

CORPORATE GOVERNANCE

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

The board and management of Sembcorp Industries recognise that well-defined corporate governance processes are vital in enhancing corporate accountability and sustainability and are committed to ensuring high standards of corporate governance to preserve and maximise shareholder value.

For the company's efforts towards excellent financial reporting and extensive disclosures beyond the minimum regulatory requirements, we were awarded a Silver award for the Best Annual Report at the Singapore Corporate Awards 2010 held in May. During the year, we were also named the Most Transparent Company in the multi-industry / conglomerates category at the Securities Investors Association (Singapore) Investors' Choice Awards, and ranked Singapore's seventh 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 continually reviews and refines 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 board is headed by Mr Ang Kong Hua who succeeded Mr Peter Seah Lim Huat as Chairman upon Mr Seah's retirement from the board on May 1, 2010. He is joined on the board by Mr Tang Kin Fei, Mr Goh Geok Ling, Mr Richard Hale, OBE, Mr Evert Henkes, Mrs Lee Suet Fern, Mr Bobby Chin Yoke Choong, Mrs Margaret Lui and Tan Sri Mohd Hassan Marican. Ms Yong Ying-I was also a director of the company until her retirement from the board on April 22, 2010.

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. Primarily made up of independent or non-executive directors, each committee makes decisions on matters within its terms of reference and applicable limits of authority, and recommends the course of action for the board's consideration on such matters. The committees' respective composition, 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 the 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 his contribution. Directors' contributions may be made in many other forms, such as bringing strategic relationships to the Group, providing guidance to management or offering 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.

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. The board or ExCo approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to facilitate operational efficiency.

The ExCo comprises three directors. Mr Ang was appointed a member of the ExCo upon joining the board on February 26, 2010, and subsequently took over as its chairman following Mr Seah's retirement from the board on May 1, 2010. The ExCo's other members are Mr Goh and Mr Tang.

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. The company conducts orientation programmes for newly-appointed directors where comprehensive presentations on Sembcorp's strategic plans and direction, as well as its business activities in its various geographical markets are given by management, country heads and the Group Business Development department. A formal letter is also sent to newly-appointed directors upon their appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. Furthermore, 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 in China as well as to our new integrated township projects in Vietnam were conducted for the board.

Strong and independent board exercising objective judgement (Principle 2)

The current board comprises nine directors, of whom seven are independent directors. Excluding 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, attributes, knowledge 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, audit and accounting

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backgrounds and a practising lawyer. Best efforts have also been made to ensure that, in addition to contributing their valuable 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 may be found on page 54 to 58.

Chairman and Chief Executive Officer (Principle 3)

The Chairman and the Group President & CEO are not related to each other. 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, 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. The board monitors the translation of the board's decisions into executive action. The Group President & CEO oversees the execution of the Group's strategies and policies, and the conduct of its 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 and exercises its discretion to retain the services of such directors where appropriate.

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 requires 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

Board Members for 2010

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
Ang Kong Hua	Chairman <i>(Appointed on May 1, 2010)</i>	Feb 26, 2010	Apr 22, 2010	Non-executive / Independent
Tang Kin Fei	Director	May 1, 2005	Apr 25, 2008*	Executive / Non-independent
Goh Geok Ling	Director	May 3, 2000	Apr 22, 2010	Non-executive / Independent
Richard Hale, OBE	Director	Sep 1, 2000	Apr 22, 2010*	Non-executive / Independent
Evert Henkes	Director	Apr 30, 2004	Apr 22, 2010	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
Margaret Lui	Director	Jun 1, 2010	N.A.*	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	N.A.*	Non-executive / Independent
Peter Seah Lim Huat	Chairman <i>(Retired on May 1, 2010)</i>	Jul 29, 1998	Apr 20, 2009	Non-executive / Non-independent
Yong Ying-I	Director <i>(Retired on Apr 22, 2010)</i>	May 26, 2003	Apr 23, 2007	Non-executive / Independent

