

GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
General	<p>a. Has the company complied with all the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the Code)? If not, please state the specific deviations and the alternative corporate governance practices adopted by the company in lieu of the recommendations in the Code.</p> <p>b. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	Sembcorp has complied in all material aspects with the principles and guidelines set out in the Code.

BOARD RESPONSIBILITY

Guideline 1.5	What are the types of material transactions which require approval from the board?	Significant investments and transactions exceeding threshold limits are approved by the board while transactions below the threshold limit are approved by the board's Executive Committee and management to facilitate operational efficiency, in accordance with applicable financial authority limits.
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Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 2.6	<p>a. What is the board's policy with regard to diversity in identifying director nominees?</p> <p>b. Please state whether the current composition of the board provides diversity on each of the following – skills, experience, gender and knowledge of the company, and elaborate with numerical data where appropriate.</p> <p>c. What steps has the board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>a. The board seeks to ensure that it has the required diversity including gender, as well as competencies needed, to support the company's growth. Best efforts are taken to ensure that in addition to contributing their valuable expertise and insight to board deliberations, each director also brings to the board an independent and objective perspective to enable balanced and well-considered decisions to be made.</p> <p>b. In 2014, the Nominating Committee (NC) reviewed the composition of our board to ensure that it had the diversity and competencies to support the company's growth. Our current board includes business leaders and professionals with strong experience in areas relevant to the Group's businesses, from the engineering, petrochemicals, oil & gas and real estate industries to the accounting, finance and legal sectors.</p> <p>c. With reference to the Group's strategies and business plans, the NC reviews the skills mix of board members to ensure that the board has the required diversity, including gender, as well as the competencies to support the company's growth. When the need for a new director is identified, the NC consults with management and identifies a list of candidates sourced through an extensive network of contacts, based on the skill sets, experience, knowledge and attributes required to position the board to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. All appointments to the board are made on merit and measured against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group.</p>

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 4.6	<p>Please describe the board nomination process for the company in the last financial year for:</p> <p>a. Selecting and appointing new directors and</p> <p>b. Re-electing incumbent directors</p>	<p>a. When the need for a new director is identified, the NC consults with management and identifies a list of candidates sourced through an extensive network of contacts, based on the skill sets, experience, knowledge and attributes required to position the board to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval.</p> <p>b. While reviewing the re-appointment and re-election of directors, the NC considers the directors' contributions, other board representations and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. The board also recognises the contribution of directors who have, over time, developed deep insight into the Group's businesses and exercises its discretion to retain the services of such directors where appropriate to avoid an abrupt loss of experienced directors with a valuable understanding of the Group.</p>

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 1.6	<p>a. Are new directors given formal training? If not, please explain why.</p> <p>b. What are the types of information and training provided to</p> <p>i. new directors and</p> <p>ii. existing directors</p> <p>to keep them up to date?</p>	<p>a. Yes, the company conducts orientation programmes for new directors.</p> <p>b. i. All new directors receive formal letters of appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. New directors also receive an information pack which contains the Group's organisation structure, the contact details of members of senior management, the company's Memorandum and Articles of Association, respective committees' terms of reference, the Group's policy relating to disclosure of interests in securities and prohibition on dealings in Sembcorp securities, as well as guidelines on directors' fees. Orientation programmes for new directors are also conducted with comprehensive briefings on board policies and processes, as well as presentations by senior management on Sembcorp's overall strategic plans and direction, financial performance and activities in its various geographical markets.</p> <p>ii. The company provides its directors complete, adequate and timely information on an ongoing basis to enable them to make informed decisions, discharge their duties and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. This includes management and operation reports, financial statements and quarterly highlights of the Group's performance and key developments. The board also has ready access to the Group President & CEO, senior management, the Company Secretary and internal and external auditors at all times, should it need additional information. Details may be found on page 106 of the Corporate Governance Statement in this annual report.</p> <p>As part of training and professional development for the board, the company also ensures that directors are briefed from time to time on changes to regulations, guidelines and accounting standards, as well as other relevant trends or issues. These are done either during board meetings or at specially convened sessions, including training sessions and seminars conducted by external professionals. Details may be found on page 100 of the Corporate Governance Statement of this annual report.</p>

