

We firmly believe that the integrity of our Board Members and employees, supported by a rigorous system of internal controls, will enable us to preserve long-term value for our shareholders.

SembCorp Industries is committed to maintaining high standards of corporate governance. Our corporate governance principles reflect our strong belief in protecting and enhancing shareholder value in a sustainable way. We firmly believe that the professionalism, integrity and commitment of our Board Members and employees, supported by a rigorous system of policies, practices and internal controls are the cornerstones that will enable us to preserve long-term value and returns for our shareholders.

In line with the objective of the Company to instill and enhance strong corporate governance practices across its group of companies, the Company has put in place a whistle-blowing policy and procedures which provide employees with well-defined and accessible channels within the Group through which employees may, in confidence, raise concerns about possible improprieties in matters of business activities, financial reporting or other matters. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that retaliatory action will not be taken against any employee who has filed any complaint alleging possible improprieties.

Our efforts towards good corporate governance were recognised at the Securities Investors Association of Singapore's 2005 Investors' Choice Awards, where we were named one of Singapore's most transparent companies.

SembCorp Industries endorses the principles of the Code of Corporate Governance issued by the Singapore Exchange Securities Trading Ltd (SGX-ST). This report

outlines the Company's corporate governance processes and activities for the financial year with reference to the principles set out in the Code.

### **Board of Directors**

#### ***Effective Board to lead and effect controls (Principle 1)***

The Board's responsibility is to oversee the business, affairs and performance of the Company in the best interests of its shareholders. The Board focuses its activities on the key requirements of the Company such as:

- Providing entrepreneurial leadership and strategic direction to the Group, including approvals for major investments, divestments, restructurings, material contracts and matters of significance;
- Overseeing the businesses and affairs of the Group and monitoring the performance of Management against pre-agreed targets;
- Assuming full responsibility for the corporate governance framework of the Group and providing oversight in the proper conduct of the Group's businesses; and
- Being responsible to shareholders for the performance of the Group and ensuring adequate returns to shareholders.

A total of nine Board Meetings were held in the year and we achieved an average of 74% Board attendance. Four meetings were held in the year to review and approve the release of the quarterly results, discuss reports by Management on the performance of the Group, its plans and prospects and additional Board Meetings were also held to specifically consider other issues that had arisen during the year. Telephonic attendance and conference

via audio-visual communication at Board Meetings are allowed under the Company's Articles of Association.

In addition, the Board has adopted a set of internal controls that sets out approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories arrangements at Board level. Approval sub-limits are also provided at Management level to facilitate operational efficiency.

To ensure the efficient discharge of its responsibilities and to provide independent oversight of Management, the Board has established a number of Board Committees,

including an Executive Committee, Audit Committee, Executive Resources & Compensation Committee, Nominating Committee, Budget Committee and Risk Committee. These key committees are primarily made up of independent and/or non-executive directors. Other ad hoc committees can be formed from time to time to look into specific areas as and when the need arises.

Membership in the different committees are carefully managed to ensure that there is equitable distribution of responsibilities among Board Members, to maximise the effectiveness of the Board and foster active participation and contribution. Diversity of experience and appropriate

**The Board Members for 2005 were:**

<b>Name of Director</b>	<b>Position held on the Board</b>	<b>Date of first appointment to the Board</b>	<b>Date of last re-election as Director</b>	<b>Nature of Appointment</b>
Peter Seah Lim Huat	Chairman	July 29, 1998	April 26, 2005	Non-executive/ Non-Independent
Tang Kin Fei	Director	May 1, 2005	N/A	Executive/ Non-Independent
K Shanmugam	Director	July 29, 1998	April 30, 2004	Non-executive/ Independent
Goh Geok Ling	Director	May 3, 2000	April 30, 2004	Non-executive/ Independent
Richard Hale, OBE	Director	Sept 1, 2000	April 30, 2004	Non-executive/ Independent
Yong Ying-I	Director	May 26, 2003	April 30, 2004	Non-executive/ Independent
Vichit Suraphongchai	Director	July 21, 2003	April 30, 2004	Non-executive/ Independent
Colin Au Fook Yew	Director	April 30, 2004	April 26, 2005	Non-executive/ Independent
Evert Henkes	Director	April 30, 2004	April 26, 2005	Non-executive/ Independent
Lee Suet Fern	Director	July 1, 2005	N/A	Non-executive/ Independent
Lua Cheng Eng	Director	July 29, 1998	April 26, 2005	Non-executive/ Independent

