

# ENVIRONMENTAL, SOCIAL & GOVERNANCE REVIEW

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## BOARD OF DIRECTORS



**Ang Kong Hua**  
Non-executive Chairman

Appointed February 26, 2010

As Chairman, Mr Ang is responsible for leading the board, setting its agenda and ensuring its effectiveness in all aspects of its role. Mr Ang is an independent director and heads the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

A well-known corporate figure in Singapore, Mr Ang brings to Sembcorp many years of rich experience in the manufacturing and services sectors, including the chemicals, electronics, engineering and construction sectors. Currently, he is Chairman of Global Logistic Properties and also serves on the boards of DBS Bank, DBS Group Holdings, the Government of Singapore Investment Corporation and GIC Special Investments.

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

Past directorships in listed companies and major appointments 2008–2010:

- Neptune Orient Lines
- Yantai Raffles Shipyard
- NSL



**Tang Kin Fei**  
Group President & CEO

Appointed May 1, 2005

Mr Tang is Group President & CEO of Sembcorp Industries. With over 20 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents.

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 and the Singapore Chinese Chamber of Commerce and Industry, Mr Tang also serves on several China-Singapore as well as Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is a member of Singapore's Climate Change Network, a council member of Ngee Ann Polytechnic, as well as a board member and trustee 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 completed the Advanced Management Programme at INSEAD.

Past directorships in listed companies and major appointments 2008–2010:

- 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 serves as a member of the Board of Trustees of Nanyang Technological University. He is also an advisor of O2Micro International.

Mr Goh holds a BEng from the University of Sydney, Australia.

Past directorships in listed companies and major appointments 2008–2010:

- DBS Bank
- DBS Group Holdings
- O2Micro International
- Venture Corporation



**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 2008–2010:

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

## BOARD OF DIRECTORS



**Evert Henkes**  
Non-executive Director

Appointed April 30, 2004

Mr Henkes is an independent director and a member of the board's Risk Committee.

He has extensive experience in the petrochemical industry as the former CEO of Shell's global chemicals business. Mr Henkes is a director of Air Products and Chemicals, Outokumpu and Tate & Lyle. He holds a BSc from Cornell University, USA.

Past directorships in listed companies and major appointments 2008–2010:

- 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 AXA Group, Macquarie International Infrastructure Fund and Rickmers Trust Management. She is Chairman of the Asian Civilisations Museum, a director of the National Heritage Board, and a member of 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 2008–2010:

- China Aviation Oil (Singapore) Corporation
- Sincere Watch (Hong Kong)
- Richina Pacific
- Transcu Group



**Bobby Chin Yoke Choong**  
Non-executive Director

Appointed December 1, 2008

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

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 fellow 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 2008–2010:

- The Straits Trading Company



**Margaret Lui**  
Non-executive Director

Appointed June 1, 2010

Mrs Lui is a non-executive director and also a member of the board's Executive Committee, Executive Resource & Compensation Committee, as well as its Nominating Committee.

Currently, Mrs Lui is Chief Operating Officer of Seatown Holdings International. In addition, she serves on the boards of Brookstone Company, Brookstone, Singapore Cruise Centre, Singbridge International Singapore and Seatown Holdings International.

Mrs Lui holds a BAcc from the National University of Singapore.

Past directorships in listed companies and major appointments 2008–2010:

- Singapore Food Industries
- CitySpring Infrastructure Management

## BOARD OF DIRECTORS



**Tan Sri Mohd Hassan Marican**  
Non-executive Director

Appointed June 16, 2010

Tan Sri Mohd Hassan Marican is an independent director and serves on the board's Audit Committee.

The President & CEO of Malaysia's Petroliam Nasional (PETRONAS) from 1995 until his retirement in February 2010, Tan Sri Mohd Hassan Marican brings to the board over 30 years' experience in audit, accounting and management. He currently serves as a director of Regional Economic Development Authority of Sarawak, Sarawak Energy, Lambert Energy Advisory, MH Marican Advisory and Singapore Power.

Tan Sri Mohd Hassan Marican holds an honorary doctorate from the University of Malaya and is a fellow of the Institute of Chartered Accountants in England and Wales.

Past directorships in listed companies and major appointments 2008-2010:

- Malaysia International Shipping Corporation
- Engen
- Petroliam Nasional (PETRONAS)
- PETRONAS Gas
- Malaysia-Thailand Joint Authority
- Bank Negara Malaysia
- International Centre for Leadership in Finance

## KEY EXECUTIVES



**Tang Kin Fei**  
Group President & CEO

Joined 1987

Mr Tang is Group President & CEO of Sembcorp Industries. With over 20 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents.

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 and the Singapore Chinese Chamber of Commerce and Industry, Mr Tang also serves on several China-Singapore as well as Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is a member of Singapore's Climate Change Network, a council member of Ngee Ann Polytechnic, as well as a board member and trustee 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 completed the Advanced Management Programme at INSEAD.



**Koh Chiap Khiong**  
Group Chief Financial Officer

Joined 2008

Mr Koh is responsible for the corporate finance & treasury, reporting, accounts, tax, information technology and risk management of Sembcorp Industries and oversees these functions across the Group. He also handles investor relations matters as Group Chief Financial Officer (CFO) and is a director on the boards of various Sembcorp companies.

Mr Koh brings with him extensive expertise in finance, tax, treasury management and audit in various industries, over 10 years' of experience in managing infrastructure businesses and a strong knowledge of the energy and water sectors. He rejoined Sembcorp in 2008 after a three-year stint with Power Seraya as its CFO. Prior to that, he spent seven years in Sembcorp and served as the Utilities business' Head of Finance and Chief Risk Officer.

Mr Koh holds a First Class Honours in Accountancy from the National University of Singapore.

## KEY EXECUTIVES



**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 is currently the President of the Association of Singapore Marine Industries, a member of the Workplace Safety and Health Council and the Deputy Chairman of the Workplace Safety and Health Council (Marine Industries) Committee.

Mr Wong holds a Bachelor of Mechanical Engineering (Marine). He also obtained a Masters in Business Administration 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 oversees the Group's business in the Middle East and India.

He brings with him broad experience in strategy, business and project development for the utilities industry. Mr Tan rejoined Sembcorp in 2007 after a three-year stint heading Vopak's operations in China. Prior to that, he spent 14 years with Sembcorp as well as over a decade in the oil and gas sector with Brown & Root Far East. Whilst at Sembcorp, Mr Tan oversaw the early development of our Utilities business on Jurong Island and the expansion of our Utilities business into China, the UK and the Middle East. Most recently, he also led Sembcorp's acquisition of Cascal's global municipal water business.

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



**Ng Meng Poh**  
Executive Vice President & Head  
Singapore and ASEAN (Utilities)

Joined 2007

Mr Ng is responsible for managing Sembcorp's Utilities business in Singapore, ASEAN and Australia and also sits on the boards of various companies within the Group.

He has over 25 years' experience in the energy industry and has held both government and private sector appointments. Prior to joining Sembcorp, Mr Ng was part of the executive management team of Senoko Power and also spent over a decade at Singapore's Public Utilities Board. In the course of his career, he was actively involved in the restructuring and liberalisation of Singapore's power and gas markets, as well as in negotiations for the importation of piped natural gas from Malaysia and Indonesia into Singapore. Mr Ng currently serves as a member of the Rules Change Panel of the Energy Market Company.

He holds a BEng from National University of Singapore and a MSc in Energy Resources from the University of Pittsburgh, USA.



**Dr Paul Gavens**  
Executive Vice President  
Sembcorp Utilities (UK)

Joined 2003

Dr Gavens is Managing Director of Sembcorp's Utilities operations in Teesside 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.

## KEY EXECUTIVES



**Low Sin Leng**  
Executive Chairman  
Sembcorp Industrial Parks

Joined 2000

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

Prior to joining Sembcorp, Ms Low was the Executive Vice President of Singapore Power and served 20 years in the Singapore Government Administrative Service holding senior positions in the Ministries of Finance, Trade & Industry and Education.

A Singapore 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 Project Development

**Aw Chin Leng**  
Senior Vice President

### Group Asset Management

**Lau Gar Ning**  
Executive Vice President

### Technology

**Kwan Yuet Wing**  
Chief Technology Officer

### Corporate Headquarters

**Koh Chiap Khiong**  
Group Chief  
Financial Officer

**Kwong Sook May**  
Company Secretary

**Lim Suet Boey**  
Senior Vice President  
Group Legal

**Richard Quek**  
Senior Vice President & Head  
Group Mergers & Acquisitions

**Frank Koh**  
Vice President  
Group Corporate Finance

**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

**David Wong**  
Assistant Vice President

## Business Key Management

### Utilities

#### SINGAPORE & ASEAN

**Ng Meng Poh**  
Head

#### UK

**Dr Paul Gavens**  
Head  
Teesside

**Roger Harrington**  
Head  
Bournemouth

#### CHINA

**Alan Yau**  
Head

**Dr Jeffrey Chen**  
Chief Representative

#### MIDDLE EAST & INDIA

**Tan Cheng Guan**  
Head

#### EUROPE, AMERICAS & SOUTH AFRICA

**Stephane Richer**  
Head  
Water

### 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

### Design & Construction

**Lim Kah Hing**  
Senior Vice President  
& Managing Director

### Mint

**Yip Pak Ling**  
Senior Vice President  
& Mint Director

## 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

## CORPORATE GOVERNANCE

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 <sup>1</sup>	Chairman			Chairman	Chairman
Tang Kin Fei	Member				
Goh Geok Ling	Member			Member	Member
Richard Hale, OBE		Chairman	Chairman		
Evert Henkes <sup>2</sup>			Member		
Lee Suet Fern		Member	Member		
Bobby Chin Yoke Choong <sup>3</sup>		Member	Member		
Margaret Lui <sup>4</sup>				Member	Member
Tan Sri Mohd Hassan Marican <sup>5</sup>					
Peter Seah Lim Huat <sup>6</sup> <i>(Retired on May 1, 2010)</i>	Chairman			Chairman	Chairman
Yong Ying-I <sup>7</sup> <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					
<b>Total No. of Meetings Held in 2010</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>2</b>
Ang Kong Hua <sup>1</sup>	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 <sup>2</sup>	5 / 5	0 / 2	-	-	-	-	-
Lee Suet Fern	5 / 5	1 / 2	-	4 / 4	4 / 4	-	-
Bobby Chin Yoke Choong <sup>3</sup>	5 / 5	2 / 2	-	4 / 4	2 / 2	-	-
Margaret Lui <sup>4</sup>	3 / 3	1 / 2	-	-	-	2 / 2	1 / 1
Tan Sri Mohd Hassan Marican <sup>5</sup>	3 / 3	1 / 1	-	-	-	-	-
Peter Seah Lim Huat <sup>6</sup>	1 / 1	-	1 / 1	-	-	1 / 3	1 / 1
Yong Ying-I <sup>7</sup>	1 / 1	-	-	1 / 1	1 / 1	-	-

<sup>1</sup> 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.

