



Sembcorp's solar power operations in Gujarat, India

# GOVERNANCE AND SUSTAINABILITY

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Sembcorp maintains an unremitting commitment to strong governance and discipline. We aim to be a best-in-class organisation in terms of governance, risk management and compliance, and commit to uphold the highest ethical and professional standards in all our dealings, across all countries where we operate.

This helps us preserve and maximise value, and enables us to build businesses that are strong and lasting, and that will deliver sustainable performance over the long term.

**ANG KONG HUA**  
Chairman

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

The board and management of Sembcorp recognise that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability, and are committed to high standards of governance to preserve and maximise shareholder value. This report sets out the company's corporate governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2012 (the Code). The board is pleased to report that the company has complied in all material aspects with the principles and guidelines set out in the Code, and any deviations are explained in this report.

The company continually reviews and refines its processes in light of best practice, consistent with the needs and circumstances of the Group. We are encouraged that our efforts towards excellent governance have been recognised. Sembcorp was ranked sixth in the 2015 edition of the Governance & Transparency Index, a well-respected index assessing the transparency of 639 Singapore-listed companies, jointly launched by The Business Times and the National University of Singapore Business School's Centre for Governance, Institutions and Organisations. In addition, at the SIAS Investors Choice Awards 2015, Sembcorp was recognised as the Most Transparent Company under the Oil & Gas category. This award honours public listed companies that have demonstrated exemplary corporate governance and transparency practices throughout the year.

## BOARD MATTERS

### Board's Conduct of Affairs (Principle 1) Effective board to lead and effect controls

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is headed by Ang Kong Hua. He is joined on the board by Tang Kin Fei, Bobby Chin Yoke Choong, Margaret Lui, Tan Sri Mohd Hassan Marican, Tham Kui Seng, Dr Teh Kok Peng, Ajaib Haridass, Neil McGregor and Nicky Tan Ng Kuang, who was appointed to the board on November 1, 2015. Goh Geok Ling and Evert Henkes were also directors of the company until their retirement from the board at the last annual general meeting (AGM) of the company on April 21, 2015.

### Role of the board

The board is collectively responsible for the long-term success of the company. Each director exercises his / her independent judgement to act in good faith and in the best interest of the company for the creation of long-term value for shareholders. The principal duties of the board are to:

- Provide leadership and guidance to management on the Group's overall strategy, taking into consideration sustainability issues and the need to ensure necessary financial and human resources are in place

- Ensure the adequacy of the Group's risk management and internal controls framework and standards, including ethical standards, and that its obligations to shareholders and other key stakeholders are met
- Review management performance and oversee the Group's overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestments and funding proposals, quarterly and full-year financial performance reviews, risk management and corporate governance practices
- Provide guidance on sustainability issues, such as environmental and social factors, as part of the Group's overall business strategy

To assist the board in the efficient discharge of its responsibilities and provide independent oversight of management, the board has established the following board committees with written terms of reference:

- Executive Committee
- Audit Committee
- Risk Committee
- Executive Resource & Compensation Committee
- Nominating Committee
- Technology Advisory Panel

Special purpose committees are also established as dictated by business imperatives.

Composition of the board committees is structured to ensure an equitable distribution of responsibilities among board members, maximise the effectiveness of the board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different committees. Hence, membership of the Executive Committee, with its greater involvement in key businesses and

executive decisions, and membership of the Audit and Risk Committees, with their respective oversight roles, are mutually exclusive.

The directors and executive officers of the company have each given an undertaking that in the exercise of their powers and duties as a director or executive officer of the company, they shall apply their best endeavours to comply with the requirements of Singapore Exchange Securities Trading (SGX-ST), pursuant to or in connection with the SGX-ST Listing Manual from time to time in force, and use their best endeavours to procure that the company shall so comply.

The Group has adopted internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off-balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Significant investments and transactions exceeding threshold limits are approved by the board while transactions below the threshold limits are approved by the Executive Committee and management to facilitate operational efficiency, in accordance with applicable financial authority limits.

### Executive Committee

The Executive Committee (ExCo) is chaired by Mr Ang and its members include Mr Tang, Mrs Lui as well as Mr Tan, who joined the ExCo on January 1, 2016. Mr Goh was a member until his retirement from the board on April 21, 2015.

Within the limits of authority delegated by the board, the ExCo reviews and approves business opportunities, strategic investments, divestments, and major capital and operating expenditure. The ExCo also evaluates and recommends larger investments, capital and operating expenditure and divestments to the board for approval.

### Technology Advisory Panel

The Technology Advisory Panel (TAP) comprises board members Mr Ang, Mr Tang and Dr Teh, as well as co-opted members Dr Josephine Kwa Lay Keng, Dr Ng How Yong and Prof Lui Pao Chuen. Their profiles may be found under the TAP chapter of this annual report.

The TAP provides guidance to the Group on its vision and strategy in leveraging technology to enhance Sembcorp's leadership in the energy and water industries. The panel advises on technologies for research and development as well as investment, oversees the development and application of significant emerging and potentially disruptive technologies in the energy and water sectors, and ensures the appropriate management of specialised research and development projects and systems for intellectual property creation and protection. In addition, the panel advises Sembcorp's board and management on technological trends and opportunities in line with the company's growth strategies.

The other committees' respective composition, roles and responsibilities are further explained in this report. Minutes of board committee meetings are circulated to the board to keep directors updated on each committee's activities.

### Meetings and attendance

The board meets on a quarterly basis to review and approve the release of the company's quarterly results, as well as to deliberate on key activities and business strategies, including significant acquisitions and disposals. At these board meetings, the Group President & CEO updates the board on the development and prospects of the Group's businesses and each board committee provides a report on its activities. An additional board meeting is held at the end of each financial year to review the Group's strategy and to consider and approve

the Group's budget for the following year. Ad-hoc board meetings may also be convened as necessary to consider other specific matters. At quarterly board meetings, time is set aside for the board to discuss management's performance. Members of management are not present at or privy to such discussions. In addition, in December 2015, a two-day off-site board retreat was organised for in-depth discussion on strategic issues.

Board and board committee meetings, as well as AGMs of the company are scheduled in consultation with the directors before the start of each year. Telephonic attendance and conference via audio-visual communication channels are allowed under the company's Constitution to enable the participation of directors who are unable to be present. Decisions made by the board and board committees may be obtained at meetings or via circular resolution. Should a director be unable to attend a board or board committee meeting, he / she will still be sent the papers tabled for discussion and have the opportunity to separately convey any views to the chairman for consideration or further discussion with other directors. If necessary, a separate session may be organised for management to brief that director and obtain his / her comments and / or approval.

The directors' attendance at board and committee meetings held during the financial year 2015 is set out on page 103.

### Board orientation and training

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 that contains the Group's organisation structure, the contact details of members of senior management, the company's Constitution, 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.

The company conducts comprehensive orientation programmes for new directors. These include briefings on board policies and processes, presentations by senior management on Sembcorp's organisation, overall strategic plans and direction, financial performance and business activities in various markets, as well as facility visits.

As part of training and professional development for the board, the company 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, at board dinners or at specially convened sessions, including training sessions and seminars conducted by external professionals.

### Briefings and updates provided for directors in 2015

- Briefings on developments in accounting and governance standards presented by our external auditors at Audit Committee meetings
- Quarterly updates on the Group's business and strategic developments presented by the Group President & CEO to the board
- Quarterly overviews on the Group's risk and controls environment and updates relating to other risk management and governance initiatives, such as the risk appetite and governance assurance frameworks, presented by the Group Risk and Governance departments to the Risk Committee
- Updates on changes to the Singapore Companies Act presented by external legal advisors to the board

- Demonstration on three-dimensional printing technology by an external vendor to the board
- Overview on global cyber security presented by an external technology service provider to the board
- Public conference and forum discussion on best practices for boards, talent management and technology

Besides such briefings, articles and reports relevant to the Group's businesses are also circulated to the directors for information. Furthermore, facility visits to the Group's operating sites and meetings with key customers and government officials are arranged to enhance our directors' understanding of the Group's businesses. In July 2015, directors visited our newly acquired subsidiary, Sembcorp Green Infra, in New Delhi, India. At this visit, meetings with government officials and presentations by Sembcorp Green Infra's management were held to enhance the board's understanding of Sembcorp Green Infra's business and its regulatory and operating environment, as well as India's renewable energy sector.

### Board Composition and Guidance (Principle 2) Strong and independent board exercising objective judgement

#### Board composition

The current board comprises 10 directors, seven of whom are independent directors. Excluding the Group President & CEO, all the directors are non-executive. The board members include business leaders and professionals with strong experience relevant to the Group's businesses, from engineering, petrochemicals, oil and gas and real

estate industries to accountancy, finance and legal sectors. Best efforts have been made to ensure that in addition to contributing their valuable expertise and insight to board deliberations, directors also bring to the board independent and objective perspectives to allow balanced and well-considered decisions to be made. The board is of the view that given that the majority of directors are non-executive and independent of management in terms of character and judgement, objectivity on issues deliberated is assured. Profiles of the directors may be found on pages 34 to 39.

#### Review of directors' independence

The independence of each non-executive director is assessed annually. Each director is required to complete a Director's Independence Checklist drawn up based on the guidelines provided in the Code. The checklist also requires each director to assess whether he / she considers himself / herself independent despite involvement in any of the relationships identified in the Code. Thereafter, the Nominating Committee reviews the completed checklists, assesses the independence of the directors and presents its recommendations to the board.

Taking into account the views of the Nominating Committee, the board determined in 2015 that with the exception of Mr Tang, Mrs Lui and Mr McGregor, all of Sembcorp Industries' directors are independent. Mr Tang is Group President & CEO and an executive director. Mrs Lui is Chief Executive Officer of Azalea Asset Management, a related company of Temasek Holdings (Temasek) which holds more than 10% interest in the Group, while Mr McGregor is employed by Temasek as Senior Managing Director of its enterprise development group.

Tan Sri Mohd Hassan Marican and Mr Haridass both sit on the board of Sembcorp Marine, a listed

subsidiary from which the company has received payment in excess of S\$200,000 in aggregate for consultancy services and provision of utilities services. The board has assessed this matter and is of the view that the payment received from Sembcorp Marine is not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan Marican and Mr Haridass' directorships in Sembcorp Marine have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interest of Sembcorp Industries.

A term limit of nine years is set for independent directors of the Group. Should the board decide to retain any director beyond this nine-year term, it will rigorously review the independence of that director and determine if he / she should continue to be regarded as an independent director. Since the retirement in April 2015 of Mr Goh and Mr Henkes, who were both long-time directors of the company, none of Sembcorp's current directors have served longer than nine years from the date of their appointment.

The board has determined that Mr Chin, a director on the board of Temasek, and Tan Sri Mohd Hassan Marican and Mr Tham, who respectively hold the positions of Senior International Advisor and Corporate Advisor at Temasek International Advisors, a subsidiary of Temasek, are independent. All three directors have consistently exercised strong independent judgement in their deliberations. The board believes that they 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.

**Chairman and Chief Executive Officer  
(Principle 3)****Clear division of responsibilities  
between the board and management**

The Chairman and the Group President & CEO are not related to each other. Their roles are kept separate to ensure a clear division of responsibilities, increased accountability and a greater capacity of the board for independent decision-making.

The Chairman, who is non-executive, chairs the board, ExCo, Executive Resource & Compensation Committee, Nominating Committee and the TAP. He leads and ensures effective and comprehensive board discussion on matters brought to the board, including strategic issues and business planning. The Chairman promotes an open environment for deliberation and ensures that board and board committee meetings are conducted in a manner

that allows non-executive directors to participate in meaningful and active discussions. He also provides advice to management and monitors all follow-up actions following the board's decisions, ensuring that such decisions are translated into executive action. In addition, the Chairman provides leadership and guidance to management, particularly with regard to its global growth strategy and project investments. He also helps to oversee the Group's talent management, and works with the Group President & CEO to ensure that robust succession plans are in place for key management positions.

The Group President & CEO makes strategic proposals to the board, develops the Group's businesses in accordance with strategies, policies, budgets and business plans as approved by the board and provides close oversight, guidance and leadership to senior management.

**Board Members for 2015**

Board member	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Ang Kong Hua	Chairman	Feb 26, 2010	Apr 21, 2015*	Non-executive / Independent
Tang Kin Fei	Director	May 1, 2005	Apr 25, 2013*	Executive / Non-independent
Bobby Chin Yoke Choong	Director	Dec 1, 2008	Apr 21, 2015	Non-executive / Independent
Margaret Lui	Director	Jun 1, 2010	Apr 25, 2013*	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 24, 2014*	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 24, 2014	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	Apr 21, 2015	Non-executive / Independent
Ajaib Haridass	Director	May 1, 2014	Apr 21, 2015	Non-executive / Independent
Neil McGregor	Director	May 1, 2014	Apr 21, 2015	Non-executive / Non-independent
Nicky Tan Ng Kuang	Director	Nov 1, 2015	N.A.*	Non-executive / Independent
Goh Geok Ling (Retired on Apr 21, 2015)	Director	May 3, 2000	Apr 24, 2014	Non-executive / Independent
Evert Henkes (Retired on Apr 21, 2015)	Director	Apr 30, 2004	Apr 24, 2014	Non-executive / Independent

\* Up for retirement at AGM

**Composition of Board Committees for 2015**

Board member	Executive Committee	Audit Committee	Risk Committee	Executive Resource & Compensation Committee	Nominating Committee	Technology Advisory Panel
Ang Kong Hua	Chairman			Chairman	Chairman	Chairman
Tang Kin Fei	Member					Member
Bobby Chin Yoke Choong <sup>1</sup>		Chairman	Member		Member	
Margaret Lui	Member			Member	Member	
Tan Sri Mohd Hassan Marican				Member	Member	
Tham Kui Seng <sup>2</sup>		Member	Member			
Dr Teh Kok Peng <sup>3</sup>		Member		Member		Member
Ajaib Haridass <sup>4</sup>		Member	Chairman			
Neil McGregor			Member			
Nicky Tan Ng Kuang <sup>5</sup>						
Goh Geok Ling <sup>6</sup>	Member			Member	Member	
Evert Henkes <sup>7</sup>		Member	Chairman			

**Directors' Attendance at Board and Board Committee Meetings in 2015**

Board member	Board meeting	Executive Committee meeting	Audit Committee meeting	Risk Committee meeting	Executive Resource & Compensation Committee meeting	Nominating Committee meeting	Technology Advisory Panel meeting	Annual general meeting
<b>Total Number of Meetings Held in 2015</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>1</b>
Ang Kong Hua	6/6	4/4	–	–	3/3	2/2	3/3	1/1
Tang Kin Fei	6/6	4/4	5/5	4/4	3/3	2/2	3/3	1/1
Bobby Chin Yoke Choong <sup>1</sup>	6/6	–	7/7	4/4	–	1/1	–	1/1
Margaret Lui	6/6	4/4	–	–	3/3	2/2	–	1/1
Tan Sri Mohd Hassan Marican	6/6	–	–	–	3/3	2/2	–	1/1
Tham Kui Seng <sup>2</sup>	6/6	–	7/7	3/3	–	–	–	1/1
Dr Teh Kok Peng <sup>3</sup>	6/6	–	7/7	–	1/1	–	3/3	1/1
Ajaib Haridass <sup>4</sup>	6/6	–	3/3	4/4	–	–	–	1/1
Neil McGregor	6/6	–	–	4/4	–	–	–	1/1
Nicky Tan Ng Kuang <sup>5</sup>	1/1	–	–	–	–	–	–	–
Goh Geok Ling <sup>6</sup>	1/1	3/3	–	–	2/2	1/1	–	–
Evert Henkes <sup>7</sup>	1/1	–	4/4	1/1	–	–	–	–

<sup>1</sup> Mr Chin was appointed a member of the Nominating Committee with effect from April 22, 2015.

<sup>2</sup> Mr Tham was appointed a member of the Risk Committee with effect from April 22, 2015.

<sup>3</sup> Dr Teh was appointed a member of the Executive Resource & Compensation Committee with effect from April 22, 2015.

<sup>4</sup> Mr Haridass was appointed Chairman of the Risk Committee and a member of the Audit Committee with effect from April 22, 2015.

<sup>5</sup> Mr Tan was appointed a director with effect from November 1, 2015 and an Executive Committee member with effect from January 1, 2016.

<sup>6</sup> Mr Goh retired as an independent non-executive director and a member of the Executive Committee, Executive Resource & Compensation Committee and Nominating Committee on April 21, 2015.

<sup>7</sup> Mr Henkes retired as an independent non-executive director, Chairman of the Risk Committee and a member of the Audit Committee on April 21, 2015.

**Board Membership (Principle 4)**  
**Formal and transparent process for the appointment and re-appointment of directors**

**Nominating Committee**

The Nominating Committee (NC) comprises non-executive directors, namely Mr Ang, Mrs Lui, Tan Sri Mohd Hassan Marican, as well as Mr Chin, who joined the NC on April 22, 2015. Three out of four of the members of the NC, including its chairman, are independent, namely Mr Ang, Tan Sri Mohd Hassan Marican and Mr Chin. Mr Goh, also an independent director, was a member of the NC until his retirement from the board on April 21, 2015.

The NC is responsible for reviewing Sembcorp's board to ensure strong, independent and sound leadership to drive the continued success of the company and its businesses.

