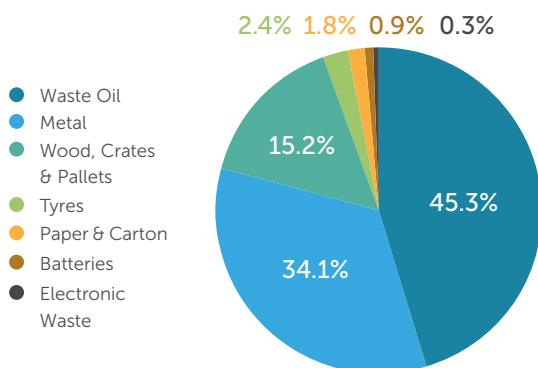
GHG Emissions and Intensity



Water Consumption and Intensity (SGP)



Waste Recycled (SGP)



Reducing Engine Test Cell Fuel Consumption

Aircraft engine testing consumes a large quantity of fuel and contributes significantly to both operating costs and our carbon footprint. Our engineers embarked on several initiatives to reduce fuel consumption for CFM56 engine testing since 2016, including adjusting the Single Run Multi-Thrust rating, optimising the trimming of the vibration fan and reducing oil use per run. These continuous improvements have reduced fuel consumption by 20%.

Notes:

1. SGP: Material Singapore operations.
2. Scope 1: Direct GHG emissions from sources owned or controlled by the Group.
3. Scope 2: Indirect GHG emissions from the generation of purchased electricity consumed.
4. Scope 3: Indirect GHG emissions from business travel by air.
5. GHG emissions intensity figures are computed based on Scope 1 and 2 emissions.
6. 2020 figures have yet to be audited.
7. GHG emissions figures are normalised using Group revenue.
8. Water intensity figures for Singapore operations are normalised using revenue from Asia, of which Singapore is a significant contributor.

SUSTAINABILITY

Environment: Productivity

At ST Engineering, we believe that a highly skilled and engaged workforce is essential for productivity improvement, especially when delivering differentiating solutions to solve real-world problems. Leveraging technology and innovation to continuously improve our processes and promoting skills upgrading are key drivers of the Group's productivity movement.

In 2020, the Group achieved realised productivity savings of \$23.7m from continuous improvement projects in Singapore. This was in addition to COVID-19 related cost savings including procurement savings. We achieved a value added per employment cost of 1.54 for our global operations. This is an improvement from 1.52 in 2019, in part due to COVID-19-related government support received during the course of the year.

We continued to enhance our systems and processes, including the introduction of a budgeting tool to enable seamless collaboration across business functions while improving data accuracy and visibility. Over the last three years, we have also progressively deployed self-service online portals for our employees to request for mid- to back-office support. These service portals are capable of

performance measurement and analytics that generate insights on areas for improvement.

We continued to embrace continuous improvement tools such as 5S, Kaizen and Root Cause Analysis to improve work processes. Key initiatives introduced in 2020 included additional e-learning modules in the areas of problem-solving tools. These modules were rolled out to all Singapore-based mid-level managers, executives and production employees.

Eight teams participated in our annual Team Excellence Convention and they showcased their accomplishments in value creation and productivity enhancements through the creative use of technology, innovation and continuous improvement tools.





Automating A320neo Nacelle Assembly

We introduced robots to our A320neo nacelle assembly lines, saving about 30 hours of assembly time per process (19% improvement over manual efforts) with 99.7% accuracy.

The use of robotics reduced worker fatigue and the on-board cameras and remote sensors increased output quality and precision. Air quality within the workplace was improved by drilling, vacuuming and capturing composite dust in one step. Manual application of sealant for wet install fasteners was eliminated.



Transforming our Manufacturing Operations

We remain committed to our goal of transforming our production activities into Smart Factories through the adoption of Industry 4.0 technologies. These included armoured vehicle manufacturing, as well as component repair and overhaul facilities. Through people-robot collaborations, increased data connectivity and more streamlined work processes, we were able to reduce production disruptions, minimise wastage, optimise equipment availability and improve production lead times. Results included an overall lead time reduction of about 10% for labour-based activities and 20% for machine-based operations.

SUSTAINABILITY

Environment: Green Products & Services

Our Smart City Solutions have been deployed in over 700 projects across more than 130 cities, making cities more connected, sustainable and liveable. We reduce road congestion, boost energy efficiency and reduce waste. Our solutions also help our customers increase productivity and contribute towards more liveable environments.

OUR SUSTAINABILITY SOLUTIONS



We enable cities, airlines and ship operators to be more sustainable. We help them with GHG reduction, eco-disposal & recycling, sustainable consumption, pollution reduction and eco-manufacturing.

We launched training courses for our engineers and product designers in the theory and application of sustainable engineering. These include in-depth coverage of various tools such as Life Cycle Analysis, and the cross-sharing of know-how and practical experiences.



Advanced Digital Technologies for Smart Cities

To enhance our efforts to deliver differentiated and people-centric smart city solutions, we are collaborating with the National University of Singapore on a \$9m, multi-year advanced digital technologies research programme covering five areas: resource optimisation and scheduling, prescriptive analytics, decision and sense-making, reasoning engine and machine learning as well as the creation of digital twins.

GHG Reduction

- Smart street lights that reduce energy consumption by up to 20%
- Smart traffic junctions and management systems that reduce congestion and fuel use
- Smart districts and buildings that optimise energy efficiency
- Airbitat family of coolers that deliver cooling with an 80% reduction in energy consumption compared with conventional coolers
- Conversion of internal combustion engine buses to hybrid electric
- Design and conversion of diesel powered ships to LNG-fuelled or LNG hybrid ships
- EcoPower wash system for aircraft engines to improve fuel efficiency

Eco-Disposal & Recycling

- Green end-of-life solutions for aircraft
- Extended product responsibility including compliance with Singapore National Environment Agency's Resource Sustainability Act 2019

Sustainable Consumption

- New lease of life for ageing passenger aircraft by converting them into freighters
- Extension of service life for military platforms

Pollution Reduction

- Compliance with regulatory requirements relating to pollution arising from the manufacturing, utilisation and maintenance of our products
- Lifecycle environmental hazard analysis and environmental impact assessments
- Selection of sustainable materials during design phase

Eco-Manufacturing

- Robotics and automation to eliminate re-work and improve quality
- 3D printing applications across multiple business domains
- Nesting software to reduce waste material

For more examples of our technology and innovations, please refer to pages 34 to 37



Meeting Increased Power Demand with Floating Power Plants

Floating Power Plant (FPP) projects meet the increased demand for power. Compared to conventional land-based solutions of similar capacity, the FPP is more cost-effective because it is highly mobile.

FPPs provide electricity supply to areas with limited infrastructure, including urban areas with rapid and significant growth in demand. As a mobile asset, it can be easily relocated, providing power to affected places in the aftermath of earthquakes or floods.

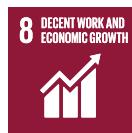
Unique to our first FPP is an innovative steam-water cycle design that significantly improves the plant's gross electrical efficiency by up to 56%, resulting in cleaner energy.

SUSTAINABILITY

Social

We have an obligation to our stakeholders to remain a vibrant and sustainable enterprise. Fair compensation, people development, safety and the health of our employees are important to us. In addition, we adhere to labour laws and regulations wherever we operate and have zero tolerance for unethical labour practices such as child labour, forced labour, slavery and human trafficking in any of our operations. We anticipate customers' requirements, deliver quality products and services, source responsibly and invest in communities where we operate.

UN SDG



Why It Is More Relevant

We provide good jobs and contribute to the economic growth of the communities we operate in.



We leverage our technology and engineering expertise to help cities and communities be more sustainable.



We stay lean and minimise the environmental impact of our operations.

ESG Factors	Why It Is Material
 Economic Performance	Inclusive growth and value creation for our stakeholders are key to our long-term viability. We are committed to delivering a sustainable and balanced triple bottom line of people, planet and profit.
 Responsible Procurement	We depend on a resilient and sustainable supply of goods and services to meet our business needs. We are committed to managing our vendors ethically and working with them to ensure a responsible supply chain.
 Quality Products & Services	Customers rely on us to meet their operational needs. Our products must be compliant with all relevant regulations, be safe to produce, operate and maintain, and must also be reliable over the product's lifecycle. Our services must also meet our customers' requirements and be delivered within the promised turnaround time.
 People Excellence	We are only as strong as our people. With a capable, motivated and agile workforce, we are able to strengthen our talent pipeline to pursue sustainable growth.
 Total Workplace Safety & Health	We are committed to "Safety Before Profit". A safe and healthy workplace protects workers from injury, stress and illness, reduces absenteeism and turnover, increases productivity and raises employee morale. This duty of care extends to our visitors and supervised sub-contractors working within our premises.
 Corporate Community Contributions	We are committed to being a good corporate citizen where we operate. Making a positive impact on our host communities is in line with our core value of compassion.

How We Manage It	What We Did In 2020	What We Will Do In 2021
Our Strategic Planning community reviews the Group's strategy in light of global trends and developments. Our operations and support function teams focus on operational excellence to ensure that we continue to add value for our stakeholders and positively impact our communities.	<ul style="list-style-type: none"> Delivered \$6.7b in economic contributions despite challenging business conditions. Continued operations as an essential service provider across our global geographies, providing work for local companies in our supply chain, and delivering to our customers 	<ul style="list-style-type: none"> Continue to deliver economic impact and provide good jobs to our communities. Refresh business strategy with sustainability as a focus and reorganise for growth.
Our procurement community champions the effective management of our vendors to align business behaviours, drive greater efficiencies, streamline processes and enable greater resiliency. We work with our vendors to embed our principles of responsible procurement.	<ul style="list-style-type: none"> Launched a Vendor Relationship online platform for strategic vendors supporting our Singapore operations. Started tracking quality, environmental, and occupational health & safety management systems of strategic vendors. 	<ul style="list-style-type: none"> 100% of strategic vendors to endorse our Vendor Code of Conduct 100% inclusion of environmental screening for all new vendors supporting Singapore operations.
Quality efforts are coordinated by the Quality Committee. All material operations in Singapore are ISO 9001 certified. We design, manufacture and support our products in accordance with industry standards and meet all regulatory requirements. We actively work with our suppliers and collaborators to ensure the quality of bought-in parts and services, and regularly seek feedback.	<ul style="list-style-type: none"> Improved customer satisfaction through the implementation of best practices among quality assurance professionals. Implemented initiatives such as e-learning modules on quality behaviours. 	<ul style="list-style-type: none"> Launch additional e-learning modules to further enhance quality and system safety. Further network and share practices across our community of quality assurance professionals globally.
Our people and culture strategy seeks to enhance our capability and capacity for growth, build a passionate and engaged workforce, and position us at the forefront of people practices. This proposition is realised through talent attraction and management, career development, diversity and inclusion, reward system, work-life integration and harmonious union relations.	<ul style="list-style-type: none"> Launched our Global Leadership Development Programme. Enhanced learning via digital delivery. Positioned our employees for the future of work through workforce transformation programmes including reskilling and upskilling initiatives. 	<ul style="list-style-type: none"> Continue to expand and deepen the global footprint of our people practices. Strengthen our learning and development framework to accelerate workforce digitalisation and deepen our engineering and technology capabilities.
Workplace safety and health efforts are coordinated by the Total Workplace Safety & Health Committee. All material business units in Singapore are certified to OHSAS 18001 Occupational Health and Safety Management Standards. Our global operations abide by relevant workplace safety regulations and requirements.	<ul style="list-style-type: none"> Introduced a safety e-learning module during employee induction to enhance safety culture. Reviewed work capacity and options for a more effective Return-to-Work journey for relevant employees. 	<ul style="list-style-type: none"> Review and align our safety performance indicators with best practices. Continue to focus on staff wellness and ensure compliance with relevant statutory and regulatory requirements.
Corporate community contributions are coordinated by the Corporate Social Responsibility Committee. We reference the LBG framework to help us effectively measure, report and communicate our corporate community investments and philanthropy efforts.	<ul style="list-style-type: none"> Supported our communities to cope with COVID-19. Continued to promote volunteerism and build a "doing good, while doing well" culture. 	<ul style="list-style-type: none"> Continue to promote volunteerism. Leverage engineering capabilities and technological expertise to support our communities.

SUSTAINABILITY

Social: Economic Performance

ST Engineering remains committed to creating sustainable and inclusive growth for our stakeholders, especially during these challenging times. We take a long-term view towards value creation through the delivery of a balanced triple bottom line of people, planet, and profit.



Economic performance is material to our sustainability goals. We create good jobs, provide opportunities for local small and medium-sized enterprises (SMEs), collaborate with local institutions and bring together the business communities in the markets that we operate in.

We managed to maintain an even keel amid the challenges posed by COVID-19. Our order book remained robust and increased to \$15.4b in financial year 2020 despite COVID-19 challenges and cancellations. We also adapted and deployed our engineering solutions to help customers with their pandemic response. We continued to invest in our people, build new capabilities through partnerships and strengthen our contributions in the communities where we operate.

Economic contributions by the Group in 2020 was \$6.7b through supplier contracts, staff wages, dividend and interest payouts and tax revenue. Further details can be found in the Performance Review and Financial Report sections of this Annual Report.

Group Economic Contribution	\$m
Bought-in material and services	4,180
Employee wages, salaries and benefits	1,941
Dividends and interest paid	518
Govt taxes and levies	30
Total	6,669

Contributing to Singapore's Economic Growth

Our Singapore operations continued to generate employment and contributed to economic growth through close to \$3b worth of purchases in Singapore, including more than \$300m from local SMEs.

