

**SINGAPORE AIRLINES LIMITED**  
(Incorporated in the Republic of Singapore)  
Company Registration No.: 197200078R

**ANNOUNCEMENT**

**ANNUAL GENERAL MEETING TO BE HELD ON 27 JULY 2020**

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS**

**1. INTRODUCTION**

Singapore Airlines Limited (“**SIA**” or the “**Company**”) refers to its Announcement and Notice of Annual General Meeting (“**AGM**”), each dated 3 July 2020. The Forty-Eighth AGM of the Company will be convened and held by electronic means on 27 July 2020 at 10.00 a.m. (Singapore time).

**2. RESPONSE TO QUESTIONS FROM SHAREHOLDERS**

The Company has received certain substantial questions from Shareholders in relation to the resolutions to be tabled for approval at the AGM. SIA appreciates the questions raised and is releasing with this announcement, responses to the said questions.

**By Order of the Board**

**Brenton Wu**  
**Company Secretary**

24 July 2020  
Singapore

## **A. Strategy and Outlook**

### **1. Can you provide a short-term outlook for the Group and SIA? What are your strategies to mitigate the situation, as you do not have a domestic market to cushion the international flight closures? How do you plan to increase traffic when borders begin to open?**

As stated in our 15 July Trading Update, the pandemic continues to have a severe impact on international air travel. In the last month, a “green lane” was established between Singapore and selected cities in Mainland China, and some restrictions on transit through Singapore were lifted. However, progress towards a global lifting of border controls and travel restrictions, which could facilitate the easier movement of travellers between countries, has been slower than previously anticipated. Consequently, passenger traffic remains much lower than expected.

The SIA Group’s portfolio strategy, with a presence in both the full-service and low-cost segments, gives us the flexibility to deploy the right products to meet demand when it returns.

In addition, our successful Transformation programme prior to Covid-19 significantly improved our capabilities, giving us a solid foundation to build on.

Our extensive global presence will also help us to flexibly deploy capacity to meet the demand from different markets as air travel returns. In addition, while passenger demand remains low at present, air-freight demand remains strong, which will sustain cargo revenues in the near term.

We will continue to monitor traffic demand arising from border re-openings and changes in travel restrictions, and adjust our capacity accordingly, subject to regulatory constraints.

The Group remains steadfast and agile during this period of uncertainty and will continue to act nimbly in responding to evolving market conditions.

### **2. What is the SIA Group doing to adapt to the “new normal” environment?**

The impact from the Covid-19 pandemic is far worse than what was experienced in prior crises such as Global Financial Crisis, SARS or 9/11. The magnitude and the duration of the disruption are both unprecedented in nature.

The SIA Group’s portfolio strategy, with a presence in both the full-service and low-cost segments, gives us the flexibility to deploy the right products to meet demand when it returns. Our extensive global presence will also help us to flexibly deploy capacity to meet the demand from different markets as air travel slowly returns. In addition, while passenger demand remains low at present, air-freight demand remains strong, which will sustain cargo revenues in the near term.

We are re-imagining the end-to-end customer journey in the “new normal” environment. We have leveraged digital technology to reinvent the customer travel journey with passenger health and safety at the top of mind, adapting in-flight products and end-to-end service delivery, stepping-up cleaning measures, and focusing on quality contact instead of pro-longed contact to provide additional health and safety assurances to our customers and our staff members.

We will continue to monitor traffic demand arising from border re-openings and changes in travel restrictions, and adjust our capacity accordingly, subject to regulatory constraints.

## **B. Business Update**

### **3. Please provide an update on international border restrictions, including the UK and EU.**

Singapore's first Fast-Lane arrangement was established between Singapore and six Chinese provinces and municipalities in Mainland China on 8 June. With this Fast-Lane arrangement, essential business or official trips are allowed between Singapore and Chongqing, Guangdong, Jiangsu, Shanghai, Tianjin and Zhejiang.

In addition to the Fast-Lane arrangement between Mainland China and Singapore, we are now able to carry one-way transfer traffic originating from Australia, France, Denmark, Germany, Hong Kong SAR, Japan, Mainland China, the Netherlands, New Zealand, the Republic of Korea, Spain, Switzerland, Taiwan, and the United Kingdom, to any point within the SIA Group network. We can also carry two-way transfer traffic between South West Pacific and Europe, South West Pacific and North Asia, and between North Asia and Europe within SIA Group network.

However, with the resurgence of cases in cities that had previously contained the Covid-19 outbreak, we have witnessed regulators, notably in Australia and New Zealand, temporarily placing hard limits on the number of traveller arrivals. The recent recommendation from the EU, allowing residents from a shortlist of 15 countries to enter the EU, did not include Singapore. Similarly, the list of over 50 countries that the UK will exempt from quarantine requirements did not include Singapore.