The key responsibilities of the NC are to:

- Ensure that the board has the right balance of skills, attributes, knowledge and experience in business, finance and related industries, as well as management skills critical to the company's businesses
- Review the composition and size of the board and its committees and recommend new appointments, re-appointments and re-elections to the board and board committees as appropriate
- Review the directors' independence and succession plans for the board
- Develop a process to evaluate board and board committee performance
- Review training and professional development programmes for the board

**Succession planning, appointment and re-appointment of directors**

The NC seeks to refresh board membership progressively and in an orderly manner. 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. The board also recognises the contributions 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.

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 diversity, as well as the competencies to support our growth. When the need for a new director arises, the NC consults with management and identifies a list of potential candidates. These candidates are sourced through an extensive network of contacts and external databases where appropriate, 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. In accordance with the company's Constitution, the new director will hold office until the next AGM and, if eligible, can stand for re-appointment.

The company subscribes to the principle that all directors, including the Group President & CEO, should retire and submit themselves for re-election at regular intervals, subject to their continued satisfactory performance. The company's Constitution requires a third of its directors to retire and subject themselves for re-election by shareholders at every AGM (one-third rotation rule).

In addition, all newly-appointed directors submit themselves for retirement and re-election at the AGM immediately following their appointment. Thereafter, these directors are subject to the one-third rotation rule.

Pursuant to the one-third rotation rule, Mr Tang, Mrs Lui and Tan Sri Mohd Hassan Marican will retire and submit themselves for re-election at the forthcoming AGM. Mr Tan, who was newly appointed to the board on November 1, 2015, will also submit himself for retirement and re-election by shareholders at the forthcoming AGM.

In addition, at the forthcoming AGM, Mr Ang, who is above the age of 70, will retire in accordance with a resolution passed at the company's last AGM of April 21, 2015, pursuant to Section 153 of the Companies Act, Chapter 50 (which was then in force), and will submit himself for re-election.

The board does not encourage the appointment of alternate directors. No alternate director has been or is currently being appointed to the board.

**Review of directors' time commitments**

While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other board directorship representations and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. Taking into consideration the total time commitment required of our directors for involvement in Sembcorp's board and board committees and for their other appointments outside our company, the board has determined that the maximum number of listed company board representations held by any Sembcorp Industries director should not exceed six.

For 2015, the board is satisfied that all directors have given sufficient time and attention to the affairs of the company and have discharged their duties adequately.

**Board Performance (Principle 5)**  
**Active participation and valuable contributions are key to overall effectiveness of the board**

**Board evaluation process and performance criteria**

The board believes that board performance is ultimately reflected in the long-term performance of the Group. Each year, in consultation with the NC, the board assesses its performance to identify key areas for improvement and requisite follow-up actions.

To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board, board committees and directors' contribution and performance. The evaluation considers factors such as the size and composition of the board and board committees, board processes and accountability, board and board committees' development and effectiveness, information management, decision-making processes, risk and crisis management, succession planning, communication with senior management and stakeholder management. The evaluation and feedback are then consolidated and presented to the board for discussion on areas of strengths and weaknesses. In 2015, the NC reviewed and improved the directors' questionnaire to further enhance assessment of board and board committee effectiveness. The assessment helps the directors to maintain focus on their key responsibilities, while improving board performance.

**Access to Information (Principle 6)**  
Directors have complete, adequate and timely information and resources

**Complete, adequate and timely information**

The company recognises that directors should be provided with complete, adequate and timely information on an ongoing basis that enables them to make informed decisions, discharge their duties and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Sembcorp's management furnishes management and operation reports as well as financial statements to the board on a regular basis. Financial highlights of the Group's performance and key developments are presented on a quarterly basis at board meetings and the Group President & CEO, Group Chief Financial Officer and members of senior management attend board and board committee meetings to provide insight into matters under discussion and address any queries that the directors may have.

In line with Sembcorp's strong commitment towards environmental responsibility, directors are provided with electronic tablets that give them access to board and board committee papers prior to and during meetings. As a general rule, the board and board committee papers are made available to directors a week prior to meetings. This is to give the directors sufficient time to review and consider matters at hand. It also ensures that discussions at the meetings can be focused on any questions arising from these matters. The board has ready and independent access to the Group President & CEO, senior management, the company secretary and internal and external auditors at all times, should it require additional information.

**Company Secretary**

The company secretary assists the Chairman to ensure good information flow within the board and its committees and between the board and senior management. In addition, the company secretary attends to corporate secretarial matters, such as arranging orientations for new directors and assisting with their professional development as required. In consultation with the Chairman and the Group President & CEO, the company secretary assists the board with scheduling of board and board committee meetings, prepares meeting agendas and administers, attends and minutes board proceedings. The company secretary assists the board on the Group's compliance with the company's Constitution and applicable regulations, including requirements of the Companies Act, Securities & Futures Act and SGX-ST. Moreover, the company secretary liaises on behalf of the company with SGX-ST, the Accounting and Corporate Regulatory Authority and when necessary, shareholders.

**Independent professional advice**

In the furtherance of its duties, the board exercises its discretion to seek independent professional advice at the company's expense, if deemed necessary.

**REMUNERATION MATTERS**

**Procedures for Developing Remuneration Policies (Principle 7)**  
Remuneration of directors adequate and not excessive

With the assistance of the Executive Resource & Compensation Committee, the board ensures that a formal policy and transparent procedure for determining remuneration of executives and directors are in place.

**Executive Resource & Compensation Committee**

The Executive Resource & Compensation Committee (ERCC) is chaired by Mr Ang, an independent non-executive director. He is joined on the committee by Mrs Lui, Tan Sri Mohd Hassan Marican as well as Dr Teh, who was appointed to the ERCC on April 22, 2015. Mr Goh was a member of the ERCC until his retirement from the board on April 21, 2015.

The ERCC is responsible for developing, reviewing and recommending to the board the framework of remuneration for the board and key management personnel as defined in the Code. To this end, it:

- Assists the board to ensure that competitive remuneration policies and practices are in place and aligned with the prevailing economic environment
- Reviews the remuneration package of each director and member of key management, and endorses or makes further recommendations on such matters to the board for their consideration
- Establishes guidelines on share-based incentives and other long-term incentive plans and approves the grant of such incentives to key

management personnel. These incentives serve to motivate executives to maximise operating and financial performance and shareholder value. They are aimed at aligning the interests of key management personnel with those of shareholders

- Reviews succession planning for key management personnel and the leadership pipeline for the organisation

In its deliberations, the ERCC takes into consideration industry practices and compensation norms. The Group President & CEO does not attend discussions relating to his own compensation, terms and conditions of service, or the review of his performance. In addition, no ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself / herself.

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultation. In 2015, Mercer (Singapore) was engaged as external consultants to provide such advice. In engaging external consultants, the company ensures that the relationship, if any, between the company and these external consultants will not affect the independence and objectivity of the external consultants. In 2015, the ERCC undertook a review of the independence and objectivity of Mercer (Singapore) and has confirmed that it has no relationships with the company which would affect its independence.

In reviewing succession planning and the Group's leadership pipeline, the ERCC reviews the development of senior staff and assesses their strengths and development needs based

on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group. On an annual basis, the ERCC reviews succession planning for the position of Group President & CEO and that of officers reporting directly to him, as well as for other selected key positions in the company. Potential internal and external candidates for succession are reviewed for different time horizons according to immediate, medium-term and long-term needs. In addition, the ERCC also reviews the company's obligation arising in the event of termination of the Group President & CEO and key management personnel's contracts of service, to ensure that such contracts contain fair and reasonable termination clauses.

**Level and Mix of Remuneration (Principle 8)**  
Competitive reward system to ensure highest performance and retention of directors and key management personnel

Sembcorp believes that its remuneration and reward system is aligned with the long-term interest and risk policies of the company. It also recognises that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent.

The Group President & CEO, as an executive director, does not receive director's fees from Sembcorp. As a lead member of management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and performance targets are available in the Directors' Statement and Note 32 in the Notes to the Financial Statements.

### Non-executive directors' fees

The framework below adopted by the company is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for travel and service on board committees:

#### Directors' Fee Framework for FY2015

	S\$
<b>Chairman's fee</b> (all-in)*	750,000
<b>Director's basic retainer fee</b>	75,000
<b>Executive Committee</b>	
Chairman's allowance	50,000
Member's allowance	30,000
<b>Audit Committee</b>	
Chairman's allowance	50,000
Member's allowance	30,000
<b>Executive Resource &amp; Compensation Committee</b>	
Chairman's allowance	35,000
Member's allowance	20,000
<b>Risk Committee</b>	
Chairman's allowance	35,000
Member's allowance	20,000
<b>Nominating Committee</b>	
Chairman's allowance	25,000
Member's allowance	15,000
<b>Technology Advisory Panel / Others</b>	
Chairman's allowance	25,000
Member's allowance	15,000
<b>Attendance fees</b>	
Board meeting	5,000
Committee meeting	2,500
Teleconference (board meeting)	2,000
Teleconference (committee meeting)	1,000
<b>Travel allowance for overseas directors</b>	
≤ 4 hours (to and fro air travel time)	2,500
> 4 to 15 hours (to and fro air travel time)	5,000
> 15 hours (to and fro air travel time)	10,000

Notes:

\* With effect from January 1, 2014, the Chairman of our board will only receive one all-in chairman's fee. He will not receive the directors' basic fee, nor any further fees or allowances for serving as a chairman or member of any of our board committees.

<sup>1</sup> As an executive director, Mr Tang does not receive directors' fees.

<sup>2</sup> The attendance fee for committee meetings also applies to attendance at general meetings.

The directors' fees payable to non-executive directors are paid in cash and in share awards under the Sembcorp Industries Restricted Share Plan 2010. The ERCC has determined that 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. Directors' cash fees and share awards will only be paid and granted upon approval by shareholders at the AGM of the company. Directors and their associates also abstain from voting on any resolution(s) relating to their remuneration.

Share awards granted under the Sembcorp Industries Restricted Share Plan 2010 to directors as part of directors' fees will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. However, this does not apply to Mr Tang, as he does not receive directors' fees given that he is Group President & CEO of the company. Non-executive directors are required to hold shares in the company (including shares obtained by other means) worth at least the value of their annual basic retainer fee (currently S\$75,000); any excess may be disposed of as desired. A non-executive director may only dispose of all of his shares one year after leaving the board. Subject to shareholders' approval at the forthcoming AGM, the cash component of the directors' fees for FY2016 is intended to be paid half-yearly in arrears.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to

the nearest hundred and any residual balance will be settled in cash. The share component of the directors' fees for FY2016 is intended to be paid in 2017 after the AGM has been held.

The company does not have a retirement remuneration plan for non-executive directors.

### Remuneration for key management personnel

Sembcorp's remuneration and reward system for key management personnel is designed to ensure a competitive level of compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the company's established risk policies. The remuneration of our key management personnel comprises three primary components:

- **Fixed remuneration**  
Fixed remuneration includes an annual basic salary, and where applicable, fixed allowances, an annual wage supplement and other emoluments. Base salaries of key management personnel are determined based on the scope, criticality and complexity of each role, equity against peers with similar responsibilities, experience and competencies, individual performance and market competitiveness.
- **Annual variable bonuses**  
The annual variable bonus is intended to recognise the performance and contributions of the individual, while driving the achievement of key business results for the company. The annual variable bonus includes two components. The first is linked to the achievement of pre-agreed financial and non-financial performance targets, while the second is linked to the creation of economic value added (EVA).  
The EVA-linked bonus component is held in a "bonus bank". Typically, one-third of the balance in the bonus bank is paid out in cash



each year, while the balance two-thirds is carried forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the company.

- **Share-based incentives**

The company's performance share plan and restricted share plan were approved and adopted by the shareholders at an extraordinary general meeting of the company held on April 22, 2010. Through our share-based incentives, we motivate key management personnel to continue to strive for the Group's long-term shareholder value. In addition, our share-based incentive plans aim to align the interests of participants with the interests of shareholders, so as to improve performance and achieve sustainable growth for the company.

### Pay for performance

As in prior years, a pay-for-performance study was conducted in 2015 by our external consultants, Mercer (Singapore), to review the alignment between the Group's executive pay programme, shareholder returns and business results. The Group benchmarked itself with established global energy and utilities firms and comparably-sized local listed companies with which the Group competes for talent and capital.

The study benchmarked different elements of senior executive pay, namely fixed remuneration, total cash remuneration and total compensation including long-term incentives, against that of peer companies. It found senior executive pay to be positioned competitively vis-à-vis the Group's relative

size and performance. Executive compensation for the year had a robust correlation to the Group's profit from operations and EVA. In the longer term, there was also a strong relationship between executives' total compensation (which includes share awards for the Group President & CEO and senior executives) and the Group's three-year earnings per share growth, wealth added and total shareholder return. Overall, the study showed a strong correlation between the Group's executive pay and its business results and shareholder returns, indicating strong pay-for-performance alignment.

### Disclosure on Remuneration (Principle 9)

The computation of non-executive directors' fees totalled S\$2,182,750 in 2015 (2014: S\$2,165,833). More information on directors and key management personnel's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements.

In 2015, the company had no employees who were immediate family members of a director or the Group President & CEO.

## ACCOUNTABILITY AND AUDIT

### Accountability (Principle 10) The board is accountable to shareholders

Sembcorp is committed to open and honest communication with shareholders at all times. The company presents a balanced and clear assessment of the Group's performance, position and prospects to shareholders through the timely release of its quarterly and annual financial reports. The company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with stock exchange requirements, negative assurance statements were issued by the board to accompany the company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading.

### Risk Management and Internal Controls (Principle 11)

The board has overall responsibility for the governance of the Group's risk management and internal controls. The company's board and management are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The board determines the company's levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of risk management and internal control systems.

### Risk Committee

The Risk Committee (RC) assists the board in overseeing risk management for the Group. The RC is headed by Mr Haridass, who was appointed its chairman on April 22, 2015. He is joined on the committee by Mr Chin, Mr McGregor, as well as Mr Tham, who was appointed to the RC on April 22, 2015. Prior to this, the RC was chaired by Mr Henkes, until his retirement from the board on April 21, 2015. The RC's principal functions are to:

- Review and endorse the risk management plans of the Group
- Review and approve group-wide risk policies, guidelines and limits
- Review the adequacy and effectiveness of the risk management systems, processes and procedures of the Group
- Review risk-related reports submitted to it by management. These 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 / issues
- Review infrastructure and resources in place to support the management of risk, including for instance, human resources, information technology systems, reporting structure and procedures

### Adequate and effective system of internal controls

The Group has implemented a comprehensive enterprise risk management (ERM) framework where key risks identified are deliberated by management with the support of the risk management function, and reported regularly to the RC. Supporting the ERM framework is a system of internal controls, comprising a code of business conduct, group-wide governance and internal control policies, procedures and guidelines dictating

the segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. The Group has also considered the various financial risks, details of which are found on page 122 of the annual report.

Our ERM framework is complemented by a governance assurance framework and a risk-based control self-assessment programme. During the year, the Group's risk profile was reviewed and updated. The effectiveness of our internal controls was also 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. For more information on the company's ERM framework, please refer to the Risk Management and Internal Controls chapter of this annual report.

For the financial year under review, 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.

The board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls are adequate and effective as at December 31, 2015 to address the financial, operational, compliance and information technology risks of the Group. This assessment is based on the internal controls established and maintained by the Group, work performed by external and internal auditors and reviews performed by senior management. Internal controls, because of their inherent limitations, can provide reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the board will ensure that should any significant internal control failings or weaknesses arise, necessary remedial actions will be swiftly taken.

### Audit Committee (Principle 12)

The Audit Committee (AC) comprises independent, non-executive directors. The AC is chaired by Mr Chin and its members are Mr Tham, Dr Teh, as well as Mr Haridass, who joined the AC on April 22, 2015. Mr Henkes was a member of the AC until his retirement from the board on April 21, 2015.

#### Authority and duties of the AC

The AC assists the board in fulfilling its fiduciary responsibilities relating to the internal controls, financial accounting and reporting practices of the Group. Its main responsibilities are to:

- Review the company's policies and control procedures and accounting practices with external auditors, internal auditors and management
- Review and act in the interest of the shareholders in respect of interested person transactions, as well as any matters or issues that affect the financial performance of the Group
- Review the quarterly, half-year and full-year results announcements, accompanying press releases and presentation slides, as well as the financial statements of the Group and the adequacy and accuracy of information disclosed prior to submission to the board for approval

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation from management and full discretion to invite any director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its function properly.

Where relevant, the AC is guided by the recommended best practice for audit committees, set out in the revised Guidebook for Audit Committees issued by Singapore's Audit Committee Guidance Committee in August 2014.

### External auditors

Each year, the AC reviews the independence of the company's external auditors and makes recommendations to the board on the re-appointment of the company's external auditors. During the year, the AC has reviewed the performance of the external auditors using Audit Quality Indicators recommended by the Accounting and Corporate Regulatory Authority as reference.

The AC reviews and approves the external audit plan to ensure the adequacy of the audit scope. It also reviews the external auditors' management letter and monitors the timely implementation of required corrective or improvement measures. The AC meets external and internal auditors at least once a year without the presence of management. It has reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year, excluding services provided to Sembcorp Marine, a listed subsidiary that has its own audit committee. The AC is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Accordingly, the AC has recommended the re-appointment of the external auditors at the forthcoming AGM. Details of non-audit fees payable to the external auditors are found in Note 28(a) in the Notes to the Financial Statements.

