

Directors' Report

Year ended December 31, 2012

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended December 31, 2012.

Directors

The directors in office at the date of this report are as follows:

Ang Kong Hua
Tang Kin Fei
Goh Geok Ling
Evert Henkes
Bobby Chin Yoke Choong
Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng
Dr Teh Kok Peng (appointed on October 15, 2012)

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year / At date of appointment		At end of the year / 21/01/2013	At beginning of the year / At date of appointment		At end of the year / 21/01/2013
			At date of appointment	At end of the year	At 21/01/2013	At date of appointment	At end of the year	At 21/01/2013
Ang Kong Hua								
Sembcorp Industries Ltd	Ordinary shares		20,300	36,500	36,500	-	-	-
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		3,593,826	3,936,206	3,936,206	-	-	-
	Options to subscribe for ordinary shares at - \$2.36 per share	22/11/2006 to 21/11/2015	150,000	150,000	150,000	-	-	-
	- \$2.52 per share	10/06/2007 to 09/06/2016	300,000	300,000	300,000	-	-	-
	Conditional award of: - 400,000 performance shares to be delivered after 2011 (Note 1a)		Up to 600,000	-	-	-	-	-
	- 400,000 performance shares to be delivered after 2012 (Note 1b)		Up to 600,000	Up to 600,000	Up to 600,000	-	-	-

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year / At date of appointment		At end of the year / 21/01/2013	At beginning of the year / At date of appointment		At end of the year / 21/01/2013
			At date of appointment	At end of the year	At 21/01/2013	At date of appointment	At end of the year	At 21/01/2013
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd	Conditional award of: - 400,000 performance shares to be delivered after 2013 (Note 1c)		Up to 600,000	Up to 600,000	Up to 600,000	-	-	-
	- 400,000 performance shares to be delivered after 2014 (Note 1d)		-	Up to 600,000	Up to 600,000	-	-	-
	- 126,000 restricted shares to be delivered after 2009 (Note 2a(i))		41,160	-	-	-	-	-
	- 126,000 restricted shares to be delivered after 2010 (Note 2b(i))		100,800	50,400	50,400	-	-	-
	- 126,000 restricted shares to be delivered after 2011 (Note 2c)		Up to 189,000	101,640	101,640	-	-	-
	- 126,000 restricted shares to be delivered after 2012 (Note 2d)		Up to 189,000	Up to 189,000	Up to 189,000	-	-	-
	- 126,000 restricted shares to be delivered after 2013 (Note 2e)		-	Up to 189,000	Up to 189,000	-	-	-
Sembcorp Marine Ltd	Ordinary shares		182,570	209,670	209,670	-	-	-
	Conditional award of: - 12,000 restricted shares to be delivered after 2009 (Note 2a(ii))		6,000	-	-	-	-	-
	- 17,000 restricted shares to be delivered after 2010 (Note 2b(ii))		17,000	8,500	8,500	-	-	-

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year /		At	At beginning of the year /		At
			At date of appointment	end of the year	21/01/2013	At date of appointment	end of the year	21/01/2013
Tang Kin Fei (cont'd)								
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the S\$1.5 Billion Multicurrency Medium Term Note Programme (Note 3)		Principal amount:	Principal amount:	Principal amount:			
	– Due 2014		S\$500,000	S\$500,000	S\$500,000	–	–	–
	– Due 2020		S\$500,000	S\$500,000	S\$500,000	–	–	–
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		484,320	503,874	503,874	47,000	47,000	47,000
	Conditional award of: – 13,700 restricted shares to be delivered after 2009 (Note 2a(iii))		4,474	–	–	–	–	–
	– 13,700 restricted shares to be delivered after 2010 (Note 2b(iii))		10,960	5,480	5,480	–	–	–
Sembcorp Marine Ltd	Ordinary shares		293,040	335,540	335,540	–	–	–
	Conditional award of: – 22,000 restricted shares to be delivered after 2009 (Note 2a(iv))		11,000	–	–	–	–	–
	– 29,000 restricted shares to be delivered after 2010 (Note 2b(iv))		29,000	14,500	14,500	–	–	–