*(vacated office of Director on February 14, 2006)*

# Corporate Governance

skills are also considered. There is a need also to ensure that there are appropriate checks and balances between the different committees. Hence, membership of the Budget and Executive Committees, with their greater involvement in key businesses and executive decisions, and the membership of the Audit and Risk Committees with their respective oversight roles, is mutually exclusive.

## ***Strong and independent Board exercising objective judgement (Principle 2)***

### ***Audit Committee (Principle 11)***

The Board comprises 11 Directors, 10 of whom are non-executive Directors. The Board's Chairman is Mr Peter Seah Lim Huat. Mr Tang Kin Fei, who is the Group President & CEO, is the sole executive Director.

The Board is favourably composed of a majority of non-executive Directors, independent of management and independent in terms of character and judgement. This enables Management to benefit from external and objective perspectives on issues that are brought before the Board. The Directors consider that the Board is of the appropriate size and with the right mix of skills and experience given the size of the Company. The Board Members comprise business leaders, current or retired CEOs, professionals with financial backgrounds, two practising lawyers and members of the public sector. Reflecting the focus of the Group's business strategy to strengthen itself in key emerging markets, one-third of the Board today comprises Directors who are non-Singaporeans, namely Messrs Richard Hale, OBE, Vichit Suraphongchai, Colin Au Fook Yew and Evert Henkes. Profiles of the Directors are found on pages 24 to 25 of this Annual Report.

The Board does not believe it is possible to compile a list of criteria that are appropriate to characterise, under all circumstances, whether a non-executive director is independent. It is the approach and attitude of each non-executive director which is critical. The Board aims for diversity of knowledge and experience among its members in relation to the various businesses of the Group and the international nature of the Group. Through the

delegation of its authority to the Nominating Committee, the Board has applied its best efforts to ensure that the Directors appointed possess the background, experience and knowledge in technology, business, finance and management skills critical to the Company's businesses. Best efforts have also been made to ensure that each Director with his special contribution brings to the Board an independent and objective perspective, to enable balanced and well-considered decisions to be made.

The Nominating Committee (NC) considers non-executive Directors, Messrs Lua Cheng Eng and Colin Au Fook Yew to be independent directors regardless of their respective appointments as advisors on the Temasek Advisory Panel and a subsidiary of Temasek. Notwithstanding this, the NC views them as persons of high integrity who have demonstrated a manifest ability to exercise strong independent judgement in deliberations in the interests of the Company and in discharging their duties as directors. Mr Lua Cheng Eng vacated his office of director on February 14, 2006.

### **Board committees**

The Company has six Board committees:

- a) Executive Committee;
- b) Audit Committee;
- c) Budget Committee;
- d) Executive Resource & Compensation Committee;
- e) Nominating Committee; and
- f) Risk Committee

### ***Executive Committee (ExCo)***

The ExCo provides overall strategic direction to Management and approves policies and detailed strategies for the Group. It reviews and approves investments recommended by Management and recommends larger investments to the Board in accordance with the internal financial authority limits stipulated by the Board. The Committee also reviews and monitors the financial performance and progress of the Group. The ExCo held five meetings in the year with full attendance of its members.

The ExCo is chaired by Mr Peter Seah Lim Huat and its members are Mr Goh Geok Ling and Mr Colin Au Fook Yew. It generally met once a month, with full attendance of its members.

