

JOINT STATEMENT BY CHAIRMAN & CEO

THIS MARKS CHAIRMAN BOB TAN'S MAIDEN STATEMENT. IT IS ALSO THE FIRST TIME SBS TRANSIT IS ISSUING A JOINT CHAIRMAN AND CEO STATEMENT.

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WE SPENT 2021
CONSOLIDATING OUR
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CHARTING NEW
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CHENG SIAK KIAN
CHIEF EXECUTIVE OFFICER

BOB TAN BENG HAI
CHAIRMAN

INTRODUCTION

Up to one-third of people in some of the biggest cities in the world have stopped using public transport because of the ongoing COVID-19 pandemic¹. Whether they will ever get back on board buses and trains is difficult to predict, but according to a global survey by transport app Moovit, which looked into the travel habits of people in 104 cities across 28 countries, lockdowns, the rise of remote working, and stay-home orders have all meant a reduction in the volume of people commuting.

SBS Transit, Singapore's dominant public transport operator, has not been spared. We saw lower ridership as people continued to work from home, nightlife remained non-existent, and COVID-19 restrictions remained in force. But we did not sit idly by. We spent 2021 consolidating our strengths, charting new areas of focus and embracing new technologies.

PROTECTING OUR PEOPLE AND OUR PASSENGERS IN A PANDEMIC

As the pandemic continued unfettered, we are mindful of the duty of care we owe towards our people, in particular, our staff on the frontline who face greater risks of exposure to the COVID-19 virus.

Working with the Land Transport Authority (LTA), public transport workers were among the first groups in January 2021 to receive the vaccine under the COVID-19 national vaccination strategy. We actively encouraged our people to receive the vaccine and 99% of our Bus Captains (BCs) have been fully vaccinated.

Unfortunately, at the height of the pandemic in August 2021, six of our bus interchanges - Bishan, Boon Lay, Clementi, Sengkang, Tampines and Toa Payoh - became COVID-19 clusters with some 2,000 staff affected. Having been vaccinated, they largely displayed no or mild symptoms as they served their quarantine or stay-home notice.

As new variants like Delta and Omicron became dominant, we further tightened our



Safe Management Measures to minimise infection at the workplace. Mask-on and mask-off areas such as dining and resting corners were segregated. In mask-off areas, employees could only carry out their activities singly with a no-talking policy in force. High-touch points such as staff washrooms were also cleaned and disinfected more regularly while high-efficiency particulate air purifiers were installed in the staff areas. More buses were also used in ferrying BCs to work. We intensified Antigen Rapid Test (ART) testing for our staff and also made unannounced audit checks to ensure full compliance to tightened measures.

Concurrently, the welfare and the mental well-being of our people remained foremost on our minds. Their supervisors stepped up outreach efforts and remained available to listen and help whenever necessary. For those infected by the virus, our people got together to pack care packs to be sent to them to demonstrate care in practical ways. Those without families here were also not forgotten as we catered for their meals and did grocery runs for them too. In place of physical events, Management switched to video communication to stay in touch and uplift morale.

For our passengers, we continued with our stepped-up cleaning and disinfection regime with high passenger touch points

cleaned at two-hourly intervals. Anti-microbial disinfectant spray continued to be applied in our buses and trains at regular frequency to maintain their level of protection. Mask-wearing was enforced and a no-talking policy was encouraged on our buses and trains to minimise the spread of droplets in the surrounding environment.

NEW RAIL FINANCING FRAMEWORK FOR LONG TERM SUSTAINABILITY

A key development during the year was the transition of the Downtown Line (DTL) to the New Rail Financing Framework (NRFF) Version 2, which the North East Line (NEL) and the Sengkang Punggol LRT (SPLRT) lines already operate on. It will reduce commercial volatility for us and is a more sustainable model for our rail operations. This will enable us to focus on the operations and maintenance of the rail system so that our operations can remain financially sustainable to continuously provide safe and reliable rail services to the public.

As part of the agreement, the LTA issued a consolidated licence to our wholly-owned subsidiary, SBS Transit Rail Pte Ltd, to operate the DTL, NEL and SPLRT for a period of 11 years which commenced on 1 January 2022. All our rail assets have since been consolidated under this new subsidiary.

