



Environmental, Social and Governance Review

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About this Report

Reporting Framework

Our Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. It is guided by the Singapore Exchange Sustainability Reporting Guide as well as the Ten Principles of the United Nations (UN) Global Compact. Our climate-related disclosures are guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as well as CDP's (formerly Carbon Disclosure Project) Climate Change programme. Our previous report was published in March 2019. There are no significant changes from previous reporting periods in the list of material sustainability issues and boundaries.

Materiality

Material sustainability issues have been identified in line with the GRI Standards for sustainability reporting. In our 2016 materiality assessment, stakeholders were identified in accordance with the AA1000 Stakeholder Engagement Standard. Our material sustainability issues are reviewed and endorsed by our Sustainability Steering Committee and the board annually.

[For more information on our approach to stakeholder engagement and materiality, please visit Our Approach page in the Sustainability section of our website.](#)

Reporting Scope

- Our report provides information on Sembcorp as well as its subsidiaries and covers the period from January 1 to December 31, 2019
- It excludes operations, joint ventures, partnerships and associates where Sembcorp does not have management and / or operational control, with the exception of greenhouse gas (GHG) emissions data. In line with the methodology used for the development of our carbon emission targets, we report our GHG emissions and GHG emissions intensity using an equity share approach
- Our Marine business, Sembcorp Marine, is separately listed and reports its activities in a separate Sustainability Report
- New acquisitions and subsidiaries are given one year 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 as well as community investments from our Energy assets under construction is included
- Data pertaining to entities divested during the year is excluded from our report

Assurance

Our key sustainability data is independently assured by PricewaterhouseCoopers LLP.

Changes in reported data could occur arising from areas such as changes in material sustainability issues, boundaries or information, including the design, definitions and use of disclosures in the report. Upon such occurrences, current disclosures are presented alongside the appropriate restated comparative or historic data.

[For the Independent Limited Assurance Report, please refer to Our Performance: 2019 Performance Data and Commentary report in the Sustainability section of our website.](#)

2019 Highlights

Generated **\$899 million** of revenue from the Renewables and Environment business

Generated over **4.5 million MWh** of renewable electricity in 2019, equivalent to powering over one million households¹ in Singapore

Avoided over **3.9 million tonnes** of carbon dioxide equivalent emissions with energy generated by our renewable assets

Reclaimed around **74 million m³** of wastewater for industrial use. This was a higher than usual volume, driven by stronger customer demand

Provided over **39,000 people** with access to potable water for their daily needs through our community investment programme, the Sembcorp Water Initiative

Achieved **74%** recycling rate for fly ash produced by our coal-fired power plants in India

Converted over **360,000 tonnes** of waste into energy in Singapore

Planted over **800,000 trees** to help absorb air pollutants from the environment

Contributed over **8,500 volunteer hours** in local communities

Participation in sustainability ratings

- CDP (formerly known as the Carbon Disclosure Project)
- Dow Jones Sustainability Asia Pacific Index
- Energy Intelligence's Top 100 Green Utilities Report
- FTSE4Good Index Series²
- MSCI ESG Ratings³
- Sustainalytics



Sustainability Contact

We welcome feedback on our sustainability issues and reporting at sustainability@sembcorp.com.

¹ Based on the average energy consumption of a four-room public housing unit in Singapore. Source: Energy Market Authority, Singapore, 2017

² FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Sembcorp Industries has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products

³ The use by Sembcorp Industries of any MSCI ESG Research LLC or its affiliates (MSCI) data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Sembcorp Industries by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI

About this Report

Key Performance Indicators

	2019	2018	2017
Environmental			
Climate Change			
Direct GHG emissions ¹ (Scope 1) (million tCO ₂ e)	26.0	23.6	22.2
GHG emissions intensity ¹ (tCO ₂ e/MWh)	0.54	0.55	0.54
Renewable energy generation capacity (MW)	2,601	2,569 ^f	2,181 ^f
Resource Management			
Water withdrawal ² (million m ³)	1,971.3	1,856.2	1,856.4
Net water consumption ³ (million m ³)	46.1	54.3	49.3
Water discharge ² (million m ³)	1,925.3	1,801.9	1,807.1
Waste generated ⁴ (thousand tonnes)	1,894.3	1,713.3	1,452.7 ^e
Hazardous waste	51.3	39.9	10.0
Non-hazardous waste	1,843.0	1,673.4	1,442.7
Local Environmental Protection			
Significant spills ⁵	0	0	0
Social			
Health and Safety⁶			
Number of fatalities ⁷	2	1	3
Lost time injury rate ⁸ (number per million man-hours)	1.1	0.5	1.1
Accident severity rate ⁹ (number per million man-hours)	473.1	137.0 ^f	263.4 ^f
People			
Employee turnover ¹⁰ (%)	12.1	11.6	10.1
Training hours ¹¹ (average hours per employee)	29.4	25.2	23.8
Community			
Community contributions (S\$ million)	1.4	1.1	5.5

[Commentary on the data and other performance data, is available in this report, as well as in the Sustainability section of our website.](#)

[Notes: Please refer to the Reporting Scope section on page 54 for details on our reporting coverage.](#)

¹ Emissions data covers entities that produce GHGs from the combustion of fossil fuels consumed by our Energy business' assets. It excludes emissions from our anaerobic wastewater treatment plants, chemical waste and maintenance and servicing equipment. Emission factors used are from the IPCC Guidelines for National Greenhouse Gas Inventories for 2006. Only CO₂, CH₄ and N₂O emissions are included in the calculation of direct GHG emissions. Global warming potential factors used are from the IPCC Fifth Assessment Report. A 100-year time horizon is applied

² Water withdrawal includes all water we extract from the sea, surface, ground or third party sources such as wastewater from customers or treated water from water utilities. The calculation methodology for water withdrawal and discharge was updated to align to the GRI 303: Water and Effluents 2018 Standard

³ Net water consumption is defined as water consumed by our own sites and administrative offices

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

⁵ A significant spill refers to an accidental release of a hazardous substance which results in severe and / or persistent environmental damage, and is classified as having major or massive impact in our Group HSE Hazard Identification and Risk Management Standard. Significant spills are reported upon occurrence of the incident

⁶ Health and safety data covers both assets in operation and under construction

⁷ Data covers employees and contractors as well as members of the public. [Details of fatalities are reported on page 70](#)

⁸ The lost time injury rate is defined as the number of fatalities and lost work day cases per million man-hours worked. It includes high-consequence work-related injuries, which refer to injuries that result in permanent disability and / or injuries that require long term follow up such as physiotherapy treatment and where the individual is not expected to recover fully to pre-injury health status within six months

⁹ The accident severity rate is defined as the number of lost work days per million man-hours worked. 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

¹⁰ Data covers both voluntary and involuntary turnover of permanent employees

¹¹ Data covers permanent and contract employees

^f Indicates restated figure. Adjustments were made to 2017 and 2018 renewable energy generation capacity figures for conversion of capacity in Singapore from MWp to MW. Accident severity rate was revised to include fatalities

^e Indicates data based on management's best estimates; we have since refined the accuracy and consistency of the data

Managing Sustainability

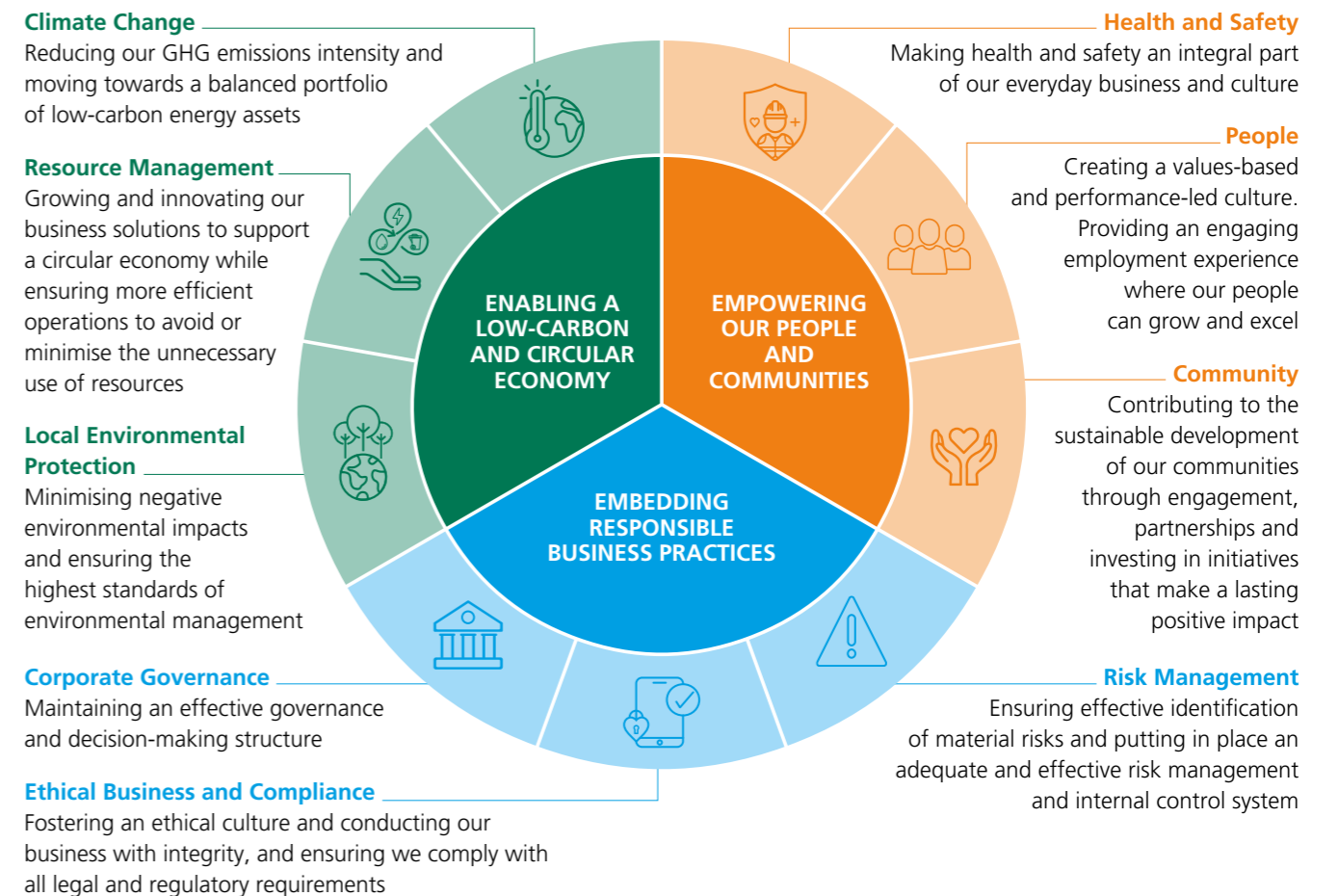
Sembcorp has long held a strong commitment to sustainability. We believe that responsible corporates can play a role as agents of transformation for a sustainable future. We see sustainability in our company as inextricably linked to our ability to deliver long-term value and growth to our stakeholders.

Our Sustainability Framework

Sustainability is one of the key pillars of our business strategy that underpins our value creation process.

As a Group, we want to enable a low-carbon and circular economy, empower our people and communities, and embed responsible business practices throughout our organisation.

These ambitions in turn support the UN Sustainable Development Goals (SDGs).



Driven by Our Purpose

Our purpose and passion is to do good and play our part in creating a sustainable future. We deliver energy and innovative solutions that support development and create value – for our stakeholders and communities.

Underpinned by Our Values



Creative Insight
We innovate and solve complex problems



Committed
We walk the talk, do the right thing and deliver on our promises



Connected
We value our people, forge strong partnerships and care for our communities and the environment

Managing Sustainability

Supporting the SDGs

The SDGs and their accompanying targets were ratified by 193 states at the UN Summit in September 2015. The scale and ambition of the SDGs mean they cannot be achieved by governments alone, and require the collective effort of businesses, organisations and all levels of society. Sembcorp believes in playing its part to help meet these goals. We have identified SDG 6 and 7 as priority SDGs to focus on. These encapsulate areas that our businesses have significant impact on and can make the greatest contributions to sustainable development by 2030.

Goal 6: Clean Water and Sanitation

Our suite of water solutions for industrial customers helps to reduce the use of freshwater and potable water

Target: We aim to grow our water reclamation volume to 63 million m³ by 2022

Goal 7: Affordable and Clean Energy

As an integrated energy player, we aim to help advance the global energy transition. We are committed to increasing our share of renewable assets, while managing existing thermal assets to operate at optimal efficiency

Target: We aim to grow our renewable energy capacity to 4,000MW by 2022

[For more information on our support of the SDGs, please visit Our Approach page in the Sustainability section of our website.](#)

Sustainability Governance

Sembcorp's board of directors oversees the business affairs of the Group. The main duties of the board include providing leadership on Sembcorp's overall strategy which takes into consideration our material sustainability issues. Sembcorp also has a Sustainability Steering Committee that provides strategic direction for managing sustainability-related risks and opportunities. The committee is chaired by our group chief financial officer, and comprises senior executives who are accountable for the management of Sembcorp's material sustainability issues.

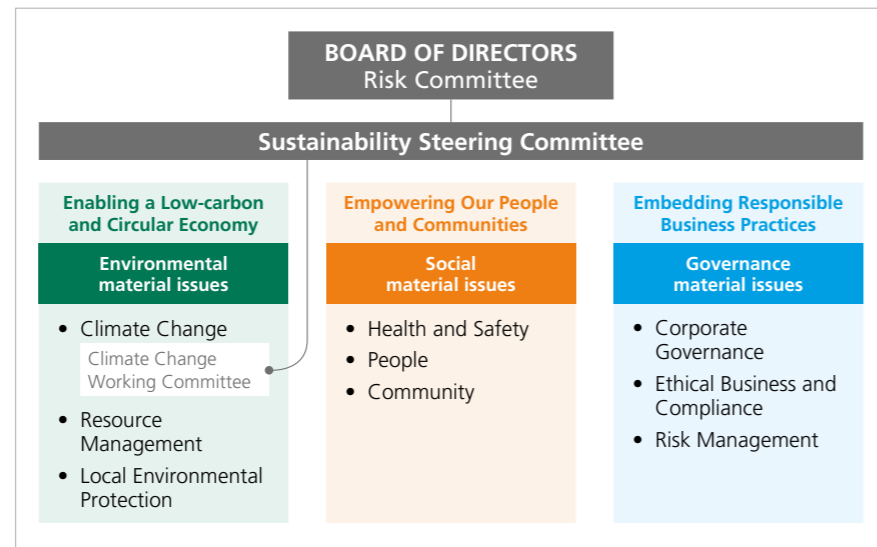
To ensure sustainability is embedded into the business, environmental, social and governance (ESG) components are included in the performance scorecard of our leadership team, who are responsible for cascading action for these components throughout the

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 our material ESG factors.

organisation. With this, the performance incentives of our senior executives specifically take into account ESG performance and the achievement of set targets.

[For more information on our sustainability-related policies, please visit the Reports & Policies page in the Sustainability section of our website.](#)



Memberships and Associations



Our Material ESG Issues

Enabling a Low-carbon and Circular Economy

Climate Change

Our Priorities

Reducing our greenhouse gas (GHG) emissions intensity and moving towards a balanced portfolio of low-carbon energy assets

Relevant SDGs



How We Did in 2019

Our renewables capacity in 2019 was 2,600MW

Our GHG emissions intensity was slightly lower than in 2018. We are committed to meeting our targets by 2022

> Pages 59–61

Resource Management

Our Priorities

Growing and innovating our business solutions to support a circular economy while ensuring more efficient operations to avoid or minimise the unnecessary use of resources

Relevant SDGs



How We Did in 2019

We reclaimed around 74 million m³ of water

> Pages 61–66

Local Environmental Protection

Our Priorities

Minimising negative environmental impacts and ensuring the highest standards of environmental management

Relevant SDGs



How We Did in 2019

We registered zero significant spill incidents in 2019

We paid significant fines totalling S\$10.5 million in 2019. Details of fines and sanctions can be found on page 78 of this report

> Pages 66–67

Climate Change

Why this is material

Climate change poses an enormous threat to the safety and well-being of entire populations as well as the global economy. In particular, as an energy producer, our energy generation activities release GHG emissions that contribute to climate change. In addition, climate change also poses potential regulatory, technological, physical and reputational risks to our business. However, we recognise that in spite of these challenges, we are also uniquely positioned to leverage opportunities that have arisen from actions in response to climate change.

[For more information on our Climate Change Strategy, please visit the Reports & Policies page in the Sustainability section of our website.](#)

Our approach

In 2018, we launched our Climate Change Strategy, which outlines megatrends in the global energy transition, why

climate change matters to Sembcorp and how we are addressing climate-related risks and opportunities.

Our climate-related disclosures are guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). TCFD is a market-driven initiative, which articulates a set of voluntary climate-related financial risk disclosures for use by companies.

[Our TCFD disclosure is available in the Our Focus Areas: Environment page in the Sustainability section of our website.](#)

Performance

Progress on Our Renewables Growth
Our total renewables capacity accounts for over 20% of our total energy capacity.

We improved our CDP Climate Change score from C to B- in 2019. We were the only Singaporean company to feature in the global Top 100 Green

Utilities ranking by Energy Intelligence, and were placed 60th in the list.

Managing Our Emissions

Direct GHG emissions (Scope 1) are from sources owned or controlled by the company. Our GHG emissions data is reported using an equity share approach. Our Scope 1 GHG emissions and GHG emissions intensity was 26 million tonnes of CO₂ equivalent (tCO₂e) and 0.54 tonnes of CO₂ equivalent per megawatt hour (tCO₂e/MWh), respectively. The increase in absolute emissions was due to the inclusion of data from our gas-fired power plants in Bangladesh and Myanmar, our small-scale power generation assets in the United Kingdom (UK), as well as an increase in electricity generation at our Indian thermal power plants. The slight decrease in our overall GHG emissions intensity was due to higher renewable energy generation and gas-fired electricity production. We remain committed to meeting our 2022 GHG emissions intensity target of 0.42 tCO₂e/MWh.

