

SembCorp recognises that investing in our people is critical to our success and sustainability as a company.

At SembCorp, we place great emphasis on managing employees as a vital resource and as key stakeholders, and this year was no exception. Measures were taken to improve people development, with new programmes to train, develop and build managers. We also strengthened employee engagement, with a new employee feedback system coming on-line, and the extension of our restricted stock incentive plan to employees other than senior management for the first time.

PEOPLE DEVELOPMENT

SembCorp recognises that investing in our people is critical to our success and sustainability as a company. In Singapore, SembCorp Industries continued to hold the *People Developer* award, Singapore's quality standard for human resource development for organisations that nurture their staff for better business results. SembCorp Utilities in the UK also retained the prestigious *Investors in People* standard in 2006, following a rigorous audit.

Our operations staff are encouraged to continually upgrade their technical competence to keep pace with the evolving environment as well as technological advancements, ensuring that SembCorp maintains its competitive advantage. Besides structured training, informal learning sessions, such as internal employee meetings on workplace health and safety, are also encouraged. In 2006, S\$5.5 million was devoted to train employees on a broad range

of technical, supervisory and professional skills relevant to their areas of work, with each employee receiving an average of 35 hours of training.

Staff are also given opportunities to widen their operational expertise through overseas postings. For instance, SembCorp Utilities and SembCorp Environmental Management sent seven staff to China and three to Vietnam, while one employee from SembCorp Utilities was posted from China to Singapore. Following our acquisition of a power and water plant in Fujairah, UAE, a team of nine staff from SembCorp Utilities and SembCorp Industries in Singapore was posted there.

LEADERSHIP DEVELOPMENT AND TALENT IDENTIFICATION

We further strengthened our leadership development in 2006, with the implementation of several new initiatives within SembCorp Industries and our unlisted subsidiaries.

With the adoption of 360-degree feedback assessments for senior management this year, feedback from superiors, subordinates, peers and other partners such as customers contributed to more holistic assessments and helped us to better build on the competencies of our leadership team. This strengthening of the appraisal process for senior management also aids our succession planning for key positions.

Two new specialised training programmes for managers were also launched. An intensive

two-day behavioural analysis and communication workshop for all heads of department was held to aid them in managing others and forming productive working relationships. In addition, a year-long skills-based programme for new managers was introduced to prepare them for the complex transition to a managerial position.

Besides our commitment to training and nurturing the abilities of our employees, we also plan for our future leadership pipeline through the continuous identification and grooming of young talented people. In 2006, SembCorp awarded a total of eight scholarships to outstanding GCE 'A' level students in Singapore, who will join us on completion of their studies. Into its 17th year, the SembCorp Scholarship programme currently manages 53 scholars (31 working and 22 studying) across various business units and in various stages of their studies and careers.

EMPLOYEE ENGAGEMENT

Employee engagement plays a significant role in organisational performance, as engaged employees are more committed to the productivity, quality and growth of the organisation. They are also instrumental in contributing to the development of working environments where people behave in an ethical and accountable manner. With the goal of increasing employee engagement, several initiatives were rolled out across SembCorp Industries, SembCorp Utilities and SembCorp Environmental Management in 2006.

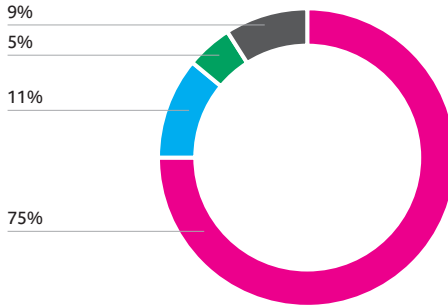
In April, we conducted an organisational culture survey at our corporate headquarters. The aim of this exercise was to provide insight into staff perceptions of the overall culture and climate of our organisation.

The participation rate was an encouraging 65%. Workshops, which included staff from SembCorp Utilities and SembCorp Environmental Management, were then conducted to validate the findings and for staff to put forth further feedback and suggestions. A number of these ideas have since been implemented or are being considered.

One early result of the workshops was the introduction of an accessible and confidential feedback portal, available to all corporate staff, on the staff intranet homepage. While we had previously maintained informal channels for employee feedback, the portal has raised awareness of the various channels and also clearly demonstrates that we welcome feedback. Employees can submit feedback or suggestions on any subject via e-mail from the portal. They can also submit feedback anonymously by fax or post if they prefer. All feedback is acknowledged, treated confidentially and responded to within five days. Any feedback left unaddressed for two weeks is automatically brought to the attention of the Group President & CEO.

