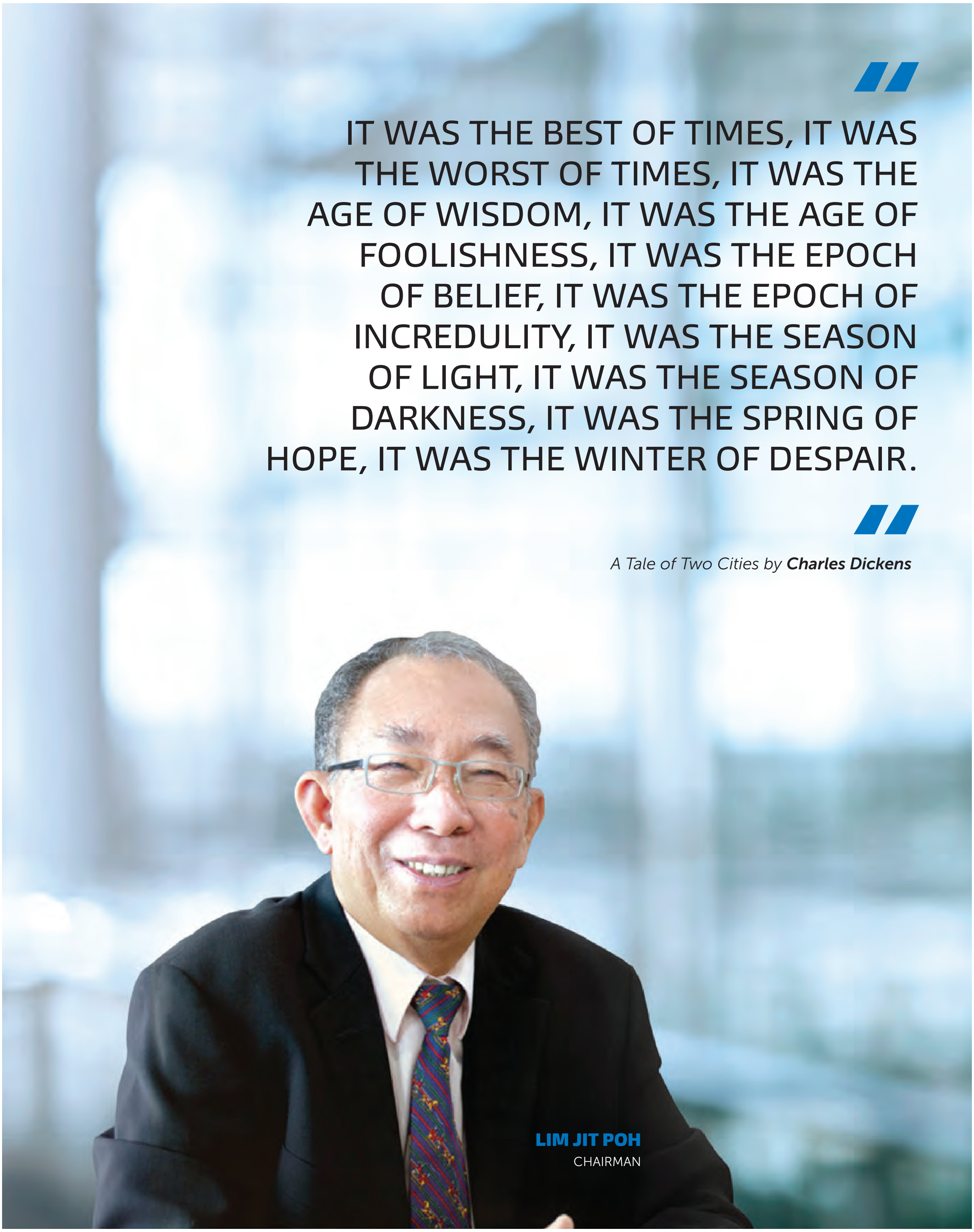
CHAIRMAN'S STATEMENT



"IT WAS THE BEST OF TIMES, IT WAS THE WORST OF TIMES, IT WAS THE AGE OF WISDOM, IT WAS THE AGE OF FOOLISHNESS, IT WAS THE EPOCH OF BELIEF, IT WAS THE EPOCH OF INCREDULITY, IT WAS THE SEASON OF LIGHT, IT WAS THE SEASON OF DARKNESS, IT WAS THE SPRING OF HOPE, IT WAS THE WINTER OF DESPAIR."

