

Governance



Sembcorp Marine's second sixth-generation dynamic positioning ultra-deepwater semi-submersible rig built for Seadrill, and delivered ahead of schedule.

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Board of Directors



(From top, left to right)
 Peter Seah Lim Huat, Tang Kin Fei,
 Goh Geok Ling, Richard Hale, OBE,
 Yong Ying-I, Evert Henkes, Lee Suet Fern,
 Bobby Chin Yoke Choong

PETER SEAH LIM HUAT
Non-executive Chairman
Appointed July 29, 1998

As Chairman, Mr Seah leads the board in its overall direction of the company. Mr Seah also chairs the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

Currently, Mr Seah is also Chairman of ST Engineering. His directorships include membership on the boards of Alliance Bank Malaysia, Bank of China, CapitaLand, Chartered Semiconductor Manufacturing, Global Crossing, Siam Commercial Bank, StarHub, STATS ChipPAC and Singapore Health Services. In addition, Mr Seah is also on the boards of the Government of Singapore Investment Corporation and the 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. Mr Seah holds a BAdmin (Hons) from the University of Singapore.

Past directorships in listed companies and major appointments 2006-2008:

- EDB Investments
- PSA International
- PT Bank Internasional Indonesia
- The National Kidney Foundation
- PT Indosat
- Singapore Computer Systems

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 businesses, while strengthening its Environment and Industrial Parks businesses.

A veteran of the Sembcorp Group with over twenty years in the company, Mr Tang is credited with developing

its Utilities business into a leading centralised utilities, energy and water provider serving a global customer base in Singapore, the UK, China, Vietnam and the UAE.

Mr Tang is a member of the APEC Business Advisory Council and the President of the Singapore Water Association. He is a Council Member of the Singapore Business Federation, a member of its Executive Committee and Chairman of its China Business Group. In addition, Mr Tang is on the board of International Enterprise Singapore and serves as chairman of its Finance & Investment Committee and advisor to its CSR Steering Committee. Mr Tang lends his expertise in operating in overseas markets as a council member of several Saudi-Singapore, Abu Dhabi-Singapore, and China-Singapore business councils. He is also a director of GuocoLeisure. Mr Tang 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 2006-2008:

- Sembcorp Logistics

GOH GEOK LING
Non-executive Director
Appointed May 3, 2000

Mr Goh is an independent director and serves on the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

He is Chairman of Sembcorp Marine and a director of 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 2006-2008:

- Plato Capital
- DBS Bank
- DBS Group Holdings
- O2Micro International

Board of Directors

RICHARD HALE, OBE

Non-executive Director

Appointed September 1, 2000

Mr Hale is an independent director and heads the board's Audit and Risk Committees.

Mr Hale is Chairman of CapitaCommercial Trust Management and Deputy Chairman of Sembcorp Marine. His other directorships include membership on the boards of CapitaLand and Wheelock Properties (Singapore). 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 2006–2008:

- Sembcorp Logistics
- Wildlife Reserves Singapore
- The Ascott Group
- BM Trust Management

YONG YING-I

Non-executive Director

Appointed May 26, 2003

Ms Yong is an independent director and a member of the board's Audit and Risk Committees.

She is Singapore's Permanent Secretary for Health as well as Chairman of the Infocomm Development Authority of Singapore and IDA International. Ms Yong also serves on the boards of the Civil Service College, the Singapore Symphonia Company, the National University Health System, Singapore Health Services and the 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 2006–2008:

- Singapore Workforce Development Agency

EVERT HENKES

Non-executive Director

Appointed April 30, 2004

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

Past directorships in listed companies and major appointments 2006–2008:

- BPB
- China National Offshore Oil Corporation

LEE SUET FERN

Non-executive Director

Appointed July 1, 2005

Mrs Lee is an independent director and 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 Macquarie International Infrastructure Fund, Rickmers Trust Management and Richina Pacific. 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's 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 2006–2008:

- Continental Chemical Holdings
- International Capital Investment
- Media Asia Entertainment Group
- Transpac Industrial Holdings
- ECS Holdings
- China Aviation Oil (Singapore) Corporation
- Sincere Watch (Hong Kong)

BOBBY CHIN YOKE CHOONG

Non-executive Director

Appointed December 1, 2008

Mr Chin is an independent director and serves on the board's Audit Committee.

The Managing Partner of KPMG Singapore from 1992 until his retirement in September 2005, Mr Chin is the Chairman of the Singapore Totalisator Board and a board member of the Competition Commission of Singapore and the Singapore Labour Foundation. He also sits on the boards of AV Jennings, Ho Bee Investment, Neptune Orient Lines, Oversea-Chinese Banking Corporation and Yeo Hiap Seng. Mr Chin holds a BAcc from the University of Singapore. He is a member of the Institute of Certified Public Accountants of Singapore and an associate member of the Institute of Chartered Accountants in England and Wales.

Past directorships in listed companies and major appointments 2006–2008:

- Urban Redevelopment Authority
- Singapore Business Federation
- Changi Airports International
- Singapore Changi Airports Enterprise
- Stamford Land Corporation
- The Straits Trading Company

Key Executives



(From top, left to right)
Tang Kin Fei, Lim Joke Mui,
Tan Kwi Kin, Wong Weng Sun,
Tan Cheng Guan, Paul Gavens,
Low Sin Leng

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 almost three decades 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 KWI KIN
Group President & CEO
Sembcorp Marine
Joined 1966

Mr Tan is Group President & CEO of Sembcorp Marine and a director of Jurong Shipyard, Sembawang Shipyard, PPL Shipyard and other companies within the Sembcorp Marine Group.

A veteran of the marine industry with over 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.

WONG WENG SUN
President & Chief Operating Officer
Sembcorp Marine
Joined 1988

Mr Wong is President & COO of Sembcorp Marine, as well as Managing Director of Jurong Shipyard. He serves as alternate director to Mr Tan Kwi Kin on the board of Sembcorp Marine and sits on the board of a number of its subsidiaries.

Prior to his present appointment, Mr Wong served as Deputy President of Sembcorp Marine, as well as Executive Director of Jurong Shipyard. He first joined the company in 1988 as an engineer before rising to become Jurong Shipyard's General Manager in charge of project management.

Mr Wong is a board member of the Maritime and Port Authority of Singapore. He holds a BEng (Hons) in Mechanical Engineering (Marine) from the University of Technology, Malaysia, as well as an MBA from Oklahoma City University.

TAN CHENG GUAN
Executive Vice President
Group Business Development
Joined 2007

Mr Tan is responsible for business and strategic development at Sembcorp, and drives business development for the Group's energy and water businesses. He also oversees the Group's business for the Middle East & North Africa region.

He brings with him broad experience in strategy,

Key Executives

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 on Jurong Island and also the expansion of our centralised utilities business into China and the UK.

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

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, UK, 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 in Chemistry from the University of Cambridge, UK.

LOW SIN LENG Executive Chairman Sembcorp Industrial Parks *Joined 2000*

Ms Low spearheads the development of Sembcorp's Industrial Parks business. Leveraging on her business experience in Asia, Ms Low oversees the Group's activities in Vietnam and Indonesia. She is a Singapore Representative to the ASEAN Business Advisory Council and represents Sembcorp on several China-Singapore business councils.

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 senior positions in the Ministries of Finance, Trade & Industry and Education.

A President's Scholar, Ms Low holds an MBA (High Distinction) from the Catholic University of Leuven, Belgium, a BEng (Distinction) from the University of Alberta, Canada, and completed Harvard Business School's Advanced Management Programme.

