

Environmental, Social & Governance Review

Board of Directors	48
Key Executives	52
Corporate Governance	56
Risk Management & Mitigation Strategies	65
Investor Relations	70
Sustainability	73

Board of Directors



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

Ang Kong Hua

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, DBS Bank, Global Crossing, StarHub, STATS ChipPAC and Singapore Health Services. In addition, Mr Seah serves on the boards of the Government of Singapore Investment Corporation and the LaSalle Foundation. He is a member of the Temasek Advisory Panel. Mr Seah holds a BAdmin (Hons) from the University of Singapore.

Past directorships in listed companies and major appointments 2007–2009:

- EDB Investments
- PT Bank Internasional Indonesia
- The National Kidney Foundation
- PT Indosat
- Singapore Computer Systems
- Siam Commercial Bank
- Chartered Semiconductor Manufacturing

Tang Kin Fei
Group President & CEO
Appointed May 1, 2005

Mr Tang is Group President & CEO of Sembcorp Industries. With over twenty years at Sembcorp, he is credited with spearheading the development of its Utilities business into a leading energy, water and centralised utilities provider serving an international customer base in Singapore, the UK, China, Vietnam, the UAE and Oman.

Mr Tang is Deputy Chairman of International Enterprise Singapore, a member of the APEC Business Advisory Council and President of the Singapore Water Association. A council member of the Singapore Business Federation, Mr Tang serves on several China-Singapore as well as Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is

Board of Directors

a director of the School of Science and Technology, Singapore, and sits on the board of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

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 2007–2009:

- GuocoLeisure

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 2007–2009:

- DBS Bank
- DBS Group Holdings
- O2Micro International

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. He is also a director of CapitaLand. Mr Hale was previously a director and CEO Singapore of The Hongkong and Shanghai Banking Corporation. He was educated at Radley College, Abingdon, UK.

Past directorships in listed companies and major appointments 2007–2009:

- The Ascott Group
- BM Trust Management
- Wheelock Properties (Singapore)

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 2007–2009:

- 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 global chemical business. Mr Henkes is a director of Air Products and Chemicals, Outokumpu and Tate & Lyle. In addition, he serves as a member of the 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 2007–2009:

- 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. Mrs Lee currently serves on the boards of Macquarie International Infrastructure Fund, Rickmers Trust

Management and Transcu Group. She is a member of the National Heritage Board, the Board of Trustees of Nanyang Technological University, the Accounting Advisory Board of National University of Singapore's Business School and 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 2007–2009:

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

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 serves as a member of the Council of Presidential Advisers and 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 2007–2009:

- Changi Airports International
- Singapore Changi Airports Enterprise
- Stamford Land Corporation
- The Straits Trading Company

Ang Kong Hua

Non-executive Director

Appointed February 26, 2010

Mr Ang is an independent director and a member of the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

Currently, Mr Ang is Executive Director at NSL, an established industrial conglomerate in Singapore. He also serves on the boards of DBS Bank, DBS Group Holdings, the Government of Singapore Investment Corporation, GIC Special Investments, Bangkok Synthetics Co, Foamtec International Co and Action Precision Holdings.

Mr Ang holds a BSc (Hons) in Economics from the University of Hull, UK.

Past directorships in listed companies and major appointments 2007–2009:

- Neptune Orient Lines
- K1 Ventures
- Yantai Raffles Shipyard

Key Executives



Tang Kin Fei



Lim Joke Mui



Wong Weng Sun



Tan Cheng Guan



Dr Paul Gavens



Low Sin Leng

Tang Kin Fei
Group President & CEO
Joined 1987

Mr Tang is Group President & CEO of Sembcorp Industries. With over twenty years at Sembcorp, he is credited with spearheading the development of its Utilities business into a leading energy, water and centralised utilities provider serving an international customer base in Singapore, the UK, China, Vietnam, the UAE and Oman.

Mr Tang is Deputy Chairman of International Enterprise Singapore, a member of the APEC Business Advisory Council and President of the Singapore Water Association. A council member of the Singapore Business Federation, Mr Tang serves on several China-Singapore as well as Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is a director of the School of Science and Technology, Singapore, and sits on the board of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

Mr Tang holds a First Class Honours degree in Mechanical Engineering from the University of Singapore and underwent the Advanced Management Programme at INSEAD.

Lim Joke Mui
Group Chief Financial Officer
Joined 2002

Mrs Lim is responsible for the corporate finance & treasury, 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, including Sembcorp Marine.

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 many large financing transactions via the equity and debt markets and was involved in several corporate exercises, including takeovers and initial public offerings. She holds a BAcc degree from the University of Singapore.

Wong Weng Sun
President & CEO
Sembcorp Marine
Joined 1988

Mr Wong is President & CEO of Sembcorp Marine, as well as Managing Director of Jurong Shipyard. He sits on the board of a number of its subsidiaries.

Prior to his present appointment, Mr Wong served as President & Chief Operating Officer of Sembcorp Marine, as well as Managing 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, and the Singapore Marine Foundation.

He holds a BEng (Hons) in Mechanical Engineering (Marine) from the University of Technology, Malaysia, as well as an MBA from Oklahoma City University, USA.

Tan Cheng Guan
Executive Vice President
Group Business & Strategic Development
Joined 2007

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

He brings with him broad experience in strategy, business development and management 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, USA.

Key Executives

Dr Paul Gavens
Executive Vice President
Sembcorp Utilities (UK)
Joined 2003

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

He began his career with ICI in 1977 as a research chemist but has worked in the energy and utilities field at the Wilton International site in Teesside, 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 integrated township and industrial parks business. Leveraging on her business experience in Asia, Ms Low oversees the Group's activities in Vietnam and Indonesia. She is also a Singapore Representative to the ASEAN Business Advisory Council.

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, as well as a BEng (Distinction) from the University of Alberta, Canada, and completed Harvard Business School's Advanced Management Programme in the USA.

Growth & Performance

Group Business & Strategic 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

Lillian Lee
Senior Vice President
Group Human Resource

Lee Swee Chee
Chief Risk Officer

Lau Gar Ning
Chief Health, Safety &
Environment Officer

Jasmine Teo
Senior Vice President
Group Information
Technology

Ng Lay San
Vice President
Group Corporate
Relations

Group Internal Audit
Benedict Lee
Senior Vice President

Business Key Management

Utilities
Singapore
Ng Meng Poh
Head

Atul Nargund
Deputy Head

UK
Dr Paul Gavens
Head

China
Dr Jeffrey Chen
Head

Middle East & North Africa
Tan Cheng Guan
Head

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

Ong Poh Kwee
Deputy President
Sembcorp Marine
Managing Director
Sembawang Shipyard

Douglas Tan
Managing Director
PPL Shipyard

Ho Nee Sin
Managing Director
SMOE

Industrial Parks
Low Sin Leng
Executive Chairman

Environment
Goh Swee Ooi
Chief Operating Officer

Design & Construction
Lim Kah Hing
Managing Director

Mint
Yip Pak Ling
General Manager
& Mint Director

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 maximise shareholder value. The company recognises that well-defined corporate governance processes are vital in enhancing corporate accountability and sustainability.

For its efforts towards excellent financial reporting and extensive disclosures beyond the minimum regulatory requirements, the company was awarded a Silver award for the Best Annual Report at the Singapore Corporate Awards 2009 held in April. As at the end of the year, the Company was also ranked as the 5th most transparent company under The Business Times' Governance and Transparency Index.

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. The company will continue to review and refine its processes in light of the best practice, consistent with the needs and the circumstances of the Group.

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, key operational initiatives, 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 dictated by business imperatives.

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. A board meeting is also held at the end of each financial year to review the Group's strategy going forward and to consider and approve the Group's budget for the following year. Twice a year, the board also sets aside time during its scheduled meetings without the presence of management to discuss management's performance. Further board meetings may also be held to specifically consider other issues arising. Decisions of the board and board committees may also be obtained via circular resolutions. 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 2009, a total of seven board meetings were held, with an average of 88% 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. The ExCo met four times, out of which three were informal meetings, 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. Articles and reports relevant to the Group's businesses are also circulated to the directors for information. Newly-appointed directors are given comprehensive presentations by management, country heads and the Group Business Development department, on Sembcorp's strategic plans and direction, as well as its business activities in its various geographical markets. 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' operation sites are 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. During the year, visits to our operations at Jurong Shipyard, Singapore and Fujairah, UAE were conducted for the board.

Strong and independent board exercising objective judgement (Principle 2)

The current board comprises eight directors, of whom six are independent directors. Save for the Group President & CEO, all the directors are non-executive, including the Chairman. 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 contributing their expertise and insight to board deliberations, each director brings to the board an independent and objective perspective to enable balanced and well-considered decisions to be made. Profiles of the directors can be found on page 48 to 51.

Chairman and Chief Executive Officer (Principle 3)

The roles of chairman and the Group President & CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. 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 acts upon the board's decisions and is responsible for implementing the Group's strategies and policies in 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 practised by the Group. While the directors may have multiple board representations, the NC takes care to ensure and is satisfied that appointees have enough time available to devote to their directorship roles.

The NC is chaired by Mr Seah, who is joined on the committee by Mr Goh. 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 Goh, Yong Ying-I and Evert Henkes will retire at the forthcoming AGM. Ms Yong has confirmed that she will not be seeking re-election. Save for Ms Yong, the retiring directors, being eligible, have offered themselves for re-election. 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 continuous improvement of the board and its committees.

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 and to keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities, 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.

Board Members for 2009

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 20, 2009	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 20, 2009*	Non-executive / Independent
Yong Ying-I	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 20, 2009	Non-executive / Independent
Bobby Chin Yoke Choong	Director	Dec 1, 2008	Apr 20, 2009	Non-executive / Independent

* Up for retirement at AGM

Composition of Board and Board Committees for 2009

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			

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 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) comprises Mr Seah as its chairman, as well as Mr Goh. The ERCC held four meetings in the year with the full attendance of its members.