### Whistle-blowing policy

The AC oversees the Group's whistle-blowing policy implemented to strengthen corporate governance and ethical business practices across all business units. Employees are provided with accessible channels to report suspected fraud, corruption, dishonest practices or other misdemeanours to the Group's internal auditors and are protected from reprisal to the extent possible. This aims to encourage the reporting of such matters in good faith. For more information on our whistle-blowing policy, please refer to the Risk Management and Internal Controls chapter of this annual report.

### Internal Audit (Principle 13) Independent internal audit function

The Group Internal Audit department (GIA) is an independent function of the Group. The AC approves the hiring, termination, evaluation and compensation of the Head of GIA, who reports directly to the AC on audit matters and to the Group President & CEO on administrative matters.

#### Adequacy of the internal audit function

The AC reviews the effectiveness of the internal audit function on an annual basis, including the adequacy of audit resources. GIA adopts a risk-based methodology in drawing up its annual internal audit plan, which is reviewed and approved by the AC.

GIA also assists the board and management in the discharge of their corporate governance responsibilities, as well as in improving and promoting effective and efficient business processes within the Group. Internal audits aim to ensure that the Group maintains a sound system of internal controls and that our operations comply with the internal control framework. Internal audit reports are reviewed by the AC.

#### Professional standards and competency

GIA employs qualified staff and provides them with training and development opportunities so that their technical knowledge remains current and relevant. GIA is guided by, and has met standards for, the professional practice of internal audit promulgated by the Institute of Internal Auditors (IIA). An external assessment of GIA affirmed that its internal audit activity conforms on the whole to the standards set by IIA.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights (Principle 14)

Sembcorp treats all shareholders fairly and equitably. The company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

The company is committed to ensuring that all shareholders have easy access to clear, reliable and meaningful information in order to make informed investment decisions. The company regularly communicates major developments in its business operations via SGXNET, press releases, circulars to shareholders and other appropriate channels. The company also encourages shareholder participation and voting at general meetings of shareholders.

### Communication with Shareholders (Principle 15) Regular, effective and fair communication with shareholders

Sembcorp advocates high standards of corporate transparency and disclosure. This commitment is embodied in the company's investor relations policy which adheres to fair disclosure principles and emphasises active dialogue and engagement with shareholders, investors and analysts.

#### Disclosure of information on a timely basis

Sembcorp makes every effort to ensure that shareholders and capital market players have easy access to clear, meaningful and timely information on the company in order to make informed investment decisions. To do this, various channels including announcements, press releases, shareholder circulars and annual reports are utilised. All price-sensitive and material information is disseminated via SGXNET on a non-selective basis

and in a timely and consistent manner. The company's announcements are also uploaded on the company website, [www.sembcorp.com](http://www.sembcorp.com), after dissemination on SGXNET.

The date of the release of quarterly results is disclosed at least two weeks prior to the date of announcement via SGXNET. On the date of announcement, the financial statements as well as the accompanying press release and presentation slides are released via SGXNET and on the company website. Thereafter, a briefing or teleconference by management is jointly held for the media and analysts. For first-half and full-year results announcements, results briefings are concurrently broadcast live via webcast. Investor relations officers are available by email or telephone to answer questions from shareholders, analysts and the media as long as the information requested does not conflict with SGX-ST's rules of fair disclosure.

The company also maintains a dedicated investor relations section on its company website to cater to the specific information needs of shareholders, investors, analysts and the financial community. Designed to provide a convenient repository for investors' information needs, the site includes filings on the company's results announcements since the company's listing in 1998, an archive of the company's results briefing webcasts, downloadable five-year financial data, a calendar of upcoming events, as well as pertinent stock information such as dividend history, share price charts and analyst coverage. Investor relations contact information is also displayed on the website for direct shareholder enquiries.

#### Establishing and maintaining regular dialogue with shareholders

Sembcorp employs multiple communication platforms to engage with its shareholders. In addition to its results briefings, the company also

maintains regular dialogue with its shareholders through investor-targeted events such as AGMs, roadshows, conferences, site visits, group briefings and one-to-one meetings. These platforms offer opportunities for senior management and directors to interact first-hand with shareholders, understand their views, gather feedback and address concerns.

To keep senior management and the board abreast of market perception and concerns, the investor relations team provides regular updates on analyst consensus estimates and views. On an annual basis, a more comprehensive update is presented, which includes updates and analysis of the shareholder register, highlights of key shareholder engagements for the year as well as market feedback.

For further details on Sembcorp's communications with its shareholders, please see the Investor Relations chapter of this annual report.

#### Dividend policy

Sembcorp is committed to achieving sustainable income and growth to enhance total shareholder return. The Group's policy aims to balance cash return to shareholders and investment for sustaining growth, while maintaining an efficient capital structure. The company strives to provide consistent and sustainable ordinary dividend payments to its shareholders on an annual basis.

### Conduct of Shareholder Meetings (Principle 16) Greater shareholder participation at general meetings

All shareholders are invited to participate in the company's general meetings.

The company disseminates information on general meetings through notices in its annual reports or circulars. These notices are also released via SGXNET, published in local newspapers and posted on the company website ahead of the meetings to give ample time for shareholders to review the documents. In line with the company's commitment towards environmental responsibility, the company's annual reports and circulars are sent to shareholders in the form of a CD-ROM. The annual reports and circulars may also be viewed on the company website. However, we are mindful that some shareholders may prefer to receive a printed copy and this will be provided upon request.

The company's Constitution allows all shareholders the right to appoint up to two proxies to attend, speak and vote at general meetings on their behalf. Under the new multiple proxy regime, "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board (CPF), are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings. Voting in absentia by mail, facsimile or email is currently not permitted. Such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identity.

The Group President & CEO delivers a short presentation at each AGM to shareholders to update them on the performance of Sembcorp's



businesses. Every matter requiring approval at a general meeting is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are in attendance to address these queries or concerns and obtain feedback from shareholders. External auditors and legal advisors are also present to assist the board as necessary.

The company conducts electronic poll voting at shareholder meetings for greater transparency in the voting process. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast. Results will also be announced after the meetings via SGXNET.

Minutes of shareholder meetings are available upon request by shareholders.

### Dealings in securities

The company has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the company's securities by its directors and senior management within two weeks prior to the announcement of the company's financial statements

for each of the first three quarters of its financial year and within one month prior to the announcement of the company's full-year financial statements. Directors and employees are advised to be mindful to observe insider trading laws at all times, even when dealing in the company's securities outside the prohibited trading period. They are also reminded not to deal in the company's securities on short-term considerations.

### Interested person transactions

Shareholders have adopted an interested person transaction (IPT) mandate in respect of interested person transactions of the company. The IPT mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT mandate is available on the staff intranet. All business units are required to be familiar with the IPT mandate and report any interested person transactions to the company, to be reviewed by the AC. The Group maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. Information on interested person transactions for 2015 may be found in the related item under the Supplementary Information section of the Financial Statements in this annual report.

### Governance Disclosure Guide

In line with Sembcorp's commitment towards high standards of corporate governance and disclosure, the company has completed the Disclosure Guide developed by the Singapore Exchange in 2015. The company's responses to the Disclosure Guide may be found on pages 340 to 351 of this annual report.



Sembcorp Woodchip Boiler Plant on Jurong Island in Singapore



# RISK MANAGEMENT AND INTERNAL CONTROLS

## Sembcorp's risk management frameworks and internal controls safeguard our people and assets and protect and enhance shareholder value.

Managing risk is an integral part of our business activities and is performed to create value for the Group.

The Group manages risk under an overall strategy, determined by the board of directors and supported by the board's Risk Committee and Audit Committee. The Risk Committee reviews and enhances the effectiveness of the Group's risk management and health, safety and environment (HSE) plans, systems, processes and procedures. It also regularly reviews group-wide risk and HSE policies, guidelines and limits, as well as significant risk exposures relating to foreign exchange rates, commodity prices and major investment projects and corresponding risk mitigation plans. Oversight responsibility for risk management within the Group's listed entities lies with their respective boards.

### RISK APPETITE FRAMEWORK

The board has determined a risk appetite framework for Sembcorp that forms a common understanding for both our board and management in the execution of the Group's strategy and objectives. Under this framework, the board has approved risk appetite statements with respect to the following five focus areas. These are aligned to the focus areas under which the Group categorises its material issues, in managing and reporting its overall sustainability performance:

#### a. Economic

Sembcorp actively pursues global strategies to meet our growth objectives. We will continue to invest in

and develop our capabilities and expand our assets in both existing and new markets, with a particular emphasis on emerging markets. Investing in such markets inevitably carries with it inherent risks; however, the Group is a disciplined investor with a robust investment approval process that calls for the necessary due diligence and risk management to be done. The Group has a defined set of country limits and the limit for investment exposure in countries deemed to be of high and medium risk has been set at no more than 65% of our total investment exposure. In addition, we also maintain appropriate single-country limits.

The Group commits to maintaining a strong financial position and targets to achieve an investment grade equivalent credit rating to ensure access to funding and protect shareholder value. The Group will not take part in any form of transaction that is deemed speculative in nature, under any circumstances.

#### b. Governance, Risk & Compliance

As a listed company on the Singapore stock exchange that has both responsibility and accountability to a wide range of stakeholders, Sembcorp takes a very serious view of governance, risk and compliance. The Group commits to comply with all applicable laws and regulatory requirements in the countries where it operates. The Group adopts a zero tolerance stance towards any form of fraud, bribery or corruption.

#### c. People

Sembcorp recognises the need to have in place a strong and competent workforce that is aligned to our core values and ethical standards. The Group

will also continue to attract, develop and retain employees with the relevant skill sets and competencies to meet our business needs and growth plans and ensure leadership continuity.

#### d. Health, Safety and the Environment

In its pursuit of operational excellence and business growth, Sembcorp will not compromise the health and safety of both its internal and external stakeholders. The health and safety of all our employees is of paramount importance to the Group. We take a serious view of any breaches in health, safety and environmental standards and regulations in all our operations and facilities.

#### e. Community

Sembcorp believes that as an integral part of our communities, we should conduct our business in a responsible manner and make a positive contribution to the communities in which we operate. The Group is therefore committed to high standards of business conduct, to engaging our stakeholders and to managing our environmental and social impact on local communities responsibly.

The above risk appetite statements are also supported by key risk indicators, which are continuously monitored and reported to the Risk Committee on an ongoing basis.

### ENTERPRISE RISK MANAGEMENT

The Group is committed to ensuring that an effective and practical enterprise risk management (ERM) framework is in place to safeguard our people and assets, protect shareholders' interests, facilitate informed decisions for intrinsic value creation and ultimately uphold and enhance our

brand and reputation. In designing our ERM framework, the Group has adapted and made reference to various industry risk management standards, such as ISO 31000 and the Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This ensures that we are in line with best practice. To sustain a successful ERM programme, we believe in having the right processes and tools as well as instilling the right risk awareness culture. Our ERM framework specifically sets out a systematic and structured approach towards risk management through the following activities:

- Awareness trainings and workshops
- Risk identification and assessment
- Formulation of key risk management strategies
- Design and implementation of risk mitigation controls (preventive, detective and responsive controls)
- Monitoring and timely reporting of risk management performance and risk exposure levels
- Continuous improvement of risk management mitigation measures and capabilities

Our ERM framework is supported by the following key pillars:

- a. Fraud risk management
- b. Operational risk management
- c. Financial, market and credit risk management
- d. Investment risk management

#### a. Fraud Risk Management

The possibility of fraud is an inherent risk in any organisation. To manage this, the Group has established a fraud risk management policy,

which has been approved by our board's Risk Committee. The policy provides a framework and comprehensive guidance on anti-fraud measures to pro-actively manage the risk of fraud, bribery and corruption. All subsidiaries are required to have a fraud control plan in place. We actively influence and encourage our joint ventures and associates to adopt our fraud risk management framework. The Group maintains a zero tolerance policy for fraud, which we take to include corruption and bribery. This stance is regularly communicated to employees through awareness training sessions, workshops and e-learning programmes.

The following key activities and complementary policies and procedures are part of our holistic approach towards fraud risk management and also address the risk of bribery and corruption:

### Preventive anti-fraud measures

- Code of business conduct
- Employee code of conduct
- Conflict of interest policy
- Corporate gift policy
- Fraud risk assessments
- Employee and third party due diligence

### Detective anti-fraud measures

- Whistle-blowing policy
- Forensic data analysis
- Compliance and monitoring
- Pre-employment screening

### Responsive anti-fraud measures

- Fraud reporting procedures
- Fraud investigation procedures
- Grievance handling procedures

### Whistle-blowing policy

Since 2005, Sembcorp has maintained a whistle-blowing policy and procedure. We provide employees with well-defined and accessible

channels within the Group through which they may, in confidence, raise concerns regarding possible improprieties in the conduct of business activities, financial reporting or other matters to the Audit Committee. This facilitates independent investigation of such matters for appropriate resolution. The policy is communicated to all employees and is subject to review on a regular basis.

Employees are encouraged to report suspected wrongdoing, in confidence and without fear of reprisal, in relation to the following:

- Mail or wire fraud, bank fraud or fraudulent acts
- Violations of laws, rules or regulations applicable to the company and related to accounting, internal accounting controls or audit matters
- Intentional error or fraud in the preparation, review or audit of any financial statement of the company
- Significant deficiencies in or intentional non-compliance with the company's internal accounting controls
- Any reportable conduct, defined to mean any one of the following:
  - Unlawful, unethical, corrupt or improper conduct
  - Conduct that is in breach of any policy of the company
  - Misuse of funds or assets of the company
  - Conduct that jeopardises the safety of the company's employees, the environment in which they are working, or the public
  - Abuse of authority
  - Any other conduct that may cause financial or non-financial loss to the company or damage to the company's reputation
  - Suppression or concealment of any information relating to any of the above conduct
  - Acts to mislead, deceive, manipulate, coerce or fraudulently influence any internal or

external accountant or auditor in connection with the preparation, examination, audit or review of any financial statement or record of the company or the Group

- Criminal acts, including theft, the sale or use of drugs, money laundering, violence or threatened violence and criminal damage against property
- Detrimental actions taken in reprisal against a whistle-blower

A whistle-blower may submit his / her allegations or concerns either by telephone, email or through other written forms or existing communication channels. The company will protect the confidentiality and anonymity of the whistle-blower. The whistle-blowing case will be received by the head of Group Internal Audit and an investigation will be conducted in compliance with the requirements set out in the company's whistle-blowing policy. If an employee who uses whistle-blowing channels is found to have wilfully done so in bad faith, disciplinary action will be taken against him / her. A copy of our whistle-blowing policy is available on our company website, [www.sembcorp.com](http://www.sembcorp.com).

### b. Operational Risk Management

#### Crisis management and business continuity

With operations extending across the globe, the Group monitors for emerging threats that may disrupt its operations, and formulates and updates its strategies and mitigation measures accordingly. Focus is placed on establishing a robust and effective crisis management framework that is relevant to the current business environment and risk landscape. We aim to enhance and improve existing emergency response protocols and business continuity plans across our business entities, to strengthen operational readiness. Crisis communication procedures are also embedded as part of the Group's crisis management framework.

The Group's crisis management, emergency response and business continuity procedures and plans are regularly tested and fine-tuned to ensure that the Group can respond effectively to crises and emergencies. The Group also addresses crises and emergencies through the implementation of appropriate prevention, preparedness and response and recovery programmes, while ensuring that critical business functions can recover and continue in a timely manner. In addition, the Group adopts key standards and practices set out by ISO 22301:2012 under Societal Security – Business Continuity Management Systems – Requirements. This approach enables us to build resilience and enhance our ability to manage and respond to emergencies. It also helps to minimise the impact of incidents on people and the environment, prevent loss of assets and mitigate disruption to business operations, while safeguarding the company's reputation.

### Health, safety and the environment

The Group HSE department is guided by our Group President & CEO and the board-level Risk Committee, reflecting the high priority accorded to HSE issues at Sembcorp. The department has formalised a group-wide HSE management system and promotes global HSE efforts to ensure effective and timely management of HSE issues across the Group. This management system is aligned with ISO 14001 and OHSAS 18001 standards and provides guidance to business units in actively managing HSE risks associated with our activities and services in a systematic manner. For more information on the company's HSE management, please refer to the relevant section in the Sustainability Report contained in this annual report.

### Insurance

The Group actively reviews its insurable and uninsurable risks, and identifies comprehensive and

cost-effective risk management tools to manage such risks. As a risk transfer mechanism, the Group has purchased a comprehensive set of insurance policies to protect its business operations against financial loss resulting from property damage, machinery breakdown, business interruption or general third party liability. The Group has also engaged a panel of top-tier insurance consultants, leveraging their technical expertise and resources to negotiate for competitive pricing and comprehensive coverage with commercial insurance companies. To balance the cost of risk transfer, the Group focuses on insuring catastrophic events while maintaining its emphasis on improving internal controls over operations and maintenance. Sembcorp Captive Insurance, a wholly-owned captive insurance subsidiary, provides first layer coverage against property damage and business interruption losses for the Group's operations in Singapore and on the Wilton International site in the UK. Sembcorp Captive Insurance serves not only as an internal risk transfer mechanism, but also showcases the Group's efforts to promote greater accountability and responsibility in the operations and maintenance of its business units. Over the years, Sembcorp Captive Insurance has successfully built up a strong capital surplus, allowing it to extend its insurance reach to other operations and broaden its scope of coverage.