Our Material ESG Issues

Supporting Singapore's Solar Ambition



Sembcorp Solar staff inspecting our rooftop solar panels

Sembcorp is greening its portfolio and helping to drive the adoption of renewables by partnering industry leaders to lead the charge together. This is in line with our strategy to enable a low-carbon future and support Singapore's target to produce enough solar energy to power about 350,000 homes annually by 2030. In 2019, we expanded our solar business in Singapore, securing an additional 63MWp of solar capacity. This brings our total solar capacity in operation and under development in Singapore to 180MWp.

We report emissions from the combustion of biomass separately, in accordance with the Global Reporting Initiative (GRI) Standards. Our global biogenic emissions amounted to approximately 531 thousand tCO₂e in 2019, compared

to approximately 446 thousand tCO₂e the year before.

Indirect GHG emissions (Scope 2) are from purchased electricity, steam, heating and cooling. We report Scope 2

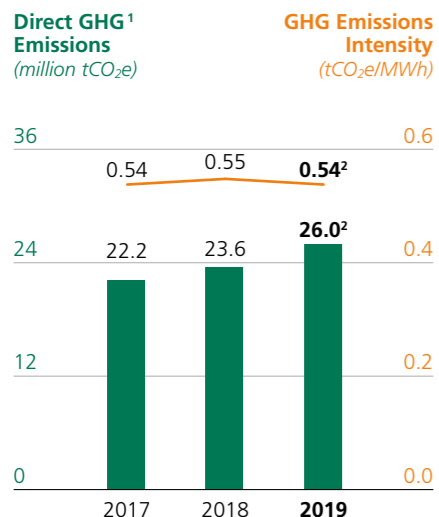
GHG emissions from the majority of our plants. Our Scope 2 emissions amounted to over 303 thousand tonnes or 0.3 million tCO₂e. The increase in our Scope 2 emissions is largely due to the expansion in our reporting scope.

Other indirect GHG emissions (Scope 3) are generated as a result of the company's activities but are not derived from sources controlled or owned by Sembcorp. We began measuring Scope 3 GHG emissions in 2019, starting with the emissions from the use of natural gas sold to our customers. Our Scope 3 emissions amounted to 3.8 million tCO₂e¹.

¹ Emissions are calculated using the Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories for 2006 emission factors. Data is calculated on the assumption that all gas sold is combusted

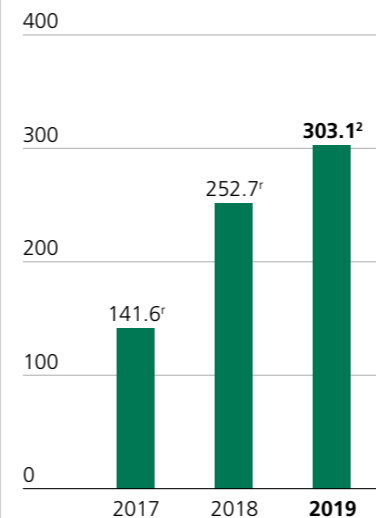
² Includes data from our Urban business

Direct GHG Emissions (Scope 1) and GHG Emissions Intensity



¹ Emissions data covers entities that produce GHGs from the combustion of fossil fuels consumed in our Energy business' assets. It excludes emissions from our anaerobic wastewater treatment plants, chemical waste and maintenance and servicing equipment. Emission factors used are from the IPCC Guidelines for National Greenhouse Gas Inventories for 2006. Only CO₂, CH₄ and N₂O emissions are included in the calculation of direct GHG emissions. Global warming potential factors used are from the IPCC Fifth Assessment Report. A 100-year time horizon is applied. Base year is set to 2017 to compare our Scope 1 GHG emissions intensity over time. Our base year reflects the year we developed our Climate Change Strategy and correspondingly set our GHG emissions intensity targets

Indirect GHG Emissions¹ (Scope 2) (thousand tCO₂e)



¹ Indirect GHG emissions include location-based data for all Energy business' assets. In Singapore our operations purchase energy from our own assets; to avoid double counting, the emissions resulting from these have been accounted for under Scope 1 GHG emissions. CO₂, CH₄ and N₂O emissions are included in the calculation of indirect GHG emissions, except for India where their grid emission factor only takes into account CO₂. Emission factors are taken from the International Energy Agency, Ministry of Energy of Chile, Central Electricity Authority of India, and the UK Department for Environment, Food & Rural Affairs. Emissions relating to heating have been excluded. We are in the process of setting the base year for Scope 2 emissions to compare our performance over time

² Includes data from the import of steam, our municipal water businesses in Southeast Asia, our administrative offices in key markets, as well as our Urban business

¹ Indicates restated figure. The reason for the restatement is provided in our 2019 Performance Data and Commentary report in the Sustainability section of our website

Resource Management

Why this is material

Global population growth coupled with rapid urbanisation and industrialisation have led to an unprecedented demand for critical resources. This has underscored the need for us to reduce

the unnecessary use of resources while pursuing innovations that support a circular economy. As an integrated energy and urban player, Sembcorp is uniquely positioned to help others on the journey towards sustainable development.

We have identified three key areas under resource management:

- Energy management
- Water and wastewater management
- Waste management

In each area, we seek to optimise resource use for our customers and in our own operations.

Our approach

Energy Management

The challenge for the energy sector is to meet growing energy needs, with fewer emissions. While we are taking steps to green our portfolio, this process takes time. In the meantime, we are optimising the efficiency of our power assets.

The Sembcorp Global Asset Management System enables process optimisation, troubleshooting and predictive analytics, and consolidates real-time operational data from our global assets. The system shortens the lead time required to identify and resolve complex issues, leverages digital solutions to improve cost-effectiveness and enables best practice sharing across the Group.



In 2019, Sembcorp planted 19 species of flora around our thermal operations in India with a total of over 130,000 saplings across some 180 acres. To date, we have contributed a total of 32 flora species and over 800,000 saplings across nearly 750 acres, which is equivalent to approximately 416 football fields. This has helped to create a "green belt" to restore land degradation while absorbing air pollutants from the atmosphere

Our Material ESG Issues

Innovative Technology as a Key Differentiator for Sembcorp



Innovative and practical technologies are key differentiators for our business. For example, Sembcorp Solar employs the use of an online monitoring system that tracks the performance of its solar assets across Southeast Asia. The system enables the identification and measurement of real-time performance indicators to ensure that its assets are operating optimally. Sembcorp Solar customers can also access an online application, which provides them with a visual representation of the performance of their rooftop solar panel installations.

Sembcorp Solar's online monitoring system



In India, we introduced our Virtual Brain platform, an analytics-based digital asset management platform that enables the business to monitor data remotely. It provides information from our renewable energy sites across seven states, supporting our operations with performance monitoring, forecasting, real-time condition monitoring and anomaly detection.

Virtual Brain platform for wind assets in India

Energy efficiency parameters are embedded in our plant operation management systems and monitored daily. Monthly technical forum discussions are conducted by our operations teams to facilitate knowledge sharing of best practices on operational and efficiency issues.

In addition to managing our own assets, Sembcorp seeks to empower customers to achieve their own sustainability targets, through the application of technology and integrated solutions.

Water and Wastewater Management

Water is a precious resource. Our aim is to ensure that all our interactions with, and the usage of, water resources are responsibly managed. We are committed to integrating environmental protection and stewardship into our operations to help mitigate environmental risks and support water conservation.

As a water solutions provider, Sembcorp uses water for a number of purposes. In addition to consuming water in our own operations, we also supply water and associated water services to our customers. We withdraw water from a variety of sources including the sea, water bodies on the surface such as rivers and lakes, ground and third party sources such as wastewater from our customers or treated water from water utilities. We are committed to ensuring that any effluent is treated in line with regulatory discharge standards.

Where required, environmental impact assessments are conducted in accordance with national and / or international standards and methodologies, to understand the effect our activities have on the local environment, including water bodies. Recommendations from these assessments are then incorporated into the design, construction and operation of new plants.

Power plants use large amounts of water for cooling purposes. Almost 99% of the water we withdraw for such purposes is seawater, which minimises the need for freshwater and groundwater. In some of our power plants, we employ closed loop cooling water systems to further minimise the need for seawater.

Our specialised water solutions for industries enable us to treat multiple streams of industrial wastewater directly from source, without the need for pre-treatment on the part of our customers. This helps customers to focus on their core business, and allows us to leverage different wastewater influent profiles to further optimise the wastewater treatment process. In some cases, a proportion of treated water is channelled for reclamation and re-supplied to customers for their industrial processes – thus forming a closed loop which minimises liquid discharge and helps to conserve water.

Supporting the UK's Transition to Renewables



Sembcorp Energy UK's flexible gas-fired generation plants (top) and battery energy storage system (above)

In August 2019, over one million people in the UK were left without electricity for up to 45 minutes, after a lightning strike caused two large generators that power the national grid to trip which led to a plunge in grid frequency. Within minutes of the blackout, Sembcorp Energy UK's fleet of rapid response gas-fired power plants swung into action to make over 600MW of electricity available, which supported the restoration of power to the grid.

We operate the UK's largest distributed energy portfolio that comprises 813MW of small-scale, fast-ramping power generation assets and rapid response batteries in operation and under construction. In 2019, the first 60MW of our battery energy storage system commenced operations in the UK. These are used by the national grid electricity system operator to dynamically manage the system in real-time. Our batteries function like the cruise control in a car, automatically increasing or decreasing their output to ensure that the system frequency remains consistently within safe limits, thus reducing the risk of a power cut.

With the growth of renewables in the UK's energy mix, flexible rapid response gas engines and battery energy storage systems will play increasingly important roles to help address the intermittency of renewables by bridging supply gaps and ensuring the reliability of power supply.

In water-stressed regions such as Oman and the United Arab Emirates, our large-scale integrated power and desalination plants use multi-stage flash distillation and reverse osmosis to provide high-quality water to meet municipal and industrial needs.

Waste Management

Tackling the challenge of waste management requires a circular economy approach, including reduction in waste generation and exploring opportunities to reuse resources.

For example, Sembcorp operates energy-from-waste plants in Singapore and the UK, where waste is used as feedstock for power generation. In Singapore, this waste is collected by our solid waste management business. In addition, the majority of fly ash generated as a by-product in our coal-fired power plants in India is recycled into cement and bricks.

We actively seek to reduce the volume of sludge generated in our industrial

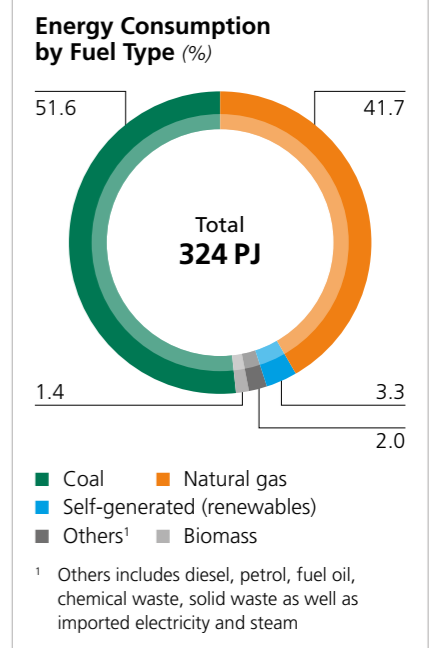
wastewater treatment operations. Methodologies include anaerobic sludge digestion which involves a series of biological processes that breaks down sludge and reduces sludge volume, while also generating biogas which is channelled towards the production of steam and electricity. In addition, non-hazardous sludge is converted into useful products such as bricks or plant fertiliser where possible.

Performance Energy Management

We consumed 324 petajoules (PJ) of energy in 2019. We set internal targets for our plants to improve operational performance and efficiency.

This year, our global energy and water facilities undertook a total of 22 energy optimisation projects that resulted in the reduction of nearly 29,000MWh of electricity¹.

¹ Based on projected annualised energy savings



Our Material ESG Issues

Water and Wastewater Management

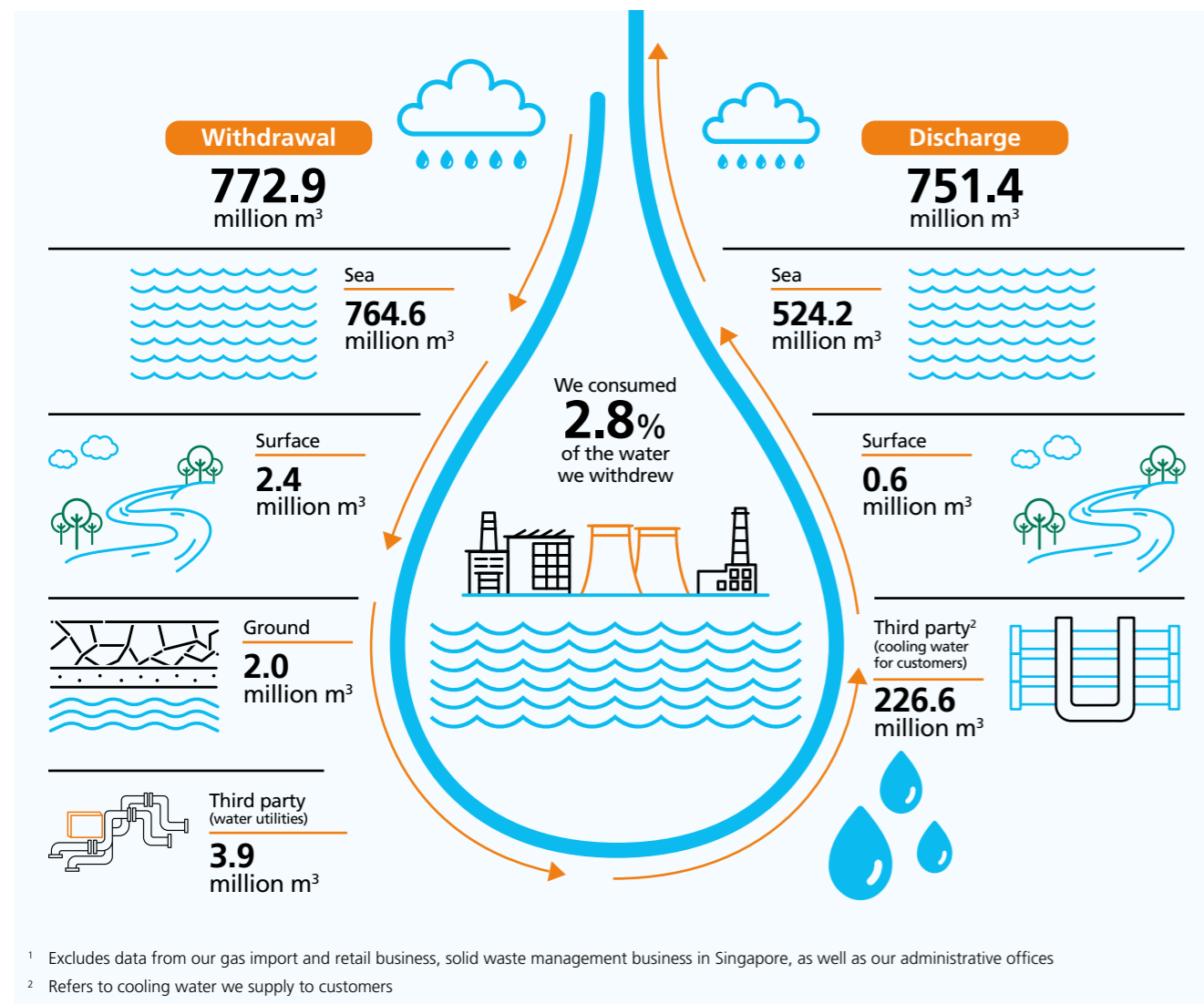
We revised our disclosures for water to begin aligning with the new GRI 303: Water and Effluents 2018 Standard.

