SPEECH BY SINGPOST MANAGEMENT
AT THE 31st ANNUAL GENERAL MEETING HELD ON 19 JULY 2023

With accompanying presentation "FY2022/23 Annual General Meeting Presentation"

<u>Speech by Mr Vincent Phang, Group Chief Executive Officer</u>

Thank you, Chairman. Good afternoon shareholders.

I would like to speak about the Group's transformation journey which has shaped the performance of the Company in the last year, and what it means going forward. Let me provide additional clarity on our transformation journey which has two parts.

SingPost's Transformation

Pivot to Logistics

Part 1 is to build and scale the non-postal business to allow SingPost to pivot to logistics. The logistics segment is now the largest business in the group. Logistics accounted for 70% of Group revenue and 90% of Group profits now. Operating profit has improved from a S$5.5 million loss to a profit of S$84.7 million through the last 4 years. The growth and contribution of the Australia business which we have built has added significantly to the Group, and accounts for 60% of the profit in the Logistics segment.

Building our Digitally Enabled B2B2C Integrated Logistics Network in Australia

Let me provide some details on our Australia business. The Logistics business we have built in Australia caters to both the B2B and B2C segments, and with the acquisition of FMH, places a 4PL supply chain orchestrator at its core. The 4PL is powered by a digital-platform that is highly scalable, allowing us to orchestrate our customers logistics requirements with a growing network of logistics partners. Through this asset light model, we are able to address customer requirements on one hand, providing them supply resilience, while integrating our logistics partners' capabilities, leveling up their capabilities, tech, invoicing, customer fronting activities – all within a single solution. As we integrate our assets further, we aim to achieve a true B2B2C logistics capability

This is the result of our careful execution of our transformation strategy and we can expect the continued growth of the Logistics segment to contribute further to the group revenues and profits. This pivot to logistics has allowed us to diversify our business portfolio, get back to growth, and to provide resilience as we continue to mitigate the structural decline of the postal business.

Mitigating the Postal Decline

Now to Part 2 – mitigating the decline in postal volumes. Postal services all over the world are undergoing the same challenges, with many suffering annual losses. Postal volumes have been in structural decline since around 2012 and accelerated further through the pandemic. Our International Postal volumes were also impacted due to COVID challenges. In the meantime, costs have risen significantly. The postal business has gone from an operating profit of S$120 million to making a loss over the last 4 years. While we have been carefully integrating both the postal and parcel operations into a single network for a future where eCommerce will define the customer experience, this will still take some time to materialise.

In the meantime, we will need to mitigate the decline of the postal segment given the economics. We are in discussions with the authorities to review costs and the postal operation model, including the optimisation of post offices and the services provided. Additionally, we will be seeking approval for postage rate adjustments to better reflect the true cost of the letter mail business. As mentioned in Parliament, given that domestic postage rates have largely been unchanged since 2014, such a postage adjustment should be of a sufficient degree to enable the postal service to be commercially viable.

Beyond that, such a structural problem will require a structural solution. We are also working with IMDA on a fundamental review of the future of Singapore's postal service, in light of changes to the delivery ecosystem such as the rise of logistics and eCommerce players.

SingPost is a commercial entity, and we need to balance the interests of our stakeholders as the public postal licensee and ensure the postal service's commercial viability – by being profitable and earning a financial return above the cost of capital on a sustainable basis. We will only know this when the review is completed.

Establishing ourselves as a leading eCommerce supply chain and logistics player in Asia Pacific

Put in perspective, the domestic business is now a much smaller part of our enterprise, contributing only 14% of revenues. Together with the International business, 86% of our group revenues is now generated internationally. This is the sign of things to come.

We will work towards establishing ourselves as a leading eCommerce supply chain and logistics company, orchestrating supply chains on behalf of our customers. We have built a management team with the industry experience and track record to lead and steer this orientation to logistics.

Domestically we will continue to leverage our infrastructure for the delivery of eCommerce which will be best-in-class and most cost-effective for urban Singapore. We are proud of our highest service quality standards globally.

The Australia business is now our biggest revenue contributor with two key operations in FMH and CouriersPlease. We will integrate them to achieve greater synergies in the integrated logistics market in Australia. We will explore further acquisitions to grow our network and capabilities.

We have revamped our cross-border strategy and made substantial changes, adding more commercial solutions. A multi-hub network in the region is being developed to offer more connectivity options for cross-border eCommerce customers.

We are also on track with our sustainability goals and working towards our commitment for carbon net zero. Our Chief Sustainability Officer, Michelle Lee, will speak more on that later.

Strategic Review

Chairman has spoken about the strategic review we are conducting. We have appointed Bank of America Securities to be our financial advisor through this process and expect the strategic review to be completed within this Financial Year. I also thank shareholders who have given us feedback.

We have set up an email address should shareholders like to reach out to us for suggestions. While we will not be able to respond individually, I assure you that any comments you may have will be reviewed. We will engage all shareholders at the appropriate time.

I'll now hand over to Group CFO Vincent Yik to give you the key highlights of the financials

<u>Speech by Mr Vincent Yik, Group Chief Financial Officer</u>

FY2022/23 Financial Highlights

Good afternoon, shareholders.

