



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

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Managing Sustainability

Sembcorp has long held a strong commitment to sustainability. We believe that responsible corporates can play a role as agents of transformation for a sustainable future. We see sustainability at our company as inextricably linked to our ability to deliver long-term value and growth to all our stakeholders.

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. Following our last materiality review in 2016, our management, with guidance from the board, has determined the environmental, social and governance (ESG) issues that are material to the Group's long-term sustainability. These 10 ESG issues are presented on page 84 of this annual report.

Board Statement

Sembcorp's board of directors is collectively responsible for the long-term success of the company. The board considers sustainability issues as part of its strategy formulation. It has determined Sembcorp's material ESG factors, and exercises oversight in the management and monitoring of its material ESG factors.

We are a signatory to the United Nations Global Compact (UNGC), and our key sustainability principles are set out in our Sustainability Policy. These principles are applied throughout our management systems and processes. 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 is available in the Sustainability section of our website. We participate in the annual Dow Jones Sustainability Index and respond to the CDP (formerly known as the Carbon Disclosure Project) climate change programme.

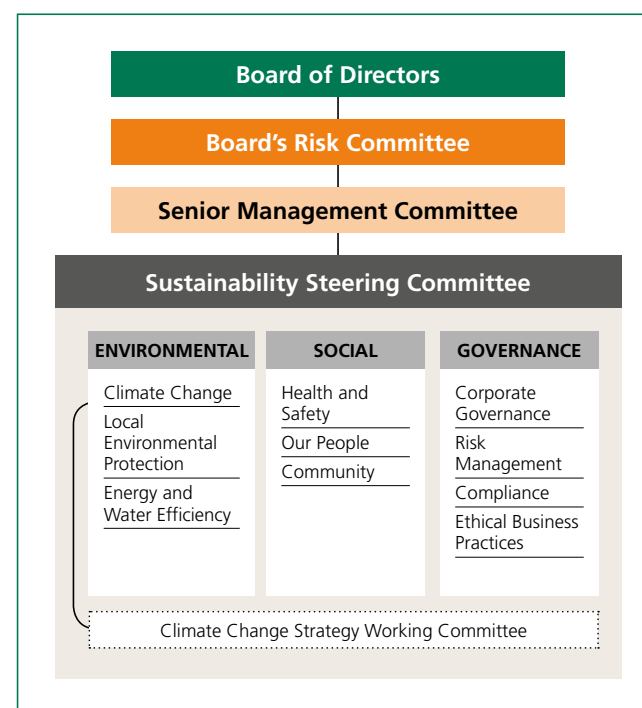
In 2017, Sembcorp was once again selected as an index component of the Dow Jones Sustainability Asia Pacific Index, and the SGX Sustainability Leaders Index. We were conferred the Sustainability Award and named runner-up for the Singapore Corporate Governance Award (Industrials) by the



Securities Investors Association (Singapore), and were ranked sixth in the Singapore Governance and Transparency Index. At the Singapore Corporate Awards 2017, Sembcorp took home the silver awards for both the Best Annual Report and Best Investor Relations in the category for companies with market capitalisation of S\$1 billion and above. We were also named one of Asia's Top Green Companies at the Asia Corporate Excellence & Sustainability Awards, and were ranked 21st out of 100 global renewable power generators in Energy Intelligence's Top 100 Green Utilities.

Sustainability governance

Sembcorp's Sustainability Steering Committee (SSC) provides strategic direction for managing sustainability-related risks and opportunities. The SSC directs the preparation of Sembcorp's ESG Review, and provides recommendation to the board's Risk Committee for its approval. It also guides the development and improvement of frameworks, policies, guidelines, processes and initiatives to ensure that sustainability issues are effectively managed. The SSC is chaired by our Group Chief Financial Officer, and comprises senior executives who are accountable for the management of Sembcorp's material issues.



A separate climate change strategy working committee was set up in 2017 to review and manage climate-related risks and opportunities, and to develop our climate change strategy and look into its implementation. This committee is led by the head of our Renewables & Environment business.

As an initial but significant step, in 2018, we revised the performance scorecard for our leadership team to include specific ESG components. With this, our award of senior executives' performance incentives will specifically take into account ESG performance and key ESG indicators. This underscores the importance we place on addressing ESG risks and opportunities.

Sustainability contact

Sembcorp welcomes feedback on our sustainability issues and reporting at sustainability@sembcorp.com.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) and their accompanying targets were ratified by 193 states at the historic United Nations (UN) Summit in September 2015. The SDGs set out a plan of action needed to address areas of critical importance for humanity and the planet by 2030. The scale and ambition of the SDGs mean that they cannot be achieved by governments alone. Businesses and other organisations also play an important role in addressing the sustainable development agenda.

The Sustainable Development Goals offer businesses an invaluable opportunity to transform communities, society and economies for the better.

The framework set out by the SDGs aligns with our vision to support development, improve the quality of life and deliver long-term value and growth. We have reviewed the SDGs against our material issues to identify the most significant positive and negative impacts of our operations. We have also considered opportunities where we can make the biggest contribution towards the SDGs while growing our business sustainably.

Having defined our priorities, the next step for Sembcorp is to integrate these into our business strategy and set targets aligned to our priority SDGs. In order to make significant progress on our priority SDGs, we will have to engage in partnerships with stakeholders across our value chain including governments, civil society and other businesses.



Managing Sustainability

Priority SDGs

We have identified SDG 6 (Clean Water and Sanitation) and SDG 7 (Affordable and Clean Energy) as having the strongest links to our core business areas. These goals represent the greatest opportunity for Sembcorp to contribute towards the sustainable development agenda. We will develop specific commitments on these goals, and report on our progress in our next ESG Review.

Supporting SDGs

We have identified the following goals as our supporting SDGs that align with our material issues:

- SDG 3 (Good Health and Well-being)
- SDG 8 (Decent Work and Economic Growth)
- SDG 9 (Industry, Innovation and Infrastructure)
- SDG 11 (Sustainable Cities and Communities)
- SDG 12 (Responsible Consumption and Production)
- SDG 13 (Climate Action) and;
- SDG 16 (Peace, Justice and Strong Institutions)

We will continue to actively manage these areas to reduce negative impacts while enhancing positive impacts, and continue to report on our performance and plans related to these goals.

Underlying SDGs








The remaining SDGs do not have such a direct link to our current material issues. However, as a company we believe that we have some impact across all 17 SDGs in different ways. The SDGs are a holistic framework; having an impact in one area will often impact other goals as well.

We will ensure that our sustainability strategy considers our broader impact across all 17 SDGs. While we will not report directly against the underlying SDGs, our ESG Review will cover many topics relevant across these SDGs.

Our Material ESG Issues

Through engagement with our stakeholders, and our materiality identification and review process, the issues presented in the table below have been identified to be material to us. Mitigating the risks and pursuing the opportunities presented by these issues, as well as the related SDGs, is part and parcel of how we drive success for the Group.

Our Material ESG Issues

	Material Issues	Relevant Sustainable Development Goals
ENVIRONMENTAL To responsibly manage and reduce our impact on the environment as well as to effectively manage environmental risks to our operations	Climate Change	
	Local Environmental Protection	
	Energy and Water Efficiency	
SOCIAL To be a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities	Health and Safety	
	Our People	
	Community	
GOVERNANCE To maintain high standards of behaviour and integrity and be best in class for governance practices	Corporate Governance	
	Risk Management	
	Compliance	
	Ethical Business Practices	

Key performance indicators

	2017	2016	2015
Environmental			
Climate Change			
Direct greenhouse gas (GHG) emissions ¹ (million tonnes of CO ₂ equivalent)	23.0 ²	15.4	6.9
GHG emissions intensity ¹ (tonnes of CO ₂ equivalent per megawatt hour)	0.53 ²	0.45	0.28 ³
Local Environmental Protection			
Water withdrawal (million cubic metres)	1782.3 ^e	1874.0 ^f	1823.1
Waste generated ⁴ (thousand tonnes)	1452.7 ^e	927.1	39.3
Hazardous waste (thousand tonnes)	10.0	11.9	10.4
Non-hazardous waste (thousand tonnes)	1442.7	915.2	28.9
Social			
Health and Safety⁵			
Number of fatalities ⁶	3	3	3
Lost time injury rate per million man-hours ⁷	1.1	1.2	1.3
Accident severity rate per million man-hours ⁸	15.3	17.2	12.9
Our People			
Employee turnover ⁹ (%)	10.1	11.4	11.0
Average training hours per employee ¹⁰ (hours)	23.8	28.2 ^e	20.6
Community			
Community contributions ¹¹ (\$ million)	5.5	4.2	3.3

More performance data, including Governance data and qualitative data on each of our material issues, is available in this ESG Review, as well as in the Sustainability section of our website.

Notes: Please refer to the Reporting Practice section on page 86 for details on our reporting scope

¹ Emissions data covers entities that produce GHG from the combustion of fossil fuels consumed in our Utilities business' assets. It excludes emissions from anaerobic wastewater treatment plants, and maintenance and servicing equipment. Only CO₂, CH₄ and N₂O emissions are included in the calculation of direct GHG emissions. Global warming potential factors used are from the IPCC Fourth Assessment Report for 2015 and 2016 data, and the IPCC Fifth Assessment Report for 2017 data. The time horizon applied is a 100-year time horizon. Commentary on our performance can be found on page 94 of this report

² Data presented here is calculated using an operational consolidation approach. Data by equity share can be found on page 94 of this report

³ The GHG emissions intensity figure for 2015 has been estimated. A small proportion of data on energy attributed to steam production in 2015 was not available and was estimated based on data from 2016

⁴ Data for waste generated excludes waste that is collected and incinerated for our customers

⁵ Health and safety data reflects group-wide performance within the reporting scope stated for each respective year. Data covers both assets in operation and under construction. A detailed breakdown of health and safety data is available in the Sustainability section of our website

⁶ Data covers employees and contractors as well as members of the public. Details of fatalities are reported on page 103

⁷ The lost time injury rate covers fatalities of employees and contractors only

⁸ The accident severity rate excludes fatalities. The accident severity rate including fatalities is reported as part of detailed performance data, available in the Sustainability section of our website. We record lost time due to one fatality as 6,000 lost work days, in line with guidelines by the US National Institute for Occupational Safety and Health

⁹ Data covers both voluntary and involuntary turnover of permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine

¹⁰ Data covers permanent and contract employees

¹¹ Data from 2017 covers assets under construction

^f Indicates restated figure. Details can be found in the Performance and Data Commentary Report of the respective year, in the Sustainability section of our website

^e Indicates data is based on management's best estimates; we look to further refine the accuracy and consistency of the data

Managing Sustainability

Stakeholder engagement

Stakeholder engagement is the first key step in determining issues that are material to us. It gives us insight into perspectives of our stakeholders, and what they deem important in the context of their partnership with us. We engage and receive feedback from a diverse range of stakeholders with the intention to improve our performance and drive long-term sustainability. Stakeholders are identified in accordance with the AA1000 Stakeholder Engagement Standard and they include customers, employees, financial institutions, governments and regulators, industry and academic groups, the investment community, the local community, and suppliers. Our stakeholders are managed by various departments at the corporate as well as market level.

For more information on our stakeholder engagement platforms, please visit the Our Approach page in the Sustainability section of our website.

Reporting Practice

Materiality process

Materiality analysis enables Sembcorp to define sustainability issues that are of greatest significance to our businesses and stakeholders over the long term.

We conducted our first materiality analysis in 2012, where we invited external stakeholder feedback on our material issues. In 2016, we conducted a review of our material issues, which included a stakeholder engagement survey, inviting input from internal and external stakeholders globally. Over 300 stakeholders were invited to provide feedback on our material issues. Following the review, we streamlined our areas of focus to 10 material ESG issues. These material issues were approved by our board and senior management. In 2017, the SSC reviewed the material issues and validated their continued relevance. As part of the review, Security was highlighted as an emerging issue. The Group Health, Safety, Security and Environment (GHSSE) department will oversee the management of the issue. For each material issue, we report its importance in the context of sustainability and its relevance to Sembcorp, as well as our management approach and performance.

Sustainability issues have been identified in line with the Global Reporting Initiative (GRI) Standards for sustainability reporting. The materiality review took into account GRI G4's Electric Utilities Sector Supplement Disclosure, the Dow Jones Sustainability Asia Pacific 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.

Reporting framework

Our ESG Review has been prepared in accordance with the GRI Standards: Core option. It is guided by the SGX Sustainability Reporting Guide as well as the Ten Principles of the UNGC. Our climate-related disclosures are guided by the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). Our previous report was published in March 2017.

We report on our key ESG indicators in our ESG Review. A complete set of information, including our GRI content index, is available in the Sustainability section of our website.

Reporting scope and assurance

Our report provides information on Sembcorp's subsidiaries and covers the period from January 1 to December 31, 2017. It excludes joint ventures, partnerships and associates for which Sembcorp does not have management and / or operational control, with the exception of GHG emissions data. In line with the methodology used for the development of our carbon emission targets, we now report our GHG emissions and GHG emissions intensity using an equity share approach. Our Marine business is excluded from our report as it is separately listed in Singapore and reports its activities independently. New acquisitions and subsidiaries are given one to two years 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 on health and safety, and community investments from our Utilities assets under construction is included. Data pertaining to entities divested during the year are excluded from our report.

Our key ESG data has been independently reviewed by PricewaterhouseCoopers LLP. Please refer to pages 134 and 135 for their assurance statement and scope of assurance.

For more information on the assurance coverage, please visit the GRI Content Index in Our Performance page in the Sustainability section of our website.

The table on the right shows our reporting scope by business line and material issue.

Data measurement and quality

All data measurements are in line with GRI Standards requirements for our chosen indicators. GHG emission factors are based on the 2006 Intergovernmental Panel for Climate Change (IPCC) guidelines, except for those relating to our

Reporting Scope by Business Line and Material Issue

	ENVIRONMENTAL			SOCIAL			GOVERNANCE			
	Climate Change	Local Environmental Protection	Energy and Water Efficiency	Health and Safety	Our People	Community	Corporate Governance	Risk Management	Compliance	Ethical Business Practices
MATERIAL ISSUES										
UTILITIES										
Existing assets	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Assets under construction				✓		✓	✓	✓	✓	✓
MARINE	<i>Our Marine business (Sembcorp Marine) is separately listed and reports its activities separately</i>									
URBAN DEVELOPMENT				✓	✓	✓	✓	✓	✓	✓
OTHER BUSINESSES				✓	✓	✓	✓	✓	✓	✓

Information provided in the ESG Review relates to the subsidiaries of Sembcorp, excluding Sembcorp Marine. With the exception of GHG emissions data, it excludes joint ventures, partnerships and associates for which Sembcorp does not have management and / or operational control

operations on Teesside, UK, which uses the stoichiometric basis of calculation. Global warming potential factors used are from the IPCC Fourth Assessment Report for 2015 and 2016 data, and the IPCC Fifth Assessment Report for 2017 data. The time horizon applied is a 100-year time horizon. In 2017, we have changed our accounting basis for GHG emissions from an operational consolidation to an equity share approach.

Occupational health and safety indicators follow standards set out by the US National Institute for Occupational Safety and Health and the International Association of Oil and Gas Producers.

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

Our Supply Chain

We recognise the importance of evaluating our suppliers to ensure supply chain risks and negative impacts are minimised.

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

OEMs supply us with large scale equipment such as gas turbines and desalination units as well as process equipment

such as switchgears and control systems. Material suppliers supply fuel and chemicals needed to run our plants. EPC contractors provide detailed engineering, procurement and construction services for our greenfield plants.

Our plants are designed and built to international codes and standards, and it is with this perspective that we procure our equipment. We seek to procure high-quality and technologically-advanced equipment that is durable. We have stringent requirements for quality and expect our suppliers to abide by our Code of Business Conduct. Our Group Procurement Policy provides guidelines and control principles for various stages of the procurement process.