[For the GRI-compliant disclosure, please refer to Our Performance: 2019 Performance Data and Commentary report in the Sustainability section of our website.](#)

The infographics that follow provide a summary of our water interactions across our Energy businesses and markets. In adopting the GRI Standards, we have defined the terms as follows:

- **Water discharge:** includes all water that is discharged from our operations to various destinations including the sea, surface and third parties such as customers
- **Water consumption:** comprises the water we use in our own operations and administrative buildings. It excludes water that we withdraw and treat for supply to customers
- **Water withdrawal:** includes all water we extract from the sea, surface, ground or third party sources such as wastewater from our customers or treated water from water utilities

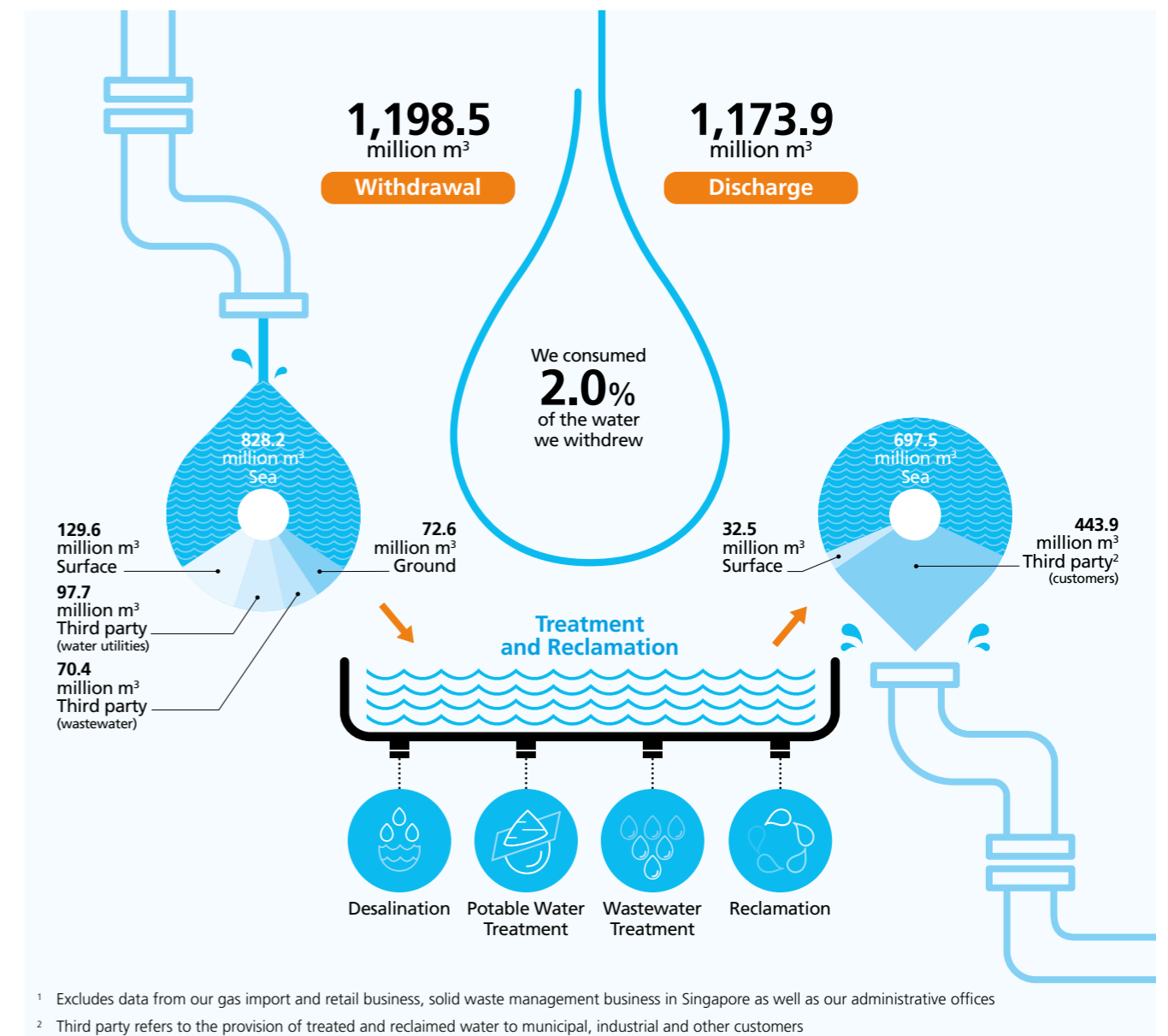
Water Flow of Our Energy Generation Assets¹



Our energy generation assets withdrew nearly 773 million m³ of water in 2019:

- 98.9% was seawater that was used for plant cooling purposes
- 0.3% was surface water that was used for plant cooling purposes
- 0.3% was groundwater that was used for cooling purposes. Moving forward we are developing new water intake infrastructure to withdraw surface water instead of groundwater
- 0.5% came from water utilities and was used for our operations

Water Flow of Our Water Assets¹



Our water assets withdrew over 1,198 million m³ of water in 2019:

- 69.1% was seawater and was used to produce desalinated water
- 10.8% was surface water, the majority of which was used to produce water for municipal customers
- 8.1% was water from water utilities, of which more than half was treated wastewater that we reclaimed and supplied to customers
- 5.9% was wastewater from our customers. Out of the total volume of wastewater we treated, we reclaimed approximately 16% which was supplied to customers
- 6.1% was groundwater, 100% of which was treated and supplied to municipal customers

We reclaimed around 74 million m³ of water in 2019, driven by stronger customer demand.

In 2019, we undertook a water optimisation project that led to improved efficiency and a projected annualised reduction of 35,000m³ of water used.

We also provided access to drinking water to over 39,000 people in India and Myanmar through our community investment projects.

Our Material ESG Issues

Helping to Make Recycling in Singapore 'ezi'



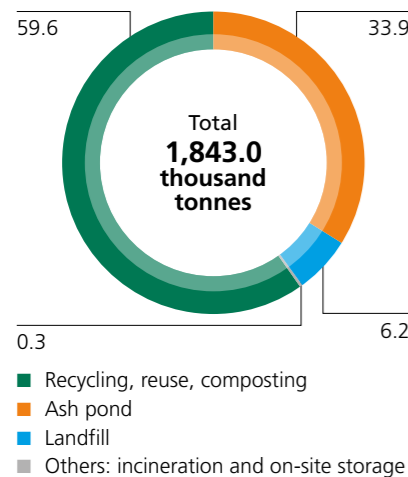
Dr Amy Khor, Senior Minister of State, MEWR (centre) with Mr Neil McGregor, Group President and CEO of Sembcorp Industries, and other dignitaries at the official launch of the 'ezi' app in November 2019

In November 2019, Sembcorp launched the 'ezi' recycling mobile application. The initiative aimed to improve recycling in Singapore and was part of a nationwide push towards reducing waste. A recent survey conducted by the Ministry of Environment and Water Resources (MEWR) highlighted the need to better educate residents on the different types of recyclable items and the need to make recycling more convenient.

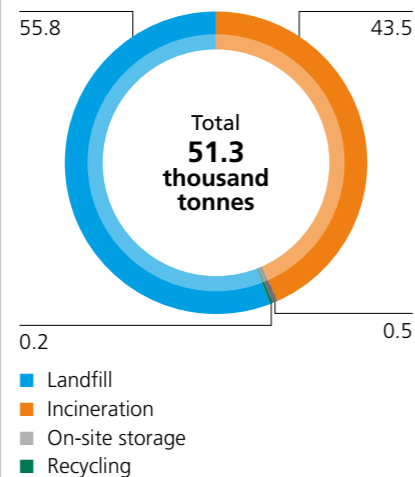
To help address these gaps, the 'ezi' mobile app adopted a two-pronged approach to recycling. Using the app, residents could arrange for their recyclables to be collected at their doorstep, in exchange for a cash incentive. The app also included an interactive educational module on recycling.

The pilot programme was rolled out to selected households in the Woodlands zone in the north of Singapore. As of end 2019, the app was downloaded nearly 7,500 times and had helped to facilitate the collection of over 10,000 kilograms of recyclable waste.

Disposal Method for Non-hazardous Waste^{1,2} (%)



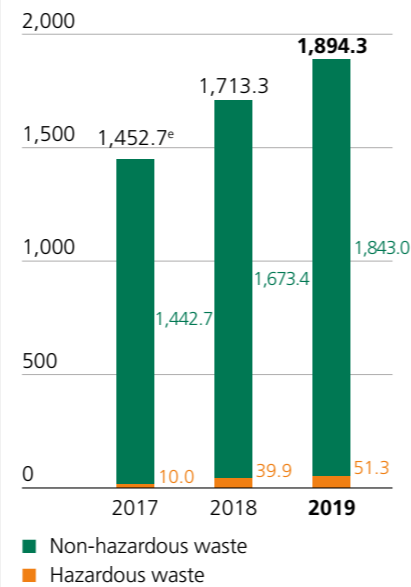
Disposal Method for Hazardous Waste¹ (%)



¹ We do not dispose of waste through deep-well injection. The respective disposal methods are in some cases dependent on the availability of the disposal sites at our operational facilities

² Coal ash is directly disposed by Sembcorp in line with local regulations. We have added ash pond as a non-hazardous category to more accurately show our non-hazardous waste disposal methods

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 materials are defined by the relevant country regulations in each market
^e Indicates data based on management's best estimates

Waste Management

In 2019, total waste generated increased due to more fly ash produced as a result of higher energy output by our thermal power plants in India. About 74%, or approximately 1.1 million tonnes, of fly ash was recycled. To further improve recycling rates, we aim to install a fly ash classification and segregation plant at our thermal assets in India by the second half of 2020. The plant will help process the fly ash into fine quality ash, for which there is greater market demand.

Local Environmental Protection

Why this is material
 As a result of the products and services we provide, our operations may have varying degrees of impact on the environment, in direct or indirect ways. These may include the discharge of effluent, disposal of waste, and the emission of air pollutants. Any improper or non-compliant discharge, disposal or emissions may result in harm to the environment and



Members of the Sembcorp Virtual Brain platform for water team receiving the 2019 Operating Model Master Award for Singapore at the IDC Digital Transformation Awards ceremony

Technology-enabled, Real-time Monitoring

Since 2018, Sembcorp deployed the Virtual Brain (VB) platform for water, which allows real-time, round-the-clock automated monitoring of our 26 water and wastewater facilities globally. VB is a control system which collects and monitors thousands of data points, including the influent and effluent of the plant. Using custom built algorithms, it detects problems before they occur and recommends solutions to the operator. VB also features an enhanced alert management system, notifying users of issues and creating an auditable trail of the responses to any issues detected. This facilitates a more dynamic and timely response to issues with the process, ensuring water discharge that consistently meets regulatory standards. The innovation won the Operating Model Master Award at the IDC Digital Transformation Awards in October 2019.

public health, as well as threaten the long-term viability of our business.

Our approach

Environmental protection and stewardship are integrated into our operations, guided by our Group Health, Safety, Security and Environment (HSSE) management system comprising:

- Group HSSE Policy
- Group HSSE rules, standards and procedures
- All applicable environmental regulations

Our Group HSSE standards, such as the environmental protection and hazardous substances handling standards, set out the principles and requirements which support the Precautionary Principle in managing environmental risks. We seek to take all possible preventive action to minimise our impact on the environment. Our aim is to avoid pollution from effluents or disposal of waste and hazardous substances, prevent spills or other environmental incidents, keep our atmospheric emissions within legally acceptable levels, as well as monitor and minimise boundary noise.

Environmental considerations are integrated into the planning for all existing and new operations, products and services. Where required, environmental assessments are conducted in accordance with national and / or international standards and methodologies, which

include environmental and social impact assessments, environmental baseline studies as well as pollution control studies. Recommendations based on study findings then inform our management of HSSE risks, and are incorporated into the design, construction and operation of new plants.

Our Group HSSE Incident Reporting and Investigation Requirements set out systematic steps and actions in response to HSSE incidents and near misses, with the aim of preventing a recurrence. Our Integrated Assurance Framework (IAF) sets out the three lines of defence that ensure compliance to our operating standards.

[For more information on our IAF, please visit Our Focus Areas: Governance page in the Sustainability section of our website.](#)

Performance

In 2019, we enhanced our Environmental Protection Management Standard on hazardous material handling. We tightened the requirements around hazard analysis and identification, spill prevention, inspection of process equipment and safe transfer of hazardous substances. These enhanced requirements are focused on the early identification of environmental risks, and prioritises the mitigation and management of such risks as well as the maintenance of the integrity and operability of our assets. Training programmes were conducted to support the implementation of the enhanced Standard.

In 2019, we registered zero significant spill incidents¹ across our global operations. We paid significant fines totalling S\$10.5 million in 2019, mainly in relation to the discharge of off-specification wastewater that took place prior to early 2017. Details of the fines can be found on [page 78](#) of this report.

¹ A significant spill refers to an accidental release of a hazardous substance which results in severe and / or persistent environmental damage, and is classified as having major or massive impact in our Group HSSE Hazard Identification and Risk Management Standard. Significant spills are reported upon occurrence of the incident

Atmospheric Emissions^{1,2} (thousand tonnes)

	2019
Nitrogen oxides (NO _x)	30.6
Sulfur oxides (SO _x)	74.6
Particulate matter (PM)	2.5

¹ Emission figures are derived from direct measurement and estimation

² Estimations for flue gas flow are based on operational conditions

Our atmospheric emissions are largely from our thermal energy assets. Material air pollutants are nitrogen oxides, sulfur oxides, and particulate matter. Persistent organic pollutants, volatile organic compounds and hazardous air pollutants emissions are not considered significant and therefore not monitored.

Our Material ESG Issues

Empowering Our People and Communities

Health and Safety

Our Priorities

Making health and safety an integral part of our everyday business and culture

Relevant SDG



How We Did in 2019

We continued to implement training and tools to nurture a proactive health and safety culture, including the Behaviour-based Safety programme and the 360 Safety Check tool. We suffered two fatalities in 2019. We are deeply saddened by the loss and are working closely with our stakeholders across the Group to improve our health and safety practices, and prevent injuries

> Pages 68–71

People

Our Priorities

Creating a values-based and performance-led culture. Providing an engaging employment experience where our people can grow and excel

Relevant SDGs



How We Did in 2019

We began a comprehensive employee benefits review in our key markets. Recommended changes based on our findings are being implemented, starting with our home base in Singapore. We also saw an increase in training hours from 2018, registering an average of 29.4 hours of training per employee

> Pages 71–74

Community

Our Priorities

Contributing to the sustainable development of our communities through engagement and partnerships, and investing in initiatives that make a lasting positive impact

Relevant SDGs



How We Did in 2019

We made community investments totalling S\$1.4 million. Some 91% of our global operations engaged in local community and / or development programmes

> Pages 74–75

Health and Safety

Why this is material

A healthy and safe work environment is a fundamental right of every employee. As Sembcorp develops and operates power and water plants as well as other facilities, we understand that the nature of our business operations means that any lapse in health or safety protocols can result in direct or indirect impact on our people, customers and communities. Therefore, it is our responsibility to ensure that our employees and contractors at all levels are equipped with training and the right tools to work safely.

Our approach

Occupational Health and Safety

Health and safety form an integral part of our daily business operations. We aim

to be an organisation with a proactive health and safety culture. We are committed to working towards the goal of zero fatalities and injuries in our workplaces, with a workforce that puts safety first.

Achieving a safe work environment is a responsibility shared by all employees across the organisation. To incentivise positive behaviour and practices, health and safety key performance indicators are embedded into relevant employees' scorecards. Performance incentives for all employees also take into account the Group's overall health and safety performance for the year.

We aim for progressive improvement in our health and safety performance,

which is benchmarked against global industry safety statistics such as the International Oil and Gas Producers Global Safety Performance Indicators. To meet our goals we have in place structures and processes including:

- Board review
- Oversight by the board's Risk Committee
- Leadership by our Group President & CEO, supported by our Senior Leadership Council (SLC)
- A Group Health, Safety, Security and Environment (HSSE) management system comprising:
 - Group HSSE Policy
 - Group HSSE rules, standards and procedures

The Group HSSE management system details expectations and principles relating to different aspects and activities of stakeholders across the entire Group, including contractors, vendors and suppliers working within or at project sites outside our facilities. Our management approach and elements are aligned with the relevant OHSAS and ISO Standards, and ensures that we comply with the legal requirements relating to HSSE in all respective jurisdictions of our operations. In addition, the framework is supported by Sembcorp's 10 Elements for HSSE Excellence.

[For more information on our health and safety certifications, please visit the Initiatives, Memberships & Certifications page in the Sustainability section of our website.](#)

The Group HSSE management system covers key processes for effective health and safety management including:

- Hazard Identification and Risk Assessment
- Incident Investigation and Reporting
- Occupational Health Management
- Consultation and Communication

[For more information on our Group HSSE management system, please refer to Our Performance: 2019 Performance Data and Commentary report in the Sustainability section of our website.](#)

Training

Equipping our people with the relevant HSSE and technical capabilities ensures the presence of competent safety practitioners and line managers across our operations. Training plans are tailored according to the particular operation or site's risk profile and local conditions. Examples of operations-specific training include defensive driving at our solid waste management unit as well as project commissioning and construction orientation for project development teams. An annual global HSSE workshop also provides a platform for learning as well as the sharing of

corporate initiatives and best practices by different operations.

Product Safety and Quality

Our customers depend on us to deliver safe, reliable products and services for their municipal or industrial needs. Quality assurance and compliance testing of our products are done at various points in the value chain, from manufacturing to distribution and supply. To minimise the

risk of non-compliance, our stringent monitoring and control regime includes detailed inspections as well as preventive maintenance of all critical instruments, including meters and sensors, for us and our customers. We also conduct regular quality checks to comply with regulatory requirements and to ensure that the water we produce is safe for our customers and end users, including our potable water products.

Prioritising Safety Excellence in Our Solar Business Growth



Sembcorp Solar safety personnel demonstrating the use of safety equipment

Since 2016, our solar business arm in Singapore, Sembcorp Solar, has grown to become one of Singapore's largest renewable energy players. While Singapore's target to produce enough solar energy to power about 350,000 homes annually by 2030 has presented business opportunities, this rapid growth has also highlighted new risks including exposure to pool price fluctuations, lower solar specific yields and safety risks. To ensure the necessary risk controls were put in place, our solar operations needed to take a proactive approach to risk identification. As such, Sembcorp Solar adapted the Group HSSE management system and was certified with ISO 45001 for its occupational health and safety management system. Our solar operations also undergo regular internal and external site safety audits.

To support the upskilling of the solar industry workforce in Singapore, Sembcorp Solar also conducted safety trainings and briefings to build the safety awareness and capabilities of our contractors. In addition, Sembcorp Solar developed customised programmes to verify and monitor the implementation of our contractors' safety management system to promote health and safety at the workplace.

As at the end of 2019, all our solar sites in Singapore have maintained a record of zero demerit points under the single-stage Demerit Points System for the construction industry.

Our Material ESG Issues

To optimise and ensure consistent quality output of our products, we use digital technology to augment our processes and reduce the risk of human error in the monitoring and control functions of our operations. For example since 2018, our water facilities in Singapore and China have implemented Sembcorp's Virtual Brain platform for water, which allows round-the-clock automated monitoring.

Physical Security

The global operating landscape is becoming increasingly complex and challenging. As our businesses grow across different markets, we must stay current in the way we safeguard the security of our people and assets. In line with our responsibility to provide a secure working environment, we closely monitor and assess security threats and risks to our operations.

Our Group Security Management System adopts a holistic approach to safeguarding the long-term security of our operations – by aligning physical security measures with international practices. The management system includes standards such as the Physical Access Control Standards and Recommended Practices which are benchmarked against relevant international security management protocols.