GROWTH & PERFORMANCE

GROUP BUSINESS DEVELOPMENT

Tan Cheng Guan
Executive Vice President

GROUP ASSET MANAGEMENT

Lau Gar Ning
Executive Vice President

GROUP PROJECT DEVELOPMENT

Aw Chin Leng
Senior Vice President

CORPORATE HEADQUARTERS

Koh Chiap Khiong
Deputy Group Chief
Financial Officer

Kwong Sook May
Company Secretary

Lim Suet Boey
Senior Vice President
Group Legal

Richard Quek
Senior Vice President
*Group Corporate Finance
and Mergers & Acquisitions*

Goh Han Leng
Senior Vice President
Group Tax

April Lee
Senior Vice President
Group Corporate Relations

Lillian Lee
Senior Vice President
Group Human Resource

Lee Swee Chee
Chief Risk Officer

Jasmine Teo
Senior Vice President
Group Information Technology

Lau Gar Ning
Chief Health, Safety
& Environment Officer

GROUP INTERNAL AUDIT

Benedict Lee
Senior Vice President

BUSINESS KEY MANAGEMENT

UTILITIES

SINGAPORE

Atul Nargund
Senior Vice President
*Business Development
& Commercial*

Ng Meng Poh
Senior Vice President
Asset Management

UK

Nick Booth
Senior Vice President
*Business Development
& Acquisitions*

Dr Doug Annan
Senior Vice President
Asset Management

CHINA

Dr Jeffrey Chen
CEO

**MIDDLE EAST
& NORTH AFRICA**
Tan Cheng Guan
Head

MARINE

Wong Weng Sun
President & COO
Sembcorp Marine
Managing Director
Jurong Shipyard

Ong Poh Kwee
Deputy President
Sembcorp Marine
Managing Director
Sembawang Shipyard

Dr Benety Chang
Deputy Chairman
PPL Shipyard

Ho Nee Sin
Managing Director
SMOE

INDUSTRIAL PARKS

Kelvin Teo
Senior Vice President
Sembcorp Industrial Parks

ENVIRONMENT

Goh Swee Ooi
Senior Vice President
Sembcorp Environment

DESIGN & CONSTRUCTION

Lim Kah Hing
Senior Vice President
& Managing Director
*Sembcorp Design &
Construction*

MINT

Yip Pak Ling
Senior Vice President
& General Manager
Singapore Mint

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

The board and management of Sembcorp Industries are committed to maintaining high standards of corporate governance to preserve and enhance shareholder value. The company recognises the important role that well-defined corporate governance processes play in enhancing corporate accountability and sustainability.

This report sets out 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 fundamental responsibility of the directors is to exercise their judgement to act in what they reasonably believe to be the best interest of the company, for the creation of long-term value for shareholders. The board relies on the integrity and due diligence of senior management, external auditors and advisors 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 assist the board in the efficient discharge of its responsibilities and provide independent oversight of management, a number of board committees, including the Executive Committee, Audit Committee, Executive Resource & Compensation Committee, Nominating Committee and Risk Committee have been established. These committees are primarily made up of independent or non-executive directors. The committees' respective roles and responsibilities are further explained in this report. Special purpose committees are also 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 Group's performance, plans and prospects. Twice a year, the board also sets aside time during its scheduled meetings without the presence of management to discuss management's performance. A board meeting is also held at the end of each financial year to consider and approve the Group's budget for the following year. Further board meetings may also be held to specifically consider other issues arising. To assist directors in planning for their attendance at board and board committee meetings as well as at the Annual General Meeting (AGM), these are scheduled one year in advance, and telephonic attendance and conference via audio-visual communication are allowed under the company's Articles of Association. The company recognises that to focus on a director's attendance at formal meetings alone may lead to a narrow view of a director's contribution. Directors' contributions may be made in many other forms, such as bringing strategic relationships to the Group and providing guidance to management or an exchange of views outside the formal environment of the board or board committee meetings. Notwithstanding this, the company encourages active participation at formal meetings of the board. In 2008, a total of nine board meetings were held, with an average of 79% attendance.

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 is chaired by Peter Seah Lim Huat and its members are Goh Geok Ling and Tang Kin Fei. 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, it also evaluates and recommends larger investments, capital

and operating expenditures, as well as 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 sponsored training sessions and seminars conducted by external professionals. 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 Group's governance policies and practices and their duties and obligations as directors. Facility visits to our subsidiaries' premises are also arranged to provide newly-appointed directors an understanding of the Group's business operations. Existing directors are also invited to participate in such facility visits and orientation programmes.

Strong and independent board exercising objective judgement (Principle 2)

The current board comprises eight directors. Six of the directors are independent directors, and with the exception of the Group President & CEO, all the directors are non-executive, including the Chairman, Mr Seah. Given that the majority of the board is comprised of non-executive directors who are independent of management and independent in terms of character and judgement, objectivity on issues deliberated is assured.

The Nominating Committee (NC) ensures that the board maintains an appropriate size and comprises members with a balance of skill and experience. It takes care to ensure that directors have sufficient time to devote to their duties. 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.

The board members comprise business leaders, professionals with financial backgrounds, a practicing lawyer and a senior officer of the public sector. 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

BOARD MEMBERS FOR 2008

Director	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Peter Seah Lim Huat	Chairman	Jul 29, 1998	Apr 23, 2007*	Non-executive / Non-independent
Tang Kin Fei	Director	May 1, 2005	Apr 25, 2008	Executive / Non-independent
Goh Geok Ling	Director	May 3, 2000	Apr 25, 2008	Non-executive / Independent
Richard Hale, OBE	Director	Sep 1, 2000	Apr 25, 2008*	Non-executive / Independent
Yong Ying-l	Director	May 26, 2003	Apr 23, 2007	Non-executive / Independent
Evert Henkes	Director	Apr 30, 2004	Apr 23, 2007	Non-executive / Independent
Lee Suet Fern	Director	Jul 1, 2005	Apr 27, 2006*	Non-executive / Independent
Bobby Chin Yoke Choong	Director	Dec 1, 2008	N.A.*	Non-executive / Independent
K Shanmugam <i>(Resigned on April 25, 2008)</i>	Director	Jul 29, 1998	Apr 27, 2006	Non-executive / Independent

* Up for re-election / re-appointment at AGM

perspective to enable balanced and well-considered decisions to be made. Profiles of the directors may be found on page 46 to 49.

The NC considers Lee Suet Fern an independent non-executive director notwithstanding her relationship with the company in respect of Guidance Note 2.1(d) of the Code. While Mrs Lee is the Senior Director of Stamford Law Corporation, which has rendered professional services to the Group, the NC is of the view that she is nonetheless able to exercise strong independent judgement in her deliberation in the interest of the Company.

Chairman and Chief Executive Officer (Principle 3)

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

The Chairman, who is non-executive, leads and ensures effective and comprehensive board discussion on matters brought to the board including strategic issues as well as business planning 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 their continued satisfactory performance. The company's Articles of Association require a third of its directors to retire and subject themselves to re-election by shareholders at every 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. Directors who are above the age of 70 are also statutorily required to seek re-appointment at each AGM.

Every year, the NC reviews the independence of directors. To this end, each director is required to complete a Director's Independence Checklist on an annual basis to confirm his independence. The checklist is drawn

up based on the guidelines provided in the Code and further requires each director to assess whether he considers himself independent despite not being involved in any of the relationships identified in the Code. The NC will then review the checklist completed by each director to determine whether the director is independent.

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

The NC is chaired by Mr Seah and its members in 2008 were Mr Goh and K Shanmugam, who resigned on April 25, 2008 following his appointment as a minister of the Singapore government. The NC met twice in 2008 and achieved an average of over 80% attendance. The NC Chairman is regarded as non-independent with reference to the definition of "independence" under the Code, given his seat 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 interest of the company is not compromised, as his appointment to the Advisory Panel of Temasek Holdings is non-executive in nature and does not entail involvement in the day-to-day conduct of Temasek Holdings' business.

Pursuant to the one-third rotation rule, Mr Seah and Mrs Lee will each submit themselves for retirement and re-election by shareholders at the forthcoming AGM.

Bobby Chin Yoke Choong, who was newly appointed to the board on December 1, 2008, will also submit himself for retirement and re-election at the forthcoming AGM. In addition, Richard Hale, OBE, who is above the age of 70, will also submit his retirement and offer himself for re-appointment pursuant to the Companies Act.

BOARD PERFORMANCE AND CONDUCT OF ITS AFFAIRS

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

Each year, the board undertakes an informal assessment of its performance. To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board as a whole. This questionnaire considers factors such as the size and composition of the board, directors' access to information, board processes and accountability as well as board performance in relation to communication with senior management. Feedback from the questionnaire is subsequently discussed at a board meeting and used to highlight areas of strength and weakness for the future development of the board and its committees to further improve their performance.

The NC feels that the financial indicators set out in the Code as guides for the evaluation of the board 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)

To assist the board in discharging its duties, Sembcorp's management furnishes adequate management and operation reports as well as financial statements to it 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 they may better understand the matters prior to the meeting and discussions may be focused on questions that the directors have on these matters. Members of senior management who may provide insight into the matters at hand are also called on to be present at discussions relevant to them.

Financial highlights of the Sembcorp Group's performance and key developments are presented on a quarterly basis at board meetings. The Group President & CEO, Group Chief Financial Officer and members of senior management are present at these presentations 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 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. Management also assists the board to implement and strengthen good corporate governance practices and processes across the Group.