### c. Financial, Market and Credit Risk Management

The Group actively manages its financial, market and credit risk exposure with respect to foreign exchange rates, commodity prices and interest rates via established policies, including treasury policies, financial authority limits and a system of financial discipline. These policies set out the parameters for managing the Group's exposure to counterparty, liquidity, foreign exchange and other material transaction risks.

### Financial and market risk

The Group defines and utilises approved financial instruments to manage exposure to foreign exchange, commodity prices and interest rate fluctuations arising from operational, financing and investment activities. The commodities include fuel oil, coal and natural gas. Transactions such as foreign exchange forwards, interest rate swaps, commodities swaps, purchase of options and contracts for differences are used to manage these risks as appropriate. Under the Group's overall treasury policy, transactions for speculative purposes are strictly not allowed. Transactions are allowed only for hedging purposes based on the underlying business and operating requirements. Exposure to foreign currency risk is also hedged naturally where possible. In addition, the Group has financial authority limits, which seek to limit and mitigate operational risk by setting out the threshold of approvals required for entering into contractual obligations and investments.

### Default and counterparty credit risks

Counterparty credit risk refers to the risk that a counterparty may fail to fulfil its payment or performance obligations under contracts to which it is a party. Sembcorp has a group-wide credit risk policy in place, under which we will, as far as possible, maintain a practice of dealing with counterparties who are creditworthy. To this end, we perform periodic credit evaluations to establish and verify the credit rating of current and potential counterparties, such as customers, contractors, joint venture partners and financial institutions. Appropriate credit limits are then set, according to the established credit rating and business volume, to avoid undue credit exposure. Credit exposure and overdue accounts are closely monitored and managed through vigorous collection efforts. For counterparties that do not meet the minimum credit rating requirement, credit protection such as

additional securities, guarantees, advanced payment and shortened payment terms may be requested on a case-by-case basis as risk mitigation measures. Another area of focus is managing concentration risk with respect to our credit exposure. Our concentration risk is diligently reviewed to ensure that no single counterparty or group of related counterparties has excessive credit exposure that may result in a material impact on the Group in the event of a default.

### d. Investment Risk Management

To ensure that prudence is exercised in all investment decisions, the Group has in place an investment approval process, under which a disciplined approach is taken to review the key risks and opportunities presented by potential investments. As part of our investment approval process, all new investments and transactions are reviewed by a cross-functional project team that provides risk assessments, mitigation measures and recommendations to the respective authorised persons for approval in accordance with applicable financial authority limits.

In addition, to ensure that Sembcorp maintains appropriate diversification across different geographies, the Group has put in place a country risk framework to monitor and report its investment exposure globally. Countries are classified into high, medium and low risk categories based on their macroeconomic and sovereign risks, political and corruption risks, regulatory and transfer risks, as well as social and environmental risks. Furthermore, our investment exposure under each country is regularly reported to the board's Risk Committee. This framework also defines limits that have been approved by the board and stipulates that any deviation from these country limits requires board approval according to a set procedure. In reviewing any request for deviations from the country limits, the board will consider the key risk drivers at hand, in terms of investment size,

duration and economic life of the project, as well as the level of residual risk after the implementation of mitigation plans.

As at December 31, 2015 the countries outside of Singapore in which the Group has the largest investment exposure are India (\$2.8 billion), China (\$2.3 billion) and Brazil (\$1.4 billion). Investment exposure comprises invested capital, including reserves, and committed contingent support for projects and assets.

## INTERNAL CONTROLS

Supporting the ERM framework is a system of internal controls, comprising a code of business conduct, a comprehensive set of group-wide governance and functional policies, approval authorities and limits, which ensures that entity-level controls are implemented across the Group. The Group's internal control policy and manual, which adopts COSO principles, provides a framework for an effective and adequate system of internal controls that business units should put in place. It also guides us on the appropriate segregation of duties and checklist of internal controls.

The ERM framework is complemented by a governance assurance framework and a risk-based control self-assessment programme. The effectiveness of key controls is rated, and the rationale for ratings documented, to enable management to better identify and manage key control gaps or weaknesses.

Collectively, the respective risk management and internal control frameworks and initiatives support the overall risk and governance ecosystem. This comprises the board, the Group's risk and governance departments, our business units, as well as the internal audit team.



### RISK & GOVERNANCE ECOSYSTEM

#### Audit & Risk Committees

- Oversee risk management and internal controls of the Group, and advise the board on such matters
- Determine the Group's overall risk appetite and tolerance
- Review and approve risk management and governance-related frameworks and policies

#### Group Risk & Governance

- Develop the Group's overall risk management programme
- Design and own group-level risk management and governance frameworks and policies
- Monitor the status of implementation across entities within the Group
- Adopt industry best practice and communicate this to businesses and employees



#### Internal Audit

- Audits the adequacy and effectiveness of our risk management and internal controls, using a risk-based methodology
- Provides independent assurance of compliance to relevant Group policies

#### Business Units

- Hold accountability for respective risks and controls
- Provide source information on and assessment of risk and controls
- Develop operating procedures and manuals aligned with the Group's governance policies, to ensure legal, regulatory and contractual compliance
- Provide management assurance of compliance and adequacy of internal controls, backed by comprehensive self-review and certification





# SUSTAINABILITY REPORT

Sustainability at Sembcorp is about striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing our businesses.

## MANAGING SUSTAINABILITY

At Sembcorp, we believe in building sustainable businesses that deliver long-term shareholder value and growth. We believe that a truly sustainable business not only creates economic value, but does so in a way that benefits its stakeholders.

Environmental, social and governance (ESG) considerations are embedded in our business decisions and processes. We believe that taking ESG considerations into account helps us understand our risks and responsibilities in a holistic manner. We also believe that when our strategy and business decisions incorporate ESG concerns, we are better prepared to respond to the challenges we face.

The management of our sustainability issues is centred on five focus areas. Our key sustainability principles are set out in our Sustainability Policy. These principles are applied throughout our management systems and processes. We aim to continually improve our management systems, and evaluate our management approach by benchmarking it against industry best practice. We adopt a precautionary approach to avoid or minimise negative impacts. A list of our policies, certified facilities as well as memberships and participation in external initiatives can be found in the Sustainability section of our website.

Sustainability is addressed at the highest levels at Sembcorp. Our Board of Directors oversees the business affairs of the Group and is collectively responsible for our long-term success. The main duties of the board include providing leadership on Sembcorp's overall strategy, which takes into consideration sustainability issues. The board also ensures the adequacy of the Group's framework for risk management and internal controls.

Sembcorp's Sustainability Steering Committee (SSC) provides strategic direction for managing sustainability-related risks and opportunities. It also guides the development and improvement of frameworks, policies, guidelines and processes to ensure that sustainability issues are effectively managed. The SSC is a high-level committee chaired by the Group Chief Financial Officer, and comprises senior executives across various functions, including asset management, human resources, health, safety and environment (HSE) and corporate relations.

At the business unit level, economic, operational, as well as health and safety issues and other risks are reviewed by the head of operations at bi-monthly business unit management meetings and risk management committee meetings. The Group's performance in these areas is evaluated against internal targets. Business units also provide quarterly governance assurance certifications on the adequacy of their risk management and internal control systems in line with Sembcorp's Governance Assurance Framework (GAF).

In 2015, Sembcorp became a signatory to the United Nations (UN) Global Compact, joining more than 8,000 companies globally who have taken a stand for a sustainable future.

Sembcorp was also selected as an index component of the Dow Jones Sustainability Asia / Pacific Index 2015.

### Sustainability contact

Sembcorp welcomes feedback on our sustainability issues and reporting at [sustainability@sembcorp.com](mailto:sustainability@sembcorp.com).

## Sustainability Performance Snapshot

The table below shows quantitative data that reflects our performance in areas that have been identified as material to our businesses and stakeholders.

More performance data, including qualitative data, is available in the individual sections for each focus area in this report, as well as in the Sustainability section of our website.

	2015	2014	2013
<b>Economic</b>			
<b>Capital and Portfolio Management<sup>1</sup></b>			
Turnover (\$ million)	9,545	10,895	10,798
Net profit (\$ million)	549	801	820
Return on equity (%)	9.4	15.2	17.1
Return on total assets (%)	3.7	7.5	9.1
Total debt-to-capitalisation ratio	0.46	0.40	0.23
Total debt-to-capitalisation ratio (less cash and cash equivalents)	0.35	0.26	Net cash
Total shareholder returns <sup>2</sup> (%)	(28.8)	(15.6)	7.7
<b>People</b>			
<b>People Development</b>			
Employee turnover (voluntary and non-voluntary) (%)	11.0	18.4	12.4
Average training hours per employee (hours)	20.6	22.3	13.7
<b>Health, Safety and the Environment</b>			
<b>Occupational Health and Safety<sup>3,4</sup></b>			
Number of fatalities	3	0	0
Lost time injury rate per million man-hours <sup>5</sup>	1.3	3.5'	2.6'
Accident severity rate per million man-hours <sup>5</sup>	12.9	59.4'	41.4'
<b>Climate Change</b>			
Direct greenhouse gas emissions <sup>6</sup> (million tonnes of CO <sub>2</sub> equivalent)	6.9	5.7	6.4'
<b>Environmental Protection</b>			
Water withdrawal (million m <sup>3</sup> )	1,823.1	1,593.7'	1,595.7'
Waste disposal <sup>7</sup> (thousand tonnes)	39.3	43.8'	31.7
Hazardous waste (thousand tonnes)	10.4	12.6	9.4
Non-hazardous waste (thousand tonnes)	28.9	31.2'	22.3'
<b>Community</b>			
Community contributions <sup>8</sup> (\$ million)	3.3	2.4	1.8

### Notes:

Please refer to the section on Reporting Framework and Scope on page 130 for details on our scope.

<sup>1</sup> Financial figures reported are for the Group, including Sembcorp Marine, as per audited financial statements.

<sup>2</sup> Source: Bloomberg

<sup>3</sup> Health and safety data reflects group-wide performance within the reporting scope stated for each respective year. For 2015, it covers both assets in operation and under construction. A detailed breakdown of health and safety data is available on our website.

<sup>4</sup> Data covers employees and contractors engaged to work on our sites. Details of fatalities are reported on page 150.

<sup>5</sup> In 2015, we adopted standards set out by the US National Institute for Occupational Safety and Health (NIOSH) and the International Association of Oil and Gas Producers (IOGP), and now report on a per million man-hour basis. Figures for 2014 and 2013, which were reported on a per 200,000 man-hour basis have been restated accordingly.

<sup>6</sup> Data covers operations that produce direct greenhouse gas emissions from the combustion of fossil fuel.

<sup>7</sup> Data for waste disposal excludes waste that is collected and incinerated for our customers.

<sup>8</sup> Figure excludes contributions from Sembcorp Marine. Including contributions from Sembcorp Marine, the Sembcorp Group's contributions amounted to \$57.1 million.

<sup>9</sup> Indicates restated figure. Details can be found in the respective sections of this Sustainability Report and the Global Reporting Initiative content index in the Sustainability section of our website.

**Materiality**

Materiality analysis enables Sembcorp to define sustainability issues that are of greatest significance to our businesses and stakeholders over the long term. As we seek to make progress in our sustainability journey, drive performance and transparency, and embed sustainability into Sembcorp's culture, this focus on materiality is vital.

Our reporting is currently focused on 11 material issues, grouped into five focus areas. Each focus area is owned by an appointed SSC member. The five focus areas and 11 material issues are recognised by both internal and external stakeholders. For each material issue, we report the sustainability context, its relevance to Sembcorp, and our management approach and performance.

Sustainability issues were identified in line with Global Reporting Initiative (GRI) guidelines. The materiality review took into account GRI's Electric Utilities Sector Supplement, the Dow Jones Sustainability Index and other relevant frameworks and peer reviews. We prioritised issues using a materiality matrix, taking into account their significance to Sembcorp and our stakeholders according to clearly defined criteria based on the AA1000AS five-part materiality process.

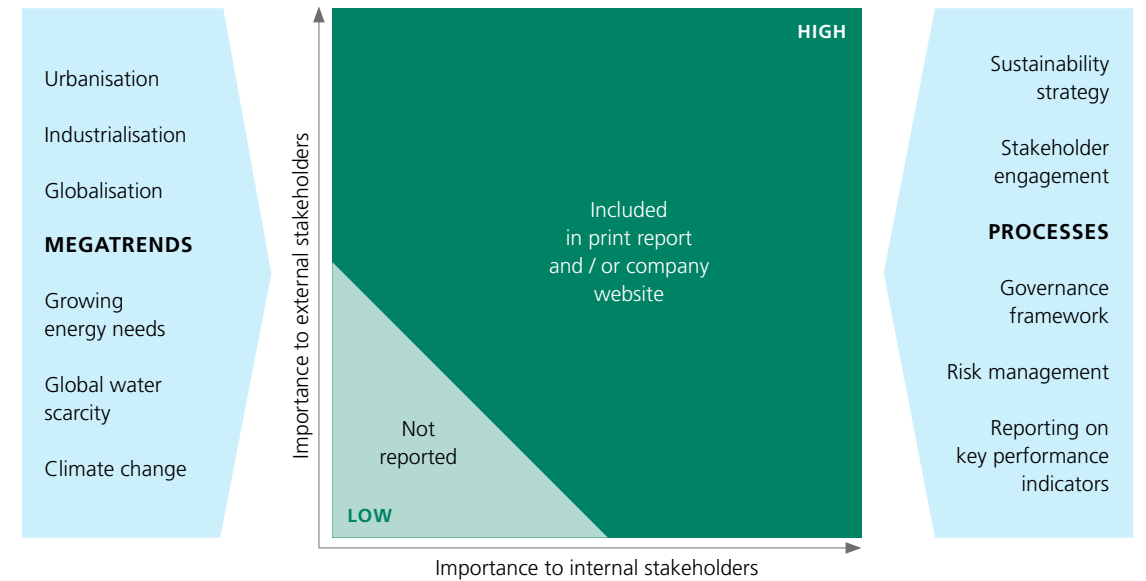
The materiality assessment and review were conducted with input from an independent sustainability consultant. To increase the robustness of this assessment, we incorporated feedback from our stakeholders, including shareholders, financial institutions, the investment community, regulators,

customers, suppliers and non-governmental organisations. The survey, commissioned in 2012, was conducted by an independent firm to ensure anonymity for respondents. On the whole, respondents agreed on where our focus should lie. Their responses also helped us refine aspects of the material issues that our key stakeholders were interested in, and provided input on how we could better communicate these issues.

Sembcorp embarked on reviewing and updating our materiality issues in late 2015. As part of this materiality review process, we will be undertaking a stakeholder engagement survey, and gathering input from internal and external stakeholders across our different business units globally and at the corporate level. We will review and use the information we gather from our stakeholders to refresh our material issues and ensure that Sembcorp continues to align our sustainability efforts with business growth. The results of this materiality review and the corresponding updates to our material issues and indicators will be presented in our 2016 report.

In 2015, we strengthened the link between risk management and sustainability at Sembcorp, by developing risk appetite statements for each of our sustainability focus areas. The risk appetite statements and associated key risk indicators set the direction and boundaries for the execution of our strategy, and provide early warning of increasing risk exposure in each focus area.

**Sembcorp's Materiality Matrix**



**Reporting framework and scope**

Our annual Sustainability Report is prepared in accordance with GRI G4 Core requirements. It is guided by SGX Guidelines on Sustainability Reporting as well as the Ten Principles of the UN Global Compact. Our GRI content index can be found in the sustainability section of our website.

Our report provides information on Sembcorp's subsidiaries and covers the calendar year. It excludes joint ventures, partnerships and associates for which Sembcorp does not have management and / or operational control. As our Marine business is separately listed in Singapore and reports its activities separately, it is therefore excluded from this report.

New acquisitions and subsidiaries are given one year or more upon the completion of construction or agreement to integrate their reporting systems with that of the Group. Thereafter, their sustainability data will be reported externally once a full calendar year of data is collected. Data pertaining to entities divested during the year is excluded from our report. This year, we expanded the scope of our occupational health and safety reporting to also include assets and projects under construction, with data reported from the onset of construction activities. We aim to work towards external assurance of the report.

The table below shows our reporting scope by business line and focus area.

FOCUS AREAS	Economic				Governance, Risk and Compliance		People	Health, Safety and the Environment			Community
	Capital and portfolio management	Reliability	Innovation	New income streams	Governance and ethical business	Risk and regulatory compliance	People development	Occupational health and safety	Climate change	Environmental protection	Community integration
<b>UTILITIES</b>											
Existing assets											
Energy	•	•	•	•	•	•	•	•	•	•	•
Water	•	•	•	•	•	•	•	•		•	•
Solid waste management	•			•	•	•	•	•		•	•
Assets under construction	•	•	•	•	•	•		•			•
<b>MARINE</b>	•	<i>Our Marine business (Sembcorp Marine) is listed separately and reports its activities separately.</i>									
<b>URBAN DEVELOPMENT</b>	•				•	•	•	•			•
<b>OTHER BUSINESSES</b>	•				•	•	•	•			•

Information provided in the Sustainability Report relates to the subsidiaries of Sembcorp, excluding Sembcorp Marine. It excludes joint ventures, partnerships and associates for which Sembcorp does not have management and / or operational control.

