


Sustainability Report

About this Report


Reporting Framework

Our Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and 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 2020. There are no significant changes from previous reporting periods in the list of material sustainability issues and boundaries.

 For GRI-disclosures, please refer to the 2020 Performance Data and Commentary report in the Performance section on our Sustainability webpage.

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 refer to Our Approach section on our Sustainability webpage.


Reporting Scope

- Our report provides information on Sembcorp as well as its subsidiaries and covers the period from January 1 to December 31, 2020
- 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 GHG emissions target, we report our GHG emissions and GHG emissions intensity using an equity share approach
- Sembcorp Marine is separately listed and reports its activities in a separate Sustainability Report. With the demerger of Sembcorp Marine and Sembcorp Industries on September 11, 2020, Sembcorp Marine is no longer part of the Sembcorp Industries Group
- Data pertaining to new acquisitions and subsidiaries will be included in our report upon the availability of a full calendar year of data
- 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 historical data.

 For the Independent Limited Assurance Report, please refer to the 2020 Performance Data and Commentary report in the Performance section on our Sustainability webpage.

Sustainability Contact

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

Participation in sustainability ratings

- CDP (formerly known as the Carbon Disclosure Project)
- Energy Intelligence's Top 100 Green Utilities report
- FTSE4Good Index Series¹
- MSCI ESG Ratings²
- Sustainalytics



¹ 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

² 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

2020 Highlights

Generated **\$806 million** of revenue from the Renewables and Environment business



Generated **4.6 million MWh** of renewable electricity in 2020, equivalent to powering over one million households¹ in Singapore



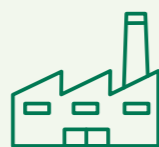
Avoided **4.1 million tonnes** of carbon dioxide equivalent emissions with energy generated by our renewable assets



Planted over **900,000 trees** since 2015 to help absorb air pollutants from the environment



Converted **870,000 tonnes** of waste into energy



Achieved **100%** recycling rate for ash produced by our coal-fired power plants in India



Helped create **342,000 jobs** over the years in our urban developments



Contributed **\$3.5 million** to our communities



Winner of

- Singapore APEX Corporate Sustainability Awards 2020, APEX winner for Sustainable Solutions
- India Greentech Environment Award 2020 for Environment Protection
- Vietnam Property Award 2020 for Best Sustainable Developer, Special Recognition in ESG as well as Sustainable Construction

Key Performance Indicators

	2020	2019	2018
Environmental			
Climate Change			
Direct (Scope 1) GHG emissions ¹ (kilotonnes CO ₂ e)	26,303.5	25,851.3 ^r	23,672.5 ^r
Energy indirect (Scope 2) GHG emissions ¹ (kilotonnes CO ₂ e)	224.8	304.8 ^r	255.2 ^r
Indirect (Scope 3) GHG emissions ² (kilotonnes CO ₂ e)	9,673.4	8,344.2	NA
GHG emissions intensity ³ (tCO ₂ e/MWh)	0.54	0.55 ^r	0.56 ^r
Gross renewable energy capacity ⁴ (MW)	3,218	2,721	2,689
Resource Management			
Water withdrawal ⁵ (million m ³)	2,322.7	2,322.0 ^r	1,856.2
Net water consumption ⁶ (million m ³)	50.7	64.6 ^r	54.3
Water discharge (million m ³)	2,272.0	2,257.4 ^r	1,801.9
Waste generated ⁷ (kilotonnes)	1,749.2	1,894.3	1,713.3
– Hazardous waste	33.4	51.3	39.9
– Non-hazardous waste	1,715.8	1,843.0	1,673.4
Local Environmental Protection			
Significant spills ⁸	0	0	0
Social			
Health and Safety⁹			
Number of fatalities ¹⁰	0	2	1
Lost time injury rate ¹¹ (number per million man-hours)	0.9	1.1	0.5
Accident severity rate ¹² (number per million man-hours)	9.7	473.1	137.0
People¹³			
Employee turnover ¹⁴ (%)	12.4	13.9 ^r	11.6
Training hours (average hours per employee)	23.6	29.4	25.2
Community			
Community contributions (S\$ million)	3.5	1.4	1.1

Commentary on the data and other performance data is available in this report, as well as the Performance section on our Sustainability webpage.

Notes: Please refer to the Reporting Scope section on page 35 for details on our reporting coverage.

¹ Direct (Scope 1) and Energy indirect (Scope 2) GHG emissions data cover our energy, water, waste management and Urban business assets, with the exception of 2018 data that excludes the Urban business

² Indirect (Scope 3) GHG emissions include our fuel and energy-related activities (Category 3) and use of sold products (Category 11). We started to account for Scope 3 GHG emissions from 2019

³ Our GHG emissions intensity includes both Scope 1 and 2 GHG emissions

⁴ Our gross renewable energy capacity includes wind, solar and energy storage

⁵ 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

⁶ Net water consumption is defined as water consumed by our own sites and administrative offices

⁷ Data for waste generated excludes waste that is collected and incinerated for our customers

⁸ A significant spill refers to the 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 the occurrence of the incident

⁹ Health and safety data covers both assets in operation and under construction

¹⁰ Data covers employees and contractors as well as members of the public

¹¹ 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

¹² 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

¹³ Data covers both permanent and contract employees

¹⁴ Data covers both voluntary and involuntary turnover

^r Indicates restated figure

For more details on the restatements, please refer to the 2020 Performance Data and Commentary report in the Performance section on our Sustainability webpage.

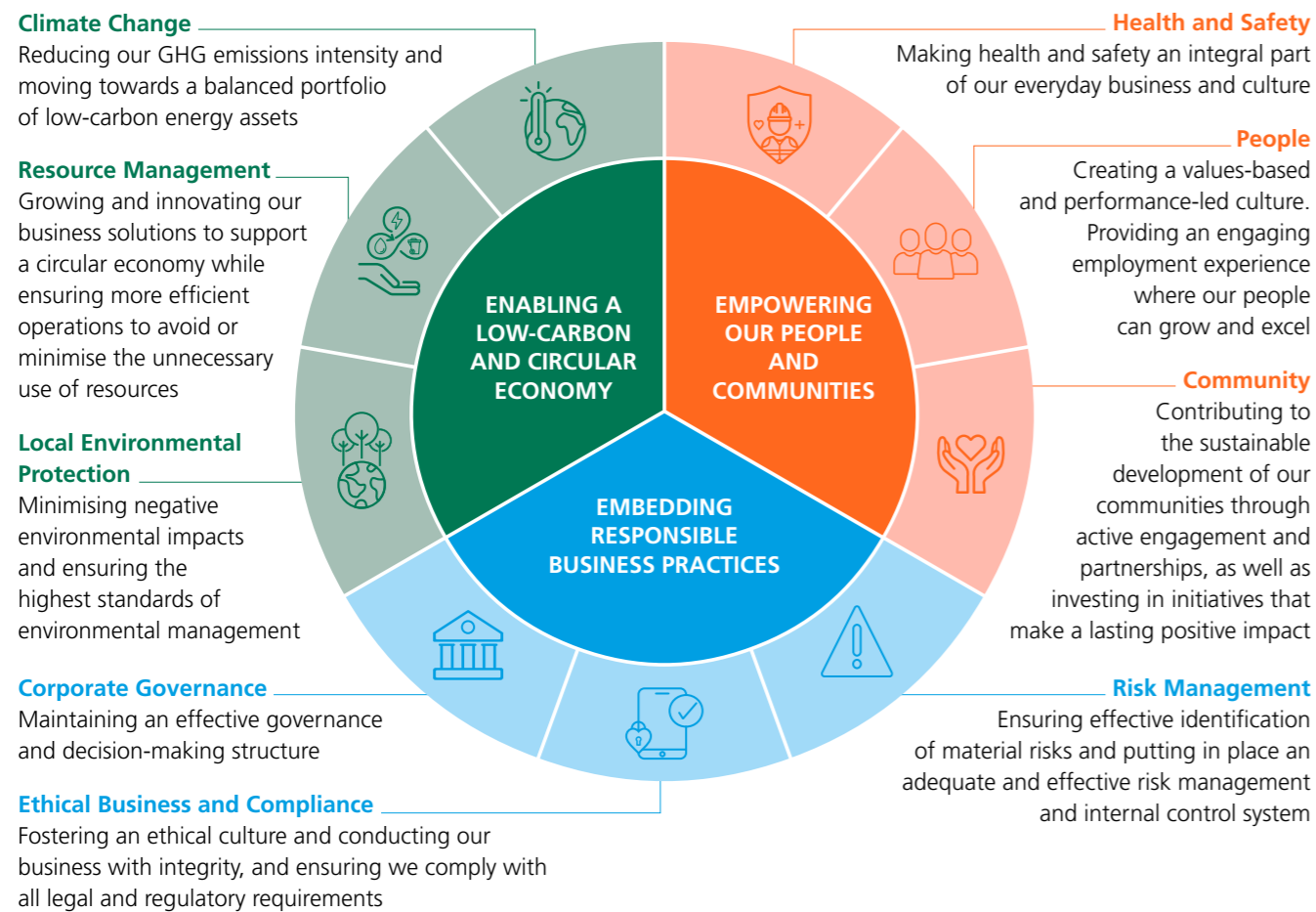
¹ Based on the average energy consumption of a four-room public housing unit in Singapore. Source: Energy Market Authority, Singapore, 2020

Managing Sustainability

Sembcorp has long held a strong commitment to sustainability. We are driven by our purpose to play our part in building 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

Our sustainability framework, comprising three ambitions, supports the UN Sustainable Development Goals (SDGs) and underpins our value creation process. Our ambitions are: to enable a low-carbon and circular economy, empower our people and communities, and embed responsible business practices throughout our organisation.