The board has ready and independent access to the Group President & CEO, senior management, Company Secretary and internal and external auditors at all times. 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 for 2008 were Mr Goh and Mr Shanmugam, until his resignation on April 25, 2008. It held two meetings in the year and achieved an average of 83% attendance.

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 senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework with the aim of building talent and maintaining strong and sound leadership for 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 ERCC Chairman 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 plans. 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 the allocation of 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. 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 and commensurate with the directors' level of responsibility, performance and contributions to the Group. The directors' fees are reviewed regularly and are subject to the approval of shareholders at the AGM. The report on directors' remuneration is found in the

COMPOSITION OF BOARD AND BOARD COMMITTEES FOR 2008

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				
Goh Geok Ling	Member		Member	Member	
Richard Hale, OBE		Chairman			Chairman
Yong Ying-I		Member			Member
Evert Henkes					
Lee Suet Fern		Member			Member
Bobby Chin Yoke Choong		Member			
K Shanmugam [^]		Member	Member	Member	Member

[^] Resigned as director and member of Audit, Risk, Executive Resource & Compensation and Nominating Committees on April 25, 2008

related item under the Supplementary Information section of the financial statements in this report.

The directors' fees totalled S\$801,250 in 2008 (as compared to S\$777,000 in 2007) and were derived using the fee structure below.

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.
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.

Our key executives' remuneration may also be found under the Supplementary Information section of the financial statements in this report.

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.

In line with stock exchange requirements, negative assurance statements were issued by the board to accompany its quarterly financial results announcements, 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 false or misleading.

Audit Committee (Principle 11)

The Audit Committee (AC) comprises four directors, all of whom are independent non-executive directors. The AC is chaired by Mr Hale, OBE and its members are Yong Ying-I, Mrs Lee and Mr Chin, who joined the AC on December 1, 2008 and replaced Mr Shanmugam, who resigned from the board on April 25, 2008. The AC held four meetings and achieved an average of 83% attendance in 2008. All members of the AC participated actively at meetings either by attendance or through teleconferencing.

In October 2008, the Audit Committee Guidance Committee, an industry-led committee established by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange, published a Guidebook for Audit Committees. The Guidebook has been issued to all AC members for their reference.

The AC assists the board in fulfilling its fiduciary responsibilities relating to corporate accounting, auditing and reporting practices of the Group. Its main responsibilities 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.

Each year, 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 its co-operation during the course of the year.

Having reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year – excluding services provided to 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 34(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 64 and 74.

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 to safeguard shareholders' interests and the Group's assets, and to manage risks.

The Risk Committee (RC) is chaired by Mr Hale, OBE and its members includes independent directors, Mrs Lee, Ms Yong and until his resignation, Mr Shanmugam. The main role and function of the RC is to assist the board in fulfilling its oversight responsibility for risk management in the Group. In 2008, besides reviewing the impact and potential risks arising from the on-going global banking and credit crisis on the Group's operations, the RC also guided and reviewed the proposed mitigating actions with management to ensure preservation of capital and adequate liquidity for the Group's operations. The impact of the credit crisis on the key customers and suppliers are also being monitored by management. RC also reviewed 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 2008 and achieved an average of 81% attendance.

For more information on the progress of the company's enterprise risk management system, please refer to page 63.

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 and has incorporated these standards into its audit practices.

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

WHISTLE-BLOWING POLICY

To strengthen corporate governance practices across the Group, the company has put in place a whistle-blowing policy and procedures which provide employees with accessible channels to GIA for reporting suspected fraud, corruption, dishonest practices or other similar 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)

Sembcorp continues to keep all stakeholders informed of its corporate activities on a timely and consistent basis. The company disseminates all price-

sensitive information to its shareholders via SGXNET on a non-selective basis. Financial and other performance data is given for the Group as well as 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. On the day of announcement, the financial statements as well as the accompanying press release and presentation slides are released onto the SGX-ST website as well as on the company website at www.sembcorp.com. Thereafter, a briefing or teleconference by management is jointly held for media and analysts. For first half and full year results announcements, results briefings are concurrently broadcast live via webcast.

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 released via SGXNET and 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 right to appoint up to two proxies to attend and vote on their behalf. 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, every matter requiring approval is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to

the proposed resolutions before the resolutions are voted on. The board and management are present to address these questions and obtain feedback 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, please see the Investor Relations chapter of this annual report.

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. 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 2008 may be found in the related item under the Supplementary Information section of the financial statements in this report.

Risk Management & Mitigation Strategies

Sembcorp is fully committed to a 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-level Risk Committee and the Internal Audit department. Formed in August 2003 to assist the board of directors, the Risk Committee, comprising three directors, reviews and enhances the effectiveness of the Group's risk management plans, systems, processes and procedures. The Risk Committee also reviews Group-wide risk policies, guidelines and limits as well as 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's 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 associates, to ensure financial discipline across the Group. We have set up a self-check, review and certification

Risk Management & Mitigation Strategies

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, while ensuring that acceptable accounting policies are followed. It allows early identification of 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 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 and counterparty / credit risk
- b. Operational risk
- c. Investment risk
- d. Compliance and legal risk
- e. Interested person transaction risk
- f. Human resource risk

a. Financial and counterparty / credit risk management

The Group's activities expose it to a variety of financial risks, including changes in funding and liquidity risks, interest rates, foreign exchange risks, commodity risks and counterparty / credit risks.

To manage these risks, 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 approved financial instruments to manage exposure 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. Exposure to foreign currency risks is 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.

Liquidity risk

The Group manages its working capital requirements with a view to balance the risk of non-availability of funding, 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.

Interest rate risk

The 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, pound sterling, euro, Australian dollar and *renminbi*. Such risks are either hedged by forward foreign exchange contracts in respect of actual or forecasted net currency exposure or hedged naturally by a sale or purchase of a matching asset or liability of 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. Exposure is 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 the 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.

Counterparty / Credit risk

The Group monitors its exposure to credit risk arising

from sales to trade customers and default risks from suppliers and contractors on an ongoing basis. Credit evaluations are done on these counterparties from time to time. The Group generally deals with pre-approved customers, suppliers, contractors and financial institutions with good credit rating. On a case to case basis, the Group will require additional securities when dealing with counterparties of lower credit standing. At balance sheet date, except as disclosed, there were no significant concentrations of counterparty / credit risks with any single counterparty.

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 of areas of potential exposure, which can be addressed to minimise adverse impact to the Group as well as ensure 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 department. 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

Risk Management & Mitigation Strategies

coverage, and in some cases external insurance is simply unavailable or is not available at an economical 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 Utilities operations in Singapore and the UK under the advice of established global insurance broker and risk adviser 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 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, 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 the Group's 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 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 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 20, 2009. 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 Group maintains a register of all 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 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 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's 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 on Sembcorp's human resources management may be found at pages 58 and 71 to 74 of this annual report.

Investor Relations

At Sembcorp, we are committed to ensuring that all investors 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. 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 investor relations website. In addition, company visits and facility tours are organised to help investors gain better insight into the Group's operations.

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, Japan and Hong Kong; in North America, Toronto, Boston and New York; and in Europe, London. We also participated in five investor conferences during the year: the Credit Suisse Asian Investor Conference in March in Hong Kong, the CLSA Corporate Access

Forum in May, the Nomura Asia Equity Forum in July and CIMB-GK Singapore Day in August in Singapore, as well as the UBS Best of Asia Conference in June in the USA. In May, we organised a presentation to analysts and fund managers with a special focus on Sembcorp's water business. The presentation by senior management was held in Singapore and was attended by both sell-side and buy-side participants.

During the year, Sembcorp Industries was awarded runner-up for the Most Transparent Company award in the conglomerates / multi-industry category at the Investor's Choice Awards presented by the Securities Investors Association (Singapore).

TOTAL SHAREHOLDER RETURN

Global equities ended 2008 sharply lower due to the fallout from the credit crisis, the global economic slowdown and extreme stock market volatility. Against this background, Sembcorp Industries' shares saw a share price reduction of 60% and a total shareholder return of -57% in 2008.

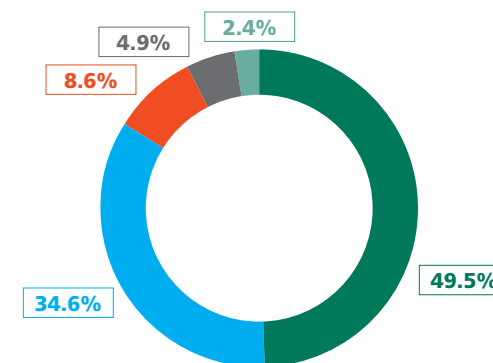
During the year, the company's share price averaged S\$3.88, registered a low of S\$1.83 on October 24 and a high of S\$5.76 on January 2. Daily turnover averaged 4.3 million shares in 2008.