**Data measurement and quality**

All data measurements are in line with GRI G4 recommendations for our chosen indicators. Greenhouse gas (GHG) emission factors are based on the 2006 Intergovernmental Panel for Climate Change (IPCC) guidelines, except for those relating to our operations on Teesside, UK, which use emission factors adapted from the US Environmental Protection Agency and the 2013 and 2014 Government Greenhouse Gas Conversion Factors for Company Reporting issued by the UK's Department for Environment, Food & Rural Affairs and Department of Energy & Climate Change. Occupational health and safety indicators follow standards set out by the

US National Institute for Occupational Safety and Health (NIOSH) and the International Association of Oil and Gas Producers (IOGP).

While there are inherent limitations to the accuracy of data, we seek to minimise any errors and irregularities by strengthening our internal controls.

**Focus Areas and Material Issues**

Sembcorp manages sustainability through five areas of focus. These focus areas are aligned with how we drive success for the Group. Under each focus area, we discuss our management approach to the relevant material issues and our performance against each issue.

**MATERIAL ISSUES**

Focus Areas	Material Issues
<b>Economic</b>	
<ul style="list-style-type: none"> <li>To deliver long-term value and growth</li> </ul>	<ul style="list-style-type: none"> <li>Capital and portfolio management</li> <li>Reliability</li> <li>Innovation</li> <li>New income streams</li> </ul>
<b>Governance, Risk and Compliance</b>	
<ul style="list-style-type: none"> <li>To maintain high standards of behaviour and integrity and be best in class for governance practices</li> </ul>	<ul style="list-style-type: none"> <li>Governance and ethical business</li> <li>Risk and regulatory compliance</li> </ul>
<b>People</b>	
<ul style="list-style-type: none"> <li>To provide a fair, diverse and inclusive workplace, and continually improve our human resource management and people development</li> </ul>	<ul style="list-style-type: none"> <li>People development</li> </ul>
<b>Health, Safety and the Environment</b>	
<ul style="list-style-type: none"> <li>To instil sound and practical health and safety management as part of our workplace culture, and protect the environment in our business activities, products and services through good environmental practices</li> </ul>	<ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Climate change</li> <li>Environmental protection</li> </ul>
<b>Community</b>	
<ul style="list-style-type: none"> <li>To be a responsible business, making a positive contribution to our communities</li> </ul>	<ul style="list-style-type: none"> <li>Community integration</li> </ul>

**Stakeholder Engagement**

We recognise the importance of building relationships and communicating openly with our stakeholders.

We identified our stakeholder groups following a stakeholder mapping exercise, done in accordance with the AA1000 Stakeholder Engagement Standard by an independent consultant in 2012. Using a structured approach, stakeholders were mapped based on their level of influence and interest. The level of stakeholder interest against each material issue was also reviewed and a survey

was conducted to invite feedback on our material issues from selected key stakeholder groups. This allowed us to understand the concerns and perspectives of our external stakeholders in relation to our material issues, in order to formulate our sustainability priorities. It also helped to guide our communication to stakeholders on our performance and progress on our material issues.

More information on the platforms we use to regularly engage our stakeholders can be found in the Sustainability section of our website.

**CASE STUDY**

**Working together to respond to a drought crisis: Sembcorp Siza Water**

As a result of El Niño, South Africa is facing one of its worst droughts in 30 years. The drought, which began in late 2014, has been declared a crisis by the government. Amongst the worst-hit areas in the country is the Dolphin Coast, where our municipal water business Sembcorp Siza Water operates.

As the local water provider, Sembcorp Siza Water has played a key role in managing the impact of the drought from an early stage. When the drought hit, it became apparent that it would be impossible for the conventional water system to be fully operational. Sembcorp Siza Water worked out a drought plan with local authorities and the bulk water supplier, and rolled this out to the community through an intensive communications campaign. Through daily slots on local radio, regular updates in newspapers and on the company website, flyers and text message alerts, we educated consumers on the crisis, called for support for the drought plan and communicated tips on how to save water. We

also met key stakeholders face-to-face, including local councillors and authorities, as well as the ratepayers' association, chamber of commerce and local business leaders, and held media interviews and briefings. The response to these measures led to the community reducing its water usage by 5,000 cubic metres per day.

In the course of engaging consumers and local councillors, the need to find innovative solutions to the water crisis was raised. Arising from this, we commissioned boreholes to augment water supply. In addition, we conducted a month-long online survey, during which 96% of consumers voted in favour of introducing recycled water to their potable water. We then completed a facility that reclaims potable water from effluent, increasing the water supply by 4,000 cubic metres. This has been a great success, eliminating the need for water shedding in the community.

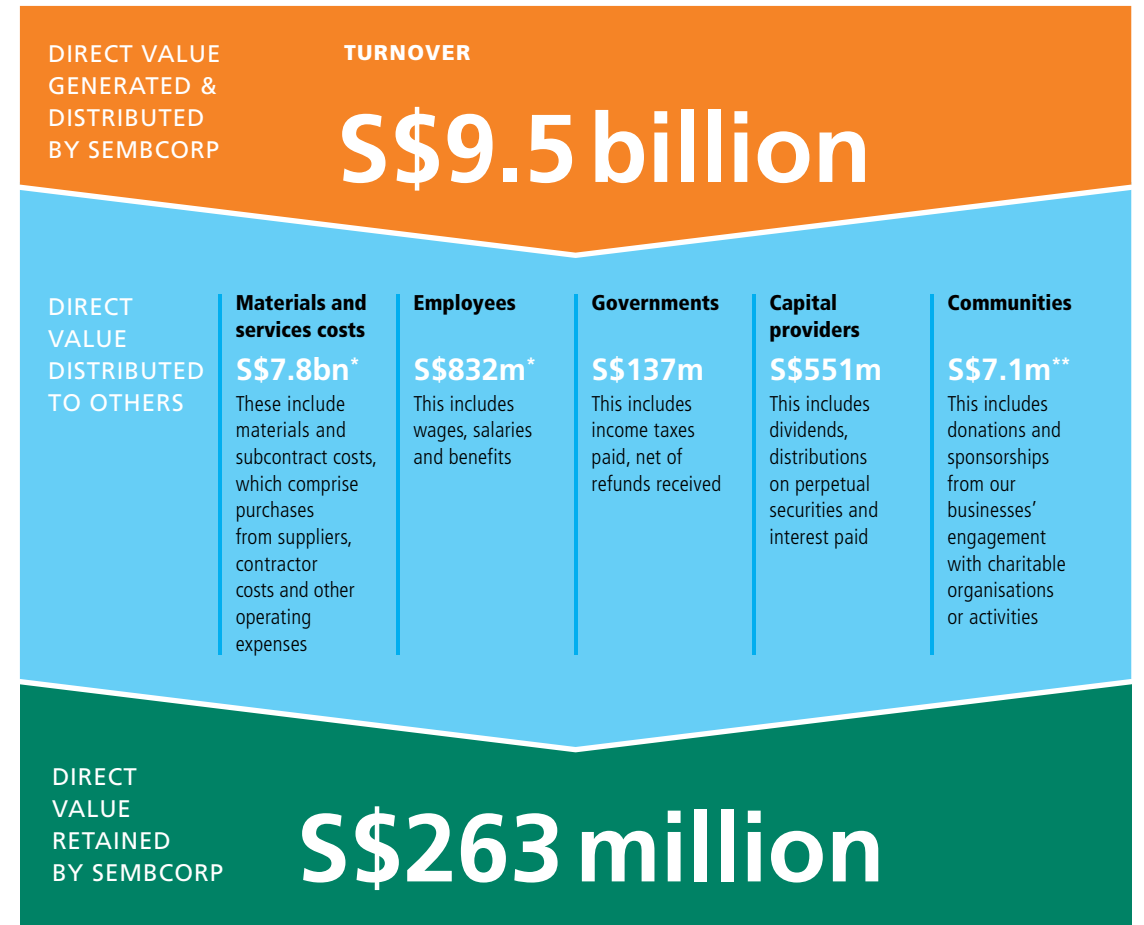
This experience demonstrates that technical expertise is only part of the solution. To change public behaviour and generate sustainable solutions, engagement and partnership with stakeholders is also key.

**Economic**  
To deliver long-term value and growth

**Why this is material**

Long-term economic viability is at the core of Sembcorp's approach to building sustainable businesses. As we build successful, sustainable businesses, societies and communities benefit. Our businesses deliver the economic engine to support industrialisation and urbanisation. Our operations

generate employment, contracts for local suppliers and tax revenues for governments and result in infrastructure development in our host communities. For more information on our contributions to communities, please refer to the Community section of this report. We drive our economic sustainability by monitoring and managing four key facets of our business: capital and portfolio management, reliability of our assets, products and services, innovation and business development for new income streams.



\* On an accrued basis

\*\* Figure is based on the reporting scope stated in the Sustainability Report, and includes Sembcorp Marine's community contributions



**Capital and portfolio management**

Sembcorp's businesses often involve large-scale, long-term projects that require significant initial capital outlay. Strong financial health and a disciplined approach to investment are therefore necessary for us to succeed. At the same time, as Sembcorp continues to grow, we believe it is important for us to maintain a balanced portfolio of businesses across geographical regions and business segments, with the appropriate level of risk. Capital allocation, including the geographical distribution of our investments, is managed from this perspective.

**Reliability**

The reliability of our supply, assets and products is vital not only for our reputation, but also for our long-term profitability. Our Group is heavily invested in the Utilities business, which involves the development and sustained operation of energy and water facilities. We are committed to long-term customer contracts and our products and services, such as power, steam, water and wastewater treatment, are essential to our customers. By investing in the proper care and maintenance of our assets, we ensure that their useful life, and therefore their ability to generate stable recurring income and a reliable supply of products and services, is sustained throughout our long investment horizon.

**Innovation**

We recognise that technology and innovation is important in maintaining and enhancing our relevance, profitability and competitive advantage. This includes applied research and development (R&D) and improvements that optimise our operations and enhance our efficiency, as well as new technologies and methodologies that offer wider sustainability benefits.

**New income streams**

To deliver long-term growth, we continuously explore new business opportunities and maintain a pipeline of upcoming projects, which includes both greenfield and brownfield investments.

**Positioned for Growth in the Right Businesses, in the Right Markets**

As part of our strategy to ensure long-term growth, we continue to expand our operations overseas. In 2015, overseas contributions amounted to 60% of our Utilities business' net profit excluding corporate costs and significant items.

We leveraged our strong development capabilities to grow through greenfield projects in rapidly developing economies, announcing our first energy projects in Myanmar and Bangladesh. In addition, we expanded our desalination capacity in the UAE and wind power assets in China. These projects, when completed, will provide us with new income streams.

**Our approach**

**Capital and portfolio management**

We have robust frameworks and processes in place to ensure our investment and business decisions take into account long-term considerations. In addition, potential acquisitions and growth opportunities are evaluated based on strict investment guidelines. Depending on criteria such as project value and country risk, approval for projects may involve the Senior Management Committee, the board and / or its Executive or Risk Committee.

We actively manage our risk portfolio, including monitoring balance sheet liquidity ratios and country risk profiles. For more information on risk management at Sembcorp, please refer to the Risk Management and Internal Controls chapter.

**Reliability**

*Reliability of our assets, products and services*

The reliability of our assets is of critical importance, and is rigorously managed from the design phase through to the operation and maintenance phase. In the design and construction phases, we focus on installing sufficient operational flexibility and selecting quality equipment. In the operation and maintenance phases, regulatory and manufacturers' standards are strictly adhered to. The reliability of our plants is further monitored through monthly performance indicators which our management oversees. Technical audits and checks are also conducted on our plants.

*Product safety and compliance*

Product safety is a priority in our business, as non-compliance can result in serious health, safety and operational issues for our customers, many of whom depend on us for basic utilities or require our products for their industrial processes. We implement a robust maintenance and monitoring regime, which

includes stringent inspections and the installation of meters and sensors at both our and our customers' facilities. To ensure the safe delivery of our products, we have rigorous maintenance regimes in place and regularly inspect our delivery systems, including checking pipelines for leaks. We also conduct regular sampling and laboratory tests to meet regulatory requirements and to ensure that the water we produce is safe for our customers and end users.

### Our Supply Chain

Sembcorp's main suppliers consist of equipment manufacturers, raw material suppliers and engineering, procurement and construction (EPC) contractors.

Equipment manufacturers supply us with large-scale equipment such as gas turbines and desalination units as well as process equipment such as switchgears and control systems. Raw material suppliers supply fuel and chemicals needed to run our plants, while EPC contractors develop and construct our greenfield plants. Our plants are designed and built to have a long, productive lifespan, and it is with this perspective that we procure our equipment. We seek to ensure we procure high-quality and technologically advanced equipment that will last. We have stringent requirements for quality and therefore engage reputable suppliers who abide by global environmental, social and governance standards.

Our Group Procurement Policy provides guidelines and control principles for various stages of the procurement process.

We also recognise the importance of evaluating our suppliers to ensure supply chain risks and negative impacts are minimised. For example, our operations in Singapore carry out an annual vendor performance evaluation for our top suppliers by volume and dollar value. Through this process, we rate these suppliers on health, safety and the environment (HSE), as well as quality assurance and service level criteria. We also review their audited financial reports. In addition, for EPC contracts, contractors are

assessed based on their track record with respect to project type, size and location experience, among other criteria. We value the opportunity to positively influence our suppliers towards greater HSE awareness and social responsibility. We believe that securing a pool of suppliers that share our commitment to sustainability will mitigate risks to our operations and reputation.

#### Supplier diversification

Our efforts to ensure supply chain security include diversifying supply to mitigate concentration risk. In Singapore, for instance, Sembcorp's operations maintain at least one primary and one secondary supplier for key spare parts and consumables, wherever possible.

#### Fuel procurement

Fuel is a significant cost component for Sembcorp's power and steam generation operations. The security of our fuel supply is also vital to the sustained performance of our assets. In view of this, we have a Group Fuel Management department that looks into issues such as security of supply, monitoring of price fluctuations and optimisation of fuel mix. To further diversify our fuel mix and tap sustainable sources, Sembcorp has increased our use of alternative fuels and renewables. In Singapore, for instance, our solid waste management operations provide a reliable supply of waste wood for our woodchip boiler plant. In our biomass power plant in the UK, waste wood from sustainably-managed forests and sawmills, as well as arboricultural residues, is used as fuel.

### Innovation

Sembcorp's Technology Advisory Panel, which includes our Chairman, Group President & CEO and other invited experts, provides strategic direction for our technology and innovation programmes. The panel oversees the development and application of significant emerging technologies in the energy and water sectors and provides guidance to Sembcorp's leadership on technological trends and opportunities. It is supported by an in-house Group Technology department.

Headed by our Chief Technology Officer, our Group Technology department oversees our R&D and innovation efforts. Besides tracking our investment in innovation and its corresponding returns, we also track indicators such as the number of projects screened. This ensures that we have a pipeline of innovation projects being developed and implemented in a timely manner.

To further encourage innovation from bottom up, Sembcorp's !DEA Awards programme rewards innovative ideas and efforts across the Group. Past winning entries have included process innovations that have resulted in cost savings and improved HSE performance, as well as innovations that have led to the development of new products and services.

Our ongoing engagement with venture capitalists, technology companies and tertiary research institutes helps us keep abreast of the latest technological advancements. In looking at new technology, we prioritise innovations that address the needs of our operations, but also consider more general proposals.

### Promoting Clean Technology

Sembcorp pioneered the commercial reclamation of water from treated industrial and municipal wastewater effluent in Singapore. We have established ourselves as a trusted wastewater treatment provider in Singapore as well as in industrial clusters in China. By integrating wastewater treatment, water reclamation and water supply in a closed loop, Sembcorp helps its customers reduce their water consumption and conserve this precious resource.

Sembcorp has also established a dedicated Renewables department to pursue clean technology opportunities. In 2015, Sembcorp acquired Green Infra, a leading renewable energy company in India, and expanded its wind power capacity in Huanghua, Hebei, China.

### New income streams

Sembcorp's Group Business Development & Commercial department is structured and equipped to pursue new business opportunities with agility and focus. Dedicated teams look into growing our businesses in both existing and new markets.

To ensure our continued growth, we identify and develop a healthy pipeline of projects. We also seek to grow through strategic partnerships with our customers, by continuously developing innovative and competitive solutions that meet their evolving needs.

We actively invest in sustainable and green business lines, which will give us an edge in an increasingly resource-scarce world. We take a disciplined approach and employ a stringent evaluation process to all our projects and investments.

### Our performance

Sembcorp's financial performance and key economic indicators can be found in our Group Financial Review chapter and Financial Statements.

As a global energy and water company with a rich history of being driven by technology and innovation, Sembcorp hopes to contribute towards raising Singapore's profile as a hub for applied R&D, while supporting the long-term growth of the energy and water sectors. To this end, we have collaborated with several partners in various innovation projects. Ongoing partnerships include the Sembcorp Industrial Living Laboratory with the Singapore Economic Development Board and the Sembcorp-EMA Energy Technology Partnership with the Energy Market Authority (EMA) of Singapore. These projects leverage Sembcorp's facilities for late-stage test-bedding and co-innovation of energy, water and environmental technologies, and explore the commercialisation of R&D solutions. The investments in these multi-year projects, which include matching

grants from the authorities and other partners, are worth up to S\$18 million.