Guideline	Questions	How has Sembcorp complied?
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MEMBERS OF THE BOARD

Guideline 4.4	<p>a. What is the maximum number of listed company board representations that the company has prescribed for its directors? What are the reasons for this number?</p> <p>b. If a maximum number has not been determined, what are the reasons?</p> <p>c. What are the specific considerations in deciding on the capacity of directors?</p>	<p>a. The board has determined that the maximum number of listed company board representations held by any Sembcorp director should not exceed six. This is based on the total time commitment required of our directors for involvement in Sembcorp's board and board committees, and aims to ensure that all directors have sufficient time and attention to devote to the affairs of the company and discharge their duties adequately.</p> <p>b. Not applicable.</p> <p>c. In deciding such matters, the board considers the total time commitment required of the directors for involvement in Sembcorp's board and board committees, as well as for their other appointments outside our company.</p>
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BOARD EVALUATION

Guideline 5.1	<p>a. What was the process upon which the board reached the conclusion on its performance for the financial year?</p> <p>b. Has the board met its performance objectives?</p>	<p>a. Each director is required to complete a questionnaire on the effectiveness of the board, board committees and directors' contribution and performance. The evaluation and feedback are then consolidated and presented to the board for discussion.</p> <p>b. Yes. The board believes that board performance is ultimately reflected in the long-term performance of the Group.</p>
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INDEPENDENCE OF DIRECTORS

Guideline 2.1	Does the company comply with the guideline on the proportion of independent directors on the board? If not, please state the reasons for the deviation and the remedial action taken by the company.	Yes. The current board comprises eleven directors, eight of whom are independent directors.
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Guideline	Questions	How has Sembcorp complied?
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INDEPENDENCE OF DIRECTORS

Guideline 2.3	<p>a. Is there any director who is deemed to be independent by the board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.</p> <p>b. What are the board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>a. Yes. Tan Sri Mohd Hassan Marican sits on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries from which the company has received payment in excess of S\$200,000 in aggregate for consultancy services and provision of utilities services.</p> <p>In addition, Bobby Chin is a director on the board of Temasek Holdings (Temasek), the largest shareholder of Sembcorp, and Tan Sri Mohd Hassan Marican and Tham Kui Seng respectively hold the positions of Senior International Advisor and Corporate Advisor at Temasek International Advisors, a subsidiary of Temasek.</p> <p>b. The board has assessed this matter and is of the view that the payment received from Sembcorp Marine for consultancy services and provision of utilities services is insignificant in the context of the Group's earnings.</p> <p>Furthermore, the board believes that Tan Sri Mohd Hassan Marican, Mr Chin and Mr Tham have consistently exercised strong independent judgement in their deliberations and have acted and continue to act in the best interest of the company as they are not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek.</p>
Guideline 2.4	Has any independent director served on the board for more than nine years from the date of his first appointment? If so, please identify the director and set out the board's reasons for considering him independent.	<p>Yes. Goh Geok Ling and Evert Henkes have served on our board since their appointments in 2000 and 2004 respectively.</p> <p>The board has established that, despite serving as directors for more than nine years, Mr Goh and Mr Henkes continue to demonstrate the essential characteristics of independence expected by the board and furthermore, their length of service and in-depth knowledge of the Group's businesses are viewed by the board as especially valuable. Notwithstanding this, both directors have decided not to seek re-appointment at the forthcoming annual general meeting (AGM).</p>

