

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.

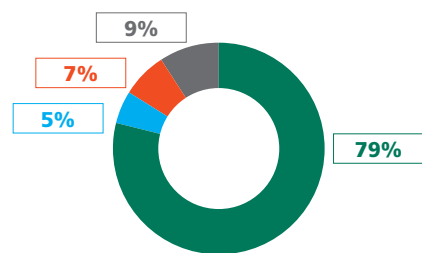
In 2008, the Group invested an average of 33 hours per Singapore employee on structured training, to the tune of S\$4 million.

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

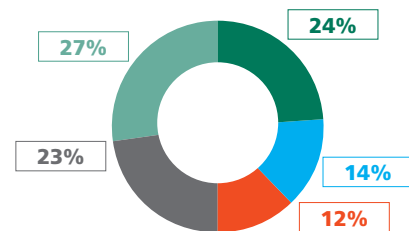
- Singapore
- North Asia
- Southeast & South Asia
- Europe, Americas & the Middle East



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

Human Resources & Employee Welfare

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.