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

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

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

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

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

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



## CORPORATE GOVERNANCE

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](http://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](http://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.

## 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 Audit Committee. Formed in August 2003 to assist the board of directors, the Risk Committee, which now comprises four 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 responsibility for oversight of 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 actions 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 operating unit.

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; and
  - 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

To ensure financial discipline across the Group, we have implemented a self-check, review and certification process since 2003 called the 'System of Financial Discipline' for all subsidiaries, joint ventures and associates, to confirm their commitment to and compliance with a prudent financial discipline framework.

At the business unit 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 debts, fraud incidents and any transactions and events with material impact or potential material impact on the business unit (BU)'s financial results.

On a quarterly basis, BUs' 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 BUs 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 BUs' 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 procedure 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 assists the Audit Committee to ensure the maintenance of a sound system of internal controls for the company. Our internal auditors perform this function by monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the Audit Committee and conducting a programme of internal audits. For more information on the company's independent internal audit function, please refer to the relevant section on pages 71 to 72 in the Corporate Governance chapter of this annual report.

#### 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 liquidity risk, interest rate risk, foreign exchange risk, commodity risk and counterparty / credit risk.

To manage these risks, the Group's Treasury Policies and Financial Authority Limits are reviewed periodically and communicated to the Group's entities. The policies set out the parameters for management of the Group's liquidity, counterparty, foreign exchange and other transactions risk exposures.

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. Under the Group's overall Treasury Policies, 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 balancing 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. The Group's target is for a minimum of 50% of its loan portfolio to have fixed interest rate.

#### 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. The Group does not engage in any form of proprietary trading.

#### Commodity risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost.

## RISK MANAGEMENT & MITIGATION STRATEGIES

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 by case basis, the Group will require additional securities when dealing with counterparties of lower credit standing.

### 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); and
- 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, Group President & CEO, 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 21, 2011. 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 resource management may be found at pages 69 to 70 and 93 to 98 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 the investor relations section of our corporate website. In addition, company visits and facility tours are also organised to help investors gain better insight into the Group's operations.

### Proactive Communication with the Financial Community

During the year, senior management and the investor relations team continued to actively maintain open communication channels with the financial community. We held over 150 one-on-one and group meetings with shareholders, analysts and potential investors. These included non-deal roadshows in major international financial centres. In Asia, we covered Singapore, Hong Kong and Tokyo; in Europe, Frankfurt and London; and in North America, New York, Boston and Toronto. We also participated in seven investor conferences during the year. In Singapore, we participated in the DBS Vickers Pulse of Asia Conference in January, the Deutsche Bank Access Asia Conference and the CLSA Corporate Access Forum in May, the Nomura Asia Equity Forum in June, the DBS Vickers Pulse of Asia Conference in July, the UBS ASEAN & India Conference in September and the Morgan Stanley Asia Pacific Summit in November. We also organised site visits to our Utilities operations on Jurong Island to help give analysts and investors a better understanding of our capabilities in energy and water.

During the year, Sembcorp Industries was awarded the Most Transparent Company award under the multi-industry / conglomerates category at the Securities

Investors Association (Singapore) Investors' Choice Awards, in recognition of our commitment to corporate governance and transparency.

As at the end of the year, the company was ranked seventh in Singapore's Governance and Transparency Index out of 687 companies listed locally. Jointly launched by The Business Times and the National University of Singapore's Corporate Governance and Financial Reporting Centre, the index assesses the transparency of companies' financial disclosures as well as governance, ethics and rigour in financial reporting.

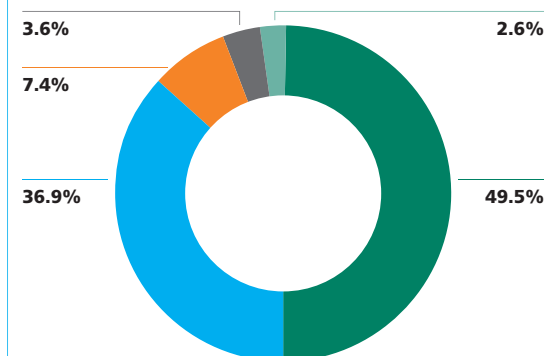
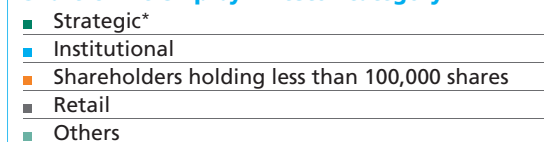
### Total Shareholder Return

Sembcorp Industries' share price performed well in 2010, closing the year at S\$5.14 from S\$3.70 in 2009. The company's share price averaged S\$4.23 during the year, registering a low of S\$3.43 on January 27, 2010 and a high of S\$5.16 on December 8, 2010. Daily turnover in 2010 averaged 3.0 million shares. In 2010, Sembcorp Industries' shares delivered a total shareholder return of 43%, outperforming the Straits Times Index's 13%.

### Shareholder Information

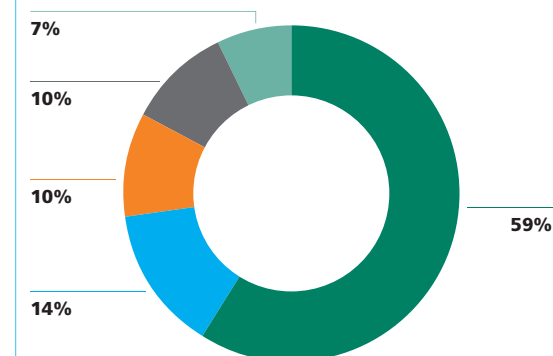
In 2010, other than our major shareholder Temasek Holdings, which held 49.5% of our shares as at the end of 2010, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Institutional shareholders accounted for 36.9% of our issued share capital or 73.1% of free float. Retail shareholders, shareholders holding less than 100,000 shares, and others held the remaining 13.6% of issued share capital or 26.9% of free float. In terms of geographical breakdown, excluding the stake held by Temasek Holdings, Singapore shareholders accounted for 10% of issued share capital. Our largest geographical shareholding base was North America with 14% of issued share capital. Shareholders from the Europe and Asia excluding Singapore accounted for 10% and 7% of issued share capital respectively.

### Share Ownership by Investor Category



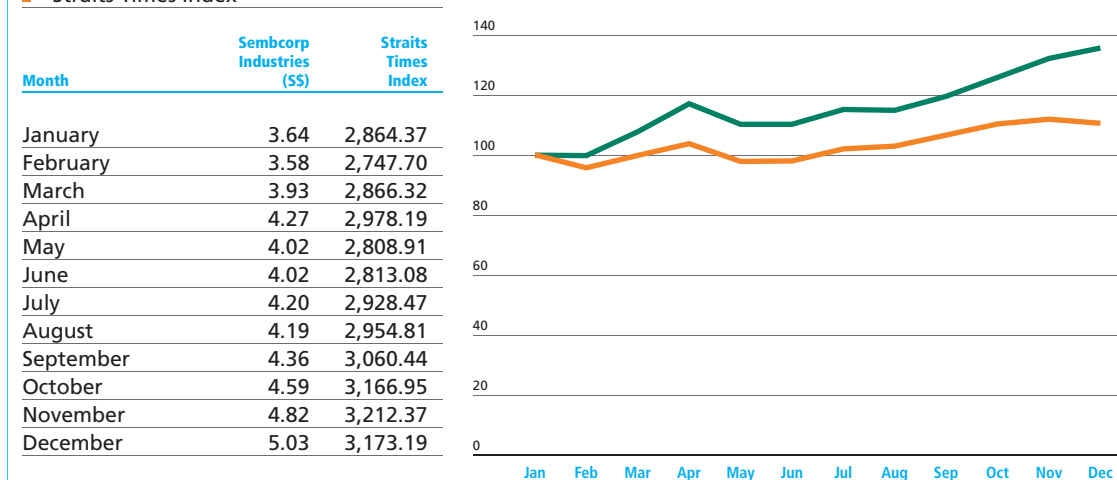
\* Includes indirect interest  
As at December 31, 2010

