

### 35. Dividends

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 15.0 cents per share (2011: one-tier tax exempt dividend of 17.0 cents comprising a final ordinary one-tier tax exempt dividend of 15.0 cents per share and a final bonus one-tier tax exempt dividend of 2.0 cents per share) amounting to an estimated net dividend of S\$267,891,000 (2011: S\$303,215,000) in respect of the year ended December 31, 2012, based on the number of issued shares as at December 31, 2012.

The proposed dividend of 15.0 (2011: 17.0) cents per share has not been included as a liability in the financial statements.

### 36. 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 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.

**36. Share-based Incentive Plans** (cont'd)

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.

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:

- i. 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.
- ii. 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.
- iii. In 2012 and 2011, all options were settled by the issuance of treasury shares.
- iv. 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.

**36. Share-based Incentive Plans** (cont'd)**a. Share Option Plan** (cont'd)

At the end of the 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 outstanding		Options cancelled / lapsed /		Options outstanding		Options exercisable		Exercise period
		at Jan 1, 2012	at exercised	not accepted	at Dec 31, 2012	at Jan 1, 2012	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	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	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	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	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	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	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	988,799	10/06/2007 to 09/06/2016	
		<b>2,885,939</b>	<b>(805,365)</b>	<b>(56,750)</b>	<b>2,023,824</b>	<b>2,885,939</b>	<b>2,023,824</b>	<b>2,023,824</b>		

**Sembcorp Industries Ltd**  
**Ordinary shares**  
**2011**

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed /		Options outstanding		Options exercisable		Exercise period
		at Jan 1, 2011	at exercised	not accepted	at Dec 31, 2011	at Jan 1, 2011	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	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	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	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	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	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	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	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	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	1,190,664	10/06/2007 to 09/06/2016	
		<b>4,594,539</b>	<b>(1,603,100)</b>	<b>(105,500)</b>	<b>2,885,939</b>	<b>4,594,539</b>	<b>2,885,939</b>	<b>2,885,939</b>		

**36. Share-based Incentive Plans (cont'd)****a. Share Option Plan (cont'd)**

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		Options outstanding exercisable		Exercise period
		at Jan 1, 2012	at Dec 31, 2012	at Jan 1, 2012	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		
		<b>3,800,312</b>	<b>(1,139,580)</b>	<b>(144,475)</b>	<b>2,516,257</b>	<b>3,800,312</b>	<b>2,516,257</b>			

**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		Options outstanding exercisable		Exercise period
		at Jan 1, 2011	at Dec 31, 2011	at Jan 1, 2011	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		
		<b>11,480,974</b>	<b>(7,467,337)</b>	<b>(213,325)</b>	<b>3,800,312</b>	<b>11,480,974</b>	<b>3,800,312</b>			

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

**36. Share-based Incentive Plans (cont'd)****a. Share Option Plan (cont'd)**

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Sembcorp Industries Ltd's options exercised in 2012 and 2011 were all settled by way of issuance of treasury shares. Sembcorp Industries Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S\$5.24 (2011: S\$4.65).

Sembcorp Marine Ltd's options exercised in 2012 resulted in 1,139,580 (2011: 7,467,337) ordinary shares being issued at a weighted average price of S\$2.16 (2011: S\$1.93). Sembcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S\$4.78 (2011: S\$3.84).

**Fair value of share options**

The fair value of services received is measured by reference to the fair value of share options granted.

**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.

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

## i. Sembcorp Industries Ltd Performance Shares

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

	2012	2011
At January 1	2,633,333	2,611,665
Conditional performance shares awarded	1,272,500	820,000
Conditional performance shares lapsed	–	(205,832)
Conditional performance shares released	(1,357,500)	(592,500)
At December 31	2,548,333	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.

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.

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

## Fair value of performance shares

The fair values of the performance shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of performance shares granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd performance shares granted on May 2, 2012	Fair value of Sembcorp Industries Ltd performance shares granted on April 29, 2011	Fair value of Sembcorp Marine Ltd performance shares granted on May 21, 2012	Fair value of Sembcorp Marine Ltd performance shares granted on July 15, 2011
Fair value at measurement date	S\$4.35	S\$3.44	S\$3.76	S\$3.40

**Assumptions under the Monte Carlo model**

Share price	S\$5.16	S\$5.40	S\$4.48	S\$5.28
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	28.0%	33.4%	27.9%	29.8%
Morgan Stanley Capital International (MSCI)				
AC Asia Pacific excluding Japan Industrials Index	25.9%	38.1%	21.8%	24.1%
Correlation with MSCI	85.5%	85.8%	84.3%	85.1%
Risk-free interest rate	0.3%	0.5%	0.5%	0.4%
Expected dividend	3.5%	3.4%	4.5%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the performance shares.

During the year, the Group charged S\$5,224,000 (2011: S\$4,579,000) to the profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

**36. 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 shares 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.

**36. 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:

	2012	2011
At January 1	6,170,329	5,515,446
Conditional restricted shares awarded	2,454,400	2,305,800
Conditional restricted shares lapsed	(148,307)	(267,668)
Additional restricted shares awarded arising from targets met	419,370	399,560
Conditional restricted shares released	(2,187,355)	(1,782,809)
At December 31	6,708,437	6,170,329

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).

**36. 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:

	2012	2011
At January 1	10,150,285	11,380,303
Conditional restricted shares awarded	2,864,700	3,085,800
Conditional restricted shares lapsed	(523,398)	(914,752)
Additional restricted shares awarded arising from targets met	1,466,001	1,641,205
Conditional restricted shares released	(4,414,058)	(5,042,271)
At December 31	9,543,530	10,150,285

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 2012. 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).

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

## Fair value of restricted shares

The fair values of the restricted shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of restricted shares granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd restricted shares granted on May 2, 2012	Fair value of Sembcorp Industries Ltd restricted shares granted on April 29, 2011	Fair value of Sembcorp Marine Ltd restricted shares granted on May 21, 2012	Fair value of Sembcorp Marine Ltd restricted shares granted on July 15, 2011
Fair value at measurement date	S\$4.61	S\$3.94	S\$3.92	S\$4.36
<b>Assumptions under the Monte Carlo model</b>				
Share price	S\$5.16	S\$5.40	S\$4.48	S\$5.28
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	28.0%	33.4%	27.9%	29.8%
Risk-free interest rate	0.2% – 0.4%	0.4% – 0.7%	0.5% – 0.8%	0.3% – 0.5%
Expected dividend	3.5%	3.4%	4.5%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the restricted shares.

During the year, the Group charged S\$24,522,000 (2011: S\$21,980,000) to the profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

**Fair value of Sembcorp Challenge Bonus**

During the year, the Group charged S\$9,733,000 (2011: S\$6,761,000) to the profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for Sembcorp Challenge Bonus and the market price at the vesting date.