The ERCC is responsible for ensuring a formal procedure for developing and reviewing policies on compensation and development of the Group's senior

management. It assists the board to ensure that competitive remuneration policies and practices are in place to attract, motivate and retain talented executives. The ERCC also reviews the remuneration of the non-executive directors and executive director.

The ERCC reviews succession planning for key positions in the Group and the leadership pipeline for the organisation. It reviews the development of 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, officers reporting directly to him, as well as 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 contribute to the growth of the Group, 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 and key executives' remuneration is found in the related item under the Supplementary Information section of the Financial Statements in this report.

With the impact of the global economic crisis on businesses worldwide, the Group's focus is on managing prudently amidst the current uncertainty. The Group has implemented measures across the group to reduce administrative and operating costs, including wage cuts

for senior management staff. It continues to watch market developments closely and maintain discipline in its business decisions.

In addition, in 2009, the directors supported the ERCC's proposal that the board voluntarily lower each director's basic retainer fees for the financial year by S\$5,000. The directors' fees totalled S\$802,000 in 2009 (as compared to S\$801,250 in 2008) 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.
* For FY2009, directors took a lower basic fee of S\$45,000.

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 coherent assessment of the company's performance and prospect.

The company believes that prompt compliance with statutory reporting requirements is key to maintaining shareholders' confidence and trust in the company. In line with stock exchange requirements, negative assurance statements were issued by the board to accompany the company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention 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 and its members are Ms Yong, Lee Suet Fern and Bobby Chin Yoke Choong. The AC held four meetings and achieved an average of 94% attendance in 2009.

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 in 2008. 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 financial performance of the Group. The AC reviews the quarterly, half-yearly and full-year results 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 35(b) in the Notes to the Financial Statements.

The AC also oversees the Group's whistle-blowing policy.

Internal control and risk management (Principle 12)

The board and management of the company are fully committed to a robust system of internal controls, procedures 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 and its members include Mrs Lee and Ms Yong. All members of the RC are independent directors. The main role and function of the RC is to assist the board in fulfilling its oversight responsibility for risk management in the Group. It reviews the adequacy and effectiveness of the Group's risk management plans, systems, processes and procedures, Group-wide risk policies, guidelines and limits, as well as its risk portfolio and risk levels, including the treatment of identified risks. The RC also reviewed the impact and potential risks arising from the global banking and credit crisis on the Group's operations, as well as the proposed mitigating actions to ensure preservation of capital and adequate liquidity for the Group's operations. The impact of the credit crisis on key customers and suppliers is also monitored by management and is periodically reported to the RC. The RC held four meetings in 2009 and achieved an average of 83% attendance.

For more information on the progress of the company's enterprise risk management system, please refer to page 65.

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 met the standards for the professional practice of Internal Auditing promulgated by the Institute of Internal Audit.

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.

For more information on the whistle-blowing policy, please refer to page 66.

Communication with Shareholders

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

Sembcorp is committed to upholding high standard of disclosure and continues to keep all stakeholders

informed of its corporate activities on a timely and consistent basis. The company disseminates all price-sensitive and material 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 at least 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. General Meetings are held at a convenient central location which is accessible by public transport. Information on shareholder meetings is disseminated through notices in the reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website. 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, and the Chairman declares the number of proxy votes received for and against the resolutions. 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 upon request by 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 within two weeks prior to the announcement of the company's financial statements for each of the first three quarters of its financial year and within one month prior to the announcement of the company's full year financial statements. 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 business units are required to be familiar with the IPT Mandate and report any interested person transactions 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 2009 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 significant risk exposure and their risk treatment plans. Since April 2005, the Sembcorp Marine Risk Committee has assumed oversight responsibility for the Marine business' risk management activities and practices.

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

Risk Management & Mitigation Strategies

the Group. We have set up a self-check, review and certification process called the 'System of Financial Discipline' for all subsidiaries to confirm their commitment to and compliance with a prudent financial discipline framework.

At the SBU level, the process involves a comprehensive self-review exercise by management at various levels to ensure that transactions are in compliance with the accounting standards and acceptable accounting policies, and that the internal controls in place are adequate. The System of Financial Discipline also sets out a structured approach to identifying and facilitating the continued assessment of key risk areas with financial implications, such as provisioning for project losses, asset impairment, significant long outstanding debtors, fraud incidents and any transactions and / or events with material impact or potential material impact on the SBU's financial results.

On a quarterly basis, SBUs' operating and finance heads are required to certify and report the results of their self-review exercise to Sembcorp Industries. This process serves to facilitate oversight over accounting treatments adopted by SBUs and allows early identification of areas of potential exposure that can be addressed to minimise adverse impact to the Group. The reporting also serves as a periodic platform for all SBUs' operating and finance heads to highlight any transactions and / or events with material or potential material financial impact to the Group.

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

Our risk management efforts are focused on the following 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

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 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

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. This allows for early identification of areas of potential exposure which can be addressed to minimise adverse impact to the Group. Independent checks on the operating units' internal controls and risk management process are undertaken by the Internal Audit department to ensure their effectiveness and adequacy. Where appropriate, this is supported by risk transfer mechanisms such as insurance.

Insurance

It is not practicable to insure every insurable risk event to the fullest extent as the insurance market may lack the capacity, both as to breadth and extent of

coverage, and in some cases external insurance is simply unavailable or is not available at an 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 renewed its 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's wholly-owned captive insurance subsidiary, Sembcorp Captive Insurance, which is advised and managed by Marsh Management Services, also 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

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, meet the relevant hurdle rates of return and take into account all other relevant risk factors, such as market risks, operating risks, environmental risks and foreign exchange 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

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

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 SGX-ST 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 22, 2010. 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

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 60 to 61 and 86 to 90 of this annual report.

Investor Relations

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

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance. 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 also organised to help investors gain better insight to the Group's operations.

Proactive Communication with the Financial Community

Senior management and the investor relations team continued to actively maintain open communication channels with the financial community. During the year, we held over 180 one-on-one and group meetings with shareholders, analysts and potential investors. These included non-deal marketing roadshows in major financial centres. In Asia, we covered Singapore and Hong Kong; and in Europe, London, Frankfurt, Amsterdam and Edinburgh. We also participated in nine investor conferences during the year. In Singapore, we participated in the DBS Pulse of Asia Conference in January, the Deutsche Bank Access Singapore

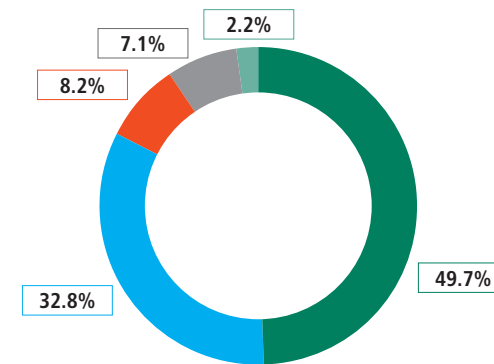
Corporate Day in March, the Macquarie ASEAN Conference in June, the Nomura Asia Equity Forum and DBS Pulse of Asia Conference in July, the BNP Paribas Securities Asia – ASEAN Corporate Day Conference and Citi ASEAN Investor Conference in August and the Morgan Stanley Asia Pacific Summit in November. In Hong Kong, we participated in the Credit Suisse Asian Investment Conference in March. During the year, we also organised site visits to our operations on Jurong Island to offer investors a better understanding of our utilities business.

During the year, Sembcorp Industries was awarded the Most Transparent Company Award in the multi-industry / conglomerates category at the Investors' Choice Awards presented by the Securities Investors Association (Singapore) in recognition of our commitment to corporate governance and transparency.

The company was ranked fifth among 494 Singapore-listed companies that released their annual reports between January 1 and June 30, 2009 in the Business Times Governance and Transparency Index. Sembcorp was also one of only two Singapore companies to be named one of the Global 100 Most Sustainable Corporations in the World by Corporate Knights, a Canadian financial magazine for "clean capitalism".

Share Ownership by Investor Category

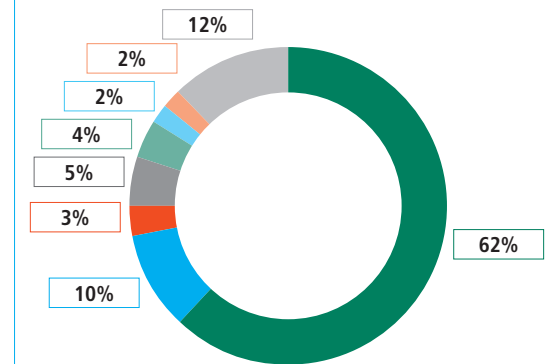
- Strategic*
- Institutional
- Shareholders holding less than 100,000 shares
- Retail
- Others



* Includes indirect interest
As at December 31, 2009.

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 8.2% of total shares
As at December 31, 2009.

Total Shareholder Return

2009 saw the global equities market recovering from the fallout of the global economic slowdown with the aid of government stimulus packages. Against this recovery, Sembcorp Industries' shares had a total shareholder return of 57% in 2009.