#### ***Audit Committee (AC)***

The AC was chaired by Mr Lua Cheng Eng and includes independent directors, Mr K Shanmugam, Mr Richard Hale, OBE and Mrs Lee Suet Fern as members. Mr Richard Hale, OBE took over as Chairman from Mr Lua Cheng Eng with effect from February 14, 2006. During the year under review, the AC held five meetings. Members of the AC participated actively at meetings either by attendance or through teleconferencing.

The AC assists the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices of the Group and in respect of interested person transactions, its responsibility to act in the interest of the shareholders as a whole.

The main responsibility of the AC is to review with the external auditors, internal auditors and Management, the Company's policies and control procedures, interested person transactions as well as any matters or issues that affect the performance of the Group. The AC reviews the quarterly, half-yearly and annual results announcements as well as the financial statements of the Group and Company before they are submitted to the Board for approval. The AC also recommends the appointment of the Company's external auditors.

The Company has put in place a whistle blowing policy under which staff may raise concerns about possible improprieties in matters of financial reporting or other matters to the AC. This arrangement facilitates independent investigation of such matters for appropriate resolution.

The AC met with the external and internal auditors, without the presence of Management, during the year to review the cooperation and assistance given by Management to them.

The AC has reviewed the non-audit services provided by the external auditors to the Group, excluding its listed subsidiaries, SembCorp Logistics and SembCorp Marine, who have their respective audit committees. The AC is satisfied that the provision of the non-audit services by the external auditors did not impair their independence as external auditors.

#### ***Budget Committee (BC)***

The BC is chaired by Ms Yong Ying-I and also includes Dr Vichit Suraphongchai as a member.

The BC implemented a planning cycle focusing on different initiatives in each quarter. Activities involved the quarterly and half-yearly review of financial results in relation to the budget, strategic initiatives and a five-year outlook of each main subsidiary as well as the annual budget plans and initiatives.

#### ***Executive Resource & Compensation Committee (ERCC)***

The ERCC is chaired by Mr Peter Seah Lim Huat and its members are Mr Goh Geok Ling and Mr K Shanmugam.

The ERCC oversees executive compensation and development with the aim of building capable and committed Senior Management through focused management and progressive policies that can attract, motivate and retain talented executives to meet the current and future needs of the Company.

The ERCC reviews and approves remuneration and promotion of key executives as well as decides on issues pertaining to their development and succession. The ERCC also establishes guidelines on share options and other long-term incentive plans and approves the grant of such incentives to key executives. The underlying philosophy is to motivate executives to maximise operating and financial performance and shareholder value.

The ERCC also reviews the remuneration of its non-executive directors, executive director and senior executives, as well as major human resource management and compensation policies and practices of the Group.

# Corporate Governance

## Board Composition and Committees

Board Members	Executive Committee	Audit Committee	Budget Committee	Executive Resource & Compensation Committee	Nominating Committee	Risk Committee
Peter Seah Lim Huat	Chairman			Chairman	Chairman	
Tang Kin Fei						
K Shanmugam		Member		Member	Member	Member
Goh Geok Ling	Member			Member	Member	
Richard Hale, OBE <sup>1</sup>		Member				Member
Yong Ying-I			Chairman			
Vichit Suraphongchai			Member			
Colin Au Fook Yew	Member <sup>2</sup>					
Evert Henkes						
Lee Suet Fern		Member <sup>3</sup>				Member <sup>4</sup>
Lua Cheng Eng <sup>5</sup>		Chairman				Chairman

<sup>1</sup> Appointed as Chairman of AC and RC on February 14, 2006

<sup>2</sup> Appointed on November 1, 2005

<sup>3</sup> Appointed on July 1, 2005

<sup>4</sup> Appointed on July 13, 2005

<sup>5</sup> Vacated office of Director on February 14, 2006

The ERCC conducts, on an annual basis, a succession planning review of the CEO, all his direct reports and selected key positions in the Company. Potential internal and external candidates for succession are reviewed for different time horizons of immediate, medium-term and longer-term needs.