Social: Responsible Procurement

We are committed to procuring ethically and responsibly to ensure a sustainable supply of goods and services to meet our business needs. We recognise the importance of our suppliers for timely delivery of quality products and services, and we actively manage our relationships with these suppliers.

In 2020, we further refined our Responsible Procurement Framework and its three pillars: Vendor Conduct, Vendor Management and Vendor Relationship.

Vendor Conduct, aligned to our sustainability agenda, defines our principles and policies and lays down the basic behaviours and practices in a Vendor Code of Conduct (Vendor Code). All new and strategic suppliers are required to acknowledge their responsibilities outlined in the Vendor Code. It was strengthened to emphasise our material ESG factors and give additional guidance on our expectations.

Vendor Management streamlines the systems and processes we employ to screen, onboard and assess the performance of our vendors, giving them a consistent experience working with the businesses across the Group.

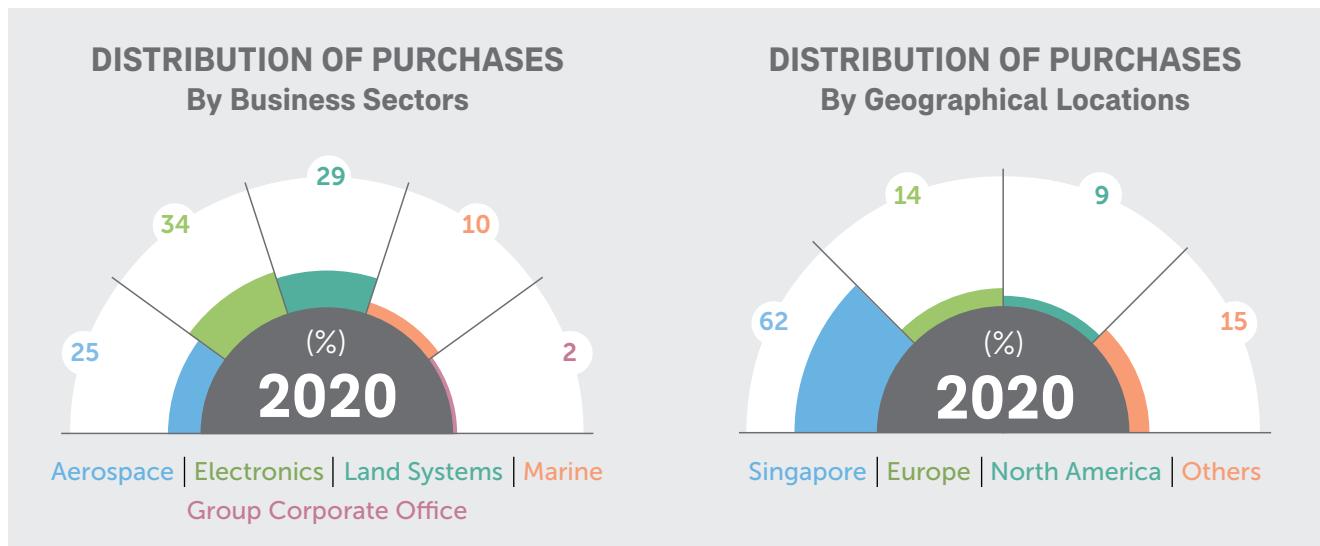
In 2020, we screened 100% of our new vendors based on our revised screening criteria under our Vendor Code. We enhanced our new vendor onboarding

process using a digital platform which resulted in an improved cycle time and better document management. In addition, we carried out a performance assessment on 18 of our panel vendors based on our annual spend and their impact on our operations.

Separately, we segmented our vendors based on profit impact and supplier risks into four categories: strategic, leverage, bottleneck and non-critical. We carried out a Vendor Sustainability Survey with 150 strategic vendors who accounted for 76% of the total procurement expenditure from our Singapore operations. The purpose of the survey was to collect information to form a baseline understanding of the ESG practices of our strategic vendors.

We also helped 22 vendors in their digitisation journey, enabling them to go green, cut costs, and improve their own productivity while delivering us more productivity benefits. We will continue this effort as we grow our business together with our local partners.

Purchases by Singapore Operations



SUSTAINABILITY

Social: Quality Products & Services

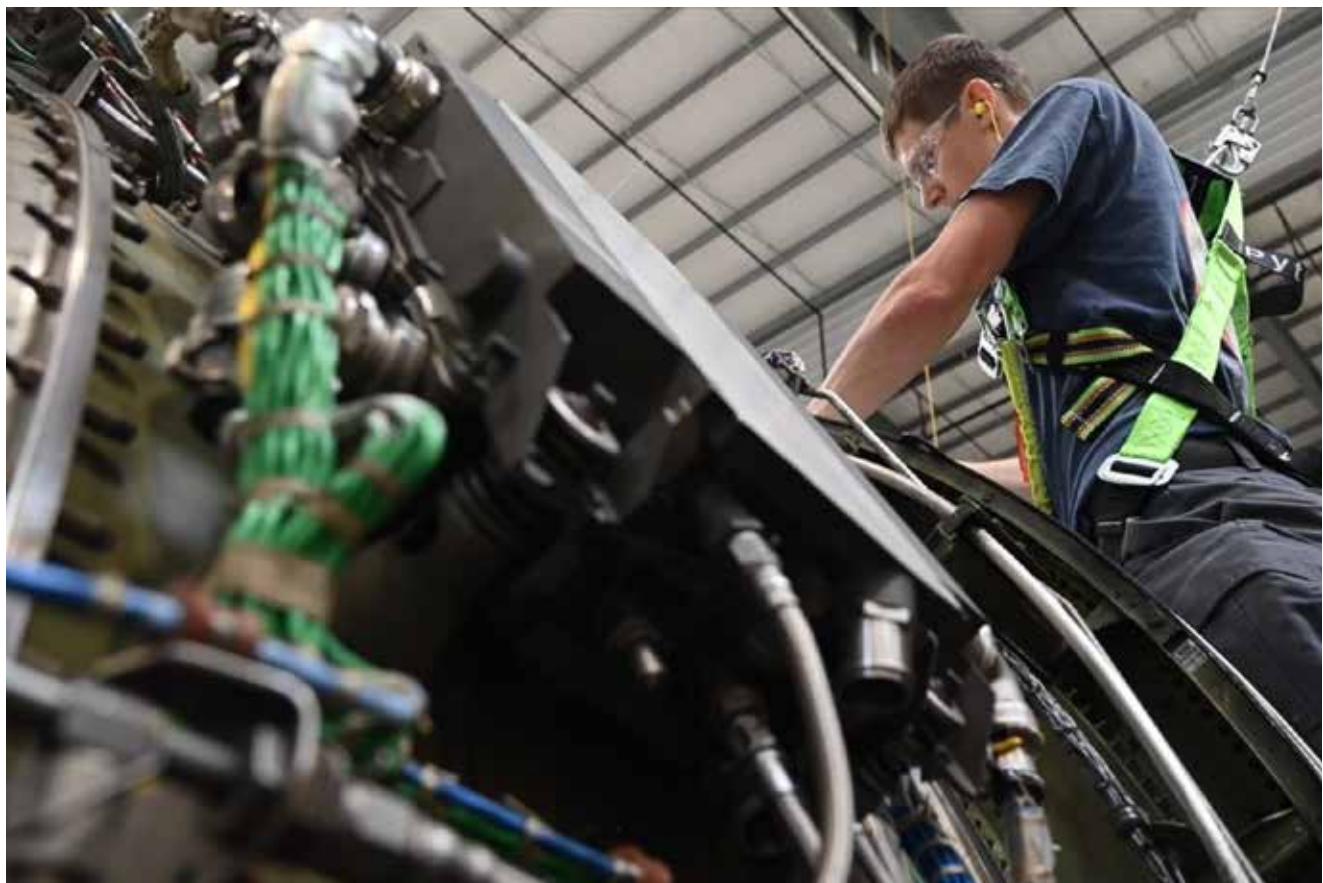
We are committed to timely delivery, responsive support and high standards in safety and quality to our customers. We meet regulatory standards and satisfy our customers' requirements. The majority of our Singapore operations are ISO 9001 certified and all operations abide by the requirements of their industry regulatory bodies. Ensuring consistently high quality products and services is a pivotal part of our work.

In 2020, the Quality Committee continued to harmonise and improve our framework to ensure that we meet our customers' expectations and adhere to applicable regulations and international standards.

We developed and launched various e-learning modules to promote the right behaviours in our quality assurance professionals. In the area of product safety, we continued to support system safety developments and promoted sharing across various initiatives and projects. This included developing Singapore

standards for autonomous vehicles and conducting safety courses for all technical employees on system safety principles. In 2020, over 300 employees in engineering and technical roles were trained in system safety.

We convened the second ST Engineering Quality Seminar virtually, focusing on customer value creation and system safety involving over 200 participants from engineering and technical roles.





Ensuring the Safety of Autonomous Systems

As we develop more autonomous products and systems, we added new analytical tools to enhance our system safety practices. This included the identification of operational scenarios and potential hazards to ensure there will not be unsafe controls or actions during operations. At the same time, we carried out simulations and scenario-based tests to validate our design before carrying out actual critical tests.

We also referred to local and international standards for autonomous systems to ensure that we adhere to all current standards and requirements of regulatory bodies including that of the Civil Aviation Authority of Singapore and Singapore's Land Transport Authority.

We have successfully conducted several autonomous systems demonstrations and public trials. We will continue to learn and apply industry best practices and techniques to ensure the safety of our products and solutions.



Improving Construction Quality

In 2020, we started construction on the Once Through Steam Generation (OTSG) system on our first Floating Power Plant. To ensure quality and optimise resources needed to build the OTSG system, our marine hull team carried out a Kaizen project to improve the cutting templates to enhance accuracy. Custom-designed jigs facilitated welding and prevented distortion, and optimised the erection sequence to minimise risks related to working from heights.

The project improved hull structure construction time by 20 manhours per tonne and raised hull fitting productivity by 30%. It also resulted in higher quality production due to greater dimensional accuracy, while enhancing workplace safety by minimising exposure to work-at-height risks.

SUSTAINABILITY

Social: People Excellence

People remain the cornerstone of our business. We remain committed to investing in people development to grow the capabilities of our workforce. Despite the disruptions brought about by COVID-19, we continue to forge ahead with our people strategy across three core areas.

1. Enhancing Capability and Capacity for Growth

We are building a future-ready workforce, one that is equipped with new economy skills and empowered for success.

Through our collaborations with local educational institutions and approved Continuing Education and Training centres, we trained over 3,000 engineers and technicians in new economy skill areas such as robotics, automation and design thinking. In addition, through the Company Training Committees, which were established

in partnership with trade unions, more than 5,000 employees were given opportunities to upskill or reskill. This keeps their skill sets updated and improves their employability in the long run.

We also offered personalised, bite-sized and on-demand learning opportunities to employees. In keeping with our lifelong learning culture, our employees' digital learning experience now extend to a wide repertoire of topics including leadership, communications and presentation, data science, digital marketing and agile project management.



"I was a Quality Engineer, then a Procurement Manager before I came to Xiamen, China to oversee the Engineering, Facility, Information Technology and Import/Export functions. Through these job rotations, I gained a broader view and better understanding of the aerospace MRO industry and how our Group extracts synergies across business units to serve our customers better. There has never been a boring day at work throughout my 13-year career with the Group!"

Zac Xiao

Engineering and Continuous Improvement Director, Aerospace
Based in China

"The Professional Conversion Programme course I took in 2018 expanded my knowledge of industrial robots and applications. I can now better appreciate how different emerging Industry 4.0 technologies can shorten manufacturing processes and eliminate steps that are prone to human error. I truly enjoy my day at work and it brings me great job satisfaction to be in a position to introduce innovative ways to enhance processes for productivity and efficiency improvements."

Ho Yu Lin
Engineer, Land Systems
Based in Singapore





"My company joined the ST Engineering family in 2019. I was able to pick up new skills and on-the-job knowledge as well as from my colleagues and industry experts, who are always willing to share their experiences and know-how. I believe that a continuous learning mindset is important and the Group has provided plenty of learning opportunities for me to stay relevant in this fast-changing world. We must indeed never stop learning!"

Maxim Baele
System Architect, Electronics
Based in Belgium

Structured rotations, overseas postings and accelerated development and succession planning are also important facets of our talent management strategy. We partnered the Singapore Economic Development Board on our Global Leaders Development Programme where employees identified for the programme were sent for international postings to gain global exposure. In addition

to our talent outreach programmes, we participated in Singapore's SG United Traineeships Programme and hired 157 fresh graduates as trainees in 2020. We also welcomed 55 undergraduate interns under a newly-designed structured internship programme which allowed them to gain working experience through different postings across the Group.

"I entered my line of work through an apprenticeship programme back in 1983. It turned out to be one of the best decisions I made. That is why I joined the Halter Marine apprenticeship programme as a mentor to pay it forward. I want to help younger generations pick up new skills and help groom future leaders for the industry. My mantra at work has always been to work hard and push yourself to become better at your craft every day. The sky's the limit!"

Kevin Amis
Executive Vice President, Operations, Marine
*Based in the U.S.
(middle)*



SUSTAINABILITY

Social: People Excellence

2. Strengthening a Passionate and Engaged Workforce

In view of the COVID-19 pandemic, we took extra effort to engage our employees through virtual webinars and a mental wellness experiential workshop.