1 <https://www.weforum.org/agenda/2021/02/public-transport-covid-data/>

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IN 2021, OUR MEAN KILOMETRE BETWEEN FAILURE (MKBF), WHICH IS THE INTERNATIONALLY USED MEASURE FOR RAILWAY RELIABILITY, SET A RECORD FOR THE INDUSTRY. DTL CLOCKED AN IMPRESSIVE 4.19 MILLION TRAIN-KM COMPARED TO THE NATIONWIDE MRT NETWORK'S AVERAGE OF 1.99 MILLION TRAIN-KM AND WAS NAMED THE "MOST RELIABLE MRT LINE".

Under the new consolidated rail licence, we continue to hold rights to lease out the advertising spaces at all 78 stations of the DTL, NEL and SPLRT until 31 December 2023. Thereafter, the LTA may allow us to continue to operate all or any part of the rail advertising business from 1 January 2024 until the term of the consolidated rail licence expires.

In addition, the agreement also provided for an extension of five existing bus contracts which we are currently operating by an average of three years. With effect from 1 September 2022, the service fee for these contracts will be at a rate that is benchmarked against recent bus tenders and will be lower than the current service fee.

KEEPING SINGAPORE MOVING EVERY DAY

2021 marked the fifth year of operations under the Bus Contracting Model (BCM) where the provision of bus services and the corresponding delivery standards are determined by the LTA. Bus operators are

contracted and paid to operate public bus services through a competitive tendering process while the LTA retains the fare revenue. All bus infrastructure such as depots and operating assets like buses are owned by the LTA.

We operated a total of nine bus packages – two of which are tendered contracts. Among the seven negotiated contract packages, one was extended on 1 September 2021 for three years while another five will be extended by an average of three years from September 2022 as part of the NRFF arrangement.

In 2021, we operated a total of 228 bus routes, which were two more than in 2020. On an average weekday, we operated some 30,500 bus trips with our fleet of 3,548 buses which included 30 electric buses and 25 hybrid ones.

In September and October 2021, the public bus industry experienced a shortage of BCs as a result of COVID-19 infections.

As the biggest public bus operator with a market share of 61%, we were not spared where up to 14% of our BC strength was affected at the peak of the crisis.

Working hard with the LTA, we minimised the impact to our bus operations by undertaking a slew of measures where teamwork was essential. BCs, who were on their rest days, voluntarily returned to driving duties to cover for their absent team mates, planners mapped out adjusted frequencies for the affected bus services while Service Controllers at the Operations Control Centres proactively managed the buses on the road to regulate bus arrival timings to minimise prolonged waiting times at bus stops. As a result, the increase in waiting times for the majority of affected bus services was within five minutes of their regular schedules. For a very small number of bus services, it was more than 10 minutes.

In rail operations, we operated 78 stations - 50 MRT stations on the NEL and DTL and 28

LRT stations on the SPLRT loops - spanning 83 km of rail networks in Singapore. All the stations on our rail networks are opened for passenger service except for Teck Lee on the Punggol LRT loop, which will open in tandem with developments in the area.

Demand for rail services increased slightly by 4.5% with close to 271.3 million passenger trips made in 2021 when compared to the previous year. However, ridership has yet to reach pre-COVID-19 levels with a drop in total ridership of 39% when compared to 2019.

In 2021, our Mean Kilometre Between Failure (MKBF), which is the internationally used measure for railway reliability, set a record for the industry. DTL clocked an impressive 4.19 million train-km compared to the nationwide MRT network’s average of 1.99 million train-km and was named the “Most Reliable MRT Line”. NEL came in second with 2.06 million train-km and clocked an improvement over its 2020 performance of 2.04 million train-km. The SPLRT achieved 341,000 train-km compared to the nationwide LRT network’s average of 292,000 train-km. We commend the rail team for its outstanding achievements.

ATTRACTING TALENT AND DEVELOPING OUR PEOPLE

As at December 2021, we had 10,024 employees of which 58% were BCs. We stepped up efforts to attract more locals to join as BCs with a new recruitment campaign that highlighted the meaningful nature of the job. A higher salary for locals with relevant heavy vehicle driving experience was also introduced while the quantum of the sign-on bonus was doubled to \$6,000 for a limited period. Our efforts attracted 228 applicants where about slightly half of them were found to be suitable for the job.