A Tale of Two Cities by ***Charles Dickens***

LIM JIT POH
CHAIRMAN

What is arguably one of the most famous literary introductions ever written is now 163 years old and amazingly, remains relevant to this very day. As the world continues to be plagued by the COVID-19 pandemic, political, social and economic conditions remain disparate – across nations and geographies. The availability of vaccines and the ability, or inability, to acquire them has been a major differentiator in the recovery trajectory. As an international land transport operator, the past two years have been challenging as we deal with the fallout of the pandemic at macro and micro levels.

SIGNIFICANT DEVELOPMENTS

While dealing with the day-to-day challenges of operating in a pandemic, we made sure that we did not lose sight of our longer-term strategy of expanding into new avenues of growth by leveraging on our core strengths. Several key developments took place during the year which are of significance, not just now, but going forward. They are our successful bid to operate rail services in Auckland, New Zealand; our successful bids in Singapore to offer electric vehicle (EV) charging services and to operate electric private buses; and our entry into the logistics business in China through the formation of a cement transportation joint venture.

RAIL – A NEW PILLAR OF GROWTH

The first development is significant on several fronts. The S$1.13 billion eight-year contract to operate rail services in Auckland was a first in many aspects. It marked the Group's first foray into the New Zealand land transport market. It was also the first time a Singapore-owned transport company had been awarded a contract to operate passenger heavy rail services beyond local shores. More significantly, the 50:50 joint venture with UGL Rail Services, an Australian rail operations and maintenance company under the engineering and construction giant, the CIMIC Group, now gives the Group an international rail network of 94km.

For sure, the Auckland award marks a new chapter in the ComfortDelGro growth story. It signals our move into the international rail scene – 18 years after we began rail operations in Singapore through the North East Line, which was the world's first fully automated underground line. In the close to two decades that we have been running train services, we have amassed a wealth of knowledge and experience, in the key areas of technical, customer service and disaster recovery. Notably, we have been achieving world class reliability of 2 million MKBF[1] across the fleet for two years running now. This track record is important as we look at further growing our rail business. In fact, we have already been shortlisted in two other rail tenders – one in Paris with French transport giant RATP Group to operate Lines 15, 16 and 17 of the Grand Paris Express, and the other with UGL Rail and Australian rail infrastructure specialist Coleman Rail to operate the Sydney Metro Western Sydney Airport line in Sydney. We are also exploring other opportunities in Europe.

ELECTRIFICATION

The second development that is worth highlighting pertains to our electrification efforts. In September 2021, our joint venture with French energy giant ENGIE was awarded three of the five Urban Redevelopment Authority/Land Transport Authority tender regions for EV chargers that are to be installed over 200 public carparks in Singapore. In total, CDG ENGIE won 479 of the 632 chargers on tender, representing 75% of the chargers in this pilot rollout. Installation of the chargers, comprising 192 x 22kW Alternating Current (AC) chargers, 279 x 7kW AC chargers and 8 x 50kW Direct Current chargers, has already started in the Central, East and West regions of Singapore and is expected to be completed by the third quarter of 2022. Our partnership with ENGIE is also venturing into the solar renewal energy space and together, we aim to be a significant player in the clean energy market.

Along the same vein, our wholly-owned private bus company, ComfortDelGro Bus Pte Ltd, has also been awarded contracts to operate electric bus shuttle services at the National University of Singapore's (NUS) and the Nanyang Technological University Singapore's campuses. With these, the Group will now own the largest electric bus fleet in the private unscheduled bus industry in Singapore.

These wins are the latest in our sustainable energy journey, supplementing similar efforts in the United Kingdom (UK) where we already operate hydrogen and electric buses, Australia where we operate hybrid

1 MKBF is an abbreviation that represents the hard work of our rail workers – one that measures rail reliability, by looking at the distance our trains can clock between failures. MKBF refers to Mean Kilometre Between Failures.

CHAIRMAN'S STATEMENT

and electric buses as well as China where we operate electric and compressed natural gas taxis. With technology advances, I fully expect our investments into this area to grow by leaps and bounds in the next few years.

LOGISTICS – A NEW AREA OF GROWTH

In November 2021, the Group entered into a 60:40 joint venture which will enable it to gain a foothold in the fast growth logistics industry in China. Under the agreement, newly set-up Guangxi ComfortDelGro Logistics Co., Ltd will purchase a fleet of up to 35 trucks by the end of 2022 to deliver concrete to private and government projects in Guiping and Guigang in the Guangxi Zhuang Autonomous Region in Southern China, where ComfortDelGro is already the largest taxi operator with a fleet of 854 taxis in the capital Nanning.

The investment in Guangxi ComfortDelGro Logistics comes two years after ComfortDelGro Rent-A-Car Pte Ltd expanded into the heavy vehicle class in Singapore with 10 prime movers. These have been leased out to Haulio, a container trucking technology company, in which ComfortDelGro has had a stake made through its US$100 million corporate venture capital fund.