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year /		At	At beginning of the year /		At
			At date of appointment	end of the year	21/01/2013	At date of appointment	end of the year	21/01/2013
Evert Henkes								
Sembcorp Industries Ltd	Ordinary shares		113,018	130,604	130,604	–	–	–
	Conditional award of: – 7,000 restricted shares to be delivered after 2009 (Note 2a(v))		2,286	–	–	–	–	–
	– 7,000 restricted shares to be delivered after 2010 (Note 2b(v))		5,600	2,800	2,800	–	–	–
Bobby Chin Yoke Choong								
Sembcorp Industries Ltd	Ordinary shares		15,400	30,100	30,100	–	–	–
	Conditional award of: – 11,000 restricted shares to be delivered after 2010 (Note 2b(vi))		8,800	4,400	4,400	–	–	–
Margaret Lui								
Sembcorp Industries Ltd	Ordinary shares		–	9,700	9,700	–	–	–
Tan Sri Mohd Hassan Marican								
Sembcorp Industries Ltd	Ordinary shares		–	–	–	–	10,100	10,100
Sembcorp Marine Ltd	Ordinary shares		–	–	–	–	1,800	1,800
Tham Kui Seng								
Sembcorp Industries Ltd	Ordinary shares		–	3,300	3,300	–	–	–
Dr Teh Kok Peng								
Sembcorp Marine Ltd	Ordinary shares		40,000	40,000	40,000	–	–	–

Directors' Interests (cont'd)

Note 1: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

- a. Period from 2009 to 2011*
- b. Period from 2010 to 2012
- c. Period from 2011 to 2013
- d. Period from 2012 to 2014

* For this period, 600,000 Sembcorp Industries Ltd (SCI) shares were released to Tang Kin Fei on March 26, 2012.

Note 2: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- a. Period from 2008 to 2009**
- b. Period from 2009 to 2010*
- c. Period from 2010 to 2011*
- d. Period from 2011 to 2012
- e. Period from 2012 to 2013

** i. For this period, 41,160 SCI shares (the final release of the 1/3 of the 123,480 shares) were vested under the award to Tang Kin Fei on March 26, 2012. The 1st and 2nd release of 41,160 shares each have been vested in 2010 and 2011 respectively.

ii. For this period, 6,000 Sembcorp Marine Ltd (SCM) shares (the final release of the 1/3 of the 18,000 shares) were vested under the award to Tang Kin Fei on March 5, 2012. The 1st and 2nd release of 6,000 shares each have been vested in 2010 and 2011 respectively.

iii. For this period, 4,474 SCI shares (the final release of the 1/3 of the 13,426 shares) were vested under the award to Goh Geok Ling on March 26, 2012. The 1st and 2nd release of 4,476 shares each have been vested in 2010 and 2011 respectively.

iv. For this period, 11,000 SCM shares (the final release of the 1/3 of the 33,000 shares) were vested under the award to Goh Geok Ling on March 5, 2012. The 1st and 2nd release of 11,000 shares each have been vested in 2010 and 2011 respectively.

v. For this period, 2,286 SCI shares (the final release of the 1/3 of the 6,860 shares) were vested under the award to Evert Henkes on March 26, 2012. The 1st and 2nd release of 2,287 shares each have been vested in 2010 and 2011 respectively.

^ i. For this period, 50,400 SCI shares (2nd release of the 1/3 of the 151,200 shares) were vested under the award to Tang Kin Fei on March 26, 2012 and the remaining 50,400 shares will be vested in year 2013. The 1st release of 50,400 shares has been vested on March 23, 2011.

ii. For this period, 8,500 SCM shares (2nd release of the 1/3 of the 25,500 shares) were vested under the award to Tang Kin Fei on March 5, 2012 and the remaining 8,500 shares will be vested in year 2013. The 1st release of 8,500 shares has been vested on March 15, 2011.