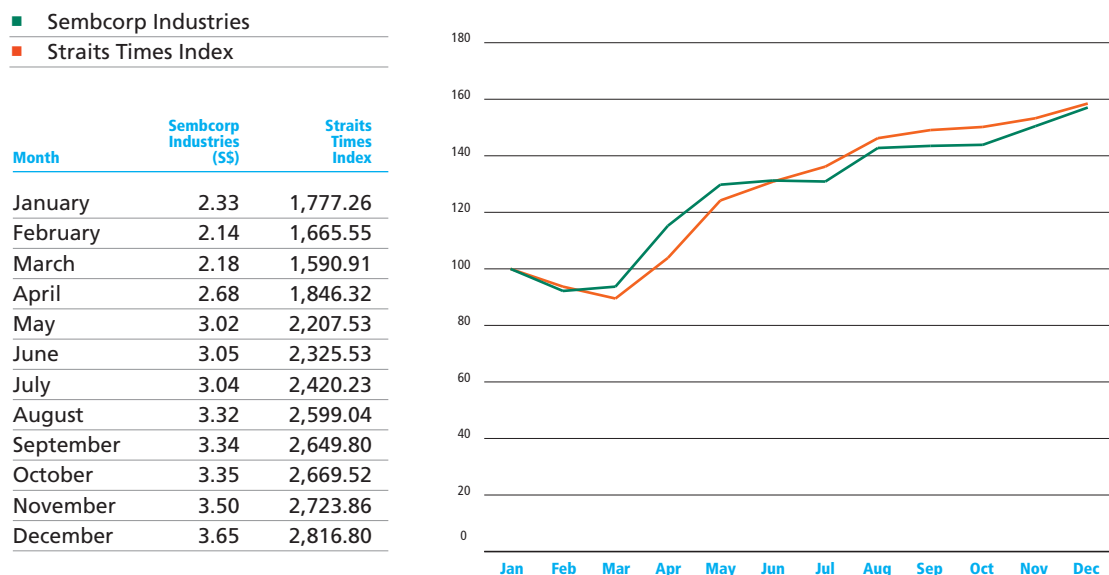
Sembcorp Industries' share price performed well in 2009, closing the year at S\$3.70 from S\$2.32 in 2008. The company's share price averaged S\$2.97 and registered a low of S\$2.00 on February 20 and 24, 2009 and a high of S\$3.85 on November 23, 2009. Daily turnover averaged 4.4 million shares in 2009.

Shareholder Information

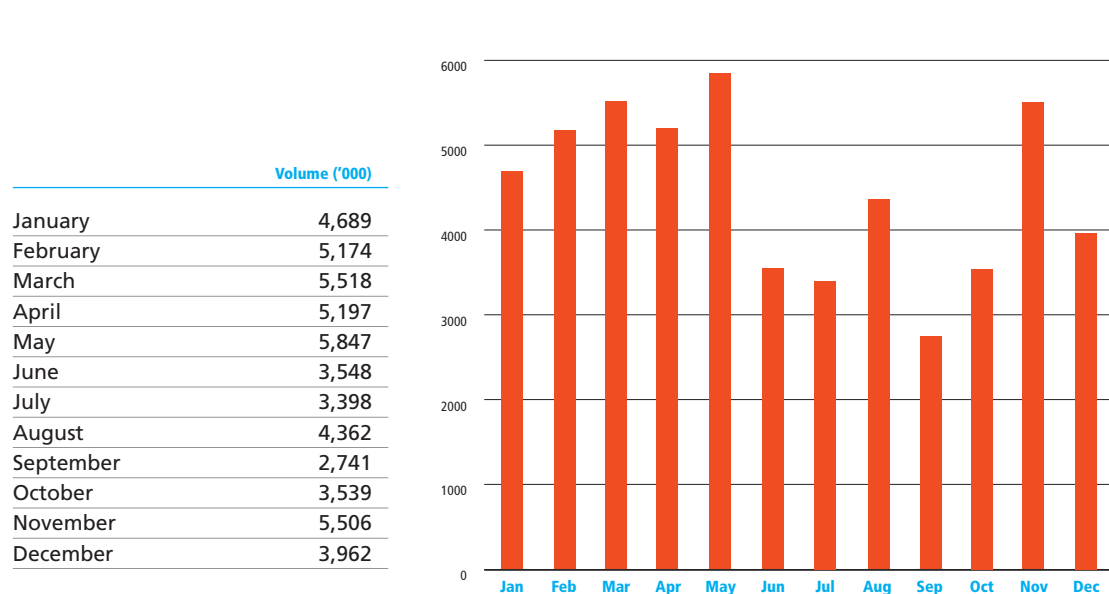
In 2009, other than our major shareholder Temasek Holdings, which held 49.7% of our shares as at the end of 2009, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Institutional shareholders accounted for 32.8% of our issued share capital or 65% of free float. Retail shareholders, including shareholders holding less than 100,000 shares, and others held the remaining 17.5%

of issued share capital or 35% 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 13% of issued share capital. Outside Singapore, our single largest geographical shareholder base was the USA with 10% of issued share capital. Shareholders from the UK and Hong Kong accounted for 5% and 3% of issued share capital respectively.

Average Monthly Sembcorp Industries Share Price and Straits Times Index in 2009 (Rebased)



Average Monthly Trade Volume of Sembcorp Industries Shares in 2009



Sustainability

Sustainability at Sembcorp is about striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing our businesses today.

Managing Sembcorp's Sustainability

Sembcorp's priority is to deliver long-term value and sustainable returns to our shareholders. As a multinational enterprise and a public listed company, we understand that there is a complex value chain to which Sembcorp belongs and that our wider responsibility incorporates sustainability issues. We fully recognise that these issues may be outside the traditional view of corporate activity, but as the global business landscape evolves, managing these issues is increasingly viewed as vital in maintaining companies' "license to operate" from society and their stakeholders.

This widening role of business is taken seriously by Sembcorp and we believe our commitment to excellence and continuous improvement in our health, safety and environment (HSE) performance as well as governance and human resources builds and protects the value of our business.

In our management of sustainability and governance, many issues are directly managed at the Group level with the support and input of each of the business units. Examples of these include our corporate governance programmes, risk management and mitigation strategies, group-wide HSE, as well as community investment initiatives. A number of

commitments external to the company have also been undertaken such as membership of the chemical sector's Responsible Care initiative, and an anti-corruption declaration with a well-recognised and respected non-governmental organisation in Singapore.

The approach taken by Sembcorp to manage sustainability is intended to benefit our shareholders, other key stakeholders and the communities in which we operate, on a global basis. In early 2010 we were recognised for our efforts by being included in the 'Global 100: Most Sustainable Companies in the World' published by Corporate Knights and the Global Research Alliance, a leading sustainability publication and research collaboration. Launched in 2005, the Global 100 is announced each year at the sidelines of the World Economic Forum.

Scope and Development

With customers and operations around the world, Sembcorp is an international company. Our four main operating units comprise Utilities, Marine, Environment and Industrial Parks. As our Marine business is separately listed and reports its activities in its own annual report, this report will primarily cover the other three strategic business units (SBUs). Data for our key performance

indicators (KPIs) for these SBUs has been tracked and reported in the areas of environment, health and safety, human resources and community investment. Aside from this chapter, information on the company's corporate governance, risk management and mitigation strategies, and investor relations which are part of the wider ambit of sustainability issues, may be found in the relevant chapters under the Environmental, Social and Governance Review section of this annual report.

The following sustainability report addresses the activities and data that fall within the company's financial year for the period from January 1 to December 31, 2009. Sembcorp has included aspects of sustainability in our annual report since 2001 and these issues were last reported for the financial year 2008.

As part of the development of our sustainability reporting systems, we have begun to implement the Global Reporting Initiative (GRI) G3 reporting principles and framework and aspects of the GRI Electric Utility Sector Supplement on a voluntary basis. Our aim is to work towards providing readers with an accurate, complete and reliable report that contains meaningful information on how we manage sustainability issues in our specific business sectors. The disclosure processes will also allow our stakeholders to view our progress over time. In our reporting, Sembcorp will also consider the principles of the GRI in terms of materiality, stakeholder inclusiveness, sustainability context, completeness, accuracy and comparability.

We have tried to incorporate as much data as possible from our ongoing operations and the scope of this report includes reporting on our majority owned business units, particularly our operations in Singapore and the UK. While reporting boundaries are based on currently available data from these operations, reference has also been made to other joint ventures and associates where appropriate. Where data is unavailable or has been excluded, this has been clearly stated, and data measurement is in line with GRI G3 recommendations for our chosen indicators. Sembcorp is committed to continuous improvement and aims to expand the scope of the report in the future. Our target for our ongoing reporting development is to incorporate reporting on all those SBUs which Sembcorp has a majority stake.



This report has been self-declared at GRI G3 Level B incorporating all of the Standard Disclosures and our material key performance indicators. An index of GRI G3 performance indicators covered in this report can be found on our website, www.sembcorp.com.

Our Sustainability Approach: Risk, Opportunities and Engagement

Identifying, monitoring and managing material issues that we believe are relevant and significant for the company and its stakeholders is an ongoing process at Sembcorp. We aim to regularly review these issues, bearing in mind that these are dynamic and can change over time and across different geographical areas.

In general, Sembcorp's management and monitoring of sustainability issues is based on a risk management approach. However, we also recognise that there are tremendous opportunities to actively invest in sustainable business lines. Using our integrated group strength, we apply proven technologies to produce energy in greener ways, create innovative solutions for clean, sustainable water and help manage resources through the treatment and recovery of recyclables from waste. In this way, we not only do our part to limit the impact of our activities on the environment while staying competitive, but also help our customers to do the same.

At Sembcorp, we also recognise the very useful role which employee engagement and two-way communication channels can play, not only in determining our sustainability-related risks but also in identifying areas for future improvement. Sembcorp maintains a whistle-blowing scheme and also provides our employees with confidential feedback channels. To promote a sustainability culture within the Group, employee appraisals take into account HSE performance. Our employees are also encouraged to contribute innovative ideas and suggestions to improve workplace practices, products and services, including their HSE impact.

Sustainability Policy at Sembcorp

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.

Our efforts to engage our internal stakeholders in the practice of sustainability are also supported by our engagement with other companies and organisations, ranging from site and industry-specific groups to organisations with a much wider agenda.