More recently, Singapore and Malaysia have agreed to implement a "Reciprocal Green Lane" that would allow cross border travel for essential business and official purposes, subject to Covid-19 preventive guidelines, with effect from 10 August. Additionally, the "Periodic Commuting Agreement" would allow Singapore and Malaysia residents, who hold long-term immigration passes for business or work purposes in the other country, to enter that country for work, and after a period of at least three consecutive months in the country of work, return home for short-term leave and thereafter re-enter their country of work to continue work for another three consecutive months.

We continue to work closely with industry groups and regulators to advocate and support the safe opening of borders, with practical health and safety measures.

### **4. Do you get any revenue from transit business?**

We are now able to carry one-way transfer traffic originating from Australia, Denmark, France, Germany, Hong Kong SAR, Japan, Mainland China, the Netherlands, New Zealand, the Republic of Korea, Spain, Switzerland, Taiwan, and the United Kingdom, to any point within the SIA Group network. We can also carry two-way transfer traffic between South West Pacific and Europe, South West Pacific and North Asia, and between North Asia and Europe within SIA Group network.

With the partial resumption of transfers via Changi Airport, the Group's network has increased from 18 destinations in April to 32 destinations including Singapore by the end of June. Selected routes will see a step-up in frequencies if demand picks up in the coming months.

The opening of transit routes via Singapore has resulted in a slight uptick in passengers carried. In May 2020, the Group carried 9,600 passengers while in June 2020, passengers carried increased to 17,700. This is however significantly below the number of passengers that we carried a year ago in June 2019 (3.2 million passengers).

**5. SIA purchased many new fuel-efficient planes in anticipation of continued high fuel prices. Will you be cancelling plane orders?**

The purchase of aircraft was intended to enable SIA to proceed with its adoption of new-generation aircraft, both as a replacement for the existing fleet and for growth. These new generation aircraft will provide an enhanced travel experience to our customers, thereby enabling SIA to maintain its leading industry position as one of the most awarded airlines globally. They will also provide better operating efficiency and lower emissions. The rationale for these purchases remains valid even under the present situation.

However, as aircraft payments make up a significant portion of our capital expenditure, and in view of the slowdown in travel demand as a result of the pandemic, we have and will continue to engage the aircraft manufacturers to negotiate adjustments to our delivery stream for existing aircraft orders and progress payments to reduce near term cash outflows.

**C. Financial and Operating Performance**

**6. Can you give an update on the use of proceeds from the funds raised from Rights Issue?**

As stated in the documents relating to the Rights Issue, we intend to utilise the proceeds of S\$8.8 billion for the following purposes:

Purpose	Amount	Percentage of Proceeds	Use of Proceeds
Operating cashflow	S\$3.7 billion	42%	To fund fixed costs and other operating expenses incurred during this period of reduced operations and the subsequent recovery period
Capital expenditure	S\$3.3 billion	38%	To be used for aircraft purchases and aircraft related payments
Other fixed commitments	S\$1.8 billion	20%	To be used for debt service and other contractual payments
<b>Total</b>	<b>S\$8.8 billion</b>	<b>100%</b>	

As announced on 16 June 2020, approximately S\$2.2 billion had been utilised as follows:

S\$2.0 billion	Repayment of bridging loan facility
S\$0.2 billion	Funding of operating expenses

The Company will make further periodic announcements on the use of the remaining proceeds of the Rights Issue.

**7. Is there any need for another equity fund raising exercise based on current conditions for 2020 and 2021?**

SIA has raised S\$11 billion of liquidity since the start of the financial year (1<sup>st</sup> April 2020). In addition to the recent Rights Issue, SIA has arranged a mix of secured and unsecured credit facilities, which will allow us to meet our liquidity requirements – including operating cash flow needs, capital expenditure and other fixed commitments – for a good part of FY20/21. Separately, all existing committed lines of credit that were due to mature in 2020 have been renewed until 2021 or later. Together with new committed lines of credit, this ensures continued access to more than S\$2.1 billion in committed liquidity.

During this period of high uncertainty, SIA will continue to explore additional means to shore up liquidity as necessary. For the period up to July 2021, the Company also retains the option to raise up to S\$6.2 billion in additional Mandatory Convertible Bonds, which will provide additional liquidity if necessary.

We will continue to monitor our funding requirements during this highly challenging time and remain prudent with our expenditure.

**8. Can you give an update on your cost-cutting exercise?**

Against the backdrop of a collapse in air travel, we have implemented decisive capacity cuts across the network. We have also proactively implemented measures such as a hiring freeze and voluntary and compulsory no-pay leave schemes, to cut expenditure and conserve cash. In addition, SIA implemented management pay cuts and the Board of Directors volunteered for a reduction in their fees.

