



# Governance

## IN THIS SECTION

---

Board of Directors	60	Risk Management & Mitigation Strategies	80	Human Resources & Employee Welfare	90
Key Executives	64	Investor Relations	86	Corporate Social Responsibility	94
Corporate Governance	70				

---

Sembcorp partners Singapore in its national recycling goals. Pictured here is Sembcorp Environmental Management's paper recycling facility.

## BOARD OF DIRECTORS





(From top left) Peter Seah Lim Huat, Tang Kin Fei, Goh Geok Ling, K Shanmugam, Richard Hale, OBE, Yong Ying-I, Evert Henkes, Lee Suet Fern



## BOARD OF DIRECTORS

### PETER SEAH LIM HUAT

**Non-executive Chairman**

*Appointed July 29, 1998*

As Chairman, Mr Seah is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. Mr Seah heads the Board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

Currently, Mr Seah is also Chairman of ST Engineering and Singapore Computer Systems. His directorships include membership on the boards of Alliance Bank Malaysia, Bank of China, CapitaLand, Chartered Semiconductor Manufacturing, Global Crossing, PT Indosat, Siam Commercial Bank, StarHub and STATS ChipPAC. In addition, Mr Seah is also on the boards of the Government of Singapore Investment Corporation and LaSalle Foundation. He is a member of the Temasek Advisory Panel and serves as the Vice President of the Singapore Chinese Chamber of Commerce & Industry as well as Treasurer to the Singapore Business Federation. Mr Seah holds a B Admin (Honours) from the University of Singapore.

*Past directorships in listed companies and major appointments 2005-2007:*

- EDB Investments
- PSA International
- PT Bank Internasional Indonesia
- The National Kidney Foundation

### TANG KIN FEI

**Group President & CEO**

*Appointed May 1, 2005*

Mr Tang is Group President and Chief Executive Officer of Sembcorp Industries. He leads Sembcorp with strong emphasis on its Utilities and Marine & Offshore Engineering businesses, while strengthening its Environmental Management and Industrial Parks businesses.

Mr Tang has been instrumental in Sembcorp's bold transformation into a focused utilities and marine group. A 20-year veteran of the Sembcorp Group, he is credited with developing its Utilities business into a global energy, water and centralised utilities provider serving customers in Singapore, the UK, China, Vietnam and the UAE. Currently, Mr Tang has direct oversight over Sembcorp's

Utilities and Environmental Management businesses. Going forward, his goal is to leverage Sembcorp's expertise in energy and water for new growth, while tapping synergies within the Group's businesses for greater business opportunities.

Mr Tang serves as director, Finance & Investment Committee Chairman and CSR Steering Committee Advisor of International Enterprise Singapore. In addition, he lends his expertise operating in overseas markets as a council member of Saudi-Singapore, Abu Dhabi-Singapore, and several China-Singapore business councils. Mr Tang is also a director of GuocoLeisure, formerly known as BIL International. He holds a First Class Honours degree in Mechanical Engineering from the University of Singapore and underwent the Advanced Management Programme at INSEAD.

*Past directorships in listed companies and major appointments 2005-2007:*

- Camerlin Group
- SembCorp Logistics

### GOH GEOK LING

**Non-executive Director**

*Appointed May 3, 2000*

Mr Goh serves on the Board's Executive, Executive Resource & Compensation and Nominating Committees.

He is Chairman of Sembcorp Marine and sits on the boards of O2Micro International, DBS Bank, DBS Group Holdings and Venture Corporation. In addition, Mr Goh serves as a Member of the Board of Trustees of Nanyang Technological University. He holds a BEng from the University of Sydney, Australia.

*Past directorships in listed companies and major appointments 2005-2007:*

- Plato Capital
- Tuas Power

### K SHANMUGAM

**Non-executive Director**

*Appointed July 29, 1998*

Mr Shanmugam serves on the Board's Audit, Executive Resource & Compensation, Nominating and Risk Committees.

He is a senior partner and Head of Litigation at Allen & Gledhill and was appointed a Senior Counsel in 1998. Mr Shanmugam is also a Member of Parliament for Sembawang GRC. He is a director of Stonegate China Properties and the Criminal Law Advisory Committee of Singapore. Mr Shanmugam holds an LLB (Honours, First Class) from the National University of Singapore.

*Past directorships in listed companies and major appointments 2005-2007:*

- Media Development Authority of Singapore

### **RICHARD HALE, OBE**

**Non-executive Director**

*Appointed September 1, 2000*

Mr Hale heads the Board's Audit and Risk Committees.

Mr Hale is a non-executive director of CapitaLand, CapitaCommercial Trust Management, The Ascott Group, Wheelock Properties (Singapore) and BM Trust Management. He was previously a director and CEO Singapore of The Hongkong and Shanghai Banking Corporation. Mr Hale was educated at Radley College, Abingdon, UK.

*Past directorships in listed companies and major appointments 2005-2007:*

- SembCorp Logistics
- Wildlife Reserves Singapore
- World-Wide Shipping Agency

### **YONG YING-I**

**Non-executive Director**

*Appointed May 26, 2003*

Ms Yong is a member of the Board's Audit and Risk Committees.

She is Singapore's Permanent Secretary for Health and Chairman of the Infocomm Development Authority of Singapore. Ms Yong also serves on the boards of the Civil Service College, Singapore Symphonia Company and Singapore Totalisator Board. She holds an MBA from Harvard University Graduate School of Business, USA and an Economics degree from the University of Cambridge, UK.

*Past directorships in listed companies and major appointments 2005-2007:*

- Singapore Workforce Development Agency

### **EVERT HENKES**

**Non-executive Director**

*Appointed April 30, 2004*

Mr Henkes has extensive experience in the petrochemical industry as former CEO of Shell Group's global chemical business. He is a director of Air Products and Chemicals, China National Offshore Oil Corporation, Outokumpu and Tate & Lyle. He holds a BSc from Cornell University, USA.

*Past directorships in listed companies and major appointments 2005-2007:*

- BPB

### **LEE SUET FERN**

**Non-executive Director**

*Appointed July 1, 2005*

Mrs Lee is a member of the Board's Audit and Risk Committees.

The Senior Director of Stamford Law Corporation, Mrs Lee has extensive experience as a corporate law practitioner with a focus on mergers and acquisitions, equity and debt capital markets and restructurings in Singapore and the region. Mrs Lee currently serves on the boards of China Aviation Oil (Singapore) Corporation, Macquarie International Infrastructure Fund, Rickmers Trust Management, Richina Pacific and Sincere Watch (Hong Kong). She is also a director of the National Heritage Board, a member of the Board of Trustees of Nanyang Technological University, a member of the Accounting Advisory Board of National University of Singapore Business School and a member of the Advisory Board of Singapore Management University School of Law. Mrs Lee holds a double first in Law from Cambridge University, UK and is a member of the Honourable Society of Gray's Inn.

*Past directorships in listed companies and major appointments 2005-2007:*

- Continental Chemical Holdings
- Jackspeed Corporation
- SembCorp Logistics
- International Capital Investment
- Media Asia Entertainment Group
- Transpac Industrial Holdings
- ECS Holdings

## KEY EXECUTIVES



(From top left) Tang Kin Fei, Lim Joke Mui,  
Tan Cheng Guan, Tan Kwi Kin,  
Francis Joseph Gomez, Dr Paul Gavens, Low Sin Leng





## KEY EXECUTIVES

### TANG KIN FEI

**Group President & CEO**

*Joined 1987*

(Please see section on Board of Directors)

### LIM JOKE MUI

**Group Chief Financial Officer**

*Joined 2002*

Mrs Lim is responsible for the corporate finance & treasury, reporting, accounts, tax, information technology and risk management of Sembcorp Industries and oversees these functions across the Group. She also handles investor relations matters as Group CFO and is a director on the boards of various Sembcorp companies.

Mrs Lim has more than 28 years of experience in corporate finance, accounting, tax and other corporate functions. During her career with DBS Land, she managed large financing transactions via the equity and debt markets and was involved in high-profile corporate exercises, such as the merger of Pidemco and DBS Land to form CapitaLand, and other takeovers and initial public offerings. She holds a BAcc degree from the University of Singapore.

### TAN CHENG GUAN

**Executive Vice President**

**Group Business & Strategic Development**

*Joined 2007*

Mr Tan is responsible for business and strategic development at Sembcorp, and drives business development for the Group's water business.

He brings with him broad experience in strategy, business and project development for the utilities industry. Mr Tan rejoined Sembcorp in 2007 after a three-year stint heading Vopak's operations in China. Prior to that, he spent 14 years with Sembcorp, during which he led the development of our utilities business in Jurong Island and also the expansion of our centralised utilities business into China and the UK.

Mr Tan holds a BEng (Honours) from the University of Liverpool and completed the Advanced Management Program at Harvard Business School.

### TAN KWI KIN

**Group President & CEO**

**Sembcorp Marine**

*Joined 1966*

Mr Tan is the Group President & CEO of Sembcorp Marine and a director of Jurong Shipyard, Sembawang Shipyard, PPL Shipyard, SMOE, Karimun Shiprepair & Engineering, Sembcorp Marine Technology, JPL Corporation, JPL Industries, Jurong Integrated Services and Zhen Hua (Singapore) Engineering.

A veteran of the marine industry with four decades of experience, Mr Tan is respected for his "hands on" management style and business acumen. He rose through the ranks at Jurong Shipyard, having started his career as a Junior Engineer in the Design department in 1966, and was appointed its Managing Director in 1990. He was behind the successful merger of Jurong Shipyard and Sembawang Shipyard in 1997 as well as the implementation of Sembcorp Marine's global hub strategy, spanning Singapore, China, the USA, India and the Middle East.

He has a BEng degree in Mechanical Engineering from Tokyo University, Japan.

### FRANCIS JOSEPH GOMEZ

**Executive Vice President**

**Sembcorp Utilities (Singapore)**

*Joined 1978*

Mr Gomez is in charge of the Singapore operations of Sembcorp's Utilities business. He also leads business development in the energy sector for the Group and is a director on the boards of various Sembcorp companies.

Mr Gomez has substantial experience in conceptualising, developing and managing projects and assets in the energy and process industries and has worked extensively alongside representatives of major international firms and government sectors.

He holds a BSc (Honours) degree in Control Engineering from the University of Leeds, UK.

**DR PAUL GAVENS**

**Executive Vice President  
Sembcorp Utilities (UK)**  
*Joined 2003*

Dr Gavens is Managing Director of Sembcorp's Utilities operations in the UK and a director on the boards of various companies within the Sembcorp Group.

He began his career with ICI in 1977 as a research chemist but has worked in the energy and utilities field at the Wilton International site in Teesside since 1984. During that time he was involved with the 1,875 megawatt Teesside Power project and many of ICI's divestments during the 1990s. Dr Gavens is a director of the Industry Nature Conservation Association, a membership organisation providing environmental and ecological consultancy to businesses in the Tees Valley. He is also a Governor of Prior Pursglove College, a local sixth form college.

Dr Gavens holds a PhD degree in Chemistry from the University of Cambridge, UK.

**LOW SIN LENG**

**Executive Chairman  
Sembcorp Industrial Parks**  
*Joined 2000*

Ms Low is Executive Chairman of Sembcorp Industrial Parks where she spearheads the development of the group's industrial parks properties in China, Vietnam and Indonesia. She is also a Senior Executive Director of Sembcorp Industries and a director on the boards of various companies within the Group.

Prior to joining Sembcorp, Ms Low was the Executive Vice President of Singapore Power and served 20 years in the Singapore Government Administrative Service holding several senior positions in the Ministries of Finance, Trade & Industry and Education.

A President's Scholar, she holds an MBA (High Distinction) from the Catholic University of Leuven, Belgium and BEng (Distinction) from the University of Alberta, Canada, and attended Harvard University's Advanced Management Program.

**MAUREEN LEONG**

**Executive Vice President  
Group Performance Management and  
Group Mergers & Acquisitions**  
*Joined 1994*

*(Seconded to Sembcorp Marine from October 25, 2007)*

Mrs Leong is currently on secondment to Sembcorp Marine as its Director for Group Finance, overseeing the business' finance, treasury and tax matters for an interim term of at least six months. Until her secondment on October 25, 2007, she was responsible for performance management, mergers & acquisitions, project financing, corporate planning and EVA policies of the Sembcorp Group.

Mrs Leong previously served as Chief Financial Officer at Sembcorp's former Logistics business as well as its Utilities business. During her 10 years with the latter, she was the key driver behind the successful project financing of Sembcorp's centralised utilities and energy businesses.

Mrs Leong has over 30 years of experience in finance, tax and treasury management in various industries. She holds a First Class Honours degree in Accountancy from the University of Singapore and is a Fellow of both the Institute of Certified Public Accountants of Singapore and CPA Australia.