Guideline	Questions	How has Sembcorp complied?
DISCLOSURE ON REMUNERATION		
Guideline 9.2	Has the company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. Information on each director's and the Group President & CEO's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements in this annual report.
Guideline 9.3	<p>a. Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>b. Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>a. Information on key management personnel's remuneration can be found under the related item in the Supplementary Information section of the Financial Statements in this annual report.</p> <p>b. The aggregate remuneration paid in FY2014 to the top five key management personnel, excluding our Group President & CEO, amounted to approximately S\$11 million, comprising salary, bonuses and fair value of share based compensation granted for the year.</p>

Guideline	Questions	How has Sembcorp complied?
DISCLOSURE ON REMUNERATION		
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No, in 2014 the company had no employees who were immediate family members of a director or the Group President & CEO.
Guideline 9.6	<p>a. Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>b. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>c. Were all of these performance conditions met? If not, what were the reasons?</p>	<p>a. With exception of our Group President & CEO, who does not receive director's fees, all our board members are non-executive directors. Remuneration for our key management personnel and executive director comprises three primary components: fixed remuneration, as well as annual variable bonuses and share-based incentives that are conditional upon meeting certain performance targets.</p> <p>Annual variable bonuses are linked to the achievement of pre-agreed financial and non-financial performance targets, as well as the creation of economic value added.</p> <p>Share-based incentives are long-term incentive schemes which use methods fairly common among major local and multinational companies to incentivise and motivate employees to achieve pre-determined targets which create and enhance economic value for shareholders.</p> <p>b. Information on the remuneration received by key management and executive director and details on share-based incentives and performance targets are available in the Directors' Report and Note 36 in the Notes to the Financial Statements in this annual report.</p> <p>c. All the performance conditions under the Restricted Share Plan were met. As for the Performance Share Plan, one target amongst the performance conditions was not met due to adverse market conditions. Arising from this unmet target, 292,249 performance shares were lapsed in 2014 and were not paid out.</p>

Guideline	Questions	How has Sembcorp complied?
RISK MANAGEMENT AND INTERNAL CONTROLS		
Guideline 6.1	What types of information does the company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the company? How frequently is the information provided?	<p>On an ongoing basis, directors are provided with complete, adequate and timely information to enable them to make informed decisions and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Management and operation reports as well as financial statements are presented to the board on a regular basis.</p> <p>On a quarterly basis, financial highlights of the Group's performance and key developments are presented at board meetings.</p> <p>On a regular basis, risk-related reports are submitted to the Risk Committee (RC). The RC, comprising of selected board members, assists the board in overseeing risk management for the Group. These reports include updates on the Group's risk portfolio, reports on major risk exposure and any other risk-related issues as well as actions taken to monitor and manage such exposure / issue.</p> <p>For more details on briefings, updates and information provided to our directors, please refer to pages 100 and 106 of the Corporate Governance Statement in this annual report.</p>
Guideline 13.1	Does the company have an internal audit function? If not, please explain why.	Yes. The Group Internal Audit department reports directly to the Audit Committee on audit matters and to the Group President & CEO on administrative matters.

Guideline	Questions	How has Sembcorp complied?
RISK MANAGEMENT AND INTERNAL CONTROLS		
Guideline 11.3	<p>a. In relation to the major risks faced by the company, including financial, operational, compliance, information technology and sustainability, please state the bases for the board's view on the adequacy and effectiveness of the company's internal controls and risk management systems.</p> <p>b. In respect of the past 12 months, has the board received assurance from the CEO and the CFO as well as the internal auditor that:</p> <p>i. the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and</p> <p>ii. the company's risk management and internal control systems are effective</p> <p>If not, how does the board assure itself of points i. and ii. above?</p>	<p>a. The Group has implemented a comprehensive enterprise risk management (ERM) framework. Supporting the ERM framework is a system of internal controls, comprising a code of business conduct, group-wide governance and internal control policies, procedures, guidelines dictating the segregation of duties, approval authorities and limits, and checks and balances embedded in business processes.</p> <p>The ERM framework is complemented by a governance assurance framework and a risk-based control self-assessment programme.</p> <p>During the year, the Group's risk profile was reviewed and updated and the effectiveness of our internal controls was assessed and enhanced through a combination of management control self-assessments, certifications and internal audits, as well as actions taken in follow up to these exercises.</p> <p>Furthermore the Group Internal Audit department audited the entities that are listed in its annual internal audit plan, which has been approved by the Audit Committee. Internal audit reports were issued and reviewed by the Audit Committee, expressing its view on the adequacy and effectiveness of the company's internal controls relating to financial, operational, compliance and information technology.</p> <p>Based on the internal controls established and maintained by the Group, work performed by external and internal auditors and reviews performed by senior management, the board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls were adequate and effective as at December 31, 2014 to address the financial, operational, compliance and information technology risks of the Group.</p> <p>b. Yes. For FY2014, the board has been assured by the Group President & CEO and Group Chief Financial Officer that financial records have been properly maintained, that the financial statements give a true and fair view of the company's operations and finances and that the risk management and internal control systems of the Group are adequate and effective.</p>