iii. For this period, 5,480 SCI shares (2nd release of the 1/3 of the 16,440 shares) were vested under the award to Goh Geok Ling on March 26, 2012 and the remaining 5,480 shares will be vested in year 2013. The 1st release of 5,480 shares has been vested on March 23, 2011.

iv. For this period, 14,500 SCM shares (2nd release of the 1/3 of the 43,500 shares) were vested under the award to Goh Geok Ling on March 5, 2012 and the remaining 14,500 shares will be vested in year 2013. The 1st release of 14,500 shares has been vested on March 15, 2011.

v. For this period, 2,800 SCI shares (2nd release of the 1/3 of the 8,400 shares) were vested under the award to Evert Henkes on March 26, 2012 and the remaining 2,800 shares will be vested in year 2013. The 1st release of 2,800 shares has been vested on March 23, 2011.

vi. For this period, 4,400 SCI shares (2nd release of the 1/3 of the 13,200 shares) were vested under the award to Bobby Chin Yoke Choong on March 26, 2012 and the remaining 4,400 shares will be vested in year 2013. The 1st release of 4,400 shares has been vested on March 23, 2011.

For this period, 50,820 SCI shares (1st release of the 1/3 of the 152,460 shares) were vested under the award to Tang Kin Fei on March 26, 2012 and the remaining 101,640 shares will be vested in year 2013/2014.

Note 3: Fixed Rate Notes issued under the S\$1.5 Billion Multicurrency Medium Term Note Programme of Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and January 21, 2013.

Except as disclosed under the "Share-based Incentive Plans" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in Notes 33(a) and 39 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share-based Incentive Plans

The Company's Performance Share Plan (SCI PSP 2010) and Restricted Share Plan (SCI RSP 2010) (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000 and expired in 2010.

The Executive Resource & Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Ang Kong Hua (Chairman)
Goh Geok Ling
Margaret Lui

The SCI RSP 2010 is the incentive scheme for directors and employees of the Group whereas the SCI PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The SCI RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCI PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCI RSP 2010 and the SCI PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associated companies over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Share-based Incentive Plans (cont'd)

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

a. Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group or the associated company by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc., or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option.

Other information regarding the Share Option Plan is as follows:

- The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited (SGX-ST) over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.
- After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.
- In 2012 and 2011, all options were settled by the issuance of treasury shares.
- The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group. There are no outstanding share options for non-executive directors.
- Sembcorp Industries Ltd Share Option Plan

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of the Company are as follows:

**Sembcorp Industries Ltd
Ordinary shares
2012**

Date of grant of options	Exercise price per share	Options		Options		Options		Exercise period
		outstanding at Jan 1, 2012	exercised at Dec 31, 2012	cancelled / lapsed / not accepted at Dec 31, 2012	outstanding at Jan 1, 2012	exercisable at Jan 1, 2012	exercisable at Dec 31, 2012	
07/05/2002	S\$1.23	157,250	(126,500)	(30,750)	–	157,250	–	08/05/2003 to 07/05/2012
17/10/2002	S\$0.62	52,500	(26,500)	(26,000)	–	52,500	–	18/10/2003 to 17/10/2012
02/06/2003	S\$0.78	31,000	(7,000)	–	24,000	31,000	24,000	03/06/2004 to 02/06/2013
18/11/2003	S\$0.93	72,000	(39,500)	–	32,500	72,000	32,500	19/11/2004 to 18/11/2013
17/05/2004	S\$0.99	174,250	(72,000)	–	102,250	174,250	102,250	18/05/2005 to 17/05/2014
22/11/2004	S\$1.16	178,625	(77,500)	–	101,125	178,625	101,125	23/11/2005 to 22/11/2014
01/07/2005	S\$2.37	383,650	(120,625)	–	263,025	383,650	263,025	02/07/2006 to 01/07/2015
21/11/2005	S\$2.36	646,000	(133,875)	–	512,125	646,000	512,125	22/11/2006 to 21/11/2015
09/06/2006	S\$2.52	1,190,664	(201,865)	–	988,799	1,190,664	988,799	10/06/2007 to 09/06/2016
		2,885,939	(805,365)	(56,750)	2,023,824	2,885,939	2,023,824	