### Share Ownership by Geographical Distribution



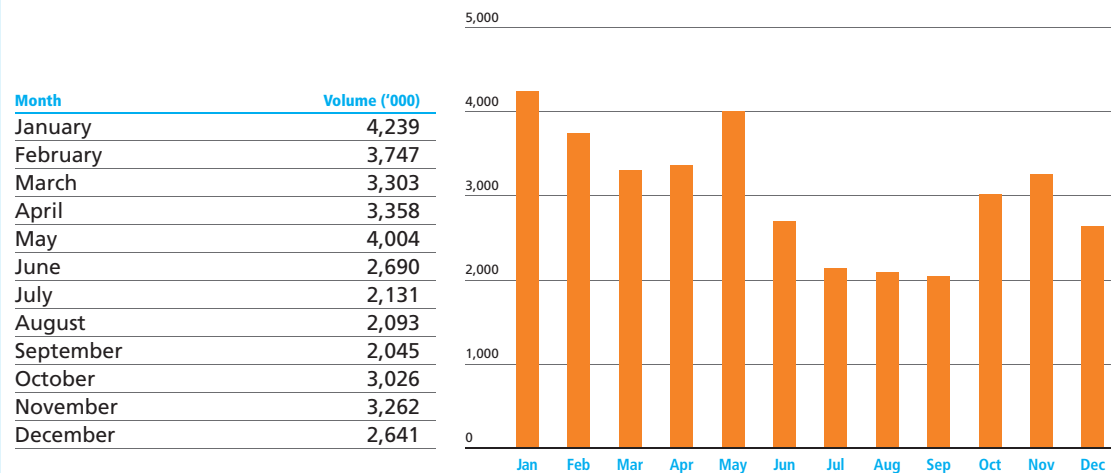
\* 'Rest of the world' also includes shareholders from all geographies who hold less than 100,000 shares. These shareholders collectively hold 7% of total shares  
As at December 31, 2010

### Average Monthly Sembcorp Industries Share Price and Straits Times Index in 2010 (Rebased)



## INVESTOR RELATIONS

Average Monthly Trade Volume of Sembcorp Industries Shares in 2010



## SUSTAINABILITY

Our management of material issues of health, safety and environmental performance as well as corporate governance and risk management and mitigation contributes to enhancing and preserving the value of our business.

### 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 a company's 'licence to operate' from society and their stakeholders.

This widening role of business is taken seriously and is reflected in Sembcorp's commitment to excellence and continuous improvement. In our management approach to sustainability and governance, many issues are directly addressed at the Group level with the support and input of the business units. Our management of material issues of health, safety and environmental (HSE) performance as well as corporate governance and risk management and mitigation contributes to enhancing and preserving the value of our business. In addition, we continue to maintain an ongoing commitment to community investment initiatives.

### Scope and development

With customers and operations around the world, Sembcorp is an international company. Our three main operating units comprise our Utilities business (which now includes the solid waste management business), as well as our Marine and Industrial Parks businesses. As our Marine business is separately listed in Singapore and reports its activities in a separate annual report, this report will primarily cover the other two business units (BUs). Data for key performance indicators for these BUs 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 & Governance (ESG) 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, 2010. Sembcorp has included aspects of sustainability in our annual report since 2001, and sustainability issues were last reported in our annual report for the financial year 2009 published in 2010, which applied the Global Reporting Initiative (GRI) G3 reporting principles and framework and aspects of the GRI Electric Utility Sector Supplement on a voluntary basis. Sembcorp was one of the first companies listed on the Singapore Stock Exchange (SGX) to publish a voluntary sustainability report using the GRI G3 guidelines as a reporting framework. This year, we have continued to use the reporting principles and framework for the GRI G3 and considered the principles of the GRI in terms of materiality, stakeholder inclusiveness, sustainability context, completeness, accuracy and comparability.

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. 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. This year, we have been able to include some additional information from our Utilities operations in China, Vietnam and the UAE. In 2010, Sembcorp acquired a 97.66% stake in Cascal, a provider of water services to the municipal market with operations in China, Indonesia, Philippines, South

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Africa, the UK, the Caribbean, Chile and Panama. The data presented in this report excludes our newly acquired operations under Cascal as well as Shanghai Cao Jing Co-generation in China where we hold a minority stake. 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 BUs in which Sembcorp has a majority stake.



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

### Our Sustainability Approach: Risk, Opportunities and Engagement

Issues that are material to Sembcorp and its stakeholders are reviewed on an ongoing basis as the company continues to expand in terms of size and geography. In general, Sembcorp's management and monitoring of sustainability issues is based on a risk management approach. We have also identified the AA1000 five-part materiality test as a useful tool to identify material areas to address and have begun using feedback obtained through a pilot stakeholder survey in line with AA1000 to better understand the Group's sustainability risk profile.

In addition, we 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 recognise the importance of being an active player within our industry and engaging

with our peers and the wider business community on sustainability issues. Sembcorp is a founding member and supporter of the Singapore Compact for Corporate Social Responsibility, a national society promoting sustainability issues in Singapore.

At the industry level, Sembcorp participates in the Responsible Care voluntary initiative, endorsed in Singapore by the Singapore Chemical Industry Council. 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. In Singapore, Sembcorp is also a member of the Sakra Island Community Awareness Group, which seeks to promote community awareness and a standardised management practice code for emergency responses among companies located in the Sakra district on Singapore's Jurong Island. Similarly, our Teesside UK operations are also active in the Northeast England Process Industry Cluster which serves as a unified voice for the process industry in northeast England, where a substantial part of the UK's chemical, petrochemical, speciality chemical, pharmaceutical, polymer and biotechnology industries are based. In the UAE, our operations in Fujairah participated in the Abu Dhabi Water and Electricity Authority's task force in formulating HSE procedures and guidelines for the energy sector.

Our internal stakeholders are also crucial in our day-to-day practice of sustainability and in determining our sustainability-related risks and identifying areas for future improvement. As part of our efforts to create a culture of open, two-way communication, employees are encouraged to contribute ideas on improving workplace practices and the delivery of products and services. This includes feedback on issues such as dishonesty and fraud via our whistle-blowing scheme and confidential feedback channels. To further promote sustainability as a part of Sembcorp's corporate culture, employee appraisals take into account HSE performance.

### Sembcorp's Supply Chain

Sembcorp's supply chain is a complex one and our actions influence both our own businesses and others along the value chains we operate in. Many of our

### Sembcorp's Sustainability Policy

Sembcorp, as a member of the international business community, recognises that our business activities have varying direct and indirect impacts on the societies in which we operate. We commit to manage these in a responsible manner, believing that sound and appropriate performance in this area is important for business success.

For Sembcorp, being a responsible corporate citizen is reflected in the following principles:

#### ■ Standards of business conduct

We ensure that our business is conducted according to rigorous ethical, professional and legal standards, through maintaining robust corporate governance and an Employee Code of Conduct for staff.

#### ■ Health, safety and the environment

We place the management of our health, safety and environmental (HSE) responsibilities as our first priority. We are committed to continuously improving our HSE performance and managing health, safety and environmental risks associated with our activities, products and services. We integrate health, safety and environmental 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 operation and the maturity of the business.

multinational clients are in the process of developing and integrating their own sustainability programmes and Sembcorp aims to be a key provider in assisting them to improve their HSE performance, limit their environmental impact and conserve resources.

As a provider of utilities, Sembcorp directly consumes primary resources, produces waste and emissions and manages and maintains buildings, people, treatment processes and machinery. As a result, we must work closely with our suppliers, business partners and contractors to promote sustainability. Our commitment to aspects such as HSE performance, pollution control at source and waste management, ensures that our policies and practices deliver wider benefits to relevant stakeholders groups. For example, Sembcorp assesses general contractor capability to ensure that projects carried out are in line with our HSE policy. Through platforms such as contractor HSE

committee meetings, safety induction programmes as well as vendor performance audits, we also work alongside suppliers to actively identify and improve performance.

### Stakeholder Engagement

Our company's main stakeholder groups have been identified as regulators, financial institutions, shareholders and the investment community, suppliers, customers, members of communities where we have operations as well as our employees. To better understand our internal and external business environment, Sembcorp actively engages with its stakeholders.

Between 2009 and 2010, we carried out a pilot stakeholder engagement project applying the AA1000 Stakeholder Engagement Standard to seek the views of stakeholder groups such as investors, customers,



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suppliers and employees, as well as a Singapore non-governmental organisations, to better understand their expectations for Sembcorp's practice of sustainability. Questionnaires and telephone interviews were used to gather data and to ensure neutrality and openness in the engagement process, external consultants were appointed to undertake the project and report on its findings.

The top issues which internal stakeholders felt were important were health and safety, corporate governance, labour rights and continued development of green business lines. A need for training to further enhance knowledge in the sustainability domain was also identified. There was also a consensus amongst external stakeholders that Sembcorp's reputation for sustainable practices and sustainability reporting is important. HSE performance and compliance with regulatory requirements were high priorities. Suppliers highlighted the importance of working collaboratively to anticipate and comply with future regulations, achieve efficiency in energy and water usage, and reduce the carbon footprint of our operations. Investors identified a number of issues important for companies' sustainability in general and also specifically for Sembcorp. These included identification of material issues, ESG targets and performance in identified areas, and the use of external guidelines such as GRI guidelines, amongst others.

Through this and other formal engagement processes, we aim to continue to align relevant stakeholder issues with our overall strategy.

### Sustainable Sembcorp: Our 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 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

Sembcorp runs a 35 megawatt power station that uses sustainable wood for fuel, the Sembcorp Biomass Power Station, as a core part of its energy operations at the Wilton International site in Teesside, UK. The plant was the first large-scale wood-fired renewable

energy plant in the country. To further improve efficiency of the station, work is underway on a S\$10 million (£5 million) modification to convert the facility into a combined heat and power facility, which will make the power station even more environmentally friendly.

#### Natural gas

Sembcorp was Singapore's first commercial importer and retailer of natural gas, considered the cleanest of all fossil fuels. We import 341 billion British thermal units of natural gas per day from West Natuna in Indonesia and supply major power generation and petrochemical companies. 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 aims to apply technology to achieve greater efficiency and lower emissions in our power, steam and desalination operations. A summary of our use of such technologies may be seen in the table on the right (page 85).

#### Supercritical technology

In May 2010, Sembcorp announced a joint venture agreement with Gayatri Energy Ventures to build, own and operate a 1,320 megawatt coal-fired power plant in Krishnapatnam, India. While the plant will be fired by coal, it will utilise supercritical technology which reduces emissions of carbon dioxide and other pollutants by consuming less fuel per unit of electricity generated, reducing its associated environmental impacts. Sembcorp expects the power plant to be 70% fuelled by low sulphur non-coking coal sourced from within India.