SHAREHOLDER INFORMATION

In 2008, other than our major shareholder Temasek Holdings, which held 49.5% of our shares as at the end of 2008, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Institutional shareholders accounted for 34.6% of our issued share capital or 69% of free float. Retail shareholders, including shareholders holding less than 100,000 shares and Others, held the remaining 15.9% of issued share capital or 31% of free float. In terms of geographical breakdown, excluding the stake held by Temasek Holdings, Singapore shareholders accounted for the largest number of shares held with 11% of issued share capital. This was followed by shareholders from the USA who held 10% of issued share capital. Shareholders from the UK and Hong Kong accounted for 6% of issued share capital each.

SHARE OWNERSHIP BY INVESTOR CATEGORY

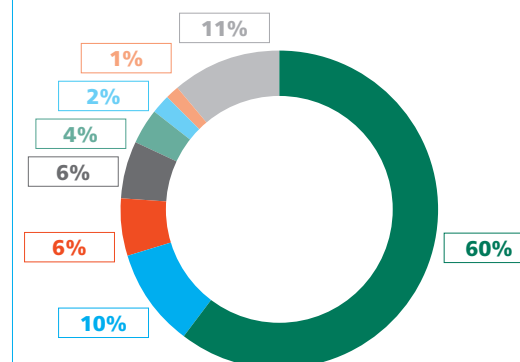
- Strategic*
- Institutional
- Shareholding less than 100,000 shares
- Retail
- Others



* Includes indirect interest
As at December 31, 2008.

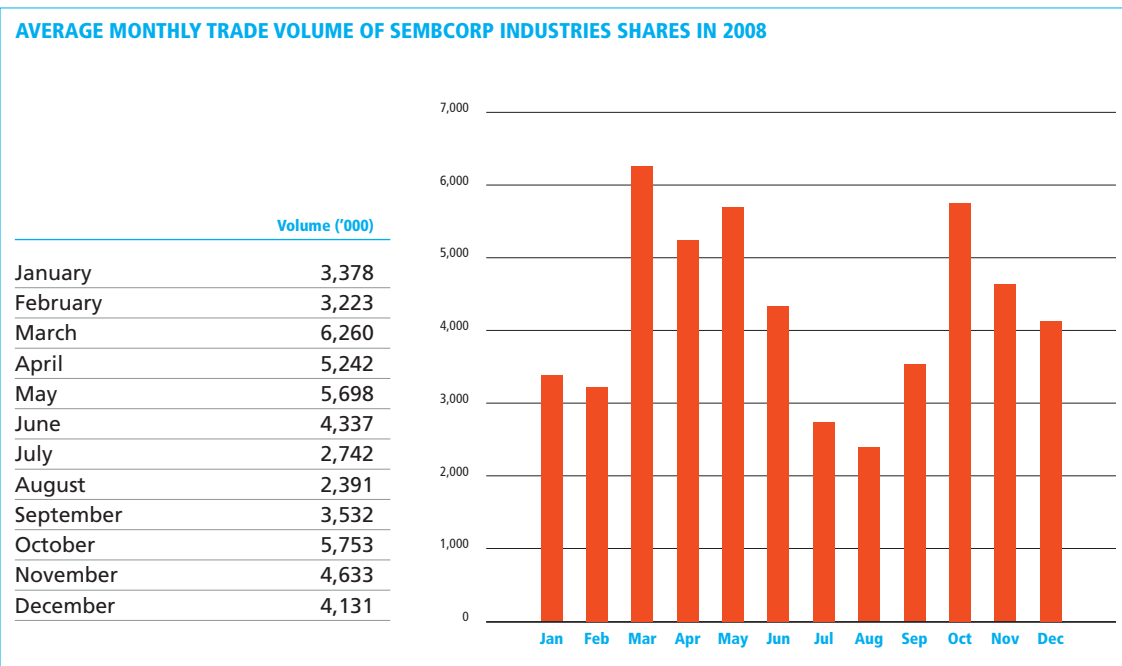
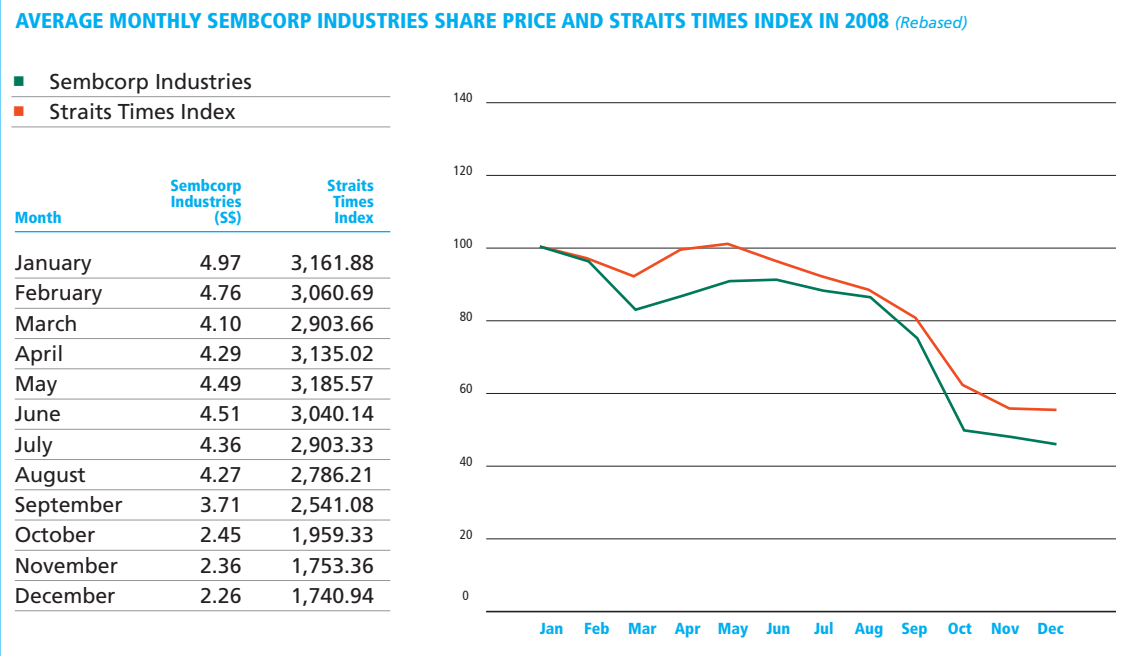
SHARE OWNERSHIP BY GEOGRAPHICAL DISTRIBUTION

- Singapore
- USA
- Hong Kong
- UK
- Other Europe
- Germany
- Japan
- Others*



* Others include shareholders holding less than 100,000 shares. These shareholders collectively hold 9% of total shares
As at December 31, 2008.

Human Resources & Employee Welfare



Sembcorp believes in providing a fair, diverse and inclusive workplace.

The Group subscribes to the Principles of Fair Employment and has endorsed the Employers' Pledge of Fair Employment Practices formulated by the Tripartite Alliance for Fair Employment Practices (consisting of the Singapore Business Federation and Singapore National Employers Federation, the National Trades Union Congress and the Ministry of Manpower).

Sembcorp's commitment is encompassed in the incorporation and implementation of these principles in our human resource management practices.

PRINCIPLES OF 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

PEOPLE DEVELOPMENT

Competency building

Sembcorp is a firm believer in people development. We aim to nurture the specialised capabilities and knowledge of our employees through various forms of learning and development programmes. These serve to build up Sembcorp's workforce, a vibrant and vital resource for the company's progress.

In Singapore, Sembcorp continues to retain the People Developer award.

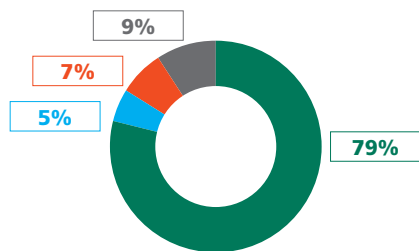
In 2008, the Group invested an average of 33 hours per Singapore employee on structured training, to the tune of S\$4 million.

Sembcorp enhances the technical capabilities of our utilities specialists through customised training in collaboration with local educational institutions. For example, we work with Ngee Ann Polytechnic to develop and conduct specialised courses in water treatment technologies for our employees in our water business. We also work with Singapore Polytechnic to run specialised training for engineers and technicians in our energy and steam businesses.