With the latest investment, the Group will further explore logistics-related investment opportunities which will not only leverage on our core capabilities in transportation, but also provide a new area of growth.

We have partnered companies that we see strong synergies with. We believe that in this global ecosystem, companies cannot stand alone. They need to work hand-in-hand to achieve greater growth. With that in mind, we continued to broaden and deepen our global portfolio. We ventured into New Zealand and now operate in seven countries worldwide (Singapore, Australia, the UK, New Zealand, China, Ireland and Malaysia). We also expanded into a new business area and now operate, bus, rail, taxi, inspection and testing, vehicle engineering, driver training, medical transportation, car rental and leasing, private hire, insurance and advertising services.

CONFRONTING CHALLENGES

COVID-19

No corporate round-up is complete these days without a mention of the impact of COVID-19 – which is now into its third year, with no signs of abating. The turmoil it caused when it first appeared in 2020 continued into 2021 – although to varying degrees. The availability of vaccines helped to keep the virus in check to some degree but repeated attempts by governments around the world to fully open up their economies were largely unsuccessful as cases spiked and new variants, such as the highly contagious Omicron, have emerged. Having said that, there has been some semblance of new normalcy as communities learnt to live with the virus, adopting new ways of living and working. One of the most significant developments resulting from the pandemic is the rise of the work-from-home phenomenon. This has had significant impact on our businesses as people commuted less. The land transport industry the world over has been hard hit and may never see levels of demand comparable to pre-COVID days as new travel patterns take root.

PRIVATE MOBILITY

As a major mobility operator, we have had to review the way we operate and do business. Ridership on our taxis, buses and trains have been hard hit. In the case of the public scheduled bus business, the impact has been less severe on the revenue line as we operate on bus contracting models – but the hit on our taxis and rail has been significant. In view of this, we have transformed the way we operate our private mobility businesses, pooling together resources with an aim towards leveraging on the various business strength and building a cross-sector platform. To this end, a new Private Mobility Group (PMG) comprising our taxi, private hire, car leasing, private bus businesses and our mobility platform Zig has been set up. Pooling together resources, the newly-formed PMG will build capabilities in new domains such as product research, product engineering and digital sales and marketing. A new digital data hub is currently being rolled out which will collate customer information across all the three businesses to drive personalisation using the Zig platform. As we build our data foundation, we will also identify new mobility services to meet the commute needs of specific customer segments and to supplement the public transport network.

AUTONOMOUS VEHICLES

At the end of 2021, the Board approved plans for the Group to set up a CDG Autonomous Vehicle Centre of Excellence (AV CoE) which will invest S$30 million in research and development over the next five years. It will focus on the development of new capabilities in the delivery of mobility services using AVs. The objective is not for us to invest in the actual development of AV technology, but rather for us to leverage AVs to develop driverless operational procedures and trial new mobility services – essentially advancing from the AV trials that we had conducted in the last few years with partners EasyMile and ST Engineering. With the new trials, the Group aims to build up AV service competency – end-to-end planning, optimised operations and efficient support capabilities and the technology platform required to offer driverless services. It is, simply put, an investment into our future.

NEW BUSINESSES

With the change in mobility patterns I mentioned above, the markets we operate in have "shrunk" in the traditional sense. Singapore, which has always been constrained by physical size, has an even "smaller" transport market now that commuters are venturing out less and working more from the confines of their homes. What this all means is we now have to explore new markets and businesses if we are to maintain growth. In 2021, we broke into the New Zealand market with a sizeable rail contract. We also entered the logistics business in China and the non-emergency medical transport service in Singapore. We are currently exploring several possible acquisitions, ventures and partnerships around the world. Some of these will pan out, many of them won't. Such is the nature of business development.

ASSET ENHANCEMENT

In 2021, we announced that we would list our sizeable Australian assets in order to unlock value. But unfavourable market conditions close to the time of listing meant that we had to shelve these plans. It was disappointing but the intent to enhance the value of these assets remain unchanged and we will carefully evaluate all strategic alternatives.

TALENT

Another key challenge we face is that of manpower as well as talent acquisition and renewal. Even with increased digitalisation and technology improvements, the transport business remains very labour-intensive. Certainly, our global workforce of over 22,500 is a testament to this fact – and that number doesn't even include the 30,000 taxi drivers worldwide who are not on our payroll. With the many advances in technology, we are upskilling our workforce and elevating our people to focus on more value-added work. Innovation and creativity are new buzzwords we are focussing on as we work towards changing mindsets and culture. Our people will need to learn new skills to keep up with times and take on future jobs where they may not exist today.