## KEY EXECUTIVES

### CORPORATE HEADQUARTERS

#### GROWTH & PERFORMANCE

##### Tan Cheng Guan

Executive Vice President  
*Group Business & Strategic Development*

##### Lee Soon Eng

Executive Vice President  
*Group Business Development*

##### Sujit Parhar

Senior Vice President  
*Group Business Development*

#### ENERGY

##### Francis Joseph Gomez

Executive Vice President  
*Group Business Development (Energy)*

##### Victor Ogg

Senior Vice President  
*Group Business Development (Energy)*

#### WATER

##### Tan Cheng Guan

Executive Vice President  
*Group Business & Strategic Development*

##### Jerry Liu Jianlin

Assistant Vice President  
*Process & Technology*

#### ASSET MANAGEMENT

##### Lau Gar Ning

Executive Vice President  
& Chief HSE Officer  
*Group Asset Management*

#### FACILITATION & GOVERNANCE

##### Kwong Sook May

Company Secretary

##### Lim Suet Boey

Senior Vice President  
*Group Legal*

##### Richard Quek

Senior Vice President  
*Group Corporate Finance*

##### Foo Fei Voon

Senior Vice President  
*Accounts*

##### Maggie Yeo

Senior Vice President  
*Group Reporting & Policies*

##### Goh Han Leng

Senior Vice President  
*Group Tax*

##### Lillian Lee

Senior Vice President  
*Group Human Resource*

##### Lee Swee Chee

Chief Risk Officer  
*Group Risk Management*

##### April Lee

Senior Vice President  
*Group Corporate Relations*

##### Jasmine Teo

Senior Vice President  
*Group Information Technology*

#### INTERNAL AUDIT

##### Benedict Lee

Senior Vice President  
*Group Internal Audit*

### BUSINESS UNITS

#### UTILITIES

##### Francis Joseph Gomez

Executive Vice President  
*Sembcorp Utilities (Singapore)*

##### Ng Meng Poh

Senior Vice President  
*Sembcorp Utilities (Singapore)*

##### Atul Nargund

Senior Vice President  
*Sembcorp Utilities (Singapore)*

##### Dr Paul Gavens

Executive Vice President  
*Sembcorp Utilities (UK)*

##### Nick Booth

Senior Vice President  
*Sembcorp Utilities (UK)*

##### Jeffrey Chen

CEO  
*Sembcorp (China)*

##### Lai Shang Voon

Senior Vice President  
*Sembcorp (China)*

##### Lai Saw Chong

Executive Managing Director  
*Emirates Sembcorp Water & Power Company (UAE)*

##### Mahabir Kumar Sharma

General Manager  
*Sembcorp Gulf O&M (UAE)*

##### Yong Yoon Cho

Senior Vice President  
*Phu My 3 BOT Power Company (Vietnam)*

## MARINE & OFFSHORE ENGINEERING

### **Wong Weng Sun**

President & COO  
*Sembcorp Marine*  
Managing Director  
*Jurong Shipyard*

### **Ong Poh Kwee**

Deputy President  
*Sembcorp Marine*  
Managing Director  
*Sembawang Shipyard*

### **Ho Nee Sin**

Managing Director  
*SMOE*

### **Dr Benety Chang**

Deputy Chairman  
*PPL Shipyard*

### **Ng Thiam Poh**

President Director  
*PT Karimun Sembawang Shipyard*  
*(Indonesia)*

### **John Chen**

President & CEO  
*Sembcorp-Sabine Shipyard (USA)*

## ENVIRONMENTAL MANAGEMENT

### **Goh Swee Ooi**

Chief Operating Officer  
*Sembcorp Environmental Management*

## INDUSTRIAL PARKS

### **Low Sin Leng**

Executive Chairman  
*Sembcorp Industrial Parks/*  
*Sembcorp Parks Management*

### **Kelvin Teo**

President & COO  
*Sembcorp Industrial Parks*

## DESIGN & CONSTRUCTION

### **Lim Kah Hing**

Managing Director  
*Sembcorp Design & Construction*

## MINT

### **Michael Ng**

President & CEO  
*Singapore Mint*

## CORPORATE GOVERNANCE

# Sembcorp's corporate governance principles are built on the core value of integrity, and reflect our commitment to protect and enhance shareholder value.

Under the guidance of its Board, Sembcorp is committed to achieving high standards of corporate governance to protect shareholder value. The company recognises the important role that well-defined corporate governance processes play in enhancing corporate accountability and sustainability.

This report outlines the company's corporate governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2005 (Code) and deviations from the Code are explained.

### BOARD OF DIRECTORS

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

The core responsibility of the directors is to exercise their judgement to act in what they reasonably believe to be the best interests of the company for the creation of long-term value and returns for shareholders.

The Board is responsible to oversee the Group's overall performance objectives, financial plans and annual budget, major investments, divestment and funding proposals, financial performance reviews, risk management and corporate governance practices.

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 the Executive Committee, Audit Committee, Executive Resource & Compensation Committee, Nominating Committee and Risk Committee. These committees are primarily made up of independent and/or non-executive directors. The respective roles

and responsibilities of each board committee are included in this report. Special purpose committees are established as and when a need arises.

The composition of the board committees is structured to ensure an equitable distribution of responsibilities among Board Members, maximise the effectiveness of the Board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different committees. Hence, membership of the Executive Committee (ExCo), with its greater involvement in key business and executive decisions, and membership of the Audit and Risk Committees, with their respective oversight roles, is mutually exclusive.

Board meetings are held on a quarterly basis to review and approve the release of the quarterly results and discuss reports by Management on the performance of the Group, its plans and prospects. A board meeting is also held at the end of each financial year to consider and approve the Group's annual budget for the following year. Additional board meetings are also held to specifically consider other issues arising during the year. A total of seven board meetings were held in 2007, with an average of 94.64% Board attendance. To focus on a director's attendance at formal meetings alone may lead to a narrow view of a director's contribution. Contributions from each director may be made in many forms, such as bringing strategic relationships to the Group and providing guidance to Management or exchange of views outside the formal environment of



the Board or board committee meetings. The Board members are free to discuss and voice their concerns on proposals that are raised for the Board's consideration and approval. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the company's Articles of Association.

The Group has adopted a set of internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Under the financial authorisation and approval limits, approval sub-limits are provided at Management levels to facilitate operational efficiency. Approval of the ExCo or Board is required where the value of a transaction exceeds certain financial thresholds. The ExCo comprises Peter Seah Lim Huat as Chairman, and its Members are Goh Geok Ling and Tang Kin Fei, who joined the committee on May 23, 2007. It held four meetings in the year with the full attendance of its members.

The ExCo reviews and approves business opportunities, strategic investments, capital and operating expenditures and divestments, within the limits of authority delegated by the Board, evaluates and recommends larger investments, capital and operating expenditures and divestments to the Board for approval. Directors are briefed on changes to regulations and accounting standards from time to time 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, that are relevant to the Group.

Newly-appointed directors are given comprehensive presentations by Management on the strategic direction and business activities of the Group. A formal letter is sent to newly-appointed directors upon their appointment explaining the governance policies and practices of the Group and their duties and obligations as director. Facility visits to our subsidiaries' premises are also arranged to enable the newly-appointed directors

to acquire an understanding of the Group's business operations. Existing directors are also invited to participate in such facility visits and orientation programmes. In November 2007, a facility visit to Teesside, UK, was conducted in conjunction with the official opening of the Sembcorp Biomass Power Station at Teesside.

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

The current Board comprises eight directors, six of whom are non-executive independent directors. The Board's non-executive Chairman is Mr Seah. Mr Tang, who is the Group President & CEO, is the sole executive director. Objectivity on issues deliberated by the Board is assured given that the majority of the Board comprises non-executive directors who are independent of Management and independent in terms of character and judgement.

The Nominating Committee (NC) ensures that the Board is the appropriate size and comprises members with a balance of skill and experience. The NC takes care to ensure that appointees have enough time available to devote to their directorship roles. The Board Members comprise business leaders, professionals with financial backgrounds, practicing lawyers and a member of the public sector. Profiles of the Directors are found on page 62 to 63.

Through the delegation of its authority to the NC, the Board has applied its best efforts to ensure that the directors appointed possess the background, experience and knowledge in business, finance, legal, related industry and management skills critical to the company's businesses. Best efforts have also been made to ensure that, in addition to his special contribution, each director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Board considers K Shanmugam and Lee Suet Fern, both non-executive directors, as independent non-executive directors, although they are related to the company by virtue of their positions in law firms rendering professional services to the Group. Notwithstanding this, the Board assesses them to be independent

## CORPORATE GOVERNANCE

directors due to their manifest ability to exercise strong independent judgement in their deliberations and act in the best interests of the company.

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

To ensure an appropriate balance of power and authority such that no one individual represents a considerable concentration of power, the roles of Chairman and Group President & CEO are separate. The Chairman, Mr Seah, and the Group President & CEO, Mr Tang, are not related to each other.

The Chairman, who is non-executive, leads and ensures active and comprehensive Board discussions on matters brought to the Board and monitors the translation of the Board's decisions into executive action. Meanwhile, the Group President & CEO executes the Board's decisions and is responsible for implementing the Group's strategies and policies and the conduct of the Group's business.

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

Sembcorp Industries' Board is periodically renewed to ensure strong, independent and sound leadership for the continued success of the company and its businesses. The Board also 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.

The company subscribes to the principle that all directors including the Group President & CEO should retire and submit themselves for re-election at regular intervals, subject to continued satisfactory performance. The company's Articles of Association require one-third of directors to retire and subject themselves to re-election by shareholders at every Annual General Meeting (AGM) (one-third rotation rule).

Prior to seeking shareholders' approval at the AGM, the NC reviews and considers the retirement and re-election of directors. In addition, a newly-appointed director submits himself for retirement and election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule.

Every year, the NC reviews the independence of directors. The directors are required to complete and return a Director's Independence Questionnaire for review by the NC, which then assesses the independence of each director based on the criteria in the Code.

The NC supports and advises the company by nominating suitable board candidates to maintain the Board's balance of skills, knowledge and experience. Appointments to the board are made on merit and against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practiced by the Group. The NC takes care to ensure that

### BOARD MEMBERS FOR 2007

Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as director	Nature of appointment
Peter Seah Lim Huat	Chairman	July 29, 1998	April 23, 2007	Non-executive/Non-independent
Tang Kin Fei	Director	May 1, 2005	April 27, 2006*	Executive/Non-independent
K Shanmugam	Director	July 29, 1998	April 27, 2006*	Non-executive/Independent
Goh Geok Ling	Director	May 3, 2000	April 27, 2006*	Non-executive/Independent
Richard Hale, OBE	Director	Sept 1, 2000	April 27, 2006	Non-executive/Independent
Yong Ying-I	Director	May 26, 2003	April 23, 2007	Non-executive/Independent
Evert Henkes	Director	April 30, 2004	April 23, 2007	Non-executive/Independent
Lee Suet Fern	Director	July 1, 2005	April 27, 2006	Non-executive/Independent

\* Up for re-election at AGM

appointees have enough time available to devote to their directorship roles.

The NC, which met twice in 2007 with the full attendance of its members, is chaired by Mr Seah and its members are Mr Shanmugam and Mr Goh. The NC Chairman is regarded as non-independent with reference to the definition of "independence" under the Code and is associated with a substantial shareholder by virtue of his position on the Advisory Panel of Temasek Holdings, a substantial shareholder of the company. Notwithstanding this, the Board believes that the NC Chairman's ability to exercise strong independent judgement in his deliberations and act in the best interests of the company is not compromised, as his appointment on the Advisory Panel of Temasek Holdings is non-executive in nature and he is not involved in the day-to-day conduct of Temasek Holdings' business.

Pursuant to the one-third rotation rule, Mr Shanmugam, Mr Goh and Mr Tang will each submit themselves for retirement and subject to re-election by the shareholders at the forthcoming AGM.

## **BOARD PERFORMANCE AND CONDUCT OF ITS AFFAIRS**

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

Each year, informal assessment of the Board's performance is undertaken by the NC with inputs from the other Board Members and the Group President & CEO. During the financial year, to enhance our corporate governance practice, a yearly exercise was introduced to obtain feedback from each Director on the effectiveness of the Board as a whole. Directors completed a questionnaire which focused on factors such as the size and composition of the Board, the Board's access to information, board processes and accountability as well as board performance in relation to communication with senior management. Feedback from the questionnaire was subsequently discussed at a board meeting, and was used to highlight areas of strength and weakness for the future development of the Board and its committees as well as to further improve their performance.

The NC feels that the financial indicators set out in

the Code as guides for the evaluation of directors are more a measure of the Management's performance and therefore are less applicable to directors. The NC believes that board performance is ultimately reflected in the long-term performance of the Group.

## **FULL ACCESS TO INFORMATION AND RESOURCES**

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

The Management provides adequate management and operation reports and financial statements of the Group to the Board on a regular basis. As a general rule, Board and Board Committee papers are sent to Directors at least three working days before each meeting so that the Directors may better understand the matters prior to the meeting and discussions may be focused on questions that the Board or Committee has on the matters. Senior management who can provide insight into the matters at hand would be present at the relevant time during the meetings.

Quarterly financial highlights of the Sembcorp Group's performance and key developments are presented at board meetings. The Group President & CEO, Group Chief Financial Officer and senior management are also present to address any queries which the Board may have. The Company Secretary assists the Board with the preparation of meeting agenda and administers, attends and prepares minutes of Board proceedings, ensuring good information flow within the Board and its committees. She also assists the Board on the compliance of the Group with the Memorandum and Articles of Association, laws and regulations, including requirements of the Companies Act, Securities Futures Act and the SGX-ST. She liaises with the SGX-ST, the Accounting and Corporate Regulatory Authority and when necessary, shareholders. The Management also assists the Board to implement and strengthen good corporate governance practices and processes across the Group.

The Board has separate and independent access to the Group President & CEO, senior management, Company Secretary and internal and external auditors at all times. Directors are also provided with the

## CORPORATE GOVERNANCE

### BOARD AND COMMITTEE COMPOSITION FOR 2007

Board Member	Executive Committee	Audit Committee	Executive Resource & Compensation Committee	Nominating Committee	Risk Committee
Peter Seah Lim Huat	Chairman		Chairman	Chairman	
Tang Kin Fei	Member <sup>^</sup>				
K Shanmugam		Member	Member	Member	Member
Goh Geok Ling	Member		Member	Member	
Richard Hale, OBE		Chairman			Chairman
Yong Ying-I		Member			Member
Evert Henkes					
Lee Suet Fern		Member			Member

<sup>^</sup> Appointed as a member of ExCo on May 23, 2007

names and contact details of the company's senior management to facilitate direct access to them. The Board exercises its discretion to seek independent professional advice if deemed necessary to ensure that full information and advice is available before important decisions are made.

### COMPETITIVE REMUNERATION SYSTEM

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

The Executive Resource & Compensation Committee (ERCC) is chaired by Mr Seah and its members are Mr Goh and Mr Shanmugam. It held two meetings in the year with the full attendance of its members. The ERCC is responsible for ensuring a formal procedure for developing and reviewing policies on compensation and development of the Group's senior management. It assists the Board to ensure that competitive remuneration policies and practices are in place to attract, motivate and retain talented executives. The ERCC also reviews the remuneration of the non-executive directors and executive director.

The ERCC reviews succession planning for key positions in the Group and the leadership pipeline for the organisation. It reviews the development of its senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework with the aim of building

talent and renewing strong and sound leadership to ensure the success of the Group. The ERCC conducts a succession planning review of the Group President & CEO, all of his direct reports and selected key positions in the company on an annual basis. Potential internal and external candidates for succession are reviewed for different time horizons of immediate, medium-term and long-term needs.