Sembcorp is a founding member and supporter of the Singapore Compact for Corporate Social Responsibility, a national society promoting sustainability issues in Singapore and a participant in the United Nations Global Compact.

At the industry level, Sembcorp participates in the Responsible Care voluntary initiative, which is endorsed by the Singapore Chemical Industry Council (SCIC). This encourages members to adopt 10 guiding principles for a safer chemical industry through the six management practices of employee health and safety, distribution, pollution prevention, process safety, product stewardship and community awareness

and emergency response. Sembcorp is also a member of the Sakra Island Community Awareness Group (SICA), 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.

In 2009, Sembcorp signed a regional declaration on anti-corruption in an initiative led by the Singapore Institute of International Affairs (SIIA) a regional think-tank in Southeast Asia.

In the UK, Sembcorp is currently one of around 50 organisations in the world to have achieved the British Standards Institute (BSI) Management Systems BS25999 standard for business continuity management. In 2009, the Protection business unit also worked with BSI to promote the new standard to the wider business community and took part in external education events.

Anti-corruption Declaration

In September 2009, Sembcorp re-emphasised our commitment to good corporate governance and anti-corruption as one of 17 signatories to make a pledge towards clean and transparent business practices. The anti-corruption declaration was initiated by the Singapore Institute of International Affairs (SIIA), and is the first of its kind in Southeast Asia.

Under the declaration, a signatory organisation signals its intention to comply with all applicable laws, regulations and provisions on corruption and unfair competition to promote a clean business environment.

Sembcorp believes that such a public commitment is a useful step towards good governance and corruption prevention and believes that everyone, both in the public and private sector, has a responsibility to create a corruption-free pro-business environment.

Sembcorp's Supply Chain

Due to the scale of Sembcorp's operations, our supply chain is a complex one. Our commitment to issues such as HSE performance dictates that our sustainability policies should deliver wider beneficial effects for all stakeholders who are part of our value chain.

As an integrated utilities provider, Sembcorp directly uses primary resources, whilst other parts of the business operate and maintain or manage facilities and buildings, treatment processes, machinery and people. Sembcorp already works closely with our suppliers, business partners and contractors to promote issues such as health and safety to encourage our contractors to practise pollution control at source and waste minimisation. For each contract that is awarded by Sembcorp, an assessment of the contractor's general capability is undertaken to ensure that the delivery of the project will be in line with our health, safety and environment policy. We also work collectively with our suppliers to actively identify and improve upon performance in these areas via platforms such as contractor HSE committee meetings, safety induction programmes as well as vendor performance audits.

Sembcorp also owns and operates facilities which supply products and services to industrial customers.

Sembcorp in the UK: Ensus' Key Supply Chain Partner

A new plant designed to meet the power and steam requirements of Ensus' significant new bio-refinery and other companies at Sembcorp's Wilton International site was completed in 2009. The gas turbine and heat recovery steam generator will supply 42 megawatts of electricity and up to 162 tonnes an hour of steam to the site system.

By virtue of its combined heat and power status, Sembcorp's plant – the second gas turbine to be built by Sembcorp at Wilton in the last seven years – is effectively supplying greener energy to Ensus helping to reduce the overall carbon footprint of its biofuels plant.

We understand that many of our multinational clients are in the process of developing and integrating their own sustainability programmes and Sembcorp aims to help them improve their own performance by being a responsible member of their supply chain.

Stakeholder Engagement

Constructive dialogue with our stakeholders is an important tool for Sembcorp to understand our internal and external business environment and deliver the right products, services and information to the right groups at the right time. Our engagement processes, including identification and prioritisation, broadly reside at the operational level with some oversight at Group level, but stakeholder engagement involves all of the issues highlighted in this report.

Our main stakeholder groups can be identified as regulators (including diverse entities such as the Singapore Stock Exchange and the Energy Market Authority), financial institutions, shareholders and other investors, suppliers, customers and communities in which we operate.

As part of ongoing efforts to elevate the importance of engagement, we have carried out a pilot stakeholder engagement programme using the AA1000 Stakeholder Engagement Standard as the basis for its methodology. This standard is a framework for designing, implementing, assessing and assuring

the quality of stakeholder engagement and will assist Sembcorp to improve transparency, reporting and accountability over time.

The purpose of the exercise is to engage a target number of internal and external opinion formers and discuss what they feel sustainability should mean for Sembcorp. We hope to add to the overall depth and credibility of stakeholder engagement at Sembcorp and relevant findings from the exercise could also provide some indicators to develop and include in the future.

Through these internationally recognised standards and other formal engagement processes, such as our investor relations programme, we hope to align relevant issues with our overall strategy and use this process as part of our ongoing target setting.

Green Business Lines

In line with our continual drive for innovation and to widen our sustainable business portfolio, the development of sustainable or 'green' business lines has become a growing part of our ongoing core businesses. We foresee sustainable products and services delivering an additional competitive edge and enhancing our reputation as a responsible and responsive company. Sembcorp's sustainable business operations include:

Renewable energy

At Sembcorp's operations in the UK, we operate a 35-megawatt renewable energy power station using sustainable wood for fuel (see case study on following page), enough to power 30,000 households.

Natural gas

Sembcorp was the first commercial importer and retailer of natural gas in Singapore and the first company to supply and retail compressed natural gas directly to motorists. We import 341 billion British thermal units of natural gas per day from West Natuna in Indonesia and starting in late 2011, we will import an additional 90 billion British thermal units of gas per day.

Efficient power and steam generation and combined power-and-desalination

Sembcorp continues to seek greater efficiency and lower emissions in our power, steam and

desalination operations in Singapore, China, the UK, the Middle East and Vietnam through the use of technology.

In Vietnam, we make use of combined cycle gas turbine technology, where waste heat from gas turbines is used to create 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 cogeneration plants in China, Singapore and the UK. Cogeneration refers to the production of both electricity and steam 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.

We also co-own and operate a combined power-and-desalination facility in the UAE with an 893 megawatt power generation capacity and a seawater desalination capacity of 100 million imperial gallons per day. This plant captures heat created as a by-product of the power generation process which might otherwise have been lost in the form of flue gas, for use in seawater desalination. In addition, we are building a combined power-and-desalination plant in Oman with a gross power generation capacity of 490 megawatts and a seawater desalination capacity of 15 million imperial gallons per day.

Waste-to-resource

Through Sembcorp's range of services, waste that would usually be disposed of in landfill and incineration facilities is diverted for recycling. We also have capabilities in advanced waste treatment and resource recovery, including composting and waste-to-energy recovery. Sembcorp's award-winning environmental arm in Australia, SITA Environmental Solutions is the leader in the development and operation of advanced resource recovery facilities.

Our waste-to-resource facilities in Singapore extract recyclables from waste collected through our collection arm, which is the leading operator in Singapore serving four out of the nation's nine municipal sectors.

Sembcorp also operates a construction and demolition materials recovery facility in Singapore capable of processing 300,000 tonnes of construction and demolition waste per year. Timber, hardcore and fines, as well as ferrous and non-ferrous metals are recovered during the sorting process. Furthermore, the complete

range of waste paper recycling services is offered from collection, sorting and baling to bulk supply of recovered paper to paper manufacturers. With more than 20 years of experience in waste paper recycling, we have an extensive network collecting some 300 tonnes of waste paper each day.

Biomass Power: An Integrated and Sustainable Future

Renewable energy has presented an entirely new business opportunity for Sembcorp as well as a platform to move forward to a brighter, more sustainable future. The Sembcorp Biomass Power Station became the UK's first large scale wood-to-energy plant when it began full commercial operations in October 2007. The station has been designed to meet all current and foreseeable European emissions targets by applying best available technology.

Quick Facts

- Saves 200,000 tonnes of carbon dioxide emissions a year, roughly equivalent to emissions savings from taking 67,000 vehicles off the road
- Uses nearly 300,000 tonnes of sustainable and recycled wood fuel
- 40% of fuel derived from recycled timber = less landfill
- 20% of fuel from wood from locally managed forests = less transport

Taking nearly 300,000 tonnes a year of wood from sustainable sources in the UK, the plant is capable of generating around 35 megawatts of electricity. It is helping in the battle against climate change by saving 200,000 tonnes of carbon dioxide emissions a year compared to a fossil fuel power station with a similar capacity.

Around 1,000 jobs were created during a two-year construction period and the facility has created 15 permanent jobs as well as contributing to the wider economy and community by creating additional job opportunities within the farming, forestry, wood recycling and transport sectors.

Sembcorp has signed contracts with companies that can deliver long term wood supplies from the surrounding region, avoiding the cost and emissions associated with long distance road haulage. It also offers farmers and landowners in Yorkshire and the northeast of England the opportunity to diversify into the production of the energy crop short rotation coppice. The four chosen fuels (with no requirement to artificially dry any fuel) are:

- Recycled wood supplied as chips with a proportion of sheet materials, pre-processed chips and some demolition timber included
- Small roundwood logs from commercially managed forests
- Sawmill co-products including offcuts, supplied as chips
- Short rotation coppice supplied as woodchips

The short rotation coppice, which is currently in the process of being cultivated, has many economic and environmental benefits. These include secure supply contracts direct with Sembcorp, a guaranteed direct market for the harvested crop and risk management by diversification as the guaranteed price for short rotation coppice is not affected by the vagaries of the agricultural market.

Other benefits are a significant reduction in pesticide, herbicide and fertiliser use compared to conventional cropping, increased biodiversity within the agricultural landscape including increased cover for game and the use of marginal and reclaimed land for cultivation of the crop. The crop has increased resistance to flooding and can be cultivated on land exposed to regular or unpredictable flooding where conventional crops might be lost.