Driven by Our Purpose

Our purpose and passion is to do good and play our part in building a sustainable future. Our vision is to be a leading provider of sustainable solutions – supporting development and creating 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

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 our part to help meet these goals. We aim to transform our portfolio towards a greener future, by focusing on growing our renewables and sustainable urban solutions businesses.

For more information on our support of the SDGs, please refer to Our Approach section on our Sustainability webpage.

Sustainability Governance

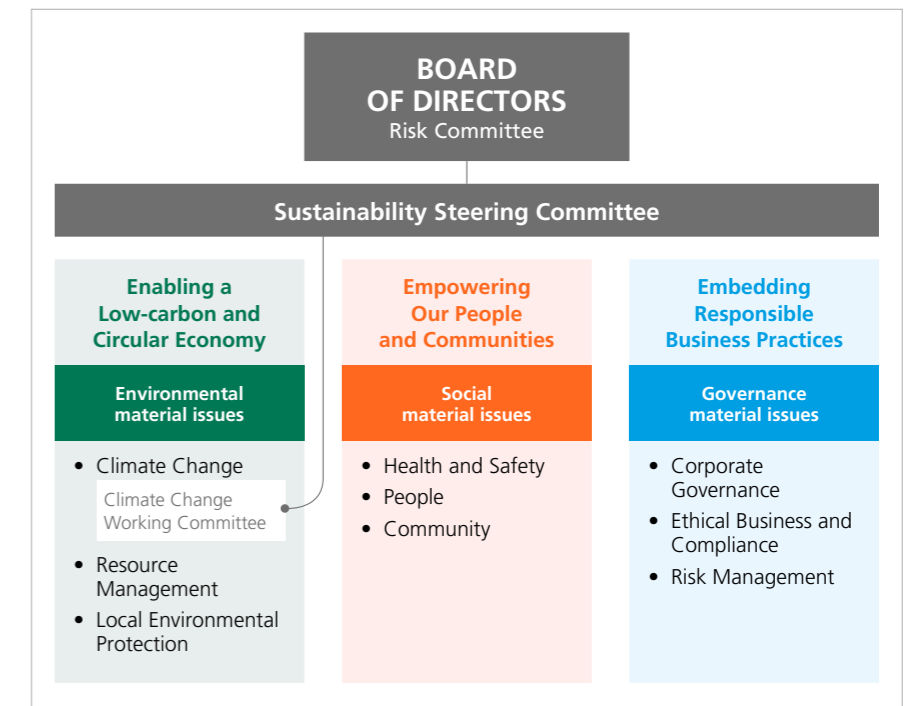
Sembcorp's board of directors oversees the business affairs of the Group. The main duties of the board include providing leadership on Sembcorp's overall strategy which takes into consideration our material sustainability issues. Sembcorp has a Sustainability Steering Committee that provides strategic 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 that sustainability is embedded into the business, environmental, social and governance (ESG) components are included in the performance scorecard of our leadership team. With this, the performance incentives of our senior executives specifically take into account ESG performance and the achievement of set targets.

More information on our sustainability-related policies is available in the Reports and Policies section on our Sustainability webpage.

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.



Memberships and Associations

WE SUPPORT



Signatory to the United Nations Global Compact



Supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures



Member of the founding consortium of the GRI ASEAN Regional Hub which opened in Singapore in 2019



Partner of Carbon Pricing Leadership Coalition Singapore

Enabling a Low-carbon and Circular Economy



Climate Change

Our Priorities

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



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



Local Environmental Protection

Our Priorities

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

Climate Change

Why this is material

As an energy producer, our energy generation activities release GHG emissions that contribute to climate change. Climate change also poses potential regulatory, technological, physical and reputational risks to our business.

Our approach

We have a two-pronged approach to addressing the risks and opportunities brought about by climate change.

The first is to minimise our negative impact by reducing our operational GHG emissions, and the second is to enhance our positive impact by growing our green business lines such as renewables.

Climate-related issues are managed through our Climate Change Working Committee (CCWC). The CCWC reports to the Sustainability Steering Committee (SSC), which in turn reports to the board's Risk Committee. The achievement of

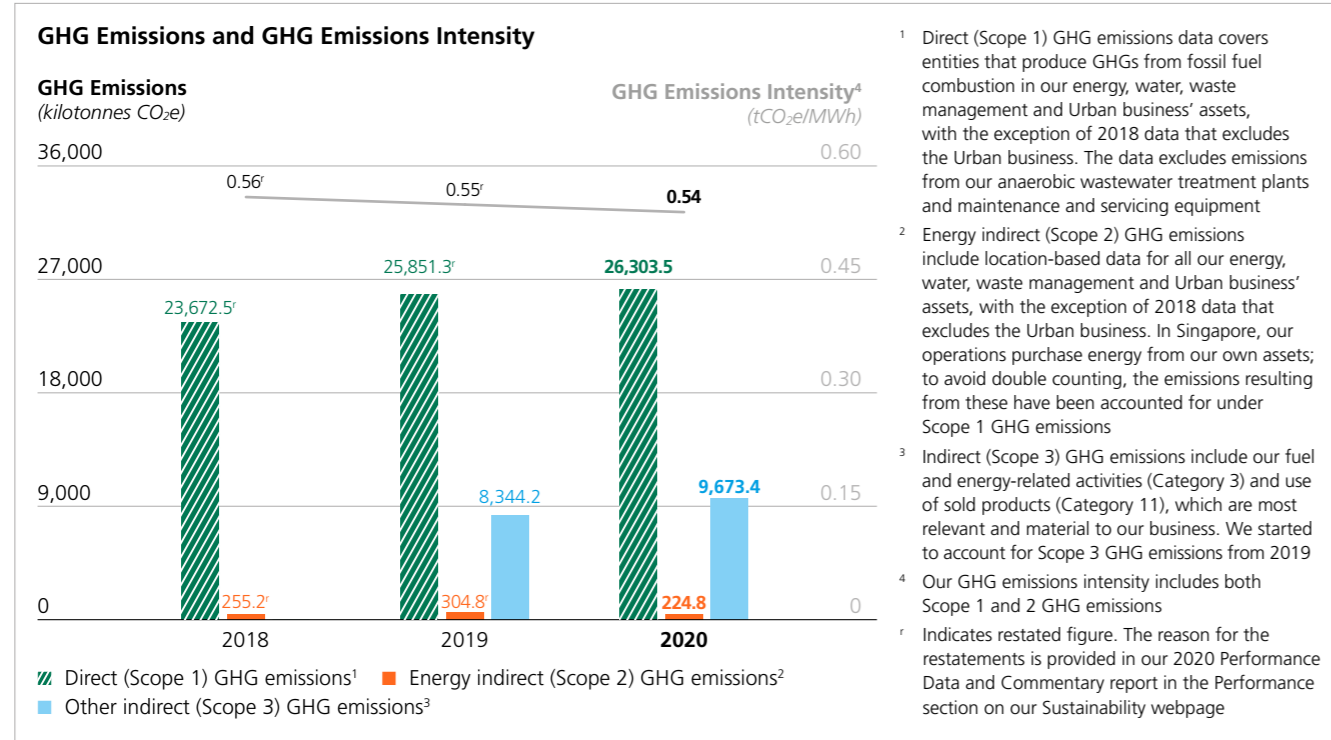
our climate change targets is monitored and incentivised via the performance scorecards of our senior executives.

Our frameworks and policies

- Climate Change Strategy
- Group Environmental Policy

Reference frameworks

- The Paris Agreement
- Greenhouse Gas Protocol
- Task Force on Climate-related Financial Disclosures (TCFD)



Performance

- We grew our gross renewables capacity comprising wind, solar and energy storage assets to 3,218MW, from 2,721MW at the end of 2019.

[To find out how we grew our renewables portfolio amid the pandemic, please refer to the Feature Stories section on our Sustainability webpage.](#)

- Our GHG emissions intensity was 0.54 tonnes of carbon dioxide equivalent per megawatt hour (tCO₂e/MWh) compared to 0.55tCO₂e/MWh in 2019. The slight decrease in emissions intensity was due to an increase in renewable energy generation.

- Scope 3 GHG emissions increased by 16% to 9.7 million tCO₂e from 8.3 million tCO₂e due to an increase in our stake in the gas business.

- We improved our CDP Climate Change score from B- to B.

- We climbed 10 places and ranked 50th in the Top 100 Green Utilities report by Energy Intelligence.

- We were also placed 13th in the Top Power Generators Ranked by Renewables Capacity by Energy Intelligence.

[To find out how we developed a stronger ecosystem for green attributes, please refer to the Feature Stories section on our Sustainability webpage.](#)

Resource Management

Why this is material

As an energy and urban development player, our activities consume resources such as fuel and water. We continue to optimise our operational resource consumption to reduce our impact on the environment.