* Up for retirement at the coming AGM

Composition of Board and Board Committees for 2010

Board Member	Executive Committee (ExCo)	Audit Committee (AC)	Risk Committee (RC)	Executive Resource & Compensation Committee (ERCC)	Nominating Committee (NC)
Ang Kong Hua ¹	Chairman			Chairman	Chairman
Tang Kin Fei	Member				
Goh Geok Ling	Member			Member	Member
Richard Hale, OBE		Chairman	Chairman		
Evert Henkes ²			Member		
Lee Suet Fern		Member	Member		
Bobby Chin Yoke Choong ³		Member	Member		
Margaret Lui ⁴				Member	Member
Tan Sri Mohd Hassan Marican ⁵					
Peter Seah Lim Huat ⁶ <i>(Retired on May 1, 2010)</i>	Chairman			Chairman	Chairman
Yong Ying-I ⁷ <i>(Retired on Apr 22, 2010)</i>		Member	Member		

Directors' Attendance at Board and Board Committee Meetings in 2010

Board Member	Board Meeting		Executive Committee (ExCo) Meeting	Audit Committee (AC) Meeting	Risk Committee (RC) Meeting	Executive Resource & Compensation Committee (ERCC) Meeting	Nominating Committee (NC) Meeting
	Scheduled	Ad-hoc					
Total No. of Meetings Held in 2010	5	2	4	4	4	5	2
Ang Kong Hua ¹	4 / 4	2 / 2	4 / 4	-	-	4 / 4	1 / 1
Tang Kin Fei	5 / 5	2 / 2	4 / 4	-	-	-	-
Goh Geok Ling	5 / 5	2 / 2	4 / 4	-	-	5 / 5	2 / 2
Richard Hale, OBE	5 / 5	2 / 2	-	4 / 4	4 / 4	-	-
Evert Henkes ²	5 / 5	0 / 2	-	-	-	-	-
Lee Suet Fern	5 / 5	1 / 2	-	4 / 4	4 / 4	-	-
Bobby Chin Yoke Choong ³	5 / 5	2 / 2	-	4 / 4	2 / 2	-	-
Margaret Lui ⁴	3 / 3	1 / 2	-	-	-	2 / 2	1 / 1
Tan Sri Mohd Hassan Marican ⁵	3 / 3	1 / 1	-	-	-	-	-
Peter Seah Lim Huat ⁶	1 / 1	-	1 / 1	-	-	1 / 3	1 / 1
Yong Ying-I ⁷	1 / 1	-	-	1 / 1	1 / 1	-	-

¹ Ang Kong Hua was appointed an independent non-executive director, as well as a member of the ExCo, ERCC and NC on February 26, 2010 and assumed the role of Chairman of the board, ExCo, ERCC and NC with effect from May 1, 2010.

² Evert Henkes was appointed a member of the RC on November 9, 2010.

³ Bobby Chin was appointed a member of the RC on May 8, 2010.

⁴ Margaret Lui was appointed a non-executive director and a member of the ERCC and NC on June 1, 2010.

⁵ Tan Sri Mohd Hassan Marican was appointed an independent non-executive director on June 16, 2010.

⁶ Peter Seah retired as non-executive director, as well as Chairman of the ExCo, ERCC and NC on May 1, 2010.

⁷ Yong Ying-I retired as an independent non-executive director and as a member of the AC and RC on April 22, 2010.

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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 that 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 several directorships in other companies, the NC takes care to ensure and is satisfied that appointees have contributed adequate time to meet the expectations of their role as directors.

During the year under review, the NC was chaired by Mr Seah until his retirement in May 2010. Mr Ang took over as Chairman from Mr Seah with effect from May 1, 2010. The other members include Mr Goh and Mrs Lui, who joined the board on June 1, 2010. In line with the Code, Mr Ang is not a substantial shareholder of the company, nor is he directly associated with Temasek Holdings, a substantial shareholder of the company.

Pursuant to the one-third rotation rule, Mr Tang and Mrs Lee will retire at the forthcoming AGM. Mrs Lee, having served on the board for more than five years, has decided that she will not seek re-election. Mrs Lui and Tan Sri Mohd Hassan Marican, who were newly appointed to the board on June 1 and June 16, 2010 respectively, will also submit themselves for retirement and re-election by shareholders at the forthcoming AGM.

In addition, Mr Hale, who is above the age of 70, will submit his retirement pursuant to the Companies Act at the coming AGM. After having served on the board as an independent director for more than 10 years, Mr Hale has decided that he will not seek re-appointment.

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 its principal functions and communication with senior management. Feedback from the questionnaire is subsequently discussed at a board meeting and is 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 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 the board on a regular basis. As a general rule, board and board committee papers are sent to directors at least three working days before each meeting so that 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 Group's performance and key developments are presented on a quarterly basis at board meetings. The Group President & CEO, Group Chief Financial Officer and members of senior management are present at these presentations to address any queries which the board may have.