Our key operations carry out an annual evaluation of vendor performance for our top suppliers. 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 all our EPC contracts, contractors are assessed based on their track records with respect to safety, project type, size and location experience, among other evaluation criteria. We value the opportunity to positively influence our service providers and 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.

Managing Sustainability

Supplier diversification

Our efforts to ensure supply chain security include diversifying supply to mitigate concentration risk. Coal supply is managed via a portfolio of suppliers and country sources. In Singapore, Sembcorp's operations maintain at least one primary and one secondary supplier for critical spare parts and consumables, where possible.

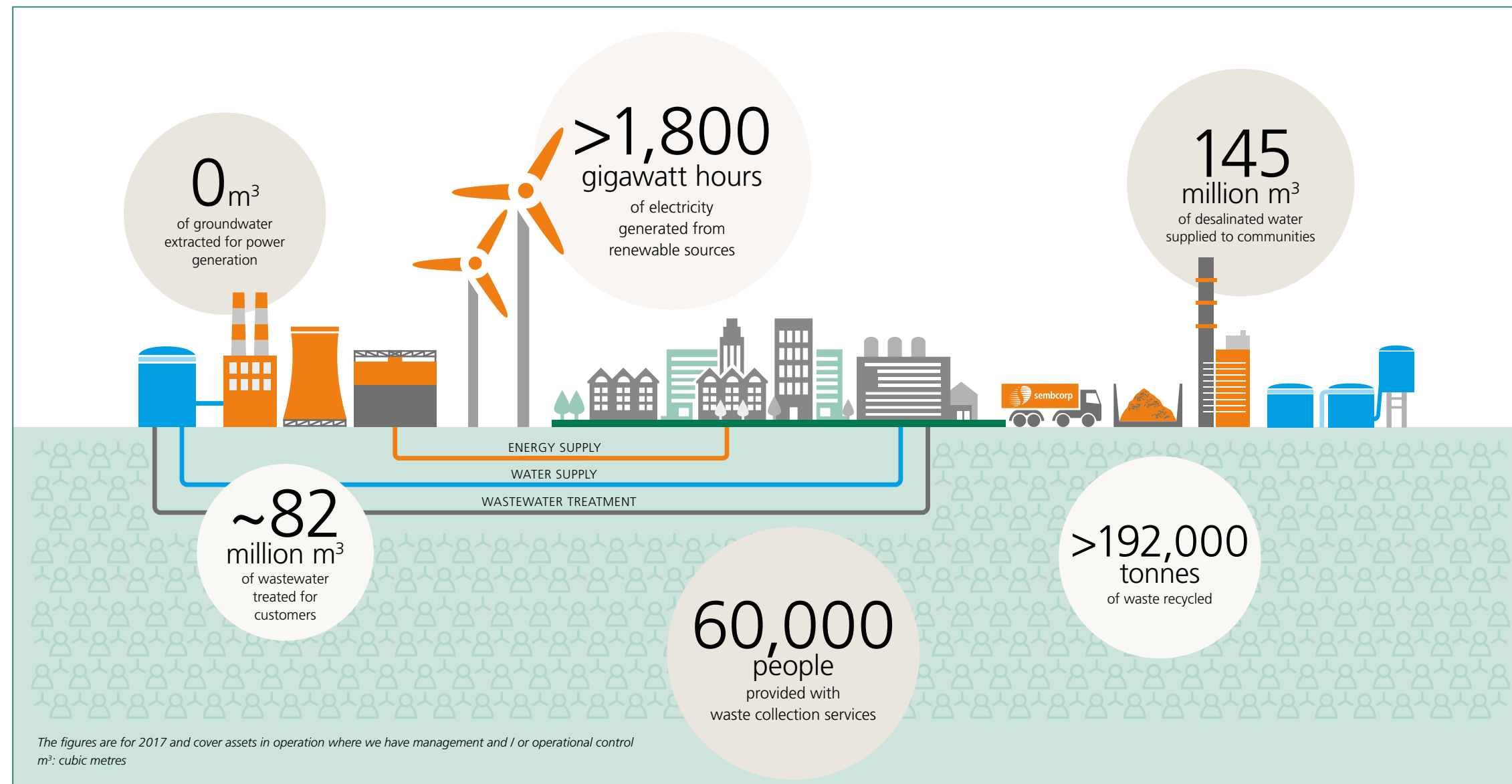
Fuel management

Fuel is a significant cost component for Sembcorp's power and steam generation operations. Therefore, managing our various fuel sources, along with their supply chains, is a key focus.

Our fuel management teams look into issues such as fuel contract management, fuel hedging / trading and fuel procurement, as well as fuel logistics such as transportation and shipping, to ensure the security and reliability of our fuel supply. We secure long-term contracts for coal and gas supply with reliable counterparties who have reserves that can sustain the useful life of our assets. To further diversify our fuel mix and tap on sustainable sources, Sembcorp has increased our use of renewables and alternative fuels.

Sembcorp's Unique Utilities Business

The challenge facing industries and communities today is one of balancing development with resource scarcity and environmental concerns. At Sembcorp, we believe that we have a part to play in contributing to a sustainable future. Our Utilities business uniquely offers both energy and water solutions. We leverage group capabilities and strengths to limit the impact of our activities on the environment and to create innovative solutions for our customers.



Our Material ESG Issues

Environmental

To responsibly manage and reduce our impact on the environment as well as to effectively manage environmental risks to our operations

HIGHLIGHT Growing our Renewable Energy Business

Sembcorp currently has a growing renewable energy portfolio in India, China and Singapore. The International Energy Agency expects India and China to increase renewable energy capacity rapidly, with a combined forecast growth of 475 to 600 gigawatts over the next five years. In Singapore, solar energy is considered the main viable renewable energy source. The Singapore government aims to grow installed solar capacity in the country to 350 megawatts peak by 2020.

2017 marked another year of good progress of renewables growth for Sembcorp. Our renewable energy capacity in India grew to over 1,400 megawatts with our winning of combined 500 megawatts in two nationwide wind power tenders. We also continued to expand

our solar power capacity in Singapore with the addition of three projects, including new grid-tied rooftop solar energy systems at ST Aerospace's facilities in Changi and Seletar. Within our own operations, we are taking steps to partially power our assets on Jurong Island and our Sembcorp Changi NEWater plant with solar energy by 2018. In total, we grew our global renewable energy capacity from 248 megawatts in 2012 to 2,182 megawatts in 2017. We target to double our renewables portfolio to approximately 4,000 megawatts by 2022 to become one of the region's leading independent renewable energy players.

This demonstrates Sembcorp's commitment to Sustainable Development Goal 7, which aims to ensure access to affordable, reliable, sustainable and modern energy for all.

Why this is material

Climate Change

As an energy producer, our power and steam generation activities release greenhouse gas (GHG) emissions that contribute to climate change. Events and actions by governments in response to climate change pose potential regulatory, technological, physical and reputational risks to our businesses. One such significant development was the 2015 Paris Agreement on climate change, which countries accounting for over 85% of global GHG emissions have ratified. However, we recognise that in spite of these challenges, we are also uniquely positioned to leverage opportunities that have arisen from action in response to climate change.


As part of Sembcorp's new Climate Change Strategy, we have identified the climate-related risks and opportunities material to our Utilities business as follows:

- **Changes in policy and regulation:** Increasingly, governments are adapting their policies and regulations as part of country-level strategies to reduce emissions and support the transition to a low-carbon economy. The global increase of cap-and-trade schemes and carbon taxes will accelerate current trends favouring renewables, which in turn can significantly impact the future profitability of our assets and investments.

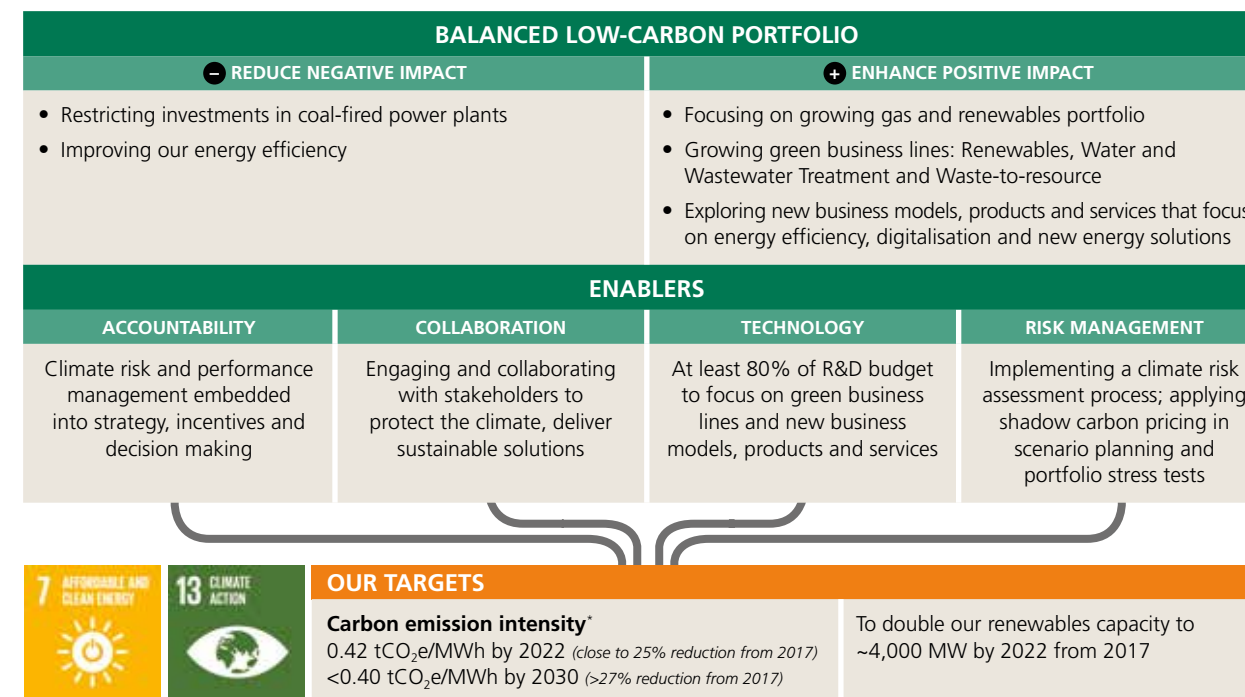
- **Changes in technology and customer demand:** Falling costs and improved performance of new and emerging technologies such as photovoltaic, energy storage, smart grids and downstream technologies, including electric vehicles and decentralised generation are bringing about significant changes in the energy landscape. As a result, the needs of our markets and customers will change.

- **Physical disruption:** Physical environmental risks, such as weather extremities linked to climate change, may pose disruption to our assets and operations, and to the economic value chains and communities in which we operate. Exposure to physical risks vary widely across our operating geographies and across our businesses, from our power assets to our desalination plants.

- **Stakeholder management and reputation:** Our stakeholders are increasingly focused on the impact of climate change and how the company responds to climate-related risks and opportunities. As a responsible corporate citizen, we recognise our obligations towards our stakeholders. Maintaining our stakeholder relationships is critical to our licence to operate and essential to protect our business reputation.


 For more information on our key climate-related risks and opportunities, please refer to page 111.

Key Highlights of Sembcorp's Climate Change Strategy



* Refers to GHG emissions intensity of our Utilities business' assets that produce GHG from the combustion of fossil fuels

Our climate change public disclosures are guided by the recommendations of the G20 Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). These recommendations were developed with the aim of providing a framework to report voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks.

 For more information on Sembcorp's full Climate Change Strategy, please visit the Reports & Policies page in the Sustainability section of our website.

Local Environmental Protection

As a result of the products and services we provide, our operations have varying direct and indirect impacts on the environment such as water, land and air pollution. These include the discharge of effluent and the disposal of waste, as well as the release of NO_x, SO_x and particulate matter to the atmosphere. Improper or non-compliant emission, discharge or disposal not only results in harm to the environment and public health, but also threatens our long-term viability and goes against our Statement of Commitment to Environmental Protection.

Our Position on Coal-fired Power Plants

As a global company operating in emerging markets, we face the conflicting challenge of constraining GHG emissions in the face of a pressing demand for electrification. In this context, we believe that efficient thermal energy continues to be relevant, especially in developing economies. For this reason, while we have taken a stand to not invest in subcritical coal-fired power plants, we will align with guidelines set by the Organisation for Economic Co-operation and Development* and are open to opportunities to invest in supercritical and ultra-supercritical coal-fired power plants in countries that are eligible for International Development Association financing. By moving towards a balanced low-carbon portfolio which includes renewable assets, Sembcorp targets to reduce our carbon emission intensity to 0.42 tCO₂e/MWh by 2022 and less than 0.40 tCO₂e/MWh by 2030.

* Sector Understanding on Export Credits for Coal-fired Electricity Generation Projects, 11/2015

Our Material ESG Issues

Energy and Water Efficiency

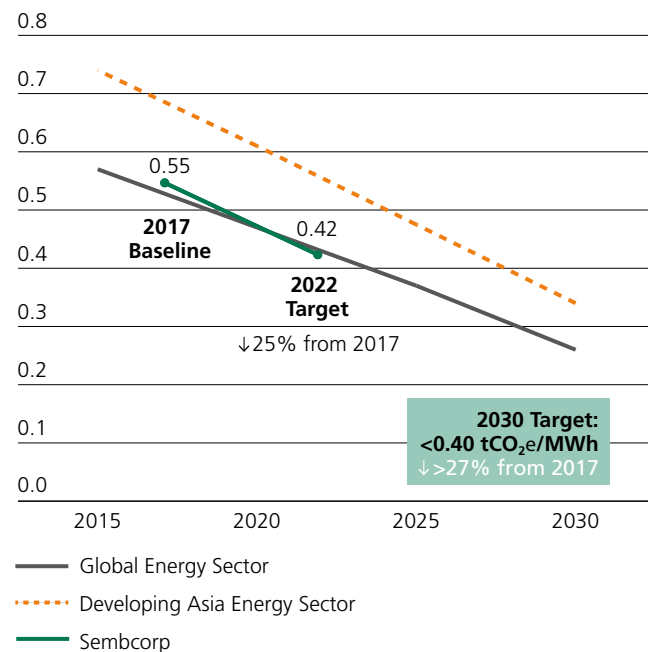
Achieving optimal energy and water efficiency is a business driver for us. Maximising our efficiency and optimising our operations reduces our consumption of natural resources and impact on the environment while enhancing our returns. In the face of rising energy costs and water scarcity, energy and water efficiency are becoming increasingly critical to ensure the long-term sustainability of our business.

Our approach

Climate Change

The management of climate change issues is led by the head of our Renewables & Environment business and executed across several departments: Group Strategy, Group Risk, Group Performance Management, Group Digital & Technology, Group Health, Safety, Security & Environment (Group HSSE), Group Strategic Communications & Sustainability and Group Human Resources & Organisational Development. We have set emission intensity targets to be in line with the scale of reductions required to keep the increase in global average temperature to below 2°C above pre-industrial levels as per projections in the International Energy Agency's (IEA) World Energy Outlook 2016. Our target is to reduce our carbon emission intensity* from 0.55 tonnes of carbon dioxide equivalent per megawatt hour (tCO₂e/MWh) in 2017 to 0.42 tCO₂e/MWh by 2022 and to less than 0.40 tCO₂e/MWh by 2030.

Carbon Emission Intensity (Current and Targeted) Compared with that of IEA's 2°C Scenario (tCO₂e/MWh)



* Refers to GHG emissions intensity of our Utilities business' assets that produce GHG from the combustion of fossil fuels

We plan to achieve this target through two key thrusts. The first is to reduce negative impact through reducing emissions; the second is to move towards a balanced portfolio of low-carbon energy assets through growing our renewables capacity.

Local Environmental Protection

Group HSSE is guided by the principles and practices set out in our Statement of Commitment to Environmental Protection and Environmental Protection Management Guidelines.