Share-based Incentive Plans (cont'd)**a. Share Option Plan** (cont'd)**v. Sembcorp Industries Ltd Share Option Plan** (cont'd)

**Sembcorp Industries Ltd
Ordinary shares
2011**

Date of grant of options	Exercise price per share	Options		Options		Options		Exercise period
		outstanding at Jan 1, 2011	exercised at Dec 31, 2011	cancelled / lapsed / not accepted at Dec 31, 2011	outstanding at Jan 1, 2011	exercisable at Jan 1, 2011	exercisable at Dec 31, 2011	
19/04/2001	S\$1.19	111,100	(81,100)	(30,000)	–	111,100	–	20/04/2002 to 19/04/2011
07/05/2002	S\$1.23	160,750	(3,500)	–	157,250	160,750	157,250	08/05/2003 to 07/05/2012
17/10/2002	S\$0.62	87,000	(34,500)	–	52,500	87,000	52,500	18/10/2003 to 17/10/2012
02/06/2003	S\$0.78	97,600	(65,475)	(1,125)	31,000	97,600	31,000	03/06/2004 to 02/06/2013
18/11/2003	S\$0.93	111,375	(37,375)	(2,000)	72,000	111,375	72,000	19/11/2004 to 18/11/2013
17/05/2004	S\$0.99	206,750	(29,000)	(3,500)	174,250	206,750	174,250	18/05/2005 to 17/05/2014
22/11/2004	S\$1.16	225,000	(44,250)	(2,125)	178,625	225,000	178,625	23/11/2005 to 22/11/2014
01/07/2005	S\$2.37	792,700	(391,175)	(17,875)	383,650	792,700	383,650	02/07/2006 to 01/07/2015
21/11/2005	S\$2.36	891,474	(222,349)	(23,125)	646,000	891,474	646,000	22/11/2006 to 21/11/2015
09/06/2006	S\$2.52	175,000	(175,000)	–	–	175,000	–	10/06/2007 to 09/06/2011
09/06/2006	S\$2.52	1,735,790	(519,376)	(25,750)	1,190,664	1,735,790	1,190,664	10/06/2007 to 09/06/2016
		4,594,539	(1,603,100)	(105,500)	2,885,939	4,594,539	2,885,939	

The details of options of the Company awarded / exercised since commencement of the Scheme (aggregate) to December 31, 2012 are as follows:

Option participants	Aggregate options			
	Aggregate options granted	Aggregate options cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Ang Kong Hua	–	–	–	–
Tang Kin Fei	3,444,052	(607,759) ¹	(2,386,293)	450,000
Goh Geok Ling	370,000	–	(370,000)	–
Evert Henkes	94,000	–	(94,000)	–
Bobby Chin Yoke Choong	–	–	–	–
Margaret Lui	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–
Tham Kui Seng	–	–	–	–
Dr Teh Kok Peng	–	–	–	–
Other executives				
Group	149,771,742	(69,304,038)	(78,893,880)	1,573,824
Associated company	748,600	(215,100)	(533,500)	–
Parent Group ²	378,500	(113,000)	(265,500)	–
Former directors of the Company	10,641,578	(2,383,328)	(8,258,250)	–
Total	165,448,472	(72,623,225)	(90,801,423)	2,023,824

Share-based Incentive Plans (cont'd)**a. Share Option Plan** (cont'd)v. Sembcorp Industries Ltd Share Option Plan (cont'd)

- Options lapsed due to replacement of 1999 options and expiry of earlier options.
- Parent Group refers to former employees of Singapore Technologies Pte Ltd. No options were granted to former employees of Singapore Technologies Pte Ltd since 2005.