Guideline	Questions	How has Sembcorp complied?																		
RISK MANAGEMENT AND INTERNAL CONTROLS																				
Guideline 12.6	<p>a. Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>b. If the external auditors have supplied a substantial volume of non-audit services to the company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>a. As disclosed in Note 33(a) in the Notes to the Financial Statements, the fees paid / payable to external auditors for audit and non-audit services for the financial year are:</p> <table border="1"> <thead> <tr> <th></th> <th>SS'000</th> </tr> </thead> <tbody> <tr> <td>Audit fees paid / payable</td> <td></td> </tr> <tr> <td>– To auditors of the company</td> <td>1,430</td> </tr> <tr> <td>– To overseas affiliates of the auditors of the company</td> <td>1,182</td> </tr> <tr> <td></td> <td>2,612</td> </tr> <tr> <td>Non-audit fees paid / payable</td> <td></td> </tr> <tr> <td>– To auditors of the company</td> <td>731</td> </tr> <tr> <td>– To overseas affiliates of the auditors of the company</td> <td>352</td> </tr> <tr> <td></td> <td>1,083</td> </tr> </tbody> </table> <p>b. Non-audit fees amount to only 41% of the total annual audit fees, and are not deemed substantial.</p>		SS'000	Audit fees paid / payable		– To auditors of the company	1,430	– To overseas affiliates of the auditors of the company	1,182		2,612	Non-audit fees paid / payable		– To auditors of the company	731	– To overseas affiliates of the auditors of the company	352		1,083
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Guideline	Questions	How has Sembcorp complied?
COMMUNICATION WITH SHAREHOLDERS		
Guideline 15.4	<p>a. Does the company regularly communicate with shareholders and attend to their questions? How often does the company meet with institutional and retail investors?</p> <p>b. Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>c. How does the company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>a. Yes, Sembcorp regularly communicates with shareholders and addresses their questions. Investor relations officers are also available by email or telephone to answer questions from shareholders, analysts and the media as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.</p> <p>Details of shareholder meetings, including the frequency and examples of types of meetings, are available in the Investor Relations chapter and Corporate Governance Statement of this annual report.</p> <p>b. Yes, Sembcorp has a dedicated investor relations team which communicates with investors.</p> <p>c. Sembcorp uses multiple communication channels and platforms to keep its shareholders and the investing public informed and updated in accordance with the SGX-ST's rules of fair disclosure. Aside from the annual report and SGX announcements, channels utilised include results briefings, annual general meetings, investor roadshows, conferences and forums, investor and media meetings, media interviews, site visits, news releases and circulars, the corporate website, group briefings and other appropriate channels.</p>
Guideline 15.5	If the company is not paying any dividends for the financial year, please explain why.	<p>Not applicable.</p> <p>For 2014, a final tax exempt one-tier dividend of 11 cents per ordinary share has been proposed subject to shareholders' approval. Together with the interim dividend of 5 cents per ordinary share already paid out, this would bring our total dividend per ordinary share to 16 cents.</p>