We have worked with suppliers and partners to reduce costs and reschedule payments. We have deferred non-critical expenditure projects and imposed tight controls on expenditure.

As aircraft payments make up a significant portion of our capital expenditure, we have and continue to engage the aircraft manufacturers to negotiate adjustments to our delivery stream for existing aircraft orders and progress payments to reduce near term cash outflows.

**9. When do you think you will be profitable again?**

We cannot comment on when we can achieve profitability again, as this is dependent on the recovery of the Covid-19 situation. As stated in our 15 July Trading Update, the pandemic continues to have a severe impact on international air travel. In the last month, a “green lane” was established between Singapore and selected cities in Mainland China, and some restrictions on transit through Singapore were lifted. However, progress towards a global lifting of border controls and travel restrictions, which could facilitate the easier movement of travellers between countries, has been slower than expected.

Industry experts, including IATA and ICAO, have continued to revise downwards their projections for the recovery of global passenger traffic in the near term. Industry forecasts currently expect that it will take between two to four years for passenger traffic numbers to return to pre-pandemic levels.

The SIA Group has also continued to review its capacity planning parameters given the evolving Covid-19 situation. Our current view is that the recovery trajectory will be slower than initially projected, and that there will be a material impact on our revenue generation capability in FY20/21.

The SIA Group will remain nimble and be ready to scale up capacity to match demand as international routes re-open and travel sentiments improve. Our Group portfolio strategy, with a presence in both the full-service and low-cost segments, gives us the right products to meet demand when it returns. Our extensive global presence will also help us to flexibly deploy capacity to meet the demand from different markets as air travel slowly returns. While passenger demand remains low at present, air-freight demand remains strong, which will sustain cargo revenues in the near term.

**10. Can you compare the pay cut taken by Senior Management and reduction in Directors' fees with the rest of the staff?**

Each Director had voluntarily waived 30% of his or her Director's fees in a show of solidarity with Senior Management. For the Senior Management, Base Salary cuts of 30% for CEO, 25% for Executive Vice Presidents and 20% for Senior Vice Presidents are currently in effect. Additionally, Divisional Vice Presidents and Vice Presidents took a pay cut of 12%, while Senior Managers and Managers took a pay cut of 10%.

Unions have agreed to cost-cutting measures which include varying days of compulsory no-pay leave every month for pilots, executives and associates, as well as furlough for staff on re-employment contracts. These measures are taken in addition to a hiring freeze and voluntary no-pay leave schemes.

#### **D. Fuel Hedging**

##### **11. In view of the fluctuating oil prices, would there be any change or modification to the SIA oil hedge strategy for the rest of the FY?**

Given the uncertainty in the market, we have taken a pause in our fuel hedging activity. We will continue to monitor developments in the oil markets closely, taking into consideration inputs from market experts, before taking further action.

##### **12. Do you expect to record even more fuel hedging losses for FY20/21?**

For fuel hedges that have been deemed to be ineffective, the quarter-on-quarter change in their marked-to-market values will be recognised in the Profit and Loss statement every quarter.

Given our current view that the recovery trajectory will be slower than initially projected, the fuel consumption is also expected to be lower. This will result in more fuel hedges being deemed ineffective under applicable financial reporting standards, and consequently the marked-to-market losses as at 30 June 2020 on these hedges will also be recognised in the Profit and Loss statement for the first quarter of FY20/21.

Beyond the first quarter of FY20/21, the impact from existing hedges will depend on both the oil prices for the rest of the year and the recovery of the air travel market.

#### **E. HR**

##### **13. Will you be retrenching or dismissing any of your staff workforce, either from the Parent Airline or the subsidiaries, including SilkAir, Scoot and SIA Engineering?**

A Group-wide recruitment freeze has been implemented since April 2020. We also have been managing our headcount through attrition and staff retirements. We are assessing the impact of the slower projected rate of recovery on our operations. We continue to actively pursue cost management measures and options to preserve cash.

#### **F. Corporate**

##### **14. Given the current Covid-19 situation and with revenues tanking, will you consider reducing the remuneration for Directors further instead of merely by \$400,000?**

The proposed Directors' remuneration of up to S\$2,000,000 for the current financial year ending 31 March 2021 is for the Board as a whole. It is S\$400,000 lower than the previously approved amount of S\$2,400,000 for the last financial year. This decrease is in view of the Directors' voluntary fees reduction of 30% with effect from 1 April 2020. The proposed Director's remuneration was not reduced by 30% because it includes a buffer to provide for the possibility of:

- (1) the appointment of additional Directors in preparation for Board succession, diversity or other relevant reasons,

- (2) any additional unscheduled Board meetings or Board Committee meetings, and
- (3) the formation of any additional Board Committees.

