

Sustainability



Our Commitment to Sustainability



Seah Moon Ming, SMRT Chairman and Desmond Kuek, SMRT President and Group CEO regularly engage with staff to understand their needs and concerns.

Materiality Process

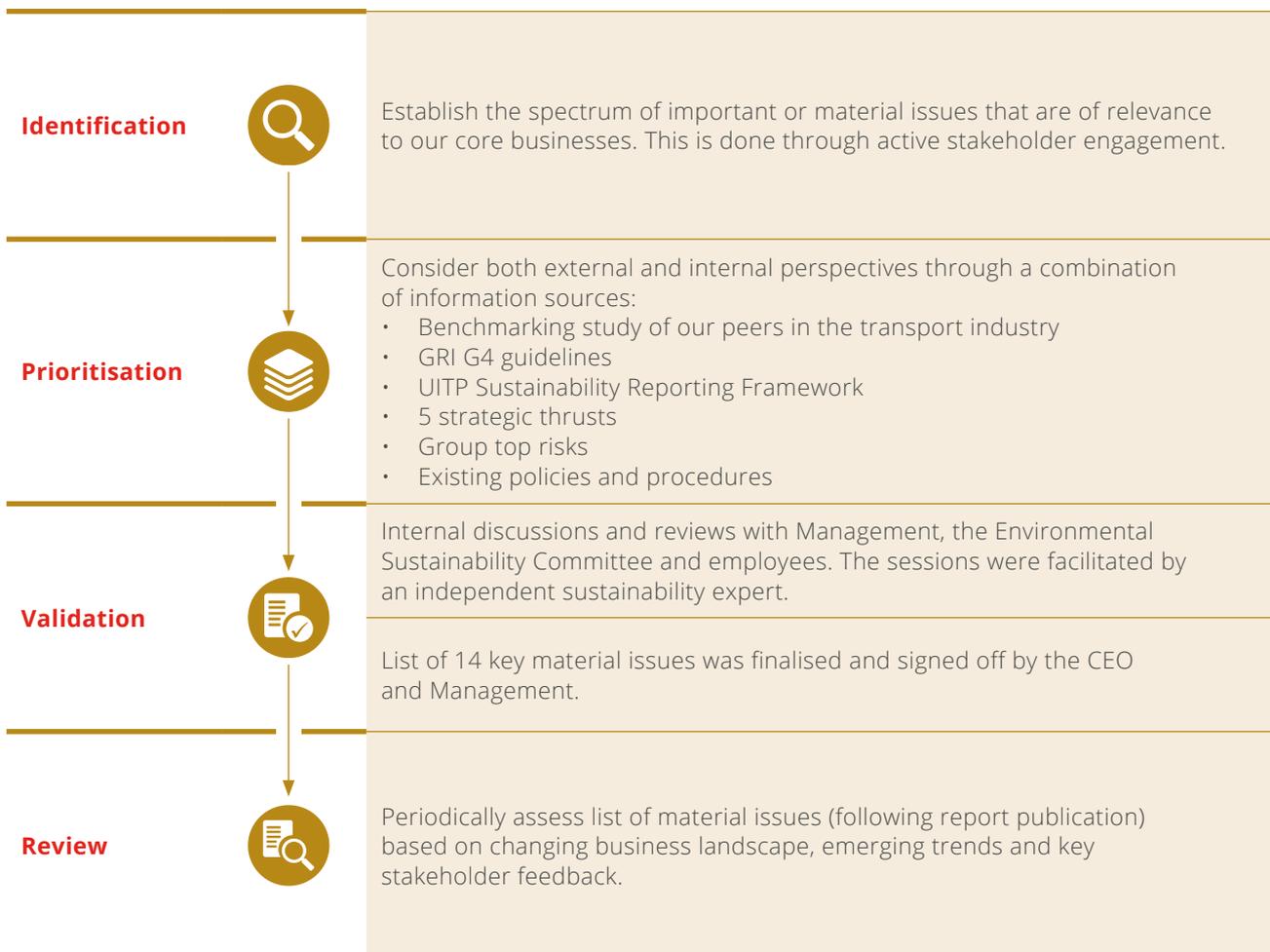
As part of SMRT’s strategic approach to sustainability, a robust materiality assessment was conducted in early 2016. This assessment was in line with the Accountability AA1000 Assurance Standard and Global Reporting Initiative’s (GRI’s) four-step process of identification, prioritisation, validation and review to define material issues. The extensive materiality assessment process was essential

to defining SMRT’s economic, environmental, social and governance material issues that influence the decisions of our key stakeholders.