Our three key areas of focus are:

- Energy management
- Water and wastewater management
- Waste management

Our approach

Energy Management

To optimise the efficiency of our energy assets, we use advanced digital solutions that enable real-time data analysis for the early detection of anomalies to facilitate prompt corrective intervention or preventive maintenance. We also aim to increase the use of solar energy at our sites to reduce our Scope 2 GHG emissions.

[To find out how our partnerships and innovation have helped to improve resource management, please refer to the Feature Stories section on our Sustainability webpage.](#)

Water and Wastewater Management

We seek to ensure that our interactions with, and usage of, water resources are responsibly managed. Our wastewater treatment business applies various technologies such as membrane separation and biological treatment to effectively treat different wastewater profiles from our customers.

Waste Management

We adopt the principles of reduce, reuse and recycle, and actively seek solutions that support a circular economy.

[To find out how we are exploring the resource recovery of decommissioned solar panels, please refer to the Feature Stories section on our Sustainability webpage.](#)

Resource management falls under the oversight of the Global Operations department. It is guided by the Group Health, Safety, Security and Environment (HSSE) Management Framework, Environmental Policy and Standards, as well as all applicable environmental regulations.

Our frameworks and policies

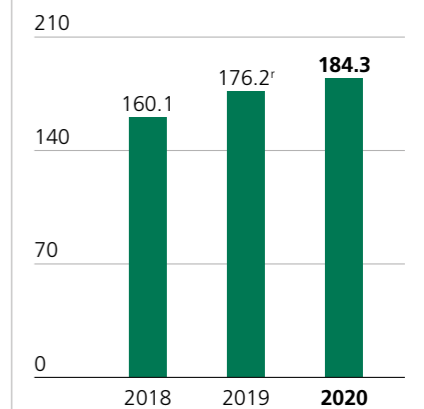
- Group HSSE Management Framework comprising
 - Group HSSE Policy
 - Group HSSE Rules and Standards
- Group Environmental Policy

Performance

- We consumed 184.3 petajoules of energy in 2020.
- Our global energy and water facilities undertook 24 energy optimisation projects that led to a reduction of over 60,000MWh of electricity consumed, the equivalent of over 21,000tCO₂e emissions avoided.

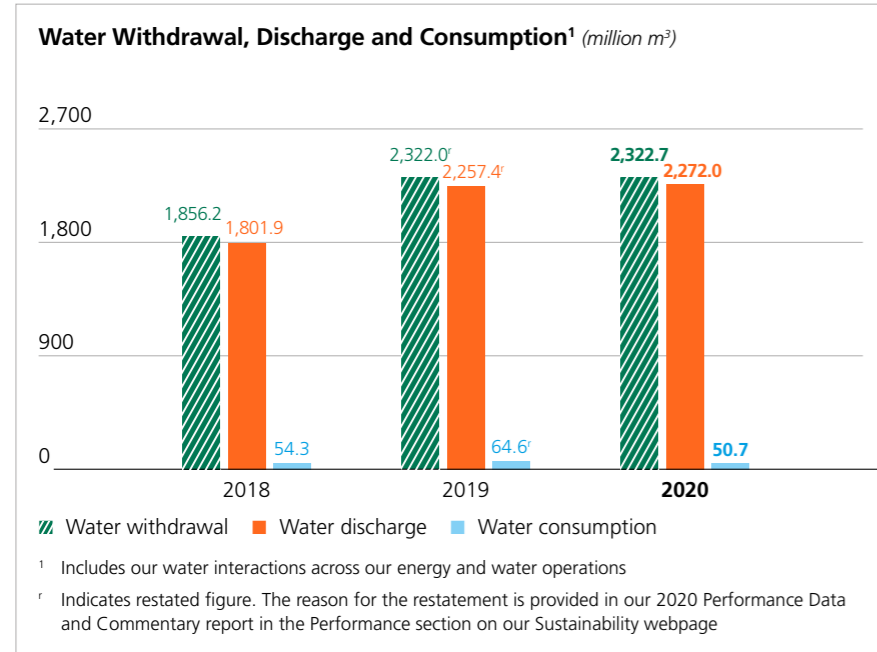
- We withdraw water for energy generation and cooling purposes in our energy operations. We also treat multiple streams of water and industrial wastewater for our customers. We withdrew 2,322.7 million cubic metres (m³)

Energy Consumption within Sembcorp¹ (petajoules)



¹ Energy consumption within Sembcorp = Fuel consumption (natural gas, fuel oil, petrol, diesel, coal and waste, biomass) + Energy purchased for consumption + Self-generated electricity (renewables) – Total energy sold

^r Indicates restated figure. The reason for the restatement is provided in our 2020 Performance Data and Commentary report in the Performance section on our Sustainability webpage



of water in 2020. Our water withdrawal and discharge remained stable, and we consumed less water in 2020.

- We undertook three water optimisation projects that improved efficiency and led to a projected annualised reduction of around 17,000m³ of water used.
- We generated 1.7 million tonnes of waste, an 8% reduction from last year. This was due to lower electricity production in our thermal plants and wastewater treatment volume, resulting in reduced ash and sludge generation respectively. 98% of waste generated was non-hazardous waste and 2% was hazardous waste. 95% of non-hazardous waste was recycled into bricks, cement and used in the filling of low-lying areas and dyke raising.

Local Environmental Protection

Why this is material

Our operations and activities have varying degrees of impact on the environment, such as the discharge of effluent, disposal of waste, or the

emission of air pollutants. Any improper or non-compliant discharge, disposal or emission may result in harm to the environment and public health, as well as threaten the long-term viability of our business.

Our approach

Our Group HSSE standards support the Precautionary Principle in managing environmental risks. We seek to take preventive action to minimise our impact on the environment.

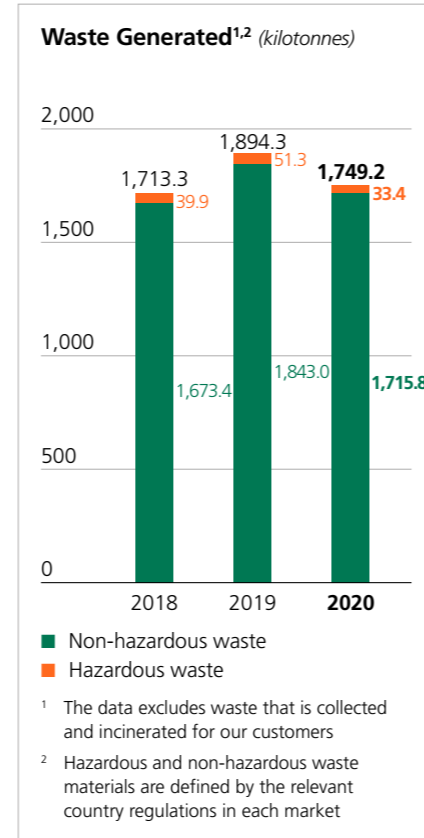
Where required, we conduct environmental impact assessments in accordance with national and / or international standards and methodologies.

Local environmental protection falls under the oversight of the Group HSSE department, guided by the Group HSSE Policy and Standards as well as all applicable environmental regulations.

Our frameworks and policies

- Group HSSE Management Framework comprising
 - Group HSSE Policy
 - Group HSSE Rules and Standards

* A significant spill refers to the 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 the occurrence of the incident



- Group HSSE Legal and Regulatory Governance Framework
- Group Environmental Policy

Reference frameworks

- ISO14001

Performance

- We developed our Group HSSE Legal and Regulatory Governance Framework to guide our operations towards the highest standards of environmental compliance.
- We registered zero significant* spill incidents across our global operations.
- Details of fines can be found on page 49 of this report.

Empowering Our People and Communities

Health and Safety

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

Health and Safety
Why this is material

The nature of our business means that any lapse in health or safety protocols may result in direct or indirect impact on our employees, contractors, customers and communities.

Our approach

We recognise the right to life, health and safe working conditions, and are committed to reducing health and safety risks in our operations to as low as reasonably practicable. We believe that most incidents are preventable and it is our responsibility to ensure that our employees are equipped with the right skills and tools to work safely. We also require our contractors to comply with our health and safety policy to prevent and manage health and safety risks.

We aim to provide our customers with safe, reliable products and services. Quality assurance and compliance testing are done at various points of production. Our monitoring and control regime includes detailed inspections as well as predictive and preventive maintenance of critical equipment, parts and instruments.

In line with our responsibility to provide a secure working environment, we closely monitor and assess security threats and potential risks to our operations and assets.

People

Our Priorities
 Creating a values-based and performance-led culture. Providing an engaging workplace where our people can grow and excel

Occupational health and safety fall under the oversight of the Group HSSE department, who provides updates to the board's Risk Committee. The department is guided by the Group HSSE Management Framework. Performance incentives for all employees take into account the Group's overall health and safety performance for the year.

Product safety and reliability are overseen by the chief executive officers of various markets, who are bound by regulatory and contractual terms to meet product and service specifications and standards.

Physical security falls under the oversight of the Group HSSE department, whose work is guided by the Group Security Management System.