While the Chairman of the ERCC is not regarded as independent within the context of the definition of “independence” in SGX-ST’s Code of Corporate Governance, he is a non-executive director independent of Management with a clear separation of his role from Management in deliberations of the ERCC. The ERCC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the ERCC takes into consideration industry practices and norms in compensation. The CEO is not present during the discussions relating to his own compensation, terms and conditions of service or the review of his performance.

The ERCC held four meetings in the year and achieved an average of 83% attendance.

### ***Nominating Committee (NC)***

The NC is chaired by Mr Peter Seah Lim Huat and its members are Mr Goh Geok Ling and Mr K Shanmugam.

The primary purpose of the NC is to support and advise the Company, its major subsidiaries and, where applicable, associated companies by nominating suitable candidates who are best able to discharge their responsibilities as directors having regard to the law and the high standards of governance practiced by the Group and evaluating the balance of skills, knowledge and experience of these boards. Appointments to these boards are made on merit, and against objective criteria. The NC takes care to ensure that appointees have enough time available to devote to their directorship roles. The independence of each director is reviewed annually by the NC.

### **Risk Committee (RC)**

In 2005, the RC was chaired by Mr Lua Cheng Eng and included independent directors, Mr Richard Hale, OBE, Mr K Shanmugam and Mrs Lee Suet Fern (appointed on July 13, 2005) as members. Mr Richard Hale, OBE took over as Chairman from Mr Lua Cheng Eng with effect from February 14, 2006. The primary role and function of the RC is to assist the Board of Directors in fulfilling its oversight responsibilities in risk management by reviewing:

- The adequacy and effectiveness of the risk management plans, systems, processes and procedures of the Group;
- Group-wide risk policies, guidelines and limits; and
- The risk portfolio and risk levels including the treatment of identified risks.

The RC held two meetings in the year. Members of the RC participated actively at meetings either by attendance or through teleconferencing.

### **Management Committee**

During the year, the Company's Group President & CEO, Mr Tang Kin Fei, chaired monthly Management Committee meetings comprising all the CEOs and Senior Management executives in the Group. At these meetings, the operating and financial performance of each of the businesses is reviewed and directions given to the relevant management for follow-up action. Such forums provide useful platforms for feedback and review of market trends and specific developments in the competitive landscape affecting the Group's businesses.

The respective functional divisional heads in the Company also chair regular discussion forums for their respective key functional staff across the Group. Such discussion groups aim at ensuring consistency of policies and sharing of developments in the relevant areas of discipline across the Group. Examples include the Chief Financial Officers Forum by the Group Chief Financial Officer, the Group Legal Counsel Forum by the Director, Group Legal, the Group Human Resource Forum by the Director, Group Human Resource and the Chief Risk Officers Forum by the Group Chief Risk Officer.

### **Chairman and Chief Executive Officer (Principle 3)**

There is a clear separation of the roles and responsibilities between the Chairman and the Group President & CEO of the Company. The Chairman, Mr Peter Seah Lim Huat and the Group President & CEO, Mr Tang Kin Fei are not related to each other.

The Chairman, who is non-executive, takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Company Secretary and Management.

He is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. He acts independently in the best interests of the Company and shareholders. Meanwhile, the Group President & CEO is charged with the executive responsibility of running the Company's business. The Chairman facilitates the contribution of non-executive directors in particular and ensures constructive relations between executive and non-executive directors. He also ensures that the members of the Board work together with Management in constructive debate on various matters, including strategic and operational issues.

### **Formal appointment and re-election of Directors (Principle 4)**

SembCorp Industries believes that all Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The boards of companies within the SembCorp Group are periodically renewed to ensure strong and sound leadership at the board level, enable a refreshing of talent as well as encourage the dynamics of an independent and balanced board. The Group President & CEO, while also a Board Member, is also subject to retirement and re-election by shareholders as part of board renewal. The nomination and election of Board Members is the prerogative and proper right of all shareholders.