For a copy of our Statement of Commitment to Environmental Protection, please visit the Report & Policies page in the Sustainability section of our website.

We aim to comply fully with all regulations and requirements and consume resources prudently, focusing on reduction at source. We assess the impact of environmental risks and apply appropriate control measures to manage them. These cover energy efficiency, atmospheric emissions, water management, waste management, management of contaminated sites and environmental noise. We apply stringent controls in the management of waste generated by our operations, strive at all times to adhere to discharge and emission limits set by local authorities and implement containment measures to minimise any direct impact to the environment and the surrounding community. We are committed to continually reducing our waste generated. As a wastewater treatment service provider, we are able to treat multiple streams of industrial wastewater from our customers. We also have a comprehensive water sampling and testing regime that helps us ensure compliance with such standards. Our Group HSE Management System's Incident Investigation and Reporting Requirements allow us to take systematic steps and actions in response to HSE incidents and near misses to prevent recurrence. GHSSE conducts internal audits to check for site compliance to our Group HSE management system. As part of their audit scope, GHSSE will check for each site's non-compliance and environmental incident records and also if our contractors are licensed by the local authority to dispose of hazardous wastes.

We aim to minimise our environmental impact through prevention, reduction, reuse and recycling, and seek innovative ways to adopt a circular economy approach to waste. We actively develop 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 steam. Also, we use treated effluent from our wastewater treatment facilities as feedwater to produce demineralised water at our water reclamation facilities. In addition, our

design and construction business utilises fly ash, a by-product of coal combustion in power plants, as a material to produce blended cement, mosaic tiles and hollow blocks.

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

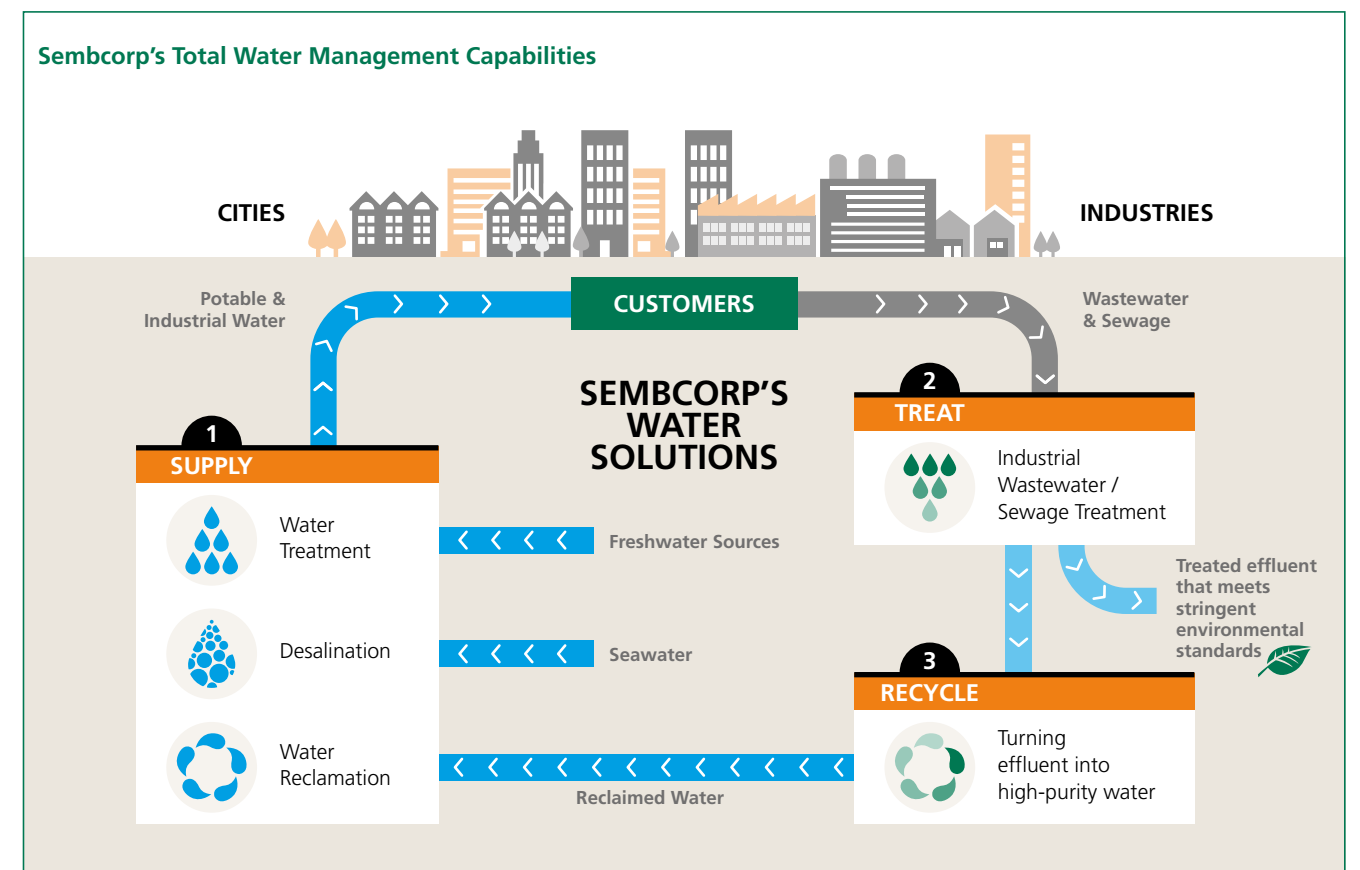
Energy and Water Efficiency

Where viable, we invest in the latest technologies and utilise our capabilities as an industry leader to achieve better energy and water efficiency, including the reduction of heat rate and auxiliary power in our power plants, and the reduction of water consumption through water reuse. Energy and water efficiency parameters are embedded in our plant operation management systems and are monitored daily. These parameters are reported to management on a monthly

basis where deviation and performance gaps are reviewed and improvement plans are discussed for implementation. Our Group Digital and Technology team spearheads various innovations and initiatives to improve operational efficiency. The team collaborates with institutes of higher learning, research institutes as well as private sector players to explore solutions which enhance our energy and water efficiency. For example, we are looking into identifying suitable waste heat recovery solutions to be applied to our operations. We also utilise the Sembcorp Global Asset Management System, a data and predictive analytics tool, to help us optimise our operations and improve efficiency.

Water availability

We leverage Sembcorp's total water management capabilities for better efficiency and resource conservation for our own operations as well as our customers. By integrating wastewater treatment, water reclamation and water supply into a "closed loop", we aim to minimise liquid discharge, reducing environmental impact while conserving water resources.



Our Material ESG Issues

Our energy-efficient large scale integrated power and desalination plants use multi-stage flash distillation and reverse osmosis to provide high-quality water to industries and households in water-scarce areas such as Oman and the UAE. We do not draw groundwater for our power generation operations, but rely on seawater to meet our cooling water needs. In some of our power plants, we employ closed-loop cooling water systems to further minimise water drawn from the ocean.

Our energy and water efficiency efforts also apply to our office and administrative buildings and we actively seek to reduce our consumption of energy and water through responsible use and equipment upgrades.

Our performance

In 2017, Sembcorp was ranked 21st in Energy Intelligence's 'Top 100 Green Utilities' ranking. The Group is the only company from Singapore on the list, which ranks the world's leading electric utilities based on their renewable energy portfolios and GHG emissions. The 100 companies represent about 55% of the world's power generating capacity.

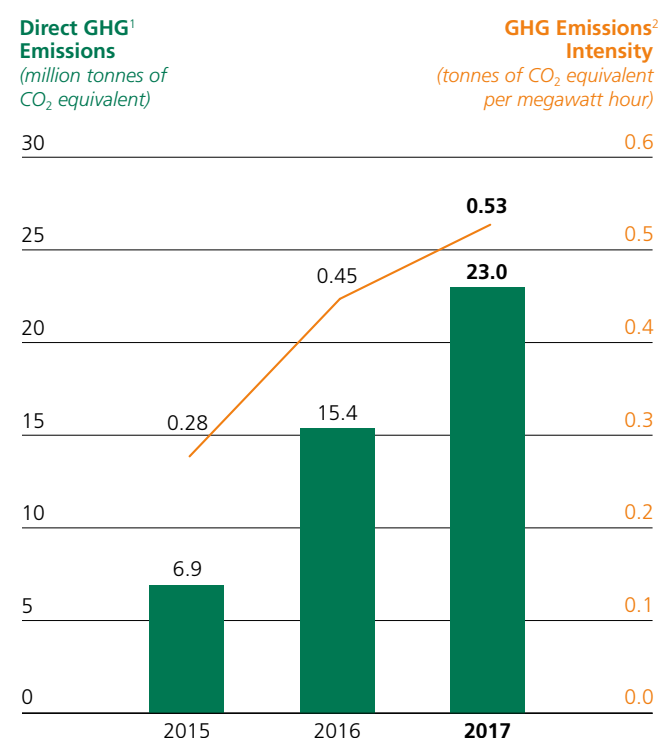
A Climate Change Strategy Working Committee was set up in 2017 to formally identify, review and manage climate change-related risks and opportunities. We developed a Climate Change Strategy, including carbon emission intensity and reduction targets.

We continue to pursue GHG emission mitigation initiatives through our asset optimisation programme. Deployed at all our energy plants globally, these help us to effectively pursue reductions in energy consumption and GHG emissions. In one of our cogeneration plants in Singapore, we were able to reduce the energy consumption of a natural gas compressor resulting in savings of 3,450 megawatt hours of electricity in 2017, or almost 1,500 tonnes of CO₂ equivalent of emissions avoided*. Such initiatives allow us to mitigate the impact of current and potential carbon taxes in the countries in which we operate.

In line with the methodology used for the development of our carbon emission targets, we now report our GHG emissions and GHG emissions intensity using an equity share approach. Our GHG emissions and GHG emissions intensity by equity share approach was 22.7 million tonnes of CO₂ equivalent and 0.55 tonnes of CO₂ equivalent per megawatt hour respectively. For the purpose of comparison, the operational consolidation data is presented on the right.

* Emissions avoided are calculated using 2016 Energy Market Authority of Singapore published grid emission factor

Direct GHG Emissions and GHG Emissions Intensity (Scope 1) (applying operational consolidation approach)



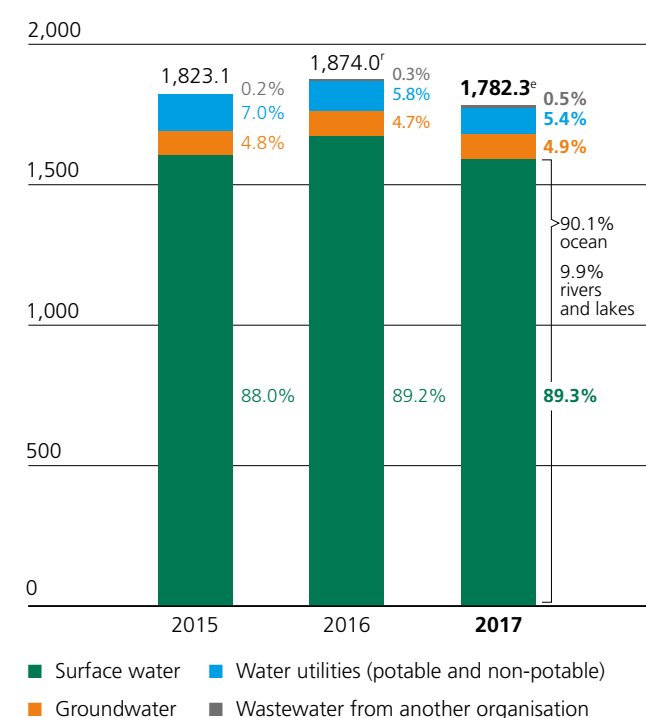
¹ Emissions data covers entities that produce GHG from the combustion of fossil fuels consumed in our Utilities business' assets. It excludes emissions from anaerobic wastewater treatment plants, and maintenance and servicing equipment. Only CO₂, CH₄ and N₂O emissions are included in the calculation of direct GHG emissions. Global warming potential factors used are from the IPCC Fourth Assessment Report for 2015 and 2016 data, and the IPCC Fifth Assessment Report for the 2017 data. The time horizon applied is a 100-year time horizon

² GHG emissions intensity data for 2015 has been estimated. A small proportion of energy attributed to steam production in 2015 was not available and was estimated based on data from 2016

The increase in direct GHG emissions and GHG emissions intensity in 2017 was largely due to the inclusion of data from our second supercritical coal-fired power plant in India.

We report emissions from the combustion of biomass separately, in accordance with GRI Standards. These emissions amounted to approximately 442,000 tonnes of CO₂ equivalent in 2017 compared to approximately 566,000 tonnes in 2016. This decrease was due to both planned and unplanned downtime of our biomass plant in the UK.

Water Withdrawal^{1,2,3} (million m³)



¹ Data is collected from meters

² Water that is withdrawn during plant commissioning for a closed-loop cooling system is excluded from the reporting scope

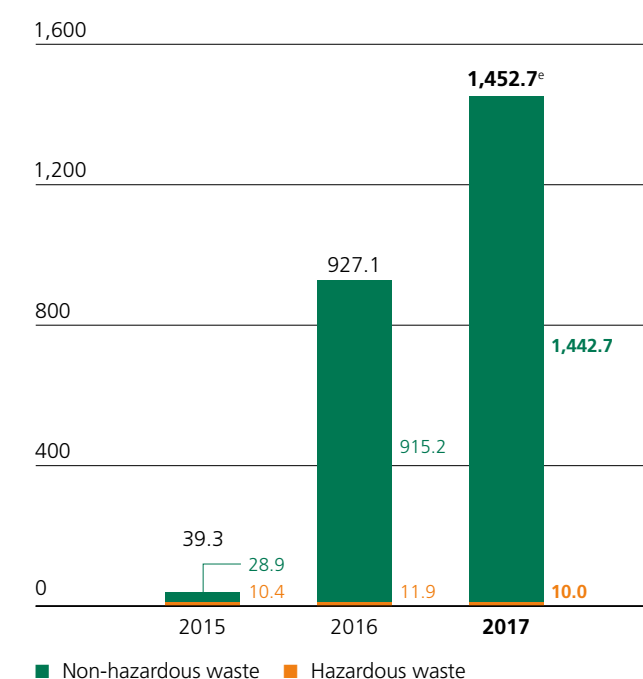
³ Percentages may not add up to 100% as they are rounded to the nearest one decimal place

⁴ Indicates restated figure. Water withdrawal for 2016 has been restated to 1,874.0 million cubic metres after an internal verification exercise, instead of 1,873.9 million cubic metres as previously reported

⁵ Indicates data is based on management's best estimates; we look to further refine the accuracy and consistency of the data

In 2017, 89.3% of our total water withdrawn was abstracted from surface water, of which 90.1% of surface water withdrawn was water abstracted from the ocean. More than half of this water abstracted from the ocean was desalinated into potable water for the community, and the rest was used as cooling water for Sembcorp's power plant operations and for our customers' plant processes. 9.9% of surface water withdrawn was from rivers and lakes, of which, 97.0% was used for the production of potable water for the community, and the remaining 3.0% was for internal use. Groundwater abstraction remained steady. 100% of groundwater abstracted was treated to produce potable water for the community. 73.9% of water we obtained from water utilities was treated non-potable industrial and domestic wastewater, which we reclaimed to produce high-grade industrial and potable water. The remaining 26.1% of water obtained from water utilities was potable water. "Wastewater from another organisation" represents wastewater we treated for our customers. 10.1% of wastewater treated for customers was reclaimed and reused.