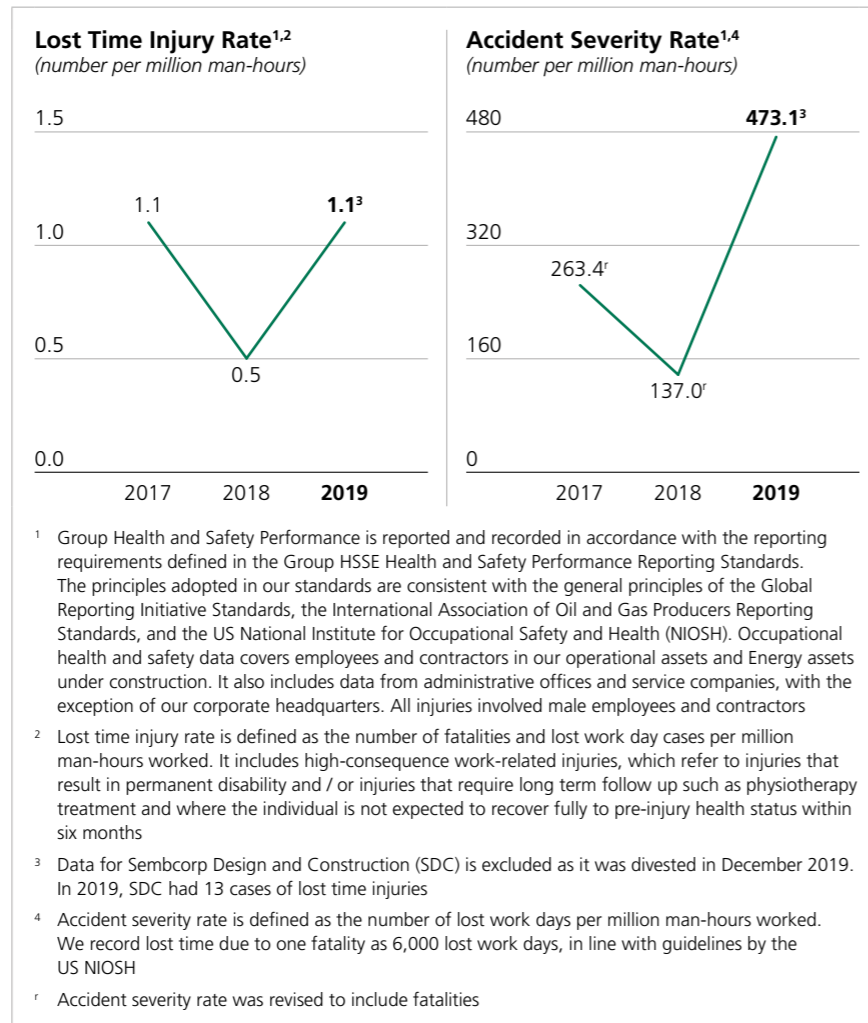
Assurance

Our Group HSSE assurance is aligned with the Integrated Assurance Framework (IAF). The IAF adopts a three lines of defence (LOD) approach that sets in place a robust accountability system to enable effective controls for identified risks and to promote continual improvement.

[For more information about how HSSE is managed through our three LOD model, please refer to Our Performance: 2019 Performance Data and Commentary report in the Sustainability section of our website](#)

Performance

We revised our disclosures for occupational health and safety to begin aligning with the new GRI 403:



Occupational Health and Safety 2018 Standard. In line with our aim to be an organisation that puts safety first, we continued to implement training and tools that nurture a proactive health and safety culture:

- We began train-the-trainer sessions on our Behaviour-based Safety (BBS) programme that we rolled out to all our operating assets globally starting in 2018. To foster greater ownership of safety practices across the group, employees are encouraged to conduct regular BBS observations and record them in a web-based mobile application. By the end of 2019, we completed all train-the-trainer sessions
- We ran a campaign to promote the adoption of our 360 Safety Check, a 30-second visual self-check tool

designed to help employees be more vigilant in their work environments. By applying this tool, workers are able to identify and correct risky behaviour or potential hazards in their workplaces. This in turn facilitates more prompt rectification of unsafe conditions, which contributes to a reduction of incident occurrences

There was an increase in both our lost time injury rate and accident severity rate since 2018. We remain committed to health and safety as an integral part of our business, and have implemented targeted initiatives to improve the ability of our operations and sites to identify and address unsafe conditions or actions.

With great regret, we report that there were two fatalities concerning our contractors in India in 2019. We are

deeply saddened by these incidents. Thorough investigations were carried out, following which preventive measures have been implemented to prevent recurrence. We are working closely with our stakeholders to further improve safety and prevent injuries.

People

Why this is material

The unprecedented energy transition has led to significant risks and business model disruption. In this fast-changing climate, our people play a vital role in ensuring our business stays relevant by delivering on our transformation strategy and goals. Developing and retaining a capable, highly motivated and performance-led workforce will be key to our shared success. Of the issues relating to our people, our materiality review process has identified the following areas of focus:

- Employee development
- Employee compensation and benefits
- Employee engagement
- Employee wellness
- Diversity and equal opportunities
- Human rights and labour standards

Our approach

We have more than 4,500 employees across our operations spanning multiple markets worldwide, where labour laws, regulations, employment codes and practices differ widely. All our local human resource policies comply with local laws.

Our human resource practices are guided by the following governing frameworks and policies:

- Oversight by the board's Executive Resource & Compensation Committee
- Oversight by the SLC
- The Sembcorp Mindset and Leadership Competencies
- Code of Conduct
- Human Rights Policy
- Harassment Policy
- Grievance Handling Policy and Consequence Management Framework

Employee Development

The Sembcorp Mindset encapsulates the five Cs – Creative Insight, Committed, Connected, Courageous and Curious – and defines who we are and how we conduct ourselves. Building on this foundation, we add our Leadership Competencies which mark key behaviours unique to Sembcorp employees. Together these represent our promise to internal and external stakeholders, to drive organisational excellence and play our part in creating a sustainable future.

We are committed to equipping our people with the capabilities and know-how to achieve their fullest potential, while enabling them to remain relevant in an evolving operating landscape. We have in place several organising frameworks to facilitate talent management and enhance our employees' experience.

To enhance talent management, we launched a new talent review and succession planning framework in 2019 that will allow a more consistent approach to talent identification and development. This talent review and succession planning process has been integrated into our existing LeAD (Lead, Appraise, Develop) and Learn online platform, which allows us to more effectively review our talent pool from a global perspective.

Leadership development is another key focus. In addition to deepening our bench strength, our leadership development programmes facilitate more comprehensive learning and development across different job grades. These programmes include priority learning areas such as effective communication skills.

As a global company, local talent is key to helping us understand market conditions, while supporting local communities in meaningful and effective ways. We strive to identify the best possible local talent for senior management roles in our markets,

so that Sembcorp can continue to support capability building in the communities in which we operate.

We also see effective performance management as a critical component of Sembcorp's business transformation. This is facilitated through our performance management system LeAD, which takes a structured approach by aligning employee performance with the Sembcorp Mindset, Leadership Competencies and key performance indicators needed to create a values-based, performance-led culture, with integrity at our core.

Employee Compensation and Benefits

To attract, motivate and retain talent, we have in place a competitive remuneration and reward system based on key principles of equity and meritocracy. Our salary levels are reviewed regularly and benchmarked against local standards, as well as data from global market surveys and consultancy firms. Where applicable, they also undergo negotiations with employee unions.

Annual variable bonuses for all staff are based on Group and individual performances which are measured against personal targets that were agreed upon with their supervisors. Employee share plans that foster greater ownership of the Group's shared success are also available. For example, under the Restricted Share Plan, managerial participants of the Group are awarded restricted shares, while non-managerial participants receive their awards in an equivalent cash value, known as the Sembcorp Challenge Bonus.

[For more information on our employee share plans, please see the Share-based Incentive Plans section of the Directors' Statement on pages 109 to 114.](#)

Our Material ESG Issues

Engaging Employees to Build a Dynamic Organisation

Our people play a vital role in ensuring the success of our business, as we transform to meet the challenges of industry disruption. To build a dynamic organisation able to thrive in this fast-changing climate, we focused on developing a values-based, performance-led culture underpinned by purpose and integrity.

As part of our ongoing culture-building exercise, we enhanced our global employee engagement survey to gain a deeper understanding of our employees. Survey results were above industry average, with encouraging scores in the areas of satisfaction with the company as a purpose-driven and socially responsible organisation.

The results also identified key drivers of employee satisfaction which included talent engagement and change management. We will be focusing our efforts on these areas as we continue on our transformation journey.

To foster stronger engagement with our people, we introduced the "60 seconds with 60 people" campaign. The series featured 60 different internal stakeholders in 60-second long videos designed to educate employees on various initiatives across the Group. We also launched an employee video contest for staff. The winning entries were chosen by popular vote, with over 80% of global staff participating.

Our employee engagement efforts also include encouraging volunteerism. In October 2019, we launched Sembcorp Gives Back Week (SGBW). Over 1,000 staff volunteers across nine countries came together to give back to local communities, with a host of employee-led activities centred on the theme of "Zero Waste". Together, the Sembcorp family clocked approximately 5,000 volunteer hours. In a post-event survey, over 80% of respondents agreed that the programme allowed them to engage fellow colleagues and senior management in a more meaningful way.

Staff in Singapore after a beach clean-up during SGBW



Employee Engagement

Effective employee engagement is fundamental to any organisation's long-term success, as a key driver to increase job satisfaction and performance.

We continue to grow our employee engagement platforms. For example, senior management conducts quarterly face-to-face staff communication sessions which are webcast to all markets. Market-specific engagement sessions are also organised to keep employees up to date on current happenings and upcoming projects. Both platforms incorporate question-and-answer segments for employees to share their

views. In addition, employees can also engage senior management directly in virtual chat sessions via an internal online platform.

Over the course of the year, organisational updates, internal campaigns as well as business milestones are communicated to staff via channels such as briefings and workshops, emails, the intranet and other internal digital platforms.

Employee Wellness

Workplace wellness and health promotion are key elements of an employee's overall well-being. We have set aside a dedicated budget in major markets like

Singapore, China and India which is available for department heads to use for activities that encourage employee well-being and team bonding. Around the world, employee-led committees organise a range of recreational activities as well as nutrition and stress management programmes to support employees' physical and mental well-being.

We also provide Group Term Life and Group Personal Accident coverage in all our key markets. Besides mandatory medical screenings for employees who might be potentially exposed to occupational health hazards,

voluntary annual health screenings are available free of charge to all employees in most markets.

Diversity and Equal Opportunities

Sembcorp is committed to promoting a fair and equitable work environment for all employees. We believe all employees should have the opportunity to thrive in a workplace free from harassment and prejudice. Recruitment, promotion, rewards and career development opportunities are based on merit, without discrimination against age, race, gender, sexual orientation, religion, family or marital status, or any other status protected by the laws or regulations in the locations where we operate. Our SLC is represented by more than five different nationalities and our global workforce includes people from over 35 nationalities.

Human Rights and Labour Standards

Our Human Rights Policy defines our responsibility to ensure the highest respect for human rights and the company's expectations of our workers and business partners. Our Code of Conduct also sets out our stance on fairness, opportunity, non-discrimination, dignity, respect and harassment. We are committed to honouring and safeguarding the spirit of the following international declarations as well as the relevant reinforcing instruments:

- United Nations (UN) Guiding Principles on Business and Human Rights
- UN Universal Declaration of Human Rights
- International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Employers' Pledge of Fair Employment Practices under Singapore's Tripartite Alliance for Fair and Progressive Employment Practices

[Our Code of Conduct, Human Rights Policy and Whistle-blowing Policy are available in the Reports & Policies page in the Sustainability section of our website.](#)

Performance

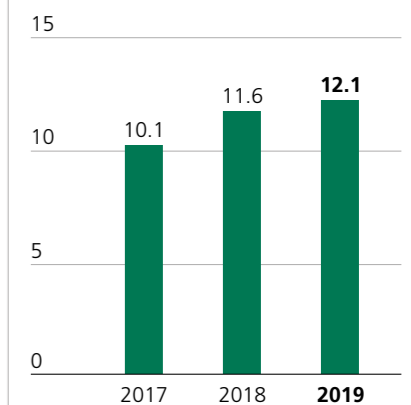
In line with our aim to create a purpose-driven, values-based and performance-led culture, we continued to implement initiatives to provide an environment where our people can grow and excel:

- In 2019, nine new leadership development programmes were introduced. These included priority learning areas following recommendations from a 2018 review of our training curriculum, such as effective communication skills
- In Singapore, we piloted courses in the Sembcorp technical leadership academy, an internal training arm that aims to equip technical workers with relevant functional skills
- To equip our senior leaders with skills needed to operate in an increasingly complex global environment, we also piloted courses on an e-platform in partnership with top business schools such as Yale and University of California Berkeley to provide our senior leadership with convenient access to executive education
- We brought together 100 global seniors leaders at our inaugural three-day Global Leadership Conference. The conference gave participants an opportunity to co-create and develop solutions to further business objectives in line with the Group's strategic direction
- We extended the roll out of LeAD to other markets. The system provides a more holistic approach to performance and development, laying a stronger foundation for us to manage talent development across the Group
- In 2019, we conducted an employee benefits review in our key markets. Recommendations from survey findings, together with benchmarking against industry peers, will be implemented in phases. For example in Singapore, we introduced an increase in paid time-off. The changes

were applicable to all executive staff and took effect on January 1, 2020. A more formal flexible benefits programme will be implemented later in 2020

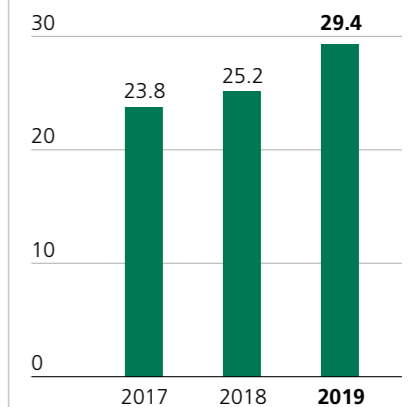
Employee turnover rate was stable, increasing slightly from 11.6% in 2018 to 12.1% in 2019. The voluntary turnover rate increased from 9.3% in 2018 to 10.1% in 2019. We recognise the potential impact that our transformation efforts may have on our people, and remain committed to engaging employees

Employee Turnover¹ (%)



¹ The data covers both voluntary and involuntary turnover of permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine

Training Hours¹ (average hours per employee)



¹ The data covers both permanent and contract employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine

Our Material ESG Issues

and equipping them with the right skills and capabilities as we continue on our transformation journey.

The average number of training hours per employee grew approximately 17% to 29.4 hours in 2019 from 25.2 hours the year before. The increase

has been in line with group-wide efforts to better equip our staff, develop new capabilities, and support building a values-based, performance-led culture. We are committed to developing a robust training curriculum to support capability building of our employees.

Community

Why this is material

Sembcorp's long-term success is based on being a valued partner to the communities we operate in. While our businesses play a role in supporting economic development and improving the quality of life in these communities,

we also recognise that the nature of our business means we can have varying degrees of economic, social and environmental impact, in direct or indirect ways, on the communities in which we operate. As such, as part of our licence to operate, we aim to contribute to the sustainable development of local communities through engagement, by investing in meaningful partnerships and programmes that can have a lasting positive impact.

Our approach

Our operations support local development by providing employment and revenue that contribute towards economic growth as well as the infrastructural development of our host communities.

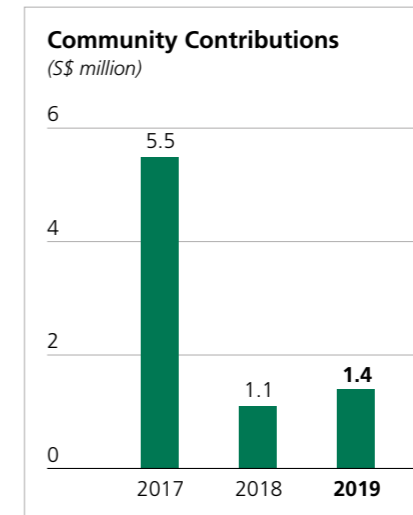
With operations across multiple markets worldwide, we understand first-hand how the needs of one region can vary greatly from another. We believe our local operations are best placed to understand the unique needs of the community and forge partnerships with local stakeholders. As such, markets manage community assessments, engagement programmes and contributions, while aligning to group-level strategic frameworks and guidelines.

Assessment and Engagement

Our community assessment and engagement practices are guided by our Group Stakeholder and Community Engagement Policy, and the 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 as required. These studies typically include social management plans which are implemented by the operations team at various stages of project development.

Community Investment

Our revamped Community Investment Guidelines provide a more strategic approach to our charitable contributions and community investments. The updated



youth development, apprenticeships and job training programmes.

As part of our commitment to SDG 6, one of our priority SDGs, we invested in programmes to secure access to safe drinking water for communities living in the vicinity of our plants. To date, we have installed a total of 27 community water treatment plants that serve over 39,000 people in India and Myanmar. Some 91% of our global operations engaged in local community and / or development programmes. We plan to grow this coverage to 100% by 2022.

Total volunteer hours was more than 8,500 hours, of which over 10% was spent outside of working hours.

guidelines aim to achieve a greater proportion of investments in long-term initiatives which integrate community needs with our business objectives, core competencies or assets. Our efforts currently focus on supporting the following five Sustainable Development Goals (SDGs):



The LBG (formerly London Benchmarking Group) Guidance Manual guides the tracking and reporting of our community contributions. This uses standardised definitions and valuations to account for our total community giving.