The Board ensures the planned and progressive refreshing of its Members. The Company's Articles of Association require one-third of Directors to retire and subject

# Corporate Governance

themselves to re-election by shareholders at every Annual General Meeting (AGM) (“one-third rotation rule”). In other words, no Director stays in office for more than three years without being re-elected by shareholders. The NC reviews and considers the retirement and re-election of Directors prior to seeking shareholders’ approval at the AGM.

In addition, a newly-appointed Director will submit himself for retirement and election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule.

Mr Tang Kin Fei and Mrs Lee Suet Fern were appointed to the Board on May 1, 2005 and July 1, 2005 respectively. They will each submit themselves for retirement and re-election by shareholders at the forthcoming AGM.

At the forthcoming AGM, Messrs K Shanmugam, Goh Geok Ling and Richard Hale, OBE will each submit themselves for retirement and re-election by shareholders, pursuant to the one-third rotation rule.

## **Board performance and conduct of its affairs** ***Active participation and valuable contributions are key to overall effectiveness of the Board (Principle 5)***

Newly-appointed Directors are given briefings by Management, and facility visits to Strategic Business Units’ (SBU) premises are also arranged to enable them to acquire an understanding of the Group, its business activities and strategic directions. Existing Directors are also invited to participate in such facility visits and orientation programmes. Two in-depth orientation programmes and facility visits were conducted on February 18 and November 7, 2005 for Directors to familiarise them with the Company’s core businesses and strategic plans and objectives.

Changes to regulations and accounting standards are monitored closely by Management. To keep pace with regulatory changes, where these changes have an important bearing on the Company’s or Directors’ disclosure obligations, Directors are briefed either during Board meetings, or at specially-convened sessions,

including training sessions and seminars conducted by external professionals. The Company also sponsors its Directors to attend training courses and seminars on topics such as additions or changes in laws, regulations and accounting standards which are of relevance to the Group.

Informal reviews of the Board’s performance are undertaken on a continual basis by the Nominating Committee with inputs from the other Board Members and the Group President & CEO. The Board is constantly renewed to ensure strong, independent and sound leadership for the continued success of the business and the Company. The Board recognises the contribution of Directors, who over time, have developed deep insights into the Group’s businesses. As such, the Board would exercise its discretion to retain the services of such Directors.

## **Full access to information and resources** ***Directors have complete, adequate and timely information and resources (Principle 6)***

As a general rule, Board papers are sent to Directors a week before the board meeting so that the Directors have the relevant information for consideration and deliberation at Board Meetings. Managers who can provide additional insight into the matters at hand would also be present at the relevant time during the board meeting.

Management provides adequate and monthly management and other financial statements of the Company to the Board on business issues that require the Board’s decision, as well as ongoing reports relating to operational and financial performance of the Group. Where a physical Board Meeting is not possible, timely communication with members of the Board is effected through electronic means including electronic mail, teleconferencing and videoconferencing. Alternatively, Management arranges to personally meet and brief each Director before seeking the Board’s approval.

The Board has separate and independent access to the Group President & CEO, members of Senior Management and the Company Secretary at all times. Directors are also provided with the names and contact details of the Company's Senior Management and the Company Secretary to facilitate direct access to them. Where necessary, independent professional advice and consultations are made available to Directors, to ensure that full information and advice is available before important decisions are made by the Board. All the issues are actively debated by the Board and properly recorded.

Likewise, the AC also meets the external and internal auditors separately at least once a year, without the presence of the Group President & CEO and other Senior Management members, in order to have free and unfiltered access to information that it may require. The Company Secretary assists the Chairman with the preparation of meeting agenda and attends and prepares minutes of Board proceedings, ensuring good information flows within the Board and its Committees. She assists the Board on the compliance of the Company with its Memorandum and Articles of Association, laws and regulations, including requirements of the Companies Act, Securities Futures Act and the SGX-ST. She is also the primary channel of communication between the Company and the SGX-ST, the Accounting and Corporate Regulatory Authority and shareholders. The Company Secretary assists the Board to implement and upkeep good corporate governance and best practices across the Group.