As our key stakeholders remain largely the same as when the previous materiality assessment was conducted, with the exception of our shareholders, the material issues identified last year are still considered material now. We therefore consider the materiality assessment to be still valid for 2017.

Our approach to sustainability is based on accountability and transparency. We are committed to open communications with our various stakeholders about our operations and business. Sustainable business growth is a key strategic thrust for SMRT, and we aim to embed sustainability into our core operations.

Materiality Assessment



Our 2016 materiality assessment followed GRI's four-step process to define material issues.

Sustainability



Identification

Stakeholder Engagement

Our stakeholders are critical to the sustainability of our business. We are committed to actively engaging our stakeholders to understand and look for better ways to address their economic, environmental, social and governance concerns.

In 2017, we engaged our key stakeholder groups through a wide variety of formats. We communicated regularly with them and sought their feedback on areas of mutual concern.

Stakeholders	Forms of engagement	
Customers and Community	Customers	<ul style="list-style-type: none"> • Social media (Facebook, YouTube, Twitter, LinkedIn) • Feedback handling • Commuter focus groups
	Community	<ul style="list-style-type: none"> • Educational tours and community programmes • Regular volunteering activities and programmes • SMRT's Green Committee collaborates with PUB to raise public awareness on water conservation
Regulators		<ul style="list-style-type: none"> • Regular meetings on statutory requirements and new developments for a wide range of issues ranging from safety to employment • Communication of energy consumption and production data, and greenhouse gas emission levels to the authorities
Business Partners		<ul style="list-style-type: none"> • Ongoing progress meetings
Employees and Union	Employees	<ul style="list-style-type: none"> • Townhalls and senior Management walkabouts • Staff engagement sessions by Chairman and CEO • Newsletters and circulars • Biennial staff engagement surveys
	Union	<ul style="list-style-type: none"> • Frequent meetings on upcoming changes in policies and schemes as well as briefings to gather feedback
Suppliers and Contractors		<ul style="list-style-type: none"> • Ad hoc workshops to exchange procurement ideas and procedures
Investors		<ul style="list-style-type: none"> • Dedicated investor relations email to address queries



Prioritisation & Validation

Material Issues

Following consultations with external as well as internal stakeholders, we prioritised the material issues identified into two tiers. Critically important issues were classified as Tier 1, while those of high importance were classified as Tier 2.

Tier 1

Operational Performance and Excellence

Anti-corruption/Fair and Ethical Operating Practices

Access to Essential Services

Customer Health and Safety

Occupational Health and Safety (Employees and Contractors)

Environment (Climate Change, Energy Management, Water Management, Waste Management, Noise Management, Sustainable Resource Use, Compliance)

Customer Satisfaction

Tier 2

Community Investment, Involvement and Development

Managing Supply Chain Sustainably

Diversity and Equal Opportunity

Labour Rights

Employee Development and Training

Research and Development/Innovation for Engineering Capabilities

Noise



Review

Next Steps

We aim to conduct a review of these material issues at an appropriate time. Our focus is to drive performance improvements around our key material issues, as these represent our main sustainability risks and opportunities.

We have taken steps to address our material issues. For example, we have put in unstinting effort to improve train reliability with our multi-year, multi-project renewal works. We have established four sub-committees to spearhead our environmental sustainability pillars throughout the organisation.

Over the next few years, our intention is to be able to fully integrate sustainability in all aspects of our business units. At the same time, we will also be looking at mega trends which may affect us in the future, by conducting continuous dialogue with our stakeholders and taking a risk-based approach to our entire value chain.

Governance

Corporate Governance

The Board and Management of the Company are committed to ensuring high standards of corporate governance. The Group's corporate governance guidelines and practices are regularly reviewed to ensure they remain current and relevant.