In 2015, we acquired Green Infra, a renewable energy company in India. This acquisition not only marked our entry into India's renewable energy market, but also signified a major step in our strategy to grow our renewable business. In Myanmar, we were selected to develop the largest independent gas-fired power plant in the country. This project marked Sembcorp's entry into Myanmar's fast-growing power market. We also announced our entry into the Bangladesh power market and expanded our renewable energy business in Huanghua, China, with the development of two wind farms.

A strong push for innovation, coupled with a keen pursuit of growth opportunities, puts Sembcorp in an excellent position to build a strong future.

### Going forward

The Group will maintain a disciplined approach to managing its financial position and portfolio. We will continue to deepen our asset management as well as business development and commercial capabilities, optimise plant performance and grow our asset portfolio for a greater recurring income base.

We will continue to identify and develop new and innovative technologies and leverage investments made for technologies relevant to our business. In addition, we will build on our culture of innovation through the recognition and implementation of IDEA Awards projects and other innovation proposals. In the near future, we expect to implement further phases of the Virtual Brain predictive maintenance and optimisation project and develop it for application to other water treatment processes. We will also continue to engage our partners in our ongoing projects, while scanning the landscape for more innovation opportunities.

### Governance, Risk and Compliance To maintain high standards of behaviour and integrity and be best in class for governance practices

#### Why this is material

##### Governance and ethical business

Responsible business conduct ensures the long-term viability of our businesses and builds trust and confidence with our stakeholders. We commit to high standards of behaviour and integrity in everything we do, and comply with all laws and regulations wherever we operate. We believe in conducting our business legally, fairly, honestly and with integrity, and expect the same of those with whom we do business. Sembcorp has zero tolerance for fraud, bribery and corruption.

##### Risk and regulatory compliance

Risk management is an integral part of Sembcorp's approach to operating sustainably. As we continue to grow and expand our global footprint, we are inadvertently exposed to diverse risks, such as political and regulatory, market, competition, supply chain, human resources, project and cost management risks, environmental and social risks, as well as the risk of possible fraud, corruption and bribery.

Besides helping to preserve our bottom line by reducing the likelihood and impact of potential losses, risk management provides a common basis on which to evaluate new business opportunities. It also assures our board and shareholders that key enterprise and business risks faced by the organisation have been identified, assessed and managed with appropriate risk mitigation and controls.

Sembcorp is committed to a high standard of regulatory compliance. Non-compliance with applicable laws and regulations may subject us to statutory and regulatory fines, resulting in material litigation. It may also affect our reputation, financials and licence to operate.

### Communicating Our Code of Business Conduct Through Electronic Learning

The Sembcorp Code of Business Conduct expresses the high standards of behaviour and integrity expected from our employees worldwide.

An e-learning course in multiple languages was launched globally to further communicate our Code of Business Conduct and help employees better understand its requirements, guiding principles and application in their daily course of work.

#### Our approach

##### Governance and ethical business

Sembcorp is led by an effective board mainly comprising of independent non-executive directors. The board is collectively responsible for the long-term success of the Group. Part of its role is to ensure that the Group's internal control and risk management systems are adequate and effective, and that our obligations to key stakeholders are understood and met. Several board committees, including the board's Risk Committee, have been established with clearly written terms of reference, both to assist the board in fulfilling its responsibilities, and to provide an independent oversight of management. The board's Risk Committee has oversight of our Fraud Risk Management and Anti-Bribery and Corruption Policy.

Sembcorp complies with the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore, and reports our governance processes and activities with reference to the principles set out in it.

In addition, Sembcorp's core values of *Insight*, *Integral* and *Integrity* define our approach to sustainable growth and form the foundation of Sembcorp's Business Principles and Code of

Business Conduct (CBC). Employees are required to comply with the requirements of the CBC, which addresses Sembcorp's stance in the following areas:

- Providing a fair, equitable workplace environment that is free from harassment
- Corruption and bribery
- Money laundering
- Political contributions
- Contributing to communities
- Health, safety and the environment

Requirements of the CBC are communicated to employees globally through an e-learning course delivered in multiple languages. The CBC is also published on our website. Employees are required to acknowledge that they agree to abide by its principles and requirements and promptly report any violation through available reporting channels. Suppliers and contractors who work with Sembcorp are expected to respect and follow the CBC as well.

The standards of our CBC are also applied in our approach towards tax risk management. It is our policy to:

- Observe compliance with relevant taxation laws and regulations and other regulatory disclosure requirements
- Apply diligent professional care and judgement to arrive at well-reasoned recommendations, supplemented by advance rulings from tax authorities, written advice and confirmation from external tax advisors / experts, as appropriate
- Ensure that all decisions are taken at an appropriate level and supported by a business purpose / commercial rationale and the appropriate documentation
- Establish and maintain adequate documentation of the Group's tax risk evaluation and tax risk management, and update the Group's tax risk management policies including internal controls, as and when appropriate

- Develop and foster good and respectful professional relationships with all tax authorities, government bodies and other related third parties

**Risk and regulatory compliance**

*Risk management and system of internal controls*  
Sembcorp actively equips our management with tools to manage and control any risks associated with our existing business activities and investment decisions.

We also closely monitor key risk indicators as part of the requirements of our Risk Appetite Framework.

Our enterprise risk management (ERM) framework and GAF are aligned with best practice standards such as ISO31000 and standards issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Group's risks and monitoring of internal controls are managed through:

- Periodic review and reporting of corporate and operational risks and controls through detailed risk and controls registers
- Review of major occurrences, key risk areas and significant control lapses at business unit management meetings and risk management committee meetings
- Risk assessments at the investment appraisal and due diligence stages
- Monitoring of key risks and control lapses through a quarterly governance assurance certification submission

An internal controls policy and manual have also been established to provide a clear framework for what constitutes an effective and adequate system of internal controls. They also provide guidelines on the appropriate segregation of duties and a checklist of recommended internal controls for our business units to put in place.

Internal audits are regularly performed based on an approved audit work plan, and cover high-risk areas such as possible fraud, bribery and corruption.

Emergency response plans are in place and crisis simulation exercises are conducted to ensure that we are adequately prepared for foreseeable emergencies. This is to ensure that in the event of an emergency, we are better able to handle the crisis and can minimise any negative impacts.

For more information on Sembcorp's governance and risk management systems, please refer to our Corporate Governance Statement and Risk Management and Internal Controls chapter.

*Training and performance management*

The Group provides awareness training and workshops on ERM, GAF, as well as fraud risk management and business continuity management on a periodic basis. Desktop exercises and simulation for crisis management, emergency response drills and business continuity exercises are also conducted regularly to validate and fine-tune our procedures and plans and improve our preparedness.

In order to enhance corporate governance and risk management excellence at Sembcorp, key risk and governance performance indicators have been identified and incorporated as part of the remuneration requirements for senior management. For more details on senior management remuneration and reward, please refer to our Corporate Governance Statement.

**Our performance**

Through the successful global roll-out of two e-learning courses on anti-bribery, corruption and the CBC, we continued to emphasise the importance of fraud risk management and measures to guard against the risk of bribery and corruption in our business. Employees are required to pass a test to affirm their knowledge and understanding of the subject. They are also required to acknowledge that they agree to abide by the principles and the requirements of the CBC. We continued to communicate our zero tolerance for fraud, bribery and corruption to our employees and

engage them on our whistle-blowing policy and guidelines through fraud awareness workshops with updated case studies and training sessions.

Sembcorp received the Most Transparent Company Award in the oil and gas category at the Securities Investors Association (Singapore) Investors' Choice Awards 2015. We were also ranked sixth in the 2015 edition of the Governance & Transparency Index, a well-respected index assessing the transparency of 639 Singapore-listed companies.

Two significant incidents resulting in fines amounting to S\$109,000 were incurred by our operations in Chile for non-compliance to water quality and discharge standards. Additional treatment plants as well as facility enhancements have been installed to ensure non-recurrence. Our operations in Singapore incurred a penalty of S\$50,000 due to an unsuccessful gas turbine fuel changeover.

As part of our ongoing effort to build in-house capabilities, readiness and resilience to crisis and emergency response situations, we have conducted regular crisis simulation exercises and awareness trainings. Notably, we successfully conducted an exercise simulating a raw water contamination incident at our Fuzhou municipal water operations. This exercise was conducted in partnership with the local authorities, and received media coverage highlighting Sembcorp and the local government's resolve in being prepared for such incidents. In Singapore, we also successfully conducted a crisis preparedness exercise simulating a pipeline leakage and used our incident management system to monitor the incident remotely from the crisis command centre. The exercise included involvement of the Singapore Civil Defence Force and a customer that would be affected by such an incident.

**Going forward**

We understand that the pursuit of excellence in corporate governance and risk management is a continuous journey. Hence, we will continue to



strengthen our frameworks and policies to align them with industry best practice. To build a positive risk and governance culture, we will continue to communicate and engage our employees and stakeholders through continuous awareness workshops and training sessions. We will also provide the right systems and tools to enhance the risk management and governance process.

**People**  
 To provide a fair, diverse and inclusive workplace, and continually improve our human resource management and people development

**Why this is material**

Our employees play a vital role in ensuring we achieve our business strategy and goals. Of the issues relating to our people, such as fair employment, labour relations and human rights, we have identified people development to be the most material.

**People development**

To be a high-performance organisation, it is crucial to develop a competent, capable and motivated workforce that can meet the business challenges of today and tomorrow.

The nature of our business is such that we require specialist technical expertise. However, some of the markets in which we operate lack a qualified labour force with the necessary technical skill sets that our business demands. In other markets, these skill sets are highly sought after across several industries. In addition, the commercial and regulatory environment we operate in is also becoming increasingly complex. Therefore, there is a critical need to attract, retain and develop competent employees who possess a deep understanding of the company and its industry sectors.

**Developing Capabilities for the Future**

To meet the demands of our growing business, specialised training programmes were organised in different countries and operations to ensure a pipeline of qualified employees who demonstrate both core and functional competencies. For instance, in Andhra Pradesh, India, more than 160 graduates of local engineering colleges have been admitted to our training programme since 2013. This programme is equivalent to a postgraduate diploma course in thermal power plant engineering, and is offered free of charge. After the course, suitable participants are recruited for full-time positions at our power plant. In China, the general managers of our operations underwent training which covered our core competency framework, business conduct, internal audit procedures, as well as operational case studies. In Singapore, executives attended renewable energy teach-ins to increase depth of knowledge in that area.

**Our approach**

**Human resource policies and management**

The Senior Management Committee, supported by the Group Human Resources department, is responsible for setting key policies relating to our employees.

Country-specific human resource policies, as well as all other company policies and guidelines, are available and accessible to employees on our intranet.

We stay abreast of the latest developments and best practice for human resource management through our membership and participation in external organisations such as the Singapore National Employers Federation, the Temasek Human Resource Council and The Conference Board, as well as numerous local roundtable groups.

Further details on our approach and initiatives on labour relations, remuneration and employee welfare and engagement can be found in the People portion of the Sustainability section of our website.

**Human rights and labour relations**

The Group is committed to uphold and respect the spirit of the UN Universal Declaration of Human Rights and the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work. We fully support the UN Global Compact principles on human rights and labour, and abide by the Employers’ Pledge of Fair Employment Practices under Singapore’s Tripartite Alliance for Fair and Progressive Employment Practices. Our CBC sets out our stand on fairness, opportunity, non-discrimination, dignity, respect and harassment. We do not hire forced or child labour, and comply with local regulations restricting forced or child labour wherever we operate. While our operations span five continents where labour laws, regulations and practices differ widely, we remain committed to high standards of human resource management globally. We abide by local laws wherever we operate, including meeting or exceeding minimum wage requirements where such requirements exist. Examples of other regulations our global operations comply with include the Broad-based Black Economic Empowerment Amendment Act 2013 in South Africa, and localisation requirements at our operations in Oman and the UAE.

We recognise the value and benefit of mutual discussion. Our grievance handling policy seeks to manage employee grievances in a fair and reasonable manner, with an escalation path to the Group President & CEO where necessary. We seek to maintain good labour management relations, and hold constructive ongoing exchanges with employee unions in our various operations. All Sembcorp employees are entitled to practise freedom of association and to be covered by collective agreements in the workplace, within the regulatory boundaries of each of the jurisdictions in which we

operate. In countries where our operations are covered by collective agreements, procedures for grievance handling are specified in the agreements.

**People development**

People development is driven at the board level by the Executive Resource & Compensation Committee.

Our “My Career Journey @ Sembcorp” programme guides the identification, development and deployment of employees across the organisation. The programme encompasses three aspects:

- i. Strategic workforce planning
- ii. Competency framework
- iii. Development journeys

The framework aligns the development of the organisation and the individuals within it, addressing both organisational needs and employee aspirations.

*Employee learning and development*

Employees at Sembcorp are empowered to be responsible for their learning and development, supported by their supervisors.

Our engineers and technicians receive up-to-date technical training by experts. All employees are also encouraged to attend relevant professional courses.

We offer our employees the opportunity to develop their careers and gain international exposure through job rotations and attachments in different cultural and operational settings. We currently have more than 50 employees of different nationalities seconded from our Singapore offices to various overseas operations. We also provide internships and industrial attachments that offer students and Sembcorp scholars practical experience and exposure to our operations.

We support our employees in their pursuit of continuous improvement and sponsor selected employees who wish to pursue higher qualifications in fields relevant to their work. To develop our leaders, we sponsor senior executives’ enrolment in

programmes at leading institutes such as Harvard Business School, The University of Pennsylvania Wharton School, INSEAD and Temasek’s Business Leadership Centre. Sembcorp scholarships are also offered to promising students at various tertiary institutions. Once they graduate, a comprehensive development plan is mapped out to groom them for management positions.

As a leader in our industry sectors, Sembcorp encourages our employees to share and exchange best practices through seminars, roadshows and local and international conferences.

*Developing local capability*

We believe in recruiting, grooming and retaining local talent as a long-term investment in our future and an integral part of our strategy for our overseas operations. This leads to knowledge transfer and capability development in the local community.

Localisation is an important part of our strategy to grow our overseas projects sustainably. We aim to progressively localise the workforce at our overseas operations across all positions, including management positions, in line with each jurisdiction’s regulatory and operating environment. When we begin operating in a new market, employees who are seconded from our head office to start up the operations are given a clear responsibility to develop local talent. As the capabilities of local employees grow, the team is gradually localised, and the number of expatriates seconded from head office progressively reduced.

All employees across the Group are offered the same development opportunities. At our overseas operations, local employees are also encouraged to develop their professional and managerial skills through international exposure, such as on-the-job training in Singapore or at other Sembcorp operations around the world.

**Performance appraisals**

All employees undergo half-yearly performance appraisals, where performance, expectations, training needs and targets for the coming year are discussed and agreed upon by the employee and supervisor. An assessment of core competencies and areas for improvement is embedded in the appraisal format. Going through the appraisal process helps us inculcate our core values in every employee, and clearly articulate the competencies and functional skills needed for their development.

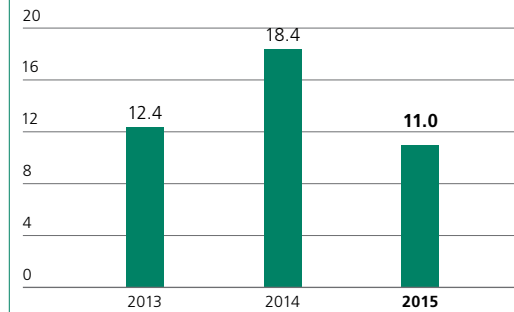
**Our performance**

The continued implementation of our competency framework and the enhancement of our learning and development framework were our main areas of focus in 2015. We revamped our approach towards learning and development, with a focus on engaging internal stakeholders to ascertain the learning and development needs across the business. Through this process, we developed our learning model and framework and documented methods of learning. These will form the basis for the implementation of our learning management system (LMS). This system was launched in late 2015 with initial e-learning courses on our CBC, as well as on anti-bribery and corruption awareness.

We embarked on a review of our global employee health benefit packages, and aim to work towards harmonising our employee health benefit entitlements globally. This ensures that our health benefits are transparent and consistent across the Group.

We remain committed to meeting localisation targets and to training local talent at our overseas operations. In 2015, our operations in Singapore hosted 30 student interns from Singapore as well as China, India, Oman, Chile, Indonesia and Australia.

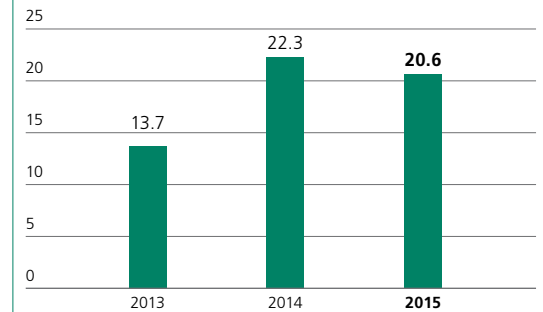
**Employee Turnover<sup>1</sup> (%)**



Following a restructuring of our operations in the UK in 2014, our employee turnover rate returned to an expected range in 2015. The voluntary turnover rate was 8.5%.

<sup>1</sup> The data covers both voluntary and involuntary turnover of permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine.

**Average Training Hours Per Employee<sup>1</sup>**



We have changed the indicator used to report training within the Group from training cost per employee to average training hours per employee, to better capture participation in in-house training programmes. Training hours fell slightly from 2014, when they had increased significantly due to the roll-out of our competency framework programmes that year. Going forward, we aim to leverage our LMS to increase training.