Since the commencement of the Share Option Plan, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the Share Option Plan has been granted 5% or more of the total options available. No options have been offered at a discount.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any company.

vi. Share options of a listed subsidiary

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of Sembcorp Marine Ltd are as follows:

**Sembcorp Marine Ltd
Ordinary shares
2012**

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Exercise period
		at Jan 1, 2012	Options exercised	at Dec 31, 2012	at Jan 1, 2012	at Dec 31, 2012		
07/11/2002	S\$0.64	125,650	(11,900)	(113,750)	–	125,650	–	08/11/2003 to 07/11/2012
08/08/2003	S\$0.71	73,420	(3,000)	–	70,420	73,420	70,420	09/08/2004 to 08/08/2013
10/08/2004	S\$0.74	241,010	(47,400)	(4,200)	189,410	241,010	189,410	11/08/2005 to 10/08/2014
11/08/2005	S\$2.11	1,503,750	(551,450)	(4,200)	948,100	1,503,750	948,100	12/08/2006 to 11/08/2015
02/10/2006	S\$2.38	1,856,482	(525,830)	(22,325)	1,308,327	1,856,482	1,308,327	03/10/2007 to 02/10/2016
		3,800,312	(1,139,580)	(144,475)	2,516,257	3,800,312	2,516,257	

**Sembcorp Marine Ltd
Ordinary shares
2011**

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Exercise period
		at Jan 1, 2011	Options exercised	at Dec 31, 2011	at Jan 1, 2011	at Dec 31, 2011		
27/09/2001	S\$0.47	54,810	(21,210)	(33,600)	–	54,810	–	28/09/2002 to 27/09/2011
07/11/2002	S\$0.64	161,700	(31,500)	(4,550)	125,650	161,700	125,650	08/11/2003 to 07/11/2012
08/08/2003	S\$0.71	216,470	(132,200)	(10,850)	73,420	216,470	73,420	09/08/2004 to 08/08/2013
10/08/2004	S\$0.74	1,723,958	(1,427,648)	(55,300)	241,010	1,723,958	241,010	11/08/2005 to 10/08/2014
11/08/2005	S\$2.11	4,213,877	(2,617,027)	(93,100)	1,503,750	4,213,877	1,503,750	12/08/2006 to 11/08/2015
02/10/2006	S\$2.38	191,750	(191,750)	–	–	191,750	–	03/10/2007 to 02/10/2011*
02/10/2006	S\$2.38	4,918,409	(3,046,002)	(15,925)	1,856,482	4,918,409	1,856,482	03/10/2007 to 02/10/2016
		11,480,974	(7,467,337)	(213,325)	3,800,312	11,480,974	3,800,312	

* Applicable to non-executive directors of the Company only.

Share-based Incentive Plans (cont'd)**b. Performance Share Plan**

Under the Performance Share Plan (SCI PSP 2010), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2012 to 2014 will be vested to the senior management participants only if the restricted shares for the performance period 2013 to 2014 are vested, subject to the achievement of the performance conditions for the respective performance periods.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

i. Sembcorp Industries Ltd Performance Shares

The details of the movement of the performance shares of Sembcorp Industries Ltd awarded during the financial year since commencement of the Performance Share Plan (aggregate) are as follows:

Performance shares participants	At Jan 1	Movements during the year				At Dec 31
		Conditional performance shares awarded	Additional performance shares arising from targets met	Conditional performance shares released	Conditional performance shares lapsed	
2012						
Director of the Company:						
Tang Kin Fei	1,200,000	400,000	200,000	(600,000)	–	1,200,000
Key executives						
of the Group	1,433,333	420,000	252,500	(757,500)	–	1,348,333
	2,633,333	820,000	452,500	(1,357,500)	–	2,548,333
2011						
Director of the Company:						
Tang Kin Fei	1,200,000	400,000	–	(300,000)	(100,000)	1,200,000
Key executives						
of the Group	1,411,665	420,000	–	(292,500)	(105,832)	1,433,333
	2,611,665	820,000	–	(592,500)	(205,832)	2,633,333

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010), a total of 1,357,500 (2011: 592,500) performance shares were released via the issuance of treasury shares.