#### **Competitive remuneration system**

*Remuneration of directors adequate and not excessive (Principle 7)*

*Competitive reward system to ensure highest performance and retention of best talents and key executives (Principle 8)*

#### *Disclosure on remuneration (Principle 9)*

The Group President & CEO, as executive Director, does not receive director's fees. As a lead member of Management, his compensation consists of his salary, allowances, bonuses, performance share awards conditional upon his meeting certain performance targets

(details are available on page 166 of the Annual Report) and share options. Details on share options granted and their fair value are available on page 163 and page 213 of the Annual Report respectively.

Non-executive Directors have remuneration packages that consist of a director's fee component pursuant to the Company's Directors' Fee Policy, an attendance fee component and a share options component pursuant to the Company's Employee Share Plan. The company does not have a retirement remuneration plan for non-executive Directors. The Directors' Fee Policy is based on a scale of fees divided into basic retainer fees and additional fees for attendance and service on Board Committees. Details on share options granted and their fair value are available on page 163 and page 213 of the Annual Report respectively.

The basis of allocation of the number of share options takes into account a Director's contributions and additional responsibilities at Board Committees. The report on Directors' Remuneration is found on page 266 of the Annual Report. We believe that our Directors are adequately compensated in line with market norms.

The Directors' remuneration for 2005 is S\$643,083 (S\$635,166 in 2004) and is derived using the following rates:

<b>Type of appointment</b>	<b>S\$</b>
i) Board of Directors	
– Basic fee	25,000
– Chairman's allowance	35,000
– Vice Chairman's allowance	20,000
ii) Executive Committee	
– Chairman's allowance	30,000
– Member's allowance	25,000
iii) Audit Committee	
– Chairman's allowance	30,000
– Member's allowance	20,000



# Corporate Governance

Type of appointment	S\$
iv) Risk Committee	
- Chairman's allowance	25,000
- Member's allowance	10,000
v) Executive Resource & Compensation Committee / Nominating Committee	
- Chairman's allowance	25,000
- Member's allowance	10,000
vi) Budget Committee	
- Chairman's allowance	25,000
- Member's allowance	10,000

**Notes:**

Mr Tang Kin Fei, as an executive Director, did not receive director's fees.  
Ms Yong Ying-I, as a public sector nominee, receives a reduced allowance of \$10,000 for her chairmanship of the Budget Committee.

Key executives are rewarded based on actual performance achieved relative to pre-agreed performance targets which include financial and non-financial performance indicators such as Economic Value Added (EVA), Total Shareholders' Return and promoting and maintaining Health, Safety and Environment issues. We believe that the current reward systems in the Group are in line with market norms and formulated to motivate executives to give their best to the Group. Rewards include both short-term and long-term share-based awards, which will further ensure the retention of the best talents and high performing executives in the Group.

The Group adopts an incentive compensation plan for key executives tied to the creation of EVA as well as to attainment of individual performance goals. Individual incentive compensation is linked to the EVA created by the Group and its subsidiaries.

A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries.

In 2005, the ERCC, with advice and assistance from an independent compensation consultant, redesigned its approach to the share-based incentive awards, with particular focus on establishing new standards for share-based incentive grants. The redesigned share-based incentive grants took into account evolving practices at other major public-listed companies, as well as the Group's objective of further enhancing linkages between employee performance and the creation of shareholder value. The redesign was completed and implemented in 2005.

Rather than set out the names of the top key executives who are not also Directors of the Company, we have shown the number of key executives in remuneration bands of S\$250,000 from S\$100,000 onwards, of the key businesses' CEOs, including the CEO of Singapore Precision Industries, the Executive Chairman, SembCorp Parks Holdings, and the Group Chief Financial Officer. This should give a macro perspective of the remuneration profile in the Group, while maintaining the confidentiality of staff remuneration matters.

