

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.

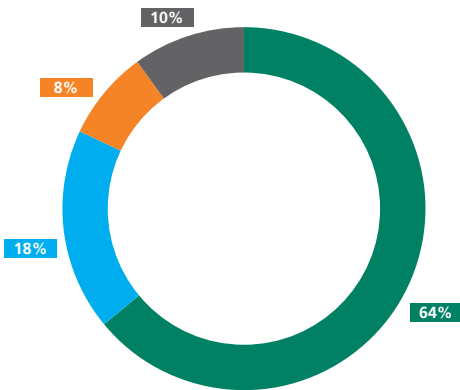
In 2007, the Group invested an average of 40 hours per employee on structured training. More than S\$8 million was invested in training, representing 3% of payroll and a 54.5% increase over the amount spent on training in 2006.

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

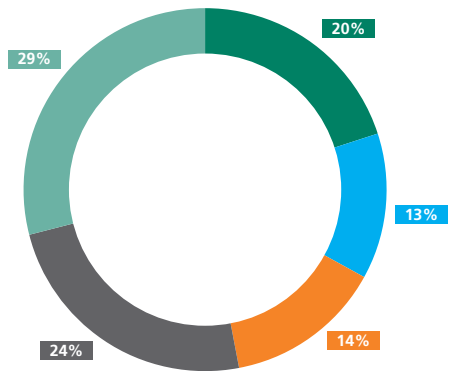
- Singapore
- Southeast & South Asia
- North Asia
- Europe, Americas & the Middle East



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

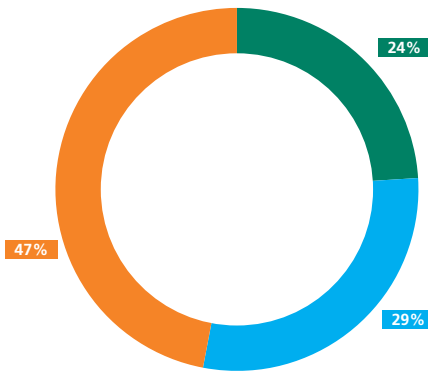
Recognising the critical role that a strong team of leaders plays in the success and sustainability of our company, the Group maintains a strong focus on executive and leadership development as part of people development. To develop our executives' leadership abilities, business acumen and market knowledge, 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

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EDUCATIONAL QUALIFICATIONS OF STAFF

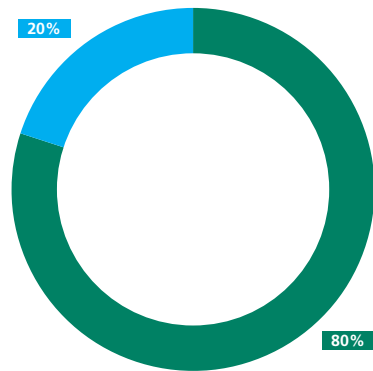
- Degree
- Other – Engineering/Technical
- Other – Non-Engineering/Non-Technical



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.