The Company closely adheres to the principles set out in the Singapore Code of Corporate Governance 2012 (the Code) for listed companies although it is not required to do so following the delisting of the Company's shares from the Singapore Exchange (SGX). The Company has adopted the Code as its guide and has put in place an internal framework to ensure good corporate governance in its business practices and activities.

As the Company is not listed on SGX, it is not obliged to comply with the principles, guidelines and recommendations in the Code. This report is modelled on but not in full compliance with the Code; it sets out the Company's key corporate governance practices.

Board's Conduct of Affairs

The Board provides stewardship to, and oversees the overall strategy and business direction of the Group. In addition to its statutory duties, the Board:

- provides entrepreneurial leadership, sets strategic objectives, and ensures that the necessary resources are in place for the Group to meet its objectives;
- establishes and maintains a guiding framework of prudent and effective controls to enable risks to be assessed, managed and contained in order to safeguard shareholder's interests and the Group's assets;
- reviews Management's performance;
- identifies the key stakeholder groups and recognises that their perceptions affect the Group's reputation;
- sets the Group's values and standards (including ethical standards), and ensures that obligations to all stakeholders are understood and met; and
- considers sustainability issues, e.g. environmental and social factors, as a component of its strategic formulation.

Board Composition

As a cornerstone to achieving high standards of corporate governance, there is a strong independent element on the Board.

The Board consists of Directors with core competencies in areas such as accounting, finance, audit, law, management, engineering and customer service excellence. In addition, the Directors' combined work experience spans the areas of risk management, strategic planning and business development. The Board believes that the present Board size and composition are appropriate for the requirements of the Group's businesses.

Access to Information

Board meetings are scheduled quarterly to, *inter alia*, approve the Group's financial results. A Board meeting is also scheduled at the end of each financial year for Directors to consider the Group's annual budget for the next financial year. In addition to these scheduled meetings, Board meetings are held whenever the Board's guidance is required. To give Directors the opportunity of having in-depth discussions with Management on the Group's longer-term strategies, a Board retreat is held annually. Members of the Board are provided with relevant information prior to Board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board has separate and independent access to senior Management. Where necessary, in the furtherance of the relevant Director's duties, the Director can seek independent professional advice at the Company's expense.

As part of the Company's continuing education for all Directors, the Company Secretary circulates, to the Board, articles, reports and press releases which are relevant to the Group's businesses. In addition, Directors are regularly updated on changes to applicable laws, regulations and accounting standards. The Company Secretary informs Directors of relevant upcoming conferences, courses and seminars.

Management conducts a comprehensive and tailored induction and orientation programme for newly appointed Directors. This programme includes briefings on the businesses and corporate units of the Group, its strategic plans and objectives, key business risks, the regulatory environment, its financial performance, meetings with the Group's senior Management team and site visits. First-time Directors will also be provided with comprehensive training on their roles, duties and obligations as Directors.

Ethics and Accountability

The Board is responsible for presenting to the shareholder, a balanced and transparent assessment of the Company's and the Group's performance, positions and prospects.

The Board provides the shareholder with quarterly and full-year financial results which include a detailed explanation and analysis of the Company's performance, position and prospects. Directors receive monthly operational and financial reports on the performance of each business unit and key corporate departments. These monthly reports, which include key performance indicators such as financial and productivity indicators, are given to Directors to provide the Board with a better view of each business unit's performance.

To strengthen ethical business conduct in the Group, the Company has clearly defined and well-established whistle-blowing channels for reporting and investigating any alleged improper conduct, including corruption.

Board Committees

Various Board Committees, namely the Audit and Risk Committee (ARC), Nominating and Remuneration Committee (NRC), Executive Committee (EXCO) and Board Safety and Security Committee (BSSC), have been established to assist the Board in discharging its responsibilities. Every Board Committee has its own Charter

which sets out, *inter alia*, each Board Committee's terms of reference, composition and responsibilities.

Audit and Risk Committee

A majority of the ARC members have accounting, finance qualifications or work experience.