<sup>1</sup> Training data covers both permanent and contract employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine. The other indicators in the People section relate to permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine.

**Going forward**

A study was commissioned in 2015 to harmonise our employee health benefit (EHB) programme globally. We aim to execute country specific EHB programmes in 2016. We will continue to roll out more e-learning courses while promoting greater availability and use of the LMS throughout the organisation. We will participate in the new Industry

Mentors’ Network Programme organised by the Ministry of Education. As part of this initiative, students from polytechnics in Singapore will be matched with mentors from Sembcorp, who will provide advice on career goals. The students will also have the opportunity to shadow their mentors at work or networking functions.

**Health, Safety and the Environment**  
 To instil sound and practical health and safety management as part of our workplace culture, and protect the environment in our business activities, products and services through good environmental practices

Health, safety and the environment (HSE) is a top priority at Sembcorp and an area in which we are committed to continuous improvement. We recognise the importance of incident investigation, and set aside resources to ensure that all incidents are thoroughly investigated, corrective actions are implemented and any areas of improvement are shared across the organisation.

**Why this is material**

**Occupational health and safety**

It is important to us that occupational health and safety is stringently managed. As a global developer, owner and operator of power and water plants, we recognise our responsibility in ensuring that all workers and contractors are competent and equipped to work in the safest way possible. Many of our plants are in developing economies and it is often a challenge to build a local workforce that is attuned to our global health and safety standards. By effectively and proactively managing work-related hazards, we minimise health and safety-related incidents wherever we operate and protect our workforce, including staff of our contractors.

**Climate change**

We recognise the threat that climate change represents to the planet and the impact this would have on our businesses. The 2015 United Nations Climate Change Conference reflected the commitment of governments to reduce global warming. Hence, to mitigate potential regulatory, physical and supply risks, we adhere to and

support common policy positions adopted by governments on climate change. We also keep abreast of the wider body of academic and institutional research on the subject.

By employing innovative technology and renewable resources, we provide competitive and reliable energy and water solutions to customers and communities, while mitigating the impact of our activities on climate change.

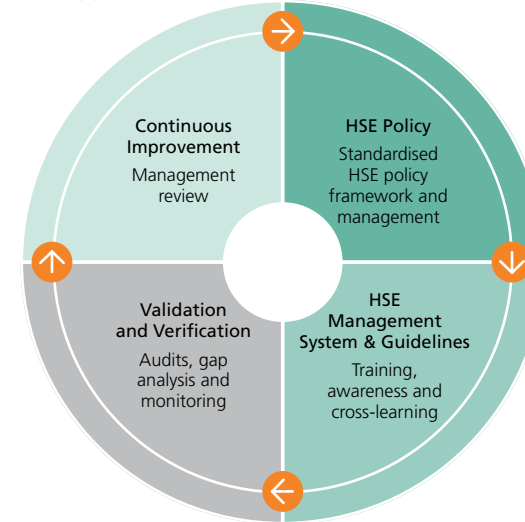
**Environmental protection**

Sembcorp recognises its duty to protect the environment and conserve resources. Since our utilities businesses consume natural resources directly, it is here that our responsible stewardship can have the greatest impact.

**Increasing Our Renewable Energy Portfolio**

As part of our strategy to maintain a balanced portfolio, we grew our renewable energy assets in 2015 with the acquisition of a leading renewable energy company in India present across six states, and expanded our wind farms in China. Today, we have 918 megawatts of wind and solar power in operation and in development in India, and 544 megawatts of wind power in China.

**Our approach**



**HSE policy and guidelines**

The Group's HSE department establishes key HSE operating philosophy and standards, including benchmarks and key performance indicators to drive improvements across Sembcorp's global sites. It works closely with regional HSE coordinators to ensure that issues across the Group are managed in an effective and timely manner. Our Group HSE Policy articulates our commitment to our stakeholders with respect to health, safety and the environment.

Our Group HSE Guidelines are part of a broader HSE management system, which establishes tools and requirements to monitor and report HSE indicators based on Sembcorp's "four zero" (4/0) targets. The 4/0 targets are: zero harm to people, zero damage to the environment, zero damage to assets and zero instances of non-compliance with legal and regulatory requirements. Our board's Risk Committee reviews our HSE performance quarterly.

We are committed to meeting or exceeding our regulatory obligations as well as the HSE standards and certifications we subscribe to. For a list of the

certifications achieved by Sembcorp's businesses, please refer to the Awards, Memberships and Certifications portion of the Sustainability section of our website.

In addition, we believe in actively engaging both internal and external stakeholders to help keep our workplace and environment safe.

**Training and audits**

Providing our employees with relevant training ensures that we have a competent team that works safely. Specific training needs are identified and customised based on job requirements.

Once a year, the Group HSE department organises a workshop for HSE officers from various global sites to keep them abreast of corporate initiatives. The workshop is also aimed at encouraging and facilitating the exchange of ideas and best practices across our global operations. This annual event provides a platform for the planning of group-level HSE goals and initiatives, and allows participants to learn from their colleagues.

HSE assurance audits are conducted regularly to review key internal controls and ensure compliance with regulatory and corporate requirements. Our assurance process is supported by a validation and on-site verification process which involves in-depth examination of the site's HSE Management System and its implementation. To further enhance our performance in this area, we leverage expertise across business units, and weave training and peer assistance elements into an assurance programme to promote good practices across the Group.

**Occupational health and safety**

We actively monitor and manage the risks associated with our activities and services, including those at assets that are still under construction, to prevent and reduce workplace injuries and occupational illnesses. Our approach towards managing health and safety risks is to strive to eliminate any risks that we identify.

Our health and safety framework is anchored by Sembcorp's 10 Elements for Good HSE.

Each element is linked to a set of expectations and standards, with emphasis on effective risk management and good planning for safe operations and construction. For example, the setting up of a Safe Operation Committee is a mandatory requirement at all our operations and projects. This is to ensure that adequate review and assessment of risks and controls for critical activities is conducted prior to approval being granted to carry out the work.

Every year, the Group HSE department sets and drives the year's objectives and targets based on a performance gap analysis to improve on areas of weakness.



*Project and asset life cycle risk assessment and injury prevention*

Integrating HSE considerations into all phases of our operations demonstrates our commitment to proactive HSE management. The asset life cycle assessment approach is embedded in our project conceptualisation phase, development and construction phase, as well as operation phase. Project due diligence studies provide a good understanding of the potential impact of our operations and allow the most appropriate solutions to be applied in order to prevent or reduce the likelihood of incident occurrence. For example, hazard and operability studies during the design and construction stages identify potential risks, legal requirements and safety considerations. Final design and construction activities are organised to avoid or minimise the impact of the risks identified. We seek to ensure that operation and process controls are implemented to prevent harm to people and the environment.

**Climate change**

The quest for greater energy efficiency presents both cost and opportunities for Sembcorp. We recognise that investing in energy-efficient, renewable and low-carbon technologies not only helps manage emissions, but also makes business sense. We are committed to setting achievable energy efficiency and renewable energy targets, and developing strategies to mitigate the impact of our operations on the environment.

We take a four-pronged approach to this issue:

- i. Maintaining a diversified energy generation portfolio
- ii. Growing our renewable energy business as part of a balanced portfolio
- iii. Maintaining and building efficient energy and water facilities
- iv. Actively engaging stakeholders

**Environmental protection**

At Sembcorp, we aim to ensure compliance to environmental regulations and adequate resource allocation for the maintenance of environmental quality wherever we operate.

We conduct environmental studies in accordance with national and / or international standards and methodologies for new projects and major expansions. These include environmental impact assessments, environmental baseline studies, and pollution control studies. Recommendations from the assessments form part of our management of HSE risks and these recommendations are incorporated into the planning, design, construction and commissioning of new plants.

*Atmospheric emissions*

Our approach to managing atmospheric emissions is through reducing fuel consumption and increasing energy efficiency. We adhere to local regulatory emission limits and aim to minimise our impact on the environment and the surrounding community.

*Water*

We apply integrated water and wastewater management solutions for better efficiency and resource use. For example, by integrating wastewater treatment, water reclamation and water supply in a closed loop, we help our customers reduce their water consumption and conserve this precious resource. We bring the same expertise to our own operations so as to consume water responsibly and efficiently.

We treat wastewater in the most effective and energy-efficient manner. With our strong technical expertise, we tailor the treatment process and technical configuration based on the expected wastewater profile. Treatment processes applied include mechanical, chemical, biological or membrane technologies, or a combination of these.

Sembcorp is able to effectively treat multiple streams of industrial wastewater with wide-ranging

chemical oxygen demand and salinity to meet effluent discharge standards. Our comprehensive water sampling and testing regime ensures consistent compliance with such standards. Treated effluent from our wastewater treatment facilities may be further treated to produce demineralised water at our water reclamation facilities.

Our large-scale water reuse and seawater desalination facilities offer high-quality water to industries and households in water-scarce areas such as the UAE and Oman.

*Waste and spills*

We apply stringent controls in the management of waste generated from our operations. We adhere to discharge and emission limits set by local authorities, and implement containment measures to minimise any direct impact to the environment, vegetation and the surrounding community.

All waste generated by our operations or collected by us on behalf of our customers is disposed of in accordance with local regulations. In the event that an emergency occurs from, for example, a major spillage or hazard at our industrial facilities, we will immediately activate emergency response plans that have been put in place.

Sembcorp also actively develops its capabilities to recover energy from waste. For example, at our Sembcorp Woodchip Boiler Plant in Singapore, woodchips processed from waste wood collected by our solid waste management operations are used to produce economical and renewable steam. This way, we are able to manage the entire energy-from-waste value chain and take advantage of the synergies between our energy and solid waste management businesses.

**Our performance**

This year, we expanded the scope of our occupational health and safety reporting to include assets and projects under construction. These projects are generally undertaken by our



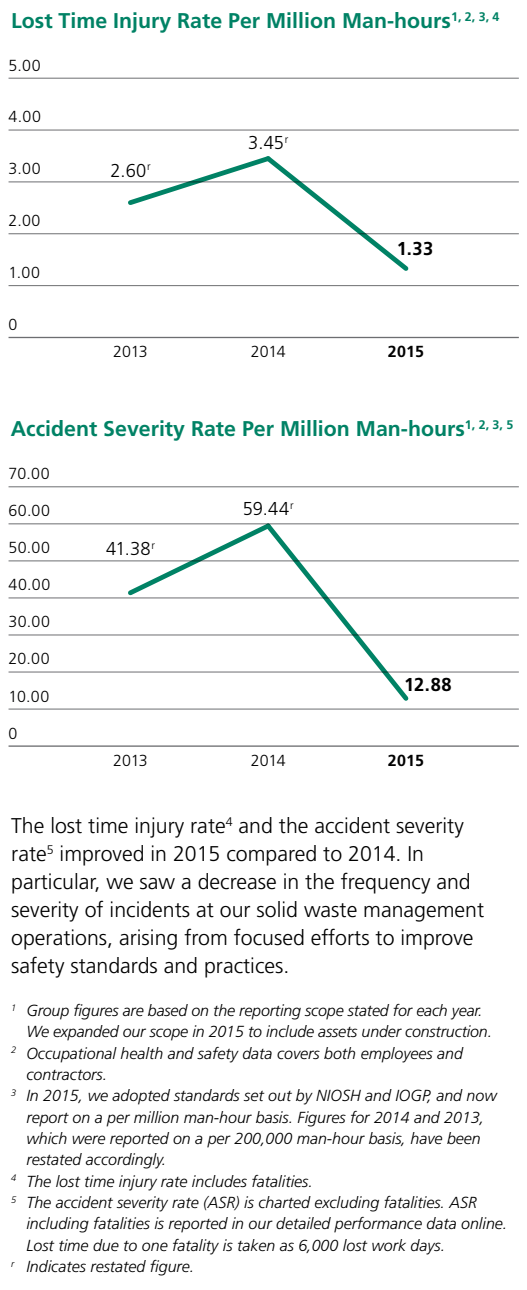
contractors and sub-contractors. In recognising that we have a responsibility as developers of any project, we aim to promote health and safety amongst all companies and individuals within our sphere of influence. We believe that this commitment will become increasingly important as we strengthen our presence in emerging markets, where local health and safety regulations and enforcement may not be as mature as in developed countries.

Our health and safety performance charts reflect group-wide performance and cover both assets in operation and under construction. A detailed breakdown of health and safety data is available on our website. We also adopted NIOSH and IOGP standards in our health and safety reporting, as part of our efforts to adopt best practice.

As our operations expanded in 2015, we continued to strengthen health and safety management and made process improvements. Key initiatives included:

- Strengthening ownership of HSE by all employees across all levels of seniority
- Focusing on mitigating risk for critical activities with high potential for serious consequences
- Enforcing compliance to safety requirements and expectations
- Promoting active engagement of on-site staff, including those employed by our contractors

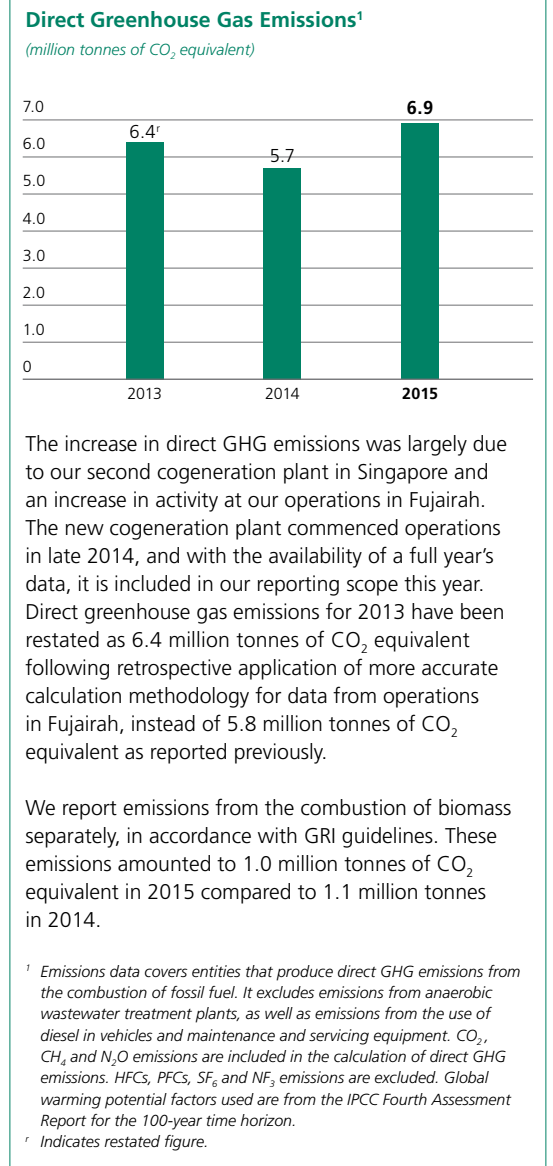
It is with great regret that we report three fatalities in 2015. One fatality was the result of a vehicular accident involving our employee in Mbombela, South Africa. The other two fatalities respectively resulted from a fall from height at the site of our Thermal Powertech Corporation India facility in India and a forklift accident at a construction site in Singapore where our design and construction business was carrying out work.



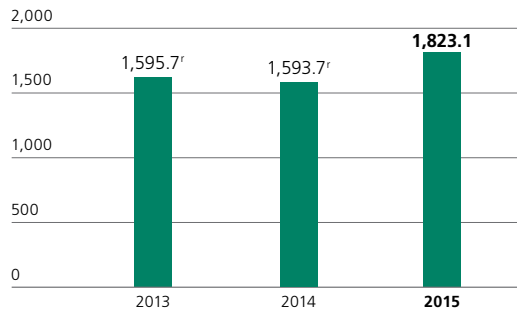
Every incident was investigated thoroughly to identify root causes and the necessary corrective actions have been taken.

We remain committed to ensuring the efficiency of our operations while optimising the use of resources. In 2015, we grew our renewable energy capacity with the acquisition of Green Infra, a leading renewable energy company in India, and new wind farm capacity in Huanghua, Hebei province, China.

Our nitrogen oxide (NOx) emissions amounted to 3,700 tonnes, sulphur oxide (SOx) emissions amounted to 800 tonnes and particulate matter (PM) emissions amounted to 200 tonnes in 2015.



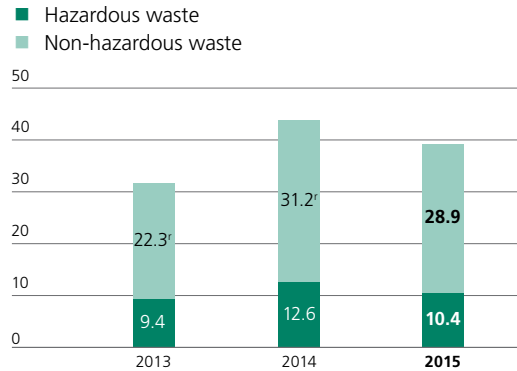
**Water Withdrawal** (million m<sup>3</sup>)



The increase in our water withdrawal was largely due to the commencement of operations of our second cogeneration plant in Singapore. The plant started operations in late 2014, and with the availability of a full year's data, it is included in our reporting scope this year. Water withdrawal for 2013 and 2014 has been restated to 1,595.7 and 1,593.7 million cubic metres respectively after an internal verification exercise, instead of 1,502.2 and 1,593.0 million cubic metres as previously reported.

<sup>r</sup> Indicates restated figure.