Our frameworks and policies

- Group HSSE Management Framework comprising
 - Group HSSE Policy
 - Group HSSE Rules and Standards
 - Group Security Management System
 - Group Security Standards
 - Group HSSE Legal and Regulatory Governance Framework
- Human Rights Policy

Reference frameworks

- ISO45001

Community

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

- International Association of Oil and Gas Producers (IOGP) Global Safety Performance Indicators
- US National Institute for Occupational Safety and Health (NIOSH)
- American Society for Industrial Security Standards
- Singapore Ministry of Home Affairs Security Guidelines

Performance

- There has been improvement in the 2020 health and safety performance despite increased workplace risk factors arising from the impact of COVID-19. Pandemic response measures such as split team work arrangements were implemented to reduce the risk of transmission within the workplace. As a result, operations ran on longer working hours due to reduced manpower and faced additional operational constraints due to enhanced safety requirements. In spite of these factors, there were zero fatalities and our lost time injury rate and accident severity rate improved by about 20% and 98% respectively compared to 2019. We remain committed to continually improving our occupational health and safety performance.

To find out how our businesses ensured safe operations during the pandemic, please refer to the Feature Stories section on our Sustainability webpage.

People

Why this is material

Having a competent, highly motivated and performance-led workforce is key to ensuring the success of our business. Our people play a vital role in ensuring our business stays relevant by delivering on our transformation strategy and goals.

We identified the following areas of focus:

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

Our approach

Employee engagement

Our leadership communicates with employees through various channels including dialogues, town halls, video conferencing, newsletters and email circulars. We conduct an employee engagement survey at least once a year.

[To find out how we continued to engage our employees amid the pandemic, please refer to the Feature Stories section on our Sustainability webpage.](#)

Employee development

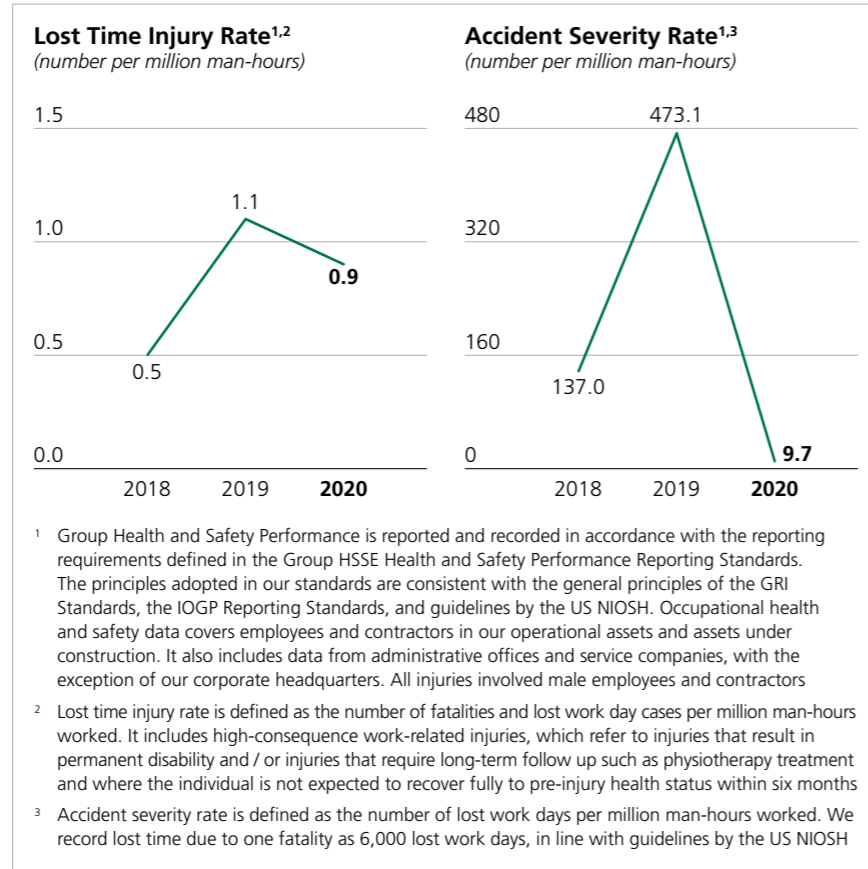
Our talent strategy is built upon talent acquisition and development. We are committed to equipping our people with the capabilities and know-how to achieve their fullest potential, while enabling them to remain relevant in an evolving operating landscape.

Talent strategy and development as well as succession planning are supported by the:

- Talent review and succession planning framework
- Lead, Appraise and Develop (LeAD) performance management system

Compensation and benefits

We have in place a competitive remuneration and reward system based on the key principles of equity



and meritocracy. Our salary levels are reviewed regularly and benchmarked against local markets, as well as data from global market surveys and consultancy firms. Where applicable, we also undergo negotiations with employee unions.

Annual variable bonuses for all employees are based on business and individual performances which are measured against targets that were previously agreed upon with their supervisors. Share plans are also available for eligible employees.

Employee compensation and benefits are reported to the board's Executive Resource and Compensation Committee.

Employee wellness

We adopt a holistic approach to workplace wellness encompassing

the physical, social and psychological well-being of our employees.

Our workplace wellness plans are supported by:

- A dedicated budget for activities that encourage employee well-being and team bonding
- Employee-led committees that organise a range of free or subsidised recreational and wellness activities
- Mandatory medical screenings for employees whose work may include occupational health hazards and voluntary free annual health screenings to all employees in most markets

Human rights and labour standards

Our Human Rights Policy sets out our principles with respect to human rights and labour standards, including the prohibition of forced or child labour and freedom of association.

Our Code of Conduct sets out key principles on fairness, opportunity, non-discrimination, dignity, respect and non-harassment.

Diversity and equal opportunities

Our principles with respect to diversity are set out in our Human Rights Policy and Code of Conduct. 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.

We believe that our localisation strategy supports local capability building and equal opportunity. We also offer our employees placements in different markets to encourage greater exposure and to diversify their skills and experience.

Our practices in these focus areas fall under the oversight of the Chief Corporate and Human Resource Officer who is supported by the Human Resource, Group HSSE, Group Internal Communications and Group Sustainability departments.

Our frameworks and policies

- Talent Management and Development Policy
- Learning and Development Policy
- Talent Acquisition Policy
- Whistle-blowing Policy
- Employee Grievance and Disciplinary Action Policy
- Human Rights Policy
- Code of Conduct

Reference frameworks

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

Performance

We launched global pulse surveys in April and June 2020 to better understand how employees were coping amid the pandemic. Findings and concerns highlighted in the first survey were followed up on. The results were reflected in improved scores from the second pulse survey, including better employee well-being, and improved sentiment towards the organisational and enhanced digital support given to help employees adapt to the changing work environment.

A global employee engagement survey was conducted in November 2020. Employee participation rates in the engagement survey improved significantly from 59% in 2019 to 82% in 2020, while the employee engagement dimension scored above global industry benchmarks.

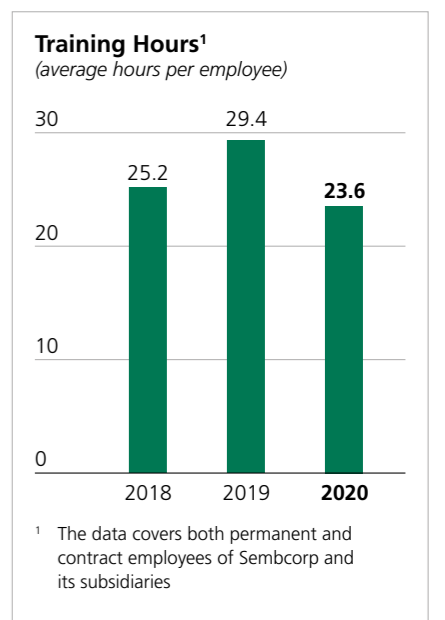
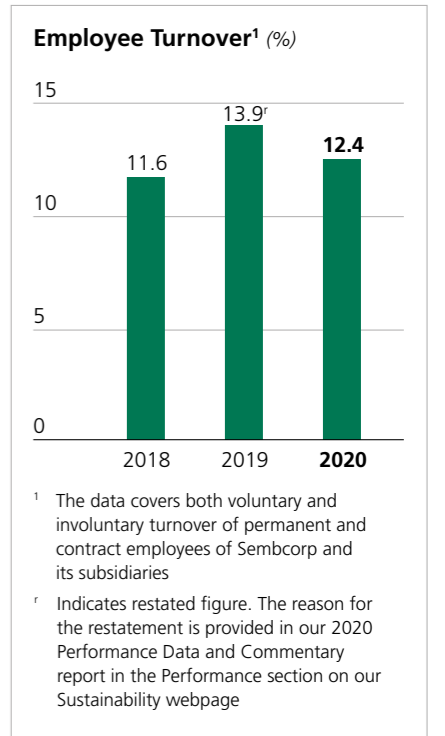
We were included in Forbes' 2020 list of the World's Best Employers. Employee turnover was 12.4% in 2020 compared to 13.9% in 2019. The voluntary turnover rate was 9.0% in 2020, down from 10.5% in 2019.

We achieved an average of 23.6 training hours per employee in 2020. The lower training uptake was due in part to employees transitioning to work from home arrangements. COVID-19 restrictions also limited the number of physical training sessions that could be conducted. Certain training sessions were also cancelled as vendors were unable to conduct virtual sessions.

We launched the Sembcorp Academy which aims to provide more structured learning opportunities for employees. The Academy kicked off with

technical development programmes for operations and maintenance employees in Singapore.