Wastewater treatment and water recycling

In Singapore and China, Sembcorp is a pioneer in industrial wastewater treatment and water reclamation. Sembcorp's facilities are capable of treating high organic concentration and high salinity industrial wastewater which can be 20 times more concentrated than municipal wastewater and 1.5 times more saline than seawater. In 2009, we increased our integrated wastewater treatment capacity in Singapore by over 50% with the opening of a 3,000 cubic metres per day industrial wastewater plant utilising membrane bioreactor technology. Sembcorp is the only company in Singapore to have successfully applied this advanced technology for the treatment of industrial wastewater, which allows our plants to occupy a smaller plant footprint compared to a conventional aerobic treatment system, yet produce effluent of a consistently high quality with lower energy consumption, minimal chemical usage and a reduced amount of sludge.

Sembcorp was also the first company to reclaim secondary effluents from industrial wastewater, applying dual-media filtration, microfiltration, reverse osmosis and ion exchange technologies to produce high purity demineralised water and high grade industrial water for supply to its customers. Today, Sembcorp's supply of demineralised water and high grade industrial water to customers is substantially derived from reclaimed water. Our ability to integrate wastewater treatment, water reclamation and water supply in a "closed loop" minimises liquid discharge, conserves potable water supplies and promotes a sustainable water supply.

The Sembcorp NEWater Plant, designed, built, owned and operated by Sembcorp, is Singapore's largest plant producing treated used water that has undergone stringent purification and treatment process using advanced dual-membrane and ultraviolet technologies. It began operations in July 2009 and when fully completed in mid-2010, will be one of the largest water recycling plants in the world, producing 228,000 cubic metres per day.

Sustainable integrated townships

Sembcorp's Industrial Parks business applies an integrated approach to township development,

providing world-class manufacturing space coupled with a sustainable urban environment.

In May 2009, the business entered into a joint venture with Yanlord Land Group and Surbana Land to develop the Sino-Singapore Nanjing Eco High-Tech Island in Nanjing, China. The development will offer approximately 6,000,000 square metres of gross floor area for prime commercial, industrial and residential use. When completed, it will house many of the world's leading technology companies. The Eco High-Tech Island will be progressively developed and will provide a platform for the sustainable development of high-tech, smart industries and services. This commercially-driven project will focus on the growing importance of achieving a balance between continued technological progress and environmental preservation.

Research and development

Research and development plays an important role in strengthening Sembcorp's sustainable capabilities. One such example in 2009 was the partnership between Sembcorp and the Nanyang Technological University's Nanyang Environment and Water Research Institute (NTU-NEWRI) to jointly explore the application of a new system for the treatment of complex industrial wastewater. Sembcorp and NTU-NEWRI will work together over the next three years to explore a novel treatment technology aimed at removing recalcitrant organic matter from wastewater. The process models nature's way of cleaning the water and it is hoped that the technology can be more competitive than other technologies.

In June 2009, Sembcorp signed a technical assistance agreement with local water technology companies United Envirotech and Memstar to form a pilot testbed for a new high environmental performance system to treat industrial wastewater and reclaim water. The system will be the first in Singapore to apply membrane distillation technology for the treatment of industrial wastewater and water reclamation. The system will aim to maximise the reclamation of clean water from treated effluent and make progress towards achieving affordable zero liquid discharge solutions. The new testbed is in line with Sembcorp's efforts to commercialise promising

new sustainable technologies and help industrial sites and cities minimise discharge into waterways.

Sustainability Awards and External Recognition

In the past year, Sembcorp has received a number of awards, both nationally and globally for its efforts to promote and practice sustainability.

Global 100: Most Sustainable Companies in the World (Ranked 78th)

Sembcorp was one of two Singapore-headquartered companies included in the 'Global 100 Most Sustainable Corporations in the World' list. The list, published annually by Corporate Knights, a magazine for "clean-capitalism", applies environmental, social and governance measures to demonstrate that "the most sustainable companies attract the most capital and earn the best returns...squeeze[ing] more wealth from less material resources while honouring the social contract." Key assessment parameters include energy, carbon, water and waste productivity, leadership diversity, percentage tax paid, sustainability leadership, innovation capacity and overall transparency. Sembcorp was ranked 78th on the list.

SCIC Responsible Care Awards

Sembcorp was honoured by the Singapore Chemical Industry Council (SCIC) with a gold award in the 'Community Awareness and Emergency Preparedness' code category and two achievement awards in the 'Employee Health and Safety' and 'Pollution Prevention' code categories at the Responsible Care Awards 2009. The awards were conceived to honour companies who have incorporated Responsible Care Management Practices into their operations, and to recognise those with exemplary performance in maintaining high health, safety and environmental standards.

Workplace Safety and Health Performance Award (WSHPA) 2009

Sembcorp won four silver Workplace Safety and Health Performance Awards at the Workplace Safety and Health Performance Awards. The annual awards are presented by the Workplace Safety and Health Council in collaboration with Singapore's Ministry of

Manpower to give recognition to organisations that have performed well by implementing sound health and safety management systems. The four silver awards were received by Sembcorp Gas, Sembcorp Cogen, Sembcorp Industries' SUT Division and collectively by Sembcorp's Sakra Island Carbon Dioxide and PPU Division as well as Sembcorp Air Products (HYCO).

NTUC Commendation for People Development

Sembcorp's waste collection unit received a commendation award from the National Trades Union Congress in recognition of our strong commitment to growing a constructive partnership between the company and the union, and also for our continuing focus in skills upgrading, work safety and employee welfare.

Chemical Industries Association Awards

Sembcorp UK's vastly experienced Protection Team, which protects more than £14 billion of industrial assets in the UK was recognised by the UK's Chemical Industries Association (CIA) by being named the winner of the CIA 2009 Awards in the Professional and Engineering Supplier category. The award recognises suppliers whose services allow chemical manufacturers to concentrate on their own area of expertise.

Sembcorp's Protection business is based at the company's Wilton International site on Teesside in the UK and supplies a wide range of services to customers, from world class fire fighting and chemical spill protection, to emergency planning, site security and business continuity expertise.

Frost & Sullivan Asia Pacific Industrial Technologies Award

Sembcorp's Australian environmental arm, SITA Environmental Solutions (SES), won the inaugural Frost & Sullivan Asia Pacific Industrial Technologies Award for 'Waste Management Company of the Year'. SES was selected by Frost & Sullivan, a global growth consultancy, for the award given its excellence in waste management and treatment, and its active application of progressive technologies particularly in areas like waste-to-resource. This award provides a clear message that SES'

commitment to developing sustainable and innovative advanced resource recovery practices is the Asia-Pacific benchmark for all recycling and waste management companies operating in this region.

Total Defence Award 2009

Sembcorp's waste collection unit was named the winner of Distinguished Defence Partner Award 2009 by Singapore's Ministry of Defence for our continuing support and contributions towards operational readiness for national defence.

Health, Safety and Environment

Managing our material issues

HSE issues are closely linked with Sembcorp's long-term business success. HSE issues have been identified as material factors in terms of their potential impact on our main business operations. Clean air and climate change, water, waste and the health and safety of our employees and business partners are areas where we have focused our sustainability efforts and resources.

Under our Group HSE policy, which can be viewed on our website at www.sembcorp.com, Sembcorp views HSE issues as its first priority. This section of the report will provide information on how the Group pro-actively manages impacts arising from its operations.

We continue to be guided by four HSE main principles which include:

- Implementing internationally recognised HSE management systems such as ISO14001 and OSHAS18001, as well as our own additional indicators such as SCU 5/0.
- Actively investing in financially viable sustainable business lines, which form part of our core operations.
- Continuous improvement to enhance HSE performance of our processes, products and services (incorporating feedback, audits and innovation to strengthen the functioning of our management systems).
- Working closely with our business partners and seeking active engagement to promote mutual HSE performance improvement and positive impacts.

HSE management, committees and structures

Sembcorp's culture of HSE involves everyone associated with the company. This approach of shared responsibility means that employees and business partners, including contractors, must all take ownership of our day-to-day health, safety and environmental performance, and meet the standards that we expect.

Our Group HSE office is the driver of our management systems and co-ordinates our global HSE efforts. HSE management committees and associated reporting structures have been established for the effective management of HSE issues with the express purpose of setting long-term HSE objectives and targets and complying with the regulatory requirements and voluntary guidelines and initiatives.

An example of this structure is our operations on Jurong Island in Singapore, where the HSE Committees are structured at two levels. The main HSE Committee comprises all heads of department while the HSE Sub-Committee comprises members from the respective operating plants on Jurong Island. The committees are responsible for monitoring and reporting results, ensuring continuous improvement, enhancing effective two-way communication, and engaging with staff and maximising their involvement. The sub-committee comprises representatives from various disciplines, not just HSE, and there are at least three employees and three management representatives at each committee level. During the 2009 reporting period monthly sub-committee meetings were held, whilst the main HSE committee met quarterly.

Similar structures are used at our various business units to ensure that HSE is always a high priority.

Sembcorp Contractors' HSE Committee

From mid-2009, a Sembcorp Contractors' HSE Committee for Utilities in Singapore was initiated to promote wider co-operation in achieving and maintaining HSE performance amongst all contractors working with the company.

This important addition to our HSE management systems at Sembcorp has set a series of targets which include:

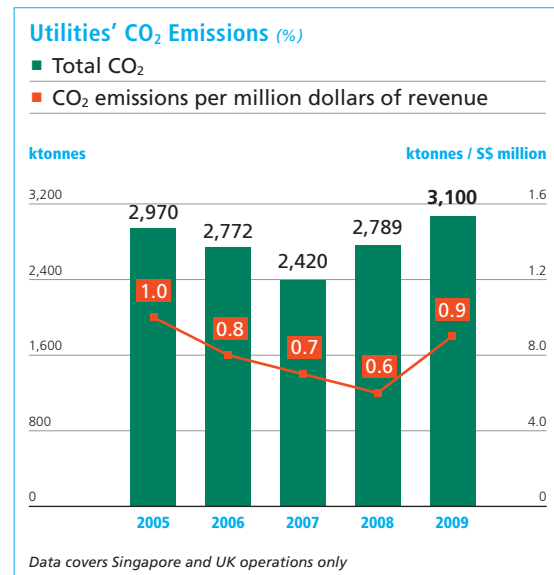
- Carrying out inspections to highlight gaps or deficiencies in HSE control.