To inspire the next generation of female leaders, our Women@ST Engineering Committee celebrates achievements by our female employees and encourages sharing of work experiences through interactive webinars, social media channels and our corporate website.

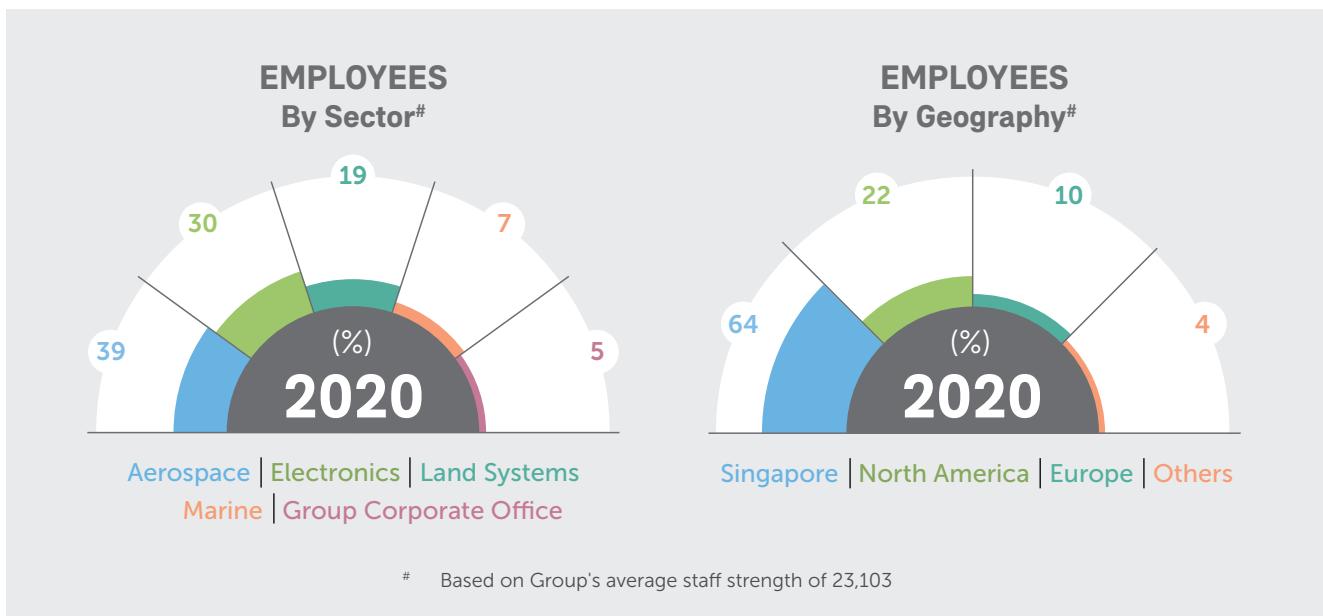


3. Being at the Forefront of People Practices

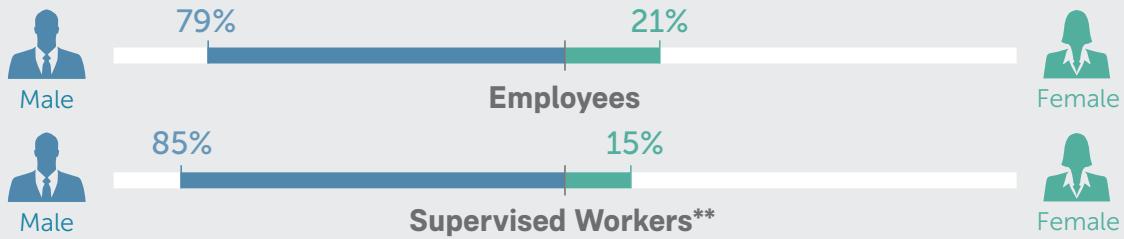
In 2020, we established policies and procedures to facilitate telecommuting, split teams and staggered work hours. We also shared guidelines and tips to support our workforce as they adjust to new work arrangements.

We participated in the inaugural MentorConnect Singapore programme, a cross-company mentorship programme dedicated to diversity and inclusion at the workplace. Stephanie Hung, Chairwoman of the Women@ST Engineering Committee, guided 12 female mentees on their professional development and exchanged experiences leading diverse and high performing teams in vibrant fields.

During the year, we rolled out additional modules in our human resource management system including a recruitment and onboarding module to enhance the experience of hiring managers and candidates, as well as a new learning management system for employees' learning and development needs.



WORKFORCE PROFILE*



AVERAGE TRAINING PER EMPLOYEE*

16.3 hrs



TURNOVER RATE*

11.4%



* Based on the Group's Singapore and North America average staff strength

** Supervised workers refer to short-term contract workers hired through local contractors who work in the Group's facilities and are supervised by ST Engineering



16%

of male employees
are people managers



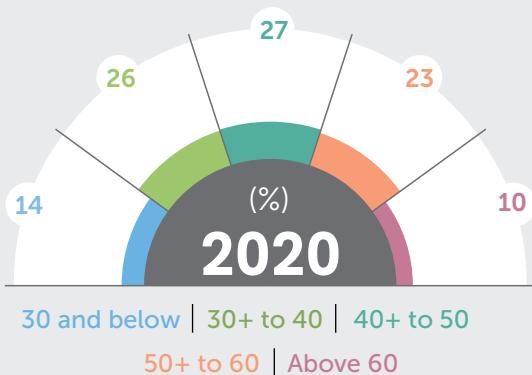
14%

of female employees
are people managers

EMPLOYEES By Qualification[#]



EMPLOYEES By Age[#]



Based on Group's average staff strength of 23,103

SUSTAINABILITY

Social: Total Workplace Safety & Health

We are committed to "Safety Before Profit". Promoting a healthy lifestyle and preventing occupational injuries and illnesses are integral parts of our everyday work.

Our Total Workplace Safety and Health (TWSH) Committee continues to roll out workplace safety and health initiatives while promoting physical, emotional and social health for a thriving workforce. The Committee meets every quarter to monitor safety performance, and to review and update TWSH strategies.

As part of its 2020 workplan, the Committee launched an e-learning module to induct new employees and refresh the knowledge of existing staff in the areas of environment, health and safety. Another e-initiative was an online statutory compliance monitoring application to facilitate the tracking of licences, permits and certifications of the Group. The Committee also held

the second ST Engineering Safety Seminar, which was attended by over 300 managers virtually. The seminar featured addresses by Group President & CEO and Chairman of the TWSH Committee, as well as other speakers focusing on topics of behavioural-based safety, mitigation of common hazards and return-to-work initiatives.

We also strengthened our Return to Work Programme as we continue to help our employees regain their ability to work and continue to be productive at the workplace. All our safety officers are trained to identify when they need to activate this programme to improve the chances of bringing workers back to work.

Safety Performance

This year, the safety performance of the Group improved compared to previous years. There were no major or fatal incidents as a result of increased efforts in workplace safety briefings and inspections, as well as telecommunicating arrangements.

This Group-wide Accident Frequency Rate (AFR) and Accident Severity Rate (ASR) in 2020 were 0.8 and 17.2 respectively. The AFR of our Singapore operations decreased from 0.5 to 0.4 and the corresponding ASR decreased from 11.6 to 8.9, which was the best showing in five years.

Causes of Accidents

In 2020, falling from heights and being struck by objects were the most frequent causes of injuries, accounting for 22% each. We continue to promulgate the importance of safe work procedures to our employees via awareness briefings, site inspections and other safety initiatives, to constantly remind employees to take care of their safety and that of their co-workers.



Occupational Health Performance

We continually track and monitor the occupational health and well-being of our employees who are exposed to noisy and hazardous work environments. Our activities include blood tests, audiometric examinations, respiratory fit tests and protection training. In 2020, there were no new cases of noise induced deafness and no occurrences of occupational diseases.

OCCUPATIONAL HEALTH PERFORMANCE INDICATORS**

**70**

Workplace Safety & Health activities organised

**100%**

At-risk staff attended respiratory protection training

**0**

New occupational diseases cases (excluding noise induced deafness cases)

**0**

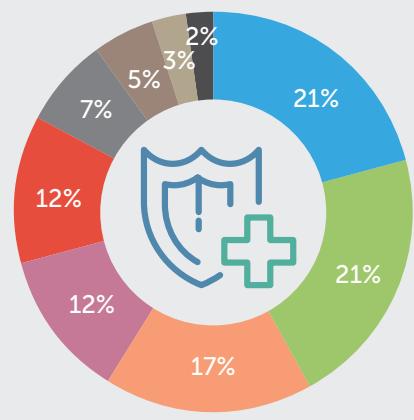
New advanced noise-induced deafness cases

**100%**

At-risk staff attended audiometric examination

** Refers to Singapore operations only

BREAKDOWN OF SAFETY INCIDENTS*



Falls from Height | Struck by Objects
 Cuts/Stabbed by Objects
 Caught in Between | Slips, Trips and Falls
 Machinery in Motion | Burns
 Contact with Chemicals | Fractures

* Includes Singapore and material global operations

ACCIDENT FREQUENCY RATE



ACCIDENT SEVERITY RATE



* Includes Singapore and material global operations

SUSTAINABILITY

Social: Corporate Community Contribution

We believe in being a responsible corporate citizen, contributing efforts in building an inclusive and resilient society. We have been managing, measuring and benchmarking our corporate community investments in reference to the LBG framework, and will continue to do so to make strategic progress in community programmes.

In 2020, the onset of COVID-19 led to restrictions on physical interactions, as governments attempted to contain increasing infections in the communities we operate in. This put our plans for in-person community outreach to a halt, but we continued to contribute in other ways where possible throughout the year.

Community Contributions*

\$1.8m

Of Unleveraged**
Community Contributions

\$1.0m

Of Leveraged**
Community Contributions

* Contributions from Singapore and U.S.; the LBG framework was referenced to measure community contributions and issues addressed.

** Unleveraged contributions are from the company while leveraged contributions are those from our employees as a result of the company's encouragement or support.

Contributed

\$150,000

to President's Challenge
in 2020

Raised

\$1,000,000

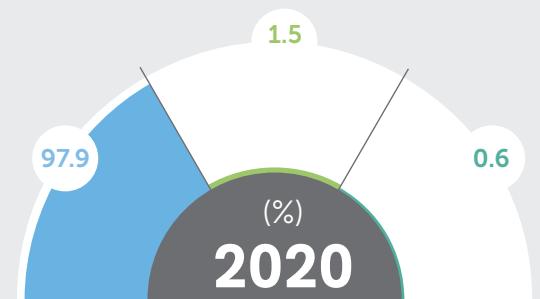
for IMDA
Digital Access Programme

Contributed

>\$670,000

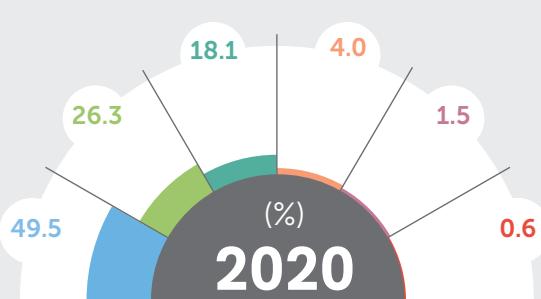
to Community Chest
SHARE Programme

CONTRIBUTIONS BY TYPE***



Cash | Management's Time | Employees' Time

CONTRIBUTIONS BY ISSUES ADDRESSED***



Social Causes | Education | Health
Economic Development | Others | Art & Culture

*** Refers to unleveraged contributions only.

Improving Lives Through Charitable Gifts

We inculcate a giving culture by encouraging employees to participate actively in fundraising activities and community contributions.



Project BYOBclean

More than 200 employees volunteered for Temasek Foundation's Stay Prepared initiative to distribute hand sanitisers to more than 4,000 members of the public in April.



Pledging our support

In 2020, we contributed \$150,000 to the President's Challenge and raised \$1m for IMDA Digital Access Programme to help vulnerable elderly and low-income families in Singapore gain access to digital devices and broadband services. We also helped provide senior citizens with basic functional screening of vision, oral and dental health at subsidised rates through Project Silver Screen in Singapore.

In 2020, the Group collectively contributed over \$670,000 to the Community Chest SHARE programme. For our efforts, the Group received the Charity Platinum Award and Community Spirit Platinum Award at the Community Chest Awards 2020.



Giving In Times Of Need

In key cities where we have a presence, we donated face masks and hand sanitisers to help those in need when there was an acute shortage of such supplies. Our colleagues in Pascagoula, Mississippi, in the U.S., donated US\$5,000 to Our Daily Bread, a charity that feeds hundreds of residents and over 900 toys, books and bicycles in support of the county sheriff department's Santa Wears a Badge programme. Our colleagues in Singapore partnered charity organisations to deliver meals and groceries to 250 households in need, including the elderly, persons with disabilities and financially distressed individuals in the month of June.

SUSTAINABILITY

Social: Corporate Community Contribution

Enriching Lives Through Education

Education is the most compelling way to create positive and sustainable change for a better future. We work with partners and collaborators to provide opportunities so that lives can be enriched and uplifted.

1,118
technology and
engineering
internship positions
offered in 2020

\$1 million
pledged to NTUC
Education and Training
Fund over four years

A partner of Assumption
Pathway School for

8
consecutive years



STEM Education (U.S.)

In addition to the Pensacola Mayor's Scholarship set up in 2019, the Group launched an apprenticeship programme in 2020 with Mississippi Gulf Coast Community College to train individuals for the maritime industry. The programme offers training for 50 apprentices in welding, ship fitting, pipe fitting, pipe welding and electrical works.