Share-based Incentive Plans *(cont'd)***b. Performance Share Plan** *(cont'd)*i. Sembcorp Industries Ltd Performance Shares *(cont'd)*

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2012, was 2,548,333 (2011: 2,633,333). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,822,500 (2011: 3,950,000) performance shares.

ii. Performance shares of a listed subsidiary

The details of the movement of the performance shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2012	2011
At January 1	1,765,000	1,970,000
Conditional performance shares awarded	675,000	585,000
Conditional performance shares lapsed	(93,610)	(242,916)
Additional performance shares awarded arising from targets met	240,694	385,000
Conditional performance shares released	(722,084)	(932,084)
At December 31	1,865,000	1,765,000

No performance shares of Sembcorp Marine Ltd were awarded to the directors of the Company.

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010), a total of 722,084 (2011: 932,084) performance shares were released via the issuance of treasury shares.

In 2012, there were additional 240,694 (2011: 385,000) performance shares awarded for over-achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2012, was 1,865,000 (2011: 1,765,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,797,500 (2011: 2,647,500) performance shares.

Share-based Incentive Plans *(cont'd)***c. Restricted Share Plan**

Under the Restricted Share Plan (SCI RSP 2010), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2012.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The managerial participants of the Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCI RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees). In 2012, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director was determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days immediately following the date of the Annual General Meeting (AGM). The number of shares to be awarded was rounded down to the nearest hundred and any residual balance was settled in cash.

Share-based Incentive Plans (cont'd)**c. Restricted Share Plan** (cont'd)

i. Sembcorp Industries Ltd Restricted Shares

The details of the movement of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

Restricted shares participants	At Jan 1	Movements during the year				At Dec 31
		Additional restricted	Additional restricted	Additional restricted	Additional restricted	
		Conditional restricted shares awarded	shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	
2012						
Directors of the Company:						
Ang Kong Hua	–	16,200	–	(16,200)	–	–
Tang Kin Fei	393,960	126,000	26,460	(142,380)	–	404,040
Goh Geok Ling	15,434	9,600	–	(19,554)	–	5,480
Evert Henkes	7,886	12,500	–	(17,586)	–	2,800
Bobby Chin Yoke Choong	8,800	10,300	–	(14,700)	–	4,400
Margaret Lui	–	9,700	–	(9,700)	–	–
Tan Sri Mohd Hassan Marican	–	10,100	–	(10,100)	–	–
Tham Kui Seng	–	3,300	–	(3,300)	–	–
Dr Teh Kok Peng	–	–	–	–	–	–
Former directors of the Company						
	–	5,200	–	(5,200)	–	–
Other executives of the Group						
	5,744,249	2,251,500	392,910	(1,948,635)	(148,307)	6,291,717
	6,170,329	2,454,400	419,370	(2,187,355)	(148,307)	6,708,437
2011						
Directors of the Company:						
Ang Kong Hua	20,300	–	–	(20,300)	–	–
Tang Kin Fei	362,181	126,000	25,200	(119,421)	–	393,960
Goh Geok Ling	39,378	–	2,740	(26,684)	–	15,434
Evert Henkes	20,121	–	1,400	(13,635)	–	7,886
Bobby Chin Yoke Choong	22,000	–	2,200	(15,400)	–	8,800
Margaret Lui	–	–	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–	–	–
Tham Kui Seng	–	–	–	–	–	–
Former directors of the Company						
	88,242	–	6,140	(94,382)	–	–
Other executives of the Group						
	4,963,224	2,179,800	361,880	(1,492,987)	(267,668)	5,744,249
	5,515,446	2,305,800	399,560	(1,782,809)	(267,668)	6,170,329

Share-based Incentive Plans (cont'd)**c. Restricted Share Plan** (cont'd)

i. Sembcorp Industries Ltd Restricted Shares (cont'd)