- Keeping abreast of developments in new technologies, legislative changes and the introduction of new products.
- Jointly organising safety promotion activities to generate HSE awareness among workers.
- Contributing safety suggestions and participating actively in areas that would improve the overall safety performance of contractors as well as more widely at Sembcorp.
- Investigating any accident, incidents or near-misses relating to HSE and recommending counter measures to prevent recurrence.

Clean Air and Climate Change

As a key player in the energy sector, Sembcorp is mindful of our impact on clean air and climate change. Sembcorp works towards limiting and managing environmental impact by improving the efficiency and performance of our operations.

Emissions and energy usage are monitored and the levels of carbon dioxide emitted by some of our Utilities operations have been reported on for a number of years with a view to limiting emissions. For the purpose of this report, data is from our wholly or majority owned units in Singapore and the UK unless otherwise stated.



Utilities' Primary Energy Sources Consumption

Fuel Type (in gigajoules)	2008	2009
Natural Gas	43,046,563	52,629,901
Diesel*	162,661	10,012
Biomass	2,301,271	2,592,894
Fuel Oil	45,422	186,867
Coal#	8,302,550	4,250,602

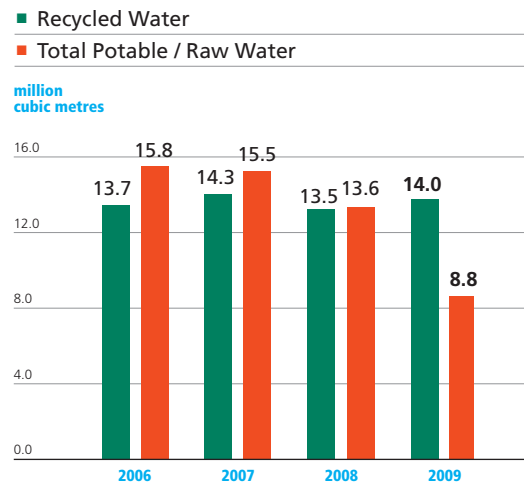
* Only used in Singapore
Only used in the UK

Data covers Singapore and UK operations only

Total carbon dioxide emissions in Singapore increased from 2,789 to 3,100 kilotonnes due to the increase in the production of steam during the reporting period. In the UK there was a marked reduction in carbon dioxide emissions from 1,065 kilotonnes to 810 kilotonnes. This was mainly due to a significant increase in the use of natural gas and decrease in the use of coal as a new gas turbine and heat recovery steam generator was brought into service.

In addition to tracking direct carbon dioxide emissions, we monitor the energy usage of our Utilities operations. Electricity consumption from our Utilities operations

Utilities' Potable / Raw & Recycled Water Use



Data covers Singapore and UK operations only

increased slightly by 1.2% from 131,808 gigajoules to 133,400 gigajoules for the year.

We also track our Utilities operations' primary energy sources usage. Natural gas continues to remain the largest constituent of our primary energy sources (all measurements have been expressed in gigajoules for ease of comparison).

Water

As a result of our continued efforts, and the use of closed-loop systems in Singapore that reuse and recycle water, we have, for three consecutive years, reduced our use of potable and raw water. Our total potable and raw water consumption in the UK and Singapore fell by 35% in 2009.

In addition to tracking our own water use in our operations, Sembcorp's wastewater treatment activities also treat industrial effluent generated by our customers to reduce their impact on the environment.

Accident and Injury Rates

Sembcorp's SCU 5/0

With HSE issues being a top business priority, Sembcorp launched the internally driven SCU 5/0 initiative in 2006. This encompasses the five goals of zero injury, zero spill, zero non-compliance, zero hazardous release and zero unplanned shutdown. The initiative provides a common platform across all of our Utilities operating sites and requires all employees to identify hazards and gaps in activities and eliminate them. Employees at all levels are encouraged to participate in the discussion of HSE issues arising in their course of work.

The campaign has been effective and in 2009 the "price of non-conformance", our internal measurement indicator for the imputed monetary cost of lapses relating to the five indicators, decreased by 38%. Since the campaign was started over five

SCU 5/0 Profile

	2006	2007	2008	2009
Total Incidents	44	38	23	20

Data for Singapore operations only

Utilities' Consolidated Accident Statistics

	2007	2008	2009
Accident Frequency Rate ¹ (AFR)	1.3	0.0	1.3
Accident Severity Rate ² (ASR)	14.3	0.0	20.2

1. Number of workplace accidents per million man-hours worked

2. Number of man-days lost to workplace accidents per million man-hours worked

Data covers operations in Singapore and the UK – combined data only available for this three-year period

years ago, the overall price of non-conformance has decreased by 90%.

SCU 5/0 was introduced to our UK operations in 2009 and the data collected will form part of the wider HSE monitoring and management systems at Sembcorp.

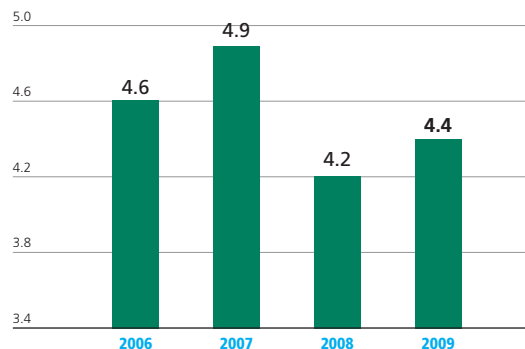
For 2009 we have been able to extend the scope of our accident and injury rate reporting. Beginning last year in Singapore, we started to use accident frequency rates (AFR) and accident severity rates (ASR) in accordance with the tracking criteria set by Singapore's Ministry of Manpower. The safety performance from our UK operations is now incorporated with data from our Utilities operations in Singapore. Our Environment operations' safety performance in Singapore is also reported on separately.

Our Utilities operations had four reportable cases in 2009, two in the UK and two in Singapore. For the ASR, our Utilities operations reported 64 man-days lost per million man-hours worked in 2009, compared to zero man-days lost in 2008. One of the accidents, which accounted for 57 days of lost time, was a cycling accident that took place when an employee was travelling between operations sites in our Jurong Island facilities in Singapore. We will continue to strive for zero accidents and believe our SCU 5/0 initiative will help us to achieve this.

In terms of prevention initiatives, Sembcorp's operations in the UK ran a successful seminar on process safety for managers and engineers taking several external industrial incidents as learning examples. The focus was on human behavioural aspects of the accident and the interface with equipment and processes. Attendees gained insight as to how they

Environment's Accident Frequency Rate

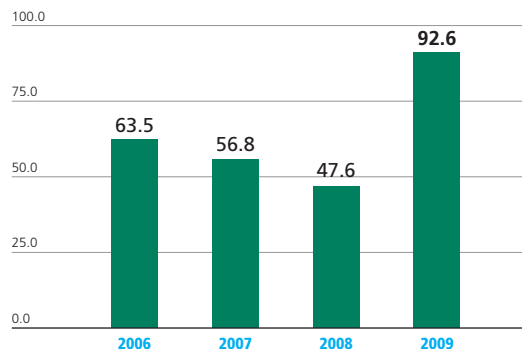
■ Number of workplace accidents per million man-hours worked



Data covers operations in Singapore only

Environment's Accident Severity Rate

■ Number of man-days lost to workplace accidents per million man-hours worked



Data covers operations in Singapore only

could take such factors into account in the design and operation of facilities.

For our Environment business in Singapore, we saw an increase in the AFR and ASR compared to 2008. This was mainly due to two industrial accident cases that led to an extended number of days away from work, along with a decrease in the number of man-hours worked by 33% due to a divestment of part of the business.

Safety is important to us and our Environment business has taken preventative action to improve its AFR and ASR levels. This includes additional "toolbox meetings" with management and employees to cover the importance of health and safety. Spot inspections at operational sites were also conducted more frequently and new guidelines relating to the use of safety equipment were implemented.

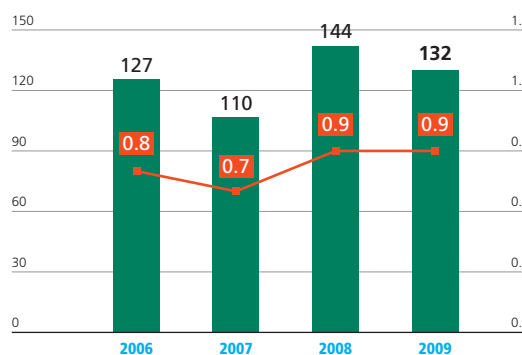
Vehicle accident rates

With a relatively large number of commercial vehicles in use, a considerable amount of driving is undertaken in the course of the year by our waste management unit. Hence, a key indicator for safety is the unit's vehicle accident rate. In 2009, there was a fall in the total number of vehicle accidents.

Our ongoing preventive and corrective measures include counselling, internal disciplinary systems jointly spearheaded by operations and human resources, with the direct involvement of the union, to improve driver selection and orientation programme. We also

Environment's Vehicle Accident Rate

■ Total number of vehicle accidents
■ Vehicle accident rate per 100,000km



Data covers operations in Singapore only

have awards for drivers achieving three years of traffic accident-free service with the company.

HSE Progress in 2009

HSE Accident Incident Management System

The HSE Accident Incident Management System, a web-based application that tracks and reports incidents and accidents at the Utilities operational facilities in Singapore, was launched in 2009. The system tracks the status of reported incidents and accidents and creates a useful database for analysis and learning. Based on two HSE procedures, hazard identification, risk assessment and risk control, and incident and non-conformance reporting, it is a positive step forward in our HSE management systems.