Adult Education

We continued to support the NTUC Education and Training Fund to uplift working Singaporeans through training and education by providing subsidies for skills upgrading and re-skilling. We contributed \$250,000 in 2020, which is part of \$1m committed over four years from 2018.

Touching Lives Through Engineering

As a technology, defence and engineering group, we have the expertise to deliver solutions to enhance living for communities at large as well as those with special needs. In 2020, we provided solutions to support pandemic-related needs, while continuing to contribute to the communities we operate in.



SUSTAINABILITY

Governance

ST Engineering is committed to conducting our business in a responsible manner. We do not design, produce or sell anti-personnel mines, cluster munitions, white phosphorus munitions and their related key components.

UN SDG



Why It Is More Relevant

We have a strong heritage in public security and have zero tolerance for unethical behaviour.

ESG Factors	Why It Is Material	How We Manage It
	<p>We are subject to applicable laws and regulations of various jurisdictions and industries. We comply with these laws and regulations to maintain our licences to operate and as part of good corporate governance. We have zero tolerance for fraud and corrupt practices and actively protect our data and those entrusted to us by our stakeholders.</p>	<p>The Risk & Assurance function oversees matters relating to governance, risk and compliance. It has in place a regulatory compliance framework, to continually train our global workforce on our Code of Business Conduct and Ethics, and work with relevant functions and operations to strengthen compliance.</p>
Ethical Business & Regulatory Compliance	What We Did In 2020	What We Will Do In 2021
	<ul style="list-style-type: none"> Enhanced the Code of Business Conduct and Ethics and Compliance e-learning process. Reviewed our enterprise risk management process. Strengthened our overall cybersecurity posture. 	<ul style="list-style-type: none"> Expand our Code of Business Conduct and Ethics and training programme to cover additional regulatory compliance topics. Engage stakeholders to strengthen the enterprise risk management process.

Governance: Ethical Business & Regulatory Compliance

We have zero tolerance for fraud and corrupt practices, and our Code of Business Conduct and Ethics (Code) forms the backbone of our commitment to ethical business conduct and regulatory compliance. We continue to focus on meeting all relevant regulatory and customers' requirements wherever we operate, including those relating to cybersecurity, data governance and protection and business continuity.

In support of our Code and good corporate governance practices, we have established risk management and compliance policies and processes applicable Group-wide, including managing conflicts of interest, gifts and hospitality, and the appointment of intermediaries.

Our **conflict of interest policy** provides guidance on the different types of conflicts, ranging from financial interest to employee relationships. All relevant employees are required to submit an annual declaration of conflict of interest. All declarations are subject to review by management and employees are to comply with the recommended actions to address such conflicts.

The Group has in place a **gift and hospitality policy**, setting out clear guidelines and principles on the giving and receipt of bona fide gift and hospitality items. This includes charitable donations and sponsorships, where the recipients are subject to appropriate due diligence before approval by senior management.

The **appointment and re-engagement of intermediaries** (including agents) is governed by a formal policy and procedures that entail a risk-based and thorough due diligence review process supported by independent, established service providers. The due diligence process includes onboarding and ongoing screening against sanctions lists and negative media, mandatory anti-bribery and corruption training, compliance with our anti-bribery and corruption policy and clauses as part of the terms and conditions of the agreement. In addition, intermediaries are subject to due diligence checks by established, independent third-party service providers prior to and post appointment.

To reinforce our commitment to ethical business conduct and compliance with laws and regulations, we provide mandatory training on our Code and **Anti-Bribery and Corruption** (ABC) topics annually to relevant employees including all managers and those in high risk positions that frequently interact with business partners. We continuously assess our evolving employee pool and expect further adjustments in the number of relevant employees to be trained in 2021 given the reorganisation.

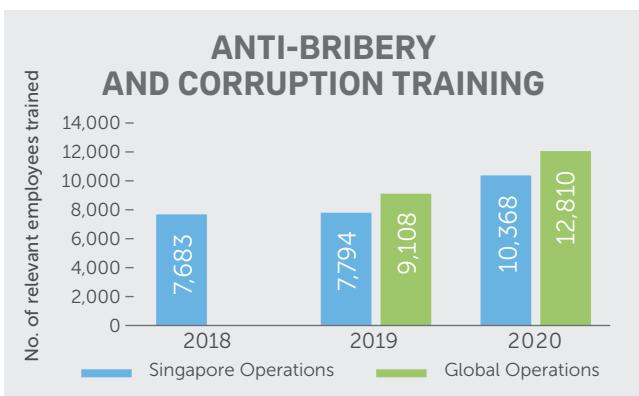
The training programme is conducted electronically. In 2020, we trained 98% of relevant employees, with training of the remaining 2% to be completed in 2021 upon completion of e-training module roll out.

We also communicate our ABC policies and procedures to business partners, including new vendors and intermediaries. This year, we enhanced our e-learning, enrollment and reminders are now automated, and an overview of employees' learning histories are now provided. We also rolled out an e-learning module on Personal Data Protection Act to drive greater awareness.

During the year, we engaged a consultant to review our enterprise risk management framework and the risk reporting process. This is to ensure that our risk management framework and internal control systems remain robust and aligned to current industry best practices.

Our **whistleblowing policy** facilitates the in-confidence disclosures of possible impropriety or non-compliance. All stakeholders can report incidents through various reporting channels that are independently managed. These reporting channels can be accessed through our website at www.stengg.com.

More information regarding our enterprise risk management framework and governance approach can be found in the Corporate Governance Report on pages 104 to 125.



CORPORATE GOVERNANCE

Good corporate governance is the foundation for long-term value creation of the Group. This Report sets out ST Engineering's corporate governance processes, practices and activities in 2020 with specific reference to the guidelines of the Singapore Code of Corporate Governance 2018 (the Code). The Board is pleased to report that the Company has complied in all material aspects with the principles, provisions and recommendations set out in the Code.

BOARD MATTERS

The Board's Conduct of its Affairs (Principle 1)

The Board is accountable to shareholders for overseeing the effective management of the Company. To this end, the Board relies on the integrity, commitment, skills and due diligence of its management, its external advisors and auditors.

In addition to its statutory responsibilities, the Board reserves the following key matters for its decision:

- setting the Group's strategic objectives and ensuring that decisions made are consistent with these objectives;
- approval of annual budgets, major funding proposals, investment and divestment proposals in accordance with the approved delegation of authority framework;
- appointment of the Group President & Chief Executive Officer (Group President & CEO), Board succession and appointments on Board committees;
- appointment of key management executives and succession planning as an ongoing process;
- review of the risk management framework and sustainability performance; and
- approval of the unaudited quarterly and audited full-year results prior to their release.

In the discharge of its functions, the Board is supported by six Board Committees to which it delegates specific areas of responsibilities for reviewing and decision making.

The Group President & CEO, Vincent Chong, is accountable to the Board. He is supported by the Management Committee* which consists of Group Chief Financial Officer (Group CFO), Group Chief Operating Officer and Presidents of the four business sectors.

Director Induction, Training/Development

For the onboarding of a Board member, a formal letter is sent to a Director upon his/her appointment setting out his/her statutory obligations, duties and responsibilities as a Director. He/She is also given key information of the Group and the Company, as well as the terms of reference for the respective Board Committees. An induction programme is organised for a new Director on the strategic direction, sustainability efforts and performance of the Group as well as his/her duties and obligations under the statutory compliance and corporate governance framework. Facility visits are also arranged for new Directors to enable them to develop a good understanding of the Group's business, operations and the respective key management.

The Board is routinely updated on the relevant laws, SGX continuing listing obligations and accounting standards requiring compliance, and their implications to the Group, so as to enable each Director to properly discharge his/her duties as a Board member and Board Committee member.

* Group Executive Committee (EXCO) replaces Management Committee with effect 1 January 2021. Refer to EXCO profiles on pages 24 and 25.

Depending on their skill sets and background, Directors are sponsored to attend relevant courses, conferences and seminars to better equip them with the appropriate skills and knowledge to fulfil their governance role and to comply with Directors' obligations. Where there are statutory and regulatory changes that affect the obligations of Directors, the Company will update the Board and, where the changes are substantive, organise briefings by external legal counsel.

Board Meetings

The Board convenes scheduled meetings on a quarterly basis to review the business performance and key activities of the Group and to deliberate significant business proposals. Board members participate actively in Board discussions, and decisions are taken objectively in the interests of the Company. Where warranted by particular circumstances, ad-hoc/special Board meetings may be convened to consider corporate actions requiring the Board's guidance or approval.

To facilitate the Board and Board Committees' decision-making process, the Company's Constitution provides for Directors to participate in virtual meetings. If a Director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials to be tabled for discussion at that meeting, and where required, separate briefing sessions are arranged. Directors are also equipped with electronic tablets that allow secured access to Board and Board Committee meetings materials. Decisions of the Board and Board Committees may also be obtained via circulation. At the end of every Board meeting, the Chairman allocates time for its non-executive Directors to meet without the presence of management.

Information furnished to the Board is an ongoing process, which includes monthly consolidated management reports on the financial performance of the Group and the businesses. On a quarterly basis, the management reports would also include key business highlights and capital expenditure of the Group and the businesses to keep the Board apprised of business investments and performance updates.

The Board also has unrestricted access to the Senior Management, the Company Secretary, internal and

external auditors, risk management and sustainability teams. The Board may also seek independent professional advice, if necessary, to enable them to discharge their duties effectively. All engagements of external advisers are at the Company's expense.

The Board and Board Committee meetings are scheduled well in advance. The Board and Board Committee members are provided with complete, adequate, relevant and timely information by Management on matters to be discussed or considered at meetings.

The Board has, at all times, exercised independent judgment to make decisions, using its collective wisdom and experience to act in the best interests of the Company. Any Director who has an interest that may conflict with a subject under discussion by the Board, declares his/her interest and either recuses himself/herself from the information and discussion of the subject matter or abstains from decision-making.



**Board met
5 times
in 2020**

In February 2020, the Board deliberated, and taking into account the business cycle of the Group, decided for the Company to adopt half yearly reporting with immediate effect and for the Company to provide operational updates in the first and third quarters to the market and analysts alike. The Board also decided that Board and Audit Committee meetings would continue to be held quarterly.

During the year, the Board met to consider, among other things, the approval and release of the FY2019 and 2Q2020/1H2020 results, including the review of the 1Q2020 and 3Q2020 Market Updates.

CORPORATE GOVERNANCE

Details and attendance at Board and Board Committee meetings in 2020 are tabulated below.

Board Members' Details			Meeting Attendance Report*									
Names	Independent (I)/ Non-Independent (NI)	Executive (E)/ Non-Executive (NE)	Chair of the Board/Board Committee									
			Member of the Board/Board Committee									
			Co-opted Member of Board Committee									
			Board									
			AC	ERCC	NC	RD&T	RSC	SFC	AGM			
			Number of meeting held in FY2020									
			5	5	4	2	2	5	7	1		
Kwa Chong Seng ¹	I	NE	5/5		4/4	2/2			7/7	1/1		
Vincent Chong Sy Feng	NI	E	5/5			2/2	5/5	7/7	1/1			
Dr Beh Swan Gin ²	I	NE	2/2									
Leong Weng Keong Joseph	NI	NE	5/5							1/1		
Lim Ah Doo	I	NE	5/5	5/5					6/6	1/1		
Lim Chin Hu ³	I	NE	5/5		4/4	2/2	2/2	2/2	2/2	1/1		
Lim Sim Seng	I	NE	5/5		4/4	2/2			3/3	1/1		
Ng Bee Bee (May) ⁴	I	NE	3/3		2/2							
LG Ong Su Kiat Melvyn	NI	NE	5/5					5/5				
Quek Gim Pew	NI	NE	5/5			2/2	5/5			1/1		
Quek See Tiat	I	NE	5/5	5/5				5/5		1/1		
Song Su-Min	I	NE	5/5	5/5				5/5		1/1		
COL Xu Youfeng ⁵	NI	NE	5/5							1/1		

AC-Audit Committee, ERCC-Executive Resource and Compensation Committee, NC-Nominating Committee, RD&T-Research, Development and Technology Committee, RSC-Risk and Sustainability Committee, SFC-Strategy & Finance Committee, AGM-Annual General Meeting

*Refer to meetings held/attended by each Director.

1 Resigned as Chairman of NC but remains as member on 1 June 2020.

2 Retired as Director at AGM and ceased as member of SFC on 15 May 2020.

3 Appointed as Chairman of NC on 1 June 2020, member of SFC on 15 May 2020 and co-opted member of RSC for the period 5 August 2020 to 5 November 2020.

4 Appointed as Director and member of NC on 1 June 2020.

5 Alternate to LG Ong Su Kiat Melvyn.

Role of Company Secretary

The Company Secretary attends all Board meetings and ensures that board procedures are followed, as well as prepares minutes of Board proceedings. The Company Secretary facilitates communication between the Board, its Committees and management, and advises the Board on governance matters including their timely disclosure obligations. The Company Secretary also assists with the induction of new Directors and the co-ordination of training for Board members to keep the Board up-to-date on corporate governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole to decide.

Board Composition and Guidance (Principle 2)

Board Composition and Diversity

The Board comprises 11 Directors and an Alternate Director. COL Xu Youfeng is Alternate Director to LG Ong Su Kiat Melvyn. LG Ong, in his position as Chief of Defence Force, may be called away on duty at times and may not be able to attend all Board meetings. COL Xu is fully apprised of all Board matters, receives notices to attend Board meetings and Board papers, as well as Board resolutions by circulation. As Alternate Director, he is in a position to act on behalf of LG Ong in the latter's absence.