Our Environment business also runs job-related National Skills Recognition Scheme (NSRS) certification programmes for operations staff. To date, almost 20

STAFF DISTRIBUTION BY GEOGRAPHICAL AREA

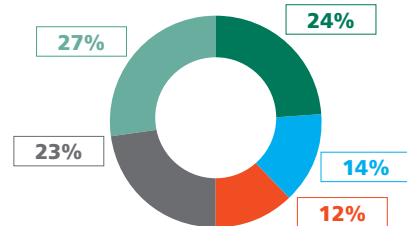
- Singapore
- North Asia
- Southeast & South Asia
- Europe, Americas & the Middle East



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.

programmes have been conducted, with topics ranging from manual public cleansing to quality service.

Sembcorp offers development opportunities through global exposure via job rotations and overseas postings. The Group currently has 39 employees from our Singapore operations posted to various overseas units in China, Vietnam, the UK and the UAE.

Sembcorp scholars are provided development opportunities even whilst still studying. Each scholar is expected to fulfill two internships with the company during his studies, including an attachment with our overseas operations. These afford our scholars a valuable cross-cultural experience and allow them to apply their specialised knowledge and skills in an operational setting.

Executive and leadership development

To develop our executives' leadership, business strategy, crisis management and people management skills, Sembcorp sent staff to attend executive education programmes, including courses at Harvard Business School, INSEAD and the Temasek Business Leadership Centre.

Since 2005, Sembcorp has applied 360-degree feedback as a key tool for assessment (for mid-level managers and above). Feedback from superiors, subordinates, peers and other partners are gathered through surveys and incorporated as part of managers' development plans, thereby helping them build essential competencies needed to lead their teams successfully.

Succession planning

To build our talent pipeline, Sembcorp identifies and prepares suitable employees, through mentoring, training and job rotation, to take over leadership positions. Senior management periodically reviews their top executives and those in the following levels to determine several alternative employees for each key position. Identified high-potential employees are then groomed to develop them into effective senior managers.

The Sembcorp Scholarship programme is another means of building the organisation's benchstrength. The scholarship programme seeks to identify talented young people and groom them for leadership positions. Into its 19th year, the scholarship programme currently manages 59 scholars (28 working and 31 studying) across various business units and in various stages of their studies and careers. In 2008, scholarships were extended to polytechnic students for the first time to meet the objective of widening our talent base. Eight students from Ngee Ann Polytechnic's Civil and Environmental Engineering and Environmental and Water Technology diploma programmes were the first polytechnic students to be awarded Sembcorp Scholarships. These students are set to boost the manpower resource of our water business when they join the company upon graduation.

EMPLOYEE ENGAGEMENT

Employees who are engaged in their work and committed to their organisations give companies crucial competitive advantages, including higher productivity and lower employee turnover. At Sembcorp, we aim to engage our employees by building a vibrant work culture through fostering open employee communication, providing a conducive work environment and encouraging employee involvement.

Employee communication

Within the same week of the Group's quarterly financial results announcement, the Group President & CEO, together with senior management, conducts townhall-style staff briefing sessions with employees to convey the results personally and identify and address the needs and concerns of employees face-to-face. Such sessions provide a means for employees to voice out concerns, and hear for themselves the strategy and direction of the company.

Other employee communication channels include a confidential employee feedback system, a user-friendly employee intranet, staff email blasts of company press releases and bi-monthly employee e-newsletters. The employee e-newsletter and intranet were both revamped this year to make them more user-friendly and informative.

Creativity and innovation are encouraged through group-wide innovation awards as well as ongoing cross-department, and even cross-business, work-improvement teams. All these serve to challenge our employees to widen the scope of their capabilities and utilise greater innovation at work.

Employee welfare

Sembcorp encourages our employees to embrace a healthy lifestyle and has put in place workplace health programmes. These initiatives not only promote the physical health of employees, but also their mental wellbeing and emotional resilience.

Employees are also encouraged to participate in a wide variety of recreational and social bonding activities. These provide employees opportunities for interaction and networking. Activities organised include department teambuilding, family day, movie outings and sports

and recreation like running, dragon-boating, belly dancing, bowling, soccer and badminton.

In July 2008, Sembcorp Industries signed on as a member of the iCare Mental Health Alliance which was set up in response to the government's efforts to support mental wellbeing in Singapore. The Alliance seeks to promote good mental health among employees of Singapore companies. Some of the practices we have implemented to promote employee mental wellbeing include workplace trauma counselling, medical coverage for psychiatric treatment, retirement preparation and events such as movie screenings to commemorate World Mental Health Day.

Employee volunteerism

Employees participate in various voluntary activities as part of Sembcorp's commitment to support the communities we operate in. Employee involvement in such volunteer projects also serve as opportunities for employees to build camaraderie with colleagues and develop their skills in teamwork and leadership.

Examples of voluntary staff activities included participation as a marching contingent in Singapore's National Day Parade, as well as community outreach activities with the Assisi Hospice.

WORK-LIFE BALANCE AND INSURANCE BENEFITS

On the Singapore government's directives, Sembcorp has implemented new policies to promote family and work-life balance. These policies include extended maternity and childcare leave for employees who are parents of Singapore citizen children and protection for all employees against work injuries. Sembcorp also has in place a policy that encourages the re-employment of older workers after they reach retirement age.

Employees are also provided with comprehensive insurance coverage. Our policies cover our employees for death, illness and hospitalisation, as well as travel insurance coverage which includes emergency medical evacuation and security evacuation in addition to standard travel insurance coverage. All employees are informed of the coverage provided and given ready access to telephone numbers to call in the event that they need urgent security or medical evacuation assistance whilst on overseas business trips. The company

also provides additional insurance coverage above the legislated coverage for the unfortunate events of death or accidents.

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. Employee rewards are based on the performance of the Group, company and the individual. Cash rewards include annual salary increments, annual performance bonuses and long-term incentives.

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 used for directors and employees of Sembcorp Industries and our subsidiaries whereas the Performance Share Plan is aimed primarily at key executives of the Group.

Since 2007, no share options have been granted as these have been entirely replaced with restricted stocks of an equivalent fair value. Under the restricted stock plan, managerial participants who achieve pre-determined targets that create and enhance economic value for the company's shareholders are awarded with restricted stocks, while non-managerial participants receive the equivalent value in cash.

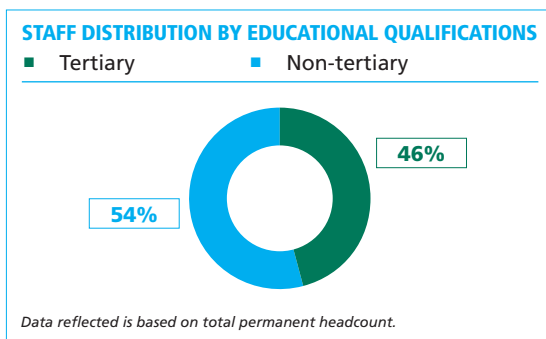
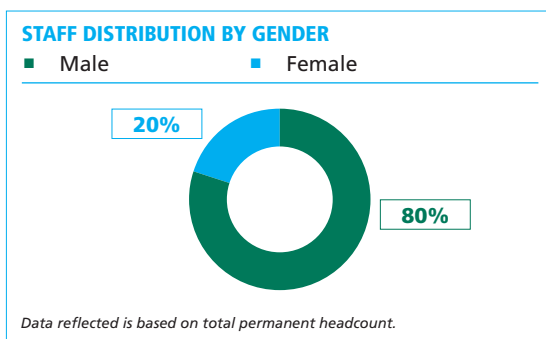
ETHICAL CONDUCT

To instil and enhance strong corporate governance practices across our companies, Sembcorp has in place a group-wide whistle-blowing policy. Sembcorp also encourages all employees to report any possible improprieties in all matters including financial reporting to the audit committee. With the revamp of the corporate intranet, a shortcut to the whistle-blowing channel is now displayed more prominently on the staff home page, facilitating access with even greater ease and convenience and further encouraging employees to file complaints when necessary.

Retaliatory action against employees who file complaints alleging possible improprieties is not condoned and disciplinary action will be instituted against any person found to have taken retaliatory action. In addition, to further ensure the integrity of our employees, Sembcorp's employee code of conduct guides employees in conducting themselves professionally and ethically. The code also expressly prohibits employees from dishonest or unlawful conduct.

STAFF PROFILE

Almost half of Sembcorp's 7,185 permanent employees hold tertiary qualifications. 79% 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

Our focus on corporate social responsibility underscores our commitment to ensure that our business operations contribute to sustainable development and enhance the communities in which we operate.

This report addresses Sembcorp's corporate citizenship practices, initiatives implemented and achievements in 2008.