[For more information on our programmes, please visit Our Approach: Feature Stories section on our website.](#)

Performance

In 2019, Sembcorp contributed S\$1.4 million through cash and in-kind donations to charities and community initiatives globally, of which over S\$350,000 comprised mandatory contributions. Some of the causes we support include environmental and water conservation education, as well as

Empowering Women in India to Secure Their Own Livelihoods



Women observing a demonstration as part of the beauty therapy course offered by SEDC

Ms Shyamala, 31, is a mother of two. She wants to give her children the best she can and hopes that a good education will help them find well-paying jobs in the future. Up until recently, those dreams seemed a distant reality as she struggled to put food on the table for her family. To make ends meet, she did odd jobs in the agricultural fields near her village, earning less than INR3,000 (S\$57) a month.

Last year, she enrolled in a free three-month training programme offered by the Sembcorp Entrepreneurship Development Centre (SEDC) to become a certified beautician. The Centre is a community initiative by Sembcorp Energy India Limited, which

has been investing in education and healthcare related programmes to support communities across India since 2012.

Established in 2018, SEDC provides training and development courses to women and youth in the surrounding villages of Nellore, Andhra Pradesh. It aims to reduce high unemployment rates among these target groups, especially young mothers.

Since its establishment, SEDC has trained over 450 women and youth. Of the five courses on offer, tailoring and beauty therapy have proven to be the most popular and account for over 70% of enrolment. A significant number of participants who completed the training and received certification

from SEDC have been able to improve their livelihood with their newly acquired skills.

Since graduating from the programme, Ms Shyamala now runs a small cosmetics and beauty parlour in her village of Varkaipudi. Her income has more than doubled compared to what she earned in the fields.


"I never imagined that as a housewife, I would be able support my children's education with my own earnings," she said. "With more income, I am now much more confident about our future."

Our Material ESG Issues

Embedding Responsible Business Practices

Corporate Governance

Our Priorities
Maintaining an effective governance and decision-making structure

Relevant SDG


How We Did in 2019
We continue to be placed in the top 10 of the Singapore Governance & Transparency Index

[> Pages 76–77](#)

Ethical Business and Compliance

Our Priorities
Fostering an ethical culture and conducting our business with integrity while ensuring we comply with all legal and regulatory requirements

Relevant SDG


How We Did in 2019
In 2019, we enhanced and updated our Anti-bribery and Corruption Policy and programme, and also enhanced our Third Party Due Diligence compliance programme

[> Pages 77–78](#)

Risk Management

Our Priorities
Ensuring effective identification of material risks and putting in place an adequate and effective risk management and internal control system

Relevant SDG


How We Did in 2019
We made good progress in transitioning from our Governance Assurance Framework (GAF) to an Integrated Assurance Framework (IAF) which puts greater emphasis on the three lines of defence (LOD) model

[> Pages 78–82](#)

Corporate Governance

Why this is material

We define corporate governance as the structures, practices and processes in place by which our organisation is controlled, operated, directed and accountable for. Well-defined corporate governance processes are essential to enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.

Our approach


Sembcorp is led by an effective board. In 2019, 82% were independent non-executive directors. Our Board Diversity Policy sets out principles to maintain diversity on the board's composition. 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 independent oversight of management.

We comply with the principles and guidelines set out in the new Singapore Code of Corporate Governance 2018 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 the delegation of authority as well as financial authority limits, which has been approved by the board. A comprehensive set of governance and functional policies ensure entity-level controls have been 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.

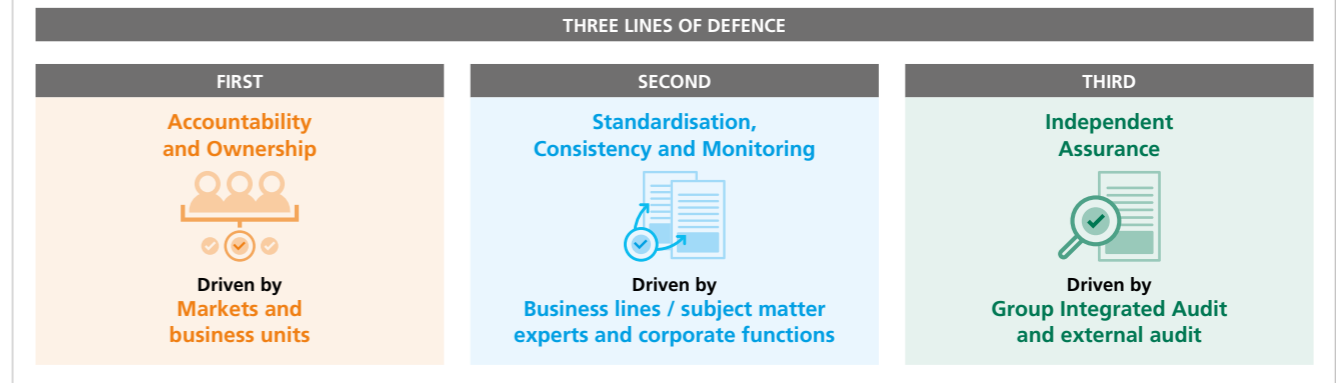
We are in the midst of transitioning from our GAF to an IAF to provide a more holistic and robust basis of assurance for the adequacy and effectiveness of our risk management and internal control system. The process identifies risk from strategic top-down and bottom-up perspectives from each key market, putting greater emphasis on the three LOD model.

 [For more information on our three LOD model, please visit Our Focus Areas: Governance page in the Sustainability section of our website.](#)

Performance

We maintained sixth position in the Singapore Governance and Transparency Index, the leading index for assessing the corporate governance practices of Singapore-listed companies. As part of our ongoing efforts towards best practice,

Sembcorp's Integrated Assurance Framework



we developed a Board Diversity Policy that sets out our principles on board composition. In the appointment of its directors, Sembcorp considers directors with different skillsets, experience, age, gender, educational and professional background, length of service, as well as other relevant attributes.

Ethical Business and Compliance

Why this is material

Responsible business conduct and ethical business practices ensure the long-term viability of our businesses by building trust and confidence with our stakeholders. We are committed to high standards of behaviour and integrity in everything we do and expect the same of those whom we do business with. We have zero tolerance for fraud, bribery and corruption. Our businesses operate in highly regulated environments where 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, limiting future growth opportunities.

Our approach

Our Group Ethics & Compliance (GEC) function holds the charter to:

- Foster and promote an organisational culture of integrity, ethical decision-making and compliance that is in line with our values and with the law and regulations

- Promote appropriate risk assessment and due diligence to prevent, detect and respond to unlawful and unethical conduct or non-compliance

The goals, initiatives and key performance indicators of the GEC function are tied to its charter. The outcomes and effectiveness of the GEC function are reported quarterly to the Senior Leadership Council and Audit Committee as part of our governance and accountability structure. The policies under the ownership and management of the department include the Code of Conduct (CoC), the Anti-bribery and Corruption (ABC) Policy and the Data Protection Policy. The GEC function continuously looks to implement and enhance other relevant policies relating to the CoC and regulatory compliance to ensure we remain up-to-date and relevant to industry and regulatory practices.

The bonus payments of senior managers and above are tied to the completion of mandatory compliance training which comprises the CoC, ABC Policy, Gifts, Entertainment and Travel Policy as well as the Data Protection Policy.


Code of Conduct

All employees are required to comply with the requirements of the CoC, which is endorsed by the board. Requirements of the CoC are communicated to employees globally through a message from the Group President & CEO, via face-to-face training sessions, e-learning and in other

forms of communication such as compliance newsletters and email.

Employees are required to complete an annual declaration form to acknowledge that they have read and understood the principles and requirements of the CoC, agree to comply with its principles and requirements, and will promptly report any violation through available reporting channels. Suppliers and contractors who work with Sembcorp are also expected to follow the Supplier CoC.

The CoC also provides a channel for employees to raise concerns or seek guidance in the event of a breach or if they encounter difficult choices in the course of their work. The whistle-blowing channel was established for this purpose and the organisation does not tolerate any retaliation against employees who raise concerns about a violation of the law, the CoC or any company policy in good faith.

 [Our Code of Conduct is available in the Reports & Policies page in the Sustainability section of our website.](#)

Anti-bribery and Corruption

Our ABC Policy sets out the standards and principles on conducting business with integrity and the highest ethical standards expected of every employee. Our employees are trained on our policy and principles via e-learning or face-to-face training sessions. Our Third Party Due Diligence compliance programme helps us better manage and mitigate the

Our Material ESG Issues

risk of bribery and corruption that may arise through an intermediary or third party acting on behalf of Sembcorp.

Data Protection

The Group Data Protection Policy sets out the framework and principles which govern the collection, use, disclosure and retention of confidential personal and business data. Our businesses globally are expected to abide by the policy, subject to local laws and regulations on data protection. We also respect the privacy of individuals and we protect personal information whenever personal data is collected, used and processed by us.

Adherence to the above policies is accounted for and monitored with the following approach: the second LOD and policymakers will train and educate employees, as well as monitor, review and perform a gap analysis and use data analytics to identify trends or anomalies. The outcomes of these analyses are reported to senior management for accountability and action. In addition, audits are also conducted by Group Integrated Audit (GIA) to provide an independent assurance to management, and to ensure follow up action plans are implemented to mitigate future lapses.

Performance

In 2019, employee acknowledgement of compliance to the CoC was 100%, and a total of 94% of employees underwent mandatory compliance training.

As part of our continuous improvement efforts, we have updated and enhanced our ABC Policy and supporting programmes to ensure that these are relevant and up to date with current regulations and best practices in addition to being compliant with the US Foreign Corrupt Practices Act and UK Bribery Act. We have also enhanced our Third Party Due Diligence compliance programme to strengthen our controls around intermediary and third party relationships. In 2019, we conducted a

total of 29 face-to-face ABC training workshops with over 800 employees globally, and covered topics including gifts, entertainment, travel and third party due diligence.

A total of 22 data protection and cyber security awareness training workshops were conducted for over 700 employees globally. We regularly review our data protection policies, processes, practices and controls to identify any gaps or lapses which may result in non-compliance. We seek to ensure that all identified gaps are addressed in a timely fashion.

Fines and Sanctions

We are committed to complying with statutory and regulatory requirements. As part of our IAF, all heads of markets must certify compliance with all relevant legal and regulatory requirements in their respective entities and countries of operation. These certifications are reported to the senior management and the Audit Committee quarterly. In instances where there has been evidence of non-compliance, the case undergoes review or investigation. We report significant monetary fines incurred upon the payment of the fine.

In 2019, we paid significant* fines totalling S\$10.5 million in Chile and China. Of this, S\$522,000 was for three fines incurred by our operations in Chile, while S\$10 million was for a fine imposed on a joint venture company in China. In Chile, two fines amounting to S\$400,000 were for incidents that occurred in 2015 and 2016 for delays in the construction of wells, water and sewage networks that were committed under a regulatory development plan. In addition, a S\$122,000 fine was imposed due to the discharge of untreated sewage to the ocean in 2016. The sewage lifting system was improved to better manage the sewage water discharge.

In China, legal proceedings related to the discharge of off-specification wastewater by a joint venture wastewater treatment

company in Nanjing, China, concluded in February 2020. The Group's share of fines and cash settlement for both the criminal and civil claims was a total of S\$54 million. This amount included a S\$10 million fine for the criminal case in 2019. In addition, there was a S\$44 million settlement for the civil claim.

The isolated incident had resulted from the illegal and criminal activities of some former employees of the joint venture company for a period prior to early 2017. The involved employees have since been charged, tried and sentenced in their individual capacities by the local courts. The employment of those individuals found guilty was also terminated.

Following this incident, we took all necessary steps to further strengthen our internal controls and processes in our water operations in China. We implemented a proprietary technology platform, Virtual Brain platform for water, in wastewater facilities to track and monitor plant performance and compliance, and established a Country Centre of Excellence in Shanghai. The Centre of Excellence centralises all technical resources, implements Group water business standard operating procedures and oversees project management and controls for all new projects. The Group has also committed to new investments worth approximately S\$45 million over the next four years to develop projects and initiatives to support environmental protection in the country.

Risk Management

Why this is material

The global energy transition and technological advances have led to significant risks and business model disruptions. As a diverse company with a presence in multiple markets, we are exposed to risks including financial, operational, compliance and information technology threats. Risk management is an integral part of our business as it minimises the likelihood and impact of potential financial losses, as well as

provides a framework of evaluation for 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 measures and controls.

Our approach

The Group has an overall risk management strategy, as set in place by the board of directors and supported by the board's Risk Committee and Audit Committee. The Risk Committee reviews and enhances the effectiveness of the Group's risk management and health, safety, security and environment (HSSE) 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. HSSE 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 which guides the board and management in the execution of the Group's strategy and objectives. Under this framework, the board has approved risk appetite statements with respect to economic, environmental, social and governance areas in line with our material issues for the management and reporting of our overall sustainability performance.

a. Economic

Sembcorp actively pursues global strategies to deliver sustainable long-term value and growth. This includes developing new capabilities and expanding our business in both existing and new markets. Though this carries inherent risks, the Group aims to be a disciplined investor with an investment approval framework that integrates robust due diligence and risk management. The Group has set appropriate limits for investment

exposure in each country to further manage concentration risk.

The Group is committed 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 has a defined set of risk management policies to manage our financial risks. The Group will not take part in any form of transaction that is deemed speculative in nature, under any circumstance.

b. Environmental

Sembcorp is committed to operating in a socially responsible manner to manage our impact on the environment, as well as provide high quality products and services that contribute to the sustainable development of the communities in which we operate.

In addition to being committed to complying with all applicable environmental standards and requirements through our established internal policies and processes, we assess the impact of environmental and climate-related risks on our business, and apply appropriate control measures to manage them. Where viable, we also invest in the latest technologies and utilise our capabilities to achieve better operational efficiencies and promote environmental sustainability.

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 stakeholders and communities. In our pursuit of operational excellence and business growth, Sembcorp will not compromise the health and safety of our internal and external stakeholders. The health and safety of all our employees, contractors, customers and the public is of paramount importance to the Group. We take a

serious view of any breach of health and safety standards and regulations across all our operations and facilities.

Sembcorp recognises the need to have in place a strong and competent team that is committed to our values for transformation and growth. Sembcorp will continue to equip our employees with the relevant capabilities and competencies, and provide an engaging employment experience, thereby creating a purpose-driven, values-based and performance-led culture to ensure a sustainable business.

Sembcorp is also committed to building our digital capabilities to improve the efficiency of our businesses and to maintain an effective control environment to manage the cyber risk exposure of our and our customers' data as well as our assets and operations.

In addition, Sembcorp strongly believes in the need to conduct our business in a responsible manner and to make a positive contribution to the communities in which we operate. The Group is therefore committed to high standards of business conduct, engaging our stakeholders and managing our environmental and social impact on local communities responsibly.

d. Governance

As a listed company on the Singapore Exchange with the responsibility and accountability to a wide range of stakeholders, Sembcorp is committed to maintaining high standards of behaviour and integrity, and aims to be the best in class for governance practices. The Group strives to comply with all applicable laws and regulatory requirements in the countries where we operate, including adopting a zero tolerance stance towards any form of fraud, bribery and corruption. We expect all employees to adhere to the guidelines set forth in the company's CoC.

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

Our Material ESG Issues

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 decision-making 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. Our ERM framework specifically sets out a systematic and structured approach towards risk management through the following activities:

- Awareness training 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
- Continual improvement of risk management capabilities and mitigation measures

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 prevention 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. 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 is regularly communicated to employees through awareness training and e-learning programmes.

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

Preventive anti-fraud measures

- Code of Conduct
- Conflict of Interest Policy
- Gifts and Entertainment Policy
- Fraud risk assessments
- Third party due diligence

Detective anti-fraud measures

- Whistle-blowing Policy
- 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 in place. We provide employees and external parties with well-defined and accessible channels 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 an independent investigation of such matters for appropriate resolution. The policy is available on our website and is reviewed regularly.

A whistle-blower may submit his / her allegations or concerns via telephone, email, our online

whistle-blowing portal or other communication channels.

The company will take reasonable steps to protect the identity of the whistle-blower. The company does not condone retaliatory action against the whistle-blower. The whistle-blowing case will be received by the Head of GIA and an investigation will be conducted in compliance with the requirements set out in the company's Whistle-blowing Policy.

 [Our Whistle-blowing Policy is available in 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, as well as response and recovery programmes. Some of these material operational risks include natural disasters, terrorism, cybersecurity attacks, epidemic outbreak and failure of critical equipment.

With operations across the globe, the Group monitors for emerging threats that may disrupt our operations, and formulates and updates our strategies and mitigation measures accordingly. Focus is placed on establishing a robust and effective crisis management framework that is relevant to the current business environment and risk landscape. The Group aims to

enhance and improve existing emergency response protocols and business continuity plans across our business entities, and to strengthen operational readiness. Crisis communication procedures are also embedded as part of the Group's crisis management framework. The Group's crisis management, emergency response and business continuity plans are regularly tested and fine-tuned to ensure that the Group can respond effectively to crises and emergencies, while ensuring that critical business functions can recover and continue in a timely manner. In addition, the Group adopts key standards and practices set out by ISO 22301:2012 under Societal Security – Business Continuity Management Systems – Requirements. This approach enables us to build resilience and enhances our ability to manage and respond to emergencies. It also helps to minimise the impact of incidents on people and the environment, prevent loss of assets and mitigate disruption to business operations, while safeguarding the company's reputation.

Health, Safety, Security and the Environment (HSSE)

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

The Group HSSE department is guided by our Group President & CEO and the board's Risk Committee, reflecting the high priority accorded to HSSE issues at Sembcorp. The department has formalised a group-wide HSSE management system and promotes global HSSE efforts to ensure effective and timely management of HSSE issues across the Group. This management system is aligned with ISO 14001 and OHSAS 18001 Standards and provides guidance to business units in actively

managing HSSE risks associated with our activities and services in a systematic manner.