7	INDEPENDENT & NON-EXECUTIVE DIRECTORS
3	NON-INDEPENDENT & NON-EXECUTIVE DIRECTOR
1	EXECUTIVE DIRECTOR/ GROUP PRESIDENT & CEO

The Board adopted a Board Diversity Policy in 2019. The Board, through the Nominating Committee (NC), reviews the size and composition of the Board taking into consideration the age, skill sets, knowledge, experience, background, gender, independence of Directors and other relevant factors. The Board also recognises that diversity is not limited merely to gender or any personal attributes and believes that having experienced directors with an independent mindset is important for the Board to be effective. The current Board is sized to take into account the global scale

of the Group's businesses and its role in supporting Singapore's defence technology eco system. The Board will continue to review its composition and size to facilitate effective decision-making.



During the year, the Board welcomed the following new Director:

Ng Bee Bee (May) was appointed as an independent and non-executive Director and member of the NC on 1 June 2020. She is the CEO and Executive Director of Pan-United Corporation Ltd.

The Board consists of members with established track record in defence, business, finance, banking, technology, legal and management. Each non-executive Director brings to the Board an independent perspective based on his/her training and professional expertise to enable the Board to make balanced and well-considered decisions.

Board Independence

The Board has seven independent Directors who represent more than 60% of the Board and 10 non-executive Directors who represent more than 90% of the Board. The Code requires non-executive directors to make up a majority of the Board. The independence of each Director is determined upon appointment and reviewed annually by the NC.

The NC has reviewed and affirmed that the independent Directors are Kwa Chong Seng, Lim Ah Doo, Lim Chin Hu, Lim Sim Seng, Ng Bee Bee (May), Quek See Tiat and Song Su-Min.

Kwa Chong Seng, Lim Ah Doo, Lim Chin Hu, Quek See Tiat and Song Su-Min declared that each of them does not have any relationships with the substantial shareholder, no management relationship and no business relationship with the Company and its group of companies.

CORPORATE GOVERNANCE

Lim Sim Seng is an executive officer with DBS Bank which ST Engineering group companies has a banking relationship with. The NC determined that the transactions with DBS Bank were at arm's length commercial basis. Mr Lim recused himself from discussions on DBS Bank's dealings with ST Engineering group companies. These dealings would not affect Mr Lim's independence.

Sister of Ng Bee Bee (May) is an Executive Director (Corporate Banking) in United Overseas Bank (UOB) Singapore, but she is not overseeing the banking relationship of ST Engineering group companies with UOB. The NC determined that her sister's position in UOB would not have any conflict or affect Ms Ng's independence.

The Board agrees with the NC's assessment.

Quek Gim Pew, Joseph Leong Weng Keong and LG Ong Su Kiat Melvyn are considered as non executive non independent Directors as they are public sector nominee Directors.

Chairman's Independence

Kwa Chong Seng joined the Board on 1 September 2012. He was appointed Chairman on 25 April 2013. Mr Kwa is the retired Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd. The NC has reviewed and affirmed that he is an independent Director.

Kwa Chong Seng will be attaining his nine years of service on the Company's board on 1 September 2021. The independence of Mr Kwa has been rigorously reviewed by the NC and the Board. The Company seeks to strike an appropriate balance between length of service, continuity of experience and refreshment of its Board members. The Board believes that the Company will benefit from having Directors on its Board who, over time, have gained valuable insights of the Company, its markets and the industries in which it operates. The NC and the Board (Mr Kwa abstaining in both cases) have determined that Mr Kwa remains objective and independent in Board and Board Committee deliberations. He constructively

challenges Management during Board and various Board Committee meetings on which he serves and his extensive experience enables him to provide wise counsel and guidance to facilitate sound decision-making. Mr Kwa's length of service on the Board neither interferes with his exercise of independent judgment nor hinders his ability to act in the best interests of the Company. On this basis, the Board is of the view that Mr Kwa will be able to continue to discharge his duties independently with integrity and competency.

The Company has proposed to seek Shareholders' approval at the 2021 AGM, by way of a two-tier vote pursuant to Rule 210 (5)(d)(iii) of SGX-ST Listing Manual (which will take effect from 1 January 2022), for Kwa Chong Seng to continue to be considered as independent Director with effect from 1 September 2021. If passed, the approval for Mr Kwa to be independent Director will remain in force until the earlier of the retirement or resignation of Mr Kwa or the conclusion of the third AGM following the passing of the resolutions.

Chairman and Chief Executive Officer (Principle 3)

The Chairman and Group President & CEO roles and responsibilities are kept separate in order to maintain effective oversight. The recommendation in the Code for a lead independent director is not applicable as the Chairman and the Group President & CEO are separate individuals and are not related. No individual or small group of individuals dominates the Board's decision making process. The Group President & CEO and senior management regularly consult with individual Board members and seek the advice of members of the Board Committees through meetings, telephone calls, as well as by email.

The Chairman is responsible for leading the Board and ensuring the effective functioning of the Board to act in the best interests of the Company and its shareholders. The Chairman facilitates the relationship between the Board, Group President & CEO and management, engaging them in open dialogue over various matters including strategic issues, sustainability, risks and business planning processes. He ensures that discussions at the Board level are conducted objectively and professionally where all views are heard and key issues are debated in a fair and open manner. The Chairman also ensures that adequate time is

provided for discussion of strategic issues and key concerns at Board meetings. He represents the views of the Board to the shareholders.

Vincent Chong as an executive Director/Group President & CEO, is accountable to the Board for the conduct and performance of the Group. He has been delegated authority to make decisions within certain financial limits authorised by the Board. He is supported in his work by the Senior Management.

Board Membership and Board Performance (Principles 4 and 5)

The Board is supported by the following Board Committees:

- Audit Committee
- Executive Resource and Compensation Committee
- Nominating Committee
- Research, Development and Technology Committee
- Risk and Sustainability Committee
- Strategy & Finance Committee

Nominating Committee

Independent and Non-Executive Directors

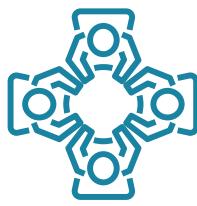
Lim Chin Hu (Chairman)

Kwa Chong Seng

Lim Sim Seng

Ng Bee Bee (May)

The NC is responsible for reviewing the composition of the Board and identifying suitable candidates to the Board, in particular, candidates with the appropriate qualifications, skill sets and experience who are able to discharge their responsibilities as Directors. Shortlisted candidates are recommended to the Board for approval. The NC is also responsible for reviewing and determining the independence of non-executive Directors annually, conducting Board performance evaluation, succession planning for Group President & CEO and key senior management, as well as director training and development.



**NC met
2 times
in 2020**

The NC is continually engaged in the Board renewal process of ST Engineering, having regard to the skills, experience and industry expertise needed for a balanced board composition to, among other things, oversee governance, risks and sustainability within the Group's business. When the need for a new director is identified, potential candidates are identified from various sources. The NC will assess a shortlist according to the type of expertise needed. The NC will also assess a candidate's character, independence and experience to ensure that he/she has the requisite standard of competence to carry out his/her duties as a director of a listed company.

Board Evaluation

The NC conducted a collective assessment of the Board to gauge the effectiveness of the Board and the individual Board member's performance, the adequacy of the blend of skill sets and experience of the Board, and the quality and timeliness of Board and Committee meeting agendas and papers submitted by the management. The assessment also includes the performance of the Board Committees. The review was internally undertaken with each director being asked to complete a questionnaire. Their feedback was collated and shared with the Board. The review indicated that the Board and Board Committees continue to function effectively. The NC also took on board the feedback of the Board members on areas for improvement.

A peer evaluation on individual director's performance was conducted by way of questionnaire and the results were sent to the NC Chairman and Board Chairman to evaluate the performance of each Director. Board Chairman and/or NC Chairman will act on the results of the evaluation and arrange for one-to-one feedback session with the director, if necessary.

With effect from FY2021, the Company will engage external independent consultant, once every three years, to facilitate Board evaluation process and to provide the Board with an independent perspective

CORPORATE GOVERNANCE

of the Board's performance, including benchmarking against peer boards and best practices.

Maximum Board Representation

The NC also noted the list of other directorships held by our Directors, taking into consideration their principal commitments. The NC and the Board are satisfied that each of the Directors is able to devote time to carry out his/her duties as Director in the Company.

The Board has considered and agreed not to set guidelines for a maximum directorship that a director can hold. Annually, an incumbent director is asked to affirm that he/she has adequate time to devote to his/her Board responsibilities. ST Engineering Board members are selected on the basis of their ability to contribute to the Board through their relevant skill sets, experience, calibre and willingness to devote time. In addition, each director is required to provide an annual affirmation of commitment to his/her Board responsibilities. With these considerations, the Board is of the view that setting a maximum number of board representations for our Directors is not needed.

Re-election of Directors

The NC is also responsible for renewal and succession plans to ensure Board continuity. At each Annual General Meeting (AGM), one-third of the directors with those longest in office since his/her last re-election have to retire. Effectively, this results in all directors having to retire at least once every three years or even earlier, in compliance with Rule 720(5) of SGX-ST Listing Manual. A retiring director may submit himself/herself for re-election. Under this provision, Vincent Chong Sy Feng, Lim Ah Doo, Lim Sim Seng and LG Ong Su Kiat Melvyn will retire at the 2021 AGM. Ng Bee Bee (May), who is newly appointed, will hold office until the forthcoming AGM of the Company. The retiring Directors, being eligible, have offered themselves for re-election. In accordance with Rule 720(6) of SGX-ST Listing Manual, the information relating to the retiring Directors seeking re-election is found on pages 20 to 22.

Each of the retiring non-executive Directors has confirmed that he/she does not have any relationship with his fellow Directors nor with the Company and its substantial shareholders.

The Board, acting on the recommendation of the NC, proposes that each of the retiring Directors be re-elected at the Company's 2021 AGM.

Strategy & Finance Committee

Independent and Non-Executive Directors

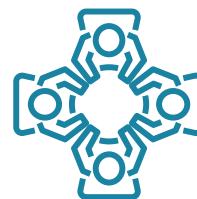
Kwa Chong Seng (Chairman)
Lim Ah Doo
Lim Chin Hu
Lim Sim Seng

Non-Independent and Executive Director

Vincent Chong Sy Feng

The Strategy & Finance Committee's (SFC) role includes guiding management in the development and execution of the Group's strategies as well as consider and approve tender proposals which are above established contract value limit.

The SFC also reviewed the 2021 Budget prior to submission to the Board for approval.



SFC met

7 times
in 2020

Research, Development and Technology Committee

Non-Independent and Non-Executive Director

Quek Gim Pew (Chairman)

Independent and Non-Executive Director

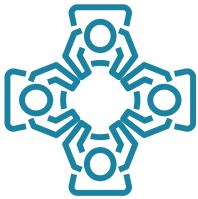
Lim Chin Hu

Non-Independent and Executive Director

Vincent Chong Sy Feng

The Research, Development and Technology Committee's (RD&T) role includes setting policies and direction for strategic R&D investments and related activities, promoting R&D and inculcating innovative culture, identifying areas of synergy with respect to R&D capabilities, facilities and resources, as well as identifying

new technologies that will enhance the core businesses of the Group.



**RD&T met
2 times
in 2020**

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 6)

Level and Mix of Remuneration (Principle 7)

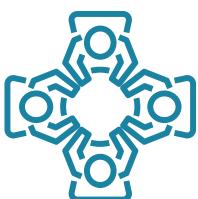
Disclosure on Remuneration (Principle 8)

Executive Resource and Compensation Committee

Independent and Non-Executive Directors

Kwa Chong Seng (Chairman)
Lim Chin Hu
Lim Sim Seng

The Executive Resource and Compensation Committee (ERCC) performs the role of the remuneration committee. The members of the ERCC have held senior positions in large organisations and are experienced in the area of executive remuneration policies and trends. All ERCC members are non-executive independent directors.



**ERCC met
4 times
in 2020**

All decisions at any meeting of the ERCC are decided by a majority of votes of the ERCC members present and voting (the decision of the ERCC shall at all times exclude the vote, approval or recommendation of any member who has a conflict of interest in the subject matter under consideration).

The ERCC performs the following duties and responsibilities:

Executive Remuneration General Framework

- Reviews and recommends to the Board the Group's general framework for determining executive remuneration including the remuneration of the Group President & CEO, top five key management executives of the Group and other senior management executives (collectively referred to as "Senior Management Executives").

Executive Director and Senior Management Executives

- Reviews and recommends to the Board the entire specific remuneration package and service contract terms for the Group President & CEO, who is also the executive Director.
- Considers, reviews, approves and/or varies (if necessary) the entire specific remuneration packages and service contract terms for the Senior Management Executives of the Group. For FY2020, the Board reviewed and approved the specific remuneration packages and service contract terms for the key management executives.

Non-Executive Director Remuneration

- Reviews and recommends to the Board the remuneration framework (including directors' fees) for non-executive directors.

Equity-based Plans

- Approves the design of equity-based plans and reviews and administers such plans.

Executive and Leadership Development

- Oversees the development of management with the aim of a continual build up of talent and renewal of strong and sound leadership to ensure the continued success of the Group and its businesses.
- Approves appointments to Senior Management Executive positions within the Group.