#### 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. In Australia, Sembcorp's solid waste management arm, SITA Environmental Solutions, is a leader in the development and operation of advanced resource recovery facilities.

Sembcorp's technologies for more efficient power, steam and desalination operations	Where Sembcorp has applied it
<b>Combined cycle gas turbine technology (CCGT)</b> – Refers to the production of electricity using a gas turbine where waste heat from the gas turbine exhaust is used to produce steam to generate additional electricity via a steam turbine. This technology allows Sembcorp's plant to operate more efficiently per unit of fuel input.	China, Singapore, UK, Vietnam, UAE (and Oman from 2012)
<b>Cogeneration</b> – In addition to the CCGT process, steam is further recovered from the steam turbine to meet steam customers' demand, making the entire combined production of electricity and steam making more fuel efficient and further reducing carbon dioxide emissions.	Singapore, China and UK
<b>Combined power and desalination</b> – Refers to the production of electricity and water where heat which might otherwise have been lost in the form of flue gas, is used to generate steam from the heat recovery steam generator for use in seawater desalination, allowing for greater efficiency.	UAE (and Oman from 2012)

Our waste-to-resource facilities in Singapore extract recyclables from waste collected through our municipal waste 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.

#### Wastewater treatment and water reclamation

Sembcorp is a pioneer in industrial wastewater treatment and water reclamation in Singapore and China. Our industrial wastewater facilities in China and Singapore are capable of treating wastewater up to 20 times more concentrated than municipal sewage and up to 1.5 times more saline than seawater, and help to limit the impact of industries on the environment by treating their effluent to meet environmental limits.

In 2010, Sembcorp successfully expanded our

high concentration industrial wastewater treatment business with the completion of a second plant in China capable of treating concentrated industrial wastewater from source, located at the Nanjing Chemical Industrial Park. The new facility is capable of treating up to 12,500 cubic metres of effluent per day without customers having to pre-treat it first. This saves customers the need to invest in pre-treatment facilities for their wastewater, and at the same time, also supports local authorities in their goal of environmental protection. Meanwhile, in Singapore, we announced the upcoming development of a new integrated wastewater treatment plant to serve growing customer needs in the newly developed area of the Jurong Island petrochemical manufacturing cluster. Capable of treating multiple streams of complex industrial wastewater, the plant will more than double the current industrial wastewater treatment capacity on Jurong Island with its initial capacity of 9,600 cubic metres per day.

Beyond treating wastewater, Sembcorp also reclaims water from treated effluent, conserving precious water resources and offering a sustainably-sourced alternative water supply to industries and households. In Singapore, the company was the first company to reclaim secondary effluents from wastewater, applying dual-media filtration, microfiltration, reverse osmosis and ion exchange technologies to produce high purity demineralised water and high grade industrial water

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for supply to its customers. Today, Sembcorp's supply of demineralised water and high grade industrial water to customers in Singapore 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.

In 2010, Sembcorp officially opened its Sembcorp NEWater plant, one of the largest water recycling plants in the world, with a capacity of 228,000 cubic metres per day. The plant's completion marked a major step in Singapore's water sustainability journey. It is one of the few water reuse plants in the world to be built on top of another water reclamation treatment plant, minimising its plant footprint in a land-scarce country. The facility's state-of-the-art microfiltration and reverse osmosis systems are also designed for optimum energy consumption.

### Sustainable industrial parks and integrated townships

Sembcorp's Industrial Parks business applies an integrated approach to township development, providing world-class manufacturing space coupled with an environmentally sensitive approach to development.

In January 2010, we held a groundbreaking ceremony for our fourth Vietnam Singapore Industrial Park (VSIP) development in Hai Phong, Vietnam. Integrating conservation considerations in its masterplan, 30% of land within the development is reserved for green space and the preservation of local flora and fauna. Existing wetlands on the site as well as tributaries from the Cam River that run through the township will be preserved and made a feature of the development. Vietnam, with its growing trend of urban migration, requires sustainable urban solutions. With its environmentally sensitive approach to development, VSIP Hai Phong has potential to be a showcase of such sustainable urban development in the country.

### Sustainable Water Solutions

Sembcorp is actively playing a part in providing sustainable water solutions to meet the growing needs of industries and communities, particularly in emerging economies. We supply water to over five million people worldwide through our municipal water operations, and also support the specialised water needs of industries while reducing their impact on the environment.

We have introduced sustainable wastewater treatment, water reclamation and industrial water supply solutions in China, one of the world's fastest-growing and fastest-industrialising economies. These solutions are backed by our track record in Singapore where we have treated multiple streams of industrial wastewater centrally for over a decade and also integrated this with water reclamation and industrial water supply.

In Zhangjiagang, we were China's first to be allowed to treat highly concentrated industrial wastewater directly from source without companies needing to pre-treat the effluent beforehand. Chinese government regulations currently require industrial companies to pre-treat their high concentration wastewater before discharging. The decision to permit industrial companies to discharge effluent directly to a wastewater treatment facility without needing these companies to first carry out pre-treatment signifies a new milestone for advanced wastewater management in China.

We also provide sustainable water supply through desalination to serve growing water demand in the Middle East. Our plant in Fujairah, UAE and our upcoming plant in Salalah, Oman, have a water capacity of 100 million and 15 million imperial gallons per day of desalinated water respectively.

Furthermore, Sembcorp's water reclamation business conserves precious water resources and offers a sustainably-sourced alternative water supply to industries and households. We were a pioneer in reclaiming industrial effluent from Jurong Island in Singapore and today our NEWater plant in Singapore is one of the largest water recycling plants in the world. We are now constructing a water reclamation facility, which will be integrated with our Zhangjiagang wastewater treatment facilities in China, to reclaim industrial water from treated effluent for reuse by industries. This will close the water loop on the site and preserve precious water resources.

In 2010, we also completed the conceptual masterplan for the 1,500 hectare Sino-Singapore Nanjing Eco High-tech Island (SNEI) in China's Jiangsu province. Leveraging on the central government's long term goal of creating a sustainable economy with environmental preservation, 870 hectares of the SNEI's gross land area will be preserved for eco-tourism. The remaining 630 hectare development area will feature eco-friendly residential designs and knowledge industry development. The SNEI is envisioned to render the Jiangxinzhou island on which it resides as a model for sustainable growth characterised by eco-styled urbanisation.

### Research and development

Research and development plays an important role in strengthening Sembcorp's sustainable capabilities. As a business, our continued drive for technology and innovation allows us to optimise existing facilities and processes and use energy more efficiently. This means better use of resources, lower costs, better safety performance and reduced environmental impact.

Sembcorp's operations are supported by our in-house Technology department, as well as the collective expertise of our entire Group. In addition, in 2010, we also set up a Group Technology Committee that is headed by Sembcorp's Chairman and Group President & CEO. We also form research arrangements and collaborations with local tertiary research institutes and water technology companies. An example of such a partnership is our ongoing collaboration with Nanyang Technological University's Nanyang Environment and Water Research Institute, to jointly explore new technology to remove recalcitrant organic materials from complex industrial wastewater. Pulling together these extensive intellectual resources, our continued push for technology and innovation helps to build our competitive advantage and support the sustainable growth of the Group.

### Sustainability Awards and External Recognition

In 2010, Sembcorp received both national and global recognition and a number of awards for its efforts to promote and practise sustainability.

### Global Water Awards 2010 Water Reuse Project of the Year and WateReuse Association's WateReuse International Award

The Sembcorp NEWater Plant was recognised for its contribution to the international water reuse industry, winning the 2010 Global Water Awards Water Reuse Project of the Year, as well as the WateReuse Association's WateReuse International Award. One of the largest water reuse plants in the world, the plant uses state-of-the-art technology to optimise land use, has a compact plant footprint and strengthens Singapore's supply of NEWater, an ultra-clean, high-grade reclaimed water which is a key pillar of the country's water sustainability strategy.

### Responsible Care Awards

Sembcorp received Responsible Care Achievement Awards from the Singapore Chemical Industry Council in 2010 for Responsible Care's Employee Health & Safety, Pollution Prevention and Process Safety codes. The awards honour companies which incorporate Responsible Care Management Practices in their operations, and maintain high health, safety and environmental standards.

### Securities Investors Association (Singapore) Investors' Choice Awards Most Transparent Company

Sembcorp was ranked Singapore's Most Transparent Company in the multi-industry / conglomerates category at the Securities Investors Association (Singapore) Investors' Choice Awards. The awards recognise companies that adopt good corporate governance practices through their efforts towards excellent financial reporting and extensive disclosure of information.

### Singapore Workplace Safety and Health Council's bizSAFE 'Star' Status

The bizSAFE programme, initiated by the Workplace Safety and Health Council in Singapore, promotes workplace safety and health through recognition of companies' safety efforts. Sembcorp Cogen and Sembcorp's Singapore solid waste management unit achieved the highest level, or 'star' status in 2010.

## SUSTAINABILITY

### Singapore Workplace Safety and Health Performance Award 2010

Sembcorp won three silver awards at the Singapore Workplace Safety and Health Performance Awards 2010. The annual awards are presented to organisations that have performed well by implementing sound health and safety management systems. The three silver awards were received by Sembcorp Gas, Sembcorp Cogen and our propylene purification operations.

### Singapore Minister for Defence Award 2010

Sembcorp's solid waste management subsidiary SembWaste clinched Singapore's top Total Defence Award, the Minister for Defence Award, for its outstanding contributions to total defence, especially for its medical waste collection services during the outbreak of Influenza A (H1N1) in Singapore in 2009.