The ERCC also establishes guidelines on share-based incentives 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 as well as to align the interests of the executives and shareholders.

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultations. In its deliberations, the ERCC takes into consideration industry practices and norms of compensation. The Group President & CEO is not present during the discussions relating to his own compensation, terms and conditions of service, or the review of his performance.

While the Chairman of the ERCC is not regarded as independent within the context of the definition of "independence" in the Code, he is a non-executive director independent of Management with a clear separation of his role from Management in deliberations

of the ERCC. No ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself.

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

Sembcorp believes that a competitive remuneration and reward system based on individual performance is important in order to retain and incentivise the best talents. Sembcorp's remuneration and reward system is also responsive to the economic climate as well as the performance of the Group and its business units.

The Group President & CEO, as an executive director, does not receive director's fees. As a lead member of Management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and the performance targets are available in the Directors' Report and Note 4 in the Notes to the Financial Statements.

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-based incentives 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. The basis of allocation of the share-based incentives takes into account a director's contribution and additional responsibilities on Board Committees. Details on share-based incentives granted to the non-executive directors and their fair value are available in the Directors' Report and Note 4 in the Notes to the Financial Statements.

Key executives are rewarded based on actual performance relative to pre-agreed performance targets, which include financial and non-financial performance indicators such as economic value added (EVA), total shareholder return and promoting and maintaining

health, safety and environment issues. The Group believes that the current reward systems are in line with market norms and formulated to motivate executives to give their best to the Group. Rewards include long-term share-based incentives, which would further ensure the retention of the most talented and high performing executives in the Group. In view of evolving practices at major public listed companies and to enhance linkages between employee performance and long-term shareholder value creation, a review of the Group's share-based incentives was carried out in 2005. Following this review, the company ceased to grant new share options in 2007. Instead, employees were awarded restricted stocks under the restricted stock plan. For further details on the share-based incentives and performance targets please refer to the Directors' Report and Note 4 in the Notes to the Financial Statements.

The Group has an incentive compensation plan for key executives that is tied to the creation of EVA as well as to the attainment of individual and Group performance goals. 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.

**Disclosure on remuneration (Principle 9)**

To retain and motivate high calibre directors from Singapore and overseas to help the Group particularly in its overseas expansion, the company needs to compensate its directors in keeping with international standards. This is reviewed regularly. The Directors' fees are subject to the approval of shareholders at the AGM. The report on directors' remuneration is found in the related item under the Supplementary Information section of this report.

The Directors' fees totalled S\$777,000 in 2007 (as compared to S\$895,332 in 2006) and were derived using the following rates:



## CORPORATE GOVERNANCE

### DIRECTORS' FEES BY TYPE OF APPOINTMENT

S\$

#### Board of Directors

■ Basic fee	50,000
■ Chairman's allowance	45,000
■ Vice Chairman's allowance	25,000

#### Executive Committee

■ Chairman's allowance	40,000
■ Member's allowance	25,000

#### Audit Committee

■ Chairman's allowance	40,000
■ Member's allowance	25,000

#### Executive Resource & Compensation Committee/ Nominating Committee

■ Chairman's allowance	25,000
■ Member's allowance	15,000

#### Risk Committee

■ Chairman's allowance	25,000
■ Member's allowance	15,000

#### Notes:

Tang Kin Fei, as an executive director, did not receive director's fees.

Yong Ying-I, as a public sector nominee, received a reduced allowance for her directorship and membership of the Board and Audit and Risk Committees.

The Executive Resource & Compensation Committee and the Nominating Committee have the same members, who receive one payment for service on both committees.

The Directors also receive attendance fees of S\$2,000 (in-country) and S\$10,000 (out-country) for each board meeting; and S\$1,000 (in-country) and S\$10,000 (out-country) for each committee meeting.

With respect to executive remuneration, rather than setting out the names of the top key executives who are not directors of the company, the remuneration table shows the number of key executives in remuneration bands of S\$250,000 from S\$100,000 upwards. These key executives are the CEOs of the subsidiaries, namely Sembcorp Marine and Sembcorp Environmental Management, as well as the Executive Chairman of Sembcorp Industrial Parks (formerly known as Sembcorp Parks Holdings), Executive Vice Presidents of Sembcorp Utilities and Sembcorp Utilities (UK), the Group Chief

Financial Officer and the Executive Vice Presidents for Group Business & Strategic Development and Group Performance Management & Group Mergers & Acquisitions. This gives a macro perspective of the remuneration profile in the Group while maintaining the confidentiality of staff remuneration.

### REMUNERATION BANDS FOR KEY EXECUTIVES

Remuneration band (S\$)	No. of employees
1,750,000 and above	4
1,500,000 to 1,749,999	–
1,250,000 to 1,499,999	–
1,000,000 to 1,249,999	–
750,000 to 999,999	3
500,000 to 749,999	–
250,000 to 499,999	1
100,000 to 249,999	–

### The Board is accountable to the shareholders (Principle 10)

Sembcorp is committed to open and honest communication with shareholders at all times. Shareholders are provided with quarterly and annual financial reports in a timely manner that gives shareholders a balanced and understandable assessment of the company's performance and prospect.

During the financial year, in line with stock exchange requirements, negative assurance statements were issued by the Board to accompany its quarterly financial results announcement, confirming that, to the best of its knowledge, nothing had come to the attention of the Board which would render the company's quarterly results to be false or misleading.

### Audit Committee (Principle 11)

The Audit Committee (AC) comprises four independent directors and is chaired by Richard Hale, OBE. The other members are Mr Shanmugam, Mrs Lee and Yong Ying-I. During the year, the AC held six meetings and achieved an average of 79.17% attendance. All members of the AC participated actively at meetings

either by attendance or through teleconferencing.

The AC assists the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices of the Group.

The main responsibilities of the AC are to review the company's policies and control procedures with the external auditors, internal auditors and Management and act in the interest of the shareholders in respect of 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 result announcements as well as the financial statements of the Group and company before they are submitted to the Board for approval.

Annually, the AC also reviews and recommends the appointment of the company's external auditors. The AC meets the external and internal auditors at least once a year without the presence of Management.

The AC has the authority to investigate any matter within its terms of reference. It has full access to Management and received their co-operation in the year.

Having reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year – excluding Sembcorp Marine, a listed subsidiary that has its own audit committee – the AC is satisfied that the provision of non-audit services by the external auditors did not impair their independence as external auditors. Details of the non-audit fees payable to the external auditors are found in Note 35(b) in the Notes to the Financial Statements.

The AC also oversees the Group's whistle-blowing policy. For more information on the whistle-blowing policy, please refer to pages 81 and 93.

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

The Board and Management of the company are fully committed to a robust system of internal controls and risk management.

The Risk Committee (RC) is chaired by Mr Hale, OBE and includes independent directors, Mr Shanmugam, Mrs Lee and Ms Yong as members. The primary role and function of the RC is to assist the Board in fulfilling its oversight responsibility of risk management by

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

The RC held three meetings in 2007 and achieved an average of 83.33% attendance.

For more information on the progress of the company's Enterprise Risk Management system, please refer to page 80.

### **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 to the Group President & CEO on administrative matters.

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 improving and promoting 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 for them so that their technical knowledge remains current and relevant. GIA is guided by the standards for the professional practice of internal auditing developed by the Institute of Internal Audit Inc. and has incorporated these standards into its audit practices.

The Board has been kept informed of the AC's review of Internal Audit's reports and the management controls in place and is satisfied on the adequacy of the internal controls in the Group.

### **WHISTLE-BLOWING POLICY**

The Group has put in place a whistle-blowing policy and procedures which provide employees with accessible channels to the Internal Audit for reporting suspected fraud, corruption, dishonest practices or other similar

## CORPORATE GOVERNANCE

matters. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

### COMMUNICATION WITH SHAREHOLDERS

#### Regular, effective and equal treatment of shareholders (Principle 14)

All Sembcorp Industries' price-sensitive information is disseminated to its shareholders via SGXNET in a timely manner and on a non-selective basis. Financial and other performance data is given for the Group as well as for business units, where appropriate, to give shareholders a better insight into the Group's performance. The date of the release of quarterly results is disclosed two weeks prior to the date of announcement through SGXNET. Then, for the release of financial statements, the press release of the results announcement is first released by SGXNET onto the SGX-ST website. Thereafter, a briefing or teleconference by Management is jointly held 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](http://www.sembcorp.com).

Following the release of financial statements or price-sensitive developments, investor relations officers 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 encourages shareholder participation at general meetings. Information on shareholder meetings is disseminated through notices published in local newspapers as well as through reports or circulars sent to all shareholders. All registered shareholders are invited to participate in shareholder meetings.

The company's Articles of Association allow all shareholders the same right to appoint up to two proxies to attend and vote on the behalf of the shareholders.

The company also allows CPF investors to attend general meetings as observers.

Voting in absentia by mail, facsimile or e-mail is currently not allowed as such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authentication of the shareholders' identity.

At General Meetings, the Board and Management are present to address questions from shareholders. The external auditors are also present to assist the Board. Minutes of shareholder meetings are available on request for registered shareholders.

For further details on Sembcorp Industries' communications with its shareholders, see the Investor Relations section on page 86.

### DEALINGS IN SECURITIES

The company has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the company's securities by its directors and senior management for two weeks prior to the announcement of the company's quarterly results. Directors and employees are also expected to observe insider trading laws at all times even when dealing in the company's securities within the permitted trading period.

### INTERESTED PERSON TRANSACTIONS

Shareholders have adopted an Interested Person Transaction (IPT) Mandate in respect of interested person transactions of the company. The IPT Mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the company's website, [www.sembcorp.com](http://www.sembcorp.com). All SBUs are required to be familiar with the IPT Mandate and report any such transaction to the company. The Group Reporting and Policies Department maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. Information on interested person transactions for 2007 may be found in the related item under the Supplementary Information section of this report.



Sembcorp's high salinity wastewater treatment plant on Jurong Island, Singapore.



## RISK MANAGEMENT & MITIGATION STRATEGIES

# Sembcorp is fully committed to its robust system of internal controls and risk management.

The Group manages risk under an overall strategy determined by the Board of Directors, supported by the Board Risk Committee and the Internal Audit department. Formed in August 2003 to assist the Board of Directors, the Board Risk Committee, comprising four directors, reviews and enhances the effectiveness of the Group's risk management plans, systems, processes and procedures. The Board Risk Committee also reviews the Group-wide risk policies, guidelines and limits as well as the risk exposure and risk treatment plans.

### ENTERPRISE RISK MANAGEMENT

The Group has established an Enterprise Risk Management Framework to standardise the risk management methodologies within the Group. In line with Sembcorp's commitment to deliver sustainable value to its shareholders, the objective of the Enterprise Risk Management Framework is to provide guidance to the operating units in implementing a comprehensive and consistent approach to identifying and managing the risks that they face. The Enterprise Risk Management Framework applies to the action of all employees of the Group and is implemented at each operating unit. Within this framework, critical and major risks of the Group and the operating units are identified and assessed to determine the appropriate type of risk treatment plans to be implemented and which are to be monitored at the Group level as well as by each strategic business unit (SBU).

The Enterprise Risk Management Framework sets out a systematic and ongoing process for identifying, evaluating, controlling and reporting risk, comprising the following key elements:

- Identification and assessment of all risks.
- Formulation of risk management strategies.
- Design and implementation of risk management and mitigation action plans.
- Monitoring and reporting of risk management performance and risk exposure levels.
- Continuous improvement of risk management and mitigation action plans and capabilities.

These processes are put in place to manage and monitor the Group risk management activities on a regular and timely basis.

### SYSTEM OF FINANCIAL DISCIPLINE

Since 2003, a systematic approach has been in place for Sembcorp Industries and its subsidiaries and associated companies, to ensure financial discipline across the Group. We have set up a self-check, review and certification process called the System of Financial Discipline for all subsidiaries to confirm their commitment to and compliance with a prudent financial discipline framework. The process provides for management at various levels in the SBUs to systematically review and ensure compliance with the requirements of new accounting standards and the treatment of transactions and to ensure that acceptable accounting policies are followed. It allows early identification in areas of potential exposure that can be addressed to minimise adverse impact to the Group as well as ensure the adequacy of provisions made in the accounts.

SBUs' operating and finance heads are required to review, report and ensure adequate provisioning for project losses, asset impairment, significant long outstanding debtors, significant inter-company balances, contingent liabilities, fraud incidents and



any transactions and/or events with material impact or potential material impact on the SBU's financial results. These financial impacts, if any, are reported on a quarterly basis to Sembcorp Industries and accounted for in the interim accounts of the respective SBU.

SBUs are also required to complete the review and certification of financial discipline for revenue recognition, cost recognition, profit or loss recognition, liabilities recognition, assets recognition, consolidation and internal controls.

### WHISTLE-BLOWING

Since 2005, Sembcorp Industries has had a whistle-blowing policy and procedures, which provide employees with well-defined and accessible channels within the Group through which they may, in confidence, raise concerns about possible improprieties in matters of business activities, financial reporting or other matters to the Audit Committee. This arrangement facilitates independent investigation of such matters for appropriate resolution.

### INTERNAL AUDIT

The Sembcorp Group also has a Group Internal Audit department, which focuses on providing an independent resource and perspective to both the Board and the Audit Committee on the processes and controls that help to mitigate major risks.

### MITIGATION STRATEGIES

The Group has identified the following types of risks:

- a. Financial risk
- b. Operational risk
- c. Investment risk
- d. Compliance and legal risk
- e. Interested person transaction risk
- f. Human resource risk

#### a. Financial risk management

The Group's activities expose it to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices as well as credit risk.

As part of Sembcorp's Enterprise Risk Management Framework, the Group's treasury policies and financial authority limits are documented, reviewed periodically and communicated to the Group's entities. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and other transactions and financing.

The Group utilises various financial instruments to manage exposures to interest rate, foreign exchange and commodity price risks arising from operational, financing and investment activities. The commodities involved basically include fuel oil, coal and natural gas. Transactions such as foreign exchange forwards, interest rate swaps, commodities swaps, purchase of options and contracts for differences are used, as appropriate, to manage these risks. It is the Group's overall Treasury Policy that transactions for speculative purposes are strictly not allowed. Transactions are allowed only for hedging purposes based on the underlying business and operating requirements. Exposures to foreign currency risks are also hedged naturally where possible.