The scope of this report covers the activities of our non-listed Utilities, Environment and Industrial Parks businesses, while the activities of our listed Marine business are reported separately in its annual report. We have covered key data relating to our Singapore and UK operations which account for a significant proportion of our turnover and profit, as well as information on community efforts by our overseas industrial parks, which are held through minority-owned joint ventures responsible for their individual on-site health, safety and environment programmes and indicators.

The focus of this chapter is on our health, safety and environment (HSE) efforts as well as our contributions to the community. A detailed review of our human resource activities and workplace practices is set out separately in the Human Resources & Employee Welfare chapter of this annual report.

OUR COMMITMENT

At Sembcorp, we recognise that the sustainability of our businesses in the long-term is closely intertwined with meeting our stakeholders' expectations of our

health, safety and environmental responsibilities.

We are mindful that our businesses impact the environment and the community. In order to limit any adverse impact, we consciously integrate HSE considerations into our business operations.

Measures that we have taken include developing safe and reliable work processes for our employees, managing our impact on the environment and contributing to the communities where we have a presence.

Our HSE commitment is set out in Sembcorp's Corporate Social Responsibility and HSE policies on pages 76 and 78.

OUR APPROACH

We incorporate HSE considerations into our business operations, guided by the following 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

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 important for 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

We place the management of our health, safety and environmental (HSE) responsibilities as 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 those 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 operational area and maturity of business.

performance and initiatives. Wherever possible, we integrate our environmental, quality and safety measurement systems and have achieved certification under ISO 9001, ISO 14001 and OHSAS 18001.

Thirdly, we continually aim to enhance the environmental friendliness and safety of our processes, products and services by considering the impact of our businesses on health and the environment. Consistent with this, HSE measures are embedded in our business practices. At the same time, we seek continual improvement of our operations through feedback and innovation. We also incorporate audits into our operations to strengthen the functioning of our HSE management systems.

Our employees are assessed on their HSE performance as we seek to promote a safety culture within the Group. Staff members at all levels are encouraged to contribute ideas and suggestions from an operational perspective to improve workplace practices, products and services as well as employee safety and health. Outstanding solutions are recognised

at our annual intra-Group innovation awards.

Fourthly, we work closely with our business partners, contractors and suppliers for mutual HSE improvement to promote a far-reaching positive impact. We assess their capabilities to ensure that they will be able to deliver according to project requirements while complying with HSE standards. We actively engage them to identify areas for improvement in our collective move to achieve a healthy, safe and environmentally robust performance.

In the area of CSR, we work with local and regional bodies such as the Singapore Compact, of which we are a founding member, and CSR Asia. Through such interactions, we are able to draw upon the best practices of other companies as we share our experiences. One example of such involvement in 2008 was our participation in CSR Asia's Community Investment Roundtable.

Sembcorp is also a Green Partner and Friend of the Singapore Environment Council, an independent national society promoting environmental programmes

CERTIFICATION SYSTEMS IN PLACE AT OUR UTILITIES, ENVIRONMENT AND INDUSTRIAL PARKS BUSINESSES

Unit / Certification	ISO9001	ISO14001	OHSAS18001
Sembcorp Industries (SUT Division – Sakra)		✓	
Sembcorp Gas	✓		
Sembcorp Environment	✓	✓	✓
Sembcorp Industrial Parks	✓		

and awareness. We support the council's efforts to educate and inspire students, businesses and the wider community to preserve and care for the environment.

Our Utilities division is a signatory of Responsible Care, a voluntary initiative of the global chemical industry. It has 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. Members also work together to improve the industry's HSE performance locally.

In addition, Sembcorp is also the current chair of the Sakra Island Community Awareness Group (SICA),

SEMBCORP'S GREEN BUSINESS LINES

Renewable energy

- A 35-megawatt wood-fuelled power station, one of the UK's largest renewable energy projects

Power generation

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

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

- Water reclamation and industrial wastewater treatment plants in Singapore and China

Waste-to-resource

- Recycling and recovery
- Alternative fuel

which seeks to promote community awareness and a standardised management practice code for emergency responses among companies located in the Sakra cluster on Singapore's Jurong Island. The group provides a platform for member companies to share their experiences and best practices in HSE management.

OVERVIEW OF KEY SUSTAINABILITY DEVELOPMENTS IN 2008

Sembcorp created a Group HSE Office in January 2008 to provide global oversight and support of our HSE policies, programmes and initiatives, presided over by a Group HSE Officer. The Group HSE Office's responsibilities include monitoring and reporting on the HSE performance of the Group's business units. It also has a remit to achieve continual HSE improvement through cross-sharing of HSE-related lessons among the business units.

Under the Group HSE Office, cross audits were conducted for our different Utilities operations sites in 2008 to ensure that our operations conform to internationally recognised standards as well as to local statutory requirements. The cross audits were rolled out from April to October 2008 for three sites. Our Utilities operations in Singapore was audited by an HSE officer from our UK plant, while the UK and UAE facilities were audited by HSE officers from Singapore. Staff members from Group Internal Audit also participated in all of these cross audits. Over and above these cross audits, our UK facilities also underwent regular internal waste and environmental audits to ensure conformance.

To reinforce the culture of safety at Sembcorp, we launched our first HSE workshop in 2008. Held in conjunction with our annual asset management workshop, the event was attended by more than 100 participants from our units in Singapore and overseas. HSE-related issues were discussed at the workshop and sharing of knowledge among the business units was facilitated.

Meanwhile, during the year we also participated actively in industry-specific HSE groupings. Sembcorp's efforts in championing management practices under Responsible Care were recognised when it was conferred the Achievement Award for both Employee Health and Safety and Pollution Prevention at the Responsible Care Awards 2008.

In 2008, Sembcorp assumed the chairmanship of the SICA. As chairman, we conducted surveys on best HSE practices to contribute towards a review of practices at member companies, aimed at elevating overall HSE performance.

Meanwhile, we continued to grow our green business activities in 2008. In support of Singapore's vision of building a resilient and self-sufficient water supply system, we took on a contract to design, build, own and operate the country's fifth and largest NEWater plant. When completed, the facility will produce 50 million imperial gallons per day of NEWater from effluent water, making it one of the world's largest water reclamation facilities.

Through our unit Sembcorp Gas, we continue to contribute to a cleaner environment in Singapore. In February 2008, we launched a compressed natural gas (CNG) retail service, our first on mainland Singapore. We believe this will not only afford owners of CNG vehicles better refuelling access, but also encourage more motorists to turn to clean fuel for environmental and cost benefits.

Meanwhile, in Shanghai, we boosted the capacity of our Shanghai Cao Jing cogeneration plant with the construction of two 130-tonne per hour supplementary boilers. We also increased the capacity of our Nanjing wastewater treatment facility from 12,500 cubic metres to 42,500 cubic metres per day. By treating effluents produced by our customers' facilities, our wastewater treatment activities help to reduce our customers' water-related environmental impact.

At Zhangjiagang, we continued construction work on China's first wastewater treatment plant capable of treating high concentration wastewater directly from source to meet environmental limits.

MANAGING OUR KEY CONCERNS

At Sembcorp, we have identified our key HSE concerns based on an evaluation of the greatest potential impact of our main business operations, particularly operations which are wholly or majority-owned. We have focused particularly on the HSE impacts of our wholly-owned Utilities and Environment divisions, as overseas industrial parks are minority-owned and responsible

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.

for their own HSE programmes. Our identified key areas of concern include clean air and climate change, water, waste as well as health and safety. We also maintain an ongoing commitment towards charity and the community. Our initiatives to monitor and manage these key concerns are discussed in the paragraphs below.

CLEAN AIR AND CLIMATE CHANGE

We are mindful of the impact of our power and steam generation business on climate change and clean air. In this regard, we work towards limiting and managing environmental impact by improving the efficiency and environmental friendliness of our power plants and fuels. We also monitor our carbon emissions and energy usage to ensure that emissions are kept low and usage optimal, without compromising business requirements.

Efficient power and steam generation

Sembcorp leverages technology for greater efficiency and lower emissions in our power, steam and desalination operations. 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 each unit of fuel input. In addition, we operate combined heat-and-power or cogeneration plants in China, Singapore, the UAE¹ and the UK. Cogeneration refers to the production of both electricity and heat from a single fuel input at a facility located near the consumer. Considered the most efficient use of fuel, cogeneration improves the overall recovery of heat and also saves on fuel needed to produce heat or steam in a separate unit. Cogeneration plants also generate substantially lower emissions compared to conventional power plants.