For financial year 2020, Aon Solutions Singapore Pte. Ltd. (previously known as Aon Hewitt Singapore Pte. Ltd.) (Aon) was engaged as remuneration consultant (Remuneration Consultant) to provide professional

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advice on Board and executive remuneration matters. Aon and its principal consultant are independent and are not related to the Group or any of its Directors.

Executive Remuneration Structure

Remuneration for the Senior Management Executives comprises a fixed compensation, variable cash-based incentives, share-based incentives and market-related benefits.

As part of cost saving measures to mitigate COVID-19 impact, Group President & CEO reduced his base salary by 10%, while the senior management team reduced their salaries between 5% and 10% with effect from 1 May 2020. Base salary reductions were further increased to 20% for Group President & CEO, while Group and Aerospace senior management teams further increased their base salary reductions to between 7% and 20% with effect from 1 November 2020.

Overall total remuneration (including fixed compensation, variable cash and share-based incentives and benefits) for Group President & CEO and Key Management Executives decreased by 25% and 13%, respectively, from FY2019 to FY2020.

A. Fixed Compensation:

The fixed compensation comprises the base salary and compulsory employer's Central Provident Fund (CPF) contributions.

B. Variable Cash-based Incentives:

The variable cash-based incentives include the Performance Target Bonus (PTB) and EVA-based Incentive Scheme.

Performance Target Bonus

The PTB is a cash-based incentive for Senior Management Executives which is linked to the achievement of annual performance targets that will vary depending on their job requirements.

Individual performance objectives are set at the beginning of each financial year. The objectives are aligned to the overall strategic, financial and operational goals of the Group and Company. These objectives are cascaded down to a select group of key executives

creating alignment between the performance of the Group, Company and the individual.

The individual PTB payouts for the Group President & CEO and key management executives are determined by the ERCC based on the Group's, Company's and individual performance at the end of the financial year.

EVA-based Incentive Scheme

The EVA-based Incentive Scheme (EBIS), which is linked to the Company's economic value-add and financial performance forms part of the short-term incentives for the Senior Management Executives.

Under the plan, a portion of EBIS bonus declared for the financial year will be paid out, annually while the remaining portions will be deferred in an EVA bank. Amounts in the EVA bank are at risk because negative EVA will result in a clawback of EVA accumulated in the bank. This mechanism encourages the Senior Management Executives to work for sustained EVA generation and to adopt strategies that are aligned with the long-term interests of the Group.

In addition, the Group has a clawback facility with respect to the EVA bank in the event of a restatement of the financial results of the Group subsequent to an earlier misstatement, and provisions for the forfeiture of the remaining EVA bank balance on termination due to misconduct or fraud resulting in any financial loss to the Group.

Based on the ERCC's assessment of the Group performance for the financial year 2020, there was no EBIS declared for the financial year.

C. Share-based Incentives:

Shareholders approved the adoption of the Singapore Technologies Engineering Performance Share Plan 2020 ("PSP2020") and the Singapore Technologies Engineering Restricted Share Plan 2020 ("RSP2020" and together with the PSP2020, the "2020 Share Plans") at the 23rd AGM held on 15 May 2020.

The 2020 Share Plans replaced the Singapore Technologies Engineering PSP 2010 ("PSP2010") and the Singapore Technologies Engineering RSP 2010 ("RSP2010" and together with the PSP2010, the "2010 Share Plans"), both of which expired on 20 April 2020. The expiry of the 2010 Share Plans did not affect the awards under the 2010 Share Plans which were granted prior to such expiry, whether such awards had been released to participants (whether fully or partially) or not.

The 2020 Share Plans have substantially the same terms as the 2010 Share Plans, save for the introduction of

new malus and clawback rights, a reduction in size limit (from 8% under the 2010 Share Plans to 5% under the 2020 Share Plans¹), amendments to take into account the changes to relevant legislation and the SGX Listing Manual, and changes to streamline and rationalise certain other provisions.

The malus and clawback rights under the 2020 Share Plans allow the ERCC to cancel all or part of any award to the extent not yet released to the participant, and to exercise the right to clawback the monetary value of shares which have been released to the participant within a six-year clawback period, if certain exceptional circumstances occur in relation to that participant. Such exceptional circumstances include (but are not limited to):

- the grant of the relevant award being based on inaccurate financial statements;
- the participant having engaged in conduct which resulted in or contributed to any financial loss or reputational harm to the Company or the Group; and
- the participant having engaged in misconduct or committed fraud or breach of trust or duty in relation to the Company or the Group.

The Group also has clawback policies for the unvested shares granted under the 2010 Share Plans in the event of exceptional circumstances of restatement of the financial results of the Group subsequent to an earlier misstatement, or of misconduct or fraud resulting in any financial loss to the Group.

With respect to financial year 2020, share awards granted before 20 April 2020 were made pursuant to the 2010 Share Plans while share awards granted after 15 May 2020 were made pursuant to the 2020 Share Plans.

The grants made under both the 2010 Share Plans and the 2020 Share Plans during financial year 2020 did not exceed 0.5% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), which is the internal annual limit set by the ERCC for the 2020 Share Plans.

The aggregate number of shares issued and/or to be issued and the aggregate number of existing shares (including treasury shares) delivered and/or to be delivered, pursuant to the 2010 Share Plans, does not exceed 5% of the issued share capital of the Company (excluding treasury shares), even though the limit under these share plans is 8%.

Details of the abovementioned share plans and grants are set out in the Share Plans section of the Directors' Statement from pages 133 to 136 of this Annual Report.

PSP2010 / PSP2020

The objective of the PSP2020, like the PSP2010, is to motivate Senior Management Executives to strive for sustained growth and performance of the Group.

Performance share awards are generally granted on an annual basis and are conditional on the Group meeting targets set for a three-year performance period. With effect from the financial year 2018, the performance measures used in performance share grants are:

- Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and
- Earnings Per Share (EPS) Growth against pre-determined EPS Growth targets over the relevant performance period.

A minimum threshold performance is required for any shares to be released at the end of the applicable performance period. The actual number of performance shares released will depend on the achievement of predetermined targets over the applicable performance period, capped at 170% of the shares granted.

The release of the shares is also conditional on satisfactory individual performance at the end of the performance period.

For performance share awards granted during financial year 2018, the Group has partially met the predetermined target performance level set. These awards were conditional upon the performance of the Group from financial years 2018 to 2020.

RSP2010 / RSP2020

The objective of the RSP2020, like the RSP2010, is to retain and motivate managers and above to strive for sustained long-term growth of the Group. The plans also aim to foster a share ownership culture among employees within the Group and to better align employees' incentives with shareholders' interests. The RSP2020, like the RSP2010, also allows for restricted share awards to be granted to non-executive Directors ("NED Awards") as part of their remuneration in respect of their office as such in lieu of cash. Such awards, which are meant to align the interests of the Directors with those of shareholders, will consist of fully paid shares with no vesting periods or performance conditions imposed although the Directors will be required to hold the shares for certain moratorium periods.

¹ Percentages are of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings).

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Restricted share awards are generally granted on an annual basis. Save for NED Awards, restricted share awards are generally conditional on the Group meeting a target set for a one-year performance period. With effect from the financial year 2020, the performance measure used in such restricted share grants is:

- Return on Capital Employed (ROCE)

Under such awards, a minimum threshold performance is required for any shares to be released after the end of the applicable performance period. The shares will vest equally over a four-year period, subject to continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

For restricted share awards granted during financial year 2020 which were subject to performance measures, the Group has met the predetermined performance threshold level set. These awards were conditional upon the performance of the Group in financial year 2020.

D. Market-related Benefits:

The benefits provided are comparable with local market practices.

The Code requires a company to disclose the names and remuneration of the CEO and at least the top five key management personnel (who are not also directors or the CEO). Details of the remuneration package for the Group President & CEO are provided in the Summary Remuneration Table for directors on page 116. Details of the remuneration packages for the Key Management Executives are provided in the Summary Remuneration Table for Key Management Executives on page 117.

In performing the duties as required under its Terms of Reference, the ERCC ensures that remuneration paid to the Senior Management Executives are strongly linked to the achievement of business and individual performance targets. The performance targets as determined by the ERCC are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short and long-term quantifiable objectives. Pay-for-Performance Alignment study was conducted periodically by the Remuneration Consultant and reviewed by the ERCC

for sufficient evidence indicating Pay-for-Performance alignment for the Group in terms of both absolute and relative performance.

Under the Code, the compensation system shall take into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to the time horizon of risks. The ERCC will undertake periodic reviews of the compensation-related risks.

During financial year 2020, there were no termination, retirement and post-employment benefits granted to directors, Group President & CEO and Key Management Executives other than in accordance with the standard contractual agreement.

There were no employees who were immediate family members of a director or the Group President & CEO and whose remuneration exceeded S\$100,000 during the financial year 2020, except for Quek Gim Chuah, the brother of Quek Gim Pew, Director of the Company. Quek Gim Chuah has been with ST Engineering for 33 years since April 1987 and is currently the Vice President of Quality and Safety at VT Mobile Aerospace Engineering. He reports to the President, ST Engineering Aerospace America, who functionally reports to President of the Aerospace sector. In this role, he has no dealings with ST Engineering's Board of Directors. Like all other non-executive Directors, Quek Gim Pew is not involved in operational matters and the hiring, appraisal and remuneration of middle management, including that of his brother Quek Gim Chuah. For these reasons, we decided to respect Quek Gim Chuah's confidentiality by not disclosing his remuneration band.

Non-Executive Director Remuneration

Non-executive directors (NEDs) have remuneration packages consisting of directors' fees and attendance fees, which are approved in arrears by shareholders for services rendered in the previous year. The Directors' Remuneration Framework comprises a basic retainer, attendance and additional fees for serving on Board committees.

For services rendered in financial year 2020, eligible NEDs will receive 70% of the total directors' fees in cash and 30% of the total directors' fees in the form of restricted shares which are governed by the terms of RSP2020, subject to shareholders' approval at its AGM in April 2021.

As the restricted shares are granted in lieu of directors' remuneration in cash, the shares will be granted outright as fully paid shares with no performance conditions

attached and no vesting periods imposed. To encourage the alignment of interests of the NEDs with the interests of shareholders, the share grant has a moratorium on selling. Each eligible NED is required to hold shares in the Group worth the lower of: (a) the total number of shares in the Group granted to such NED as payment

of the shares' component of the NEDs' fees for financial year 2011 and onwards; or (b) the number of shares of equivalent value to the prevailing annual basic retainer fee for a director of the Group. An NED can sell all his/her shares in the Group a year after the end of his/her Board tenure.

The computation of NEDs' remuneration is based on the following rates.

	From Private Sector (\$) FY2020
Chairman Fee (all-in)	750,000
Board Basic Retainer Fee	
Director	75,000
Additional/Committee Fees	
Audit Committee:	
- Chairman	52,000
- Member	29,000
ERCC, SFC, RD&T and RSC:	
- Chairman	35,000
- Member	18,000
Other Committees (including NC):	
- Chairman	29,000
- Member	14,000
Attendance Fees	
Per Board Meeting	5,000
Per Board Committee Meeting	2,500

The Chairman fee is a fixed fee covering Board basic retainer, Board Committee and meeting attendance fees. The fee is paid in a combination of cash (70%) and shares (30%). The shares granted, as part of the fee, are fully-paid with no performance conditions attached and no vesting period imposed. However, the shares will have to be held for at least two years from the date of grant, and the two-year moratorium will apply even in the event of retirement.

Fees for directors who hold public sector appointments follow the Directorship & Consultancy Appointments Council's (DCAC) guidelines as set out below.

	Public Sector NED fees (\$) FY2020
Chairman	45,000
Deputy Chairman/Chairman Executive Committee/ Chairman Audit Committee	33,750
Member Executive Committee/Member Audit Committee/Chairman of Other Board Committee(s)	22,500
Director	11,250

NEDs who hold public sector appointments will not be eligible for the shares component of the NEDs' remuneration. 100% of their remuneration in cash is payable to DCAC, where applicable.

To lend support and solidarity as the Group weathers the COVID-19 pandemic together with its partners and stakeholders, the Board volunteered to reduce Board fees by 10% with effect from 1 May 2020.

The NEDs' remuneration payable in respect of financial year 2020 is proposed to be \$1,680,047 (FY2019: \$1,724,587). Details of the directors' remuneration are provided in the Summary Remuneration Table for Directors on page 116.

CORPORATE GOVERNANCE

SUMMARY REMUNERATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (GROUP):

Payable by the Company

Executive Director	Salary^{*1} \$	Variable Cash-based Incentives^{*2} \$	Benefits^{*3} \$	Share-based Incentives^{*4} \$	Directors' Total Fees^{*5}		
					Cash-based \$	Share-based \$	Total
Vincent Chong Sy Feng	\$961,577	\$1,166,094	\$130,015	\$1,485,998	—	—	\$3,743,684
Non-Executive Directors[#]							
Kwa Chong Seng ^(a)	—	—	—	—	489,857	209,938	699,795
Dr Beh Swan Gin ^{(b)(c)}	—	—	—	—	4,106	—	4,106
Joseph Leong Weng Keong ^(c)	—	—	—	—	10,497	—	10,497
Lim Ah Doo	—	—	—	—	113,459	48,625	162,084
Lim Chin Hu ^(d)	—	—	—	—	132,557	56,810	189,367
Lim Sim Seng	—	—	—	—	112,268	48,115	160,383
Ng Bee Bee (May) ^(e)	—	—	—	—	45,384	19,450	64,834
LG Ong Su Kiat Melvyn ^(c)	—	—	—	—	10,497	—	10,497
Quek Gim Pew ^(c)	—	—	—	—	20,994	—	20,994
Quek See Tiat	—	—	—	—	138,184	59,222	197,406
Song Su-Min	—	—	—	—	112,059	48,025	160,084
COL Xu Youfeng (Alternate to LG Ong Su Kiat Melvyn)	—	—	—	—	—	—	—
Total for Non-Executive Directors	—	—	—	—	1,189,862	490,185	1,680,047

Payable by Subsidiaries

Executive Directors							
Vincent Chong Sy Feng ^(f)	—	—	—	—	30,000	—	30,000
Non-Executive Directors							
Quek Gim Pew ^(c)	—	—	—	—	12,500	—	12,500
Lim Chin Hu	—	—	—	—	20,000	—	20,000
Total for Non-Executive Directors	—	—	—	—	32,500	—	32,500

Non-Executive Directors' fees after 10% reduction. The fees reduction took effect from 1 May 2020.