Insurance

As a risk transfer mechanism, the Group has in place a comprehensive insurance programme to protect our worldwide 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 insurance consultants, leveraging their technical expertise and resources to negotiate competitive pricing and comprehensive coverage with insurance companies. To balance the cost of risk transfer, the Group focuses on insuring catastrophic events while maintaining our emphasis on improving internal controls for 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 energy operations in Singapore and Teesside in the UK. Sembcorp Captive Insurance serves not only as an internal risk transfer mechanism but also showcases the Group's efforts to promote greater accountability and responsibility in operations and maintenance. Over the years, Sembcorp Captive Insurance has successfully built up a strong capital surplus, allowing it to extend its insurance reach to other operations and broaden its scope of coverage should the need arise.

c. Financial, Market and Credit Risk Management

The Group actively manages our financial, market and credit risk exposures with respect to foreign exchange rates, commodity prices and interest rates via established policies, including treasury policies, financial authority limits and Governance Assurance Certification. These policies

set out the parameters for managing the Group's exposure to counterparty, liquidity, foreign exchange and other material transaction risks.

Financial and market risks

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 prohibited. The commodities include fuel oil, coal and natural gas. Transactions such as foreign exchange forwards, interest rate swaps, commodities swaps, purchase of options and contracts for differences are used to manage these risks as appropriate. Transactions are only allowed for hedging purposes based on the underlying business and operating requirements. Exposure to foreign currency risk is also hedged naturally, where possible. In addition, the Group has financial authority limits, which seek to limit and mitigate operational risk by setting out the threshold of approvals required for entering into contractual obligations and investments.

Default and counterparty credit risks

Our default and counterparty credit risks arise from varied counterparties such as customers, vendors, joint venture partners and financial institutions who may fall short of their payment and / or performance obligations. As such, a group-wide credit risk policy has been put in place to ensure that we transact with creditworthy counterparties as much as possible. This is achieved via thorough credit analysis and limit setting prior to entering into any business contract. After entering into business contracts, we perform periodic credit reviews and monitor credit exposures closely to detect signs of credit deterioration. In the event that we have to deal with

Our Material ESG Issues

counterparties who do not meet our minimum credit criteria due to commercial reasons, approval from the relevant authorities according to the credit risk policy has to be obtained before proceeding. Risk mitigation measures such as parental and banker's guarantees, letters of credit, deposit securities and collateral may be deployed on a case-by-case basis as credit enhancements. Last but not least, we also screen for material concentrations of credit risk to ensure that no single counterparty or group of 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

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

In addition, to ensure that Sembcorp maintains appropriate diversification across different geographies, the Group has put in place a country risk framework to monitor and report our investment exposure globally. Furthermore, our investment exposure to each country is regularly reported to the board's Risk Committee. This framework also defines limits that have been approved by the board and stipulates that any deviation from these country limits requires prior board approval according to a set procedure. In reviewing any request for deviations from the

country limits, the board will consider the key risk drivers at hand, in terms of investment size, duration and economic life of the project, as well as the level of residual risk after the implementation of mitigation plans.

As at December 31, 2019, the countries outside of Singapore in which the Group has the largest investment exposure are India (\$3.8 billion), China (\$1.7 billion), Brazil (\$1.7 billion) and the UK (\$1.1 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.

In 2018, Singapore implemented Country-by-Country (CbC) Reporting for Singapore multinational enterprise (MNE) groups. As a Singapore-headquartered MNE, Sembcorp is required to file a CbC Report for financial years beginning on or after January 1, 2017. During the financial year, we filed the CbC Report in compliance with the submission requirements of the Inland Revenue Authority of Singapore.


With regard to our approach to tax risk management, our policy stipulates the following:

- Comply with relevant taxation laws and regulations and other regulatory disclosure requirements
- Apply diligent professional care and judgement to arrive at well-reasoned recommendations, supplemented by advance rulings from tax authorities, written advice and confirmation from external tax advisors / experts, as appropriate

- Ensure that all decisions are taken at an appropriate level and supported by a business purpose / commercial rationale and the appropriate documentation
- Establish and maintain adequate documentation of the Group's tax risk evaluation and tax risk management, and update the Group's tax risk management policies including internal controls, as and when appropriate
- Develop respectful professional relationships with all tax authorities, government bodies and other related third parties

Performance

We made good progress in transitioning from our GAF to an IAF to put greater emphasis on the three LOD model.

 For more details on our IAF, please refer to page 95 of the Corporate Governance Statement and [Our Focus Areas: Governance page in the Sustainability section of our website.](#)

Corporate Governance Statement

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

The board and management of Sembcorp recognise that well-defined corporate governance processes are essential to enhancing corporate accountability and long-term sustainability. We are committed to high standards of governance to create, preserve and maximise long-term value for all its stakeholders.

This report sets out the company's corporate governance processes and activities for the financial year 2019 with reference to the principles set out in the new Singapore Code of Corporate Governance 2018 (the Code), which is applicable to this corporate governance statement. The board is pleased to report that the company has complied in all material aspects with the principles and provisions set out in the Code, and any deviations are explained in this report.

We constantly review and refine our processes in light of best practice, consistent with the needs and circumstances of the Group. Sembcorp ranked sixth in the 2019 edition of the Singapore Governance and Transparency Index, which is the leading index for assessing corporate governance practices of nearly 600 Singapore listed companies. At the Singapore Corporate Awards 2019, Sembcorp also won the gold award for Best Investor Relations in the category for companies with S\$1 billion and above in market capitalisation.

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. Headed by Ang Kong Hua and directed by Group President & CEO Neil McGregor, there are 12 members on the board.

Non-Executive Independent Directors

Ang Kong Hua
Chairman

Tan Sri Mohd Hassan Marican
Tham Kui Seng
Dr Teh Kok Peng
Ajaib Haridass
Nicky Tan Ng Kuang
Yap Chee Keong
Jonathan Asherson OBE
Dr Josephine Kwa Lay Keng

Executive Director

Neil McGregor
Group President & CEO

Non-Executive & Non-Independent Directors

Margaret Lui
Nagi Hamiyeh (appointed March 3, 2020)

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 interests 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 with a focus on value creation, innovation as well as the need to ensure the

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 our obligations to shareholders and the Group's other 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, financial performance reviews, risk management and corporate governance practices; and
- Provide guidance on sustainability issues such as environmental, social and governance factors, as part of the Group's overall business strategy.

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

Temasek Holdings (Temasek), Sembcorp's substantial shareholder, is an engaged shareholder. It promotes sound corporate governance practices in its portfolio companies. This includes the formation of high calibre, experienced and diverse boards to guide and complement management leadership. It does not direct its portfolio companies' business decisions or operations.

Corporate Governance Statement

Delegation by the board

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 (ExCo)
- Audit Committee (AC)
- Risk Committee (RC)
- Executive Resource & Compensation Committee (ERCC)
- Nominating Committee (NC)
- Technology Advisory Panel (TAP)

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

The 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 among the different committees. Hence, membership of the ExCo, with its greater involvement in key businesses and executive decisions, and membership of the AC and RC, with their respective oversight roles, are mutually exclusive.

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 ExCo and management to facilitate operational efficiency, in accordance with applicable financial authority limits.

The roles and responsibilities as well as key activities of each of the board committees are explained in this corporate governance statement. The composition of these board committees for 2019 is set out below.

Executive Committee **E**

The five-member ExCo is chaired by Mr Ang.

Ang Kong Hua
Chairman

Neil McGregor
Margaret Lui
Tham Kui Seng
Nicky Tan Ng Kuang

The ExCo assists the board in developing the overall strategy for the Group and supervises, on behalf of the board, the management of the Group's business and affairs. Under its terms of reference, the ExCo:


- Reviews and approves business opportunities, major contracts, strategic investments and divestments of the Group that are within the financial authority limits delegated by the board, as well as the Group's investment and treasury policies;
- Evaluates and recommends to the board for approval, investments, capital and operating expenditures, and divestments that are above the financial authority limits; and
- Reviews the performance of the Group's new investments or projects against the approved financial model periodically.

Technology Advisory Panel **T**

The TAP, chaired by Mr Ang, comprises seven members where two of whom are co-opted members.

Ang Kong Hua
Chairman

Neil McGregor
Dr Teh Kok Peng
Jonathan Asherson OBE
Dr Josephine Kwa Lay Keng
Prof Ng How Yong
(co-opted member)
Prof Lui Pao Chuen
(co-opted member)

 Profiles of the TAP members are found on pages 49 and 50.

Composition of Board Committees for 2019

Board member	E ExCo	A AC	R RC	C ERCC	N NC	T TAP
Ang Kong Hua	Chairman			Chairman	Chairman	Chairman
Neil McGregor	Member					Member
Margaret Lui	Member			Member	Member	
Tan Sri Mohd Hassan Marican				Member	Member	
Tham Kui Seng	Member			Member		
Dr Teh Kok Peng		Member	Member			Member
Ajaib Haridass		Member	Chairman			
Nicky Tan Ng Kuang	Member			Member	Member	
Yap Chee Keong		Chairman	Member			
Jonathan Asherson OBE		Member	Member			Member
Dr Josephine Kwa Lay Keng						Member

Directors' Attendance at Board and Board Committee Meetings in 2019

Board member	Board	E ExCo	A AC	R RC	C ERCC	N NC	T TAP	AGM
Total number of meetings held in 2019	8	6	5	4	4	2	4	1
Ang Kong Hua [^]	7*	5*	–	–	4	2	3*	1
Neil McGregor	8	6	–	–	–	–	4	1
Margaret Lui	8	6	–	–	4	2	–	1
Tan Sri Mohd Hassan Marican	8	–	–	–	4	2	–	1
Tham Kui Seng	8	6	–	–	4	–	–	1
Dr Teh Kok Peng	7*	–	5	4	–	–	4	1
Ajaib Haridass [^]	8	1 [^]	5	4	–	–	1 [^]	1
Nicky Tan Ng Kuang	7*	6	–	–	4	2	–	1
Yap Chee Keong	8	–	5	4	–	–	–	1
Jonathan Asherson OBE	8	–	5	4	–	–	4	1
Dr Josephine Kwa Lay Keng	7*	–	–	–	–	–	4	1

* Even though directors could not attend, they conveyed their views / comments for consideration prior to the meetings they did not attend

[^] Mr Haridass chaired the ExCo and TAP meetings on behalf of Mr Ang during his medical leave

The principal responsibilities of the TAP are to:

- Provide guidance to the Group on our vision and strategy in leveraging technology to enhance Sembcorp's leadership in our business sectors;
- Advise on technologies for research and development (R&D) as well as investment;
- Oversee the development and application of significant emerging and potentially disruptive technologies relevant to Sembcorp;
- Ensure the appropriate management of specialised R&D projects, tapping into various government grant support schemes and the external technological ecosystem;
- Provide guidance to develop systems for intellectual property creation and protection; and
- Advise Sembcorp's board and management on technological trends and opportunities in line with the company's growth strategies.

Meetings and attendance

The board meets regularly to review and approve the release of the company's financial results as well as to deliberate on key activities and business strategies, including significant acquisitions, disposals and operational matters, and to approve the Group's budget for the following year. 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. Minutes of board committee meetings are circulated to the board to keep directors updated on each committee's activities. In addition, time is set aside for the board to discuss management performance. Members of management are not present at, or privy to, such discussions.

Ad-hoc board meetings may be convened as necessary to consider other specific matters. An annual off-site 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 September 2019, this off-site meeting was held in Vietnam.

Board and board committee meetings, as well as annual general meetings (AGMs) of the company are scheduled

in consultation with the directors before the start of each year, with the aim to have full attendance for all meetings. Directors who are unable to attend physically are allowed, under the company's constitution, to participate remotely through voice calls or video conferencing. 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 will have the opportunity to separately convey 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. Decisions made by the board and board committees may be obtained at meetings or via circular resolutions. Directors disclose personal interests in transactions and recuse themselves from discussions and decisions in the event of any conflict.

The directors' attendance at board and committee meetings held during the financial year 2019 is set out above.

Board orientation and training

All new directors receive formal letters of appointment explaining the Group's governance policies and practices,

Corporate Governance Statement

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, the respective committees' terms of reference, the Group's policies relating to disclosure of interests in securities and prevention of insider trading, Code of Conduct, 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, 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 kept up to date on changes to regulations, guidelines and accounting standards, as well as other relevant trends or topics including the outlook of various markets, macro view of the global environment and updates to the Singapore Code of Corporate Governance. These are done either during board meetings or at specially convened sessions including training sessions and seminars conducted by external professionals which are funded by the company.

In 2019, 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 AC meetings;
- Quarterly updates on the Group's business and strategic developments presented by the Group President & CEO to the board;
- Update on the Integrated Assurance Framework presented by the Group Integrated Audit and Group Risk departments to the AC;

- Quarterly overviews presented by the Group Risk department to the RC and AC on the Group's risk and controls environment and updates relating to risk management initiatives and key emerging threats, such as the heightened risk of cyberattacks;
- Biannual briefings by the Group Strategic Communications and Sustainability department to the RC on sustainability matters;
- Presentation on digital strategy and roadmap by the Group Digital & Technology department to the board;
- Presentation on cybersecurity performance by the Group Digital & Technology department to the AC;
- Quarterly updates on our cyber posture, KPIs and road map by the Group Digital & Technology department to the AC; and
- Public conferences, forum discussions and briefings on topics such as financial and accounting fraud, offshore & marine outlook, digital transformation and cyber resilience, developments in exponential technologies and its social impacts, challenges and issues in corporate governance, as well as the roles and skillsets of board members.

In addition, articles and reports relevant to the Group's businesses are also circulated to the directors for information. Furthermore, directors regularly visit the Group's operations in different key markets, to enhance their understanding of our businesses as well as promote active engagement and foster stronger relationships with stakeholders.

In 2019, the directors visited our facilities and industrial parks in Vietnam, where they also met with government officials as well as key customers and partners.

They witnessed the signing ceremony of the joint venture agreement with our key partner, Becamex IDC Corporation, to introduce a new generation of sustainable smart energy solutions to the market. Directors also visited Sembcorp Marine's state-of-the-art Tuas Boulevard Yard in Singapore to understand the yard's work-efficient design and integrated centralised facilities.

Complete, adequate and timely information

The company recognises that directors should be provided with complete, adequate and timely information to enable them to make informed decisions and discharge their duties well. They must also be kept 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. The Group President & CEO, Group Chief Financial Officer (CFO) and members of senior management attend board and board committee meetings to provide insight into matters under discussion and to address any queries that the directors may have.

As part of Sembcorp's commitment towards environmental protection, directors are provided with electronic tablets to access board and board committee papers prior to and during meetings, in order to reduce paper consumption. As a general rule, all relevant board papers are made available to directors a week prior to meetings. This is to give directors sufficient time to review and consider matters at hand. It also facilitates more focused discussions from matters arising during meetings. Should the board require additional information or consultation, they have ready and independent access to the Group President & CEO, Group CFO, senior management, the company secretary, internal and external auditors, and counsel at all times.

Director Experience / Skills Matrix

	Industry experience	Senior management experience	Strategic planning	Accounting & Finance	Legal	IT	R&D	Risk management	HR management
Experience / Skills									
Ang Kong Hua	✓	✓	✓	✓		✓	✓	✓	✓
Neil McGregor	✓	✓	✓	✓		✓	✓	✓	✓
Margaret Lui	✓	✓	✓	✓		✓		✓	✓
Tan Sri Mohd Hassan Marican	✓	✓	✓	✓		✓	✓	✓	✓
Tham Kui Seng	✓	✓	✓	✓				✓	✓
Dr Teh Kok Peng	✓	✓	✓	✓		✓	✓	✓	✓
Ajaib Haridass	✓	✓	✓	✓	✓			✓	✓
Nicky Tan Ng Kuang	✓	✓	✓	✓				✓	✓
Yap Chee Keong	✓	✓	✓	✓		✓		✓	✓
Jonathan Asherson OBE	✓	✓	✓	✓		✓	✓	✓	✓
Dr Josephine Kwa Lay Keng	✓	✓	✓	✓		✓	✓	✓	✓
Nagi Hamiyeh	✓	✓	✓	✓		✓		✓	✓

Company Secretary

The appointment and removal of the company secretary are subject to the board's approval. The company secretary assists the Chairman to ensure good flow of information within the board and its committees as well as between the board and senior management. In addition, the company secretary attends to corporate and administrative matters, such as arranging orientations for new directors and assisting with their professional development as required. In consultation with the Chairman and Group President & CEO, the company secretary assists the board with scheduling of board and board committee meetings and prepares meeting agendas. The company secretary also administers, attends and minutes board proceedings.

The company secretary assists the board in ensuring 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. The company secretary

also acts on behalf of the company to liaise with SGX-ST, the Accounting and Corporate Regulatory Authority (ACRA) 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, where necessary.

Board Composition and Guidance (Principle 2)

Independence and diversity of the board

Board composition and diversity


The company sees diversity at the board level as essential towards the achievement of its strategic objectives, and has put in place a Board Diversity Policy which sets out principles to maintain diversity on board composition, as well as to ensure effective decision making and governance of the company and its businesses.

Board members include business leaders and professionals with strong experience relevant to the Group's

businesses, from the engineering, petrochemical, oil, power and gas and real estate industries to accountancy, banking and finance, legal and technology R&D sectors. In addition to contributing their valuable expertise and insights to board deliberations, best efforts have been made to ensure that directors also bring independent and objective perspectives to allow balanced and well-considered decisions to be made.

The board is of the view that the directors as a group provide an appropriate balance and mix of skills, knowledge and experience, as well as other aspects of diversity such as gender and age.

The current board comprises 12 directors including nine independent directors. With the exception of the Group President & CEO, all directors are non-executive and independent of management in terms of character and judgement. This helps to assure objectivity on issues deliberated.

 Profiles of the directors are found on pages 44 to 48.

Corporate Governance Statement

Review of directors' independence

Each director's independence is individually assessed by the board annually, with a focus on their capacity to bring independence of judgement to board decisions. Directors are required to complete a Director's Independence Checklist based on the provisions 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 (NC) reviews the completed checklists, assesses the independence of the directors and presents its recommendations to the board.