Waste Generated^{1,2} (thousand tonnes)



¹ The data excludes waste that is collected and incinerated for our customers

² Hazardous and non-hazardous waste are defined by relevant country regulations in each market

⁶ Indicates data is based on management's best estimates; we look to further refine the accuracy and consistency of the data

The significant increase in non-hazardous waste in 2017 was largely due to the inclusion of data from our second supercritical coal-fired power plant in India. The non-hazardous waste comprised mainly fly ash, a by-product of coal combustion in power plants. Our India operations have memoranda of understanding to sell up to 90% of their fly ash to be reused as a partial replacement for Portland cement in the production of concrete, although the uptake of the ash is dependent on market demand.

Our Material ESG Issues

Going forward

As part of our Climate Change Strategy, we have identified several initiatives that will help us manage our climate-related risks and opportunities, including the development of a low-carbon growth roadmap. Climate-related risks will also be included in our risk management processes. Performance incentives linked to the achievement of our key targets will be developed to ensure accountability.

We are in the process of creating an Environmental Management Policy and Framework to supplement our existing Group Health, Safety and Environment Policy and Framework. This will provide more clarity and focus on environmental risks across the asset life cycle. We will continue to invest in technology to improve the environmental performance of our facilities. The progressive implementation of the Sembcorp Global Asset Management System is expected to improve our energy efficiency.

Climate Change

To have a business portfolio that balances the economic expectations of our stakeholders and our businesses' impact on the climate

Local Environmental Protection

To fulfil our duty to protect the environment and conserve resources, while providing competitive and reliable solutions for our stakeholders

Energy and Water Efficiency

To improve energy and water efficiency through good and economically viable environmental practices

Social

To be a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities

HIGHLIGHT Striving Towards a Safer Sembcorp

In response to the higher exposure to safety risks at our project sites, we mandated the set-up of Health, Safety and Environment (HSE) steering committees for individual projects.

Each steering committee is led by the project's manager and comprises representatives from the engineering, procurement and construction company, as well as senior management from the corporate office. They meet quarterly to review and analyse safety performance, and to pre-plan key project activities with a view to pre-empt critical risks related to specific project activities. This initiative has significantly improved our project safety performance.

Our total recordable injury rate fell from 1.67 in 2016 to 1.2 in 2017.

An annual workshop for all HSE officers across our global operations was conducted at our Phu My 3 power plant in Vietnam. On-site demonstration of the plant's behavioural-based safety programme, as well as discussions on HSE practices encouraged engaging and fruitful cross-cultural interaction and learning.

These initiatives have contributed towards the cultivation of an interdependent HSE culture, where employees adopt a collective and anticipatory approach to recognise and act upon hazardous work conditions.

Why this is material

Health and Safety

Sembcorp develops and operates power and water plants as well as other facilities, where extensive health and safety precautions are required. The expansion of our business into developing economies also means we face challenges in building a local workforce that is attuned to our global health and safety standards. It is our priority to ensure that globally, all our employees and contractors are competent and equipped to work safely. We recognise our duty of care to provide a safe workplace for those who step into our premises, and we work hard to fulfil that duty. The health and safety of our customers is also a key priority, especially in our municipal water operations, where any lapse in health and safety protocols could result in a direct impact on people in the community.

Our People

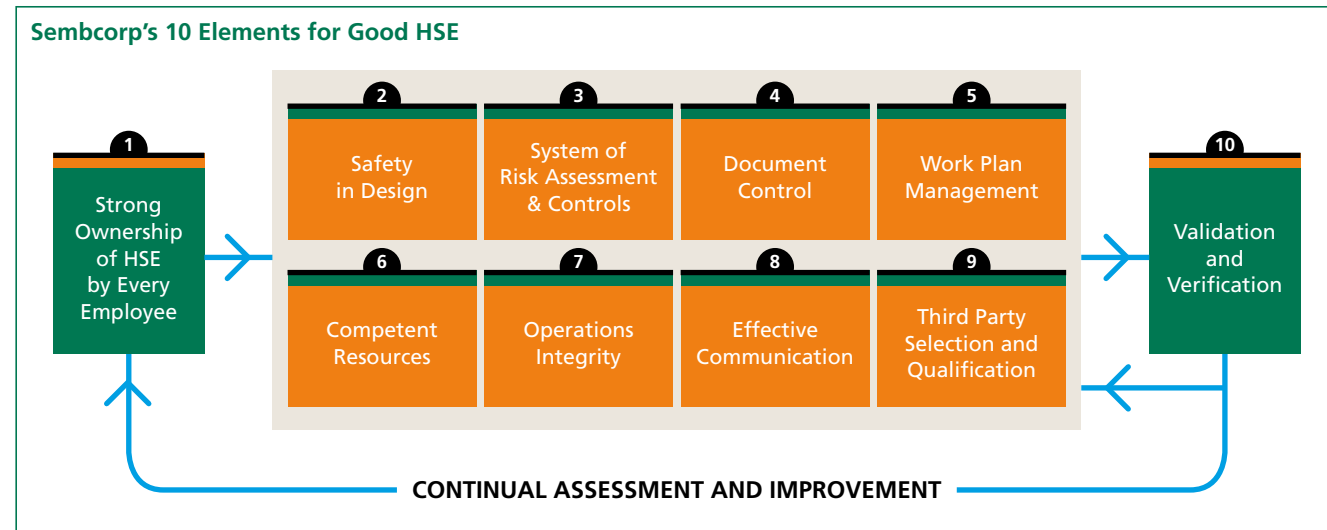
Our employees play a vital role in ensuring we achieve our business strategy and goals. The nature of our business requires specialised technical expertise. However, some of the markets in which we operate lack a qualified labour force with the necessary technical skill sets that our business demands. In other markets, these skill sets are highly sought after across several industries. In addition, the commercial and regulatory

environments we operate in are also becoming increasingly complex. There is therefore a critical need to retain and develop a capable and motivated workforce that possesses a deep understanding of the company and its industry sectors. Of the issues relating to our people, our materiality review process has identified employee development, employee compensation and benefits, labour standards, human rights and diversity, as well as employee wellness to be important areas of focus.

Community

Sembcorp's long-term success is premised upon being a valued partner to the communities we are in, and we aim to contribute positively to these local communities. While Sembcorp's businesses play an important role in supporting economic development and improving the standard of living in our communities, we recognise that there are social and environmental impacts on the communities around us as a result of the development and operation of our plants. Therefore, we view our integration with, support of and contribution to our host communities as part of our licence to operate.

Our Material ESG Issues



Our approach

Health and Safety

Occupational health and safety

Our vision is to be an organisation with a proactive health and safety culture. We are committed to working towards the goal of zero injuries in our workplace, with a workforce that puts safety first. We benchmark the health and safety performance of our operations against relevant global industry safety statistics, such as the International Oil and Gas Producers Global Safety Performance Indicators, and aim for progressive improvement. As our operations grow in developing markets, the concern of security has become an emerging issue for us to manage. In response to this, we have adopted a phased approach in the development of our security management programme, starting with a focus on projects under development.

We have put in place structures and processes to meet our goal, including:

- Board review
- Oversight by the board's Risk Committee
- Leadership by our Group President & CEO
- A Group HSE management system framework comprising:
 - Group HSE Policy
 - Group HSE management system guidelines and standards

The Group HSE management system framework provides guidelines and standards detailing expectations and principles relating to different aspects and activities that take place at a plant or site. It is further supported by Sembcorp's 10 Elements for Good HSE.

Assurance

HSE assurance is supported by an on-site validation and verification process which evaluates the effectiveness of the plants' or sites' HSE controls. On an annual basis, a validation and verification schedule is formulated using an internal risk-based assessment to ensure that the assurance exercise will focus on higher risk areas. Plants or sites with higher risk ratings will be given priority in the assurance exercise. The results of the assurance form the basis for the development of improvement plans.

Training

Providing our employees with relevant HSE and technical capability development ensures that we have competent safety practitioners and safety-conscious line managers that support safe operations. Training is specific to the operations' or sites' risk profile and local conditions, and is conducted on an ongoing basis. Examples of operations-specific training include defensive driving at our solid waste management unit as well as project commissioning and construction orientations for project development teams. An annual global HSE workshop is held as a platform for the learning and sharing of corporate initiatives and best practices from our different operations.

Product responsibility: safety and quality

Sembcorp is committed to designing, building, operating and maintaining facilities in a manner that safeguards our people, property and the environment.

Product safety and compliance is a priority, 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. Compliance testing of our products is done during various stages, from manufacturing to distribution and supply. We have a robust maintenance and monitoring regime in place, which includes stringent inspections and the installation of meters and sensors at both our and our customers' facilities. We also conduct regular laboratory tests to meet regulatory requirements and ensure that the water we produce is safe for our customers and end users.

Our People

Our operations span 15 countries across five continents where labour laws, regulations, employment codes and practices differ widely. All our local human resource policies comply with the local laws.

Our human resource practices are guided by the following:

- Oversight by the board's Executive Resource & Compensation Committee
- Oversight by the Senior Management Committee
- Talent Development Committees
- The Sembcorp Leadership Framework
- Our Code of Business Conduct
- Our Employee Code of Conduct
- Our Grievance Handling Policy

Human capital risk is also monitored as part of our key risk indicators and reported bi-annually to the board's Risk Committee.

Through our memberships and participation in events conducted by external organisations, we stay abreast of the latest developments and best practices for human resource management.

Our participation in human resource-related organisations includes membership in the following:

- Singapore Business Federation, Singapore
- Singapore National Employers Federation, Singapore
- Temasek Human Resource Council, Singapore
- The Corporate Executive Board Leadership Council, USA
- Employment Conditions Abroad International, UK

Employee development

Employee development at Sembcorp is managed through the Sembcorp Leadership Framework, which comprises three components with distinct yet interrelated objectives to drive employee development. Workforce Planning supports organisational growth and ambition. The Core Competency component assesses employees' competencies and identifies capability gaps while setting performance expectations. Learning and Development programmes are then put in place to close the gaps identified.

Localisation is an important part of our strategy to grow our overseas businesses. When we begin operating in a new market, employees who are seconded from Singapore and other locations 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 secondees progressively reduced.

Employee compensation and benefits

To attract, motivate and retain employees, Sembcorp's remuneration and reward system is market competitive and performance-based. To determine salary levels and benefits, regular reviews and benchmarking are conducted against local standards and data from global market surveys and consultancy firms. In countries where there is a minimum wage policy, Sembcorp pays above the minimum wage.

Sembcorp adopts an equal pay policy where rewards are based entirely on merit and performance. Salary increases are based on individual performance and relative placement against the external market as well as negotiations with employee unions and guidelines issued by the local government. Annual variable bonuses are based on the Group's performance as well as employees' performance against individual targets set jointly with their supervisors.

We recognise that managing performance and development is a continuous process. Performance appraisals are done through informal feedback sessions and online systems where performance, expectations, training needs and targets are discussed and agreed upon by the employee and supervisor. As part of the performance appraisal, employees are assessed against Sembcorp's Core Competency Framework. Going through the appraisal process helps inculcate core values in employees, and clearly articulates the competencies and functional skills needed for their development.

Our Material ESG Issues

HIGHLIGHT Equipping Employees to be Leaders

Following the successful pilot trial of the Sembcorp Leaders' Programme in Singapore in 2016, we officially launched the programme in 2017, starting with a wider group of employees in Singapore. The SLP was developed as a mainstay Sembcorp programme for all employees of executive rank and above. Its aim is to equip participants with a common set of skills and tools for problem solving, communication, innovation and managing change. The programme has been extended across the organisation, from junior employees to senior management, and provides specific leadership training relevant to the employees'

seniority and corresponding responsibilities. Topics include design thinking, as well as communication and presentation skills. Within a year of its roll-out in Singapore, the programme has been attended by close to 44% of eligible employees. Participants were also required to provide feedback to evaluate the quality of the training and applicability of skills learnt, and the average feedback rating was 4.5 out of 5. The SLP was the first enterprise-wide programme administered through our online Learning Management System, which improved efficiency and reach during the running of the programme.

Labour standards

We abide by local laws wherever we operate. Sembcorp employees are entitled to practise freedom of association and to be covered by collective bargaining agreements in the workplace, within the regulatory boundaries of each of the jurisdictions. We hold constructive ongoing engagement with employee unions in our various operations. In countries where our operations are covered by collective agreements, we abide by the terms stated in said agreements, including those relating to minimum notice periods. Procedures for grievance handling are also specified in the agreements. 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. Where collective agreements do not exist, we abide by the terms stated in employment contracts.

Human rights and diversity

We are committed to uphold and respect the spirit of the United Nations Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Sembcorp is a signatory to the UNGC, and has made a public commitment to respect the Ten Principles of the UNGC, one of which is human rights. We are also guided by the United Nations Guiding Principles on Business and Human Rights. We abide by the Employers' Pledge of Fair Employment Practices under Singapore's Tripartite Alliance for Fair and Progressive Employment Practices. Our Code of Business Conduct sets out our stance on fairness, opportunity, non-discrimination, dignity, respect and harassment. We do not hire forced or child labour in our operations.

Employee wellness

We recognise the impact of wellness on our employees' overall effectiveness, and have set aside a dedicated wellness budget in countries of major operation such as Singapore, China, Oman and the UAE. The budget is available for department heads to use towards activities that encourage employee well-being and team bonding. Sembcorp was a founding member of the iCare Mental Health Alliance, which made efforts to improve the mental health of workers in Singapore. In addition, we specifically include coverage of treatment for mental health issues in our employee insurance cover. Besides mandatory medical screenings for employees potentially exposed to occupational health hazards, voluntary annual health screenings are available free of charge to all employees in Singapore, China, India, Oman and the UAE.

Around the world, employee-led committees within our operations organise a range of recreational activities as well as nutrition and stress management programmes to support employees' physical and mental well-being.

Community

As we build successful and sustainable businesses, societies and communities benefit. Our operations generate employment, contracts for local suppliers and tax revenues for governments and result in infrastructure development in our host communities.

However, we recognise that our operations also contribute to social and environmental impacts that may affect the community.

As a company with operations across five continents, we understand first-hand how the needs of one community can be very different from another. We believe that our local operations are best placed to not only understand the needs of the community, but also to forge partnerships with local stakeholders. Therefore, while the Group provides the strategic framework, tools and guidelines to ensure consistency and acceptable standards, community assessments and engagements as well as contributions are managed at the local level.

 <p>ENVIRONMENT</p> <p>We are committed to fostering environmental stewardship in our community through contributions to sustainability and environmental initiatives</p>	 <p>COMMUNITY</p> <p>We are committed to improving the living standards and quality of life of the community, such as through providing access to water, social welfare and education</p>
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Assessment and engagement

Our assessment and engagement of the community is guided by our Group Stakeholder and Community Engagement Policy as well as our Group Community Grievance Management Policy. Environmental and social impact studies are carried out in accordance with international and / or 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.

Community contribution

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.

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 using standard definitions and valuations, and helps us ensure that the contributions recorded are meaningfully spent on community investment activities.

HIGHLIGHT Investing in Education to Uplift Communities

The Sembcorp Gayatri Power Complex operates in the Nellore district of the state of Andhra Pradesh, India, where it is surrounded by 42 villages comprising over 31,000 residents. These communities face multiple challenges, ranging from illiteracy, unemployment and poverty to gender inequality and poor health. Girls, in particular, contribute to a large proportion of the school dropout rate because public transport is infrequent and deemed unsafe for them. Following extensive engagement with members of the community, education has been identified as a key enabler for the long-term improvement and development of the communities.

Sembcorp implemented a host of initiatives to holistically address the community's educational needs, one of which was the provision of free transportation to schools. This initiative was implemented to counter high dropout rates due to the inaccessibility of the schools. Four years on, this initiative has benefited at least 470 students, including 300 girls. This has significantly improved the percentage of girls completing higher secondary education from 76% to 98%, and helped close the gender gap in school attendance.

To date, we have invested close to S\$300,000 in education initiatives for the communities in the vicinity of the power complex, benefitting 19 schools and over 1,600 students.