The financial authority limits seek to limit and mitigate operational risk by setting out the threshold of approvals required for the entry into contractual obligations and investments.

#### *Interest rate risk*

The Sembcorp Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings. The Group enters into interest rate swaps to minimise its interest rate risk. A minimum of 50% of the Group's loan portfolio having fixed interest rates is targeted for the Group.

#### *Foreign exchange risk*

The Group operates globally and is exposed to foreign currency exchange rate movements, primarily for the US dollar, British pound, euro, Australian dollar and Chinese yuan. Such risks are either hedged by forward foreign exchange contracts in respect of actual or forecasted net currency exposures or hedged naturally by a sale or purchase of a matching asset or liability of

## RISK MANAGEMENT & MITIGATION STRATEGIES

the same currency and amount. No speculative foreign exchange transactions are allowed.

### *Commodity risk*

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposures are managed via swaps, purchase of options, contracts for differences and fixed price and forward contracts.

Contracts for differences are entered into with appropriate counterparties to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps, where the price of fuel is indexed to a benchmark fuel price index, for example Singapore High Sulphur Fuel Oil (HSFO) 180-CST.

For precious metal commodities, such as gold, exposures to fluctuations in price are hedged through the use of forward contracts or purchase of options that fix the purchases at an agreed price. The quantum of commitment is based on actual or forecasted requirements.

### *Credit risk*

The Sembcorp Group monitors its exposure to credit risk arising from sales to trade customers on an ongoing basis, and credit evaluations are done on customers who require credit.

The Group only deals with pre-approved non-trade customers and financial institutions with a good credit rating and imposes a cap on the amount to be transacted with any of these counterparties so as to reduce its concentration risk. To minimise the Group's counterparty risk, the Group enters into transactions only with creditworthy institutions.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

### *Working capital management*

The Sembcorp Group manages its working capital requirements with the view to balance the cost of funding and an optimal level of liquidity appropriate to

the operating environment and expected cash flow of the Group. Working capital requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

### **b. Operational risk management**

Operational risk, which is inherent in all business activities, is the risk of potential financial loss and/or business instability arising from failures in internal controls, operational processes or the systems that support them.

It is recognised that operational risk can never be entirely eliminated and that the cost of minimising it may outweigh the potential benefits. Accordingly, the Group manages operational risk by focusing on risk management and incident management. The Group has also put in place operating manuals, standard operating procedures, delegation of authority guidelines and a regular reporting framework, which encompasses operational and financial reporting. The framework provides for management at various levels in the SBUs to systematically review and ensure compliance with the requirements of new accounting standards and the treatment of transactions and ensures that acceptable accounting policies are followed. It allows early identification in areas of potential exposure, which can be addressed to minimise adverse impact to the Group as well as ensuring the adequacy of provisions made in the accounts. To reinforce the implementation of the Group's risk strategy by the operating units, independent checks on risk issues are undertaken by the Internal Audit function. Where appropriate, this is supported by risk transfer mechanisms such as insurance.

### *Insurance*

It is not practicable to insure every insurable risk event to the fullest extent as the insurance market may lack the capacity, both as to breadth and extent of coverage, and in some cases external insurance is simply unavailable or is not available at an economic price. The Group regularly reviews both the type and amount of insurance coverage that it buys, bearing in mind the availability of such cover, its price and the likelihood and magnitude of the risks involved.

During the year, the Group arranged a global insurance programme for property damage, business interruption and public liability for its operations in Singapore and the UK under the advice of Marsh (Singapore) and maintained insurance levels deemed appropriate in the light of the cost of cover and risk profiles of the businesses.

The Group has also established a wholly-owned captive insurance subsidiary, Sembcorp Captive Insurance (Captive), which is advised and managed by Marsh Management Services. Captive essentially participates in the property damage and business interruption portion of the Group's global insurance programme as a reinsurer, retaining a maximum exposure of S\$2.5 million for each and every loss with an annual maximum of S\$5 million in aggregate in excess of the existing retentions of the business entities within the Group.

#### **c. Investment risk management**

The Sembcorp Group's capital investment decision process is guided by investment parameters instituted on a Group-wide basis. All investments are subject to rigorous scrutiny to ensure that they are in line with the Group's strategic business focus, meeting the relevant hurdle rates of return, and all other relevant risk factors, such as operating currency and liquidity risks.

In addition, the Board requires that each major investment proposal submitted to the Board for decision is accompanied by a comprehensive risk assessment and Management's proposed mitigation strategies.

#### **d. Compliance and legal risk management**

The Group's operations are subject to regulation and future changes in regulation that may adversely affect results, particularly in the areas of corporate law, competition law, taxation policy, consumer protection and environmental law. The responsibility of compliance with applicable laws and regulations lies with the respective operating business heads, and oversight of the discharge of their responsibilities is provided by Sembcorp's Group Legal Department.

Legal risk is the risk that the business activities of the Group may have unintended or unexpected legal

consequences. This includes risks arising from:

- Actual or potential violation of laws or regulations (which may attract a civil or criminal fine or penalty).
- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in a counterparty insolvency.
- Failure to protect the Group's property (including its interests in its premises and its intellectual property, such as the Sembcorp Industries' logo and other related logos, brand names and products).
- The possibility of civil claims (including acts or other events that may lead to litigation or other disputes).

The Group identifies and manages legal risk through effective use of its internal and external legal advisers. Sembcorp's internal legal department assists in identifying, monitoring and providing the support necessary to identify and manage legal risks across the Group.

#### **e. Interested person transaction risk management**

In respect of transactions entered into by the Group, its subsidiaries and associated companies that are "entities at risk" with its Interested Persons (namely its controlling shareholders, Chief Executive Officer, Directors and their respective associates), the Group is guided by and complies with the provisions of Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual, to ensure that such interested person transactions (IPTs) are entered into on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties.

The Group has internal control procedures to ensure that transactions carried out with interested persons comply with the provisions of Chapter 9 and Sembcorp Industries' Shareholders' Mandate. This Mandate is renewed on an annual basis and will be updated at the extraordinary general meeting to be convened on April 25, 2008. These internal control procedures are intended to ensure that IPTs are conducted at arm's length and on normal commercial terms that are not prejudicial to the interests of minority shareholders.

The Sembcorp Group maintains a register of all

## RISK MANAGEMENT & MITIGATION STRATEGIES

IPTs, recording the basis on which they are entered into, including quotations obtained to support such basis. The Group's annual internal audit plan incorporates a review of all IPTs for the relevant financial year.

The Audit Committee periodically reviews Group Internal Audit's IPT Reports to ascertain that the guidelines and procedures on IPTs have been complied with. The review includes the examination of the nature of the IPTs and relevant supporting documents or other such information deemed necessary by the Audit Committee. If a member of the Audit Committee has an interest in an IPT, he or she abstains from participating in the review and approval process of that IPT.

### **f. Human resource risk management**

In order to develop, support and market the products and services offered by the Sembcorp Group and to grow our businesses internationally, it is necessary to hire and retain skilled and professional employees with the relevant expertise. The implementation of the Group's strategic business plans could be undermined by failure to recruit or retain competent key personnel, the unexpected loss of such key senior employees or failure in the Company's succession planning.

In this respect, the Sembcorp Group places great emphasis on establishing comprehensive human resource policies for the recruitment, compensation and development of staff. This ensures that the Group's human assets, its skilled workforce and competent senior management, are nurtured and retained, so that the Group's competitive edge is preserved. The Board Executive Resource & Compensation Committee has oversight of the Group's remuneration policies and oversees management, development and succession plans for key Management positions. Further details on the Executive Resource & Compensation Committee as well as Sembcorp's human resources management may be found at pages 74 and 90 to 93 of this annual report.





West Triton, a Baker Marine Pacific Class 375 jack-up rig, was delivered by Sembcorp Marine's PPL Shipyard to Seadrill in December 2007.



## INVESTOR RELATIONS

**At Sembcorp, we are committed to ensuring that all capital market players have easy access to clear, reliable and meaningful information on our company in order to make informed investment decisions.**

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance and prospects. To do this, multiple communication platforms are utilised including group briefings to analysts, investors and the media, one-on-one meetings with shareholders and potential investors, investor roadshows and our corporate website. In addition, we also organise company visits and facility tours to help investors gain a better understanding of the Group's operations.

In 2007, the Sembcorp investor relations team continued to keep the investment community updated on the Group's performance, strategy and outlook, as well as its investment proposition of stability and growth. On the back of volatile stock markets, the ability of our global core businesses, backed by long-term contracts and a strong orderbook, to offer quality earnings as well as growth potential was well-received by the market.

### COMMUNICATION WITH THE FINANCIAL COMMUNITY

Senior management and the investor relations team continued to actively maintain open communication channels with the financial community. During the year, we held over 180 one-on-one and group meetings

with shareholders, analysts and potential investors. These included non-deal marketing roadshows in major financial centres. In Asia, we covered Singapore and Hong Kong; in North America, Toronto, Boston and New York; and in Europe, London, Edinburgh and Frankfurt. We also participated in six investor conferences during the year: the CLSA Corporate Access Forum in May, Nomura Asia Equity Forum and DBS Vickers Pulse of Asia Conference in July, Morgan Stanley Asia Pacific Summit in November in Singapore, as well as the DBS Asia Corporate Conference in May in New York and UBS Best of Asia Conference in June in London.

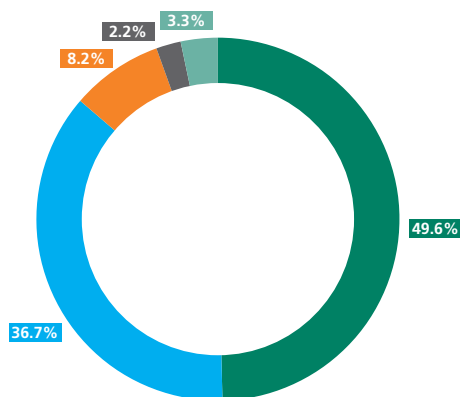
### AWARDS AND ACCOLADES

During the year, Sembcorp Industries was one of only two Singapore companies named in Forbes Asia Fabulous 50 list, an annual ranking of big-cap, profitable companies in Asia by Forbes. In FinanceAsia magazine's Asia's Best Companies Poll 2007, Sembcorp Industries was voted Best Chief Financial Officer (runner-up) and Best Investor Relations (third).

The company was ranked sixth among all the public-listed companies in Singapore in the Business Times Corporate Transparency Index. At the Investor's Choice Award, presented by the Securities Investors Association (Singapore), Sembcorp Industries was the runner up in the multi-industry/conglomerates category.

### SHARE OWNERSHIP BY INVESTOR CATEGORY

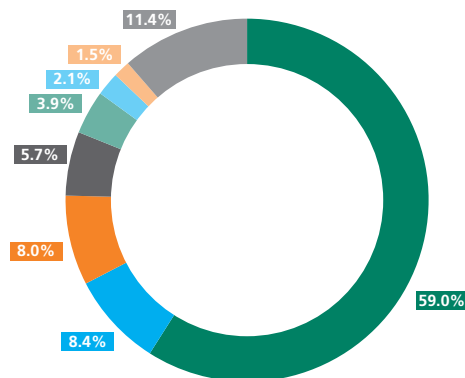
- Strategic\*                      ■ Institutional
- Shareholders holding less than 100,000 shares
- Retail                              ■ Others



\* Includes indirect interest  
As at December 31, 2007

### SHARE OWNERSHIP BY GEOGRAPHICAL DISTRIBUTION

- Singapore                      ■ United States
- United Kingdom              ■ Hong Kong
- Other Europe                  ■ Germany
- Japan                              ■ Others\*



\* Others include shareholders holding less than 100,000 shares. These shareholders collectively hold 8.2% of total shares  
As at December 31, 2007

### TOTAL SHAREHOLDER RETURN

Sembcorp Industries' shares continued to perform well in 2007. In 2007, we achieved a share price return of 52% and a total shareholder return of 59%, outperforming the Straits Times Index's total return of 18%.

The company's share price averaged S\$5.31, registered a low of S\$3.62 on January 10 and hit a high of S\$6.90 on October 3. Daily turnover averaged 4.3 million shares in 2007.

### SHAREHOLDER INFORMATION

In 2007, other than our major shareholder Temasek Holdings, which held 49.6% of our shares as at the end of 2007, institutional shareholders as a group continued to dominate Sembcorp Industries' shareholder base. Our institutional shareholders

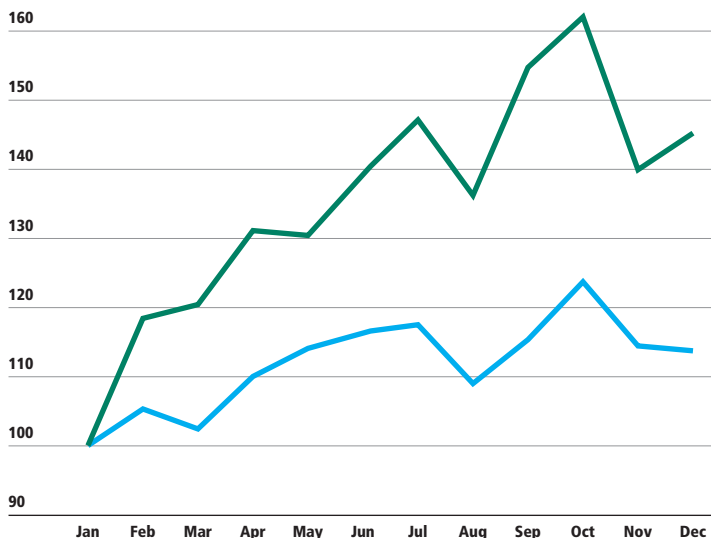
accounted for 36.7% of our issued share capital or 72.8% of free float, higher compared to 2006's 67.5%. Retail shareholders, including shareholders holding less than 100,000 shares, and others held the remaining 13.7% of issued share capital or 27.2% of free float. In terms of geographical breakdown, excluding the stake held by Temasek Holdings, Singapore shareholders now account for the largest number of shares, with 9.4% of issued share capital. From top position last year, the UK's share dropped from 11.0% to 8.0%, but this was offset by the healthy appetite for shares from the USA, which increased their share by 1.6% to 8.4% of issued share capital, as well as Hong Kong and Other Europe. Hong Kong's share was up from 5.4% to 5.7%, and Other Europe's share (excluding the UK and Germany) climbed from 3.3% to 3.9%.