- We piloted a graduate development programme designed to attract high calibre graduates from local universities in Singapore.



Our Material ESG Issues

- In 2020, we launched the Flexible Benefits Programme in Singapore. This provided employees with more choice to decide how they use their flexible credits.
- To help employees better adapt to the changing work environment, we launched a global virtual wellness campaign to encourage healthy habits while working from home. We also launched an employee assistance programme in Singapore where employees could seek consultation services and professional support to better manage the stress associated with the COVID-19 pandemic.

Community

Why this is material

Sembcorp's long-term success is based on being a valued partner to the communities we serve in. At the same time, we 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.

Our approach

We believe we can contribute to the sustainable development of our communities through our operations and community investments. 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 locally, while aligning to group-level strategic frameworks and guidelines.

Community-related issues fall under the oversight of the Group Sustainability department. Community investments undergo a counterparty due diligence assessment conducted by the Group Ethics and Compliance department. Quarterly global community investment meetings are held to communicate plans and policies.

Our frameworks and policies

- Group Community Grievance Management Policy
- Group Community Investment and Sponsorship Compliance Policy
- Group Community Investment Guidelines

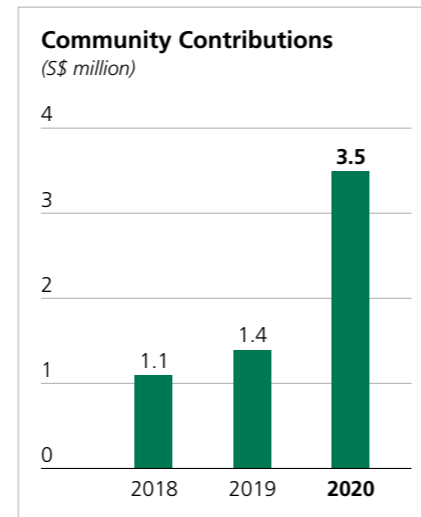
Reference frameworks

- AA1000 Stakeholder Engagement Standard
- Business for Societal Impact (formerly LBG) Framework and Guidance

Performance

- In 2020, Sembcorp contributed S\$3.5 million through cash and in-kind donations to charities and community initiatives globally, which included over S\$600,000 in mandatory contributions and close to S\$52,000 in leveraged contributions. Of our total contribution, S\$1.7 million was channelled to support pandemic-related causes.
- In 2020, 86% of our operations supported communities through local community engagement and / or development programmes.
- In 2020, we launched the Sembcorp Energy for Good Fund in Singapore with an initial injection of S\$1.5 million. Of this, over S\$1 million was used to provide relief to the social sector, essential workers and migrant workers who were impacted by the pandemic. Globally, our markets responded to community needs throughout the year as well as during our annual Sembcorp Gives Back Week in September 2020.

To find out how we supported environmental research and education, please refer to the Feature Stories section on our Sustainability webpage.



Giving Back in a Pandemic



SINGAPORE

- Internal fundraising and dollar-for-dollar matching of employee donations to support vulnerable groups adversely impacted by the COVID-19 pandemic
- Prepared and distributed dry food bundles and cooked meals to beneficiaries
- Sembcorp Power provided rebates to offset electricity bills to selected small businesses as well as eligible residential consumers

CHINA
Donated personal protective equipment (PPE) to local communities

UK

- Company and employee funded donations to support charities affected by COVID-19
- Employee-led virtual meetings to mentor homeless and at risk youths in job searching and employability skills



BANGLADESH
Donation of PPE and disinfection chambers to local communities



VIETNAM

- Distributed food staples to villages in Bac Ninh province and Hai Phong city via "Rice ATMs"
- Delivered food supplies to ethnic hill tribes living in the remote mountainous region of Coc Lau commune in Lao Cai province



MIDDLE EAST

- Purchased machines and disinfecting tools for the daily disinfection of public areas in Fujairah
- Donated disinfection equipment to hospitals



MYANMAR
Donated medical equipment to local hospitals

INDIA

- Sembcorp Entrepreneurship Development Centre trainees sewed reusable face masks which were distributed to the local communities
- Disinfected public areas in villages
- Donated medical equipment to a local hospital in Gurugram

Embedding Responsible Business Practices

Corporate Governance

Our Priorities
 Maintaining an effective governance and decision-making structure

Corporate Governance

Why this is material

Well-defined corporate governance structures, practices and processes are essential to enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.

Our approach

We comply with the principles and guidelines set out in the 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 of this annual report.

Sembcorp's Board of Directors are collectively responsible for the long-term success of the company.

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 and financial authority limits, which has been approved by the board.

Our frameworks and policies

- Constitution of Sembcorp Industries
- Board Diversity Policy
- Interested Person Transactions Mandate
- Corporate Governance Statement

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

Reference frameworks

- Singapore Code of Corporate Governance 2018

Performance

- We ranked eighth in the Singapore Governance and Transparency Index 2020, the leading index for assessing corporate governance practices of Singapore-listed companies.
- We placed fifth in the inaugural Singapore Board Diversity Index developed by Willis Towers Watson in partnership with the Singapore Institute of Directors and supported by BoardAgender.
- We received the ASEAN Asset Class Award in the 2019 ASEAN Corporate Governance Scorecard assessment.

Ethical Business and Compliance

Why this is material

Responsible business conduct ensures the long-term viability of our businesses by building trust and confidence with our stakeholders. Our businesses operate in highly regulated environments where non-compliance may subject us to statutory and regulatory fines or sanctions, and could result in the loss of our licence to operate.

Our approach

We are committed to high standards of behaviour and integrity in everything we do and expect the same from those whom we do business with.

Risk Management

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

We seek to ensure that we comply with all legal and statutory requirements, and have zero tolerance for fraud, bribery and corruption.

Ethical business and compliance falls under the oversight of our general counsel, supported by the Group Ethics and Compliance department. Ethics and compliance matters are reported quarterly to the senior leadership council. The Group Integrated Audit (GIA) department provides independent assurance to the senior leadership council and the board's Audit Committee on the reliability, adequacy and effectiveness of our system of internal controls, risk management, governance framework and processes.

All employees are required to comply with the principles and requirements of our Code of Conduct. Bonus payments for most employees are tied to the completion of mandatory compliance training.

Our frameworks and policies

- Code of Conduct
- Whistle-blowing Policy
- Group Anti-bribery and Corruption Policy
- Group Data Protection Policy
- Group Gifts, Entertainment and Travel Policy
- Group Know-your-counterparties Policy
- Group Conflict of Interest Policy

Our Group Data Protection Policy sets out the framework and principles which govern the collection, use, disclosure, correction, deletion, protection, transfers and retention of confidential personal and business data. Our global businesses and data intermediaries who process and manage data on our behalf are expected to abide by the policy, subject to local laws and regulations on data protection.

Performance

- In 2020, 100% of our employees completed mandatory compliance training and acknowledged compliance to the Code of Conduct.
- In addition to mandatory e-learning, we conducted 29 training workshops targeting employees whose work exposed them to higher risk of bribery and corruption. Over 1,100 employees globally attended these video conference trainings, with the aim to heighten their awareness of anti-bribery and corruption, fraud, financial crimes and conflict of interest.
- A total of 23 data protection and cyber security awareness training workshops were conducted for over 900 employees globally.
- As part of our continuous improvement efforts, we updated and enhanced our Group Conflict of Interest Policy.
- We increased the scope of our Third Party Due Diligence compliance programme.

Fines and Sanctions

We are committed to complying with statutory and regulatory requirements. We report significant fines or monetary sanctions that are equal to or above S\$50,000 that are paid during the financial year.

In 2020, we paid fines totalling S\$549,000 in Chile for incidents that occurred in 2012, 2013 and 2017

relating to delays in the registration of a water well and the construction and expansion of sewage treatment plants that were committed to under a regulatory development plan. Our Chile business was divested on July 29, 2020.

As disclosed in our Annual Report 2019, legal proceedings related to the discharge of off-specification wastewater by a joint venture wastewater treatment company in China resulting from the illegal and criminal activities of some former employees were concluded in February 2020. The Group paid S\$10 million in fines for the criminal case in 2019 and agreed to a S\$44 million settlement for the civil claim.

Following this incident, we took all necessary steps to further strengthen our internal controls and processes across our water operations in China. The Group also committed to invest S\$45 million over a four-year period to support environmental protection in the country.

Risk Management

Why this is material

The global energy transition has 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.

Our approach

We have an overall risk management strategy, as set in place by our board of directors and supported by the board's

Risk Committee and Audit Committee. Oversight of risk management within the Group's listed entities lies with their respective boards. The Risk Committee reviews and enhances the effectiveness of the Group's risk management plans, systems, processes and procedures. It also regularly reviews group-wide risks including significant risk exposure relating to operational risks, 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.

Risk Appetite Framework

The board has determined a risk appetite framework which guides the board and management in the execution of our 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 an appropriate financial position to ensure access to funding and to 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 deemed speculative in nature that is not supported by underlying business and operating requirements, 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 to 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.