In 2019, all directors except Mr McGregor and Mrs Lui declared themselves to be independent. As a result of the disclosures received, the board also assessed the independence of Tan Sri Mohd Hassan, Mr Tham, Mr Haridass and Dr Kwa as elaborated below. The board has determined that with the exception of Mr McGregor and Mrs Lui, all members of Sembcorp's board for 2019 are independent.

Mr McGregor is the Group President & CEO and an executive director of Sembcorp. Mrs Lui is CEO of Azalea Investment Management, a subsidiary of Temasek, which is a substantial shareholder of the company.

Tan Sri Mohd Hassan is an independent director of Sembcorp Marine, a listed subsidiary of the company from which the company received payment in excess of S\$200,000 in aggregate for consultancy services and provision of utilities services. Mr Haridass has been an independent director of Sembcorp Marine till his retirement on April 18, 2018. Mr Tham was a non-executive director of Sembcorp Design and Construction (SDC), formerly a wholly-owned subsidiary, from which the company received payment in excess of S\$200,000 for consultancy services. Mr Tham retired from the

board of SDC on October 24, 2019 before the company divested SDC in December 2019.

The board has assessed these matters and is of the view that the payment received from these subsidiaries is not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan, 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 interests of the company.

Tan Sri Mohd Hassan is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek. His role as advisor at Temasek International Advisors is non-executive in nature and he is not involved in its day-to-day conduct of business. He is 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 Tan Sri Mohd Hassan has acted and will continue to act in the best interests of Sembcorp.

Dr Kwa is a director of the Agency for Science, Technology and Research (A*STAR), with which Sembcorp is jointly researching R&D projects mainly under the Sembcorp-EMA Energy Technology Partnership for which the company has made payment in excess of S\$200,000 for project costs. A*STAR has also undertaken several research projects with Sembcorp Marine for which Sembcorp Marine has made payment in excess of S\$200,000. The board is of the view that the amount paid to A*STAR is insignificant in the context of the Group's earnings and Dr Kwa's directorship on A*STAR will not interfere with her ability to exercise independent judgement and act in the best interests of Sembcorp.

Under the Code, any director serving more than nine years will not be independent unless his / her continued

appointment as an independent director has been sought and approved in separate resolutions by (a) all shareholders, and (b) all shareholders, excluding shareholders who also serve as directors or the CEO or their associates. However, as transition, Guideline 2.4 of the 2012 Code of Corporate Governance continues to apply till December 31, 2021, where the independence of any director who has served on the board beyond nine years from the date of his / her first appointment should be subject to a particularly rigorous review. The board has set a term limit of nine years for determining the independence of 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.

In 2019, Mr Ang and Tan Sri Mohd Hassan have served the board for more than nine years. The board has observed that over the tenure from 2010 until present, both Mr Ang and Tan Sri Mohd Hassan have shown strong independence of character and judgement in the discharge of their duties as directors. They have accumulated deep knowledge of the business of Sembcorp and made valuable contributions to the board, particularly to the management team and especially during this transformation period that the Group is undergoing. The board is of the opinion that their length of service has not affected the independence of either director, and that their institutional knowledge is advantageous to the Group. Therefore, after a rigorous and thorough review, the NC recommended to the board that Mr Ang and Tan Sri Mohd Hassan shall remain independent despite serving more than nine years on the board, and the board concurred. Both Mr Ang and Tan Sri Mohd Hassan recused themselves from the discussion and decision making.

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, greater accountability and increased capacity for independent decision-making.

The Chairman helms the board, ExCo, ERCC, NC and the TAP. He chairs all general meetings and plays a pivotal role in fostering constructive dialogue between shareholders, the board and management.

The Chairman leads and ensures effective and comprehensive discussion on relevant matters including strategic issues and business planning. He ensures that board and board committee meetings are conducted in a manner that promotes open communication, participation and decision making. He provides advice to management and monitors all follow-up actions, ensuring that board decisions are translated into executive action. In addition, the Chairman provides leadership and guidance to management, particularly with regard to global growth strategies and project investments. As chairman of the ERCC, and in collaboration with the Group President & CEO, he oversees the Group's talent management and ensures that robust succession plans are in place for key management positions.

The Group President & CEO makes strategic proposals to the board. He develops and manages the company's businesses in accordance with board approved strategies, policies, budgets and business plans, and ensures accountability while providing guidance and leadership to key management personnel.

The board has ascertained that there is a strong element of independence

on the board and there is no necessity to appoint a lead independent director, as nine out of 12 directors, including the Chairman, are independent.

Board Membership (Principle 4)

Formal and transparent process for the appointment and re-appointment of directors

Nominating Committee ^N

The NC, chaired by Mr Ang, comprises four members:

Ang Kong Hua
Chairman & Independent Director

Margaret Lui
Non-Executive &
Non-Independent Director

Tan Sri Mohd Hassan
Independent Director

Nicky Tan Ng Kuang
Independent Director

The NC is responsible for continually reviewing Sembcorp's board composition to ensure strong, independent and sound board leadership to drive the continued success of the company and our businesses. 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 or re-elections to the board and board committees as appropriate;
- Review the directors' independence and succession plans for the board;
- Develop an evaluation process and criteria for the board and board committees' performance; and

- Review training and professional development programmes for the directors.

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, taking into account the individual's skills, experience, and knowledge, as well as competencies which support the Group's strategies and business plans. They must also be able to discharge their responsibilities while upholding the highest standards of governance practised by the Group.

The board recognises the contributions of directors who have over time, developed deep insights into the Group's businesses. It exercises 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.

When the need for a new director arises, the NC consults with the board and management and identifies a shortlist of potential candidates. Candidates are sourced through an extensive network of contacts and appropriate external databases. Criteria include skill sets, experience, age, gender, educational and professional background, length of service and other relevant personal attributes. The NC interviews candidates and makes its recommendations for the board's approval.

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 our directors to retire and subject themselves for re-election by shareholders at every AGM (one-third rotation rule).

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 20, 2018*	Non-executive / Independent
Neil McGregor*	Director	May 1, 2014	Apr 19, 2017*	Executive / Non-independent
Margaret Lui*	Director	Jun 1, 2010	Apr 20, 2018*	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 18, 2019	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 18, 2019	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	Apr 20, 2018	Non-executive / Independent
Ajaib Haridass	Director	May 1, 2014	Apr 18, 2019	Non-executive / Independent
Nicky Tan Ng Kuang	Director	Nov 1, 2015	Apr 18, 2019	Non-executive / Independent
Yap Chee Keong*	Director	Oct 1, 2016	Apr 19, 2017*	Non-executive / Independent
Jonathan Asherson OBE	Director	Jul 17, 2017	Apr 20, 2018	Non-executive / Independent
Dr Josephine Kwa Lay Keng	Director	Aug 1, 2018	Apr 18, 2019	Non-executive / Independent
Nagi Hamiyeh*	Director	Mar 3, 2020	N.A.*	Non-executive / Non-independent

* Up for retirement and re-election at the company's upcoming AGM

In addition, all newly-appointed directors should 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, Mr McGregor, Mrs Lui and Mr Yap will retire and, with the exception of Mrs Lui, have offered themselves for re-election at the forthcoming AGM. Mrs Lui, who was appointed in June 2010, is not seeking re-election and is retiring at the forthcoming AGM in April 2020.

Mr Hamiyeh, who was newly appointed to the board on March 3, 2020, will also retire and has offered himself for re-election 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.

The dates of first appointment, last re-election / re-appointment of board members are set out above.

Review of directors' time commitments

While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other

board representations and principal commitments to ensure they have sufficient time to discharge their responsibilities to the board and Sembcorp adequately. The board has adopted an internal guiding principle that seeks to address competing time commitments that may be faced when a director holds multiple directorships. As a general rule, the board has determined that any Sembcorp director should not hold more than five listed company directorships. However, the board recognises that the individual circumstances and capacity of each director are unique and there may be instances in which the limit on board appointments may differ as appropriate.

For 2019, 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 the overall effectiveness of the board

Board evaluation process and performance criteria

The board believes that its performance is inextricably linked to 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 in the effectiveness of the board and board committees, and the requisite follow-up actions. The assessment helps the directors to maintain focus on their key responsibilities, while improving board performance.

To facilitate this process, each director is required to complete a questionnaire on the effectiveness of the board, board committees and individual directors' contribution and performance. The evaluation considers factors including the size and composition of the board and board committees, processes and accountability, board and board committees' development and effectiveness, information and technology management, decision-making processes, risk and crisis management, succession planning, communication with senior management and stakeholder management. Assessments and feedback are consolidated and presented to the board for discussion. The NC periodically reviews and refines the directors' questionnaire to enhance the evaluation process.

For 2019, the evaluation indicated that the board and its committees continued to perform effectively to support Sembcorp.

Remuneration Matters

Procedures for Developing Remuneration Policies (Principle 6)

Formal and transparent procedure for developing policies on director and executive remuneration

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 ERCC, chaired by Mr Ang, consists of five members.

Ang Kong Hua
Chairman & Independent Director

Margaret Lui
Non-Executive & Non-Independent Director

Tan Sri Mohd Hassan
Independent Director

Tham Kui Seng
Independent Director

Nicky Tan Ng Kuang
Independent Director

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, as well as reviewing succession plans for key management personnel. Key responsibilities are to:

- Assist the board by ensuring that competitive remuneration policies and practices for the company and management are in place, and aligned with the prevailing economic environment;
- Review the Directors' Fee Framework and remuneration package of each member of key management periodically, and endorse or make

further recommendations on such matters to the board for its consideration;

- Establish guidelines on share-based incentives and other long-term incentive plans and approve 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; and
- Review 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 director is involved in deliberations involving 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 the need arises. In 2019, Aon Hewitt (Singapore) was engaged as external consultants to provide such advice, including the validation of pay levels and compensation structure of the Group President & CEO against the industry and market, thereby ensuring rigour of the compensation framework design and its application for executives. In engaging external consultants, the Group ensures that the relationship, if any, between ourselves and these external consultants will not affect the independence and objectivity of the latter. In 2019, the ERCC undertook a review of the independence and objectivity of Aon Hewitt (Singapore)

and confirmed that the Group had no relationship with the firm that would affect the latter's independence.

In reviewing succession planning and the Group's leadership pipeline, the ERCC reviews the development of management and 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, sound leadership for the Group. Each year, the ERCC reviews succession planning for the position of Group President & CEO, for officers reporting directly to him, as well as 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 obligations arising in the event of termination of the contracts of service of the Group President & CEO and key management personnel, to ensure that such contracts contain fair and reasonable termination clauses.

Level and Mix of Remuneration (Principle 7)

A competitive reward system ensures the highest performance and retention of directors and key management personnel

We recognise that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent. Sembcorp believes that our remuneration and reward system aligns with the long-term interests and risk policies of the company.

The Group President & CEO, as an executive director, does not receive director's fees from Sembcorp. As a lead member of management, his compensation comprises his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets.

Directors' Fee Framework for FY2019*

S\$

Retainer fee (per annum)

Chairman (all-in fee) ¹	750,000
Director's basic retainer	75,000
Chairman, Executive Committee	50,000
Chairman, Audit Committee	50,000
Chairman, Risk Committee	35,000
Chairman, Executive Resource & Compensation Committee	35,000
Chairman, Nominating Committee	25,000
Chairman, Technology Advisory Panel / Others	25,000
Member, Executive Committee	30,000
Member, Audit Committee	30,000
Member, Risk Committee	20,000
Member, Executive Resource & Compensation Committee	20,000
Member, Nominating Committee	15,000
Member, Technology Advisory Panel / Others	15,000

Attendance fee (per meeting)

Board meeting (Local) ²	2,500
Board meeting (Overseas) ²	5,000
Committee / General meeting (Local) ²	1,500
Committee / General meeting (Overseas) ²	3,000
Committee / AGM & EGM (flat fee) ³	1,000

Teleconference (per meeting)

Board meeting	1,500
Board committee meeting	1,000
General meeting	1,000


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 Local – home country of the directors
Overseas – outside home country of the directors

³ Attendance fee for attending committee meetings is payable if such meetings are held on separate days from the board meeting. In the event that the committee meeting is held on the same day as the board meeting, only a flat fee of S\$1,000 is payable

 Details of the share-based incentives and performance targets are available in the *Directors' Statement on pages 106 to 116 and Note H1 in the Notes to the Financial Statements.*

Non-executive directors' fees

An independent review of the Directors' Fee Framework was conducted in 2018 by our external consultants,

Willis Towers Watson. The board adopted a new fee framework which aligned to the market from financial year 2018.

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

The directors' fees payable to non-executive directors are paid in cash and in share awards under the restricted share plan. 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. The payment of directors' fees (both cash and share components) is contingent on shareholders' approval. Directors and their associates also abstain from voting on any resolution(s) relating to their remuneration.

Share awards granted under the restricted share plan 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 SGX-ST listing 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 2020 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 2019 is intended to be paid in 2020 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 competitive compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the company's risk policies. Further, the level and mix of the variable remuneration component is structured to ensure that the total remuneration for key management personnel is strongly aligned to the financial performance and returns delivered to shareholders. The strong relationship between pay and performance has been validated based on the pay-for-performance study conducted by our external consultants, Aon Hewitt (Singapore), in 2019.

- **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. At an individual level, the performance target bonus will vary according to the actual achievement of the Group, business unit and 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 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. The carried-forward balances of the bonus bank may be either reduced or increased in future, based on the yearly EVA performance of the company 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 (EGM) 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, 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 Group President & CEO and top management will, under the renewed Share Plan, be required to hold shares equivalent to a minimum of 200% and 100%, respectively, of their annual base salaries to align their interest with the shareholders.

The size of the restricted share awards granted in 2019 is based on the achievement of stretched financial and non-financial targets, with emphasis on organisational transformation to meet future challenges and adherence to environment, health and safety standards.

The restricted shares awarded in 2019 will vest conditionally over a four-year period contingent on satisfactory individual performance of the recipient for the financial year preceding each tranche of vesting, and continued employment with the Group.

The performance share awards granted in 2019 were based on Total Shareholder Return, Return on Equity (excluding Sembcorp Marine), Total Renewables Capacity and implementation of digital initiatives to support the organisational transformation efforts. The grant will have a three-year performance period from January 1, 2019 to December 31, 2021. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of performance shares eventually awarded.

The performance shares awarded in 2019 will vest in two tranches, 50% vesting in March 2022 and 50% vesting in March 2023, contingent on satisfactory individual performance of the recipient for the financial year preceding each tranche of vesting, and continued employment with the Group.

As the duration of the company's performance share plan and restricted share plan is 10 years commencing on the date of adoption on April 22, 2010, these existing plans are due to expire on April 21, 2020. The company is proposing to adopt new Sembcorp Industries Performance Share Plan 2020 and Sembcorp Industries Restricted Share Plan 2020 to replace these existing plans following their expiry at the forthcoming AGM.

Pay for performance

As in prior years, a pay-for-performance study was conducted in 2019 by our external consultants, Aon Hewitt (Singapore), to review the alignment between the Group's executive pay programme and business results. The Group benchmarked ourselves against established comparable-sized local listed companies with whom the Group competes for talent and capital.

The study benchmarked different elements of senior executive pay, namely fixed remuneration, total cash remuneration


and total remuneration including long-term incentives, against that of peer companies. It found fixed remuneration for senior executives at the Group to be positioned competitively vis-à-vis the Group's relative size and complexity. Further, the total remuneration over the last five years showed a robust correlation with the Group's key financial performance drivers, including profit from operations and net income. The performance conditions for short-term incentive plans were only partially met. Additionally, the shareholder return performance conditions that feature in the long-term incentive plan were not met, due to adverse share price movements. As a result, the realised value of the share incentive award was much lower than the granted value.

Overall, the study demonstrates sound correlation between the Group's executive pay, our key financial results, shareholder returns and peer company performance, thus reinforcing the strong pay-for-performance features underpinning the executive pay programme.

Disclosure on Remuneration (Principle 8)

Based on the Directors' Fee Framework, the computation of non-executive directors' fees totalled S\$2,285,833 in 2019 (2018: S\$2,206,333).

In 2019, the company had no employees who were immediate family members of a director or the Group President & CEO.

 [More information on directors' and key executives' remuneration can be found on pages 271 and 272.](#)

Accountability and Audit

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 our financial results. The company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with SGX-ST requirements, negative assurance statements were issued by the board in 2019 to accompany the Group's quarterly results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the 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 management furnishes management and operations reports as well as financial statements to the board on a regular basis.

Risk Management and Internal Controls (Principle 9)

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 RC assists the board in overseeing risk management for the Group. Headed by Mr Haridass, all the four RC members are non-executive and independent directors.

Ajaib Haridass
Chairman
Dr Teh Kok Peng
Yap Chee Keong
Jonathan Asherson OBE

The RC's principal functions are to:

- Review and endorse the Group's policies, guidelines and systems to govern the process for assessing and managing risk, including the risk appetite;
- Review the adequacy and effectiveness of the risk management systems, processes and procedures of the Group;
- Review risk-related reports submitted 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; and
- Review infrastructure and resources in place to support the management of risk including insurance, human resources, information technology (IT) systems, and 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. Robust mechanisms and systems have been put in place to identify and manage the inherent risks in our business and

strategy, and to monitor the Group's exposure to key risks that could impact the overall strategy and sustainability of the business. Supporting the ERM framework is a system of internal controls comprising a Code of 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 company website.


The Group has made good progress in transitioning from our current Governance Assurance Framework (GAF) to an Integrated Assurance Framework (IAF) to put greater emphasis on the three lines of defence (LOD) model. Through the IAF structure, the respective LOD work together to ensure that key financial, operational, compliance and IT risks are reviewed and tested using a robust assurance process. Under the IAF, a pragmatic and collaborative approach to risk and controls assessment has been established, with common and consistent criteria to assess the risks and the adequacy and effectiveness of the internal controls.