### Ofwat's Number One Water Company

The UK Water Services Regulation Authority (Ofwat) ranked Sembcorp's municipal water operations in Bournemouth in UK, as the joint top performing water company for service delivery in England and Wales, maintaining the unit's number one ranking for the second year in a row. The company achieved its best ever performance by scoring 288 points, the maximum possible in the regulator's assessment of the overall quality of service, including reliability and continuity of water supply, drinking water quality, and management of leakage provided by water companies.

### United Kingdom National Training Awards 2010

Sembcorp's operations in Teesside in UK were honoured twice at the prestigious UK National Training Awards 2010. The vastly experienced Protection Team won both a Regional and National Training Award in recognition of Sembcorp's outstanding contribution and commitment to training, learning and development in the workplace. Sembcorp was the first in UK to put its entire industrial fire-fighting force of almost 100 site protection officers through a new Level 3 National Vocational Qualification designed specifically for professionals in the fire-fighting and rescue sector.

### Saigon Times Top 40 Awards

In 2010, Sembcorp's VSIP was presented a Saigon Times Top 40 Award by The Saigon Times and the local

Department of Planning and Investment. This prestigious award recognised the best performing foreign direct investment enterprises and their efforts towards environmental conservation and sustainability, as well as their contributions to the economy and community.

### Vietnam Association for Conservation of Nature and Environment's Greentech Certificate

VSIP's efforts have been endorsed by the Vietnam Association for Conservation of Nature and Environment, who awarded VSIP with its Greentech Certificate in recognition of its proactive efforts in managing environmental issues and implementing measures for environmental sustainability.

### South African 'Blue Drop' Status

Our operations in Mbombela, South Africa, were amongst the only 5% of the country's water networks to be given 'Blue Drop' status by the Department of Environment and Water Affairs, in recognition of their provision of high quality water services. The Blue Drop scheme is meant to build public confidence in the quality of the drinking water and to ensure that proper monitoring measures are taken to ensure safe drinking water.

### Health, Safety and Environment Managing our material issues

HSE issues are clearly linked with Sembcorp's long-term success, and have been identified as material factors in terms of their potential impact on our business operations, as reflected in feedback from our stakeholder engagement survey. Expectations of our key stakeholder groups continue to increase in this area and our HSE performance is an important component of assessment for the Group as a high quality investment, business partner and supplier. The Group HSE policy can be viewed on our website at [www.sembcorp.com](http://www.sembcorp.com). In managing our HSE issues, we continue to be guided by four main principles:

- Implementing internationally recognised HSE management systems such as ISO 14001:2004 and OSHAS18001:2007.
- Actively investing in financially viable sustainable business lines, which form part of our core operations.
- Pursuing continuous improvement to enhance HSE performance of our processes, products and services.
- Working closely with our business partners and

seeking active engagement to promote mutual HSE performance improvement and positive impacts.

### Scope of the section

This section of the report provides information on how the Group proactively manages HSE impacts arising from its operations. It covers key issues including clean air and climate change, water, waste and the health and safety of our employees and business partners.

This 2010 report includes data from not only Singapore and the UK, which were the main focus of the 2009 report, but also from operations in Vietnam, the UAE and China (excluding newly acquired operations from Cascal as well as Shanghai Cao Jing Co-generation where we hold a minority stake). In the case of some indicators, this broader scope of reporting may mean that there is no meaningful comparable year-on-year data.

### HSE management, committees and structures

With operations that spread across six continents, our Group HSE department is the driver of our management systems and co-ordinates our global HSE efforts. Management committees and reporting structures have been established with regional co-ordinators working closely with the Group HSE department. This ensures the effective management of HSE issues with the purpose of setting long-term HSE objectives and targets and complying with the regulatory requirements, voluntary group guidelines, standards and initiatives. From early 2011, HSE issues have been incorporated into regular reports to the board and key HSE risks and controls have also been presented to the board's Risk Committee.

In 2010, Sembcorp's growth presented the challenge of aligning HSE policies and standards throughout the company, particularly in our newer operating sites. Going forward, our priority continues to be on aligning and improving standards across the Group and proactively managing HSE throughout the entire asset management life cycle, from business development and project conception, through to operation until end of the life of the asset.

The HSE culture at Sembcorp is one of shared responsibility, involving everyone associated with the company. With this approach, employees, business partners and contractors take ownership of day-to-

day health, safety and environmental performance, and meet expected standards. We continue to work with our partners and suppliers towards mutual HSE improvement. In Singapore, the Sembcorp Contractor HSE Committee continues to promote co-operation with our contractors in achieving and maintaining HSE performance on Jurong Island.

### Clean air and climate change

As a key player in the energy sector, we are keenly aware of global climate change issues. We aim to limit and manage the impact of our operations on climate change by enhancing our efficiency and investing in assets applying technologies which manage and reduce emissions.

Data shown in this section is from operations in Singapore and Teesside in the UK unless otherwise stated. Compilation of our emissions data is in accordance to the World Resource Institute and World Business Council for Sustainable Development's Greenhouse Gas Protocol for Stationary Combustion (Version 4).

### Carbon dioxide emissions

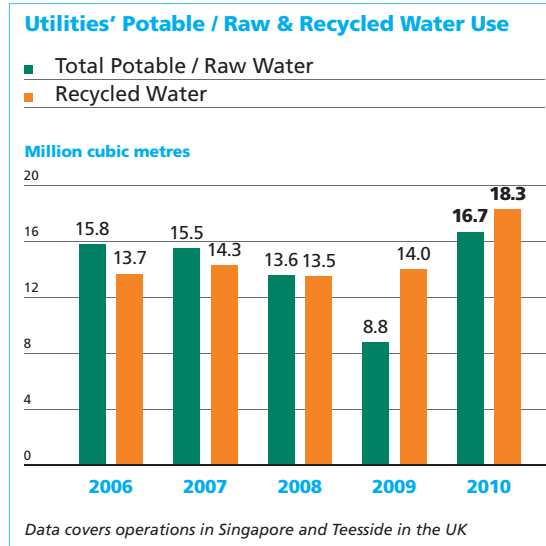
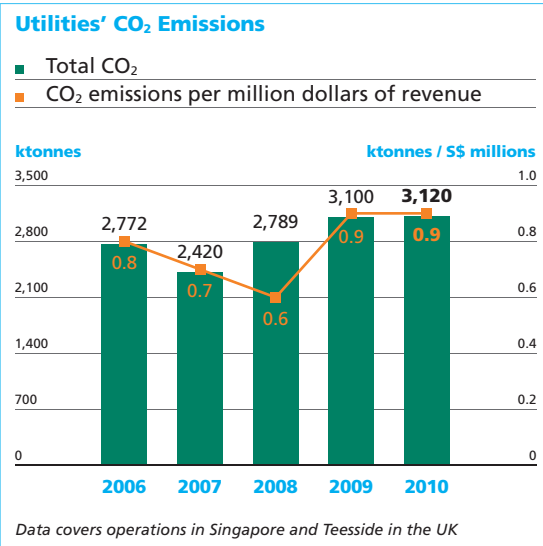
In our Singapore and Teesside UK operations, carbon dioxide emissions have remained at around the same levels as in 2009 at around 2,330 kilotonnes and 790 kilotonnes respectively.

### Other emissions

In addition to carbon dioxide emissions, we have begun to widen the scope of our data to include other sources of emissions.

In 2009, due to a natural gas curtailment by our suppliers, our Singapore operations substituted natural gas with fuel oil and emitted 85 tonnes of oxides of sulphur (SOx). SOx emissions have since decreased by more than 60% to 30 tonnes in 2010. In Teesside, UK, SOx emissions were also reduced by more than 40%, from 978 tonnes in 2009 to 564 tonnes in 2010. Total emissions of oxides of nitrogen (NOx) for our operations in Singapore and Teesside in UK in 2010 decreased by more than 50% as compared to 2009. In Singapore, NOx emissions decreased by more than 70%, from 1,707 tonnes in 2009 to 461 tonnes in 2010 due to lower utilisation of boilers as a result of an increase in the export of steam by our cogeneration plant. In Teesside, UK, NOx emissions also reduced by more than 20%, from 1,135 tonnes in 2009 to

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### Utilities' Energy Sources Consumption

Fuel Type (in gigajoules)	2010
<b>Primary Energy Sources</b>	
Natural Gas	96,135,371
Diesel	2,771,801
Biomass	2,956,236
Fuel Oil	1,621,240
Coal	2,058,265
<b>Total Primary Energy Source Consumption</b>	<b>105,542,915</b>
<b>Indirect Energy Consumption</b>	<b>2,394,754</b>

Data covers operations in Singapore, Teesside in the UK, Vietnam and the UAE

859 tonnes in 2010. Reduction in SOx and NOx emissions from operations in Teesside in the UK was due to the lower utilisation of coal boilers during the year.

### Energy sources consumption

We continued to track our primary energy sources usage in 2010. Natural gas continued to account for the largest proportion of our fuels used. We also continued to monitor indirect energy usage in the form of electricity consumption by our operations

within the scope of the report; this was over 2.3 million gigajoules for 2010.

### Water

Our water business has grown significantly over the last five years through acquisitions and organic growth. We provide a range of services from specialised industrial wastewater treatment to water reclamation, desalination and the supply of potable and industrial water. Sembcorp manages facilities capable of producing and treating over six million cubic metres of water and wastewater daily and serves close to five million people worldwide. Through innovation, we make every effort to ensure the efficient use and reuse of water resources.

As part of our water solutions to our customers, we treat and supply water extracted from surface water and groundwater (including lakes, rivers, oceans and aquifers). In 2010 for our operations in Singapore, Teesside in UK, China (excluding newly acquired operations from Cascal as well as Shanghai Cao Jing Co-generation), Vietnam and the UAE, we extracted 815 million cubic metres of surface water and groundwater, primarily for treatment and supply to our customers and for use in our operations.

In 2010, our Teesside operations consumed over 16 million cubic metres of potable and raw water,

including raw water consumption used to produce demineralised water for our customers and for use in our operations. Sembcorp also recycled 18 million cubic metres of water for supply to our customers and for use in our operations in Singapore and Teesside in UK, reducing the need to draw on potable or raw water supplies and also helping our customers to reduce the amount of raw water needed for their operations.