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011, a total of 863,127 restricted shares were released in 2012. For awards in relation to the performance period 2009 to 2010, a total of 737,169 (2011: 872,309) were released in 2012. For awards in relation to the performance period 2008 to 2009, a total of 495,035 (2011: 548,312) restricted shares were released in 2012. For awards in relation to the performance period 2007 to 2008, a total of 398 (2011: 279,488) restricted shares were released in 2012. In 2012, there were 76,900 (2011: 82,700) shares released to non-executive directors. In 2012, there were additional 14,726 shares released to employees upon retirement or death in service. Of the restricted shares released, 14,726 (2011: 35,490) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2012, additional 419,370 (2011: 399,560) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2012, was 6,708,437 (2011: 6,170,329). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,565,100 (2011: 4,244,200). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,847,650 (2011: 6,366,300) restricted shares.

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010), a total of S\$3,458,548, equivalent to 580,274 (2011: S\$2,661,000, equivalent to 494,042) notional restricted shares, were paid. A total of 400,000 (2011: 600,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2012 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2012, was 1,000,000 (2011: 1,200,000). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 1,500,000 (2011: 1,800,000).

Share-based Incentive Plans (cont'd)**c. Restricted Share Plan** (cont'd)

ii. Restricted shares of a listed subsidiary

The details of the movement of the restricted shares of Sembcorp Marine Ltd awarded during the year are as follows:

	Movements during the year					At Dec 31
	At Jan 1	Additional conditional restricted shares awarded	Conditional restricted shares arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	
Restricted shares participants						
2012						
Directors of the Company:						
Tang Kin Fei	23,000	12,600	–	(27,100)	–	8,500
Goh Geok Ling	40,000	17,000	–	(42,500)	–	14,500
Tan Sri Mohd Hassan Marican	–	1,800	–	(1,800)	–	–
Former director of the Company	22,000	19,000	–	(41,000)	–	–
Other participants	10,065,285	2,814,300	1,466,001	(4,301,658)	(523,398)	9,520,530
	10,150,285	2,864,700	1,466,001	(4,414,058)	(523,398)	9,543,530
2011						
Directors of the Company:						
Tang Kin Fei	48,690	–	8,500	(34,190)	–	23,000
Goh Geok Ling	84,846	–	14,500	(59,346)	–	40,000
Former director of the Company	36,700	–	11,000	(25,700)	–	22,000
Other participants	11,210,067	3,085,800	1,607,205	(4,923,035)	(914,752)	10,065,285
	11,380,303	3,085,800	1,641,205	(5,042,271)	(914,752)	10,150,285

Share-based Incentive Plans (cont'd)**c. Restricted Share Plan** (cont'd)

ii. Restricted shares of a listed subsidiary (cont'd)

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011, a total of 1,709,403 restricted shares were released in 2012. For awards in relation to the performance period 2009 to 2010, a total of 1,434,630 (2011: 1,888,581) restricted shares were released in 2012. For awards in relation to the performance period 2008 to 2009, a total of 1,185,425 (2011: 1,531,500) restricted shares were released. In 2011, 1,502,177 restricted shares were released for awards in relation to the performance period 2007 to 2008; and 16,413 restricted shares were released for awards in relation to the performance period 2006 to 2007. In 2012, there were 84,600 (2011: 103,600) restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2012, additional 1,466,001 (2011: 1,641,205) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2012, was 9,543,530 (2011: 10,150,285). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,688,200 (2011: 6,242,400). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,532,300 (2011: 9,363,600) restricted shares.

Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010), a total of S\$8,163,619 (2011: S\$7,336,725), equivalent to 1,533,650 (2011: 1,373,250) notional restricted shares, were paid.

A total of 1,031,300 (2011: 1,122,200) notional restricted shares were awarded on May 21, 2012 (2011: July 15, 2011) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2012, was 1,974,400 (2011: 2,167,200). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 2,961,600 (2011: 3,250,800).

d. Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

Bobby Chin Yoke Choong (Chairman)
Tan Sri Mohd Hassan Marican
Evert Henkes

The Audit Committee held four meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performed the functions specified in Section 201B of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Ang Kong Hua
Chairman



Tang Kin Fei
Director

Singapore
February 26, 2013