Our employees have always been at the heart of our business and we recognise the importance of continuing education as a necessary investment for them to broaden and deepen their competencies. We further expanded our e-learning

training programmes including those certified by SkillsFuture Singapore (SSG) to enable them to continue to hone their knowledge and skills at their own pace given the limitations of physical training sessions during the pandemic.

Our rail engineers were also encouraged to upskill themselves by enrolling in the first-ever, new competency-based degree programme that public rail operators, LTA and the Singapore Institute of Technology (SIT) have introduced. They can earn credits obtained through work experiences that will count towards a Bachelor or Master degree in Engineering Technology in Sustainable Infrastructure Engineering (Land). We are sponsoring three staff for this programme.

MAKING JOURNEYS BETTER FOR OUR PASSENGERS

Our customers are central to our operations. To sharpen our focus on them, a Customer Experience department was established with the dedicated focus of creating better travel experiences.

With inclusivity being one of our key attention areas, the team embarked on our hallmark “Travel with Confidence” programme. To-date, we have partnered Dementia Singapore on a way-finding solution to enable those living with dementia and

for elderly passengers to easily and safely find their way to their boarding berths at our bus interchanges and MRT stations. We also introduced priority boarding for passengers-in-wheelchairs at the boarding platforms across all 50 of our MRT stations.

Listening to the voice of our passengers remains a key tenet of our customer experience. For this purpose, we have an array of feedback channels available. In 2021, we piloted a new fault reporting initiative which makes it easier for

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passengers to report faults with the use of Quick Response (QR) codes on our buses and in bus interchanges. This is currently on trial at two major bus interchanges and on buses belonging to two bus services. For our trains and MRT stations, we had implemented this initiative about two years ago.



IN AN EFFORT TO SPEARHEAD SUSTAINABILITY IN SBS TRANSIT, A BOARD-LEVEL SUSTAINABILITY COMMITTEE WAS SET UP IN APRIL 2021. BY INTRODUCING A BOARD-LEVEL COMMITTEE, WE ARE MAKING IT CLEAR THAT WE DO NOT TAKE ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) MATTERS LIGHTLY.



Our efforts in providing good service did not go unnoticed by our passengers. In the 2021 Customer Satisfaction Index of Singapore conducted by the Singapore Management University's Institute of Service Excellence, the overall customer satisfaction score for public transportation was 74.1. SBS Transit led the way by outperforming the industry with a score of 74.5 points for the bus sector and 78.2 for the rail sector.

SUSTAINABILITY FOR THE FUTURE

In an effort to spearhead sustainability in SBS Transit, a Board-level Sustainability Committee was set up in April 2021. By introducing a Board-level Committee, we are making it clear that we do not take environmental, social and corporate governance (ESG) matters lightly. In addition, we have decided to produce a separate Sustainability Report effective this year. More details of our Sustainability efforts can be found in the Report which will be released by June 2022.

In 2021, we took delivery of 10 electric buses from the LTA, bringing the total number of green vehicles in our fleet to 55. This comprised 30 electric buses and 25 hybrid ones. As at end December 2021, 81% of our fleet was Euro 5 and above to minimise environmental pollution.

As more environmentally-friendly buses come on stream, our technicians are being trained to maintain these vehicles better and safely. As part of our training efforts, we jointly developed a certification course with ITE College West on working with high voltage systems that are employed on electric and hybrid buses. Nineteen of our technicians have been certified as Experts and we aim to equip all 441 of them with at least a basic knowledge of working safely with these systems.

We operated a commercial on-demand shuttle bus service using autonomous buses (AV) on Jurong Island for three months until end April 2021. This was an initiative under the national Emerging Stronger Taskforce to promote and accelerate sustainable deployment of robotics in Singapore. Prior to this, we were involved in the trial of operating these vehicles with ST Engineering where our BCs served as safety drivers to take over the wheel in case of emergencies.

Meanwhile, we are also participating in a consortium with ST Engineering Autonomous Solutions, which had submitted a bid for an AV project, in a Call for Collaboration announced by the LTA and the Economic Development Board.

We have also been actively changing the way we do things at our workplace by digitalising our operations and maintenance and in the process, dispensed with manual procedures, improved existing systems and increased productivity. This has also transformed the way we communicate with our people, measure and improve performance and monitor and manage information as we transform to become an agile and connected workforce.