### Waste

As one of the largest solid waste management players in Singapore, Sembcorp provides services that aim to reduce waste going to incineration or landfill facilities. We also promote waste reduction by encouraging recycling. In line with our business focus to reduce waste for disposal, we are actively developing differentiating know-how including waste-to-resource capabilities.

### Accident and injury rates

In previous years we have reported on Sembcorp's internal SCU 5/0 campaign, which tracks the five goals of zero injury, zero spill, zero non-compliance, zero hazardous release and zero unplanned shutdown and imputes a monetary cost to lapses (termed the 'price of non-conformance') which is monitored over time. This internal campaign was initially started in Singapore for our Utilities operations and has contributed to a substantial improvement in our performance since its inception. As part of our efforts to improve HSE performance across the Group we are currently reviewing this to see how we can formulate an enhanced standardised set of HSE reporting parameters for application across all business units both in Singapore and overseas.

For 2010 we have been able to extend the scope of our accident and injury rate reporting. Using indicators of accident frequency rate (AFR) and accident severity rate (ASR), in accordance with the tracking criteria set by Singapore's Ministry of Manpower, the safety performance from our Utilities operations in Singapore, UK, China and the UAE has been recorded (China operations recorded data from February to December 2010 only). In 2010 for the first time, we have included data from our operations in China (excluding newly acquired operations from Cascal as well as Shanghai Cao Jing Co-generation) and the

UAE. The solid waste management business' safety performance in Singapore is reported separately from the performance of the rest of our Utilities operations. This is due to the fact that the solid waste management business' waste collection operations employ manual labour to a greater degree and therefore have a different risk profile from our energy, water and on-site logistics operations.

Our Utilities operations excluding solid waste management reported four accidents in 2010 – three in the UK, including a case involving a contractor, and one in China, with zero reportable accidents in Singapore and the UAE. Our Utilities operations reported 121 man-days lost in 2010, a substantial improvement compared to 194 days in 2009.

For our solid waste management business in Singapore, we saw an increase in the AFR from 4.4 in 2009 to 6.4 in 2010. Its ASR also increased from 92.6 in 2009 to 346.9 in 2010. The increase in its accident rates was mainly due to two accidents which accounted for more than 50% of the lost work days, with one case involving an employee breaking his wrist while the other saw the employee concerned hurting his back in the course of work.

Safety remains important to us and our solid waste management 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 and spot inspections at operational sites.

### Accident Statistics for the Utilities Business excluding Solid Waste Management

	2008	2009	2010
Accident Frequency Rate <sup>1</sup> (AFR)	0.5	0.9	0.8
Accident Severity Rate <sup>2</sup> (ASR)	1	44	24

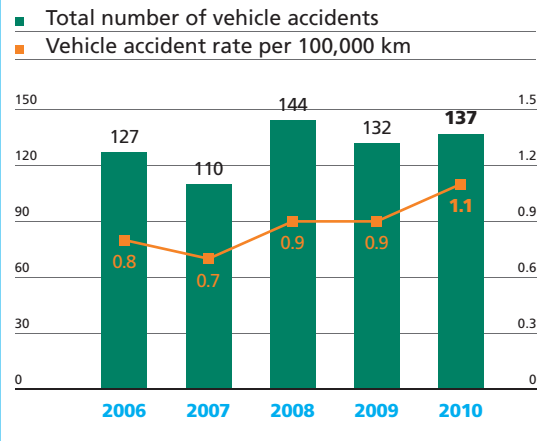
1. Number of workplace accidents per million man-hours worked
2. Number of man-days lost to workplace accidents per million man-hours worked

For 2008 and 2009, data covers operations in Singapore, Teesside in the UK and the UAE only

For 2010, data covers operations in Singapore, Teesside in UK, the UAE as well as China (excluding newly acquired operations from Cascal as well as Shanghai Cao Jing Co-generation)

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### Solid Waste Management's Vehicle Accident Rate



#### Vehicle accident rates

Sembcorp's solid waste management business operates a fleet of 170 commercial vehicles and undertakes a considerable amount of driving each year. One of our key indicators for this business for safety is vehicle accidents. In 2010, there was a rise in the accident rate both in terms of absolute numbers and number of incidents per 100,000 kilometres driven. The company has commenced a programme of safety training for its drivers starting January 2011, and will continue to track and aim to reduce its vehicle accident rate.

#### HSE progress in 2010

##### Progress in HSE management certifications

In 2009, we embarked on an initiative to pull together our different facilities and operations on Jurong Island for an integrated ISO14001 Environmental Management System (EMS) certification, as an effort to align the HSE management certifications. Backed by strong support from senior management, we successfully underwent an independent audit and achieved certification in May 2010. Moving forward, we have committed to an improvement target to obtain an integrated certification of the OHSAS18001 Occupational Safety and Health Management System and the ISO14001 EMS certification for our Singapore Utilities operations by 2011.

In Singapore, our solid waste management business under our Utilities business unit received the Flu Pandemic Preparedness Verification Certificate which is part of the Singapore Business Federation's National Business Continuity Management Programme launched in 2010.

From 2009 to the end of 2010, we worked to strengthen our HSE standards at our operations in Fujairah, UAE. We formalised and enhanced the HSE management system on the site and completed a written submission to the local authorities documenting this enhanced system. Going forward, we aim to work towards full implementation of the management system, and to obtain certification to ISO14001 EMS and OHSAS18001.

In 2010, Sembcorp's VSIP also obtained the ISO14001 EMS certification for its environmental efforts. It is the first industrial park in Vietnam to receive this certification awarded by Société Générale de Surveillance (SGS), a leading inspection, verification, testing and certification company recognised as the global benchmark for quality and integrity.

#### Global Group HSE workshop and HSE performance review

Updating our standards and seeking continuous improvement is part of our Group HSE department's mandate. In 2010, a Group HSE workshop was held where employees from our operations around the world contributed ideas towards the formulation of key HSE initiatives as well as a set of global mandatory HSE guidelines for all business units under our operational control.

The HSE performance of each business unit was also presented at the Annual Asset Management and HSE Workshop in September 2010. HSE incident data including statistics on injuries, AFR and ASR, spills, non-compliance, hazardous releases, waste and disposal and emissions were reported. Significant achievements and areas for enhancements were also shared for learning amongst the business units.

#### HSE audits and gap analysis

In 2010, our Group HSE department continued with its programme to monitor, review and audit each business unit's HSE management system and performance. In January 2010, a five-day internal audit for our operations in Fujairah was conducted.

### Certifications Achieved by Sembcorp's Businesses

Unit	ISO9001	ISO14001	OHSAS18001
Sembcorp			
Utilities Singapore	✓	✓	In progress
Sembcorp Gas	✓	✓*	In progress
Sembcorp Environment	✓	✓	✓
Sembcorp Industrial Parks	✓	✓	
Sembcorp Bournemouth Water	✓	✓	✓
Zhangjiagang Free Trade Zone			
Sembcorp Water	✓		
Fuzhou Sembcorp	✓	✓	✓
Qitaihe CWC	✓		
Xinmin Sembcorp	✓		✓
Sanhe Yanjiao CWC	✓	✓	✓
Subic Water and Sewerage	✓	✓	✓
Sembcorp Silulumanzi	✓	✓	✓
Siza Water		✓	

\* Covered under Sembcorp Utilities Singapore's integrated certification

The results of this audit were fed into the unit's efforts to implement improvements for alignment to the new UAE Code of Practice, a framework for the HSE management system. HSE reviews were also conducted during the year at our water operations in Nanjing and Zhangjiagang to assess the implementation of HSE management systems at the two China sites. Detailed findings and corrective and improvement actions were presented in a report to facilitate improvement.

#### In-house training and workshops

In 2010, the Group HSE office was involved in site inspections, HSE workshops and events conducted by the business units as well as training and workshops to improve HSE performance and manage health, safety and environment risks associated with our activities, products and services.

In 2010, training courses on HSE, asset management and operations and maintenance were held for selected employees from our China operations, with tailored

training materials and presentations conducted in Mandarin. Similar training was also conducted for selected employees from Indonesia. The Group HSE team also conducted a half-day HSE breakout session during the Group Asset Management and HSE workshop held for officers from our global operations in Singapore. This annual event encourages HSE representatives to network, share best practices, and contribute to improving our HSE programmes. Ideas and suggestions contributed by the participants were collated and considered for incorporation into the annual Group HSE work plan.

#### External HSE sharing: Responsible Care good practices workshop

Sembcorp is a signatory of Responsible Care in Singapore. This is a voluntary initiative of the global chemical industry for environmental protection, occupational health and safety, process safety, product stewardship, distribution, community awareness and emergency response. In 2010, the Singapore Chemical Industry Council invited Sembcorp to present on Responsible Care's Emergency Response code at its Responsible Care Good Practices Workshop in August, where industry players shared good practices with respect to Responsible Care's Code of Management Practices.

#### Human Resource and Employee Welfare

At Sembcorp, we recognise that our employees are our most vital assets and a key stakeholder group. We remain committed to providing a fair, diverse and inclusive workplace, and to continuous improvement in our human resource and people development practices.

#### Scope of the section

This section of the report covers the activities of Sembcorp Industries' head office, the Utilities business unit (which now includes the solid waste management business), as well as the Industrial Parks, Design and Construction and Mint business units. We have expanded data coverage to include operations in all countries we operate in. Any deviation from this scope is noted under the individual indicator.

#### Diversity and fair employment practices

Sembcorp strives to maintain a fair, diverse and inclusive workplace for all employees. With its

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headquarters based in Singapore, the Group subscribes to The Principles of Fair Employment formulated by the Singapore Tripartite Alliance for Fair Employment Practices, and has endorsed the Tripartite Alliance's Employers' Pledge of Fair Employment Practices. These principles, embedded into our human resource practices and implemented by Sembcorp on a global level, include 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.
- Reward fairly based on ability, performance, contribution and experience.
- Abide by labour laws and adopt tripartite guidelines which promote fair employment practices.