SUSTAINABILITY

2021 is a significant year for sustainability, for the world and for the Group. Extreme weather events caused by climate change, high-profile sustainability-related events such as the 26th United Nations Climate Change Conference of the Parties, the launch of the Singapore Green Plan 2030 and the ongoing pandemic, have raised the public's awareness of environmental, social and governance (ESG) issues. This has brought many new opportunities and risks for countries and businesses.

For example, in March 2021, the Group committed S$50 million in clean energy technology and research as part of a larger push towards upping its overall sustainability quotient. A Memorandum of Understanding was signed with the NUS for a S$10 million mobility-focussed CDG-NUS Smart & Sustainable Mobility Living Lab that will focus on Energy Sustainability, Integrated Urban Mobility as well as Smart and Intelligent Mobility Technologies.

As the Group continued its push for greater Sustainability, we also moved up the scale in terms of reporting standards. The Group Sustainability Office shifted its focus in 2021 from "compliance and reporting" to "integrating sustainability into business strategy". This will define the next phase focus of our sustainability journey. As such, we will have no problems complying with the new disclosure requirements which the Singapore Exchange announced on 15 December 2021. These requirements, which are based on recommendations of the Task Force on Climate-related Financial Disclosures, include mandating that all issuers provide climate reporting on a 'comply or explain' basis in their sustainability reports from the financial year (FY) commencing 2022 and climate reporting for issuers in the transportation industries from FY2024. Other key changes effective from 1 January 2022 include requiring issuers to subject sustainability reporting processes to internal review; requiring all directors to undergo a one-time training on sustainability; requiring Sustainability Reports to be issued together with Annual Reports unless issuers have conducted external assurance; and requiring issuers to set a board diversity policy that addresses gender, skill and experience, and other relevant aspects of diversity.

The Group committed to the Science Based Targets Initiative in February 2021 and is on track to reduce its greenhouse gas emissions by approximately 65% by 2032. As part of our continued commitment towards staying relevant in an ever-changing environment, we conducted a new materiality assessment to update our material ESG factors, strategies and approach. The last exercise was conducted back in 2015.

Our sustainability efforts have not gone unrecognised and in November 2021, we were included once again in the Dow Jones Sustainability Asia Pacific Index for the third year running. We are one of only four Singapore companies to be listed in the prestigious index. More details can be found in the Sustainability Report that is being produced with this Annual Report.

CHAIRMAN'S STATEMENT

DIGITALISATION

Our push towards greater digitalisation gained momentum in 2021, with investments made in both hardware and heartware. We embarked on several significant projects which were aimed at not just improving productivity and efficiency, but also broadening our capabilities in how we do business. One such project was the new Customer Relationship Management system which was introduced across the Group to enable us to better engage and reach out to our customers.

Cybersecurity continued to be a key area of focus given the large amount of data we have across our various operations. We focussed our attentions on the prevention, detection and response to cyber threats.

We also increased our digital bench strength during the year, recruiting experts in the various fields of digital excellence whilst equipping our existing staff with new digital skills.

FINANCE

Group revenue for 2021 was S$3.5 billion, an increase of S$295.7 million or 9.1% from 2020. Including government grants, Group operating profit was S$210.0 million – better than the S$121.7 million in 2020 but still a far cry from 2019's pre-COVID figure of S$415.8 million. Group profit attributable to shareholders increased by S$69.3 million or 114.0% to S$130.1 million in 2021.

Overseas revenue represented 46.2% of Group revenue, largely unchanged from 2020, although overseas operating profit showed a significant increase from 13.7% of Group operating profit in 2020 to 42.3% in 2021.

Public Transport Service (Bus, Coach and Rail) continued to be the leading sector accounting for 79.8% of total Group revenue. The Taxi business came in a distant second with 12.0%. Together, these two businesses accounted for close to 92.0% of Group revenue. In Group Total operating profit, the contributions by these two sectors are 62.2% from Public Transport Services and 8.8% from Taxi resulting in a combined contribution of close to 71%.

Earnings per share for 2021 was 6.00 cents. This is higher than the 2.81 cents in 2020 and far lower than 2019's 12.24 cents. The net asset value per share was 124.90 cents compared to 122.15 cents in 2020.

The Balance Sheet maintained its healthy status despite the pandemic crisis. Group Total Assets decreased by S$3.6 million to S$4,955.0 million, a small decline of 0.1%. Group Total borrowings and Lease liabilities from financial institutions also decreased to S$399.3 million, a drop of 27.7%. I am therefore pleased to advise that we are in a net cash position of S$519.8 million. The Group gross gearing ratio as at 31 December 2021 was 12.7% compared to 18.2% in 2020.