The primary function of the ARC is to assist the Board in fulfilling its oversight responsibility pertaining to the systems of internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems, of the Group, established by the Management and the Board. The ARC also assists the Board in fulfilling its oversight responsibility pertaining to the Group's risk profile, controls, policies and the effectiveness of the Group's risk management system. In order to do so, the ARC is supported by the Risk Management Committee to review the robustness of the risk management system and key enterprise-wide risks.

The ARC examines and reviews the following items:

- the quarterly financial statements prior to approving or recommending their release to the Board for approval, as applicable;
- the annual audit plan of the external and internal auditors and the results of the audits performed by them;
- the non-audit services rendered by the external auditor in connection with its review of the independence and objectivity of the external auditor;
- oversight of the Group's internal audit function;
- the appointment, re-appointment and removal of the external auditor for recommendation to the Board and approving its remuneration;
- the independence of the external auditor; and
- the Group's Whistle-blowing Programme.

The ARC typically meets at least four times a year.

Nominating and Remuneration Committee

The main functions of the NRC are as follows:

- to formulate and review the Board succession plans for Directors and senior Management;
- to recommend to the Board, on an annual basis, various processes for the evaluation of the performance of the Board, the Board Committees and each individual Director as well as the Chief Executive Officer (CEO);
- to set objective performance criteria for individual Directors for the purposes of evaluation by the Chairman of the Board;
- to review and evaluate, on an annual basis, the independence of Directors;
- to review annually, and recommend the Board size and composition of the Board and Board Committees;
- to review and recommend to the Board the most suitable candidates for appointment to the Board and Board Committees;
- to review and recommend to the Board the nomination, appointment and promotion of the CEO; and
- to approve all nominations, appointments and promotions of senior Management.

In addition to the above, the NRC performs the following functions:

- to assist the Board in implementing a formal and transparent procedure for developing policies on remuneration matters in the Company;
- to review and recommend to the Board the remuneration framework for compensation to each Director and the CEO; and
- to review and approve the general framework of remuneration and specific remuneration packages of senior Management.

The remuneration packages for the Board and the CEO are ultimately approved by the Board. No person is involved in deciding his own remuneration.

The NRC typically meets at least four times a year.

Governance

Corporate Governance

Executive Committee

The responsibilities of the EXCO include:

- approving transactions within designated financial limits in accordance to the Financial Policy Manual (FPM);
- acting on behalf of the Board in urgent situations, when it is not feasible to convene a meeting of the entire Board; and
- evaluating and approving proposed strategic investments, divestments, acquisitions and disposals of businesses and assets and other similar corporate transactions relating to the core and non-core businesses of the Company and its subsidiaries which are within the designated financial limits in accordance to the FPM.

The EXCO meets as often as may be required.

Board Safety and Security Committee

The BSSC assists the Board in fulfilling its oversight responsibilities by:

- putting in place a safety and security-related framework which complies with laws and regulations and ensuring that procedures and processes will be in place for such compliance;

- establishing goals to enhance safety and security awareness and culture within the Group;
- ensuring sufficient resource for the safety and security functions;
- reviewing the security framework of the IT systems and operations, including defences against cyber threats; and
- investigating into accidents, concerning safety and security, and ensuring that remedial actions are implemented.

The BSSC typically meets at least two times a year.

Board Developments

The Board has identified the following Board focus areas for the financial year ending 2018:

- Establishment of a Board Crisis Management Framework
- Operational discipline towards excellence and enhanced rail reliability and safety
- Business Model Innovation – Urban Mobility
- Alignment of Management's KPIs to reliability and growth
- Investments that build on the Group's core competency
- Use of technology for operational effectiveness and efficiency
- Stakeholders' engagement strategies