The Company Secretary, in consultation with the Chairman and the Group President & CEO, assists the board with the preparation of meeting agendas. She 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, the 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)**

In 2010, the Executive Resource & Compensation Committee (ERCC) was chaired by Mr Seah until his retirement from the board in May 2010. Mr Ang was appointed as an ERCC member in February 2010 and succeeded Mr Seah as ERCC Chairman upon his retirement from the board. Mr Ang is joined on the committee by Mr Goh and Mrs Lui.

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 according to 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. These incentives aim to motivate executives to maximise operating and financial performance and shareholder value, and are aimed at aligning the interests of the executives with those of 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 does not attend discussions relating to his own compensation, terms and conditions of service, or the review of his performance. 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 and a share-based incentives component pursuant to

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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, attendance fees and additional fees for 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 and the balance 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

Directors' Fees by Type of Appointment

SS

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 each 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.

and are subject to the approval of shareholders at the AGM. The report on directors' and key executives' remuneration may be found under the related item in the Supplementary Information section of the Financial Statements in this report.

The directors' fees totalled S\$937,626 in 2010 (as compared to S\$802,000 in 2009) and were derived using the fee structure above.

The board is accountable to the shareholders (Principle 10)

Sembcorp is committed to open and honest communication with shareholders at all times. The company presents a balanced and coherent assessment of

the Group's performance and prospects to shareholders through the timely release of its quarterly and annual financial reports.

The company believes that prompt compliance with statutory reporting requirements is imperative 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 three directors, all of whom are independent non-executive directors. The AC is chaired by Mr Hale and its members are Mrs Lee and Mr Chin. Ms Yong was also a member of the AC until her retirement from the board in April 2010.

The AC assists the board in fulfilling its fiduciary responsibilities relating to the internal controls, audit and accounting 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 and enjoys full access to and co-operation from management to enable it to discharge its function properly.

Where relevant, the AC is guided by the recommended best practices for audit committees as set out in the Guidebook for Audit Committees issued by Singapore's Audit Committee Guidance Committee in October 2008.

The AC has also 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 independence of the external auditors has not been impaired by their provision of non-audit services. Details of 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 company seeks to improve internal control and risk management on an ongoing basis to ensure that they remain sound and relevant.

The Risk Committee (RC) is chaired by Mr Hale and its current members include Mrs Lee, Mr Chin and Mr Henkes. Ms Yong was a member of the RC until she retired from the board in April 2010, while Mr Chin and Mr Henkes joined the RC on May 8, 2010 and November 9, 2010 respectively. All members of the RC are independent directors. The RC's main role and function is to assist the board in overseeing risk management for the Group. It appraises 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, risk levels, and risk mitigation strategies.

For more information on the progress of the company's enterprise risk management system, please refer to page 74.

Internal Audit

Independent internal audit function (Principle 13)

The internal audit function of the Group is performed 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 ensuring that the Group maintains a sound system of internal controls. GIA assists the board and management in the discharge of their corporate

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governance responsibilities as well as in 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 and has met the standards for the professional practice of internal audit promulgated by the Institute of Internal Auditors.

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

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 to report suspected fraud, corruption, dishonest practices or other misdemeanors. 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 74.

Communication with Shareholders

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

Sembcorp is committed to upholding high standards of corporate transparency and 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 provide shareholders with 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 the 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, which are held at a convenient central location with easy access to public transportation. Information on shareholder meetings is disseminated through notices in the annual 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 General Meetings and vote on their behalf. The company also allows CPF investors to attend General Meetings as observers.

The company practises voting by way of a show of hands at General Meetings as this is more equitable to minority shareholders. Nonetheless, polls may be conducted upon the request of the Chairman or any shareholder. Voting in absentia by mail, facsimile or e-mail is currently not permitted 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 each resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are present to address these questions and obtain feedback from shareholders. The external auditors and legal advisors (if necessary) are also present to assist the board. Minutes of shareholder meetings are available

upon request by registered shareholders.

The Group President & CEO delivers a short presentation to shareholders at the annual general meeting each year, to update shareholders on the performance of Sembcorp's businesses and the Group's positioning for the future.

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 2010 may be found in the related item under the Supplementary Information section of the Financial Statements in this report.