### Remuneration Band for Key Executives

Remuneration Band (S\$)	No. of employees
1,750,000 and above	2
1,500,000 to 1,749,999	1
1,250,000 to 1,499,999	1
1,000,000 to 1,249,999	1
750,000 to 999,999	1
500,000 to 749,999	1
250,000 to 499,999	-
100,000 to 249,999	-

### Internal control and risk management (Principle 12)

The Board and Management of the Company are fully committed towards establishing a robust system of internal controls and risk management. For more information on the progress of our Enterprise Risk Management system, please refer to page 126 of this Annual Report.

## **Internal audit**

### ***Independent internal audit function (Principle 13)***

The internal audit function of the Group is provided by the Group Internal Audit Department (GIA) which reports directly to the AC Chairman on audit matters and administratively to the Group President & CEO.

GIA adopts a risk-based methodology in defining its annual internal audit plan, which is reviewed and approved by the AC. The internal audits performed are aimed at assisting the Board and Management in the discharge of their corporate governance responsibilities, as well as to improve and promote effective and efficient business processes within the Group. To ensure that the internal audits are performed by competent professionals, GIA employs qualified staff and identifies and provides training and development opportunities to them so that their technical knowledge remains current and relevant.

## **Communication with shareholders**

### ***The Board is accountable to the shareholders***

#### ***(Principle 10)***

### ***Regular, effective and equal treatment of shareholders***

#### ***(Principle 14)***

The Company believes that shareholders should be given a fair and accurate view on the affairs of our Company on an ongoing basis. Shareholders are entitled to timely and complete information on financial data and material developments, as well as an understanding of our business directions and prospects.

All SembCorp Industries' price-sensitive information is disseminated to its shareholders via SGXNET so as to ensure all shareholders have access to material information at the same time. Disclosure is never done on a selective basis. Financial and other performance data is given for the Group as well by business unit or division where appropriate to allow our shareholders better insight into the Group's earnings drivers. During the release of earnings results, the press release on the results announcement is first released by SGXNET onto the SGX-ST website. Thereafter a briefing or teleconference by Management is held jointly for the media and analysts.

All materials used at the briefing, including the presentation slides, are made available on SGXNET as well as on the Company website at [www.sembcorp.com.sg](http://www.sembcorp.com.sg).

Following the release of earnings or price-sensitive developments, Investor Relations staff are available by e-mail or telephone to answer questions from shareholders and the media as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

### ***Greater shareholder participation at General Meetings (Principle 15)***

The Company recognises that good corporate governance requires active participation of shareholders in decision-making at General Meetings of Shareholders. We encourage shareholder participation at General Meetings. Information on shareholders' meetings is disseminated through notices published in newspapers, as well as through reports or circulars sent to all shareholders. All registered shareholders are invited to participate in shareholder meetings. If they do not wish to attend in person, they can issue instructions to accept, reject or abstain on each individual item on the meeting agenda by giving instructions to their proxy. Each shareholder is allowed to appoint up to two proxies to vote on his behalf at the meeting.

The Company also allows CPF Investors to attend General Meetings as observers.

At General Meetings of shareholders, our Chairman, Group President & CEO as well as the AC Chairman would be present together with the Group Chief Financial Officer, the Company Secretary and our external auditors to answer shareholders' questions. Minutes of shareholders' meetings are available on request by registered shareholders.

For further details on SembCorp Industries' communications with its shareholders, see the Investor Relations section on page 136 of this Annual Report.

## **Dealings in securities**

The Company has adopted a Code of Compliance on

# Corporate Governance

Dealing in Securities, which prohibits dealings in the Company's securities by its officers during the period commencing two weeks prior to the announcement of the Company's quarterly results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

## **Interested person transactions**

Shareholders have adopted a Shareholders' Mandate (Mandate) in respect of interested person transactions of the Company. The Mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the Mandate is available on the Company's website, [www.sembcorp.com.sg](http://www.sembcorp.com.sg). All SBUs are required to be familiar with the Mandate and report any such transactions to the Company's Group Finance department (GF). GF maintains a register of the Company's interested person transactions to capture all interested person transactions in accordance with reporting requirements as stipulated by Chapter 9 of the SGX-ST Listing Manual. Information on interested person transactions for 2005 may be found on page 268.