Composition of Boards⁺ and Board Committees

Board Members	Audit and Risk Committee	Nominating and Remuneration Committee [*]	Executive Committee	Board Safety and Security Committee [^]
Mr Seah Moon Ming (<i>Chairman</i>) ^{#@}	–	Chairman	Chairman	–
Mr Desmond Kuek Bak Chye (<i>CEO</i>) ^{#@}	–	–	Member	–
Mr Lee Fook Sun [#]	Chairman	–	Member	–
Mr Lee Ling Wee [@]	–	–	–	–
Mr Lee Seow Hiang [#]	–	Member	Member	–
Mdm Moliyah Hashim [@]	–	Member	–	–
Dr Philip Nalliah Pillai ^{#@}	–	–	–	Member
Mr Quek Gim Pew [@]	–	–	–	Member
Mr Peter Tan Boon Heng [#]	Member	–	–	–
Mr Tan Ek Kia ^{#@}	Member	Member	Member	Chairman
Mr William Tan Seng Koon [@]	–	–	–	Member
Mr Yap Kim Wah ^{#@}	Member	–	–	Member

⁺ Composition of Boards is as of 31 December 2017

^{*} Mdm Moliyah Hashim is the co-opted member of the NRC

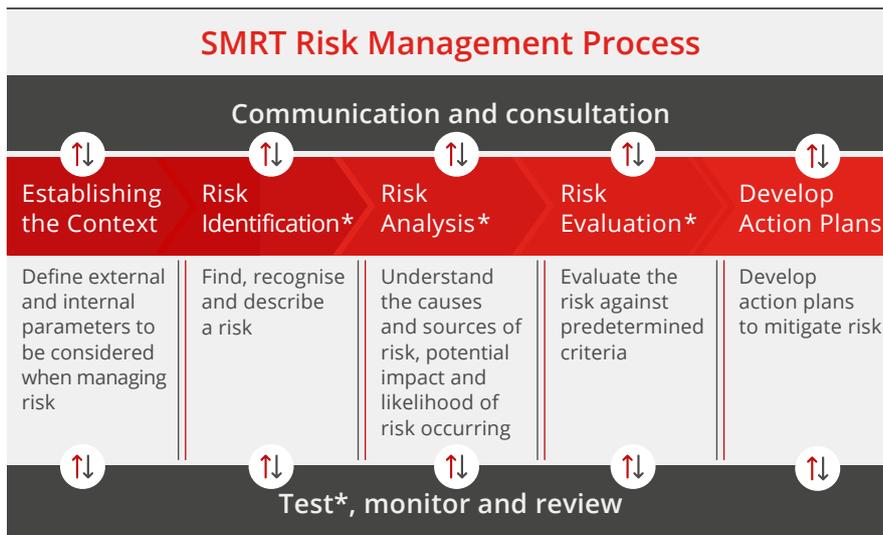
[#] Board member of SMRT Corporation Ltd

[@] Board member of SMRT Trains Ltd.

[^] BSSC was constituted on 8 February 2018

Governance

Key Dynamics and Risk Management



* Risk assessment

The Risk Management Process, based on the ISO 31000:2009 Risk Management – Principles and Guidelines, enables the Company to deal with business and operational uncertainties by identifying key risks and implementing the appropriate mitigating plans and actions. Key steps are outlined above.

Safety, Security and Business Continuity Risks

Safety is a core value the Company embraces to protect commuters and employees as we deliver a public transport service that is safe, reliable and customer-centric. Our safety system is reviewed constantly to mitigate any risk in the changing environment. Before commencing their roles, all our employees are trained for competency, to adhere to authorised instructions and honed on safety awareness.

A Technical Safety Board was established in 2014 to review modifications of our transport system and protect the design integrity of equipment and facilities

for safe operations. The Company adopts a risk-based maintenance approach supported by automated condition monitoring and tracking systems. This enables us to anticipate required maintenance interventions early as we continue to conduct existing corrective and preventive maintenance regimes designed to identify and address potential technical issues before they become system-level risks. We aim to inculcate a shared vision of a Zero Security Breach operating environment, shaped by our three principles of strong leadership, individual commitment and system discipline.

A Safety and Security Steering Committee, chaired by the Group CEO, oversees and governs the Company's safety and security. This is cascaded to the respective business units and division meetings. Division Safety Officers directly assist the divisions in planning, organising, directing, coordinating and evaluating all safety efforts within the divisions, serving as a conduit between

Management and Line Units to promote tighter safety-operation integration, ground engagement, and to deepen ties within and amongst business units. Security platforms at all levels institutionalise policies, procedures and practices aimed at incorporating security into our daily operations.