Commitment to Responsible Care

To strengthen its HSE performance, Sembcorp joined the Singapore branch of Responsible Care in 2008. An initiative of the global chemical industry, Responsible Care signatories must commit to implementing the guiding principles and management codes of practice. At the Responsible Care Awards 2009, Sembcorp won a gold award for 'Emergency Preparedness and Community Awareness Code' and two achievement awards under the 'Pollution Prevention Code' and 'Employee Health and Safety Code' categories.

As a signatory to Responsible Care in Singapore, Sembcorp has committed to:

- Implement all relevant components of the Responsible Care codes of management practices in Singapore.
- Implement and describe specific company initiatives on HSE and community openness.
- Strive for continuous improvement in HSE performance and standard with zero injuries, incidents and waste.
- Regularly brief employees on Responsible Care objectives, processes and results as part of its own HSE activity and improvements; supported by SCIC to allow employees to represent the industry as ambassadors.
- Consider and give weightage to HSE performance reflected in the Responsible Care Guiding Principles and processes when selecting suppliers of materials or services.

- Broaden the influence of Responsible Care to the users of chemicals by implementation of product stewardship by all employees.
- Submit self-assessment and key performance indicator forms annually.

HSE learning initiatives

Sembcorp's Utilities operations in Singapore launched an HSE e-learning platform in mid-2009. This project was triggered by the need to provide an alternative learning environment for staff to ensure HSE skills are regularly upgraded without the need to spend a great deal of time away from office. At present, the range of modules includes safety inductions, hearing conservation and scaffold safety amongst others.

The HSE department also conducted a series of roadshows to promote the initiative as well as to orientate staff on the use of the system. Harnessing innovation and technology, the interactive web-based lesson content is interspersed with informative videos and energetic presentations, animations, graphics and interactive exercises. Employees are expected to demonstrate clearly specified competencies by the end of the session and are able to review their personal learning records.

HSE teams also collaborated in cross audits at Utilities operations in Singapore, UAE and the UK. The audits are undertaken to develop expertise and share best practice within the different operating environments at Sembcorp.

HSE staff from our Utilities operations in Vietnam visited Utilities operations in Singapore to learn and share HSE best practices during a major inspection in Singapore in mid-2009. Officers from the Group HSE Office also visited our water operations in Shenyang, China, to assess and understand the site's existing HSE management systems and identify and recommend areas for improvement. The two-day programme allowed both teams to learn and share best practices and discuss how management systems may be continually enhanced in order to achieve improvements. Collaborative visits and cross audits will continue as part of our overall efforts to derive opportunities in HSE performance consistent with Sembcorp's HSE Policy.

International HSE Management Systems

A main principle of our sustainability approach is to implement internationally recognised management standards. To this end, 2009 saw a great effort to implement ISO 14001:2004 certification across the entire Utilities business in Singapore.

Sembcorp Industries – SUT Division, a unit of our Utilities business, has held ISO14001 certification since 2001 but with a view to continuous improvement, we committed to implementing this certification with a broader reach and more integrated approach. Therefore, our Singapore Utilities operations are currently in the process of seeking certification covering all Utilities operations in Singapore.

HSE Certifications Held

Unit / Certification	ISO9001	ISO14001	OHSAS18001
Sembcorp Utilities Singapore	✓	In progress	
Sembcorp Gas	✓		
Sembcorp Environment	✓	✓	✓
Sembcorp Industrial Parks	✓		

Waste

As the leading management player in Singapore, Sembcorp's Environment business provides services that aim to reduce waste going to incineration or landfill facilities. 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.

Human Resources and Employee Welfare

At Sembcorp, we recognise that our employees are our most vital assets and a key stakeholder group. We believe in providing a fair, diverse and inclusive workplace for our employees. We are committed to continuous improvement in our human resources and

Office Material Recycling Scheme Pays Dividends for Sembcorp and the Environment

Sembcorp UK has for many years recycled more conventional industrial waste such as metal, oils, batteries, fluorescent tubes and electronic equipment. In 2009, the business ran a trial campaign to recycle everyday office materials. The scheme was run for almost a year in conjunction with our contract cleaning firm and the local Redcar and Cleveland Council.

In that time Sembcorp's UK employees gathered more than 5 tonnes of paper, 4 tonnes of cardboard, 2 tonnes of plastic and half a tonne of metal drinks cans. Their efforts in this pilot scheme has also saved more than £3,000 and prevented these materials going to landfill.

The amount of paper recycled alone has saved an estimated:

- 70 trees
- More than 1,500 gallons of oil
- Around 28,000 gallons of water
- Around 16,000 kilowatt hours of electricity and
- 12 cubic yards of landfill space

With the focus of environmental initiatives so often on products, the focus on the internal organisation has been a great success so far.

people development approach and practices, and working together with our employees to achieve this aim.

Scope of the section

The scope of this section of the report covers the activities of the Utilities, Environment, Industrial Parks, Design and Construction and Mint business units. We have covered key data relating to our main Singapore operations and our various overseas units in China, Vietnam, the UK, the UAE and Oman as well as our overseas industrial parks. If there is any deviation from this scope it is noted under the individual indicator.

Engaging and communicating with our people

Sembcorp engages our employees through a variety of channels on areas such as group financial

and business performance, ethical standards, employee feedback mechanisms and information provision.

During the business performance review cycle, senior management, including the Group President & CEO, attend town hall style briefing sessions and roadshows. These sessions help to give employees a better understanding of strategy, performance and future direction of the company.

In addition, a confidential employee feedback system is available to all staff. In line with our commitment to high ethical standards and good corporate governance practices, we encourage all employees to report any possible improprieties and maintain a group-wide whistle-blowing policy.

Relevant, up-to-date information on human resource policies, procedures, legislation and best practice is made available to most employees via the company intranet. The system, which offers easy access with search facilities, is available to most of Sembcorp's employees. A handbook is made available to employees who do not have access to the intranet.

Communicating corporate updates, such as press releases and a bi-monthly employee e-newsletter, is done via email blasts to staff. At the country level some business units hold quarterly learning and sharing sessions, as well as senior manager briefings.

Socially, Sembcorp encourages employees to participate in events that are run regularly throughout the year. Most of the business units involve staff in sports and recreation club activities which can take the form of festive parties, team sports and annual family days.

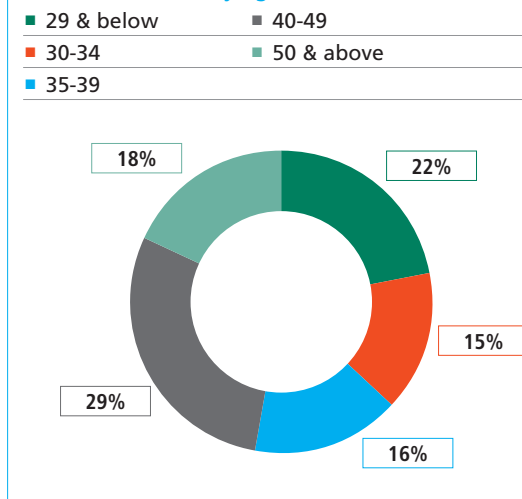
Diversity and fair employment practices

The Group subscribes to the Principles of Fair Employment in Singapore and has endorsed the Employers' Pledge of Fair Employment Practices formulated by the Singapore Tripartite Alliance for Fair Employment Practices. Sembcorp's commitment is encompassed in the incorporation and implementation of these principles in our human resource management practices at the global level.

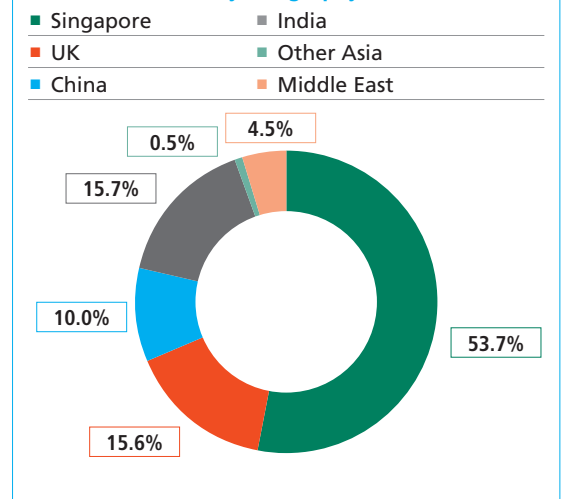
The fair employment principles incorporate a commitment to:

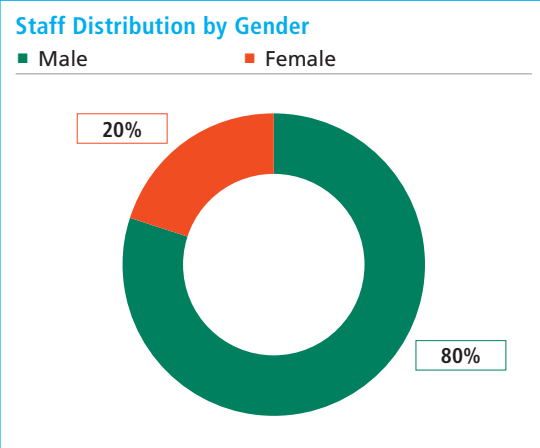
- Recruit and select based on merit, such as skills, experience and ability, regardless of age, race, gender, religion or family status.
- Treat employees fairly and with respect and implement progressive human resource management systems.
- Provide equal opportunities for training and development based on employees' strengths and needs, to help them achieve their full potential.

Staff Distribution by Age



Staff Distribution by Geography





- Reward fairly based on ability, performance, contribution and experience.
- Abide by labour laws and adopt tripartite guidelines which promote fair employment practices.