Additional meetings and/or Board Committees may be needed, especially to help the Company navigate through the current Covid-19 crisis.

**15. Can you explain the justifications for Mr Goh Choon Phong's pay of S\$4.2M and the difference between his pay and Mr Peter Seah's pay of S\$801K who is the second highest paid Director on the Board?**

The CEO Mr Goh Choon Phong's remuneration is in respect of his role as the highest ranking executive of the Company. He does not receive any Director's fees. As for the Chairman Mr Peter Seah, he is a non-executive Board Director and does not hold any executive position in the Company. However, he chairs the Board Executive Committee, Compensation & Industrial Relations Committee, the Nominating Committee and sits on the Safety & Risk Committee. He does not draw a salary and his remuneration is as reflected on page 79 of the Annual Report.

As a member of Senior Management, the CEO is paid not only for value already created (i.e. outcomes) but for performance in creating future value (i.e. drivers). Accordingly, a portion of the CEO's reported remuneration is in the form of shares, which are granted on a contingent basis. Specifically, of the S\$4.2 million total remuneration reported for the CEO in the FY19/20 Annual Report, shares granted on a contingent basis accounted for S\$1.6 million. The actual number of shares that will be awarded is dependent on performance during subsequent one-year (Restricted Share Plan) or three-year (Performance Share Plan) periods. The final awards will depend upon achievement against stretched value-aligned performance targets. Targets include absolute and relative total shareholder return, EBITDAR margin and staff productivity. The shares will be released over up to three years, subject to vesting conditions set by the Board. This ensures there is alignment between the CEO's remuneration and the interests of shareholders. The remuneration philosophy and principles for Senior Management are described in more detail on pages 72 to 77 of the Annual Report, and the remuneration of Directors (including the CEO) for FY19/20 is described on page 79 of the Annual Report. For perspective, the salary and bonus paid to the CEO for FY19/20 was S\$2.4 million, while the salary and bonus paid to the CEO for FY18/19 was S\$3.7 million.

In March 2020, the CEO took a 15% pay cut. This increased to 30% with effect from April 2020. In solidarity with the CEO, the Chairman and the Directors similarly reduced their fees by 15% from March 2020 and subsequently by 30% from April 2020. The cuts in salaries and fees will be reflected in the annual report for the current financial year.

**16. Why did most of the SIA Directors not exercise their rights for MCB?**

Each eligible Director had made his or her own investment decision based on the individual's own personal finances and investment time horizon. Two Directors were not eligible to participate in the Rights Issue as they are based overseas.



## **G. Operations**

### **17. Please provide insights on the changes to flight experience following Covid-19. For example, will you be spacing out passengers on the flight? Would flight capacity be cut by half permanently to allow an empty seat between passengers?**

The Covid-19 pandemic has resulted in many changes throughout the entire flight experience. In these extraordinary times, SIA has stepped up our cleaning services and introduced new measures to safeguard customer and staff well-being, while continuing to provide our customers with the kind of care that is expected of SIA. In compliance with regulations, crew and passengers are required to wear face masks while onboard. Our crew also use goggles and gloves when serving passengers. Customers also get a care kit that includes a face mask, disinfectant wipes and hand sanitiser.

We leverage technology to deliver a personalised and seamless travel experience to our customers. Contactless travel is enabled by digital technology throughout the customer journey. SIA customers can use an e-Library to access more than 150 newspapers and magazines instead of physical copies of the periodicals. Customers can also use our SingaporeAir mobile app for a wide range of services including online check-in and to access a mobile boarding pass, as well as control the aircraft's Inflight Entertainment System. More initiatives are under development.

In addition, SIA has introduced measures to minimise contact with passengers. Meal services have been modified accordingly, based on flight duration as well as regulatory requirements. For now, Business Class passengers will have a one-tray service rather than different courses. We have resumed uplift of Business Class champagne and Economy Class wines except for flights where currently snack bags are served.

As we resume our international services, we are reintroducing our world class services in stages. SIA is working towards providing an inflight experience as expected by our passengers and reintroducing popular aspects of the dining experience within the constraints of health and safety protocols. We continue to strive to improve the customer experience during this difficult period and remain mindful that customers still expect a premium experience from SIA.

There is no imposition of mandatory blocking of middle seats by the authorities. We have however in compliance with regulatory requirements designated seating zones on board to separate transit passengers from non-transit passengers.

## **H. Others**

### **18. When will the June quarter company results be released?**

We will be announcing the Q1 business update on 29 July 2020 (after market hours).