*1 Salary includes base salary (after 20% reduction) and employer CPF for the financial year ended 31 December 2020.

*2 Variable Cash-based Incentives include Performance Target Bonus & EVA-based incentive declared. For financial year ended 31 December 2020, there was no EVA based incentive declared.

*3 Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.

*4 Share-based incentives consist of PSP and RSP shares granted for financial year ended 31 December 2020.

*5 The directors' cash fees and share grants will only be paid/granted upon approval by the shareholders at the forthcoming AGM of the Group.

(a) Resigned as Chairman of NC but remains as member on 1 June 2020.

(b) Retired as Director at AGM and ceased as member of SFC on 15 May 2020.

(c) Fees for public sector directors are payable to a government agency, the DCAC.

(d) Appointed as Chairman of NC on 1 June 2020, member of SFC on 15 May 2020 and co-opted member of RSC on 5 August 2020 till 5 November 2020.

(e) Pro-rated. Appointed as Director and member of NC on 1 June 2020.

(f) Fees are payable to Singapore Technologies Engineering Ltd.

**SUMMARY REMUNERATION TABLE FOR KEY MANAGEMENT EXECUTIVES FOR THE YEAR ENDED
31 DECEMBER 2020 (GROUP):**

Remuneration	Salary* ¹ %	Variable Cash- based Incentives* ² %	Benefits* ³ %	Share- based Incentives* ⁴ %	Total
Between \$2,000,000 and \$2,250,000					
Lim Serh Ghee	27%	39%	4%	30%	100%
Between \$1,750,000 and \$2,000,000					
Ravinder Singh s/o Harchand Singh	32%	34%	4%	30%	100%
Between \$1,500,000 and \$1,750,000					
Foo Chee Keng Cedric	36%	29%	5%	30%	100%
Between \$1,250,000 and \$1,500,000					
Ng Sing Chan	42%	22%	6%	30%	100%
Between \$1,000,000 and \$1,250,000					
Lee Shiang Long	40%	30%	5%	25%	100%
Total for Key Management Executives					\$8,667,903

*1 Salary includes base salary (after reduction between 10% and 20%) and employer CPF for the financial year ended 31 December 2020.

*2 Variable Cash-based Incentives include Performance Target Bonus & EVA-based incentive declared. For financial year ended 31 December 2020, there was no EVA based incentive declared.

*3 Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.

*4 Share-based incentives consist of PSP and RSP shares granted for financial year ended 31 December 2020.

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ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls (Principle 9)

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board received a written assurance from the Group President & CEO and the Group CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Risk and Sustainability Committee (RSC) is established to ensure the Management has adequate oversight over the awareness and handling of risks and sustainability matters.

Risk and Sustainability Committee

Independent and Non-Executive Directors

Quek See Tiat (Chairman)
Song Su-Min

Non-Independent and Non-Executive Directors

LG Ong Su Kiat Melvyn
Quek Gim Pew

Non-Independent and Executive Director

Vincent Chong Sy Feng

For the Board to discharge its duties objectively over risks and internal control, Management of ST Engineering meets with the Board and Board Committees frequently during the year:



RSC met
5 times
in 2020

a) Sustainability Oversight

The RSC oversees the Group's sustainability matters. Details on sustainability governance can be found in the Sustainability Report on page 75.

b) Risk Governance

The RSC assists the Board in its risk governance responsibility. RSC's role is one of oversight of the responsibilities delegated to management to ensure that there is a system of controls in place for identifying and managing risks in order to safeguard stakeholders' interests and the Company's assets.

The RSC is supported on risk related matters by the Risk and Assurance (R&A) function headed by Head, R&A working with Chief Risk Officers (CROs) of the respective businesses and management team. The R&A function is key to making sure that ST Engineering manages its risks, complies with legal and regulatory requirements where it operates and has the right governance and controls in place. Specifically, the R&A function is to:

- work with Management to strengthen in-line controls and governance, risk management and compliance (GRC) culture;
- provide assurance to Management that the Group is conducting its business in compliance with all relevant and material regulations, customer requirements and internal procedures; and
- ensure continued effectiveness of GRC frameworks, policies and procedures in Singapore and overseas business units.

The Head, R&A reports to Group CFO. The R&A function provides leadership in the implementation of a Group-wide Enterprise Risk Management (ERM) framework that allows risks to be identified, assessed, monitored and managed by the business managers.

Enterprise Risk Management Framework

The Group adopts an ERM framework to identify, assess, monitor and manage key business risks in the short, medium and long term. The ERM framework sets out a common and consistent understanding of risks and risk tolerance limits across the Group. The framework allows the Board and Management to have a shared understanding of the risk philosophy and overall appetite for risk as they establish the strategies and objectives.

The annual risk work plan is approved by the RSC.

There is at least a member on the RSC who is also a member of the AC to facilitate communication and access of information between the two Board Committees.

During the year, the Group engaged an external consultant to review its ERM Framework, and had completed enhancements to the framework accordingly.

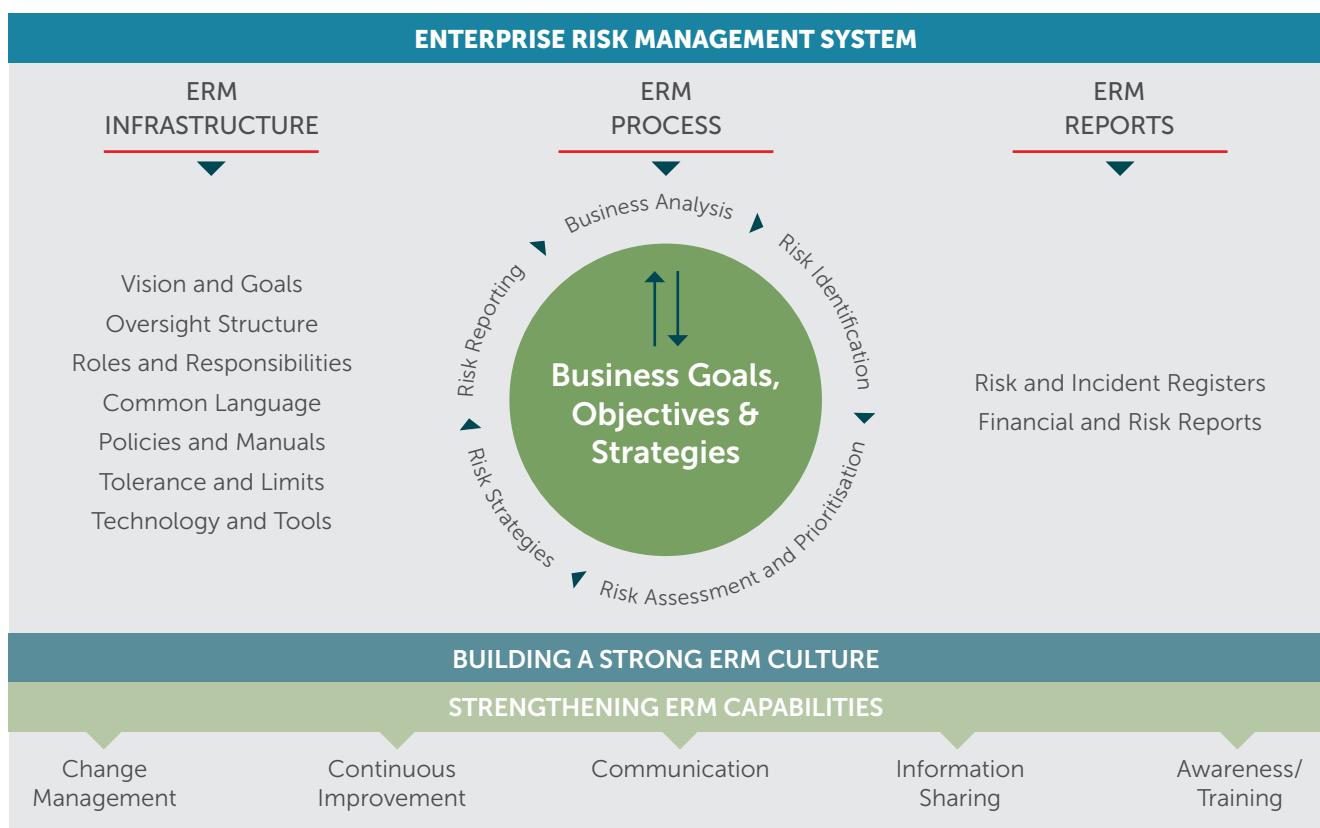
c) Risk Aware Culture and Training

Embedding the right culture throughout the organisation is important for effective risk management. The RSC recognises good culture fosters openness that will enable management and staff to escalate concerns in a timely manner without fear, as well as promote better judgment, which provides greater comfort to the Board and management.

As part of the risk awareness and communication programme, annual risk management training plans covering ST Engineering Code of Business Conduct and Ethics, and key risk topics are rolled out at the Group level. The status of training is updated to the RSC at periodic intervals.

d) Risk Review Process

Under the ERM framework, a risk dashboard of the top business risks to streamline is developed and maintained by each of the significant business units, rolling up into a summary dashboard for respective businesses. Once the top business risks are identified, measures will then be taken to develop and implement risk preventive and mitigation actions (collectively known as "controls") and risk monitoring processes. The business managers are required to periodically review the effectiveness of the controls implemented, and initiate the necessary changes as the risk profile changes.



Quarterly, President/Head of Aerospace, Electronics, Land Systems and Marine, as well as their respective CROs review respective dashboard of top business risks with the RSC. At the meetings, these Presidents/Heads and CROs will discuss the risk management action plans and measures to address these risks. At the same time, they will also highlight the following for discussion:

- emerging trends and issues in each business sector;
- new risks or changes to existing risk profile;
- new risk incidents;
- major risk exposures; and
- risk management actions taken on previously identified risks.

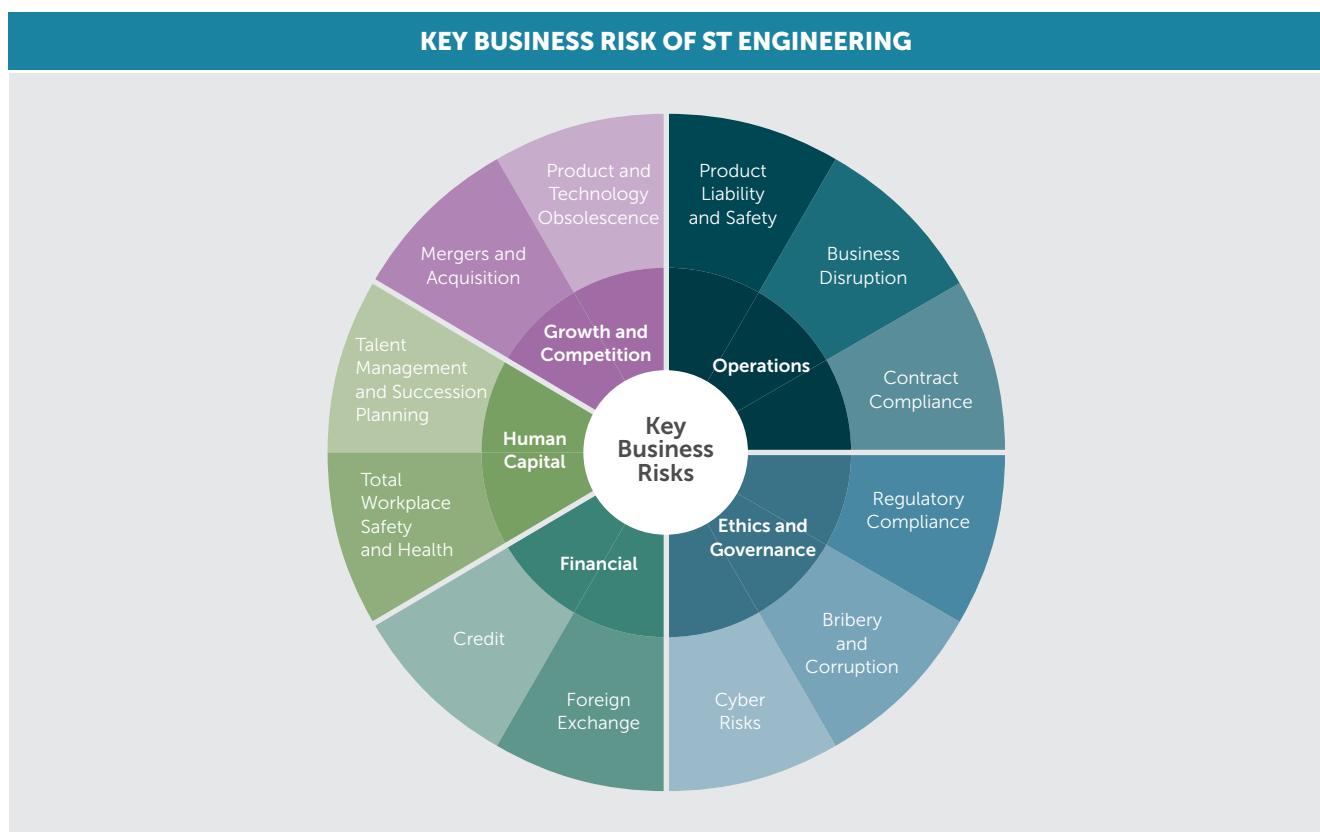
CORPORATE GOVERNANCE

The RSC continues to monitor the implementation of risk management policies and procedures and receives updates to the risk registers maintained by the respective businesses. Such reviews include compliance with major laws and regulations, as well as business disruption risks and their continuity plans.

e) Risk Management Self Assurance Process

The Risk Management Self Assurance is a process whereby the business risk owners, together with the respective control owners, evaluate and assess the operational business effectiveness of the controls established to manage key risks that are reported in the respective Risk Dashboards.