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.

In 2008, we reinforced our position as a leading

gas player in Singapore with the conclusion of an agreement to import an additional 90 billion British thermal units per day of natural gas from Indonesia. Meanwhile, we launched our first compressed natural gas (CNG) retail service on mainland Singapore at Jalan Buroh. Together with our existing CNG station on Jurong Island, this will cater to growing demand for cleaner fuel among motorists.

Energy from renewables

Sembcorp's renewable power plant in the UK, the Sembcorp Biomass Power Station, marked its first year of operation in 2008. The 35-megawatt wood-to-energy plant is designed to meet all current and foreseeable European emissions targets through the application of best available technology. The plant is estimated to save 200,000 tonnes of carbon dioxide emissions a year compared to a conventional fossil fuel power station of similar capacity. This reduction is roughly equivalent to the yearly carbon dioxide emissions of 67,000 cars.

Emissions & energy usage monitoring

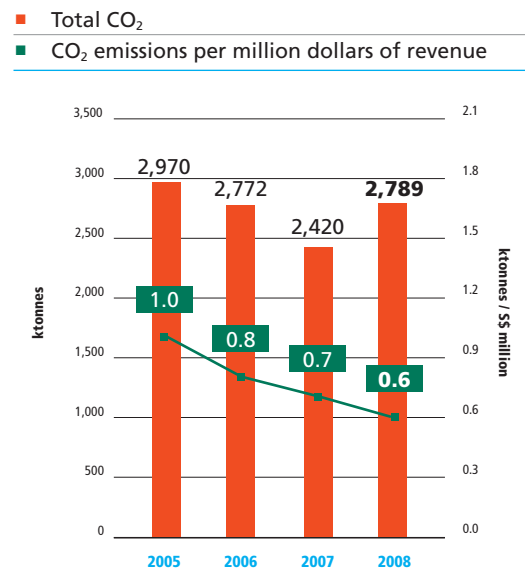
We monitor the levels of carbon dioxide emitted by our Utilities operations with a view to limiting emissions of this greenhouse gas. (Please see chart showing Utilities' carbon dioxide emissions on page 80.) Our total carbon dioxide emissions saw a 15% increase in 2008, partly due to the higher power and steam output generated by our UK operations following the expiry of its third-party power and steam purchase contracts last year. The 15% increase in 2008 also arises from a low absolute carbon dioxide emissions base in 2007, as our Singapore cogeneration plant underwent a major inspection exercise in 2007 resulting in reduced power and steam output for that year. Despite the increase in absolute emissions, we were able to lower our carbon dioxide emissions per million dollar revenue by 14%.

In addition to tracking direct carbon dioxide emissions, we monitor the energy usage of our operations. In 2008, our overall electricity consumption from our Utilities operations in Singapore and the UK reduced by 26% compared to 2007.

Apart from managing our emissions and electricity consumption, we also track our Utilities operations'

¹ In our UAE plant, extracted heat in the form of steam is further used for seawater desalination

UTILITIES CO₂ EMISSIONS



Data covers operations in Singapore and the UK.

primary energy sources. Natural gas continues to remain the largest constituent of our primary energy sources. (Please see chart on top right.)

WATER

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. Through our wastewater treatment activities, we also treat industrial effluents generated by our customers to reduce the impact of their wastewater discharge on the environment.

Production of industry process waters from recycled industrial effluent

Our Utilities division provides a comprehensive suite of water-related utilities services to predominantly industrial clients. We supply approximately 40% of the industrial water requirements on Jurong Island, equivalent in volume to over 8% of Singapore's total water needs. In producing industrial process water for sale to customers, we reclaim water from effluent.

UTILITIES' PRIMARY ENERGY SOURCES CONSUMPTION

	2008
Natural Gas (<i>gigajoules</i>)	103,292,236
Coal* (<i>gigajoules</i>)	8,302,551
Biomass* (<i>gigajoules</i>)	2,301,271
Diesel# (<i>tonnes</i>)	3,754
Fuel Oil (<i>cubic metres</i>)	1,427

* Only used in the UK
Only used in Singapore

Our demineralised water and high grade industrial water is substantially derived from reclaimed water. When completed in 2009, our 50 million imperial gallons per day NEWater plant is also set to contribute significantly to our volume of water reclaimed.

Industrial wastewater treatment

Our suite of wastewater treatment solutions assists companies to comply with discharge regulations and limit their water-related environmental impact. In this aspect, our industrial wastewater treatment plants on Singapore's Jurong Island and in Nanjing, Zhangjiagang and Tianjin have the specialised expertise needed to treat effluent water, including complex industrial effluent, to meet environmental standards. In 2008, we reclaimed over 13 million cubic metres of water from our customers on Singapore's Jurong Island alone.

In 2008, we completed a new 30,000 cubic metre expansion of our Nanjing wastewater plant in the Nanjing Chemical Industrial Park, more than tripling the plant's capacity. We also entered into a joint venture agreement with China's Zhangbao Industries Co to build, own and operate an industrial water reclamation facility in the Zhangjiagang Free Trade Port Zone in Jiangsu province. This facility, which can produce 40,000 cubic metres per day of reclaimed water, will be our third water management project in Zhangjiagang. The additional facilities, together with our existing wastewater treatment facility and high concentration industrial wastewater facility, enhances our ability to support our customers in complying with environmental standards and reducing effluent that might otherwise be discharged into the Yangtze River.

Desalination

In arid regions such as the Middle East, desalination provides a renewable source of industrial and potable water. Sembcorp operates a 40%-owned combined power and desalination plant in Fujairah, UAE. This plant encompasses a desalination plant with a capacity of 100 million imperial gallons per day (450,000 cubic metres per day), making it one of the largest in the world.

Water usage

As a result of our continued efforts to reuse and recycle water, we have, for three consecutive years, reduced our use of potable and raw water. Our total potable water and raw water consumption fell 12% in 2008.

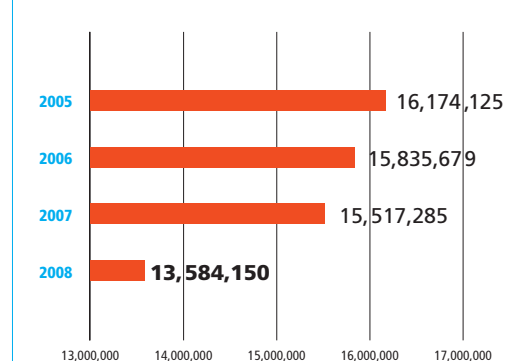
WASTE

As one of the largest environmental management players in Singapore, Sembcorp's Environment business provides services that help to reduce the need for landfills and incineration. We also promote waste reduction by providing separate bins for recyclables as part of our waste collection service to municipal customers. In line with our business focus to reduce waste, we are actively developing differentiating know-how including waste-to-resource capabilities. For 2008, our Environment business reported an 8% increase in the volume of recyclables collected.

Supporting national recycling efforts

Our Environment division also supports national recycling goals. Since 2001, we have played an instrumental role in the National Recycling Programme spearheaded by Singapore's National Environment Agency (NEA). Aside from providing regular door-to-door recyclables collection for four out of nine sectors that we serve in Singapore, we also operate a plant for the recovery of construction and demolition waste, which achieved a very high recycling rate of 98% in 2008. At the community level, Sembcorp is actively involved in various conservation efforts and green causes in Singapore to help reinforce the culture of recycling and waste reduction. In 2008, we jointly organised the National Recycling Day Carnival 2008 with NEA, Bedok Reservoir-Punggol CCC and Aljunied

UTILITIES' POTABLE WATER AND RAW WATER USE (m³)



Data covers operations in Singapore and the UK.

Town Council. The event drew residents from Hougang, where the carnival was held, who came forward and contributed more than 2.4 tonnes of recyclables in exchange for food items.

Pledging our support for the second year running, Sembcorp supported the Corporate Environmental Outreach Run at Semakau Landfill organised by the NEA with a S\$15,000 donation. As part of our outreach to the local schools, Sembcorp contributed S\$10,600 to the NEA Schools' Carnival, a national platform for the showcasing of environmental activities and programmes designed by students. The annual event held in November 2008 was organised in conjunction with the Clean & Green Singapore campaign.

HEALTH AND SAFETY

The health and safety of our employees and subcontractors remains a core priority.

Of particular focus is on-site safety for our Utilities and Environment operations.