We actively engage in a network of inter-agency and international collaborations, such as with the Public Transport Security Committee, Protective Security Workgroup, Crisis Consequence Management Workgroup, Public Vigilance & Education Training Workgroup and the UITP Security Commission. We regularly conduct security vulnerability studies to assess the risks in our infrastructure and network. Identified gaps in security are managed through structure and system enhancements. We have started to use active surveillance systems such as Video Analytics CCTVs to augment the overall security of all our depots. Supervisory checks, security inspections and Red Teaming exercises are constantly conducted by both Premise Managers and our Security Operations Team to validate effectiveness of security systems, ensure compliance with security procedures under the Code of Practice (CP 1 and 6), and check the operational functionality of security equipment.

We maintain organisational vigilance and readiness through drill exercises that help us to enhance our capacity to handle potential threats including terrorism, as well as through the validation of our business continuity plans. Inter-agency collaboration, with key ministries and agencies including the Singapore Police Force, Singapore Armed Forces and Singapore Civil Defence Force, is central in such exercises.

The Company is certified ISO 9001, ISO 14001 and OHSAS 18001, underscoring our

Governance
Key Dynamics and Risk Management

commitment to adopt international standards and best practices in quality, health, safety and environmental management. We are also certified ISO 22301 in Business Continuity Management Systems.

Workforce Health Risks

The Company works to align our People, Processes and Technology to meet both immediate and strategic challenges, by reinforcing a workplace culture of integrity, discipline and accountability, sustaining staff engagement, and boosting staffing and competency levels.

We have strengthened our suite of leadership programmes, complemented by on-the-job coaching facilitated by DuPont Sustainable Solutions. We have optimised the structure and processes of our work teams for greater efficiency (e.g. delayering to streamline reporting lines to enable better line-of-sight between managers and their teams).

We continue to engage our workforce through regular touchpoints such as townhalls, dialogue sessions and internal feedback platforms, and maintain open two-way communication channels.

The Company strives to deepen employees' competencies to deliver high standards of rail reliability, with programmes such as the SMRT Train Engineer Professionalisation programme and Engineering Maintenance Manager career scheme.

We continually enhance our training capability with new courses and training systems, such as the Singapore Bus Training and Evaluation Centre, Singapore's first team-based bus training centre. SMRT continues to partner LTA and other industry partners and academic institutions, both locally and globally, to launch initiatives such as the Chartership in Railway and Transportation Engineering, Postgraduate Certificate in Urban Railway Engineering, and the set-up of Singapore Rail Academy, in support of the national effort to raise rail competency levels in Singapore.

We adapt to the changing needs of our workforce as it ages. SMRT has partnered National Transport Workers' Union (NTWU) to address the implications of our ageing workforce and also with the Fullerton Health Group in implementing initiatives such as free flu vaccinations, on-site physiotherapy and a chronic disease management programme. SMRT also partnered UniSIM on age management research to enhance the work environment for mature employees. Various design enhancements have been made to leverage automation and ergonomics to transform existing jobs, processes and equipment to improve posture, illumination, visibility and safety.

Regulatory and Operational Risks

The Group's train, bus and taxi operations are subject to extensive regulation by the authorities and the Public Transport Council (PTC). Fares charged by SMRT Trains and SMRT Light Rail require the approval of PTC. However, this is not the case for SMRT Buses which comes under the Bus Contracting Model (BCM).

In our rail operations, SMRT is required to comply with the Asset Management Requirements, Key Performance Indicators, Operating Performance Standards and Maintenance Performance Standards governing train service delivery, train punctuality, safety and equipment reliability and is subject to financial penalties as set out in the Company Overview in the event of non-compliance. As a rail operator, SMRT also complies with various Codes of Practices issued by LTA and other agencies.

The Bus Service Operating Licenses for SMRT Buses expired on 31 August 2016. From 1 September 2016, the LTA completed the transition of the public bus industry into the BCM, formerly known as the Government Contracting Model. LTA oversees bus services and service standards and pays a service fee to bus service operators. All fare revenue is retained by the Government.