## INVESTOR RELATIONS

### AVERAGE MONTHLY SEMBCORP INDUSTRIES SHARE PRICE AND STRAITS TIMES INDEX IN 2007 (REBASED)

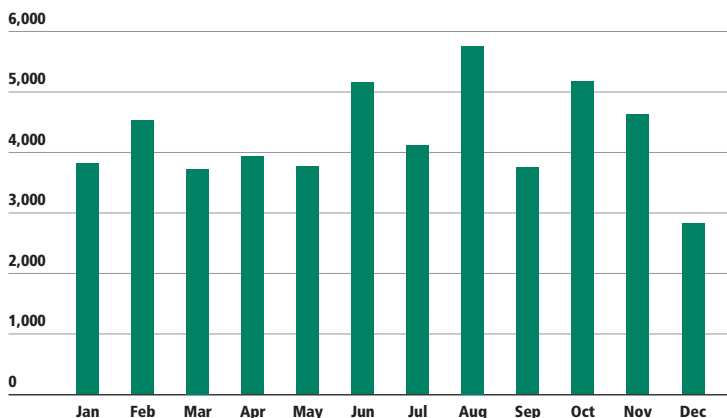
- Sembcorp Industries
- Straits Times Index

Month	Sembcorp Industries (S\$)	Straits Times Index
January	3.91	3,061.63
February	4.63	3,224.21
March	4.70	3,135.70
April	5.12	3,368.86
May	5.10	3,492.24
June	5.49	3,569.01
July	5.75	3,597.00
August	5.32	3,336.50
September	6.05	3,531.19
October	6.33	3,787.11
November	5.47	3,503.39
December	5.67	3,481.49



### AVERAGE MONTHLY TRADE VOLUME OF SEMBCORP INDUSTRIES SHARES IN 2007

Month	Volume ('000)
January	3,819
February	4,529
March	3,720
April	3,995
May	3,760
June	5,145
July	4,105
August	5,758
September	3,751
October	5,166
November	4,621
December	2,823





Phu My 3 BOT Power Company, Sembcorp's joint venture power plant in Vietnam.

## HUMAN RESOURCES & EMPLOYEE WELFARE

At Sembcorp, we believe that our employees are critical to business and organisational excellence.

Recognising our staff as key stakeholders, Sembcorp subscribes to the Principles of Fair Employment endorsed by Singapore's Tripartite Alliance for Fair Employment Practices. This encompasses a commitment to the five key principles highlighted below.

### 5 KEY PRINCIPLES FOR FAIR EMPLOYMENT PRACTICES

- Recruit and select based on merit, such as skills, experience and ability, regardless of age, race, gender, religion or family status
- Treat employees fairly and with respect and implement progressive human resource management systems
- Provide equal opportunities for training and development based on employees' strengths and needs, to help them achieve their full potential
- Reward fairly based on ability, performance, contribution and experience
- Abide by labour laws and adopt Tripartite Guidelines which promote fair employment practices

Sembcorp aims to attract, retain and motivate a talented workforce through a three-pronged strategy of people development, employee engagement and performance management coupled with fair and competitive rewards and recognition.

In 2007, we made progress in further developing each of these three areas. In addition, our concerted efforts towards good business and human resource practices were recognised in the successful renewal of two coveted national awards, Singapore Quality

Class (SQC) and People Developer (PD), awarded by Spring Singapore. This marked the first time Sembcorp was assessed and conferred the awards as an integrated Group, comprising Sembcorp Industries and its unlisted subsidiaries, Sembcorp Utilities, Sembcorp Environmental Management, Sembcorp Industrial Parks, Sembcorp Design & Construction and the Singapore Mint.

### PEOPLE DEVELOPMENT

#### Competency Building

Sembcorp continues to focus on people development in its efforts to develop a dynamic workforce well-equipped to contribute to business growth.

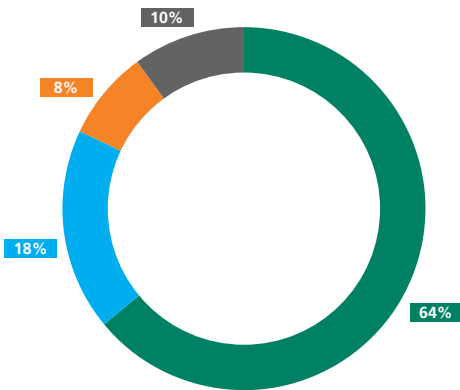
In 2007, the Group invested an average of 40 hours per employee on structured training. More than S\$8 million was invested in training, representing 3% of payroll and a 54.5% increase over the amount spent on training in 2006.

To nurture internal talent and address the supply crunch of talented utilities specialists, Sembcorp continued to carry out tailored training and competency development programmes. During the year, our Utilities arm in China launched a 26-week specialist engineer training programme to build up its pool of water technology specialists. This programme offers training attachments in various Sembcorp utilities plants in China as well as in Singapore.

Our Utilities business also continued to collaborate with Singapore educational institutions for courses to strengthen the skills of our engineers and technicians. These included courses at Singapore Polytechnic to train qualified steam engineers and boiler attendants. To-date, the scheme has seen 10 steam engineers and 30 boiler

**STAFF DISTRIBUTION BY GEOGRAPHICAL AREA**

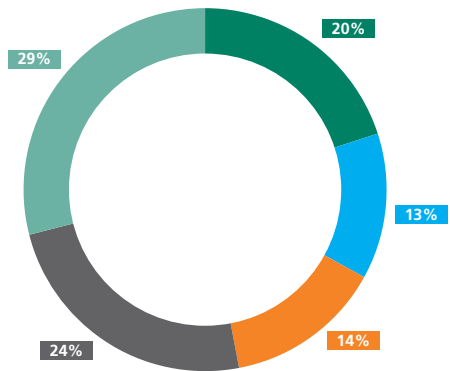
- Singapore
- Southeast & South Asia
- North Asia
- Europe, Americas & the Middle East



Data reflected is based on total permanent headcount

**STAFF DISTRIBUTION BY AGE**

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



Data reflected is based on total permanent headcount

attendants obtaining certification. Sembcorp's Utilities business in Singapore also worked with Ngee Ann Polytechnic to develop and carry out specialised courses in water treatment technologies for its employees.

In the UK, our Utilities business also worked as part of the Northeast Process Industry Cluster of companies (NEPIC) to raise the number of quality graduate engineers, engineering technicians and process plant technicians in the region. During the course of the year, NEPIC collaborated with universities in Northeast England, specialised training providers as well as government agencies to train and develop engineers in a number of relevant disciplines as well as engineering and process plant technicians.

Meanwhile, our Environmental Management business continued to conduct job-related National Skills Recognition Scheme (NSRS) certification programmes for its operations staff. From just three in 2004, the number of NSRS programmes offered has increased to almost 20 to-date.

Besides structured training Sembcorp also continued to offer development opportunities through job rotations and overseas postings. The Group currently has 23 employees attached to various overseas ventures in China, Vietnam, Fujairah, the UK, Indonesia and the UAE.

**Executive and Leadership Development**

Recognising the critical role that a strong team of leaders plays in the success and sustainability of our company, the Group maintains a strong focus on executive and leadership development as part of people development. To develop our executives' leadership abilities, business acumen and market knowledge, executive education courses were provided, including programmes at Harvard Business School, INSEAD and the Temasek Business Leadership Centre.

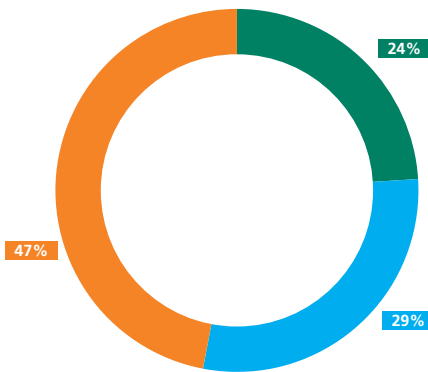
In 2007, a focused leadership development programme aimed at senior managers was introduced. This intensive 12-month long programme was designed



## HUMAN RESOURCES & EMPLOYEE WELFARE

### EDUCATIONAL QUALIFICATIONS OF STAFF

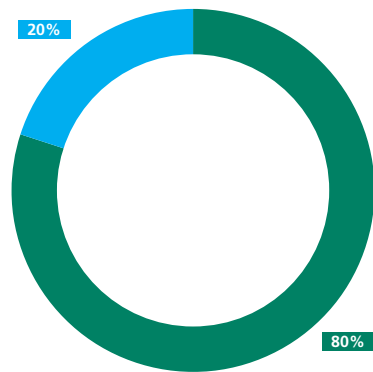
- Degree
- Other – Engineering/Technical
- Other – Non-Engineering/Non-Technical



Data reflected is based on total permanent headcount

### GENDER DISTRIBUTION

- Male
- Female



Data reflected is based on total permanent headcount

to equip and refine fundamental leadership competencies such as strategic planning, crisis management and inspirational communication.

Apart from formal training, Sembcorp also developed its leaders through their assessment process. In 2007, the use of 360-degree feedback as a key tool for assessment was extended beyond senior management to middle management employees. Feedback from superiors, subordinates, peers and other partners received during the assessments were incorporated in the managers' development plans, to help them build the essential competencies to lead their teams successfully.

The Group also continued to build its leadership and talent pipeline through the Sembcorp Scholarship Programme. Into its 18th year, the scholarship programme currently manages 44 scholars (21 working and 23 studying) across various business units and in various stages of their studies and careers. In 2007, Sembcorp awarded a total of five scholarships, three in Singapore and two in the UK, to scholars who will join us on completion of their studies.

### EMPLOYEE ENGAGEMENT

Sembcorp aims to engage its employees through fostering open employee communication, providing a conducive work environment and building a vibrant employee culture.

Initiatives to foster greater employee communications included concerted staff communications campaigns, such as an internal campaign to communicate Sembcorp's brand values to staff, as well as quarterly staff briefings conducted by the Group President & CEO together with senior management. Other initiatives to foster communication with employees included an employee e-newsletter, a confidential employee feedback system, open performance appraisals and a yearly high-profile staff conference.

Sembcorp also maintained various initiatives to engage employees for creative improvements at the workplace, such as Group-wide innovation awards as well as ongoing cross-department work improvement groups.

To build a vibrant employee culture and promote work-life balance, Sembcorp continued to promote

various employee recreational activities in 2007. These included staff dinner-and-dance events and employee retreats. In addition, the company maintained sports teams set up by the Sembcorp Recreation Club to compete in annual championship competitions for running, dragonboating, badminton, bowling, soccer and many other sports.

As part of its belief in work-life balance, Sembcorp sponsored two employees to take part in the Sahara Race in October 2007. The two employees' progress over the seven-day race as well as their successful completion of it was followed by staff back home through email updates and employee e-newsletter features. Employees also conducted a fund-raising effort in conjunction with our participation in the Sahara Race, raising a total of S\$250,000 for a non-profit children's counselling centre.

Closer to home, to ease our female employees' return to work after giving birth, comfortable and well-equipped lactation rooms dedicated to nursing mothers were set up in our Jurong Island and Hill Street offices between 2006 and 2007.

## PERFORMANCE MANAGEMENT, REWARDS AND RECOGNITION

Sembcorp's competitive employee performance management system rewards good performance and aims to retain employees with long-term incentives with reference to market practices and benchmarks.

Share-based incentives remain one of the key components of the compensation structure of the Group and are administered by a Committee which comprises Directors nominated by the Board. The Group's share-based incentives comprise three plans, namely the Performance Share Plan, Restricted Stock Plan and the Share Option Plan. The Share Option Plan and the Restricted Stock Plan are incentive schemes for directors and employees of Sembcorp Industries and its subsidiaries whereas the Performance Share Plan is aimed primarily at key executives of the Group.

Following the review of the company's share-based incentives in 2005 to take into account evolving practices at other major public-listed companies, as well as our objective of further enhancing linkages between

employee performance and long-term shareholder value creation objectives, the company has updated its share-based incentive practices in several phases. Initial phases included the implementation of a re-designed performance share scheme from 2005, as well as the launch in 2006 of a restricted stock scheme for managerial employees of the Group. In 2006, this group of employees received 50% of their 2006 share-based incentives in restricted stocks and 50% in share options. In 2007, share options were entirely replaced with restricted stocks of an equivalent fair value. No stock options were granted in 2007. Instead, under the restricted stock plan, directors and managerial participants who achieve pre-determined targets that create and enhance economic value for the company's shareholders would be awarded with restricted stocks, while non-managerial participants would receive the equivalent value in cash.

## ETHICAL CONDUCT

Sembcorp's whistle blowing policy encourages all employees to report possible improprieties in financial reporting or in other matters to the audit committee. Retaliatory action against employees who whistle-blow is not condoned. To further ensure the integrity of our employees, Sembcorp's employee code of conduct expressly prohibits employees from dishonest or unlawful conduct.

## STAFF PROFILE

Just over half of our 6,720 permanent employees hold engineering or technical qualifications. Almost 60% of our staff are based in Singapore. We continue to offer fair employment opportunities to females; our gender ratio of male to female staff is consistent at roughly 80:20 across all levels of employment. Also consistent with our fair employment practices for senior members of the workforce, almost 30% of our employees are aged 50 years and above.

## CORPORATE SOCIAL RESPONSIBILITY

# In 2007, we continue to move our businesses towards more environmentally and socially responsible practices.

This report details Sembcorp's environmental and socially responsible practices and performance for the year.

As our listed Marine & Offshore Engineering business separately reports such activities in its own annual report, the scope of this report covers our wholly-owned Utilities, Environmental Management and Industrial Parks businesses. We have focused in particular on our Singapore operations, which substantially account for our Group profit and turnover. Information from our operations in the UK has also been included.

Where possible, information on our overseas industrial parks' community efforts has also been included. These operations are held through minority-owned joint ventures which are responsible for their individual on-site health, safety and environment programmes and indicators.