 For information on our climate-related risks, please refer to our TCFD disclosure that is available in Our Focus Areas: Environment section on our Sustainability webpage.

c. Social

Sembcorp is committed to being a responsible business that ensures the health and safety of our people, while having a positive impact on our stakeholders and communities. The health and safety of all our employees, contractors, customers and the public is of paramount

importance to the Group. Sembcorp will not compromise the health and safety of our internal and external stakeholders in the pursuit of operational excellence and business growth. 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 for a strong and competent team that is committed to transformation and growth. Sembcorp will continue to equip our employees with the relevant capabilities and competencies, and provide an engaging employment experience to help create a purpose-driven, values-based and performance-led culture that supports 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 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.

d. Governance

As a company listed on the Singapore Exchange, we are accountable 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 Code of Conduct.

Our risk appetite statements are also supported by key risk indicators, which are monitored and reported to the board's Risk Committee on an ongoing basis.

Enterprise Risk Management

The Group is committed to ensuring that an effective and practical enterprise risk management (ERM) framework is in place. Our framework aims to safeguard our people and assets, protect shareholders' interests, facilitate informed 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 ISO31000 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. Our zero-tolerance approach 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

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

Detective

- Whistle-blowing Policy
- Compliance and monitoring
- Pre-employment screening

Responsive

- 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

Staying Prepared to Address Cybersecurity Threats

Cyberattacks are a growing threat in this digital age. A breach in cybersecurity could have a significant impact on our business' operations. Cybersecurity risks at Sembcorp include data breaches or loss, insider threats or national / state-wide cyberattacks that may result in a loss of industrial control systems or regulatory non-compliance.

With this in mind, the right governance structures and policy, systems and processes, together with vigilant employees can help to ensure that Sembcorp stays prepared in the face of potential cyberthreats.

Our cybersecurity strategy is underpinned by our Cybersecurity Framework. Our chief digital officer leads the team responsible for cybersecurity and reports to our board's

Audit Committee quarterly. Our management systems are designed in line with industry best practices such as the National Institute of Standards and Technology (NIST) Cybersecurity framework and ISO27001. Some of our plants are certified to ISO27001. Cybersecurity is audited annually. It is also included in our Internal Audit department's annual work plan. We conduct regular vulnerability assessments, including vulnerability assessment penetration testing.

In 2020, we held numerous workshops, table-top exercises, as well as global phishing exercises. We launched a cybersecurity awareness month which threw the spotlight on social engineering, and shared articles and videos among our global workforce. Quarterly newsletters on security threats and best practices were also shared regularly.


Sembcorp's Cybersecurity Framework
(in adherence to NIST Cybersecurity framework)

IDENTIFY	Develop organisational understanding to manage cybersecurity risk to systems, applications and data
PROTECT	Provide appropriate safeguards to ensure confidentiality, integrity and availability of business and ensure delivery of critical infrastructure services
DETECT	Proactively identify the occurrence of cybersecurity events, discover cybersecurity anomalies and other weaknesses in a timely manner within and outside the environment
RESPOND	Effectively manage and respond to cybersecurity events with appropriate actions, whilst containing the impact of potential cybersecurity incidents
RECOVER	Develop and implement the appropriate activities to maintain plans for resilience and to restore any capabilities or services that were impaired due to a cybersecurity event

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 whistle-blowers. 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 Reports and Policies section on our Sustainability webpage.

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. The Group also addresses crises and emergencies through the implementation of appropriate prevention, preparedness, as well as response and recovery programmes.

With operations across the globe, the Group actively monitors emerging threats, formulates and updates our strategies and mitigation measures

accordingly, to prevent disruption to our operations. Focus is placed on establishing a robust and effective crisis management framework that is relevant to the current business environment and risk landscape. Crisis communication procedures are also embedded into 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 ISO22301:2012 under Societal Security – Business Continuity Management Systems – Requirements.

Health, Safety, Security and Environment

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 group-wide HSSE management system is aligned with ISO14001 and ISO45001 Standards, and provides guidance to business units in systematically managing HSSE risks associated with our activities and services.

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. 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.

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 and financial authority limits. 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, governed by board approved risk management policies, to manage our exposure to foreign exchange, commodity prices and interest rate fluctuations arising from operational, financing and investment activities. The commodities include fuel oil, coal and natural gas. Transactions such as foreign exchange forwards, interest rate swaps, commodities swaps, purchase of options and contracts for differences are used to manage these risks as appropriate. Transactions are only allowed for hedging purposes based on the underlying business and operating requirements, as transactions for speculative purposes are strictly prohibited. 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. 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. 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.

As at December 31, 2020, the countries outside of Singapore in which the Group has the largest investment exposure are India (S\$3.8 billion) and China (S\$1.6 billion). Investment exposure comprises invested capital including reserves and committed contingent support for projects and assets.

e. Tax Risk Management

We 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. 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 tax 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

The Group has completed the transition from Governance Assurance Framework to an Integrated Assurance Framework (IAF) to put greater emphasis on the three lines of defence model.

 For more details on our IAF, please refer to page 65 of the Corporate Governance Statement.

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

Well-defined corporate governance processes are essential to enhancing the corporate accountability and long-term sustainability of Sembcorp. We are committed to high standards of governance to create, preserve and maximise long-term value for all our stakeholders.

This report sets out the company's corporate governance processes and activities for the financial year 2020 with reference to the principles set out in the 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. In 2020,

Sembcorp ranked eighth in the Singapore Governance and Transparency Index, the leading index for assessing corporate governance practices of Singapore-listed companies. Sembcorp also ranked fifth in the inaugural Singapore Board Diversity Index developed by Willis Towers Watson in partnership with the Singapore Institute of Directors and supported by BoardAgender.

Board Matters Board's Conduct of Affairs (Principle 1)

Effective board to lead and effect controls

Temasek Holdings (Temasek) is Sembcorp's substantial shareholder. As a Temasek portfolio company, Sembcorp is committed to sound corporate governance practices that include having an independent, high-calibre board.

Sembcorp is led by a 12-member board including Chairman Ang Kong Hua and Group President & CEO Wong Kim Yin. The board, which comprises mainly independent non-executive directors, leverages its diversity and experience to provide sound leadership to management.

The composition of the board and its committees is set out below.

Role of the board

The board's principal duties are to:

- Provide leadership and guidance to management on the Group's overall strategy with a focus on value creation, innovation and to ensure the necessary financial and human resources are in place, deployed and optimised;
- Ensure the adequacy of the Group's risk management together with internal controls framework and standards including ethical standards, and that our obligations to shareholders and 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 and oversight on sustainability issues, including the determination of material 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 the 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.

Delegation by the board

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

- 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, to maximise the effectiveness of the board and to foster active participation and contribution. Considerations include diversity of experience, appropriate skills and the need to maintain appropriate checks and balances amongst the different committees.

The Group has 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. Investments and transactions exceeding threshold limits require board approval while those below the threshold limits are approved by the ExCo and management to facilitate operational efficiency.

The roles and responsibilities as well as key activities of each of the board committees are explained in this corporate governance statement. The current composition of these board committees is set out in the table on the left.

Executive Committee ^E

The ExCo assists the board in developing the overall strategy for the Group and supervises management of the Group's business and affairs. Its principal responsibilities are to:

- Review and approve business opportunities, major contracts, strategic investments and divestments of the Group that fall within the financial authority limits delegated by the board;
- Evaluate and recommend for board approval, investments, capital and operating expenditures, and divestments that are above the financial authority limits; and
- Review the performance of the Group's new investments or projects against the approved financial model periodically.

Audit Committee ^A

All members of the AC are non-executive and independent directors. Its main responsibilities are to:

- Review the Group's financial and accounting matters, as well as internal controls encompassing operational, compliance, risk management and information technology (IT).

This includes ensuring the adequacy and accuracy of the half-yearly and annual financial statements prior to submission to the board;

- Review the respective audit work plans, evaluation and reports by external and internal auditors as well as to optimise the allocation of audit resources in line with key business, operational and financial risk areas;

- Review internal controls and procedures, and ensure coordination between external and internal auditors as well as management;

- Review the assistance rendered by management to the auditors and discuss issues or concerns (if any) arising and to conduct discussions with auditors in the absence of management (where necessary);

- Review and discuss with external and internal auditors and management any suspected fraud, irregularity or suspected infringement of rules, regulations and laws which may have material impact on the operations and financial position of the company;

- Review the independence, objectivity, scope and effectiveness, appointment or re-appointment of external auditors annually;

- Review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Rules; and

- Undertake reviews as requested by the board and other duties as prescribed by statutes and the SGX-ST

Name	First Appointed	Last Re-elected / Re-appointed	Nature of Appointment	Board Committees					
				^E ExCo	^A AC	^R RC	^C ERCC	^N NC	^T TAP
Ang Kong Hua	Feb 26, 2010	May 21, 2020 [#]	Chairman Non-executive / Independent	C			C	C	C
Tan Sri Mohd Hassan Marican	Jun 16, 2010	Apr 18, 2019 ^{**}	Non-executive / Independent				M	M	
Tham Kui Seng	Jun 1, 2011	Apr 18, 2019 [#]	Non-executive / Independent	M			M		
Dr Teh Kok Peng	Oct 15, 2012	Apr 20, 2018 ^{**}	Non-executive / Independent		M	M			M
Ajaib Haridass	May 1, 2014	Apr 18, 2019	Non-executive / Independent		M	C			
Nicky Tan Ng Kuang	Nov 1, 2015	Apr 18, 2019	Non-executive / Independent	M			M	M	M
Yap Chee Keong	Oct 1, 2016	May 21, 2020	Non-executive / Independent		C	M			
Jonathan Asherson OBE	Jun 17, 2017	Apr 20, 2018 ^{**}	Non-executive / Independent		M	M			M
Dr Josephine Kwa Lay Keng	Aug 1, 2018	Apr 18, 2019 [*]	Non-executive / Independent						M
Nagi Hamiyeh	Mar 3, 2020	May 21, 2020	Non-executive / Non-independent	M				M	
Lim Ming Yan	Jan 18, 2021	N.A. [*]	Non-executive / Independent		M	M			M
Wong Kim Yin	Jul 1, 2020	N.A. [*]	Executive / Non-Independent	M					M

C: chairman M: member

* Up for retirement and seeking re-election at the upcoming AGM

** Up for retirement but not seeking re-election and will retire at the upcoming AGM

Seeking continued appointment as independent directors at the upcoming AGM

Listing Rules or recommended by the Code and by such amendments made thereto from time to time.