The Board of Directors is pleased to recommend a final tax-exempt one-tier dividend of 2.1 cents per share. If approved by Shareholders at the Annual General Meeting (AGM) on 29 April 2022, the total dividend for the year 2021 would be 4.2 cents per share, representing a 70% payout of the profit attributable to shareholders for the year under review.

CORPORATE GOVERNANCE

As the Group increased its commitment to sustainability issues, a new Sustainability Committee at Board level was set up in April 2021 to provide the Group Sustainability Office a channel to engage our Directors of our approach and initiatives, and also to seek Board-level guidance on ESG-related strategies.

We also merged the Nominating Committee (NC) and the Remuneration Committee (RC) to form the Nominating and Remuneration

Committee (NRC) to streamline their functions and improve efficiency for the appointment of new Directors, as well as the discussion and evaluation of performance and compensation of the Board and Key Management. In addition to this and the Audit and Risk Committee (ARC), we also have three other non-mandated Board Committees – Investment, Digitalisation and Sustainability.

The nine-year threshold for independent directors came into effect on 1 January 2022. Two of our Directors – Ms Adeline Sum and me – were successfully elected as independent Non-Executive Directors through a two-tier process at the AGM held in 2021. A third Director, Dr Wang Kai Yuen, was re-designated Non-Independent Non-Executive Director on 1 January 2022.

Our director renewal process, which began in 2017, continued into the new year. In January 2022, we welcomed Mr Lee Jee Cheng Philip, to the Board as an Independent Non-Executive Director and a Member of the ARC, the NRC and the Digitalisation Committee of the Company. He brings with him a wealth of experience in the areas of accounting and finance, having served as an audit partner in KPMG Singapore from 1995 until his retirement in September 2018.

Only two out of seven Founding Directors including me are still with the Board. The Board of 11 Directors is well balanced in term of tenure, age, gender and cultural ethnicity. They are experts in a whole gamut of key fields including artificial intelligence, internet technology, accountancy, law and sustainability. They are also well represented in our tripartite characteristics of government, labour and business. Coupled with these qualities, our Directors are also well equipped in international business experience.

APPRECIATION

For over two years now, Management has been put under severe stress as we navigated the pandemic. On behalf of the Board of Directors, I wish to thank the entire Management and staff in all our locations under the leadership of the Managing Director/Group Chief Executive Officer Mr Yang Ban Seng for doing a commendable job in keeping the morale high and discharging their responsibilities and duties well. Special thanks go out to our many frontline staff who put their own health on the line as they go about their daily work.

I also wish to thank all the respective Governments and Authorities for all their assistance, financial and otherwise, in helping us through this difficult time. Teamwork has been strong throughout the crisis and it has helped make a very difficult situation slightly less challenging. I also wish to express my deepest appreciation to all the staff unions that worked with us during these trying times.

I would also like to thank my fellow Directors for their contributions during this difficult time. Two of our Directors – Dr Wang Kai Yuen and Mr Kyle Lee – will be retiring at the forthcoming AGM. Dr Wang has been with the Group for 19 years and has served as Chairmen of various Board Committees throughout his tenure with us – namely the ARC, the RC and the NC. His extensive experience in international relations, information technology and product development has been invaluable to the Group. Mr Lee, who joined us in 2017 has been Chairman of the ARC since 2020 and has helped guide the Group in the areas of audit and risk and governance where he has significant experience.

Last, but by no means least, I would like to thank our Shareholders, for their continued support and faith in the Group.

CONCLUSION

I have been ComfortDelGro Chairman since the Group was formed in 2003. In late-April 2021, I stepped down as Chairman of our listed subsidiary, SBS Transit Ltd, and now hold a largely advisory role as Senior Advisor until the conclusion of the 2022 AGM in April 2022. At the forthcoming VICOM AGM in April 2022, I will advise VICOM Shareholders that I will not be seeking re-election. I will assume the title of Emeritus Chairman and hold a similar advisory position as Senior Advisor. I intend to do likewise in 2023, when I will relinquish my position as Chairman of ComfortDelGro at the 2023 AGM in April. By then, I would have served for 20 years as Founding Chairman. I am the last of the Founding Directors to leave the ship. In essence, change is coming. It is not a concept that we, as a Group, are unaccustomed to. We have, after all, been operating in a highly competitive and ever-changing environment since 2003.

As the saying goes: In life, change is inevitable. In business, change is vital.

LIM JIT POH
CHAIRMAN
MARCH 2022