Human rights

Sembcorp fully supports basic principles of human rights. We have several policies in place relating to the support of these, including a set of fair employment practices, a grievance and harassment policy and a recruitment and selection policy. We also have strict control procedures in place for contractors who are working for Sembcorp.

Sembcorp respects labour laws within each of the countries we operate in. Through our policies and the planning and administration of our employment practices, we are confident that our operations are not exposed to issues such as child or forced labour.

Unionised Employees at Sembcorp

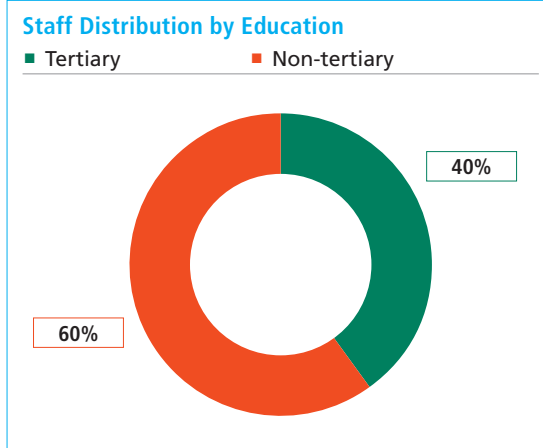
No. of Unionised Employees

Singapore

Union for Power and Gas Employees (UPAGE)	113
Building Construction and Timber Industries Employees' Union (BATU)	488

UK

Unite	186
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Labour and union relations

All Sembcorp employees have freedom of association within the confines of the legal and regulatory environment for each of the countries that we operate in. At the end of 2009, there were 787 unionised members working at Sembcorp, covering 27% of our workforce. Sembcorp employees were also covered under five separate collective bargaining agreements with our unions in Singapore and the UK.

Sembcorp maintains ongoing exchanges with employee unions. In 2009, we met the Union for Power and Gas Employees (UPAGE) for discussions regarding employee benefits for our Singapore Utilities staff, and renewed a three-year collective agreement. Sembcorp's Utilities business also worked closely with UPAGE in its membership drive and supported it in its implementation of the work skills qualification framework for the power and gas industry.

At Sembcorp UK, discussions with Unite, the UK's biggest union, are conducted in line with our collective agreement (the 'Together Agreement') applying agreed Partnership Principles. Over 91% of employees in this business unit are covered by the collective bargaining agreement.

In late 2009, Sembcorp Environment divested its conservancy services, commercial cleansing and car park management units in line with its strategy to focus its business on waste-to-energy products. The entire divestment process was undertaken in parallel with an

engagement and consultation exercise with the Building Construction and Timber Industries Employees' Union (BATU) and the Deputy Executive Secretary and Principal Industrial Relations Officer of BATU were present at closed-door communication sessions held for affected staff. All employees affected by the divestment were offered continued employment under the new business owner based on the same terms and conditions of employment under Sembcorp. This carefully managed process ensured that 99% of employees were transferred to the new business. In appreciation of past service, the affected employees were offered an ex-gratia payment payable upon the completion of three months' service with the new business owner.

In addition, as an outcome of Sembcorp's regular dialogues with its respective unions, Sembcorp's Singapore operations supported an extended retirement policy with UPAGE and BATU, offering continuing employment to staff who are past the statutory retirement age of 62.

People development

As the success of a corporation is driven by the calibre and the performance of its employees at all levels, Sembcorp makes it a priority to continually develop its workforce. Through our career development, education, talent management and leadership programmes, we offer our employees a range of avenues for personal and professional development.

Competency building and succession planning

In 2009, the group continued to invest in competency building for our employees, spending S\$5.54 million on training. Our learning and development programmes factor in issues such as succession planning and turnover rate of employees. With around 3% of the workforce due for retirement in the next five years, it is a priority to enhance the skills levels of our employees to ensure a smooth succession.

Our training and development programmes include:

■ Professional training

Working with local educational institutions, Sembcorp has developed and conducted specialised technical courses for the Utilities business.

	2008	2009
Group Annual Turnover	17	12

■ Executive and leadership development

Capable leaders are vital to the success of any corporation and our unique talent management and development system, called the 'Sembcorp Leadership Competencies' system, defines the qualities and performance expectations of a Sembcorp leader. This set of competencies details the ways in which Sembcorp leaders should act and respond to achieve extraordinary business success. We also send our managers on courses to enhance their presentation, negotiation, communication and coaching skills, as well as on courses on building and leading high-performance teams.

To continually develop our executives' leadership, strategy and management skills, our senior staff also attend executive education programmes at prestigious institutes such as the Harvard Business School, INSEAD and the Temasek Business Leadership Centre.

■ Attachments and job rotations

Job rotation and overseas postings are another way in which we offer employees vital experience in other cultural settings and exposure to practical operational issues first-hand in other Sembcorp business units. There are currently 38 employees posted to various overseas businesses. Internships also provide Sembcorp's scholars with practical experience and essential operational exposure during their studies.

■ On-the-job training

Sembcorp also runs on the job training for its employees. Examples of this include the National Skills Recognition Scheme certification courses undertaken by operations staff.

■ e-Learning

This year saw the launch of the health and safety e-learning initiative. The project was triggered by the need to provide an alternative platform for staff to participate in HSE learning and skill upgrading without

the need to spend time away from office or have prescribed periods for training. The e-learning initiative was led by the HSE team and has proved successful with 58 employees having undertaken the training to date.

■ **Technical courses, seminars, conferences and symposiums**

Along with education and training opportunities, Sembcorp offers employees the opportunity to attend, present and participate in conferences on a local and international basis. As an industry leader in many sectors of our business, we encourage knowledge and best practice sharing through these platforms.

Performance management, rewards and recognition

Sembcorp's employee performance appraisal system includes a feedback process that identifies development areas and allows employees to comment on their own contribution throughout the year. It incorporates future objectives to ensure that all of our employees' outputs are aligned to the performance of the business. In addition, we apply 360-degree feedback in assessing mid-level and senior managers. Under this system, feedback from a range of superiors, colleagues and other partners are incorporated into managers' development plans, helping them build a profile of essential competencies needed to improve their professional performance and lead their teams successfully.

Benefits and rewards

Sembcorp offers competitive base pay packages that are based on country-specific conditions. Long-term employee performance incentives are linked to sector practices and benchmarks and rewards are based on the performance of the Group, company and individual. Rewards include annual salary increments, annual performance bonuses and longer-term incentives.

Share-based incentives remain a key component of the Group's pay structure to motivate staff and align longer term performance objectives. These are administered by a board nominated committee. Since 2007, no share options have been granted as these have been entirely replaced with Restricted Stocks of an equivalent fair value. The Restricted Stock Plan is 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.

All employees are eligible for comprehensive insurance coverage on a global basis. They can join our Private Medical Insurance Scheme where the Company meets the cost of employee membership and allows employees to include eligible dependants. Other insurance schemes provided include protection for life, travel, personal accident, workmen's compensation and hospitalisation and surgical requirements.

Employee health and welfare

Sembcorp has championed employee health and well being, both physical and mental, for many years and we promote a holistic and balanced lifestyle for our employees. The Sembcorp Recreation Club, set up in 2005, organises various employee recreation activities including health talks, family days, movie nights and healthy cooking demonstrations, many of which also include employees' family members. Sembcorp staff have also formed a number of fitness and sports groups which the company supports. In 2009, we spent around S\$80,000 on wellness programmes for employees in Singapore.

Sembcorp adopts a practical approach to work-life balance. Examples of initiatives we have put in place include our UK operations' implementation of flexible working hours, limited working hours (e.g. part-time hours or specific hours to suit family and personal needs) and discretionary leave to support personal situations.

Sembcorp is also a member of the iCare Mental Health Alliance, which, since 2008, has promoted mental health of workers in Singapore. We also offer employees access to counselling and assistance programmes including retirement preparation and workplace accident-related trauma counselling.

Contractors

In order for contractors to commence work in our facilities, they have to comply with all requirements stated in a 'Permit to Work' application, which includes requirements for health and safety provisions. Contractors also have to submit proper paperwork to demonstrate that they have adequate workmen's compensation insurance coverage for their employees and relevant resident visas and / or work permits.

Employees of contractors must also attend HSE training before any work is started.

Community investment and values

Sembcorp maintains an ongoing commitment to contribute to the local communities in which we operate through supporting social development and community investment projects.

In 2009, Sembcorp contributed approximately S\$1 million in cash and in kind to its communities. Whilst the harsh economic climate may have made giving more difficult for many corporations, we nonetheless took part in many initiatives this year supporting children and education, sports and fitness and community assistance. We also provided management time and support for volunteer programmes.

All contributions are given in Singapore dollars using prevailing exchange rates as at February 22, 2010.

Of the total amount contributed by Sembcorp, over half was in aid of children and education, which has been a long-standing area of commitment for the Group. This included over S\$68,000 to support a social work programme for at-risk youth in Singapore by Wings Counselling Centre.

As part of a three-year commitment, Sembcorp continued to support the Assisi Hospice in 2009 with

a contribution of S\$66,000. Sembcorp employees also organised a Christmas celebration and dinner for patients, staff and friends of the hospice.

Outside of Singapore, we also contributed actively to the communities we operate in overseas. In 2009, our Industrial Parks business in Vietnam held its annual fundraising event involving tenants, workers, business partners and suppliers. This event raised a total of S\$62,000 towards scholarships and the upgrading of schools in Binh Duong province, where our first and second Vietnam Singapore Industrial Park projects are located. Meanwhile, our UK operations contributed around S\$111,000 to its local community, including contributions to local schools.

Sustainability Contact

For further information on sustainability at Sembcorp Industries, please visit our website at www.sembcorp.com. If you have any comments or wish to discuss any of the contents of this report or other sustainability issues, please contact:

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