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 OUR WORKFORCE**

Under BCM, LTA owns all operating assets (except for our SMRT-owned buses and Woodlands Depot, which are leased to LTA via availability fees) and collect all fare revenue. LTA has bundled Singapore's bus services into 14 bus packages; three packages (20%) were tendered out with each contract lasting for five to seven years and the remaining 11 packages (80%) were negotiated with incumbent operators and run for a period of two to 10 years. When the negotiated contracts expire, the bus services in the 11 packages will be gradually tendered out.

Bus operators will bid for bus routes by packages through a competitive tendering process, and be paid a service fee based on cost per km to operate the bus services. Additional incentives can be earned based on service performance while penalties are levied for not meeting the service standards.

To excel in the BCM League, SMRT established action plans to continue our efforts on productivity improvement and cost management, such as ensuring sufficient Bus Captains and buses to run the bus services with a spares pool for contingency. SMRT will continue to strengthen our identity and develop our workforce as a key differentiator through career schemes to enhance our competitiveness.

SMRT Taxis operates under the Taxi Service Operator Licence and is required to comply with the Quality of Service (QoS), Taxi Availability (TA) standards, codes and audit requirements. While the QoS standards monitor the level of service and safety performance delivered by taxi operators and drivers to ensure commuters' satisfaction, the TA standards are set to ensure an adequate taxi supply on the road especially during peak periods through improving the availability of taxis to serve commuters. Likewise, new vehicle purchase is also subject to other policies like the Certificate of Entitlement, Vehicular Emission Scheme and European emission standards which are becoming

increasingly stringent. SMRT Taxis works closely with the regulatory authorities to keep abreast of developments and policies that may affect our businesses and the competitive landscape, especially from the Private Hire Vehicle trade. SMRT Taxis adopts competitive marketing strategies to attract and retain its taxi partners while it cultivates and forges long-lasting partnerships to strengthen the business.

Energy Cost Risks

The Group is exposed to fluctuating oil prices, which affect its energy costs. The Group mitigates the effects of electricity price fluctuations by entering into fixed price electricity contracts over fixed tenures where appropriate. The Group may, where deemed appropriate, engage in short-term diesel hedging contracts to partially mitigate any diesel price fluctuations. Where appropriate, foreign exchange contracts are created to mitigate any currency risk from the purchase of diesel in a foreign currency. Such hedging practices adhere to the Group's Dealing Mandate approved by the Board of Directors. In addition, the Group engages in fuel-conservation and fuel-efficiency efforts, including conducting feasibility studies for alternate energy resources and emerging technologies, to efficiently manage electricity utilisation throughout the organisation.

Investment Risks

The Group's investment risks relate largely to capital investments made for the maintenance of operating assets, and acquisitions or investments in business entities. The capital investment projects, including the selection of suppliers and contractors, are subject to financial procedures and internal selection criteria for the purpose of expenditure control.

Investment activities relating to acquisitions or investments in business entities are supported by experienced employees and, where necessary, by external professionals for specialised services. The Group adopts a disciplined approach in investment evaluation and decision-making aligned with the Group's strategy and investment objectives. Business proposals for such activities are also guided by operational and financial procedures and presented to the Management and, where relevant, the Board for approval.

Financial Risks

The Group's activities are exposed to a variety of financial risks including credit, foreign currency, market, interest rate and liquidity risks. The Group's risk management strategy features a system of controls to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Audit and Risk Committee oversees the Group's financial risk management process through timely reviews of the adequacy and effectiveness of the financial risk management policy, tools, practices, strategies and treatments.

Property and Liability Risks

The Group has an insurance programme with reputable insurance companies to insure its exposure to property damage, terrorism and sabotage, business interruption and general liability risks. Professional indemnity insurance is also undertaken in respect of professional advice and services rendered by the Group. The Group adopts a proactive approach, with advice and recommendations from its appointed insurance brokers. Risk exposure is reviewed periodically to ensure that SMRT's insurance coverage continues to be appropriate and adequate in light of the cost of premiums and the relevant risk profiles of the Group's businesses.