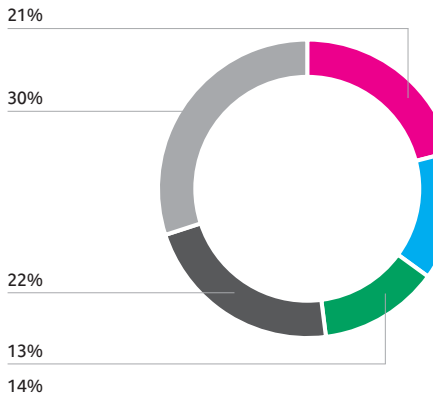
We continue to reward employees who contribute to the growth of SembCorp Industries by giving them an opportunity to earn equity in SembCorp. Share options are granted to all eligible staff, excluding employees of subsidiaries with share option plans of their own. We believe this scheme fosters a sense of ownership and identification with the company.

In addition to this, in 2006 the company extended its restricted stock incentive plan to managerial employees. This marked the first time that restricted stock awards have been granted to employees other than senior management.



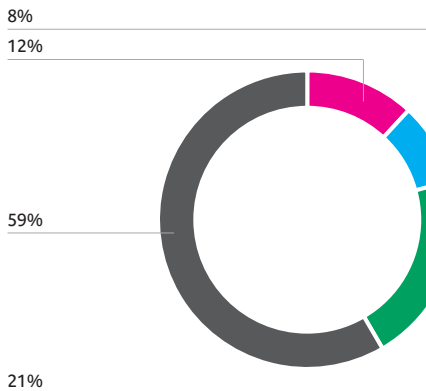
STAFF DISTRIBUTION BY GEOGRAPHICAL AREA

- Singapore
- Southeast and South Asia
- North Asia
- Europe, Americas and the Middle East



STAFF DISTRIBUTION BY AGE

- 29 & below
- 30-34
- 35-39
- 40-49
- 50 & above



EDUCATIONAL QUALIFICATIONS OF STAFF

- Degree - Engineering/Technical
- Degree - Non-Engineering/Non-Technical
- Other - Engineering/Technical
- Other - Non-Engineering/Non-Technical

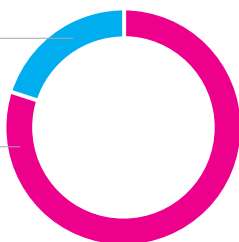
** All figures are based on Group permanent headcount*

20%

80%

GENDER DISTRIBUTION

■ Male
■ Female



Under the restricted stock incentive plan, fully paid shares are awarded to participants who achieve pre-determined targets that create and enhance economic value for shareholders of the company and fulfil time-based service conditions.

The table below shows the share options and restricted stock awards offered in 2006:

SHARE OPTIONS AND RESTRICTED STOCK AWARDS IN 2006

Category	No. of employees	
	Employee share options	Restricted stock awards
Non-executive Directors	8	0
Senior Management	54	46
Employees	1,551	368
Total	1,613	414

In addition to share-based incentive schemes, SembCorp also strives to foster a vibrant employee culture as part of our employee engagement efforts. One way we do this is through employee recreational activities. In particular, we encourage sports and outdoor activities as they build camaraderie and promote a well-rounded

lifestyle. For example, in Singapore, the SembCorp Recreation Club has organised activities such as cycling, hiking trips to nature reserves and a games carnival for staff and their families. It also supports staff teams in sports such as dragon-boating.

ETHICAL CONDUCT

To ensure integrity among employees, SembCorp's Employee Code of Conduct expressly prohibits dishonest conduct such as falsifying information. The code is posted on the enterprise-wide intranet so that all employees are aware of it. In pursuit of integrity in the workplace, our whistle-blowing policy encourages employees to promptly report any potentially illegal, improper or unethical conduct at their workplace or in connection with their work. The policy also affirms that we do not condone retaliatory action against employees who have filed feedback alleging possible improprieties.

STAFF PROFILE

In line with our business profile, one-third of our 7,751 permanent staff hold engineering or technical qualifications. Seventy-five per cent of the staff are based in Singapore. We offer fair opportunities to female employees, and our gender ratio of male to female staff is consistent at roughly 80:20 across all levels of seniority, from the non-executive level all the way to management. We also promote fair opportunity policies for older members of the workforce within the Group, and 30% of our workforce is aged 50 and older. In this light, SembCorp Environmental Management was nominated for *Best Mature Workforce Practices* category for this year's HRM (Human Resource Magazine) Awards in Singapore.