Our Material ESG Issues

Our performance

Health and Safety

In line with our growing international footprint, we continued to focus on aligning our practices with our global standards. We placed an emphasis on implementing initiatives across Group, country and site working levels in 2017. Key initiatives included:

Group initiatives

- Conducting our company's first HSE workshop outside of Singapore, in Vietnam
- The rolling out of safety standards to improve and standardise our safety protocol. A taskforce was set up in 2016 to review our Permit-to-Work (PTW) system and evaluate areas for improvement and standardisation. This year, our Global PTW Standard was approved by the board's Risk Committee and launched for group-wide implementation, and our Singapore utilities assets have been verified for compliance to the standard. The Safe Lifting Operations and Working At Height standards are presently being developed and formalised
- The establishing of regular push communications, alerts and case studies from serious incidents. Besides the dissemination of information, every site is required to review their internal procedures based on lessons learnt

from the case studies, and update their procedures where appropriate

- The updating of our Group HSE policy and management system to ensure that our management approach remains relevant and effective. Security management has been included as an element in our management system to ensure that our people, assets and reputation are protected against security risks and site vulnerabilities

Country initiatives

- Establishing our Plant Performance and Compliance Assurance (PPCA) regime. The PPCA has been spearheaded by the asset management team in China, with HSE being a key component in the review scope. The assurance exercise consists of an operational plant review, technical integrity reviews, safety management as well as ensuring compliance with local regulatory requirements. The PPCA has been rolled out to all our water plants in China

Site initiatives

- Implementing a site HSE self-evaluation process against applicable legal requirements and corporate policies. This self-evaluation is done on a quarterly basis, and the outcome of the assessment is discussed and reviewed during the HSE Committee meeting

- Conducting site assessments at all our solid waste management depots, where we have identified three key areas for improvements: safety engagement with workers, leadership and safety culture, and enhancing safety competency

Despite our best efforts, it is with deep regret that we report two work-related fatalities and one fatality involving a member of the public in 2017. Every life lost is one too many. No effort will be spared in ensuring that all incidents are thoroughly investigated and preventive actions implemented to address root causes. Two of these incidents involved contractors, one at a water operation in China and another at a factory in Malaysia operated by our design and construction business. The third case, which is currently undergoing investigation by the authorities, involved a member of the public and one of our waste collection trucks. We are determined to step up efforts to engage our workforce on the importance of building a proactive health and safety culture.

We are closely monitoring our safety statistics to ascertain the impact of our initiatives, and recognise that a change in health and safety culture will require sustained effort over a longer time frame. In 2017, we were encouraged by some positive results in both our operating assets as well as projects under construction. We believe that our promotion of near miss investigations and reporting have improved our operations' and sites' ability to identify and address unsafe conditions or actions.

Our People

We undertook a global employee engagement survey in 2017, and are pleased to report an 81% response rate. The survey provided valuable insights into issues that were of key concern to our employees, and gave us the impetus to work on areas for improvement. Findings of the survey were cascaded to all employees through briefing sessions and workshops facilitated by Group Human Resources & Organisational Development. Cross-functional focus group engagement sessions are currently underway to help prioritise and plan the next steps.

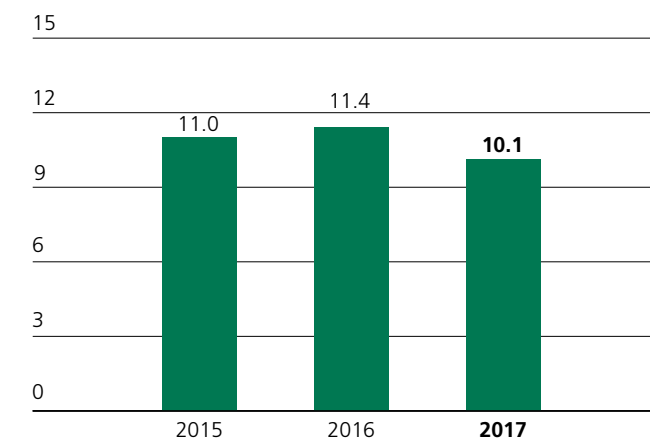
The roll-out of the Sembcorp Leaders' Programme (SLP) in Singapore was well-received, with close to 44% of eligible employees having signed up within the first year of its roll-out.

We expanded our online Learning Management System (LMS) to Oman and the UAE, and have observed improved productivity in training administration and increased accessibility of training materials.

Employee turnover rate was stable, decreasing slightly from 11.4% in 2016 to 10.1% in 2017. The voluntary turnover rate was 8.4% in 2017.

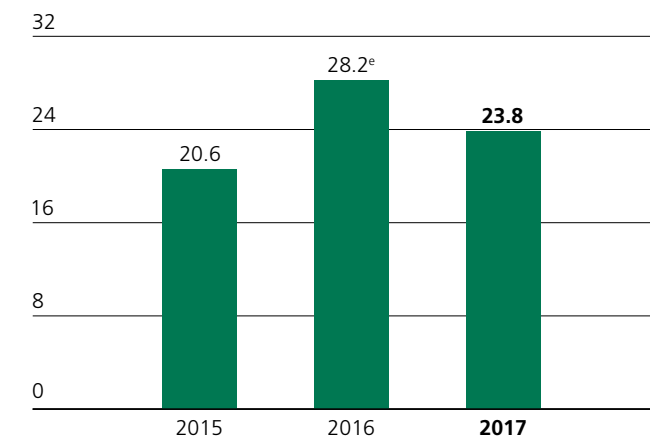
The average number of training hours per employee was 23.8 hours in 2017, which represented a 16% decrease from 28.2 hours 2016. The relatively higher average training hours in 2016 was due to the roll-out of various one-time training programmes.

Employee Turnover* (%)



* The data covers both voluntary and involuntary turnover of permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine

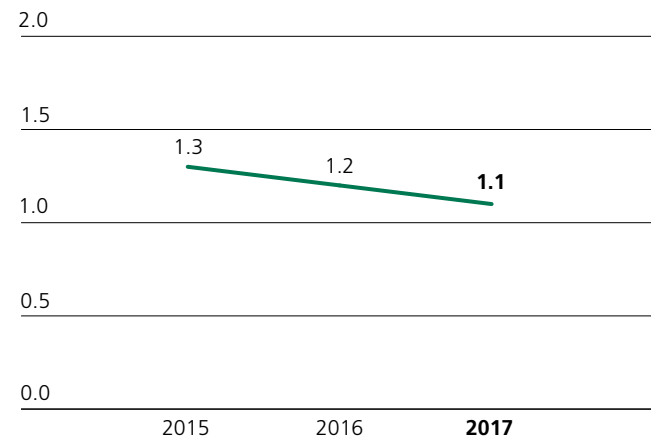
Average Training Hours per Employee* (hours)



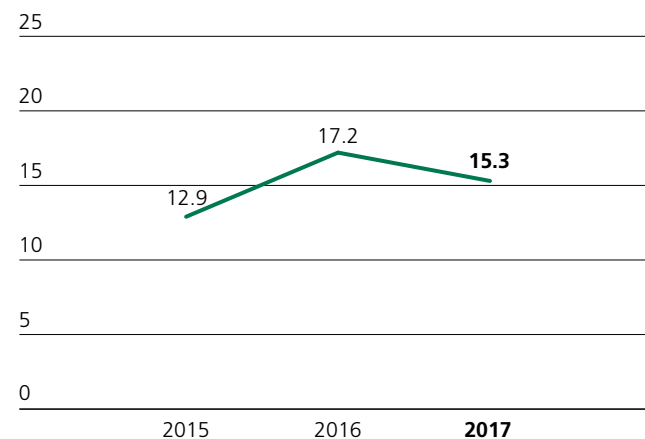
* Training data covers both permanent and contract employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine. Other indicators in the People section relate to permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine

^e Indicates data is based on management's best estimates; we look to further refine the accuracy and consistency of the data

Lost Time Injury Rate per Million Man-hours^{1,2,3}



Accident Severity Rate per Million Man-hours^{1,2,4}



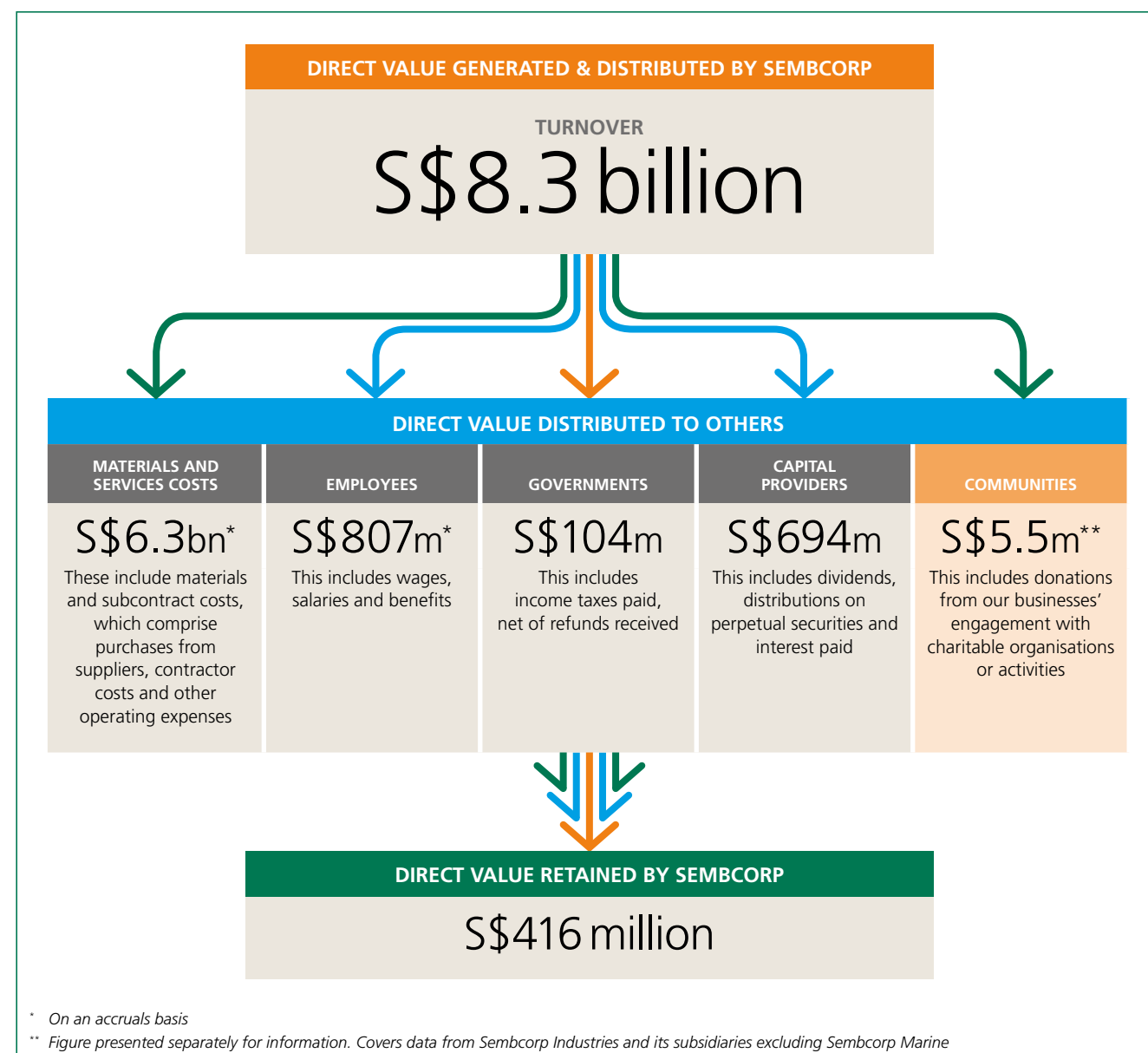
¹ Group health and safety performance is reported and recorded in accordance to the reporting requirements defined in the Group HSE Health and Safety Performance Reporting Standards. The principles adopted by the Standard are consistent with the general principles of the GRI Standards, the International Oil and Gas Producers Association Reporting Standards, and the US National Institute for Occupational Safety and Health (NIOSH). Occupational health and safety data includes employees and contractors. All injuries incurred involved male employees and contractors

² Figures are based on scope included in the reporting year

³ Lost time injury rate is defined as the number of fatalities and lost work day cases per million man-hours worked. It excludes first aid cases

⁴ Accident severity rate is defined as the number of lost work days per million man-hours worked. It has been charted excluding fatalities. Accident severity rate including fatalities is reported in our detailed performance data online. We record lost time due to one fatality as 6,000 lost work days, as per guidelines by the US NIOSH

Our Material ESG Issues

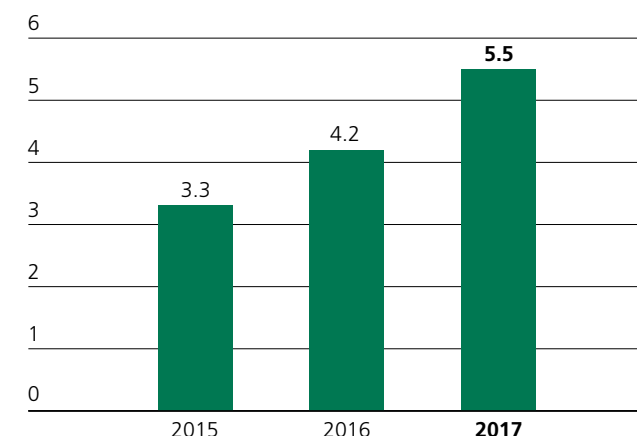


Community

In line with our commitment to manage our impact on the community responsibly and to better mitigate the environmental and social impact of our businesses, key community investments and programmes are designed in consultation with local communities as guided by our CSR Framework. In 2017, we conducted community needs assessments for the communities surrounding our assets under construction in Myanmar and Bangladesh, and are in the process of identifying programmes for implementation.

In 2017, Sembcorp contributed close to S\$5.5 million in cash and in kind to charities and community initiatives globally. Over S\$900,000 comprised mandatory contributions and close to S\$3,000 comprised leveraged contributions. These contributions supported programmes relating to providing potable water and infrastructure works, as well as youth development and job training. Total volunteer man-hours amounted to more than 19,000 hours, of which approximately 12% were spent outside of working hours due to event requirements.

Community Contributions (\$ million)



Going forward

Health and Safety

The two interlinked themes we will focus on in 2018 are adherence to Sembcorp Global Standards, and behavioural safety. We will continue our pursuit of safety excellence with our 10 Elements for Good HSE as the cornerstone of our safety management system. Our operations reviews for our global sites will place increased emphasis on sites' adherence to our standards and process safety. Lastly, we will also focus on developing our security management programme.

Our People

Change management will be an area of focus as Sembcorp embarks on organisational changes to support its strategic direction. We recognise that our employees will have to navigate changes on various fronts, hence managing any resulting impact on them will be our priority in the coming year. Our two-pronged approach will be to first ensure that employees with new roles receive adequate functional competency training for new requirements of the job. Second, we will work with newly formed departments and teams to cultivate mindsets and values that will contribute to the team and organisation's success.

We aim to roll out the SLP programme to our overseas operations. We will also bring the LMS to our UK operations as well as our design and construction operations.

Community

Following the community needs assessments we have conducted in 2017 for our assets under construction in Myanmar and Bangladesh, we will set out to identify and implement community initiatives in line with stakeholder feedback. In Myanmar, we will be improving the infrastructure of educational institutions as well as installing water treatment systems to provide potable water to villages in the immediate vicinity of our site.

Our investment towards the enhancement of The Cool House at Singapore's National Orchid Garden is on track, and we look forward to the topping out of the new Sembcorp Cool House in 2018. The full enhancements are targeted to complete in 2019.