Permanent headcount increased in 2010 with the acquisition of Cascal and its international municipal water business. At the end of December 2010, there

were about 9,100 permanent employees in the Sembcorp Group. The Group had a further 5,900 employees working on a contract basis, 80% of whom work for the Marine business. Please see charts below for the distribution of Sembcorp's permanent employees by geographical region, gender and education.

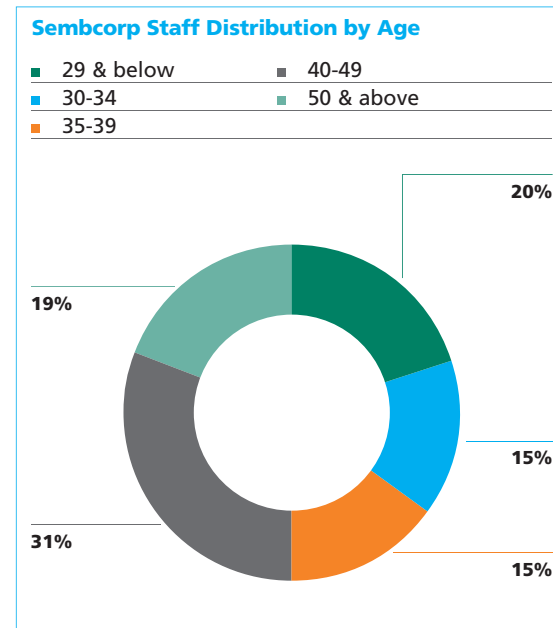
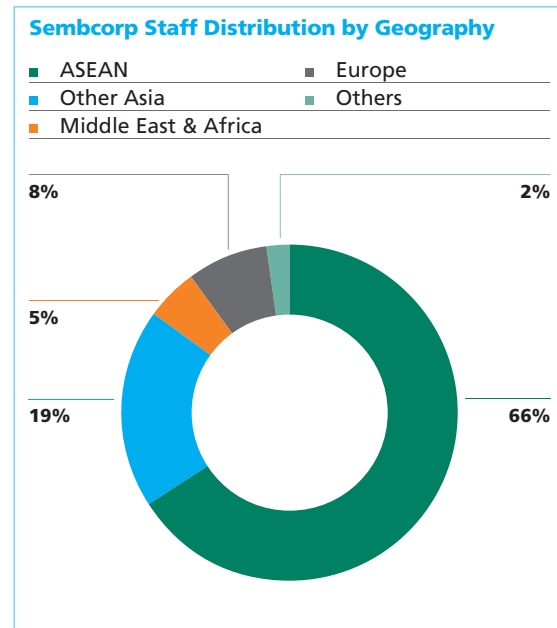
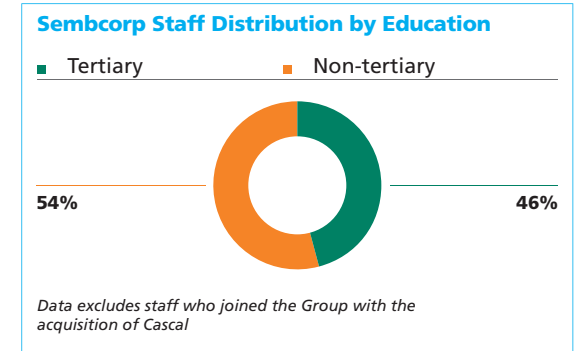
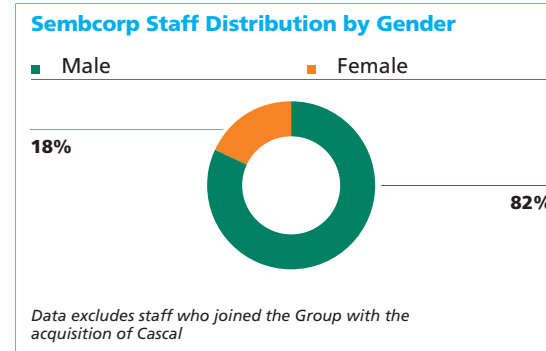
### Human rights

Sembcorp fully supports basic principles of human rights and has implemented a number of policies throughout the Group in support of these principles, including fair employment practices and a grievance and harassment policy. We also offer equal opportunities with respect to recruitment and selection.

A key tenet of Sembcorp's business ethics is strict respect for 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.

### Labour and union relations

Within the boundaries of each of the legal and



regulatory jurisdictions under which we operate, every Sembcorp employee is entitled to practise freedom of association in the workplace. At the end of 2010, there were over 3,000 unionised members in Sembcorp (including workers under the Marine business), covering over 30% of our total workforce.

Sembcorp maintains constructive ongoing exchanges with employee unions in its various locations. For instance, in the UK, discussions with Unite, the UK's biggest union, are conducted in line with our collective agreement, the 'Together Agreement' which covers over 90% of employees at our Teesside operations. Also in the UK, our municipal water operations, Sembcorp Bournemouth Water, has had a long-standing positive relationship with its recognised unions, GMB and Unison. Both unions are represented on the unit's Staff Consultative Group and Health and Safety Committee, and also participate in safety inspections. In Singapore, Sembcorp's various business units hold regular meetings with the two main unions, the Union of Power and Gas Employees, as well as the Building Construction and Timber Industries Employees' Union (BATU) to discuss various issues to help our employees stay competitive. Collective discussions in 2010 involved annual increments, variable bonuses and worker skills in specific sectors.

### Engaging and communicating with our people

Sembcorp recognises the importance of engaging our employees. We operate a number of channels through which we communicate with and receive feedback from our employees. We provide information on our financial and business performance, as well as on applicable company standards and policies to our staff. Interactive

staff communications sessions with management are in place to ensure two-way communication between the company and its employees.

In 2010, we continued to hold employee briefing sessions in conjunction with the company's quarterly financial reporting cycle. At these sessions, held in an interactive setting, senior management provides employees with a first-hand account of the company's performance and key developments for the quarter. In addition, we continued to hold an annual communication forum in Singapore for managers from Sembcorp offices all over the world, with in-depth briefings from top management and invited experts on our Group's operating environment, performance, outlook and strategy. This forum incorporates an interactive networking and question-and-answer session. Furthermore, at the country level, some business units also held quarterly learning and sharing sessions, senior manager briefings, and staff consultation group sessions.

Over the course of the year, we continued to communicate corporate updates and business milestones to all staff through employee email blasts and our employee e-newsletters. Relevant and up-to-date information on staff welfare and benefits was also publicised to employees via the company intranet.

Sembcorp welcomes feedback from its employees and provides confidential channels through which employees can submit feedback and staff suggestions, including an easily-accessible online form on the employee intranet. All feedback is sent to the Group Human Resource department, and is also automatically copied to the Director for Group Human Resource and to the Group President & CEO's office if sent via the staff intranet.

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In line with our commitment to high ethical standards and good corporate governance practices, we operate a group-wide whistle-blowing policy and encourage all employees to report any possible perceived improprieties on a confidential basis and without fear of recrimination. We have an easily-accessible whistle-blowing link on our company intranet, and employees may also provide whistle-blowing feedback via channels including mail, email and fax.

### Employee health and welfare

Sembcorp continues to promote a holistic and balanced lifestyle for our employees, which we believe is good for both their physical and mental health. We encourage employees at our various business units to participate in employee recreation events

#### Employee Communications for the Integration of Cascal into the Sembcorp Group

In 2010, the Group marked a major milestone for its Utilities business in the water sector with its acquisition of Cascal, a water company serving the municipal market in different countries across Asia, Europe and the Americas.

Upon the completion of our acquisition of a majority stake in the business in July, we immediately began to engage management and employees in its various operating sites. Efforts were made to keep staff abreast of developments via CEO letters and an integration newsletter. Roadshows and visits by key Sembcorp management to the different sites were held and an orientation kit was developed for the staff joining the Sembcorp Group. Every opportunity was taken to address possible employees' concerns, and management was provided with further background information to address staff concerns.

Later in the year, representatives from the newly acquired operations joined managers from Sembcorp's international operations at our Group's annual strategy meeting, staff conference and Group Asset Management Conference in Singapore. Representatives from the newly-acquired units also addressed the Group in these meetings to share more about their businesses and went on site tours of Sembcorp's Singapore assets.

throughout the year, including community outreach and volunteering events, team sports events, talks, gatherings and employee family days. We also opened up some of these activities to include employees' family members, such as our Family Day for employees from Singapore operations. In 2010, we spent over S\$100,000 on wellness programmes for employees in Singapore.

In Singapore, we are also part of the iCare Mental Health Alliance, which seeks to promote workplace mental health and offers employees access to counselling and assistance programmes, including retirement preparation and workplace accident-related trauma counselling.

### People development

Our shared success at Sembcorp is driven by the calibre and performance of our people. We recognise that it is essential to equip our employees across all levels of seniority to meet the changing needs of the marketplace. Sembcorp offers employees a range of personal and professional development opportunities including career development, education, talent management and leadership programmes.

### Competency building and succession planning

In 2010, the Group continued to invest in competency building for our employees, spending S\$1.6 million on training for employees in Singapore alone. It is a priority for us to enhance the skills levels of our employees to ensure smooth succession. Sembcorp's learning and development programmes factor in issues such as succession planning and addressing skills gaps with relation to core competency requirements. About 1.7% of our employees in Singapore are due for retirement in the next five years.

Our training and development programmes include:

#### ■ Executive and leadership development

The 'Sembcorp Leadership Competencies' is our unique talent management and development system that defines the qualities and performance expectations of a Sembcorp leader. Capable leaders are a crucial component in achieving extraordinary business success and this set of competencies details the ways in which Sembcorp leaders should act and respond. Managers also attend courses to enhance their presentation, negotiation, communication and coaching skills, as well as courses on building and leading high-performance teams.