**Waste Disposal**<sup>1,2</sup> (thousand tonnes)



We registered a decrease in waste that we disposed of. The decrease in hazardous waste for disposal was due to our ceasing to manage a process which had formerly contributed to hazardous waste generated. The reduction in non-hazardous waste that we disposed of was largely due to optimisation trials at our wastewater plants in China, which reduced the volume of sludge discharged and disposed of. The figures for non-hazardous waste disposed of in 2013 and 2014 have been restated as 22.3 and 31.2 thousand tonnes respectively after an internal verification exercise, instead of 22.4 and 30.5 thousand tonnes as previously reported.

<sup>1</sup> The data excludes waste that is collected and incinerated for our customers.

<sup>2</sup> Hazardous waste and non-hazardous waste are defined by relevant country regulations in each market.

<sup>r</sup> Indicates restated figure.

**Going forward**

As Sembcorp continues to grow its businesses and footprint globally, we expect more challenges ahead in the management of on-site HSE.

In 2016, we will concentrate on strengthening the foundations of our HSE management based on the key themes of:

- Visible HSE leadership
- Project HSE management
- Management of critical risks with Life-saving Rules and Safe Operations Committees
- Promoting active engagement within sites and with all stakeholders

Specific programmes tailored around these key themes have been implemented progressively across our global sites. We will continue to build upon these foundations in response to the challenges ahead. We believe that the application of validation and verification will be the key to continuous improvement. Therefore, our internal validation and verification peer assist programme will be instrumental in the compliance and continuous improvement in HSE management.

**Community**  
To be a responsible business, making a positive contribution to our communities

**Why this is material**  
**Community integration**

Sembcorp provides solutions that are essential to everyday life. We view our integration with, support of and contribution to our host communities as part of our licence to operate. We are committed to assessing and responsibly managing our impact on our local communities, as well as investing in them.

**Sembcorp Gives Back Day: Celebrating the 20<sup>th</sup> Anniversary of our Utilities Business**

At Sembcorp, we recognise that our success is made possible by the trust that our communities place in us. This year, we marked the 20<sup>th</sup> anniversary of our Utilities business on August 12 in a meaningful way, with Sembcorp Gives Back Day.

As part of this global initiative in aid of our communities, employees in more than 10 countries, including Singapore, China, India, Vietnam, Oman, UAE, South Africa, UK, Chile, Panama and Antigua, volunteered their time and participated in activities in support of local worthy causes. These activities included helping out at hospices, orphanages and old folks' homes, installing or repairing facilities to provide drinking water for the local community, improving shower and sanitation facilities at schools, and cleaning up local beaches.

**Our approach**

The needs of one community can be very different from those of the next. It is our belief that our local operations are best placed to not only

understand these different needs but also to forge the necessary partnerships with relevant local stakeholders to address them. Therefore, while the Group provides the strategic framework, tools and guidelines to ensure consistency and acceptable standards, community integration is managed at the local level.

Our business grows through the development or acquisition of utilities assets. In the development of greenfield plants, we recognise that there is often a social and environmental impact on the communities around us. Therefore, environmental and social impact studies are carried out in accordance with both international and national standards for major new projects and expansions. These studies typically include social management plans that are implemented by the operations teams through the various stages of the site's development.

Sembcorp's global corporate social responsibility (CSR) framework provides a strategic and consistent approach for our charitable contributions and community investments. We focus on fostering environmental stewardship and improving the quality of life of the communities we are in.



**Environment**

We are committed to fostering environmental stewardship in our community through contributions to sustainability and environmental initiatives.



**Community**

We are committed to improving the living standards and quality of life of the community, such as through providing access to energy and water, social welfare and education.

Our CSR framework aligns the tracking and reporting of our community contributions with guidelines set by the London Benchmarking Group. This allows us to account for our total community giving – or the amount disbursed through sponsorships or donations – using standard definitions and valuations, and helps us ensure that the contributions recorded are meaningfully spent on community investment activities.

We encourage open communication with the communities we operate in. At our local sites, we use various communication platforms, including community liaison panels and meetings, as well as telephone and email exchanges, to connect with our communities.

**Key programmes**

*The Sembcorp Water Initiative*

In many of the emerging markets which we have recently entered, communities surrounding our sites lack access to clean water. The Sembcorp Water Initiative was established in 2013 to address this problem. Under the initiative, we work with local authorities to implement solutions or facilities to improve access to water for communities in the immediate vicinity of our operations. To date, the Sembcorp Water Initiative has been launched for communities in Quang Ngai and Nghe An in Vietnam, where we are developing urban development and power projects, as well as in Andhra Pradesh in India, where we have two power projects. So far, this initiative has benefited more than 23,000 people.

*The Sembcorp Garden City Fund*

The Sembcorp Garden City Fund was established in 2010 to support the conservation of Singapore’s natural heritage. Through the fund, we have sponsored the establishment of the Sembcorp Forest of Giants, a living gallery of rare giant tree species under threat. The fund has also supported

public green education programmes such as the Festival of Biodiversity. In celebration of Singapore’s golden jubilee in 2015, Sembcorp pledged S\$10 million through the fund to expand and enhance the Cool House at the Singapore Botanic Gardens’ National Orchid Garden. This is a temperature-controlled glasshouse where visitors can view rare and beautiful orchids from Asia, the Americas and Africa.

*The Sembcorp Water Technology Prize and the Sembcorp-EMA Energy Challenge*

Established in 2010 and 2014 respectively, these competitions give young people exposure to the water and energy challenges faced by countries and governments, and aim to inspire bright young minds to consider a career in the water and energy industries. The Sembcorp Water Technology Prize is an annual competition co-organised with Singapore’s national water agency PUB for secondary school and junior college students, while the Sembcorp-EMA Energy Challenge is co-organised by Sembcorp and the EMA for students from institutes of technical education, polytechnics and universities.

*Sembcorp Gives Back*

Sembcorp’s operations all over the world actively contribute to a range of causes, whether in cash, in kind or through lending its employees’ time and expertise. Sembcorp encourages employee volunteerism by organising regular volunteering events and by giving volunteers time off from work to help out with local worthy causes.

**Our performance**

In 2015, Sembcorp and Sembcorp Marine contributed a total of S\$7.1 million to charities and community investments globally. Excluding Sembcorp Marine’s contribution, S\$3.3 million in cash and in-kind donations was contributed by Sembcorp, of which S\$19,700 comprised mandatory

contributions. These contributions supported causes such as youth development, environmental and water conservation education, as well as apprenticeships and job training programmes. Total volunteer man-hours amounted to more than 9,200 hours, of which 16% were spent outside of working hours due to event requirements.

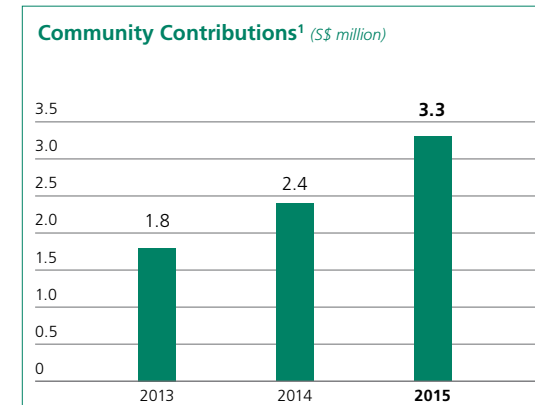
We continued to work on improving internal guidelines and controls with regard to community and social impact. We established our Group stakeholder and community engagement policy as well as our community grievance management

policy to ensure that our businesses, especially those at project development stage, adopt a structured process to engage stakeholders within their communities and ensure grievances are addressed.

In 2015, 89% of our operations had local community engagement and / or development programmes.

**Going forward**

In line with our focus on managing community and social impact responsibly, we aim to enhance our internal processes with an environmental and social investment framework. This framework aims to embed environmental and social impact considerations at the onset of projects during the investment approval process. By highlighting potential environmental or social impacts, this will help mitigate impact and support integration with our communities, while ensuring that obligations to our communities, partners and capital providers are met.



Despite a challenging business environment, we remained committed to investing in our communities in 2015. In celebration of the 50<sup>th</sup> anniversary of Singapore’s independence, we made a S\$2 million contribution to enhance the Cool House at the National Orchid Garden, as part of a S\$10 million commitment over four years. In addition, during the year, we organised Sembcorp Gives Back Day, a global initiative in aid of communities in which we operate. Employees in more than 10 countries took part in the initiative by volunteering their time and participating in activities in support of local worthy causes. Total employee volunteer hours in 2015 amounted to more than 9,200 hours.

<sup>1</sup> Data excludes contributions by Sembcorp Marine.

**At Sembcorp, we are committed to ensuring that all capital market players have easy access to clear, reliable and meaningful information on our company in order to make informed investment decisions.**

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance and prospects. Sembcorp has a dedicated investor relations team and communicates with the investing public through multiple platforms and channels. These include group briefings to analysts, investors and the media; one-on-one meetings with shareholders and potential investors; investor roadshows as well as the investor relations section of our corporate website. In addition, we also organise company visits and facility tours to help investors gain insights into the Group's operations.

## PROACTIVE COMMUNICATION WITH THE FINANCIAL COMMUNITY

During the year, senior management and the investor relations team continued to actively engage with the financial community. We held approximately 130 one-on-one and group meetings with shareholders, analysts and potential investors. These included non-deal roadshows in Singapore, London, Edinburgh, Frankfurt and Amsterdam. We also participated in five investor conferences: the Credit Suisse 18<sup>th</sup> Annual Asian Investment Conference in Hong Kong, and in Singapore, the Maybank Invest ASEAN Conference, the 6<sup>th</sup> Annual

dbAccess Asia Conference, the UBS ASEAN Conference and the Morgan Stanley 14<sup>th</sup> Annual Asia Pacific Summit. We also continued to organise site visits to our facilities on Jurong Island, Singapore to provide analysts and investors a first-hand look at our operations and allow them to gain a better understanding of Sembcorp's capabilities and operational track record.

Sembcorp constantly strives to strengthen its investor relations and we are pleased that our efforts in this regard have been recognised. During the year, we won the silver award for Best Investor Relations at the 2015 Singapore Corporate Awards, for companies with S\$1 billion and above in market capitalisation. In addition, at the IR Magazine Awards South East Asia 2015, we were nominated for having the best investor relations amongst companies in the utilities sector.

## COMMITMENT TO GOOD CORPORATE GOVERNANCE

Sembcorp continues to rank among the top companies in Singapore for good corporate governance and transparency. We were the sixth-highest ranked company in Singapore in the 2015 edition of the Governance & Transparency Index (GTI). A well-respected ranking exercise by The Business Times and National University of

Singapore Business School's Centre for Governance, Institutions and Organisations, the GTI assesses the transparency of 639 Singapore-listed companies based on their annual financial announcements.

In addition, we were recognised as the Most Transparent Company under the Oil & Gas category at the SIAS Investors Choice Awards 2015. This award honours and recognises public listed companies that have demonstrated exemplary corporate governance and transparency practices throughout the year.

## TOTAL SHAREHOLDER RETURN

Sembcorp Industries' last traded share price in 2015 was S\$3.05, and the company ended the year with a market capitalisation of S\$5.5 billion. The company's share price averaged S\$3.87 during the year, registering a high of S\$4.86 in April and a low of S\$2.98 in December. Daily turnover averaged 4.1 million shares.

The weak and uncertain global economic outlook continued to weigh on the equities markets in Singapore and the region in 2015. Low oil prices have also put pressure on the share prices of companies tied to the oil and gas industry, including our Marine subsidiary. Sembcorp Industries' total shareholder return for the year stood at negative 29%. In 2015, the FTSE ST Oil & Gas Sector Index recorded a negative 31% return. Aside from the performance of oil and gas stocks, markets as a whole across Singapore and the region turned in a weak performance, reflecting the challenging conditions across the board. The Straits Times Index and the MSCI Asia Pacific

ex-Japan Industrials Index ended the year with a negative 11% return and a negative 15% return respectively.

Sembcorp remains committed to delivering shareholder value amidst these difficult operating conditions. For the financial year 2015, an interim dividend of 5 cents per ordinary share was declared and paid to shareholders in September 2015. In addition, a final dividend of 6 cents per ordinary share has been proposed, subject to approval by shareholders at the next annual general meeting. Together with the interim dividend, this brings our total dividend for FY2015 to 11 cents per ordinary share.

## SHAREHOLDER INFORMATION

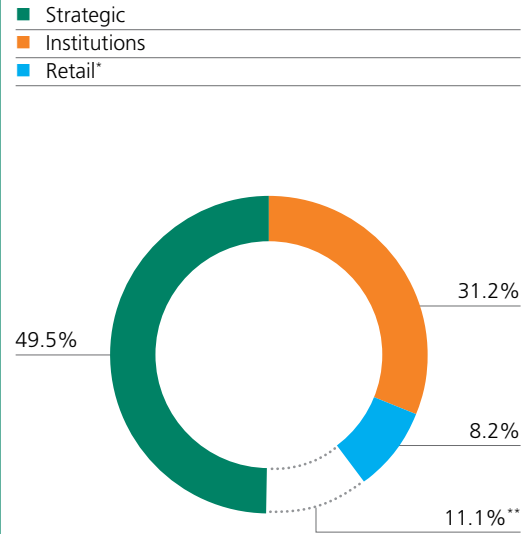
In 2015, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Other than our major shareholder Temasek Holdings, which held 49.5% of our shares at the end of 2015, institutional shareholders accounted for 31.2% of our issued share capital or 62% of free float, while retail shareholders<sup>1</sup> and unidentified shareholders<sup>2</sup> held 19.3% of issued share capital or 38% of free float. In terms of geographical spread, excluding the stake held by Temasek Holdings, our largest geographical shareholding base was Europe with 13% of issued share capital, followed by shareholders from North America and Asia, which accounted for 10% and 9% of our company's issued share capital respectively.

<sup>1</sup> Retail shareholders include private investors, brokers, custodians and corporates

<sup>2</sup> Unidentified shareholders mainly include shareholders that fall below the threshold of 250,000 shares

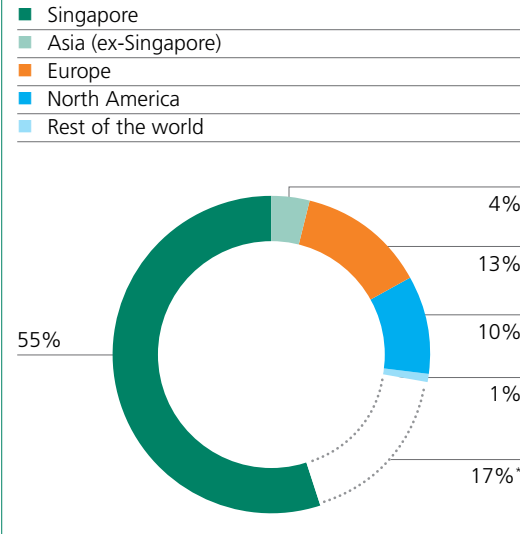


Share Ownership by Investor Category



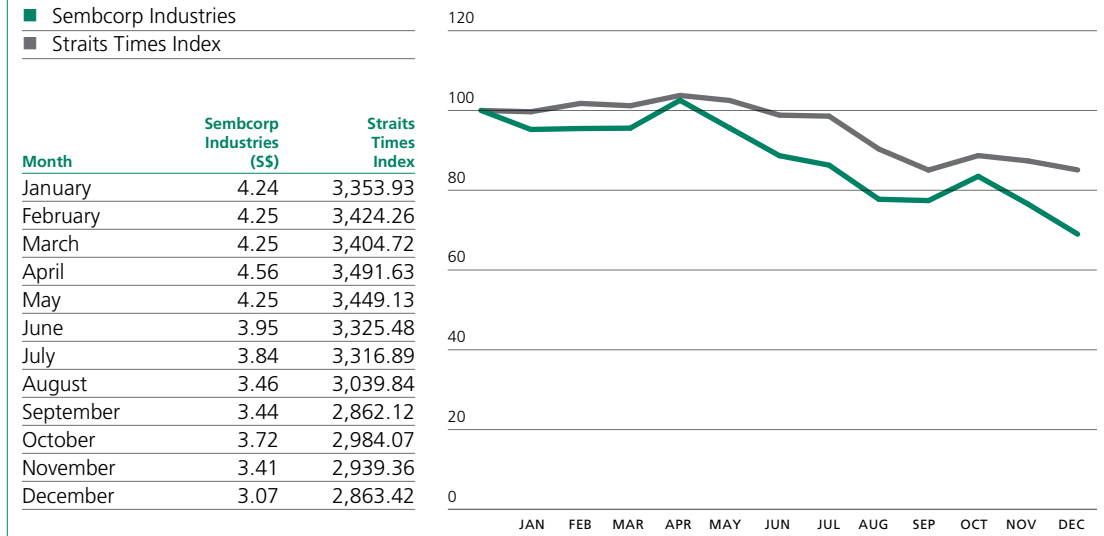
\* Includes private investors, brokers, custodians and corporates  
 \*\* Shareholders not identified mainly include those that fall below the threshold of 250,000 shares  
 As at December 31, 2015

Share Ownership by Geographical Distribution



\* Shareholders not identified mainly include those that fall below the threshold of 250,000 shares  
 As at December 31, 2015

Average Monthly Sembcorp Industries Share Price and Straits Times Index in 2015 (rebased)



Average Monthly Traded Volume of Sembcorp Industries Shares in 2015 (thousands)