Health and Safety

To make health and safety management an integral part of everyday business and culture

Our People

To offer a compelling employment experience for our people to develop and excel

Community

To be a responsible business that makes a positive impact on our communities

Our Material ESG Issues

Governance

To maintain high standards of behaviour and integrity and be best in class for governance practices

HIGHLIGHT Developing a Strong Compliance Culture

As part of our strong commitment to conduct our business honestly, responsibly and ethically, a dedicated Ethics and Compliance department was set up in 2017. The responsibilities of the Group Ethics and Compliance department, previously

jointly undertaken by the Group Risk and Group Governance departments, include driving Sembcorp's internal ethics and compliance programme to meet our regulatory obligations and ethical standards.

Why this is material

Corporate Governance

We define corporate governance as the structures and processes in place for the transparent and accountable control and governance of our organisation. Well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.

Risk Management

Managing risk is an integral part of our business activities. As we continue to grow and expand globally, we are exposed to diverse risks, including strategic, financial, operational, compliance and fraud risks. Besides helping to preserve our bottom line by reducing the likelihood and impact of potential losses, risk management provides a common basis 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.

Compliance

Sembcorp provides essential services which are highly regulated. We are committed to comply with all laws and regulations in the countries that we operate in. Non-compliance may subject us to statutory and regulatory fines and sanctions, including losing our licence to operate and material litigation. It may also result in damage to our reputation and credibility, thereby limiting future growth opportunities.

Ethical Business Practices

Responsible business conduct and ethical business practices ensure the long-term viability of our businesses and build trust and confidence with our stakeholders. We are committed to high standards of behaviour and integrity in everything we do. We believe in conducting our business legally, fairly, honestly and with integrity, and expect the same of those whom we do business with. Sembcorp has zero tolerance for fraud, bribery and corruption.

Our approach

Corporate Governance

Sembcorp is led by an effective board mainly comprising independent non-executive directors. The board is collectively responsible for providing overall strategic direction and ensuring the long-term success of the Group. Several board committees have been established with clear terms of reference, both to assist the board in fulfilling its responsibilities and to provide an independent oversight of management.

Furthermore, 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. We comply with the principles and guidelines set out in the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore, and our corporate governance practices are set out in the Corporate Governance Statement in this annual report.

To facilitate the effective execution of both our internal processes and business needs, we have in place a clearly defined organisational structure which includes detailed roles and responsibilities for key appointment holders. This is further supported by an established matrix for delegation of authority

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

RISK & COMPLIANCE

- 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

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



MARKETS & BUSINESS UNITS

- Hold accountability for respective risks and controls
- Provide source information and assessment of risks 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

as well as financial authority limits, which have been approved by the board. A comprehensive set of group-wide governance and functional policies that ensure entity-level controls are also implemented across the Group. The Group's internal controls policy and manual, which adopts principles of the Committee of Sponsoring Organizations of the Treadway Commission, provides a framework for what constitutes an effective and adequate system of internal controls. It also provides guidelines on the appropriate segregation of duties and a checklist of recommended internal controls for operations in our various markets to put in place.

We have also put in place a Governance Assurance Framework to provide a holistic and robust basis of assurance for the adequacy and effectiveness of our risk management and internal control system.

a. Management assurance

The Governance Assurance Certification is a management certification process that is submitted quarterly by each market to certify that its risk management and internal controls system is adequate and effective. This certification is supported by regular internal risk management processes, including Risk Management Committee meetings and review of risk registers.

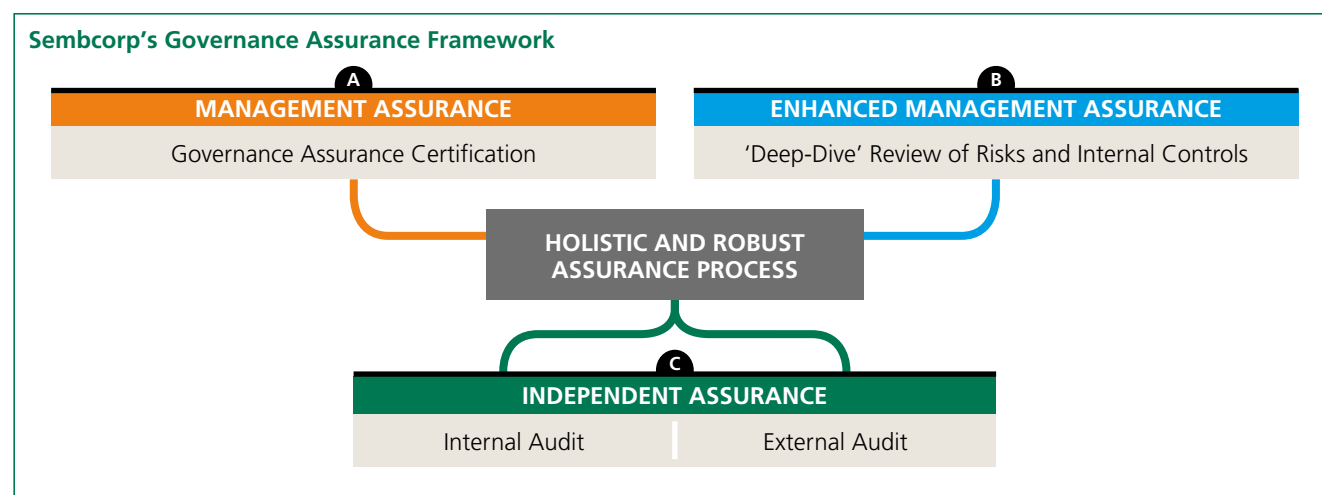
b. Enhanced management assurance

Key markets are required to perform a 'deep-dive' review of risks and internal controls, together with a risk control self-assessment by management.

c. Independent assurance

Internal audit provides independent assurance with a focus on operational risks and the general control environment. External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view.

Our Material ESG Issues



Risk Management

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 HSE plans, systems, processes and procedures. It also regularly reviews group-wide risks including significant risk exposures relating to foreign exchange rates, commodity prices and major investment projects as well as corresponding risk mitigation plans. HSE policies, guidelines and limits are also regularly reviewed. Oversight 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 among both our board and management to execute the Group's strategy and objectives. Under this framework, the board has approved risk appetite statements with respect to the following areas. These are aligned with how the Group categorises its material issues for the management and the reporting of its overall sustainability performance:

a. Economic

Sembcorp actively pursues global strategies to deliver sustainable long-term value and growth. We will continue to invest in and develop our capabilities and expand our assets in both existing and new 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 that categorises high, medium and low risk countries and has set appropriate limits for investment exposure in such countries to manage concentration risk.

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. Environmental

Sembcorp is committed to responsibly managing and reducing our impact on the environment as well as to effectively managing environmental and climate-related risks to our operations.

Besides complying with all prescribed environmental standards and requirements through our established internal policies and processes, we assess the impact of environmental and climate-related risks, and apply appropriate control measures to manage them. Where viable, we also invest in the latest technologies and utilise our capabilities as an industry leader to achieve better energy and water efficiency, including reduction of water consumption through water reuse.

c. Social

Sembcorp is committed to being a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities.

In our 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 breach in health and safety standards and regulations across all our operations and facilities.

Sembcorp also recognises the need to have in place a strong and competent workforce that is committed 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.

In addition, 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.

d. Governance

As a listed company on the Singapore stock exchange that has both responsibility and accountability to a wide range of stakeholders, Sembcorp commits to maintaining high standards of behaviour and integrity and aims to be best in class for governance practices. The Group will strive to comply with all applicable laws and regulatory requirements in the countries where it operates, including adopting a zero tolerance stance towards any form of fraud, bribery or corruption, and expects all employees to adhere to the guidelines set forth in the Code of Business Conduct.

Our risk appetite statements are also supported by key risk indicators, which are monitored and reported to the board's 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. Our framework aims to safeguard our people and assets, protect shareholders' interests, facilitate informed decisions for value creation and ultimately 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 of the Committee of Sponsoring Organizations of the Treadway Commission. 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

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 proactively manage the risk of fraud, bribery and corruption. This includes a whistle-blowing policy. 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 trainings and e-learning programmes.

Our Material ESG Issues

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

Sembcorp has a whistle-blowing policy and procedure in place. 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.

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.

 For a copy of our whistle-blowing policy, please refer to the Report & Policies page in the Sustainability section of our website.

b. Operational Risk Management

The Group's management of operational risk is focused on the following areas:

Crisis management and business continuity

A robust and effective crisis management framework is put in place with the Group's crisis management, emergency response and business continuity procedures and plans. These procedures and plans are regularly tested and fine-tuned. The Group also addresses crises and emergencies through the implementation of appropriate prevention, preparedness, and response and recovery programmes.

Health, safety and the environment

A group-wide HSE management system which is aligned with international standards and industry best practice sets the standard for operations in the various markets to actively manage HSE risks.

As part of Sembcorp's Climate Change Strategy development, climate-related risks were evaluated. The tools and methodologies we utilised for the evaluation will be embedded into the ERM framework.

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 arising from property damage, machinery breakdown, business interruption and / or 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 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 power and utilities operations in Singapore and 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 operations and maintenance within its markets. Over the years, Sembcorp Captive Insurance has successfully built up a strong capital surplus, allowing it to extend its

HIGHLIGHT Managing our Climate Change Risks and Opportunities

In formulating Sembcorp's new climate change strategy, the Group identified climate-related risks and opportunities for our Utilities business by evaluating four key risk factors: physical environmental impacts to our assets, brand and reputation risks, requirements for regulatory compliance, and product and market risks. We evaluated these climate-related risks and opportunities using near-term (2017 to 2022) and medium-term (2030) lenses, and also considered long-term (2050) trends such as a science-based target for the utility sector by 2050. When evaluating our markets from a climate-based scenario lens, we use International Energy Agency scenarios such as the New Policies Scenario and the 450 Scenario. These scenarios provided Sembcorp with a holistic view of how the global response to climate change can impact our industry and our specific assets; from changes in power demand, carbon prices and overall capacity projections, to profitability of thermal versus renewable plants and other considerations. We then mapped these risks onto a risk matrix to give the Group a clear view of the short- and long-term risks.

In the short term, we observed uncertainty in the regulatory environment. There exists a patchwork of conflicting regulations, from carbon taxes and cap-and-trade schemes to various supportive policies and regulations for renewables in some markets, with policy support for traditional power in other markets. In Singapore, for example, the government announced a carbon tax of S\$5 per tonne of GHG emissions from 2019 to 2023. The tax amount will increase to between S\$10 to S\$15 per tonne by 2030. Our assets in Singapore are built with best in class technology that generate

* Refers to GHG emissions intensity of our Utilities business' assets that produce GHG from the combustion of fossil fuels

lower emissions. We actively implement GHG mitigation and energy efficiency initiatives to further reduce our carbon footprint.

Over the long term, however, both the Paris Agreement and the trend in pricing of carbon emissions suggest that the regulatory market for renewable power generation will become increasingly favourable. Our scenarios evaluated the impacts of an increasingly strong shift in consumer demand and affordability of renewable power, combined with technology breakthroughs in battery storage. Our assessments also considered the impacts of decentralisation of power generation and the shifting demands of customers due to these changes. The findings from our climate-related scenario analysis have impacted our overall business strategy by helping us to define a carbon emission intensity* goal that aligns with these trends.

To ensure that these risks and opportunities are addressed and mitigated going forward, they will be incorporated into our Governance Assurance Framework and form part of the risk management process for existing assets. For upcoming and new investments, the Group will embed climate considerations in our investment approval process through our Environmental and Social screening toolkit. Climate-related financial impacts will also be included in stress-testing, as well as short- and long-term strategic planning. Embedding the management of these risks in our processes will ensure that this guides our strategy and business decisions, and help us build a sustainable future for the company.

insurance reach to other operations and broaden its scope of coverage should the need arise.

c. Financial, Market and Credit Risk Management

Sembcorp's financial, market and credit risk exposure is managed via established policies, including treasury policies, financial authority limits and Governance Assurance Certification.

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. Under the Group's overall treasury policy, transactions for speculative purposes are strictly not allowed.

Default and counterparty credit risks

A group-wide credit risk policy has been put in place to ensure that we transact with creditworthy counterparties as much as possible. We also screen for material concentrations of credit risk to ensure that no single counterparty or group-related counterparties has excessive credit exposure that may result in material impact on the Group in the event of a default.

d. Investment Risk Management

The Group has in place an investment approval process to ensure a prudent and disciplined approach to all investment decisions, including a country risk framework that sets appropriate country risk limits.

Our Material ESG Issues

As at December 31, 2017 the countries outside of Singapore in which the Group has the largest investment exposure are India (S\$3.9 billion), China (S\$1.9 billion) and Brazil (S\$1.6 billion). Investment exposure comprises invested capital, including reserves, and committed contingent support for projects and assets.

e. Tax Risk Management

It is our policy to comply with all relevant taxation laws, regulations and regulatory disclosure requirements.

For more details on our ERM framework and a full description of our approach to managing the above risks, please refer to the Sustainability section of our website.

Compliance

Full compliance to all legal and regulatory requirements is the minimum expectation we prescribe for all our businesses. As part of our Governance Assurance Framework, our Governance Assurance Certification process requires all heads of markets to certify that they have complied with all relevant legal and regulatory requirements in their respective entities and country of operation. Any monetary fines and non-monetary sanctions imposed on the markets are also to be reported.

Regular audits are conducted by Group Internal Audit and Group HSSE departments to ensure compliance and also to identify gaps and lapses in compliance. They will also work closely with management to develop action plans to prevent future recurrences of gaps and lapses.

Ethical Business Practices

Sembcorp's core values of Insight, Integrity and Integral 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 key areas:

- Fairness and opportunity, harassment, information protection and insider trading, and protection of company assets
- Integrity of information, gifts and entertainment, conflict of interest, corruption and bribery, facilitation payments, anti-competition and anti-trust laws, money laundering prevention, and prohibition of political contributions
- Contribution to our communities, health, safety and the environment

Requirements of the CBC are communicated to employees globally through an e-learning course delivered in multiple languages. Employees are required to complete an annual declaration to acknowledge that they have read and understood the principles and requirements of the CBC and agree to comply with its principles and requirements and to 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 CBC also provides for escalation procedures in the event of a breach of the CBC as well as feedback channels for employee clarification and queries.

Our performance

We undertook a successful roll-out of our new online risk management system to our key markets in Singapore and China. These markets utilised the system to perform their risk and internal controls assessment as part of our Governance Assurance Framework requirements. The new system has helped sharpen our risk management and governance process by providing a centralised database of risk information, and enabled us to perform active management and monitoring of key risks and controls. This has enhanced our reporting and analytics capabilities, and promotes greater accountability and ownership. We will progressively roll out this online risk management system to other key markets in 2018.

In recognising the growing importance of environmental and social risks and as part of our overall risk appetite, we have also developed a set of environmental and social 'no go' criteria as well as a list of 'red flags' that will provide a first-line guidance for our business development team to consider and appraise before we embark on any new investments or acquisitions.

Our ongoing efforts to build in-house capabilities, readiness and resilience in crisis and emergency response situations requires us to regularly conduct and participate in crisis simulation exercises and awareness trainings. In 2017, this included simulation exercises in our operations in Singapore, the UK, China and in the UAE. The exercise in the UAE was conducted in partnership with customers, local authorities and external agencies. We have also made significant enhancements to our internal policies relating to data protection. In doing so, we established higher standards that govern the collection, use, disclosure and care of business and personal data.

We also conducted a group-wide bribery and corruption risk assessment to identify areas of improvement for our Group's anti-bribery and corruption programme.

During the year, our operations in China, Chile, Singapore and the UK incurred significant* fines amounting to S\$3.9 million. This included a S\$2.5 million fine incurred by our operation in the UK for a work-related accident in 2013 involving a subcontractor's employee. Remediation actions have been taken, including the enhancement of the training of personnel undertaking pressure testing activities, as well as the strengthening of the contractor assessment process for competency to undertake hazardous activities. In China and Chile, we incurred significant* fines related to environmental non-compliance amounting to S\$885,200. These fines were in relation to environmental non-compliance on wastewater discharge and odour control. In Singapore, the fines were imposed for non-compliance with performance standards on fuel changeover as well as a health and safety accident.