Senior executives are expected to undertake regular training to update and upgrade their skills, and education programmes are accessible for them at prestigious institutes such as the Harvard Business School, INSEAD and the Temasek Business Leadership Centre.

#### ■ Attachments, job rotations and working tours

At Sembcorp, we offer employees experience in different cultural and operational settings through job rotations and attachments. For instance, we currently have more than 50 employees of different nationalities posted from our Singapore office to various overseas businesses. Internships and industrial attachments also provide students and Sembcorp scholars with practical experience and exposure to our operations whilst they undergo their studies.

Overseas site visits are also useful in offering employees exposure and in promoting the sharing of expertise across Sembcorp's international operations. For instance, in 2010 we held a series of working tours and development visits for China-based employees at our facilities on Jurong Island, Singapore.

#### ■ Professional and on-the-job training

At Sembcorp, we send our employees for professional training to allow them to develop skill sets to equip them to better perform their jobs.

Working with local educational institutions, Sembcorp has developed and conducted specialised technical courses for the Utilities business, including a certified energy manager course by the Institute of Engineers in Singapore and a basic boiler and cooling water treatment course by Nalco, a leading process improvement company serving the industrial water and energy industries. Sembcorp also sends many of our employees for professional training related to the industry, including courses under Singapore's National Skills Recognition Scheme and Workforce Skills Qualification scheme under the Workforce Development Authority.

Overseas, our employees also continued to receive training. For example, selected employees at our operations in Mbombela, South Africa, underwent Adult Basic Education and Training to equip them with foundation skills in areas such as English, mathematical and computer literacy.

In addition, we also run on-the-job training for our employees.

#### Annual Employee Turnover (%)

	2008	2009	2010
Annual Turnover Statistics	17	12	12

\* Data exclude employees who joined the Group with the acquisition of Cascal

#### ■ Sharing knowledge

As an industry leader in various sectors, Sembcorp encourages our employees to share and exchange best practices through platforms such as seminars and conferences on a local and international basis.

#### Performance management, rewards and recognition

Sembcorp has implemented a standard system for performance appraisals across our operations in various countries. The appraisal system allows employees to comment on their personal contribution throughout the year and to jointly identify areas for further career development and learning with their supervisors. It enables constructive discussion and uses the feedback process to ensure that employees share the responsibility for managing their career and goals. The appraisal process incorporates shared future objectives to ensure that employee outputs are also aligned to the needs of the business.

Selected senior managers are also assessed using a 360-degree appraisal system where feedback is sought from a range of superiors, peers and colleagues and other partners. The profile of essential competencies for the job function compiled from this process is also incorporated into these managers' development plans, helping them to lead their teams successfully and enhance their professional performance.

#### Benefits and rewards

Rewarding performance is a cornerstone of Sembcorp's employee retention strategy. The Group offers competitive base pay packages throughout our global businesses that are based on country-specific conditions. Rewards include annual salary increments and annual performance bonuses, as well as longer-term incentives linked to sector practices and based on the performance of the Group, the company and the individual.

Share-based incentives, administered by a

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board-nominated committee, remain a key component of the Group's pay structure and are deliberately aligned to long-term Group performance objectives. Since 2007, share options granted to staff have been replaced with restricted stocks of equivalent fair value. This Restricted Share Plan applies to employees of the Group, while 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 the company's private medical insurance scheme, under which the company meets the cost of employee membership and allows employees to include eligible dependants. The company also provides additional insurance cover for life, travel, personal accidents, workers' compensation and hospitalisation and surgical requirements.

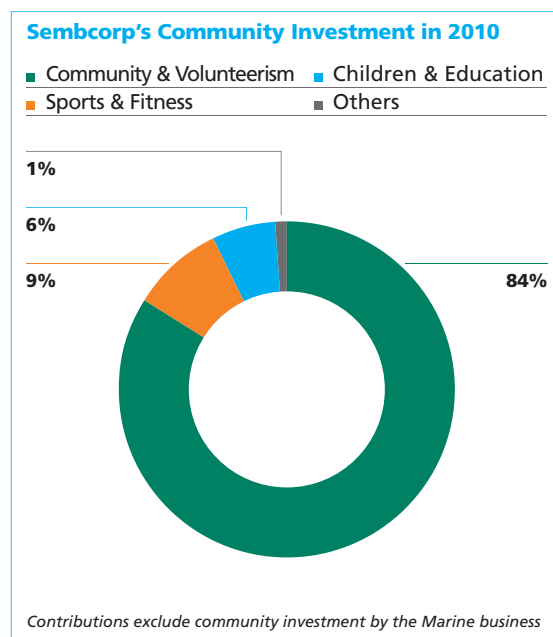
### Contractors

In Singapore, where 86% of Sembcorp's contract workers are employed, we require contractors to comply with all requirements stated in a Permit to Work application issued by the Ministry of Manpower, before they can work in our facilities or operating sites. This includes requirements for health and safety provisions and the submission of proper paperwork to demonstrate the presence of adequate workers' compensation insurance coverage, as well as relevant resident visa and work permits. Employees of our contractors must also attend health, safety and environment training before any work is started.

### Community investment

As an active corporate citizen, Sembcorp maintains an ongoing commitment to contribute to the local communities in which we operate through supporting social development and community investment projects. In 2010, Sembcorp contributed over S\$1 million in cash and in kind to its communities, excluding community investment initiatives by our separately-listed Marine business. We took part in many initiatives in our communities in support of children and the elderly, education, sports and fitness and the environment, amongst others. We also provided management time and support for volunteer programmes.

Our employees actively participate in volunteerism initiatives that the company organises. For example, in



Singapore, our employees participated in fundraising activities organised by the Assisi Hospice and volunteered to help clean the homes of the needy elderly under the care of Sunshine Welfare Action Mission. In Singapore, our employees spent more than 1,800 hours on volunteerism in 2010. Our employees overseas also participated in volunteerism initiatives. For instance, employees from our operations in Bournemouth in the UK support and promote the work of international water charity, WaterAid, through giving presentations to schools, groups and clubs in their local area on WaterAid's work.

Sembcorp supports projects that help to support outreach activities to the communities. For instance, in Singapore, Sembcorp supported the National Parks Board's initiative to enhance and promote appreciation of biodiversity through the launch of the Sembcorp Forest of Giants.

During the year, Sembcorp also continued to contribute to programmes in aid of sports and in support of young sportsmen pursuing their dreams. In Singapore, we sponsored S\$50,000 worth of scholarships and bursaries for promising young badminton players through an ongoing programme jointly administered by

### The Sembcorp Forest of Giants

In April 2010, Sembcorp committed S\$1 million to Singapore's National Parks Board's registered charity, the Garden City Fund, to plant the Sembcorp Forest of Giants, a living gallery of endangered indigenous giant tree species, over the next 10 years. As a leading company providing energy, water and sustainable urban solutions, Sembcorp made the contribution in line with our strong commitment to environmental responsibility and to contribute to communities where we operate.

The launch of Sembcorp Forest of Giants is part of the National Parks Board's initiative to enhance biodiversity within urban areas and also a key event in celebration of the International Year of Biodiversity. As part of a nine kilometre chain of green spaces, the trees will eventually grow to great heights far above the existing forest canopy, and allow park visitors to view and experience rare and majestic reminders of the biodiversity which once thrived in the regional landscape before the advent of urbanisation. Comprising over 600 trees, the project will better enable researchers to identify suitable species for future urban planting along our roads and in our parks.

Part of Sembcorp's contribution will also be used to establish the Sembcorp Education and Conservation Fund which will support outreach activities to promote Singaporeans' appreciation of the Sembcorp Forest of Giants and other environmental education projects.

the company and the Singapore Badminton Association. In addition, we also pledged S\$300,000 over three years to the Singapore Table Tennis Association towards support of the national table tennis team as well as the association's efforts to raise the level of the game locally and help to nurture more table tennis talents. Siza Water, our operations in South Africa, administers a Youth and Community Development Fund which sponsors schools with sports equipment and gear to support students at sports games.

We have taken part in many initiatives supporting children and education. For instance our operations in Teesside in the UK helped organise educational visits to our facilities at Sembcorp's Wilton International, a chemical manufacturing site at Teesside.

Sembcorp also contributed to programmes supporting wildlife and biodiversity. For instance, Sembcorp municipal water operations in Bournemouth, UK continued to maintain its long-standing support of Dorset Wildlife Trust, which has more than 40 nature reserves covering 1,300 hectares of wildlife habitat and five education centres in the local area. In addition, during the year the unit donated one of its former vans to local volunteer wildlife aid group Dorset Wildlife Rescue (DWR) to be used as an ambulance for transporting injured, sick or orphaned wild mammals and birds of prey across Dorset, Hampshire and Wiltshire.

### Sustainability Contact

For further information on sustainability at Sembcorp Industries, please visit our website at [www.sembcorp.com](http://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:

Group Corporate Relations  
Tel: +65 6723 3113  
Email: [gcr@sembcorp.com](mailto:gcr@sembcorp.com)

### Sembcorp and Children Challenging Industry

Sembcorp has been praised by organisers of the Children Challenging Industry (CCI) science initiative for our support in arranging interactive visits for young students to Sembcorp's Wilton International, a leading chemical manufacturing site at Teesside in the UK. Aimed at stimulating interest in science among the young, Sembcorp UK and companies at Wilton have coordinated the visits for groups aged nine to 11. In the last five years, more than 700 pupils have visited the Wilton site as part of the CCI project.

CCI said interesting visits to facilities such as the site's water treatment plant, renewable power plant, laboratory area and on-site fire station and emergency response facilities play an important part in helping the youth to develop and maintain an interest in science. The initiative shows youth how science touches the lives of everyone every day by linking classroom-based science activities on curriculum topics such as water, energy and plastics to real industrial applications.