EARNING RECOGNITION AND AWARDS

In recognition of our efforts in upholding best practices in corporate governance and showing leadership, innovation and resilience during the pandemic, SBS Transit was one of only seven companies to be recognised with the Corporate Excellence



and Resilience Award (mid-cap) at the Singapore Corporate Awards.

SBS Transit also received the Excellence Award for Shareholder Communications (mid-cap), as well as the Runner-up Award for Most Transparent Company (Industrials) at the Securities Investors Association (Singapore) Investors' Choice Awards 2021.

Our ranking in the Annual Governance and Transparency Index improved as we were placed in the 14th position - three spots higher than in 2020.

In safety, we clinched top spots in the bus and rail categories at the LTA Annual Safety, Health and Environmental Award Convention. NEL was honoured with the "Public Transport Safety Award - Rail Operator (Excellence)" while the Bukit Merah Bus Package received the "Public Transport Safety Award - Bus Operator (Excellence)". Our Jurong West Bus Package was awarded the Merit award in the same category.

In recognition of SBS Transit's efforts in the greening of the Ulu Pandan Bus Depot, we received the ASEAN Energy Awards 2021 in the Energy Efficient Building (zero energy building) category while the Public Utilities Board recognised our efforts with the Water Efficient Building (Basic) Certification.

Our people have also done us immensely proud. At the LTA's inaugural Singapore BusTech Grand Challenge, six of our bus technicians participating in two teams emerged as the overall top two champion teams.

A Master Technical Specialist, Mr Haine Abdul Rahman, received the SkillsFuture Fellowships 2021 which was presented to him by the President of Singapore, Mdm Halimah Yacob. His quest for constant learning earned him a \$10,000 training grant.

In service excellence, 171 of our employees were lauded at the National Kindness Award - Transport Gold while close to 1,800 were recognised at the national Excellent Service Award (EXSA). Of these, 42% of them received the EXSA Star Award, which is the highest accolade. It is heartening to know that 30% of the recipients are first-time award winners.

FINANCIAL PERFORMANCE

Group Total Revenue for 2021 increased by 6.5% from \$1,230.9 million to \$1,310.8 million.

Revenue from Public Transport Services (bus and rail) increased by 5.8% or \$69.5 million to \$1,265.3 million, which can be

attributed mainly to higher bus service fees offset by lower mileage, higher rail ridership offset by lower average fares, and also higher other operating income.

Revenue from Other Commercial Services business increased by 29.5% or \$10.4 million to \$45.5 million due mainly to higher advertising revenue as more advertisers resumed their campaigns and a reduction in rental rebates given to tenants.

Group operating costs increased by 9.2% or \$106.3 million to \$1,257.3 million due mainly to higher fuel and electricity costs as well as staff costs. The surge in energy prices resulted in a spike of 65.1% or \$58.6 million in our fuel and electricity costs to \$148.7 million.

The Group fell into the red at the operating level for the second consecutive year of the pandemic, although it significantly narrowed the loss to \$2.8 million from \$29.8 million in 2020. The improved performance was in line with the gradual recovery of the Singapore economy but this was offset by a one-time loss of \$16.0 million from the disposal of 241 buses which were replaced with new and greener ones from the LTA.

We are grateful for the Government reliefs of \$56.3 million which enabled the Group to stay in the black. The Government reliefs, although significantly lower by 48.7% than in 2020, helped to partially cushion the adverse financial impact due to COVID-19. The COVID-19 impact included a significant drop in ridership compared to pre-COVID-19 levels, rental rebates given to tenants and expenses arising from stepped-up cleaning costs of vehicles and premises to protect our passengers and employees. Hence, we turned in an operating profit of \$53.6 million, down 33% from 2020.

At the Group level, net profit attributable to shareholders fell by 34.6% or \$27.3 million to \$51.6 million.

Earnings per share was 16.56 cents, which was 34.6% lower than the 25.32 cents earned previously. As at 31 December 2021, total

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equity for the Group increased by 2.5% or \$14.5 million to \$601.6 million due mainly to profits generated from operations and partially offset by the payment of dividends.