Going forward

We plan to perform a detailed review of our risk appetite framework to ensure that it remains relevant and aligned to our overall business model as we embark on our new strategy. This will also include reviewing our existing risk assessment and scoring process for new investments and existing assets. Following the roll-out of our online risk management system in Singapore and China, we will be progressively introducing this online risk management system to our operations in other markets.

Additionally, we will focus on driving compliance improvements by adopting a series of measures which include:

- Ensuring the adequacy and practicality of internal policies
- Improving compliance awareness through training, e-learning and other internal communication tools
- Improving our testing and monitoring programme to identify opportunities for continued improvement

Corporate Governance

To have an effective governance and decision-making structure

Risk Management

To ensure effective identification and management of all material risks

Compliance

To comply with all legal and regulatory requirements

Ethical Business Practices

To ensure we conduct our businesses legally, fairly, honestly and with integrity

* A significant fine refers to a monetary sanction equal or above S\$50,000 that has been paid during the financial year

Corporate Governance Statement

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 2017 edition of the Singapore Governance and Transparency Index, a well-respected index assessing the transparency of 606 Singapore listed companies. The index is a collaboration between CPA Australia, the Centre for Governance, Institutions and Organisations at NUS Business School, and the Singapore Institute of Directors.

At the Singapore Corporate Awards 2017, Sembcorp won silver awards for Best Annual Report and Best Investor Relations under the category for companies with S\$1 billion and above in market capitalisation. Sembcorp also emerged runner-up for the Singapore Corporate Governance Award (Industrials) at the SIAS 18th Investors' Choice Award 2017. In addition, in the first-ever survey of all investor relations websites of companies listed on the Singapore Exchange, conducted by the Investor Relations Professionals Association (Singapore) and EQS Group, Sembcorp's investor relations webpage was ranked number one in the large-cap category.

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 our Group President & CEO Neil McGregor, as well as Margaret Lui, Tan Sri Mohd Hassan Marican, Tham Kui Seng, Dr Teh Kok Peng, Ajaib Haridass, Nicky Tan Ng Kuang, Yap Chee Keong and Jonathan Asherson OBE, who was appointed to the board on July 17, 2017. Tang Kin Fei and Bobby Chin Yoke Choong were also directors until their retirement from the board. Mr Tang retired as the company's Group President & CEO on March 31, 2017 and as Advisor and non-executive director on May 31, 2017. Mr Chin retired at the last annual general meeting (AGM) of the company on April 19, 2017.

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, social and governance 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 to 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 McGregor, who was appointed on April 1, 2017, Mrs Lui as well as Mr Tan. Mr Tang relinquished his membership on March 31, 2017.

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 McGregor, who was appointed on April 1, 2017, and Dr Teh, as well as co-opted members Dr Josephine Kwa Lay Keng, Prof 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 its business sectors. The panel advises on technologies for research and development as well as investment, and oversees the development and application of significant emerging and potentially disruptive technologies relevant to Sembcorp. It also ensures the appropriate management of specialised research and development projects, tapping into various government grant support and the external technological ecosystem, and provides guidance to develop 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 Corporate Governance Statement. Minutes of board committee meetings are circulated to the board to keep directors updated on each committee's activities.

Corporate Governance Statement

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. Annually, a strategic review meeting is organised for the board to have in-depth discussions with management on the Group's strategy and other key issues relevant to the Group. In 2017, this off-site meeting was held in July.

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 audiovisual 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 any 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 2017 is set out on page 119.

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 about Sembcorp, its 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 which are funded by the company.

In 2017, the directors participated in the following briefings and updates provided by the company:

- 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 presented by the Group Risk and Governance departments to the Risk Committee on the Group's risk and controls environment and updates relating to risk management, governance initiatives and key emerging threats such as the implications of climate change and heightened risk of terrorist attacks

- Public conferences, forum discussions and briefings on topics such as best practices for boards, board management skills on driving performance, business sustainability and business model innovation and understanding how to shape strategic relationships between countries

Besides such briefings, articles and reports relevant to the Group's businesses are also circulated to the directors for information. Furthermore, to enhance directors' understanding of the Group's businesses and promote their active engagement and stronger relationships with the Group's stakeholders, our directors regularly visit the Group's operations in different locations. In 2017, the directors attended the launch of the Sembcorp Global Asset Management System (GAMS) at the Sembcorp Technology & Innovation Centre on Jurong Island and visited Sembcorp Marine's Tanjong Kling Yard. The directors also went to the UK, China and Vietnam, visiting our facilities and meeting with government officials as well as key customers and partners.

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

Board composition

The current board comprises 10 directors, eight of whom are independent directors. All the directors are non-executive, except the Group President & CEO. 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 there is a strong element of independence in our board. 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 70 to 74.

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.

In 2017, all directors except Mrs Lui and Mr McGregor have declared themselves to be independent. The Nominating Committee has reviewed and recommended to the board, and the board has agreed and determined that with the exception of Mr Tang, Mrs Lui and Mr McGregor, all members of Sembcorp's board for 2017 are independent. Mr Tang was Group President & CEO and an executive director until his retirement on March 31, 2017. Mrs Lui is Chief Executive Officer of Azalea Investment Management, a related company of Temasek Holdings (Temasek) which holds more than 10% interest in the Group. Mr McGregor was Head of Temasek International's Energy and Resources Group, as well as its Head of Australia and New Zealand and Senior Managing Director of its Enterprise Development Group. Prior to joining the company as Group President & CEO on April 1, 2017, he was a non-executive board member of Sembcorp.

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. Mr Tham sits on the board of Sembcorp Design and Construction, a wholly-owned subsidiary of the company from which the company has received payment in excess of S\$200,000 for consultancy services. Tan Sri Mohd Hassan Marican and Mr Tham, respectively hold the positions of Senior International Advisor and Corporate Advisor at Temasek International Advisors, a subsidiary of Temasek.

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The board has assessed these matters and is of the view that the payments received from these subsidiaries are not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan Marican, Mr Haridass and Mr Tham's directorships in these subsidiaries 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.

Tan Sri Mohd Hassan and Mr Tham's roles as advisors at Temasek International Advisors are non-executive in nature and they are not involved in its day-to-day conduct of business. They are also not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek. The board believes that they have acted and will continue to act in the best interest of Sembcorp.

Hence, the board has determined that Tan Sri Mohd Hassan Marican, Mr Haridass and Mr Tham are independent notwithstanding their relationship with Temasek and the Group's subsidiaries.

A term limit of nine years is set for independent directors of the company. 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. None of

Sembcorp's current directors have served longer than nine years from the date of their appointment.

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.

There is also a strong and independent element on the board, where eight out of 10 directors are independent. As such, the board has ascertained that there is no necessity to appoint a lead independent director.

The Chairman leads and ensures an effective and comprehensive discussion on matters brought to the board, including strategic issues and business planning. He 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

Board Members for 2017

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 19, 2016*	Non-executive / Independent
Neil McGregor	Director	May 1, 2014	Apr 19, 2017	Executive / Non-independent
Margaret Lui	Director	Jun 1, 2010	Apr 19, 2016*	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 19, 2016	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 19, 2017	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	Apr 21, 2015*	Non-executive / Independent
Ajaib Haridass	Director	May 1, 2014	Apr 19, 2017	Non-executive / Independent
Nicky Tan Ng Kuang	Director	Nov 1, 2015	Apr 19, 2016	Non-executive / Independent
Yap Chee Keong	Director	Oct 1, 2016	Apr 19, 2017	Non-executive / Independent
Jonathan Asherson OBE	Director	Jul 17, 2017	N.A.*	Non-executive / Independent
Tang Kin Fei (Retired on May 31, 2017)	Director	May 1, 2005	Apr 19, 2016	Executive / Non-independent
Bobby Chin Yoke Choong (Retired on Apr 19, 2017)	Director	Dec 1, 2008	Apr 21, 2015	Non-executive / Independent

* Up for retirement at the company's upcoming AGM

Composition of Board Committees for 2017

Board member	Executive Committee	Audit Committee	Risk Committee	Executive Resource & Compensation Committee	Nominating Committee	Technology Advisory Panel
Ang Kong Hua	Chairman			Chairman	Chairman	Chairman
Neil McGregor ¹	Member					Member
Margaret Lui	Member			Member	Member	
Tan Sri Mohd Hassan Marican				Member	Member	
Tham Kui Seng		Member	Member			
Dr Teh Kok Peng ²		Member	Member			Member
Ajaib Haridass		Member	Chairman			
Nicky Tan Ng Kuang ³	Member			Member	Member	
Yap Chee Keong ⁴		Chairman	Member			
Jonathan Asherson OBE ⁵						
Tang Kin Fei ⁶	Member					Member
Bobby Chin Yoke Choong ⁷		Chairman	Member		Member	

Directors' Attendance at Board and Board Committee Meetings in 2017

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
Total Number of Meetings Held in 2017	6	6	5	4	4	2	4	1
Ang Kong Hua	6/6	6/6	–	–	4/4	2/2	3/4*	1
Neil McGregor ¹	6/6	4/4	3/3	4/4	3/3	1/1	2/3*	1
Margaret Lui	6/6	6/6	–	–	4/4	2/2	–	1
Tan Sri Mohd Hassan Marican	6/6	–	–	–	4/4	2/2	–	1
Tham Kui Seng	6/6	–	5/5	4/4	–	–	–	1
Dr Teh Kok Peng ²	6/6	–	5/5	3/3	1/1	–	4/4	1
Ajaib Haridass	6/6	–	5/5	4/4	–	–	–	1
Nicky Tan Ng Kuang ³	5/6*	5/6*	–	–	3/3	1/1	–	1
Yap Chee Keong ⁴	6/6	–	5/5	4/4	–	–	–	1
Jonathan Asherson OBE ⁵	3/3	–	–	–	–	–	–	–
Tang Kin Fei ⁶	3/3	2/2	1/1	1/1	1/1	1/1	0/1*	1
Bobby Chin Yoke Choong ⁷	2/2	–	1/1	1/1	–	1/1	–	1

¹ Mr McGregor was appointed Group President & CEO, as well as a member of the Executive Committee and Technology Advisory Panel with effect from April 1, 2017. He relinquished his membership of the Risk Committee on March 31, 2017

² Dr Teh relinquished his membership of the Executive Resource & Compensation Committee and was appointed a member of the Risk Committee with effect from April 19, 2017

³ Mr Tan was appointed a member of the Executive Resource & Compensation Committee and Nominating Committee with effect from April 19, 2017

⁴ Mr Yap was appointed Chairman of the Audit Committee with effect from April 19, 2017

⁵ Mr Asherson was appointed a director with effect from July 17, 2017

⁶ Mr Tang retired as Group President & CEO, member of the Executive Committee and member of the Technology Advisory Panel with effect from March 31, 2017. He also retired as a director with effect from May 31, 2017

⁷ Mr Chin retired as an independent non-executive director, chairman of the Audit Committee and a member of the Risk Committee with effect from April 19, 2017

* Directors conveyed their views / comments for consideration prior to the meetings

Corporate Governance Statement

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 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 and manages 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 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 and Mr Tan. Mr Tan was appointed to the NC on April 19, 2017. Mr Chin was a member of the NC until his retirement from the board on April 19, 2017. Three out of four NC members, including its chairman, are independent. They are Mr Ang, Tan Sri Mohd Hassan Marican and Mr Tan.

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 expertise 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 based 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. It 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 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 Ang, Mrs Lui and Dr Teh will retire and have offered themselves for re-election at the forthcoming AGM.

Mr Asherson, who was newly appointed to the board on July 17, 2017, will also retire and has offered himself for re-election by shareholders at the forthcoming AGM.

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. The board has adopted an internal guiding principle that seeks to address the competing time commitments that may be faced when a director holds multiple board directorship representations. As a general rule, the board has determined that the maximum number of listed company board representations held by any Sembcorp director should not exceed five. However, the board recognises that the individual circumstances and capacity of each director are different and there may be circumstances in which the limit on board appointments may differ as appropriate.

For 2017, the NC has reviewed and recommended to the board and 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. The assessment helps the directors to maintain focus on their key responsibilities, while improving board performance.

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. The NC periodically reviews and improves the directors' questionnaire to further enhance assessment of board and board committee effectiveness.

For FY2017, the evaluation indicated that the board continues to perform effectively.

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. 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.

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Company Secretary

The appointment and the removal of the company secretary are subject to the board's approval. 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 Chairman and 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 in the Group's compliance with the company's constitution and applicable regulations, including requirements of the Companies Act, Securities & Futures Act and SGX-ST Listing Manual. 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 Mr Tan. Mr Tan was appointed to the ERCC on April 19, 2017. Dr Teh who served on the ERCC since April 2015, relinquished his membership on April 19, 2017 and joined the Risk Committee.

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 Directors' Fee Framework periodically and remuneration package of each member of key management, and endorses or makes further recommendations on such matters to the board for its 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 2017, Mercer (Singapore) and Aon Hewitt (Singapore) were engaged as external consultants to provide such advice. In engaging external consultants, the Group ensures that the relationship, if any, between itself and these external consultants will not affect the independence and objectivity of the external consultants. In 2017, the ERCC undertook a review of the independence and objectivity of both Mercer (Singapore) and Aon Hewitt (Singapore) and has confirmed that the Group had no relationship with both companies that would affect their 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- 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 of the share-based incentives and performance targets are available in the Directors' Statement and Note 32 in the Notes to the Financial Statements in this annual report.

Non-executive directors' fees

To underscore their support of the company through these challenging times, the non-executive directors had taken a voluntary reduction in their directors' fee of 15% for the financial year 2017.

The framework on the right 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 2017*

	S\$
Chairman's fee (all-in)¹	750,000
Director's basic retainer fee	75,000
Executive Committee	
Chairman's allowance	50,000
Member's allowance	30,000
Audit Committee	
Chairman's allowance	50,000
Member's allowance	30,000
Executive Resource & Compensation Committee	
Chairman's allowance	35,000
Member's allowance	20,000
Risk Committee	
Chairman's allowance	35,000
Member's allowance	20,000
Nominating Committee	
Chairman's allowance	25,000
Member's allowance	15,000
Technology Advisory Panel / Others	
Chairman's allowance	25,000
Member's allowance	15,000
Attendance fees	
Board meeting	5,000
Committee meeting ²	2,500
Teleconference (board meeting)	2,000
Teleconference (committee meeting)	1,000
Travel allowance for overseas directors	
≤ 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:

* The directors' fee framework applies to all directors except the Group President & CEO, who is an executive director and does not receive any directors' fees

¹ With effect from January 1, 2014, the Chairman of our board only receives one all-in chairman's fee. He does 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

² The attendance fee for committee meetings also applies to attendance at general meetings

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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. Mr McGregor does not receive directors' fees as Group President & CEO of the company. The payment of directors' fees (both the cash and share components) is contingent upon shareholders' approval. 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 non-executive 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. Non-executive directors are required to hold shares in the company (including shares obtained by other means) worth the value of their annual basic retainer fee (currently S\$75,000); any excess may be disposed of as desired, subject to securities trading rules. 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 the financial year 2018 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 the financial year 2018 is intended to be paid in 2019 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 the performance target bonus, linked to the achievement of pre-agreed financial and non-financial performance targets, comprising strategy, business processes and organisation and people development. It is designed to support the Group's business strategy and the ongoing enhancement of shareholder value through the delivery of annual financial strategy and operational objectives. On an individual level, the performance target bonus will vary according to the actual achievement of the Group, business unit and the individual performance.