On-site safety

Sembcorp achieved a marked progress in 2008 in improving the on-site safety of our Utilities operations on Jurong Island. This improvement may be attributable to a higher level of HSE awareness among our employees and contractors, particularly since the implementation of the SCU 5/0 initiative. This initiative encompasses the five goals of zero injury, zero spills,

UTILITIES ACCIDENT FREQUENCY RATE

	Number of workplace accidents per million man-hours worked		
	2008	2007	2006
Utilities accident frequency rate	0.0	1.3	0.0
versus			
Applicable national average	1.2*	2.6**	2.6**

* Ministry of Manpower industry accident frequency rate as at end June 2008
 ** Ministry of Manpower industry accident frequency rate as at year-end
 Data covers operations in Singapore.

UTILITIES ACCIDENT SEVERITY RATE

	Number of man-days lost to workplace accidents per million man-hours worked		
	2008	2007	2006
Utilities accident severity rate	0	75	0
versus			
Applicable national average	45*	148**	93**

* Ministry of Manpower industry accident severity rate as at June 2008
 ** Ministry of Manpower industry accident severity rate as at year-end
 Data covers operations in Singapore.

zero non-compliance, zero hazardous release and zero unplanned shutdown, as well as a tracking and accountability mechanism for these indicators. Into its fourth year, the programme requires all employees to identify hazards and gaps in activities carried out at their workplaces and eliminate them.

In the last two years, the incident count as reflected by the SCU 5/0 score decreased by almost half. As a result, the "price of non-conformance", our internal measure for the imputed monetary cost of lapses relating to the five indicators, has decreased.

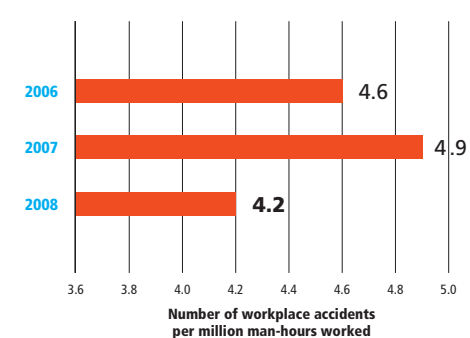
Aside from the SCU 5/0 initiative, our Utilities arm launched the Spot the Hazard campaign on Jurong Island last year, with the goal of encouraging both employees and contractors to take responsibility for raising and addressing workplace health and safety issues. One highlight of the campaign was a six-week

long competition focused on identifying potentially hazardous situations at work. The campaign supplemented the SCU 5/0 initiative as it encouraged reporting and rectifying of workplace hazards in addition to the tracking of lapses. Our customers operating neighbouring plants as well as members of the SICA industry grouping also participated in the campaign.

New benchmarks

For the safety performance of our Utilities and Environment operations in Singapore, we have, beginning this year, set out their accident frequency rates (AFR) and accident severity rates (ASR) in accordance with the tracking criteria set by Singapore's Ministry of Manpower. This disclosure is different from our previous years' reporting of total recordable case frequency and

ENVIRONMENT ACCIDENT FREQUENCY RATE



Data covers operations in Singapore.

ENVIRONMENT ACCIDENT SEVERITY RATE



Data covers operations in Singapore.

severity rate, which reflected the absolute number of incident cases that took place within our operations.

Our Utilities operations had no reportable cases in 2008, attesting to the robust level of our safety standards.

In terms of ASR, our Utilities operations reported zero man-days lost per million man-hours worked in 2008, compared to 45 man-days lost for the industry.

Our Environment operations registered a decline in its AFR in 2008 compared to the number of reportable cases in 2007 and 2006. As for ASR, there was a 16% improvement in 2008. Our Environment operations continue to place strong emphasis on safety, with the goal of attaining an incident-free work environment. The division regularly holds safety awareness exercises and conducts training and educational courses for its employees so as to improve vehicular safety.

Overseas safety performance

In the UK, our Utilities arm has made good progress in reducing the number of injuries to employees and contractors since 2006. The number of Occupational Health and Safety Administration recordable injuries fell to five in 2008, from 12 in 2007.

COMMUNITY

Sembcorp is committed to being a good corporate citizen. We actively support our local communities both in Singapore and overseas through contributions in cash and in kind.

In 2008, Sembcorp contributed approximately S\$2.5 million to causes including the arts, children and education, sports and fitness, and community and volunteerism.

Children and education

Sembcorp contributed slightly over S\$700,000 in aid of children and educational causes. In 2008, our Group-wide charitable fund's support for one of its key ongoing programmes, the School Book Assistance Grant (SchoolBAG) Scheme, was increased by 20% to S\$300,000 to enable more students and their families to tide through the economic downturn. With the additional support, a record 1,492 students benefitted from SchoolBAG last year.

National Day Parade

Sembcorp continued to play an active role in community activities in 2008. An example was the Singapore's National Day Parade at which we sponsored sports wheelchairs for 20 members of the D'Passion Wheelchair Dance Group, enabling disabled dancers to perform at the national event for the first time. The wheelchairs were specially designed and customised to allow for more complicated movements by the wheelchair-bound dancers. Besides this sponsorship, 126 staff volunteers also represented Sembcorp's marching contingent during the parade and ceremony segment.

Christmas at the hospice

As part of our community outreach efforts in 2008, Sembcorp employees celebrated Christmas with patients, staff and friends of the Assisi Hospice with a festive dinner, party and fundraising Christmas tree light-up sponsored by the company. This was part of a broader programme of support for the hospice amounting to close to S\$58,000, which includes managing and funding the facelift of the hospice's garden and koi pond to enhance their therapeutic effect for the hospice's patients. The ongoing refurbishment includes changes to make these areas more user-friendly and wheelchair accessible and also extensions to the roofing and floor of sheltered space in the garden to enable patients to use it during the day. Sembcorp has pledged to support the hospice for the next three years and the programme with the hospice has kicked off a planned series of community involvement and assistance programmes in Singapore for the Group which will continue into 2009.

Rebuilding lives

Sembcorp donated a total of S\$110,000 to the rebuilding efforts in China's Sichuan province following the deadly earthquake of May 2008. The monetary aid was provided through International Enterprise Singapore and the Embassy of the People's Republic of China.

We also contributed S\$25,000 towards a project initiated by the Singapore Water Association and Lien Aid for the design and construction of a mobile drinking water system in one of the worst-hit counties in Sichuan. The system produces drinking water using

Corporate Social Responsibility

reverse osmosis, as well as ultra-filtrated water for general usage, providing enough safe, clean water for some 10,000 people.

Local communities

In the UK, Sembcorp UK contributed £64,000 to its local community in the northeast region of England with sponsorships for various community events and education awards. One of its sponsorships was to the Children Challenging Industry project, which enables nine to 11 year-old pupils to experience real-life science by visiting chemical and related companies. Another event which Sembcorp UK supported was the Three Peaks Challenge Great North Run. At this event, participants scaled the highest peaks of Scotland, England and Wales to raise funds for hospices and medical charities.

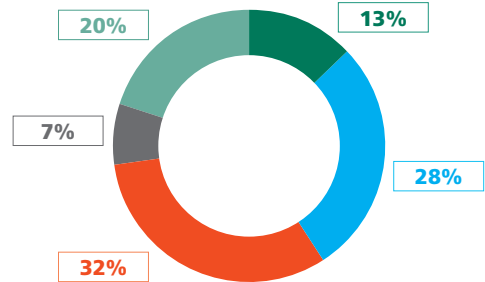
In Vietnam, volunteers from Sembcorp's Industrial Parks unit participated in the sixth edition of the Vietnam Singapore Industrial Park (VSIP) Charity Day on November 16, 2008. Proceeds from the charity day funded the renovation of community buildings and financed the educational needs of students in the southern province of Binh Duong, where the first two Vietnam Singapore Industrial Park (VSIP) projects are located.

During the year VSIP, also launched its VSIP Together corporate social responsibility programme that undertakes community projects together with its tenants. VSIP raised a total of US\$200,000 in partnership with two of its tenants, Thermtrol and Serrano, to fund the reconstruction of the building and courtyard at Tan Binh School in Binh Duong. The funds were also used for new furniture and the school library. In conjunction with the re-opening of the school, VSIP awarded 25 scholarships to the school's students.

During the year, our Industrial Parks arm also took part in the Asia Injury Prevention Foundation's Helmets for Kids project by providing each child in Tan Binh School's student population of 200 with crash helmets. The project aimed to promote road safety for children in light of the high death toll from road accidents in Vietnam.

SEMBCORP'S COMMUNITY GIVING IN 2008

- Arts
- Children & Education
- Community & Volunteerism
- Sports & Fitness
- Others



Contributions denominated in US dollar and pound sterling are converted to Singapore dollar using prevailing exchange rates as at January 27, 2009.