Your Directors have proposed a tax-exempt one-tier final dividend of 2.45 cents per share. Together with the tax-exempt one-tier interim dividend of 5.75 cents paid earlier, the total tax-exempt one-tier dividend to be paid out in 2021 will be 8.20 cents per share, 30.2% higher than the previous year. The dividend payout of 49.5% is close to our dividend policy of distributing at least half of our profits as dividends. Based on year-end closing price of \$2.95, the dividend yield is 2.80%.

LOOKING AHEAD

We look forward to the LTA's invitation to tender for the operation and maintenance of the Jurong Region Line (JRL) as well as the Cross Island Line (CRL). The 24-km long JRL with 24 stations will be the seventh MRT line and serve the western part of Singapore including the Jurong Lake District, the Jurong Innovation District and the Nanyang Technological University. It is scheduled to open in three phases starting from 2027. More than 50 km long, the CRL will serve as a critical transport infrastructure that will greatly improve connectivity for commuters across Singapore. The CRL will be opened in phases with the first phase (CRL1) scheduled for 2030. Spanning 29 km, CRL1 will have almost half of its 12 stations as interchanges with other MRT lines and raise the MRT network resilience. Studies on the details of subsequent CRL phases are ongoing.

The contract term of five Bus Packages under BCM will expire in 2023. Two of them - Seletar and Bukit Merah - are operated by us and we intend to seek an extension to continue to manage them. The three Bus Packages - Choa Chu Kang-Bukit Panjang, Loyang and Woodlands - will offer opportunities for us to participate in the tenders to operate them if their terms are not extended.

Sustainability will remain a key focus of our business as we continue to explore programmes and initiatives to bring about meaningful changes that will have positive impact on our people, our passengers and our stakeholders. ESG matters will be key considerations in our decision making processes - from basic procurement decisions to major strategic, long-term operational plans.

Meanwhile, the legal suit that 13 BCs have brought against the Company will continue in 2022. We will defend our case with vigour as we have not only complied with the Employment Act but have also gone beyond in the interest of our BCs.

DIRECTORS

We wish to welcome a new Director, Mr Desmond Choo, who joined us in April 2021. Desmond, who has a strong background with extensive experience in community and labour relations, is a Member of Parliament and the Mayor of the North East District. He is currently the Assistant Secretary-General and Director of Policy Division at the National Trades Union Congress. We now have 10 Directors, with a 30% female representation.

We have also been advised by our Deputy Chairman, Mr Yang Ban Seng, who is concurrently the Managing Director/Group CEO of our parent company, ComfortDelGro Corporation Limited, that he will not be seeking re-election at the Annual General Meeting. We are grateful to Mr Yang for his valuable contributions and unwavering support over the past five years.

Our Directors participated in a biennial retreat with Senior Management in December 2021 where significant topics in new business models, enhanced role of technology and new business approaches to adopt to stay abreast of the competition were among the topics reviewed and debated.

APPRECIATION

On behalf of the Board of Directors, Management and staff, we would like to place on record our appreciation to Mr Lim Jit Poh, who retired in April last year after

serving 18 years as SBS Transit's Chairman. Mr Lim was an astute leader who had provided guidance, counsel and strong support to the Board and Management. He was always mindful of SBS Transit's dual role as a public transport operator and also a listed entity and he knew just how to balance his responsibilities to both shareholders and the commuting public. We are grateful that Mr Lim agreed to stay on as Senior Advisor for a year after he retired to provide continuity.

We would like to thank our staff for their hard work and commitment in keeping Singapore moving during this pandemic which remains unfettered as new variants emerge. They have remained focussed and resilient in adapting to changes and staying the course in providing safe and reliable services to our passengers. To all the frontline staff, we greatly appreciate their dedication where they have put their health and well-being on the line to provide essential public transport services to our passengers every day without fail.

We would also like to thank the Government and the Authorities for all their assistance in helping us through these difficult times. To the National Transport Workers' Union, thank you for working closely with us to forge a strong and harmonious tripartite partnership. We are also thankful to the schools and community groups which continued to rally behind our staff in overwhelming support and appreciation.

To our fellow directors, thank you for your invaluable advice, continued guidance, unwavering support and contributions.

Last but not least, to our loyal Shareholders, thank you for your support.

BOB TAN BENG HAI

CHAIRMAN

CHENG SIAK KIAN

CHIEF EXECUTIVE OFFICER

MARCH 2022