The second is linked to the creation of economic value added (EVA) and is designed to ensure alignment with sustainable value creation for the shareholders over the longer term. An EVA linked "bonus bank" is created for each executive. Typically, one-third of the bonus bank balance is paid out in cash each year, while the remaining 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 shareholders at an extraordinary general meeting held by the company 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.

The performance share award is only granted to the Group President & CEO and top management while the restricted share award is granted to a broader group of executives. The number of performance and restricted shares awarded is determined using a valuation of the shares based on a Monte Carlo simulation. The share awards are conditional upon the achievement of pre-determined performance targets over the performance period. The performance conditions and targets are approved by the ERCC at the beginning of the performance period and the final number of shares vested to the recipient will depend on the level of achievement of these targets over the performance period, subject to the approval of the ERCC.

The restricted share awards granted in 2017 have a two-year performance period from January 1, 2017 to December 31, 2018. Vesting of those shares is dependent on the following performance conditions:

- 50% based on Sembcorp Industries' return on total assets, excluding Sembcorp Marine
- 50% based on Sembcorp Industries' profit from operations, excluding Sembcorp Marine

The performance share awards granted in 2017 have a three-year performance period from January 1, 2017 to December 31, 2019. Vesting of those shares is dependent on the following performance conditions:

- 30% based on Sembcorp Industries' relative total shareholder return percentile ranking against the component stocks of the MSCI Asia Pacific ex-Japan Industrials Index

- 30% based on Sembcorp Industries' absolute total shareholder return against pre-determined target
- 40% based on Sembcorp Industries' earnings per share, excluding contribution from Sembcorp Marine

Pay for performance

As in prior years, a pay-for-performance study was conducted in 2017 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 against 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 fixed pay for senior executives at the Group to be positioned competitively vis-à-vis the Group's relative size and complexity. The total cash component for the year had a robust correlation to the Group's profit from operations and EVA. The performance conditions for short-term and share-based-term incentive plans were generally met, except for total shareholder return conditions, which were impacted by adverse share price movement. As a result, the realised value of the share-based incentive award was much lower than the granted value. 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.

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Disclosure on Remuneration (Principle 9)

Based on the above Directors' Fee Framework, the computation of non-executive directors' fees totalled S\$2,258,625 in 2017 (2016: S\$2,365,750). After applying the 15% voluntary reduction in fees payable to existing non-executive directors, the resulting non-directors' fees for the financial year 2017 totalled S\$1,938,769. 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 this annual report.

In 2017, 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.

The company also recognises the importance of providing the board with accurate and relevant information on a timely basis. Sembcorp's management furnishes management and operation reports as well as financial statements to the board on a regular basis.

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 is joined on the committee by Mr Tham, Mr Yap and Dr Teh. Dr Teh was appointed to the RC on April 19, 2017. Mr Chin was a member of the RC until his retirement from the board on April 19, 2017. 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 can be found on our website.

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 as a follow up to these exercises.

 For more information on the company's ERM framework, please refer to our website.

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 risk management systems and internal controls are adequate and effective as at December 31, 2017 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 Yap, who assumed the position on April 19, 2017. He is joined by Mr Tham, Dr Teh as well as Mr Haridass. Prior to this, the AC was chaired by Mr Chin, until his retirement from the board on April 19, 2017. The AC does not have any member who was a former partner or director of the company's external auditors, KPMG, within the last 12 months, or who holds any financial interest in KPMG.

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, 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.

Corporate Governance Statement

Key audit matters

The AC has discussed the key audit matters with management and the external auditors. The AC concurs with the basis and conclusions included in the auditor's report with respect to the key audit matters.



For more information on the key audit matters, please refer to pages 150 to 157 of this annual report.

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 in this annual report.

Whistle-blowing policy

The AC oversees the Group's whistle-blowing policy which has been 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 our website.

Internal Audit (Principle 13)

Independent internal audit function

The Internal Audit function (GIA) is an important line of defence for the Company and a key component of the overall governance assurance framework.

Our Group Internal Audit department (GIA) provides assurance to the AC that risk management and internal control systems are in place to manage and govern key aspects of the Group's businesses, including its financial, operational, compliance and information technology systems.

In 2017, GIA enhanced its audit approach by linking its internal audit plan with the ERM framework and integrating operational and financial audits. Subject matter specialists were seconded from relevant departments to GIA for the purposes of these integrated audits. GIA is also deepening its capabilities in the areas of operations, information technology, and workplace health, safety and environment audits.

The Head of GIA reports directly to the AC and administratively to the Group CEO. The AC participates in the appointment, replacement or dismissal, as well as evaluation and compensation of the Head of GIA.

The AC reviews the proposed scope and performance of the internal audit function, internal audit findings and management response, and the Group's Internal Audit Plan. It ensures that no limitation on audit has been imposed. Internal audit summary of findings, recommendations and actions taken are reviewed and discussed at AC meetings.

Professional standards and competency

GIA comprises members with relevant qualifications and experience and the internal audit is carried out based on the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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, after dissemination on SGXNET.

The quarterly results release date is disclosed at least two weeks prior to the announcement date 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 broadcasted live via webcast. Investor relations

officers are available by email or telephone to answer questions from shareholders and analysts 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-on-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 on pages 132 and 133 of this annual report.

Corporate Governance Statement

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 aiming for 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 were previously sent to shareholders in the form of a CD-ROM. This year, the company will further reinforce this commitment by making its annual report for shareholders available on its website and will not be distributing the report via CD-ROM. Shareholders are encouraged to read the annual report on the company website. A booklet containing the Request Form, Notice of AGM and Proxy Form will be sent to shareholders, informing them that the annual report is available online and directing them to where they may view it. 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 that 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 to shareholders at each AGM 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. Shareholders are informed of the voting procedures governing such meetings. An independent scrutineer is engaged to review the electronic poll voting system and proxy verification process during the meetings to ensure that the information is compiled adequately and procedures are carried out effectively. 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. Voting results will also be announced after the meetings via SGXNET.


The company secretary records minutes from these shareholder meetings, including relevant comments or queries from shareholders and responses from the board and management. The minutes 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 mandate (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. The company also has an internal policy and procedure to manage and capture any interested party transactions. All business units are required to be familiar with the IPT mandate as well as the internal policy and procedure, and report interested person transactions to the company for review and approval 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 2017 may be found in the related item under the Supplementary Information section of the financial statements on pages 323 and 324.

 Details on our Interested Person Transactions (IPT) Mandate can be found on our website.

Governance Disclosure Guide

In line with Sembcorp's commitment towards high standards of corporate governance and disclosure, the company has completed a questionnaire with reference to the disclosure guide developed by the Singapore Exchange in 2015.

 The company's responses to the disclosure guide may be found on pages 328 to 338 of this annual report.

Investor Relations

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

In the context of constantly-evolving disclosure, transparency and corporate governance requirements, 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; facility tours as well as the investor relations section of our company website.

Proactive Communication with the Financial Community

During the year, senior management and the investor relations team continued to engage the financial community. We held one-on-one and group meetings with shareholders, analysts and potential investors and participated in international investor conferences and roadshows. These included meetings during non-deal roadshows in Singapore, London and Toronto, led by our new Group President & CEO, Mr Neil McGregor. We also attended the Credit Suisse's annual Asian Investment Conference in Hong Kong.

Sembcorp constantly strives to strengthen its investor relations efforts and we are pleased that our efforts in this regard have been recognised. In 2017, we won the silver award for Best Investor Relations at the Singapore Corporate Awards, under the category for companies with S\$1 billion and above in market capitalisation. Sembcorp's investor relations website was also found to be the best amongst large-cap companies, in the first-ever survey assessing 707 investor relations websites of Singapore-listed companies. The survey was conducted by the Investor Relations Professionals Association (Singapore) and EQS Group.

Commitment to Good Corporate Governance

Sembcorp won several other awards in 2017, a strong endorsement of the company's excellence in corporate governance and transparency. In addition to the silver award for Best Investor Relations, Sembcorp clinched the silver award for Best Annual Report at the Singapore Corporate Awards in 2017 under the category of large-cap companies with S\$1 billion and above in market capitalisation. At the SIAS 18th Investors' Choice Award 2017, Sembcorp also emerged runner-up for the Singapore Corporate Governance Award (Industrials).

We continue to rank among the top companies in Singapore for good corporate governance and transparency. We were the sixth-highest ranked company in the 2017 edition of the Singapore Governance and Transparency Index, Singapore's leading index assessing corporate governance practices of listed companies. The Singapore Governance and Transparency Index is a collaboration between CPA Australia, the Centre for Governance, Institutions and Organisations at National University of Singapore Business School, and the Singapore Institute of Directors. It compares the transparency of 606 Singapore-listed companies based on their annual financial announcements.

Total Shareholder Return

Sembcorp Industries' last traded share price in 2017 was S\$3.03 and the company ended the year with a market capitalisation of S\$5.4 billion. The company's share price averaged S\$3.12 during the year, registering a low of S\$2.86 in January and a high of S\$3.40 in November. Daily turnover averaged 3.6 million shares.

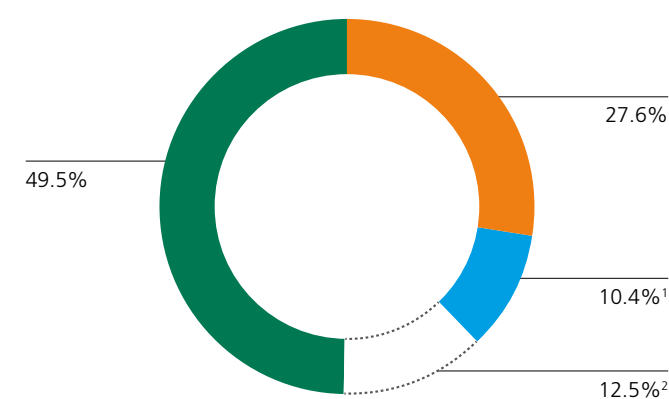
In 2017, Sembcorp Industries' total shareholder return for the year was a positive 9% compared to a negative 3% in 2016. However, this was lower than the Straits Times Index's 22%, which saw the good performance of the banking and property sectors, and the MSCI Asia Pacific ex-Japan Industrials Index's 13%, which reflected stronger economic growth in the region.

Sembcorp remains committed to delivering shareholder value amidst difficult operating conditions. For the financial year 2017, an interim dividend of 3 cents per ordinary share was declared and paid to shareholders in August 2017. In addition, a final dividend of 2 cents per ordinary share has been proposed, subject to approval by shareholders at the coming annual general meeting to be held in April 2018. Together with the interim dividend, this would bring our total dividend for 2017 to 5 cents per ordinary share.

Shareholder Information

In 2017, 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 2017, institutional shareholders accounted for 27.6% of our issued share capital or around 55% of free float, while retail shareholders¹ and shareholders not identified² held 22.9% of issued share capital or around 45% of free float. In terms of geographical spread, excluding the stake held by Temasek Holdings and shareholders not identified, our largest geographical shareholding base was North America with 38%, followed by shareholders from Europe and Asia, which accounted for 30% and 27% of the shares respectively.

Share Ownership by Investor Category



■ Strategic ■ Institutions ■ Retail ■ Not identified

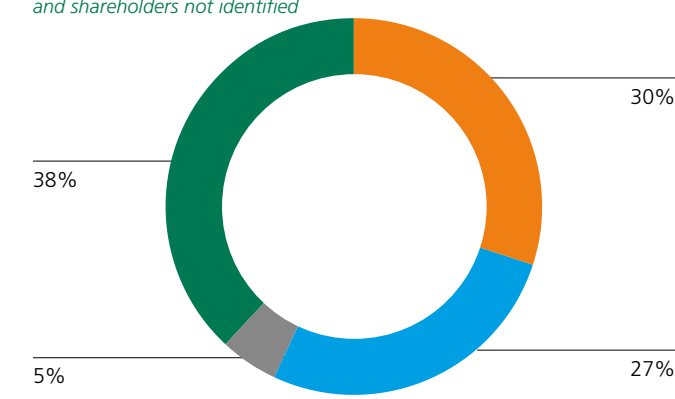
As at December 31, 2017

¹ Retail shareholders include private investors, brokers, custodians and corporates

² Shareholders not identified include mainly shareholders that fall below the threshold of 250,000 shares

Share Ownership by Geographical Distribution

Excluding shares held by the strategic shareholder and shareholders not identified



■ North America ■ Europe ■ Asia ■ Rest of the World

As at December 31, 2017

Independent Limited Assurance Report

Independent Practitioner's Limited Assurance Report on Sustainability Information of Sembcorp Industries Limited

Attention to the Board of Directors of Sembcorp Industries Limited

We have been engaged by Sembcorp Industries Limited (the "Company") to undertake a limited assurance engagement in respect of the selected sustainability information from the 2017 Environmental, Social and Governance Review Report of the Company described below for the year ended December 31, 2017 (the "Identified Sustainability Information").

Identified Sustainability Information

The respective Identified Sustainability Information for the year ended December 31, 2017 is set out below:

1. GRI 102-9: Our Supply Chain
2. GRI 201-1: Direct Value Generated & Distributed by Sembcorp
3. GRI 303-1: Water Withdrawal
4. GRI 305-1: Direct GHG Emissions (Scope 1)
5. GRI 307-1: Non-compliance with Environmental Laws and Regulations
6. GRI 401-1: Employee Turnover
7. GRI 403-2: Health and Safety
8. GRI 404-1: Average Training Hours per Employee
9. GRI 413-1: Community Contribution

Our assurance engagement was with respect to the year ended December 31, 2017. We have not performed any procedures with respect to (i) earlier periods and (ii) any other elements included in the Company's Sustainability Report, and in the annual report, website and other publications, and therefore do not express any conclusion thereon.

Reporting Criteria

The Identified Sustainability Information has been assessed against relevant criteria in the Global Reporting Initiative ("GRI") Sustainability Reporting Standards 2016 (the "Reporting Criteria").

Management's Responsibility for the Identified Sustainability Information

Management of the Company is responsible for the preparation of the Identified Sustainability Information in accordance with the Reporting Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Identified Sustainability Information that is free from material misstatement, whether due to fraud or error.

Practitioner's Independence and Quality Control

We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Singapore Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Information based on the procedures we have performed and the evidence we have obtained. We performed our limited assurance engagement in accordance with Singapore Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits and Reviews of Historical Financial Information (the "Standard"). This Standard requires that we plan and perform our work to form the conclusion about whether the Identified Sustainability Information is free from material misstatement. The extent of our procedures depends on our professional judgement and our assessment of the engagement risk.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Reporting Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability Information whether due to fraud or error, responding to the assessed risks

as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures selected included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, we also performed the following:

- Interviewed management and personnel in, Group Human Resources and Organisational development, Group Health, Safety, Security and Environment, Group Legal, Group Value Chain Management, Group Risk, Group Finance, Group Strategic Communications and Sustainability departments in relation to the Identified Sustainability Information;
- Obtained an understanding of how the Identified Sustainability Information is gathered, collated and aggregated internally;
- Performed limited substantive testing, on a selective basis, of the Identified Sustainability Information (i) to verify the assumptions, estimations and computations made in relation to the Selected Sustainability Information; and (ii) to check that data had been appropriately measured, recorded, collated and reported, to the extent we considered necessary and appropriate to provide sufficient evidence for our conclusion; and
- Assessed the disclosure and presentation of the Identified Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified

Sustainability Information has been prepared, in all material respects, in accordance with the Reporting Criteria.

Inherent Limitations

In designing these procedures, we considered the system of internal controls in relation to the Identified Sustainability Information and reliance has been placed on internal controls where appropriate. Because of the inherent limitations in any accounting and internal control system, errors and irregularities may nevertheless occur and not be detected.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Identified Sustainability Information for the financial year ended December 31, 2017 is not prepared, in all material respects, in accordance with the Reporting Criteria.

Purpose and Restriction on Distribution and Use

This report, including our conclusion, has been prepared solely for the Company in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

Yours faithfully



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore

March 7, 2018