This report is focused primarily on our efforts with respect to health, safety and environment (HSE) as well as community involvement. People development initiatives and practices are separately

### SEMBCORP CORPORATE SOCIAL RESPONSIBILITY POLICY

Sembcorp, as a member of the international business community, recognises that our business activities have varying direct and indirect impacts on the societies in which we operate. We commit to manage these in a responsible manner, believing that sound and appropriate performance in this area is linked to business success. For Sembcorp, being a responsible corporate citizen is reflected in the following principles:

- **Standards of business conduct**

We ensure that our business is conducted according to rigorous ethical, professional and legal standards, through maintaining robust corporate governance and an Employee Code of Conduct for staff.

- **Health, safety and the environment**

Management of our health, safety and environmental (HSE) responsibilities is our first priority. We are committed to continuously improving our HSE performance and managing health, safety and environmental risks associated with our activities, products and services. We integrate HSE considerations into all aspects of our business operations and processes with the aim of preventing accidents, injuries, occupational illnesses and pollution and conserving natural resources.

- **Employees**

We aim to be a fair and caring employer offering our staff equitable opportunities to develop and grow.

- **Community**

We act as a responsible corporate citizen through support for community care initiatives, community partnerships and philanthropic and charitable causes, in particular causes supporting children and youth, education and the environment.

Sembcorp's operations throughout the world are committed to these principles. The stage and level of implementation varies according to each operation area and maturity of business.

covered in the Human Resources & Employee Welfare section of this Annual Report.

### OUR COMMITMENT

Sembcorp recognises that in order for us to be a truly successful company, we must behave as a responsible corporate citizen and be committed to improving the world around us. This commitment shapes our present and future actions. We aim to safeguard the health and safety of our employees, manage our impact on the environment and contribute to the communities in which we operate.

In line with this, Sembcorp believes that integrating HSE considerations into our business practices is not only the right thing to do, but also good for our business. It helps us to manage risk better, lower costs through improved efficiency, increase our value as an investment and grow our business in an ethical and sustainable manner.

This commitment is summed up in Sembcorp's Corporate Social Responsibility (CSR) and HSE policies on pages 94 and 95. In line with Sembcorp's efforts to continually move forward in this area as a whole Group, these policies were reviewed and updated in 2007, and aligned and applied across our separate business units.

### OUR APPROACH

Sembcorp's approach to incorporating HSE considerations into our business operations is based on four principles.

Firstly, we actively invest in green business lines, which form a part of our core operations. We do not see these as mere add-ons, but as financially viable businesses that will give us a competitive edge in an increasingly resource-scarce world.

Secondly, we implement sound and internationally recognised HSE management systems. Each of our businesses is responsible for managing its own HSE performance and initiatives. When possible, we integrate our environmental, quality and safety measurement systems and have achieved certification under ISO 9001, ISO 14001 and Occupational Health & Safety Assessment Series OHSAS 18001.

### SEMBCORP HEALTH, SAFETY & ENVIRONMENT POLICY

Sembcorp manages health, safety and environmental (HSE) responsibilities as its first priority. Sembcorp is committed to continuously improving its HSE performance and managing HSE risks associated with its activities, products and services.

Sembcorp has established and will maintain a HSE management system, and integrate HSE considerations into all aspects of its business operations by implementing the following policy which aims to prevent accidents, injuries, occupational illnesses and pollution as well as conserve natural resources:

- Stress to all employees and contractors their responsibility and accountability for safe performance and set appropriate objectives and targets to continually improve HSE performance.
- Educate employees to be aware of and understand the safety risks and health hazards associated with their job and the potential impact on the environment.
- Make available this policy to all interested parties upon request.
- Build, design, operate and maintain facilities and conduct operations in a manner that safeguards people, property and the environment, and minimises waste.
- Comply with all HSE laws and regulations and other HSE requirements applicable to Sembcorp's activities, products and services.
- Offer assistance to and influence suppliers, contractors and other interested parties to improve their HSE performance where necessary.
- Review and evaluate operations to measure progress and ensure compliance with this policy via periodic system audits and management reviews.
- Prepare for, and respond quickly to, accidents or other emergency situations to mitigate adverse impact to people, property and the environment.

## CORPORATE SOCIAL RESPONSIBILITY

### CERTIFICATION SYSTEMS IN PLACE AT OUR UTILITIES, ENVIRONMENTAL MANAGEMENT AND INDUSTRIAL PARKS BUSINESSES

ISO9000 ISO9001 ISO14001 OHSAS18001

Sembcorp Industries (SUT Division – Sakra)			X	
Sembcorp Gas	X			
Sembcorp Environmental Management		X	X	X
Sembcorp Parks Management	X			

Thirdly, mindful of key concerns with respect to our business' impact on health and the environment, we continually aim to enhance the environmental friendliness and safety of our processes, products and services through integrating HSE measures into our business processes, as well as through ongoing feedback and innovation. Audits are incorporated into our operations to strengthen the functioning of the HSE management systems. To drive staff commitment and build an organisation-wide safety culture, employees are assessed on their HSE performance. Staff at all levels are also encouraged to contribute ideas and suggestions from an operational perspective to improve workplace practices and products and services, including employee safety and health. Outstanding solutions are rewarded at our annual intra-Group Innovate, Discover, Engineer and Achieve (IDEA) Awards.

Fourthly, we work closely with our partners and suppliers for mutual HSE improvement to effect a far-reaching positive impact.

Aside from these core principles, Sembcorp also participates actively in local CSR bodies and other industry-based sustainability initiatives as a means of sharing best practices and further contributing to the community. We are a founding member of the Singapore Compact for CSR, Singapore's first local CSR body. This is a national society initiated by the

National Tripartite Initiative on CSR, which provides a multi-stakeholder platform to broaden CSR dialogue, collaboration and programmes for implementation. We are also a Green Partner and Friend of the Singapore Environment Council, an independent national society promoting environmental awareness and programmes.

In January 2008, Sembcorp's Utilities operations in Singapore became a signatory of Responsible Care, the chemical industry's global voluntary initiative under which companies, through national associations such as the Singapore Chemical Industry Council in Sembcorp's case, work together to continuously improve their health, safety and environmental performance and to communicate with stakeholders about their products and processes. In line with this commitment, our Utilities operations in Singapore pledged to adopt and apply Responsible Care's Guiding Principles through the six management practices of product stewardship, process safety, pollution prevention, distribution, employee health and safety as well as community awareness and emergency response.

### SEMBCORP'S GREEN BUSINESS LINES

#### Renewable energy

- A 30-megawatt wood-fuelled power station, one of the UK's largest renewable energy projects

#### Power generation

- Efficient combined heat-and-power (cogeneration) plants in China, Singapore, the UAE and the UK

#### Natural gas

- First commercial importer and retailer of natural gas in Singapore
- Supplier of compressed natural gas to Singapore's transport sector

#### Water and wastewater treatment

- Industrial water reclamation, wastewater treatment and recycling plants in China and Singapore

#### Waste-to-resource

- Recycling & recovery
- Alternative fuel

## OVERVIEW OF KEY SUSTAINABILITY DEVELOPMENTS IN 2007

Sembcorp has taken significant steps in the last few years to sharpen its business focus on Utilities, Marine & Offshore Engineering, Environmental Management and Industrial Parks Management. In the wake of these important changes to our organisation, we carried out an exercise in 2007 to review and update our CSR and HSE policies and align these across the various business units. A Chief HSE Officer was also appointed in January 2008 to oversee our group-wide HSE efforts and initiatives, including application of these policies.

At the same time, Sembcorp took steps in 2007 to move our businesses towards more environmentally and socially responsible practices. We continued to invest in our green business lines, growing these as components of our core businesses. In particular, we continued to increase investment in our wastewater treatment business, which helps our customers to treat even high concentration and high salinity industrial wastewater to meet environmental limits. In Singapore, we opened a new 1,300 cubic metres per day high salinity wastewater treatment plant and in China we began construction of a 30,000 cubic metres per day expansion to our existing wastewater facility in Nanjing. In addition, we also commenced construction of a 15,000 cubic metres per day expansion of our wastewater treatment plant in Zhangjiagang, China, which will be the first facility in the country capable of treating high concentration wastewater directly from customers without initial pre-treatment by the customers in-house.

We also made progress in greening our operations through more efficient and environmentally friendly power and steam facilities. In the UK we built a new gas turbine and steam recovery plant and officially opened a wood-fired biomass power plant which is deemed carbon neutral. On the Environmental Management front, we developed and commenced operation of a pre-disposal solid waste treatment plant in Singapore which will reduce landfill and increase recyclable yield. Our Environmental Management joint

venture in Australia also acquired a waste-to-energy facility in Adelaide.

In the area of health and safety, our ongoing internal programme at our Singapore utilities operations aiming at reducing injuries, spills, hazardous releases, instances of non-compliance and unplanned shutdowns to zero, continued to show positive results.

Apart from our HSE efforts, Sembcorp also continued to contribute actively to the community in 2007. Core to these were the efforts of our company's Trailblazer-Wong Kok Siew Fund in aid of children, education and stroke research. In addition, we sponsored two employees to participate in a seven-day footrace across the Sahara Desert, as part of a group-wide campaign to raise funds for a non-profit counselling centre working with children and youth in Singapore. Furthermore, during the course of the year Sembcorp companies also contributed significantly to the arts and local charitable causes in their various communities.

In 2007, Sembcorp was awarded the Merit Award for Best Environmental Reporting in the ACCA Singapore Environmental and Social Reporting Awards.

## MANAGING OUR KEY CONCERNS

Sembcorp continues to focus on its key HSE concerns identified based on an evaluation of the greatest potential impact of our main business operations, particularly operations which are wholly- or majority-owned. Focus is particularly on the HSE impacts of our wholly-owned Utilities and Environmental Management operations, as our wholly-owned Industrial Parks unit is essentially a corporate marketing and business development office for minority-held overseas industrial parks responsible for their own HSE programmes.

Our identified key concerns are: clean air and climate change, water, waste as well as health and safety. Our initiatives to monitor and manage these key concerns are discussed in the paragraphs below. Along with these, we also maintain an ongoing commitment towards charity and the community.



## CORPORATE SOCIAL RESPONSIBILITY

### CLEAN AIR AND CLIMATE CHANGE

As Sembcorp is in the power generation business, our impact on climate change and clean air is a key concern for us. We strive to limit and manage our environmental impact in this regard through improving the efficiency and environmental friendliness of our power plants and fuels and also through monitoring our emissions and energy use.

#### Efficient power generation

In carrying out our power generation business, we leverage on technology for greater efficiency and lower emissions.

Our plants in China, Singapore, the UAE and Vietnam make use of combined cycle gas turbine technology, where waste heat from gas turbines is used to make steam to generate additional electricity via steam turbines. This enables us to generate more electricity from the fuel input.

In addition, we operate combined heat-and-power or cogeneration plants in China, Singapore, the UAE<sup>1</sup> and the UK. Cogeneration refers to the production of both electricity and heat from a single fuel at a facility located near the consumer. Considered the most efficient use of fuel, cogeneration further improves the overall recovery of heat and also saves the fuel that would otherwise be used to produce heat or steam in a separate unit. Cogeneration plants also generate substantially lower emissions compared to conventional power plants.

In 2007, our utilities operations in the UK began construction of a new combined heat and power plant capable of generating 42 megawatts of electricity and 162 tonnes per hour of steam. The plant is expected to be operational by end of 2008.

#### Natural gas

Sembcorp is Singapore's first commercial importer and retailer of natural gas. Considered the cleanest of all fossil fuels, natural gas produces virtually no particulate waste when combusted and less greenhouse gases per unit of energy released compared to coal or oil.

All boilers in Sembcorp's Utilities operations in Singapore run on natural gas as a primary fuel, with fuel oil as a backup. In the UK, our new combined heat and power plant currently under construction will also run on natural gas.

2007 saw Sembcorp announcing its plan to offer retail Compressed Natural Gas (CNG) on mainland Singapore as an alternative fuel for motorists for the first time. Our CNG pump, located within Singapore Petroleum Company's Jalan Buroh petrol station, began operations in February 2008. We hope our efforts will encourage more CNG vehicles on the roads of Singapore.

#### Energy from renewables

In 2007, we made a significant entry into the renewable energy business with the official opening of our wood-burning biomass plant in the UK in November. Our renewable energy business is financially viable and allows us to use alternative fuels. This is a step towards reducing our dependence on fossil fuels and gives us an edge in an increasingly resource-scarce world.

The Sembcorp Biomass Power Station produces clean, green, renewable energy using naturally sustainable wood for fuel. The UK's first fully wood-fuelled power plant, it uses 300,000 tonnes of recycled wood, sawmill chips, forestry discards and energy crops a year to generate 30 megawatts of electricity – enough to power 30,000 households.

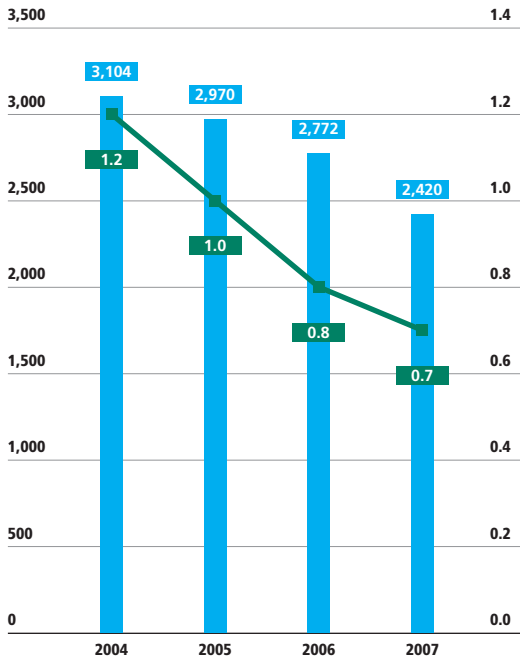
The plant will save an estimated 200,000 tonnes of carbon dioxide emissions a year compared with a conventional power station – the equivalent in greenhouse gas reduction terms of taking 67,000 cars off the road. Its operations are also classed as carbon neutral because the carbon dioxide released during the generation of energy is balanced by that absorbed by plants during their growth.

In 2007, our Environmental Management business' joint venture in Australia also acquired a waste-to-energy facility in Adelaide. The 220 tonnes per annum facility produces refuse-derived fuel, and has been operational since 2006.

<sup>1</sup> In our UAE plant, extracted heat in the form of steam is further used for seawater desalination.

