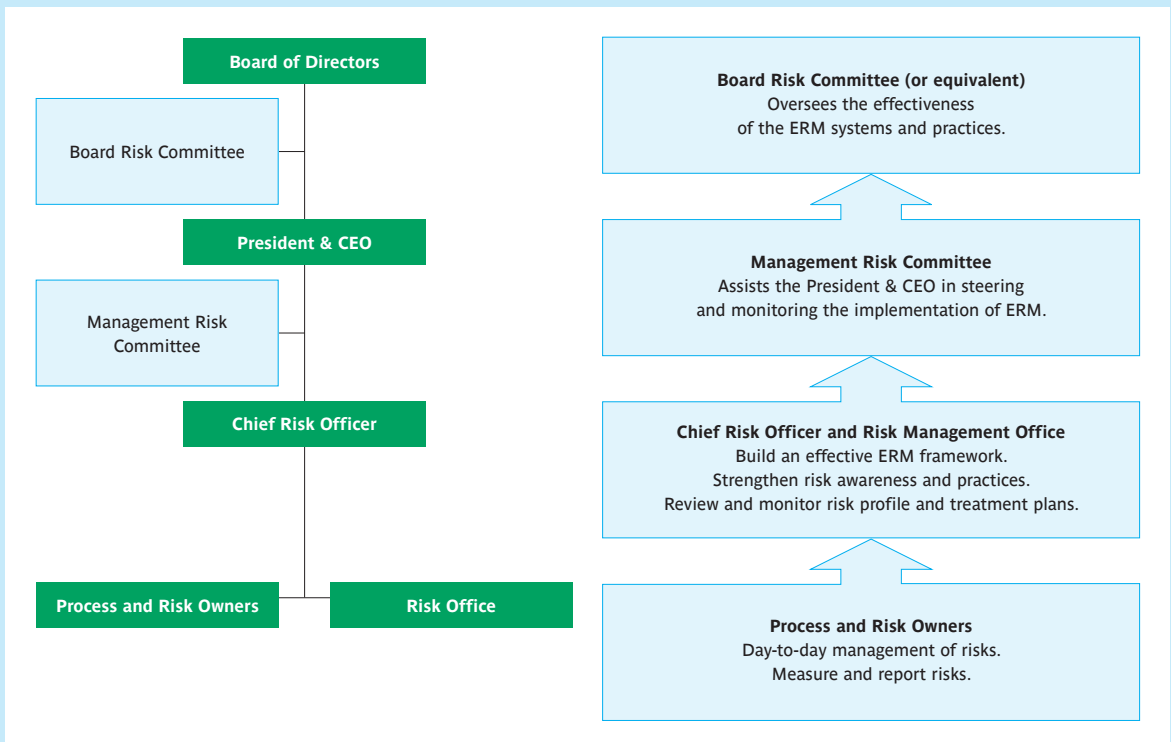


Each SBU is to embed the ERM framework into its business processes and ensure that risks are proactively addressed and managed in a timely and effective manner.

Under the direction of the Board and Management of SembCorp Industries, a coherent Enterprise Risk Management (ERM) framework has been developed for implementation across the Group. In line with our commitment to deliver sustainable value, the objective of this framework is to provide an integrated and systematic approach for evaluating and managing the risks that our businesses are facing.

The implementation of the ERM programme in the Strategic Business Units (SBUs) is our focus and priority. Each SBU, led by its President & CEO, is to embed the ERM framework into its business processes and ensure that risks are proactively addressed and managed in a timely and effective manner.

SembCorp Industries' ERM oversight structure



The status of ERM implementation in the SBUs is regularly monitored and reported to the SembCorp Industries Board Risk Committee. Progress is tracked against the following guidelines to ensure the effectiveness of risk management processes and systems:

- a) Formation of the SBU board risk committee (or equivalent) and supporting risk management structures;
- b) Senior management commitment and support in all risk management initiatives, including the implementation of measures for risk management performance;
- c) Adequacy and effectiveness of resources committed towards risk management as well as the level of training and awareness across the SBU;
- d) Establishment of a system of check and balance, including external party reviews where necessary;
- e) Compliance with established risk management policies, procedures and guidelines and
- f) Regular review by external and internal auditors of the effectiveness of material internal controls, including financial, operational, compliance controls and risk management systems and processes.

ERM oversight structure

SBUs are required to set up respective board and management risk committees to provide necessary oversight and steer the implementation of ERM.

Our risk management process

A systematic and on-going process for identifying, evaluating, controlling and reporting risk comprises the following key elements:

- a) Assessment of business risks;
- b) Formulation of risk management strategies;
- c) Design and implementation of risk management action plans to execute risk management strategies;
- d) Monitoring and reporting of risk management performance and risk levels and
- e) Continuous improvement of risk management action plans and capabilities.

In addition, strategic terms of reference have been developed by individual SBUs to ensure that new business undertakings are focused and within acceptable risk and return guidelines.

Managers are assigned and made accountable for addressing risks under their control. Following established guidelines, they formulate risk management policies and procedures, and develop risk treatment plans to manage and mitigate the risks.

Key risk exposure and risk treatment plans are monitored and reported to the SBU management and board for review and assessment.

This ERM framework is one that will continue to be improved upon as we fully integrate risk management into our key business processes. Our ultimate aim is that risk management would form an integral part of our Group culture.