On the basis of this self-assessment, annually, the RSC will receive written assurances from management on the adequacy and effectiveness of the system of risk management and controls to manage the key business risks.



System of Internal Control and Risk Management

The Board receives, at regular intervals, updates from the Board Committees on the key business risks, the material controls to manage these risks, and the internal audit reports on the operational effectiveness of the material controls.

The Board has received assurance from the Group President & CEO and Group CFO on the adequacy and

effectiveness of the Company's internal controls and risk management systems.

The Board is satisfied with the risk management process in place, and, in its opinion, that the effectiveness and adequacy of the material controls to manage the key risks have been appropriately reviewed through the management self-assurance process, as well as reasonable independent assurance provided by the Company's Internal Audit (IA) function.

Based on the internal controls and risk management process established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board is satisfied that the Group's framework of internal controls (including financial, operational, compliance and information technology controls) as well as the risk management systems are adequate and effective as at 31 December 2020. The AC concurs with the Board on the adequacy and effectiveness of the internal controls and risk management systems established and maintained by the Group as at 31 December 2020.

The Board is satisfied that issues are identified on a timely basis and follow up actions are taken promptly to minimise lapses. The Board, through the Board Committees, is supported in these areas by the IA and R&A teams of the Company. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, fraud or other irregularities.

Audit Committee (Principle 10)

Independent and Non-Executive Directors

Quk See Tiat (Chairman)
Lim Ah Doo
Song Su-Min

The Audit Committee (AC) comprises all independent Directors with majority, including the AC Chairman, having relevant accounting or related financial management experience. The AC does not comprise any former partner or director of ST Engineering's existing audit firm within two years preceding their appointment to the AC and none of them have any financial interest in the audit firm.

The duties of the AC include the following:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and all announcements relating to financial performance;
- reviewing at least annually the adequacy and effectiveness of internal controls and risk management systems;

- reviewing the assurance from the Group President & CEO and the Group CFO on the financial records and financial statements;
- making recommendation to the Board on the appointment, removal, remuneration and the terms of engagement of the external auditors;
- reviewing the adequacy, effectiveness, independence, scope and results of both the external and internal audit functions; and
- reviewing the whistle-blowing policy and arrangements and all significant whistle-blowing cases; the AC Chairman also chairs the Whistle Blowing Committee and is supported by the Group CFO, Group General Counsel, Group Chief Human Resource Officer, Group Head, R&A and Group Head, Internal Audit (Group Head, IA). The Whistle Blowing Committee reviews the contents of the concerns raised, deliberates and determines if any action is to be taken, including making enquiries and pursuing internal investigations. The AC will review the adequacy of every investigation instituted.

The AC ensures that the Group Head, IA has direct and unrestricted access to the Chairman of the Board and the AC. The AC reviews the appointment, remuneration and resignation of the Group Head, IA.

ST Engineering's IA function is staffed with individuals with the relevant qualifications and experience and comprises a team of 20 staff members, including the Group Head, IA, who reports to the AC.

IA is a member of the Singapore Chapter of the Institute of Internal Auditors (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) laid down in the International Professional Practices Framework issued by the IIA. IA continues to meet or exceed the IIA standards in all key aspects.

The AC is satisfied that IA is independent, effective and adequately resourced.

The AC considered and approved the 2020 Audit Plans for the external and internal audits. In addition, the AC reviewed the adequacy of internal control procedures including cybersecurity issues, interested person transactions and the issues raised in all IA reports.

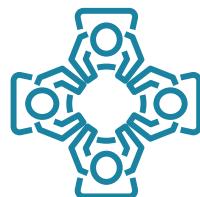
CORPORATE GOVERNANCE

The appointment of external auditors is subject to approval at each AGM. In making its recommendations to shareholders on the appointment and re-appointment of external auditors, the Board relies on the review and recommendations of the AC. The AC reviews the adequacy, effectiveness, independence, scope and results of the external audit and makes recommendation to the Board on the appointment, removal, remuneration and the terms of engagement of the external auditors. In compliance with SGX requirements, an audit engagement partner may only be in charge of an audit for up to five consecutive years. PricewaterhouseCoopers LLP, first appointed in 2020, has met this requirement, and the current audit engagement partner also took over ST Engineering's audit in 2020.

Fees paid to the external auditors for audit and non-audit services of the Group for financial year 2020 totalled \$4.3m, of which \$0.16m or 4% were for non-audit services. The AC was satisfied that the non-audit services provided by the external auditors did not compromise their independence.

The Company has complied with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

During the year, the AC held five meetings, including a joint meeting with the RSC to review significant risks of the Company and related key controls.



**AC met
5 times
in 2020**

The AC also met with the external auditors, and with the internal auditors, in each case without the presence of Management.

The AC reviewed the financial statements of the Group before the announcement of the Group's half-yearly and full-year results. In the light of the COVID-19 pandemic impacting the Group's businesses, the AC focused its review on the areas of financial statements affected by the pandemic. Amongst the matters discussed with Management and the external auditors, the following significant matters impacted the financial statements, and were reviewed by the AC in relation to their materiality and appropriateness in approach, methodology and assessment:

Significant matters	How the AC reviewed these matters
Impairment assessment of non-financial assets – goodwill	The AC reviewed the reasonableness of cash flow forecasts, the long-term growth rates and discount rates used in the valuation models in goodwill impairment assessments, as well as how the impact of COVID-19 has been considered in the cash flow forecasts. The AC also reviewed the stress testing of the valuation and its sensitivity to changes in key assumptions used in the valuation model.
Revenue recognition based on stage of completion	The AC reviewed the various controls that were designed and applied by the Group in the recognition of revenue and profit from contracts with customers to ensure that the estimates used in determining the amount of revenue and costs recognised for the performance obligations were appropriate.

The AC concluded that Management's accounting treatment and estimates were appropriate for the above significant matters. All the key audit matters (KAMs) that were raised by the external auditors for the financial year ended 31 December 2020 have been addressed by the AC and discussed in the above commentary. The KAMs in the audit report for the financial year ended 31 December 2020 can be found on pages 141 to 142 of this Annual Report.

The AC was kept updated on relevant changes in accounting standards and their implications on the financial statements.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings (Principle 11)

Conduct of 23rd Annual General Meeting

Arising from the COVID-19 pandemic, ST Engineering's 23rd AGM was conducted in accordance with the alternative arrangements for general meetings prescribed by a ministerial order issued under the COVID-19 (Temporary Measures) Act 2020.

The Annual Report, Notice of AGM and Proxy Form for the 23rd AGM were made available via SGXNET and our corporate website. The meeting was conducted via electronic means whereby its shareholders attended via live audio-visual webcast or live audio-only stream. Shareholders submitted questions in advance upon registration for the attendance. The Company addressed the substantial and relevant questions received by publishing the answers via SGXNET and our corporate website before the meeting.

Our Group President & CEO started the 23rd AGM by recapitulating the Company's growth strategy and aspiration, as well as the Group's performance in 2019. He also provided an overview of the Group's priorities in 2020, the Group's operations amid COVID-19 and the mitigation factors for COVID-19 impact as well as the Group's support to the local eco systems. The presentation material was also available on both SGXNET and our corporate website.

On voting, each proposal was put to vote as a separate resolution. We do not "bundle" resolutions. Shareholders appointed Chairman as their proxy to vote on their behalf at the 23rd AGM. All proxy votes were received by the 72 hours' deadline prior to meeting and were verified by the appointed independent scrutineers.

The Company Secretary prepared the minutes of the 23rd AGM which are available on the corporate website, www.stengg.com

On dividends, ST Engineering strives to provide shareholders with a sustainable dividend return and has historically declared both interim and final dividends. The current and past years' dividend payouts are clearly set out on page 254.

Engagement with Shareholders (Principle 12)

ST Engineering treats all shareholders fairly and equitably, and always strives to provide clear and succinct information to the investment community in an effective and timely manner. Material information relating to ST Engineering's financial performance, business and strategic developments are published on SGXNET, followed by simultaneous postings on our corporate website.

Our Investor Relations team upholds a clearly defined Investor Relations policy. The team maintains regular dialogues with shareholders and the investment community through a multi-channel programme to promote effective and fair communication. Targeted events such as AGMs, conferences, roadshows, site visits, group briefings and one-on-one meetings offer opportunities for senior management and directors to interact first-hand with shareholders and the investment community to understand their views, gather feedback and address concerns. In 2020, we moved majority of our meetings online due to the disruption from COVID-19.

CORPORATE GOVERNANCE

The Investor Relations team works closely with the Corporate Communications team to manage and oversee the Group's external communication efforts. Contact details of these two teams are listed on our corporate website to facilitate dialogues.

While we provide reasonable access to the investment community and media to help them develop informed opinions of the Group, we do not respond or comment on rumours, market speculation or forward projection of financial figures. In situations where the rumours or speculative news reports are materially incorrect or misleading, the Group may issue a clarification or confirmation statement through SGXNET.

Pursuant to the amendment of the SGX Mainboard listing rules effective 7 February 2020, and in line with the long-term nature of the Group's businesses, the Group has adopted half-yearly financial reporting. ST Engineering will augment our half-yearly financial results with relevant operating information on a quarterly basis, as necessary. In 2020, we released market updates for the first and third quarters.

Release dates of half-yearly financial reports are disclosed at least two weeks prior to the announcement date via SGXNET. The half-year and full-year financial reports, announced within 45 and 60 days from the end of each respective financial period, comprise detailed financial statements and management commentaries on the financial and business performance of the Group. Links to live webcasts for the Group's half-year and full-year results in FY2020 are posted on SGXNET and our corporate website. Audio playback is made available on our website the same day.

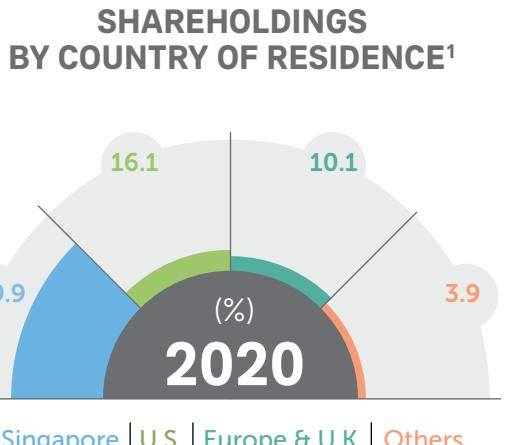
We observe a "blackout period" of one month prior to the announcement of our half-yearly financial results. During this period, we do not comment on the Group's business performance, financial results and related industry outlook. Directors and employees are reminded not to deal in the securities of ST Engineering during this blackout period. They are also regularly reminded not to deal in securities of ST Engineering at all times if they are privy to unpublished material price-sensitive information.

ST Engineering maintains an updated website with a dedicated "Investor Relations" section where current and past annual reports, half-yearly financial reports and webcasts, quarterly market updates, as well as information on AGM and other information considered to be of interest to shareholders and the investment community are readily available. We welcome shareholders and the investment community to subscribe to news alerts or follow our social media channels to receive latest business updates.

Managing Stakeholders Relationships

Engagement with Stakeholders (Principle 13)

The Company engages its material stakeholders. Details can be found in the Sustainability Report on page 76 and on our corporate website at www.stengg.com.



- Shareholding profile was derived from analysis of ST Engineering's share register as at 31 December 2020.
- This is calculated by summing up shareholdings of both Temasek Holdings (Private) Limited and Vestal Investments Pte. Ltd. as at 31 December 2020.

- Shareholding profile was derived from analysis of ST Engineering's share register as at 31 December 2020.

2020 Investor Relations Calendar

1Q

- Singapore Airshow 2020
- Annual management lunch with sell-side analysts
- FY2019 results announcement and webcast
- Post-results investor lunch

2Q

- 1Q2020 Market Update
- 23rd Annual General Meeting
- Citi Pan Asia Regional Conference (Singapore)

3Q

- 1H2020 results announcement and webcast
- Post-results investor meeting
- Nomura Regional Industrials Corporate Day

4Q

- 3Q2020 Market Update
- Post-Market Update investor meeting



This annual report has been certified by the Forest Stewardship Council™ as an example of environmentally responsible forestry print production. From the forest, to the paper mill and printer, each step of this annual report's production is certified according to FSC™ standards.



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