### UTILITIES' CO<sub>2</sub> EMISSIONS

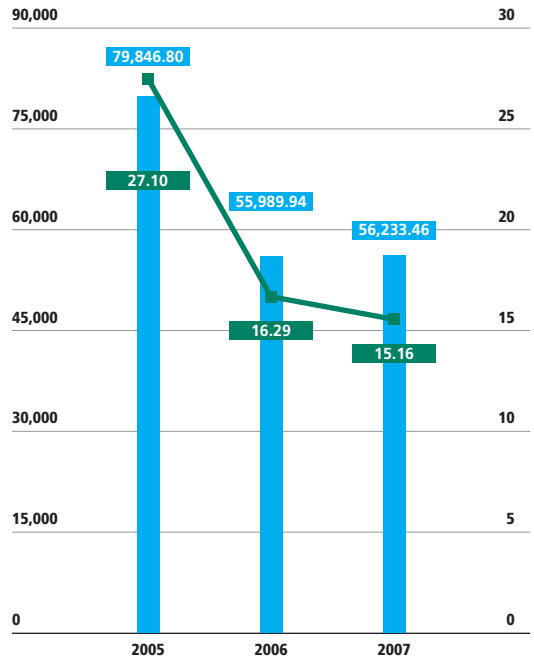
- Total CO<sub>2</sub> (Ktonnes)
- CO<sub>2</sub> emissions per million dollars of revenue (Ktonnes/\$ million)



Data covers operations in Singapore and the UK

### UTILITIES' ELECTRICITY CONSUMPTION

- Total electricity consumed (MWh)
- Electricity used per million dollars of revenue (MWh/\$ million)



Data covers operations in Singapore and the UK

### Emissions & energy usage monitoring

In 2007, we continued tracking the absolute amount of carbon dioxide emitted by our Utilities facilities in Singapore and the UK. We are glad that even with a 7.9% increase in revenue, we were able to reduce our absolute carbon dioxide emission for 2007 by 12.7% and also reduce our carbon dioxide emission per million dollars of revenue by 12.5% (see chart above). We will continue to track our emissions going forward as a key concern, and work towards controlling and reducing them.

At Sembcorp, we also recognise that reducing

our energy usage can contribute to reducing our climate change impact. For our Utilities operations in Singapore and the UK, we managed to reduce our electricity use per million dollars of revenue, as shown in the chart above.

In addition to electricity consumption, we also reduced our consumption of most types of primary energy sources at our Singapore and UK Utilities operations during the year. We will continue to track our primary energy sources consumption and work at reducing our dependence on fossil fuels.

## CORPORATE SOCIAL RESPONSIBILITY

### UTILITIES' PRIMARY ENERGY SOURCES CONSUMPTION

		2005	2006	2007	Change (%)
Natural Gas	MWh	11,367,754.7	11,492,885.8	<b>10,938,608.4</b>	(4.8)
Coal*	MWh	1,920,714.72	1,663,529.17	<b>1,686,285.28</b>	1.4
Diesel#	m <sup>3</sup>	2,723.78	924	<b>343.17</b>	(62.9)
Fuel Oil	m <sup>3</sup>	1,219,323.62	37,160.61	<b>6,021.96</b>	(83.8)

\* Only used in the UK

# Only used in Singapore

### WATER

At Sembcorp, we tap on recycled effluent as a renewable source for the production of industrial water products for our customers. We also limit our customers' negative impact on water resources through our business of industrial wastewater treatment. In addition, we monitor our consumption of potable water for our utilities operations, operating a closed-loop system in our Singapore operations for the most efficient use and reuse of water.

#### Production of industrial process waters from recycled industrial effluent

Sembcorp's Utilities arm provides a full range of water-related utilities services to predominantly industrial clients. In providing our clients with industrial process waters, we reuse and recycle water in order to reduce the total withdrawals made on fresh water supplies and lessen discharges to sewerage systems and waterways. Today, our demineralised water supply is substantially derived from recycled water, as is the output from our high grade industrial water plant, which produces one million cubic metres of water per month. The latter satisfies roughly 40% of the industrial requirement on Jurong Island, and is equivalent in volume to over 8% of Singapore's total water needs. In 2007, we further increased our volume of water reclaimed by our effluent recovery plant to produce demineralised water. This was achieved through improvements to the plant resulting in it achieving 105% of the design nameplate capacity, or production of 5,233 cubic metres of demineralised water per day.

In January 2008, we announced that we had been awarded a S\$180 million contract by Singapore's Public Utilities Board to build, design, own and operate Singapore's largest NEWater recycled water plant, with a capacity of 50 million gallons, or 228,000 cubic metres per day. When operational, the plant will add NEWater to Sembcorp's range of products derived from recycled water, while significantly increasing the volume of water recycled by Sembcorp in Singapore.

#### QUICK FACTS ON SEMBCORP'S WATER RECYCLING IN SINGAPORE

- Sembcorp's Utilities operations in Singapore recycle 40,000 cubic metres of water per day
- This is roughly 13% of Singapore's total recycled water demand
- Sembcorp has grown the volume of water it recycles in Singapore by a significant 25% in the last two years alone

#### Industrial wastewater treatment

In addition to providing water products derived from recycled water, Sembcorp's wastewater treatment activities also reduce our customers' water-related environmental impact. Industrial wastewater is traditionally considered difficult to treat due to its dynamic complexity. Sembcorp, with its industrial wastewater treatment plants in Singapore's Jurong Island, as well as Nanjing, Tianjin and Zhangjiagang in China, has the specialised expertise needed to treat such effluents to meet environmental limits.

These solutions have reduced the impact of effluent discharge into the sea, thereby benefiting the environment.

In addition, Sembcorp is one of the pioneers in the industry to use high efficiency anaerobic biogranulation technology to treat high concentration chemical wastewater. Anaerobic biodegradation has many environmental advantages in that it offers a high degree of removal of organic material, low biosludge production and low energy consumption along with energy production in the form of biogas.

In Singapore, we opened a new 1,300 cubic metres per day high concentration wastewater treatment plant in 2007. The treatment process of this new wastewater treatment plant is unique in the world. It also enabled our customer to operate in Singapore despite its stringent effluent discharge requirements and was a critical factor in our customer's decision to locate its operations in Singapore.

In China we began construction of a 30,000 cubic metres per day expansion to our existing wastewater facility in Nanjing. In addition, we also commenced construction of a 15,000 cubic metres per day expansion of our wastewater treatment plant in Zhangjiagang, China, which will be the first facility in China allowed to treat high concentration wastewater directly from customers without initial pre-treatment by the

customers in-house. Both facilities are expected to be completed in 2008.

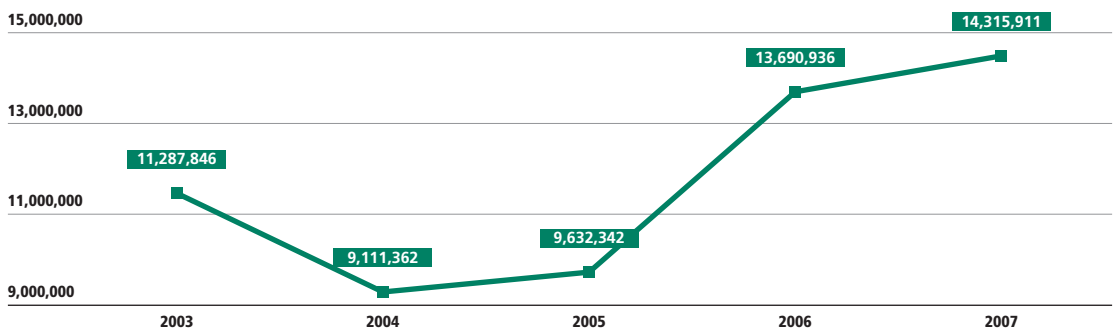
### Desalination

In addition to recycling wastewater, Sembcorp has strong capabilities in the desalination of water. In the UAE, Sembcorp's Utilities business co-owns a combined water and power plant in Fujairah. This encompasses a desalination plant, which at 450,000 cubic metres per day is one of the largest in the world. In arid regions such as the Middle East, desalination provides a renewable source for both industrial and potable water. In Fujairah, our desalination activities also mean that the water necessary for our on-site power generation facilities is obtained from renewable sources.

### Water usage

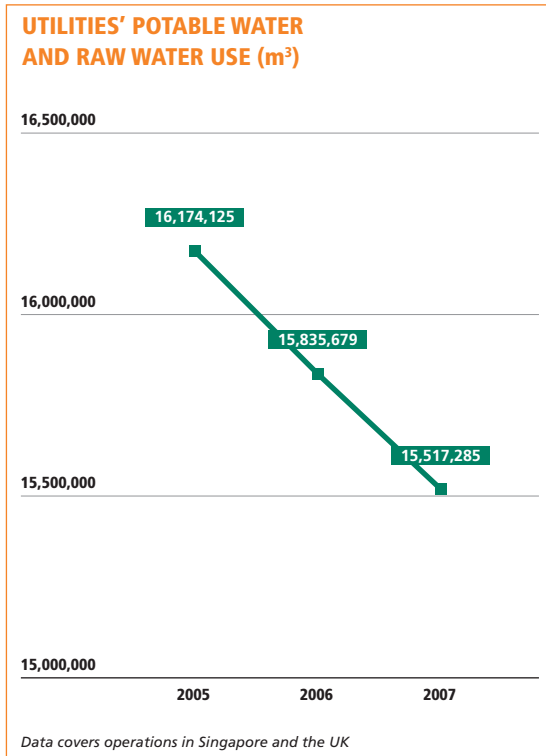
Sembcorp is mindful of the impact of our potable water consumption for business use and of the need to monitor and limit this. Our Utilities business in Singapore operates a closed-loop cycle model, which enables us to reuse and recycle water. Our continued efforts to reuse and recycle water have resulted in reduction of our potable water usage in the past two years. We reduced our potable water usage by 22% in 2006 and 50% in 2007, despite an increase in the volume of industrial process water supplied to our customers.

### UTILITIES' REUSED AND RECYCLED WATER (m<sup>3</sup>)



Data covers operations in Singapore

## CORPORATE SOCIAL RESPONSIBILITY



### WASTE

At Sembcorp, we endeavour to reduce waste disposed at the incineration plant and landfill through the active promotion and practice of recycling and reducing waste, as well as by implementing measures to reduce waste produced in the course of our businesses' operations.

#### Supporting national recycling efforts

Our Environmental Management arm, which is Singapore's largest environmental management player, supports national recycling goals. Since 2001, Sembcorp has played an instrumental role in the National Recycling Programme spearheaded by the National Environment Agency (NEA), serving four out of nine municipal sectors in Singapore. Aside from providing regular door-to-door recyclables collection

for these sectors, we also operate a materials recovery facility where recyclable items are sorted, baled and traded for reuse into new products. In addition, we also operate a plant for the recovery of construction and demolition waste, thereby diverting more than 100,000 tonnes of debris from landfilling.

Besides this, Sembcorp is actively involved in initiatives to further encourage Singaporeans to recycle. In February 2007 we began deploying centralised recycling depository bins to cater to residents in Housing & Development Board (HDB) estates who have additional or bulky items to recycle in between the regular fortnightly door-to-door collection of recyclables. The bins, located at void decks and other central and accessible locations in HDB estates, are cleared weekly. By November 2007, we had deployed about 800 centralised recycling depository bins around the island.

In December 2007 we completed a 12-month pilot trial for the first-of-its-kind Recyclables Intermediate Chute Storage System (RICH), a dedicated chute system for co-mingled recyclables which may be retrofitted to existing HDB flats, condominiums, offices and other high-rise buildings. We received very positive response from residents, with RICH collecting an average of over 520 kilogrammes of recyclable items per month, more than five times higher than the national average of 100 kilogrammes per month. In addition, Sembcorp has been appointed by HDB to install the RICH system at four blocks of flats in the Sengkang N4C7 development, which is expected to be completed in 2009/2010.

Sembcorp also actively promotes the benefits of recycling through community engagement programmes throughout the year. These included rewards exchange programmes during community and school events, as well as support for seven secondary schools and tertiary institutions in their student environmental promotion projects under the NEA's Adopt-a-school Programme. Under the banner of the NEA's Clean & Green Singapore, a month-long festival of events and activities to raise public awareness of key green issues, Sembcorp also contributed in cash and in kind, towards the Schools'

Carnival event which was held in November. The campaign culminated in Singapore's National Recycling Day on November 27, when our Environmental Management business organised a carnival at Punggol Community Centre. Graced by Mr George Yeo, Minister for Foreign Affairs and Member of Parliament for Aljunied GRC, the carnival attracted some 500 residents and collected in excess of 1.5 tonnes of recyclables.

### **Practicing recycling**

In addition, to reduce the waste generated from our business operations, Sembcorp practices recycling both in our offices as well as at our operations sites. For instance, at Sembcorp's offices in Singapore, paper recycling bins are placed in convenient locations such as common areas between workstations and near printers and paper shredders to raise employee awareness and encourage paper recycling. Meanwhile, our Utilities operations in the UK recycles items from its sites such as commercial and industrial waste, fluorescent tubes, heavy fuel oil and waste electrical and electronic equipment items.

### **Reducing our production of waste**

Sembcorp has continued efforts to reduce the generation of waste from our industrial operations that would go to landfill or incineration.

In 2007, our Utilities operations in Singapore developed a membrane cleaning and test skid for the reverse osmosis system in its high grade industrial water plant. The regular industrial practice is for reverse osmosis membranes to be replaced progressively at fixed intervals. However this approach cannot identify problematic elements in the vessel and is unable to differentiate reusable membranes from those damaged or reaching the end of their life span. Sembcorp's membrane cleaning and test skid is able to test the membranes to determine their suitability of usage, ensuring that the right membranes are replaced. It also allows for better offline cleaning. As a result, the business has been able to significantly reduce the wastage of membranes. The skid also led to lower energy consumption by the reverse osmosis system.

Meanwhile, in the UK, our operations installed a common recovery system for hydrochloric acid and caustic soda for its water treatment plant. Commissioning trials were first carried out in December 2005. Once proven successful, the process was rolled out in the first half of 2006 to a second plant, utilising lessons obtained from the first trial. The system started reaping benefits in 2007, demonstrating a reduction of 25% of acid and caustic soda to be disposed. Cost savings in 2007 from the system amounted to GBP170,000.