Risk Committee

The principal functions of the RC, comprising non-executive and independent directors, are to:

- Review and endorse the Group's policies, guidelines and systems that 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 that include updates on the Group's risk portfolio, reports on major risk exposure and related issues as well as mitigating actions; and
- Review infrastructure and resources in place to support the management of risk including insurance, human resources, IT systems, and reporting structure and procedures.

Executive Resource & Compensation Committee

Comprising non-executive and independent directors, the ERCC is responsible for developing, reviewing and recommending 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 are in place, in line with prevailing economic environment, industry practices and compensation norms;
- 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; and
- Review succession planning for key management personnel and the leadership pipeline for the organisation.

Nominating Committee

All members of the NC are non-executive directors, the majority of whom are independent. It is responsible for Sembcorp's board composition to ensure strong, independent and sound board leadership. Its principal responsibilities 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.

Technology Advisory Panel

The TAP includes two co-opted members, Prof Ng How Yong and

Prof Lui Pao Chuen. Its principal responsibilities 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 technology areas for research and development (R&D) and 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.

Information on TAP members are found on page 32.

Meetings and attendance

The board meets regularly to review and approve the release of the company's financial results, deliberate on key activities and business strategies and to approve the Group's budget for the following year. During these meetings, the Group President & CEO provides updates on the company's development and business prospects while each board committee reports on its activities. Time is also set aside for the board to discuss management performance during which the Group President & CEO and members of management will recuse themselves. Minutes recording key board deliberations and decisions are circulated to all board members for their information.

Directors' Attendance at Board and Board Committee Meetings in FY2020

Board Member	Board	ExCo	AC	RC	ERCC	NC	TAP	AGM	EGM
Total number of meetings held in 2020	7	4	9	5	4	1	4	1	1
Ang Kong Hua	7	4	-	-	4	1	4	1	1
Tan Sri Mohd Hassan Marican	7	-	-	-	4	1	-	1	1
Tham Kui Seng	7	4	-	-	4	-	-	1	1
Dr Teh Kok Peng	7	-	9	5	-	-	4	1	1
Ajaib Haridass	7	-	9	5	-	-	-	1	1
Nicky Tan Ng Kuang ¹	7	4	-	-	3*	0*	-	1	1
Yap Chee Keong	7	-	9	5	-	-	-	1	1
Jonathan Asherson OBE	7	-	8*	5	-	-	4	1	1
Dr Josephine Kwa Lay Keng	7	-	-	-	-	-	4	1	1
Nagi Hamiyeh ²	6	3	-	-	-	-	-	1	1
Lim Ming Yan ³	-	-	-	-	-	-	-	-	-
Wong Kim Yin ⁴	4	2	-	-	-	-	2	-	1
Neil McGregor ⁵	2	2	-	-	-	-	1	1	-
Margaret Lui ⁶	2	2	-	-	1	-	-	1	-

* Could not attend and conveyed their views / comments for consideration prior to meeting

¹ Mr Tan was appointed as a member of TAP with effect from February 22, 2021

² Mr Hamiyeh was appointed as a director with effect from March 3, 2020, as a member of the ExCo on March 12, 2020 and the NC on February 22, 2021

³ Mr Lim was appointed as a director with effect from January 18, 2021 and as a member of the AC, RC and TAP on February 22, 2021

⁴ Mr Wong was appointed as Group President & CEO, a director, and member of ExCo and TAP with effect from July 1, 2020

⁵ Mr McGregor retired as a director, and member of ExCo and TAP with effect from May 21, 2020. He also retired as Group President & CEO on June 30, 2020

⁶ Mrs Lui retired as a director and member of ExCo, ERCC and NC with effect from May 21, 2020

Ad-hoc board meetings may be convened as necessary to consider other specific matters. Annual off-site strategic review meetings are organised to facilitate in-depth discussions between the board and management on the Group's strategy and other key issues. In view of the global COVID-19 pandemic, the off-site meeting was held in Singapore in November 2020.

Board and board committee meetings, as well as annual general meetings (AGMs) are scheduled in consultation with the directors before the start of each year, with the aim of achieving full attendance for all meetings. Directors who are unable to attend in-person are allowed to participate remotely through voice calls or video conferencing. If a director is unable to attend any board or board committee meeting, he / she will be sent the papers tabled for discussion and will have the opportunity to separately convey views to

the chairman for consideration or further discussion. 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. To avoid any conflict of interests, directors disclose personal interests in transactions and recuse themselves from discussions and decisions.

The directors' attendance at board and committee meetings held during FY2020 is set out above.

Board orientation and training

All new directors receive formal letters of appointment explaining the Group's governance policies and practices, as well as their duties and obligations. They also receive an information pack that acts as an *aide-memoire* for information covered in the induction

programme. This includes briefings on board policies, 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. Training is also provided for new directors with no prior listed-company experience on the roles and responsibilities as a director of a listed company as prescribed by SGX-ST.

The company also 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, global macro views and updates to the Code. These are done either during board meetings or at specially convened training sessions or seminars conducted by external professionals which are funded by the company.

In 2020, the directors participated in the following briefings and updates provided by the company:

- Briefing on new SGX-ST Listing Rules by external legal counsel;
- Briefing on Investment Environment Outlook by external chartered financial analyst;
- Briefings on developments in accounting and governance standards presented by our external auditors at AC meetings;
- 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 both the AC and RC;
- 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 including cyberattacks;
- 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; and
- Updates on our cyber posture, KPIs and road map by the Group Digital & Technology department to the AC.

Relevant articles and reports 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 to promote active engagement and to foster stronger relationships with stakeholders.

In August 2020, directors visited the construction site of the 60 megawatt floating solar photovoltaic (PV) system by Sembcorp Solar on Tengeh Reservoir, which will be one of the world's largest inland floating solar PV systems when complete. In the same month, directors also toured Sembcorp Environment's Materials Recovery Facility in Tuas, to understand the recovery and sorting process of recyclables from municipal waste received daily.

Complete, adequate and timely information

Complete, adequate and timely information is vital for directors 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 at board meetings on a quarterly basis. The Group President & CEO, Group Chief Financial Officer (CFO) and senior management members attend board and board committee meetings to provide insight into matters under discussion and to address queries from the board.

To reduce paper consumption, directors are provided with electronic tablets to access board and board committee papers prior to and during meetings. As a general rule, all relevant board papers are made available to directors a week before meetings to allow sufficient time for review. Should additional information or consultation be required, the board has ready and independent access to the Group President & CEO, Group CFO, senior management, company secretary, internal and external auditors, and counsel.

Company Secretary

The appointment and removal of the company secretary are subject to the board's approval. The company secretary assists the Chairman by ensuring a 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, including 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 with the 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 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, its shareholders.

Independent professional advice

In the furtherance of its duties, the board has full 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 has 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.

Board members include business leaders and professionals from the engineering, petrochemical, oil, power and gas and


Director Experience / Skills Matrix

	Industry experience	Senior management experience	Strategic planning	Audit / Accounting & Finance	Legal	IT	R&D	Risk management	HR management
Experience / Skills									
Ang Kong Hua	✓	✓	✓	✓		✓	✓	✓	✓
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	✓	✓	✓	✓		✓		✓	✓
Lim Ming Yan	✓	✓	✓	✓				✓	✓
Wong Kim Yin	✓	✓	✓	✓		✓	✓	✓	✓

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 collectively provide an appropriate balance and mix of skills, knowledge and experience as well as other aspects of diversity including gender and age.

The current board comprises 12 directors including 10 independent directors. With the exception of the Group President & CEO, all directors are non-executive and independent of management in terms of judgement. This helps to assure objectivity on issues deliberated.

 Profiles of the directors are found on pages 28 to 31.

Review of directors' independence

The board assesses each director's independence 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 NC reviews the completed checklists, assesses the independence of the directors and presents its recommendations to the board.

In 2020, all directors except Mr Wong and Mr Hamiyeh 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 and Dr Kwa as elaborated below. The board has determined that with the exception of Mr Wong and Mr Hamiyeh, all members of Sembcorp's board for 2020 are independent.

Mr Wong is the Group President & CEO and an executive director of Sembcorp. Mr Hamiyeh is the joint head of Temasek's Investment Group and concurrently the head of Portfolio Management.