Key markets, as the first LOD, are adopting and implementing the IAF. This requires them to work with the second LOD comprising business lines, subject matter experts and corporate functions, to perform a thorough review and assessment of their risks and internal controls as well as updating of the new risk and control registers. Clear escalation procedures, consequence management framework and key risk indicators in line with the Group's risk appetite were developed concurrently as part of the IAF methodology. Together, these enable the Group to proactively manage key risks and controls. This enhances the Group's reporting and monitoring capabilities and cultivates a risk culture of accountability and ownership. As the third LOD, Group

Integrated Audit (GIA) provides independent assurance across financial, operational, compliance and IT risks through a series of walkthroughs and substantive testing. Management works closely with GIA in closing out all material issues and gaps in a timely manner to ensure continual improvement of our risk and controls environment, as well as an effective feedback loop to the first and second LOD. External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view.

The ERM framework and IAF are further complemented by a Management Control Assessment, which is a rigorous management attestation process submitted quarterly by each market and business unit, to provide the assurance that its risk management and internal control system is adequate and effective. The submissions and responses are further validated through substantive review by the business lines, subject matter experts and corporate functions as an added layer of assurance.

During the year, the Group's risk profile was reviewed and updated. The adequacy and effectiveness of the Group's risk management and internal controls were also assessed and enhanced through a combination of management control assessment and integrated 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 company website.](#)

For the financial year under review, the board has been assured by the Group President & CEO and Group CFO that the 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.

Corporate Governance Statement

The board, with the concurrence of the AC, is of the opinion that the company's internal controls and risk management systems are adequate and effective as at December 31, 2019 to address the financial, operational, compliance and IT risks of the Group. This assessment is based on the risk management and 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.

The IAF is in the final stages of implementation for all key markets. The AC, supported by the RC, oversees the progress of the IAF implementation.

Audit Committee **A** (Principle 10)

Chaired by Mr Yap, the four AC members are as follows:

Yap Chee Keong
Chairman & Independent Director

Dr Teh Kok Peng
Independent Director

Ajaib Haridass
Independent Director

Jonathan Asherson OBE
Independent Director

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 discharging its statutory and other responsibilities on internal controls, financial and accounting matters, operational and

compliance controls, and business and risk management practices of the Group. The AC has established terms of reference approved by the board and has explicit authority to investigate any matter as per its terms of reference. 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 (IPT) falling within the scope of Chapter 9 of the SGX-ST Listing Manual, as well as any matters or issues that affect the financial performance of the Group; and
- Review the financial 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 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 functions 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.

Key audit matters


The AC discusses the key audit matters with the management and external auditors on a quarterly basis to ensure that they are appropriately dealt with. The AC concurred with the basis and conclusions included in the auditor's report for the financial year 2019 with respect to the key audit matters.

 *For more information on the key audit matters, please refer to pages 117 to 125.*

External auditors

Each year, the AC reviews the independence of the company's external auditors and makes recommendations to the board on their re-appointment. During the year, the AC reviewed the performance of the external auditors using audit quality indicators recommended by ACRA as reference. In accordance with SGX-ST Listing Rule 713(1), Ling Su Min, the audit partner who was in charge from financial years 2014 to 2018, has retired and Koh Wei Peng has been appointed the new audit partner for the financial year 2019.


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 to discuss any issues of concern. 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 which 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 B4(a) in the Notes to the Financial Statements.*

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 markets,

business lines and functional units. Employees are provided with accessible channels to report suspected fraud, corruption, dishonest practices or other misdemeanours to the Group's integrated auditors and are protected from reprisal to the extent possible. This aims to encourage the reporting of such matters in good faith. In 2018, GIA rolled out a whistle-blowing portal on the internet. This whistle-blowing portal has a pre-defined set of questions to guide whistle-blowers in providing the required information / documents in reporting their concerns and also to allow the investigation team to maintain communication. The AC oversees the outcome of independent investigations and ensures remedial actions are followed on.

 *For more information on our Whistle-blowing Policy, please refer to our company website.*

Internal Audit Independent integrated audit function

The integrated audit function is an important third LOD for the company and a key component of the overall assurance framework.

The GIA function 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 our financial, operational, compliance and IT systems.

GIA has enhanced its audit approach by aligning its integrated audit plan with the IAF through integrating operational, technological and financial audits. Subject matter specialists were seconded from relevant functions to GIA for the purposes of these integrated audits. GIA is also deepening its capabilities in the areas of operations, IT, and workplace health, safety, security and environment audits. The GIA team has unrestricted access to all personnel, documents, accounts and property,

records and correspondence and other data of the company. Auditors also have the right to enter any premises of the Group and to request that any officer furnishes all information and such explanations deemed necessary for the audit team to form an opinion on the probity of action and adequacy of systems and / or controls.

The Head of GIA reports directly to the AC and administratively to the Group President & 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 independence, adequacy and effectiveness of the GIA function and processes, as well as ensures that GIA is adequately resourced and set up to carry out its functions.

On a quarterly basis, the AC reviews the proposed scope and performance of the GIA function, audit findings and management responses, and the Group's Integrated Audit Plan to ensure that it is comprehensive and to enable the effective and regular review of all activities within the purview of GIA. It ensures that no limitation on audit has been imposed. Integrated audit summary of findings and actions taken are reviewed and discussed at AC meetings.

The AC is satisfied that the GIA team is effective, independent and has appropriate standing within the company.

Professional standards and competency

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

Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings (Principle 11)

*Fair and equitable treatment
of shareholders*

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 our business operations via SGXNet, press releases, circulars to shareholders and other appropriate channels. The company also encourages shareholder participation and voting at general meetings.

Conduct of General Meetings

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

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 these are voted on. The board and management are in attendance to address any queries or concerns and obtain feedback from shareholders. External auditors and legal advisors are also present to assist the board where necessary.

The company disseminates information on general meetings through notices in our annual reports or circulars. These notices are also released via SGXNet,

published in local newspapers and posted on the company website www.sembcorp.com 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 no longer distributes our annual reports and circulars via CD-ROM. Instead, annual reports and circulars are available on our company website and shareholders are encouraged to access these online. A booklet containing the Request Form, Notice of AGM / EGM and Proxy Form will be sent to shareholders, informing them that the annual report / circular is available online and how to 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 shareholders to appoint up to two proxies to attend, speak and vote at general meetings on their behalf. Under the 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 will need to be cautiously evaluated for feasibility to ensure the integrity of the information and that the authenticity of the shareholders' identities is not compromised.

The company conducts electronic poll voting at general 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 meetings to ensure that the information is adequately compiled 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 general meetings, including relevant comments or queries from shareholders together with responses from the board and management. Since 2019, these minutes are published on the company website www.sembcorp.com as soon as practicable.

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 our shareholders, and the practice is to consider declaring dividends on a biannual basis. In the event of a material variation in declared dividends compared to the previous corresponding period, or any decision not to declare a dividend, the reasons for such will be disclosed in accordance with SGX-ST Listing Rule 704(24).

Engagement with Shareholders (Principle 12)

Regular, effective and fair communication with shareholders

Sembcorp is committed to high standards of corporate transparency and disclosure. The Group has an 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, in a timely and consistent manner. The company's announcements are also uploaded to the company website, www.sembcorp.com, after dissemination on SGXNet.


The financial results release date is disclosed at least two weeks prior to the announcement date via SGXNet. On the date of the announcement, the financial statements as well as the accompanying press release and presentation slides are released via SGXNet and posted on the company website. Thereafter, a briefing or teleconference by management is jointly held for the media and analysts. The results briefings and teleconferences are concurrently broadcast '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 the SGX-ST's rules on fair disclosure.

Establishing and maintaining regular dialogue with shareholders

Sembcorp employs multiple communication platforms to engage shareholders. In addition to our results briefings, the company maintains regular dialogue with our 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.

Shareholders can also directly contact the investor relations team via email or telephone as the contact information for investor relations is provided on the company website.

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 report 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 page 102.*

Managing Stakeholders Relationships

Engagement with Stakeholders (Principle 13)

Balancing the needs and interests of material stakeholders

Sembcorp adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders. Stakeholder engagement is the first key step in determining issues that are material to the company, giving insight into the perspective of our stakeholders and what they deem important in the context of their partnership with Sembcorp. The company engages and gathers feedback from a diverse range of stakeholders with the aim of improving our performance and driving long-term sustainability.

Our key stakeholders include customers, employees, financial institutions, governments and regulators, shareholders and the investment community, the local community, as well as contractors, suppliers, trade unions and industry partners. When assessing our material sustainability issues, we identify stakeholders in accordance with the

AA1000 Stakeholder Engagement Standard. These stakeholders are managed by various departments at the corporate and market levels. The table on the following page provides an overview of our stakeholders and key topics raised.


The company maintains a dedicated investor relations section on our company website to cater to the specific information needs of shareholders, investors, analysts and the financial community. Designed to provide a convenient repository of information for investors' needs, the site includes the company's results announcements since our 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. In addition to the company website, Sembcorp uses various platforms to engage different stakeholders. The frequency of the company's ongoing engagement with its stakeholders varies in accordance with the platforms used and the topics of engagement.


Dealings in Securities

A Policy on Prevention of Insider Trading has been implemented to prohibit dealings in the company's securities by our directors and senior management within a two-week window prior to the announcement of the company's financial statements for each of the first three quarters of the financial year, and within one month prior to the announcement of the company's full-year financial results. 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 IPTs 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 IPTs. All markets, business lines and functional units are required to be familiar with the IPT Mandate as well as the internal policy and procedure, and report IPTs to the company for review and approval by the AC. The Group maintains a register of IPTs in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual.

 *Information on IPTs for 2019 can be found on pages 273 and 274.*

 *Details on our IPT Mandate can be found on our company website.*

Code of Conduct

In maintaining an effective governance and decision-making structure, the Group Code of Conduct was revised and implemented in 2018. The Group President & CEO actively references the code in key internal meetings which reinforces its importance among management. All employees and directors of the organisation receive training on the code and its key policies.

Corporate Governance Statement

Stakeholder group	Engagement and communication platforms	Topics raised include
Customers	Operational and commercial meetings, presentations and negotiations, surveys, site visits, company activities, customer service hotlines, social media, company websites and feedback channels, telephone and email contact	Reliability of products and services Competitive pricing for products and services Sustainable and integrated energy, water and waste solutions Innovation and development of new products and services
Employees	Employee communication sessions, workshops, seminars and training sessions, employee appraisal sessions, employee committees, social events and activities, newsletters, intranet and email contact	Talent engagement Change management Benefits design Health and safety
Financial institutions	Results briefings, presentations and meetings, news releases, stock exchange announcements, company websites, investor relations microsite, telephone and email contact	Company performance, growth and value creation Corporate governance
Governments and regulators	Briefings, presentations, committees, conferences, forums, roundtable and panel discussions, seminars and workshops, site visits, telephone and email contact	Solutions to meet the needs of industries and the community Regulatory compliance Skills transfer and community contributions Health and safety
Shareholders and the investment community	Results briefings, AGMs, investor roadshows, seminars and forums, investor meetings, site visits, news releases, stock exchange announcements, company websites, investor relations microsite, telephone and email contact	Company performance, growth and value creation Governance, ethical business practices and regulatory compliance
Local community	Participation and collaboration in community projects, community activities, company websites, telephone and email contact	Community needs Social and environmental impact
Contractors, suppliers, trade unions and industry partners	Review and co-ordination meetings, briefings, presentations and negotiations, committees, conferences, forums, roundtable and panel discussions, seminars and workshops, site visits, telephone and email contact	Safety and regulatory compliance Company's long-term viability

Summary of Governance Disclosure

The Summary of Disclosures, that describes our corporate governance practices with specific reference to disclosure requirements in the principles and provisions of the Code which can be found at [SGX's website at rulebook.sgx.com](http://rulebook.sgx.com), is set out below.

Board Matters		Remuneration Matters		Shareholder Rights and Engagement	
Provision	Page	Provision	Page	Provision	Page
The Board's Conduct of Affairs (Principle 1)		Procedures for Developing Remuneration Policies (Principle 6)		Shareholder Rights and Conduct of General Meetings (Principle 11)	
1.1	<u>83, 85</u>	6.1	<u>91</u>	11.1	<u>97-98</u>
1.2	<u>83-86</u>	6.2	<u>91</u>	11.2	<u>97</u>
1.3	<u>84</u>	6.3	<u>91</u>	11.3	<u>85, 97</u>
1.4	<u>84-85</u>	6.4	<u>91</u>	11.4	<u>98</u>
1.5	<u>85</u>	Level and Mix of Remuneration (Principle 7)		11.5	<u>98</u>
1.6	<u>86</u>	7.1	<u>93-94</u>	11.6	<u>98</u>
1.7	<u>86-87</u>	7.2	<u>91-92</u>	Engagement with Shareholders (Principle 12)	
Board Composition and Guidance (Principle 2)		7.3	<u>91-93</u>	12.1	<u>98-99</u>
2.1	<u>88</u>	Disclosure on Remuneration (Principle 8)		12.2	<u>98</u>
2.2	<u>87</u>	8.1	<u>271-272</u>	12.3	<u>99</u>
2.3	<u>87</u>	8.2	<u>94</u>	Managing Stakeholders Relationships	
2.4	<u>87</u>	8.3	<u>271-272</u>	Provision	Page
2.5	<u>85</u>	Chairman and Chief Executive Officer (Principle 3)		Engagement with Stakeholders (Principle 13)	
3.1	<u>89</u>	3.1	<u>89</u>	13.1	<u>99-100</u>
3.2	<u>89</u>	3.2	<u>89</u>	13.2	<u>99-100</u>
3.3	<u>89</u>	3.3	<u>89</u>	13.3	<u>99</u>
Board Membership (Principle 4)		Risk Management and Internal Controls (Principle 9)			
4.1	<u>89</u>	9.1	<u>94-95</u>		
4.2	<u>89</u>	9.2	<u>95</u>		
4.3	<u>89</u>	Audit Committee (Principle 10)			
4.4	<u>88</u>	10.1	<u>96</u>		
4.5	<u>44-48, 90</u>	10.2	<u>96</u>		
Board Performance (Principle 5)		10.3	<u>96</u>		
5.1	<u>90</u>	10.4	<u>97</u>		
5.2	<u>90</u>	10.5	<u>96</u>		

Investor Relations

Sembcorp is 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 as well as the investor relations section of our company website.

Proactive Communication with the Financial Community

In 2019, senior management and the investor relations team actively engaged the financial community. We held one-on-one and group meetings with shareholders, analysts and potential investors. These included meetings during non-deal roadshows in Singapore, Tokyo, London, New York, Chicago and Toronto led by our senior management. Besides roadshows, we also attended the Macquarie ASEAN Conference 2019 in Singapore and the inaugural GPF-Bloomberg Sustainable Investing Forum in Bangkok. We continued to organise site visits to our facilities. In 2019, we organised a tour for analysts to the Vietnam-Singapore Industrial Parks in Binh Duong. The visit provided analysts with a first-hand look at our industrial parks and integrated townships in Vietnam.

During the year, we won the gold award for Best Investor Relations at the Singapore Corporate Awards 2019, under the category for companies with S\$1 billion and above in market capitalisation. The award recognises companies that adopt and implement

best practices in investor relations, and embody the spirit of good corporate governance and transparency.

Total Shareholder Return

Sembcorp Industries' last traded share price in 2019 was S\$2.29 and the company ended the year with a market capitalisation of S\$4.1 billion. The company's share price averaged S\$2.41 during the year, registering a low of S\$2.03 in August and a high of S\$2.77 in April. Daily turnover averaged 3.4 million shares.

In 2019, the challenging operating environment in the offshore and marine sector continued to weigh on the earnings of our listed subsidiary Sembcorp Marine, which also impacted our share performance. Sembcorp Industries' total shareholder return for the year stood at negative 8%. This was lower than the Straits Times Index's 9% and the MSCI Asia Pacific ex-Japan Industrials Index's 6%.

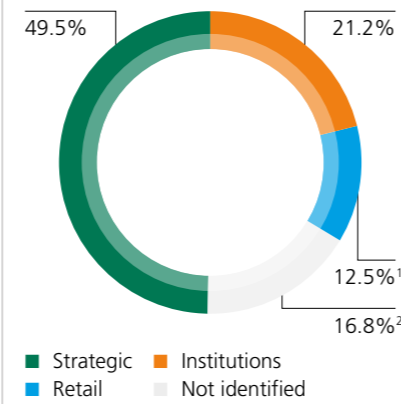
For the financial year 2019, an interim dividend of 2 cents per ordinary share was declared and paid to shareholders in September 2019. In addition, a final dividend of 3 cents per ordinary share has been proposed, subject to approval by shareholders at the coming annual general meeting to be held in April 2020. Together with the interim dividend, this would bring our total dividend for 2019 to 5 cents per ordinary share.

Shareholder Information

Our major shareholder Temasek Holdings held 49.5% of our shares at the end of 2019. Institutional shareholders accounted for 21% of our issued share capital or 42% of free float, while retail shareholders¹ and shareholders not identified² held 29% of issued

share capital or 58% 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 39% followed by shareholders from Asia and Europe, which accounted for 30% and 24% of the shares respectively.

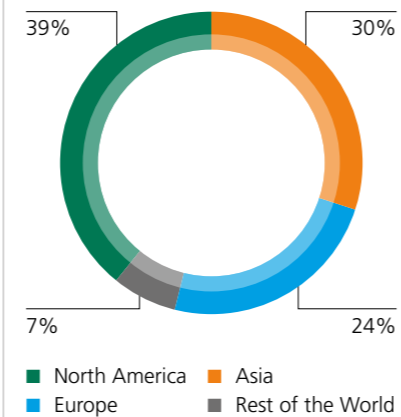
Share Ownership by Investor Category



As at December 31, 2019

Share Ownership by Geographical Distribution

Excluding shares held by the major shareholder Temasek Holdings and shareholders not identified



As at December 31, 2019

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