Now let me translate all this into the financial numbers in the following few slides.

The transformation of the Group is reflected in the financial results for FY22/23. Revenue has grown 12.4% to nearly S$1.9 billion. This was the highest ever for the Group, and higher than pre-Covid period. This clearly has shown that the SingPost business continues to grow and this growth is now made up of more diversified revenue streams. So this is my first point: SingPost is growing.

While profits for the year were lower, this was largely due to the drag in the postal segment. I'll share more on the revenue and profit drivers.

Revenue and Profit Drivers

As you have heard from Group CEO, with the pivot to Logistics, the Logistics segment has become not just the largest revenue and profit contributor, but also a growth engine. Logistics revenue and operating profit increased significantly, as a result of the strong growth in the Australia business and freight forwarding business. Logistic contributed 70% of revenue last year, is expected to continue to be the largest contributor to SingPost's revenue going forward.

Growth in contribution from Logistics has been overshadowed by the structural decline in the Postal segment. Both the Domestic and International Post & Parcel businesses faced challenges of lower delivery volumes and increased operating expenses especially in the inflationary environment, and recorded a loss of S$15.9 million. While the segment recorded a loss, revenue decline has moderated, with a year-on-year decline of 16.2% and now only contributed 28% of the Group revenue.

The weakness in Post & Parcel was a key reason for S&P's recent downgrade in the Company's credit rating. With the commercial viability of the Postal business now being addressed, together with the clarity of the contribution from our Logistics business, we remain committed to an investment grade credit rating.

Property contributions were lower as the self-storage business General Storage Company was sold. Excluding this, Property contributions were relatively steady for the year.

With this significant change in revenue mix, then my second point is that: SingPost is now different.

Prudent Capital Management as the Group continues to Invest in Strategic Initiatives

Finally, we continue to maintain prudence in our capital management.

We had increased the equity and cash holdings with the issuance of perpetual securities, which offset the increase in borrowings. Operating cash flow was higher for the year as well.

We had also disposed of some non-core business and assets, with the capital recycled into strategic initiatives for growth as we establish ourselves as a logistics enterprise.

With our higher cash balance and stronger balance sheet, my third point is that: SingPost is now stronger.

Thank you. I now hand over to our Chief Sustainability Officer, Ms Michelle Lee, for the update on the Group's sustainability agenda.

<u>Speech by Ms Michelle Lee, Chief Sustainability Officer</u>

Delivering Sustainable Outcomes

Good afternoon shareholders and partners.

In the last year, the world faced numerous challenges including heightened geopolitical tensions, the world moving towards into endemic phase post COVID-19, inflation rates at levels we have not seen for a long while, volatile energy prices, more frequent climate calamities were seen from extreme heat to harsher winters and the list goes on. Amidst these events, it just shows how important it is for businesses to build resiliency to adaptably ride the dynamic changes surrounding us. Our steadfast focus on sustainability has helped us to stay in our course.

Following a comprehensive materiality re-assessment in the previous financial year, the Board and the management have determined that the material Environmental, Social and Governance (ESG) matters remain relevant and we have further deepened the embedment of our sustainability framework to cover more operations as we expand our footprint into the global markets.

Maintaining a Culture of Trust among our stakeholders is of great importance as we strive to uphold the highest standards of corporate governance and display a robust commitment towards our employees' personal and professional development. This year, we launched a Human Rights Policy, Diversity and Inclusion Policy for employees, and updated our Board Policy on Diversity and Inclusivity as well as Supplier Code of Conduct to further drive our efforts in this space.

We have also further progressed in our safety performance as a newly added material matter identified in the 2021's refreshed materiality assessment. We maintain zero work-related fatalities as we worked hard on our belief that everyone has a right to go home safe everyday. Lost Time Injury Frequency Rate improved by 22% year-on-year and we strive to further increase engagement with our employees and our supply chain for a concerted effort to create a physically and psychologically safe environment at the workplace.

In order to be better equipped in tackling climate-related risks and seizing associated opportunities, SingPost has further progressed in aligning our practices with recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD). This involved conducting a climate scenario analysis to identify exposure to potential climate-related physical and transition risks across different climate scenarios and time horizons for us to better prepare our business and operations towards climate risk resiliency and readies us to harness the opportunities that are presented, driving our commitments towards our net-zero targets as part of our sustainability journey.

Advancing our Decarbonisation Journey

During the year, we have continued to track progress towards our net zero scope 1 and 2 target for Singapore operations achieving circa 30% reduction from the baseline year of FY2018/19.

We recognise scope 3 carbon emissions also form a large proportion of our carbon footprint and have started to build our scope 3 inventory to understand the various sources to enable a targeted reduction. On this end, we are also preparing more engagement with our supply chain having updated our Supplier Code of Conduct to facilitate better data flows and collaboration as an ecosystem towards a sustainable outcome for all.

This year, SingPost celebrates our 165 years of serving the nation and an expanded footprint into other markets. We will continue to journey on in Making Every Delivery Count for People and Planet for another 165 years and beyond.

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