### **Reducing landfill**

In December 2007, Sembcorp's Environmental Management arm began commercial operations of an innovative solid waste pre-treatment and recycling facility in Singapore to increase the recyclable yield from waste collected from our customers. A first in Singapore, the facility is capable of recovering recyclable materials, such as plastics, ferrous and non-ferrous metals, and other resources from solid waste. The increased rate of resource recovery results in less waste being disposed at the incineration plant.

## **HEALTH AND SAFETY**

At Sembcorp, we recognise that promoting health and safety is part of our responsibility to our employees and to the community. Key concerns are on-site safety for our Utilities operations and on-site safety and road safety for our Environmental Management operations.

### **On-site safety**

Efforts continued to improve the on-site safety for Sembcorp's operations. In 2007, the SCU 5/0 campaign, encompassing the five goals of zero injury, zero spill, zero non-compliance, zero hazardous release and zero unplanned shutdown as well as a tracking and accountability mechanism for these indicators, continued to see results after a year of implementation across our Utilities operating sites in Singapore. The total incident count for the five indicators dropped from 44 in 2006 to 38 in 2007. The "price of non-conformance", our internal measure for the imputed monetary cost of lapses relating to



## CORPORATE SOCIAL RESPONSIBILITY

the five indicators, also saw an improvement. These improvements are attributable to the high awareness amongst employees of the 5/0 campaign, which requires them to identify hazards and gaps in activities carried out at their workplaces and eliminate them.

We have also captured our Environmental Management operations' safety performance in our reporting this year. The following two charts show the number of total recordable cases and the severity rate in terms of days away from work per million man hours' work for our Utilities and Environmental Management operations in 2007.

Figures reported against both safety performance

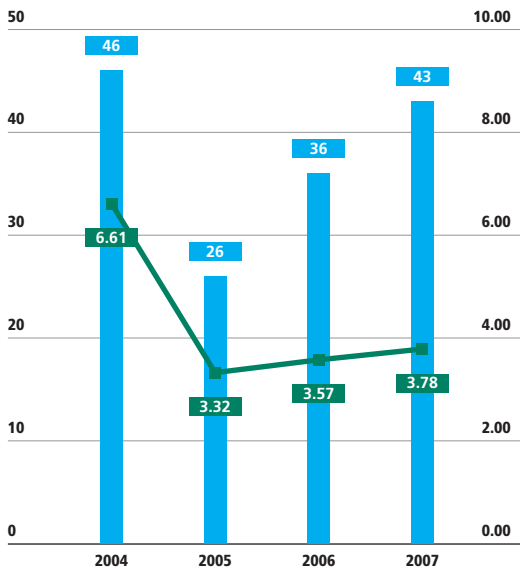
indicators were slightly higher in 2007 due to two reportable incidents which occurred on Jurong Island that resulted in a total of 120 days away from work. Thorough investigations were carried out for both incidents to establish their root causes, and measures were implemented to prevent recurrence. Lessons learnt from these incidents were also shared among operations staff globally.

### Road safety

With our Environmental Management vehicles travelling more than 15.4 million kilometres in 2007, road safety is a key concern for the business.

#### TOTAL RECORDABLE CASE FREQUENCY

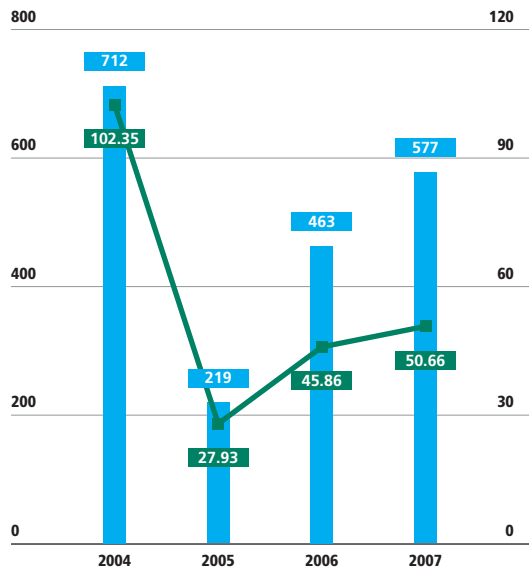
- Number of incidents resulting in days away from work
- Number of incidents resulting in days away from work per million man hours' work



Data covers Utilities (Singapore and the UK) and Environmental Management (Singapore)

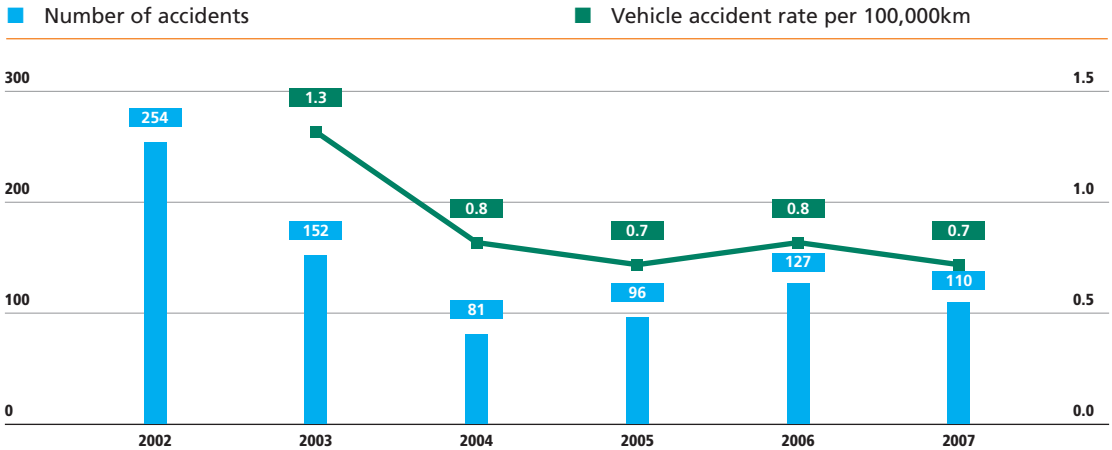
#### SEVERITY RATE

- Number of days away from work due to injury
- Number of days away from work due to injury per million man hours' work



Data covers Utilities (Singapore and the UK) and Environmental Management (Singapore)

## ENVIRONMENTAL MANAGEMENT'S VEHICLE ACCIDENT RATE



Data covers operations in Singapore

To reduce the unit's accident rate, we have conducted safety awareness exercises and training sessions for our workers. Our continued efforts with regard to road safety saw our vehicle accidents reduced by a further 13.4% in 2007, bringing the vehicular accident rate per 100,000 kilometres to 0.7. We continue to work with the Singapore Traffic Police on yearly educational programmes for our drivers, supplementing our in-company continuous improvement programmes, to further improve our vehicular safety.

### Employee health

Sembcorp believes that with regular health screening and proper medical advice, employees will be able to avert diseases and illnesses; and lead a healthy lifestyle. We ensure flexibility in our medical benefits to allow staff to choose from a variety of healthcare professionals. Health checks are made available to all employees on a regular basis. In addition to health checks, the company also provides additional medical benefits such as influenza jabs and organised health talks to keep staff informed of various common health concerns.

### Emergency readiness

Emergency readiness is an important component of protecting our employees' health and safety, as well as health and safety within the community. All of Sembcorp's businesses carry out annual fire and safety drills.

With the ongoing concern relating to avian influenza outbreaks in recent years, our Environmental Management business is retained by the Agri-Food & Veterinary Authority of Singapore to provide manpower and logistical support for culling exercises in the event of an outbreak. In relation to this, we carried out a desktop exercise in November 2007 to prepare our Environmental Management staff who would be on the "front line" in the event of such an outbreak. This exercise enabled us to assess the comprehensiveness of our existing business continuity plan as well as our operational readiness in response an orange alert issued by the Ministry of Health. The exercise covered scenarios of handling dead birds found in refuse bins, as well as dealing with queries on compensation for workers deployed to perform avian culling, vehicle breakdowns and managing media queries.

## CORPORATE SOCIAL RESPONSIBILITY

### COMMUNITY

At Sembcorp, we recognise that sustainability is primarily about carrying out our business operations responsibly and managing our HSE impacts. However, aside from this, we also recognise that companies can make a positive impact in the community by giving financial and other resources towards meaningful causes. In 2007, the Sembcorp Group contributed a total of over S\$2.1 million to causes including children, education, sports & fitness and the arts.

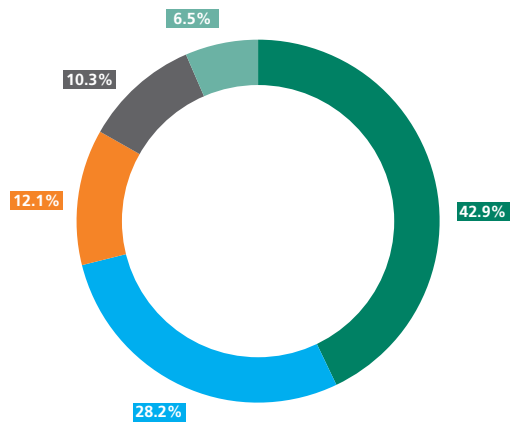
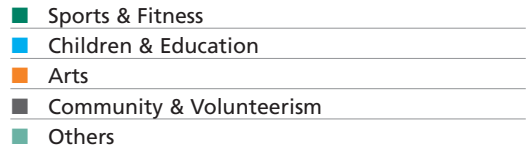
The Trailblazer-Wong Kok Siew Fund, the charitable fund we administer in aid of children, education, medical research and stroke assistance, continued to be central to our community efforts. Started in 2005 with an initial S\$1.2 million, the fund is supplemented by ongoing donations from Sembcorp companies.

On the education front, the Trailblazer-Wong Kok Siew Fund disbursed a total of S\$335,150 in 2007. This included its continued support for ongoing programmes such as Sembcorp Marine's School Book Assistance Grant (SchoolBAG) scheme and St Joseph's Institution's Wong Kok Siew-St Vincent de Paul Fund in 2007, both initiatives in aid of needy students. Other significant initiatives supported in aid of education in 2007 included the launch of the Trailblazer-Wong Kok Siew Scholarship for Sports in partnership with the Football Association of Singapore and the Singapore Badminton Association, to fund tertiary education for young aspiring sportspersons in Singapore.

In area of stroke assistance medical research, in 2007 the Fund made a three-year commitment of S\$150,000 to launch the Wong Kok Siew Fund for Stroke Research and Rehabilitation with the Singhealth Foundation. The Fund also supported the Home Nursing Foundation's work with home-bound stroke patients and contributed towards a clinical database analysis system for the National University of Singapore Endowment Fund for Neurosurgery & Medical Studies' Medical Centre.

Aside from our efforts through the Trailblazer-Wong Kok Siew Fund, Sembcorp also supported a range of community contributions at the group level, the individual business unit level, and the local operations level.

### SEMBCORP'S COMMUNITY GIVING IN 2007



Contributions at the group level included a S\$250,000 commitment as Season Presenter of Singapore Season in China 2007, a month-long arts festival in Beijing and Shanghai from October to November, organised by the National Arts Council to showcase Singaporean talent overseas. Other worthy causes supported included the Singapore Cancer Society's Hope for Tomorrow Fund and the Inaugural Corporate Environmental Outreach run. Group-wide contributions to education included support for the new S Rajaratnam School of International Studies at the Nanyang Technological University as well as donations to the Lee Kuan Yew School of Public Policy.

In addition, in 2007, Sembcorp sponsored two of its employees to take part in the Sahara Race, a seven-day, 250 kilometre race across the Sahara Desert with participants from all over the world, in line with the company's belief in work-life balance.

Sembcorp then launched a group-wide effort in conjunction with this participation in the race, to raise funds for the WINGS Counselling Centre. WINGS is a non-profit organisation that pioneered the concept of school-based counselling in Singapore, and is one of the very few centres to offer medical and psychiatric consultation for children locally. Our two representatives successfully completed the Sahara Race in November 2007, and through pledge cards issued to staff, direct donations from customers and partners as well as funds-matching by Sembcorp companies, a total of S\$250,000 was raised.

At the business unit level, our Utilities business continued its sponsorship of the Woodlands Wellington Football Club, while our Environmental Management arm renewed its adoption of the Tree Frog exhibition at the Singapore Zoological Gardens.

In line with Sembcorp's commitment to contribute to local communities where we operate, during the year our units overseas actively participated in initiatives in aid of their local communities. For instance, our Utilities operations in the UK saw four employees completing the "Race the Sun Challenge", an annual triathlon event which includes scaling England's second-highest mountain, to raise more than GBP2,000 for Action Medical Research. Also in the UK, Sembcorp's Wilton International-based call centre supported British charity Comic Relief's Red Nose Day for a third year by taking public pledges from the public and helping to raise millions of pounds to alleviate poverty in the UK and Africa. Other efforts in the UK during the year included the donation of a specially tailored fire safety vehicle to the Cleveland Fire Brigade and the sponsorship of the Sustainable School Award, a regional award recognising achievements by schools in Northeast England to be more environmentally friendly.

Responding to the devastating floods in Jakarta and the surrounding areas in February 2007, Sembcorp's Industrial Parks business, which holds indirect stakes in industrial parks in Indonesia, provided medical aid and other essential supplies to Islamic organisation Muhammadiyah to support their relief efforts. Sembcorp's Industrial Parks business also continued its

support of the Autism Resource Centre through direct donation and staff contributions through pledge cards

In Vietnam, the operating companies for Sembcorp's Vietnam Singapore Industrial Park (VSIP) and Phu My 3 power plant were recognised for their contributions to the Vietnamese community through their inclusion in the Saigon Times Top 40 FDI Awards for 2007. Organised by the two English-language publications of Saigon Times Group in coordination with the Departments of Planning and Investment in Ho Chi Minh City, Dong Nai, Binh Duong and Ba Ria-Vung Tau provinces, the awards honour foreign direct investment enterprises making significant contributions to community development. In addition, VSIP was conferred the Golden Dragon Awards which honour the achievements of foreign enterprises in Vietnam and their contribution to economic development as well as to the local community. VSIP also organised a fifth VSIP Charity Day in 2007, an annual charity event benefiting the local community. With the generous support of its customers, VSIP raised US\$100,000 towards the refurbishment of a primary school in one of the poorest local communities in Binh Duong province, where VSIP I and II are located.