Tan Sri Mohd Hassan is non-executive chairman of Sembcorp Marine, formerly a listed subsidiary of the company till September 2020, from which the company received payment in excess of S\$200,000 in aggregate for consultancy services and provision of utilities services. 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 it was divested 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 and Mr Tham's directorships in these former 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. The role 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 any 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 the latter 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 and SGX-ST Listing Rule 210(5)(d)(iii) which will be effective from January 1, 2022, any director serving more than nine years will not be independent unless his / her continued appointment as an independent director has been approved in separate resolutions by (a) all shareholders, and (b) all shareholders excluding shareholders who also serve as directors or the Group President & CEO or their associates.

In 2020, Mr Ang, Tan Sri Mohd Hassan and Mr Tham have each served the board for more than nine years. The board has observed that since the start of their respective tenures, they have shown strong independence of character and judgement in the discharge of their duties as directors. They have accumulated deep knowledge of the business and made valuable contributions to the board, particularly to the management team and especially during Sembcorp's ongoing transformation journey. 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, Tan Sri Mohd Hassan and Mr Tham shall remain independent despite serving more than nine years on the board, and the board concurred. Mr Ang, Tan Sri Mohd Hassan and Mr Tham have recused themselves from such discussion and decision-making.

At the upcoming AGM, Tan Sri Mohd Hassan will be retiring, while Mr Ang and Mr Tham will seek approval for their continued appointment as independent directors in accordance with SGX-ST Listing Rule 210(5)(d)(iii). They agreed to continue serving so as to avoid an abrupt loss of experienced directors, especially in light of the on-going business transformation and management reorganisation.

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. 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 TAP. He chairs all general meetings and plays a pivotal

role in fostering constructive dialogue between shareholders, the board and management.

The Chairman provides leadership and guidance to management, particularly with regard to global growth strategies and project investments. He ensures that board and board committee meetings are conducted in a manner that promotes open communication, participation and decision-making. He advises management and monitors follow-up actions, ensuring that board decisions are translated into executive action.

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 10 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

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, measured against objective criteria while taking into account the individual's skills, experience, knowledge and competencies. They must also be able to discharge their responsibilities while upholding the highest standards of governance.

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.

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 a 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).

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, Tan Sri Mohd Hassan, Dr Teh, Mr Asherson and Dr Kwa are due to retire at the forthcoming AGM. Dr Kwa has offered herself for re-election. Tan Sri Mohd Hassan, Dr Teh and Mr Asherson will not be seeking re-election and will be retiring at the upcoming AGM on April 22, 2021.

Mr Wong and Mr Lim, who were newly appointed to the board on

July 1, 2020 and January 18, 2021 respectively, will also retire and have offered themselves for re-election at the upcoming AGM.

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

Review of directors' time commitments

While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other board 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 2020, following a review and recommendation by the NC, the board is satisfied that all directors have afforded sufficient time and attention to the affairs of the company to discharge 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 and the requisite follow-up actions. The assessment helps directors maintain their focus on key responsibilities, while improving board performance.

To facilitate this process, each director must complete a questionnaire on the effectiveness of the board, board committees and individual directors' contribution and performance. The evaluation considers factors including the size, composition, development and effectiveness of the board and its committees, processes and accountability, 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 tabled for discussion by the board. The NC periodically reviews and refines the directors' questionnaire to enhance the evaluation process.

For 2020, 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 ERCC, the board ensures that a formal policy and transparent procedure for determining the remuneration of executives and directors are in place.

The Group President & CEO and ERCC members recuse themselves from discussions relating to their compensation, terms and conditions of service, and performance reviews.

The ERCC has access to expert professional advice on human resource matters whenever the need arises. In 2020, Aon Hewitt (Singapore) was engaged 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 rigorous design and application of the executive compensation framework. In 2020, 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 its independence.


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. Each year, the ERCC reviews succession planning for the position of Group President & CEO, his direct reports and other selected key positions in the company. Potential internal and external candidates for succession are reviewed 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

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.

 Details of the share-based incentives and performance targets are available in the Directors' Statement on pages 76 to 82 and Note H1 in the Notes to the Financial Statements.

Non-executive directors' fees

The Directors' Fee Framework was reviewed by our external consultants Willis Towers Watson in 2018, and is aligned with the market from FY2018. It 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. 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. 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. The company does not have a retirement remuneration plan for non-executive directors.

Share awards granted under the restricted share plan to non-executive directors as part of directors' fees comprise 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 FY2021 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 passed, 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 FY2021 is intended to be paid in 2022 after the AGM has been held.

As a show of solidarity for the company and its stakeholders during the COVID-19 pandemic, Sembcorp non-executive directors took a voluntary 10% fee reduction in FY2020.

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 correlation between pay and performance has been validated based on the pay-for-performance study conducted by our external consultants, Aon Hewitt (Singapore), in 2020.

Directors' Fee Framework for FY2020*

	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

- **Fixed remuneration**
Fixed remuneration includes an annual basic salary and, where applicable, fixed allowances, an annual wage supplement and other emoluments. Base salaries take into consideration 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 recognises 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 based on individual performance, achievement of pre-agreed targets and economic value added (EVA) to the company.

The performance target bonus is linked to the achievement of pre-agreed financial and non-financial performance targets comprising strategy, business processes and organisation and people development. At an individual level, the performance target bonus will vary according to the actual achievement of the Group, business unit and individual performance.

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 and the remainder is carried forward. The carried-forward balances may be 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 new Sembcorp Industries Performance Share Plan 2020 (PSP 2020) and Sembcorp Industries Restricted Share Plan 2020 (RSP 2020) were approved and adopted by shareholders at the AGM held on May 21, 2020. The share-based incentives help to motivate key management personnel to keep striving for the Group's long-term shareholder value. In addition, our share-based incentive plans aim to align the interests of participants and shareholders, to improve performance and achieve sustainable growth for the company.

The performance share award is 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. Under the PSP 2020 and RSP 2020, the Group President & CEO and top management are required to hold shares equivalent to at least 200% and 100% of their annual base salaries respectively.

For FY2020, no performance shares were awarded partly due to significant changes in the strategy of the business following the demerger of Sembcorp Marine, coupled with the economic impact of the global pandemic.

The size of the restricted share awards granted in 2020 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 2020 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.

Pay for performance

As in prior years, a pay-for-performance study was conducted in 2020 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.


The study examined fixed remuneration, total cash and total remuneration including long-term incentives of senior executive pay, against that of peer companies. It found that senior executives receive competitive fixed remuneration vis-à-vis the Group's relative size and complexity. Total remuneration over the last five years showed a strong correlation with the Group's key financial performance drivers, including profit from operations and net income. 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 demonstrated a strong 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 our executive pay programme.

Disclosure on Remuneration (Principle 8)

Based on the Directors' Fee Framework, the computation of non-executive directors' fees totalled S\$2,049,165 in 2020 (2019: S\$2,285,833).

In 2020, the company had no employees who were immediate family members of a director or the Group President & CEO.

 Information on directors' and key executives' remuneration can be found on pages 217 and 218.

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 are issued by the board to accompany the Group's half-year results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the half-yearly results false or misleading.

Sembcorp management also furnishes the board with management and operations reports as well as financial statements on a regular basis to ensure they have timely, accurate information on hand.

Risk Management and Internal Controls (Principle 9)

The board has overall responsibility for the governance of the Group's risk management and internal controls. It 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 controls.

Adequate and effective system of internal controls

The Group has implemented a comprehensive enterprise risk management (ERM) framework where key risks identified are deliberated

by management with the support of the risk management function, and reported regularly to the RC.

Supporting the ERM framework is a system of internal controls comprising a Code of 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 various financial risks, details of which can be found on our company website.

The Group completed the transition to an Integrated Assurance Framework (IAF) which emphasises the three lines of defence (LOD) model. The LOD work together to ensure that key financial, operational, compliance and IT risks are reviewed and tested using a robust assurance process. This pragmatic and collaborative approach ensures common and consistent criteria are applied to risk assessments across the Group, as well as the adequacy and effectiveness of the internal controls.

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 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 evaluated 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 the financial year under review, the board has been assured by the Group President & CEO Wong Kim Yin and Group CFO Graham Cockroft 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.

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, 2020 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.

Audit Committee (Principle 10)

The AC does not include anyone 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.


The AC has explicit authority to investigate any matter as per its terms

of reference. It has full access to and co-operation from management, and full discretion to invite any director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its functions properly.

Where relevant, the AC is guided by the recommended best practice for audit committees, set out in the Code.

Key audit matters

The AC discusses the key audit matters with 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 FY2020 with respect to the key audit matters.


 For more information on the key audit matters, please refer to pages 84 and 85.

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 referencing audit quality indicators recommended by ACRA. In accordance with SGX-ST Listing Rule 713(1), Koh Wei Peng has been the audit partner since FY2019.


The AC reviews and approves the external audit plan to ensure its adequacy. 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. 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 whistle-blowing policy was established to strengthen corporate governance and ethical business practices across all markets, business lines and functional units. The company has zero tolerance for fraud and corruption. Whistle-blowing reports and information received are treated with confidentiality. Measures are in place to protect the identity and interests of whistle-blowers. Employees, vendors, contractors, sub-contractors and members of the public can access various channels of communication to anonymously report any suspected fraud, corruption, dishonest practices or other misdemeanours. The reports are received and handled by the Group's integrated audit department. Significant matters reported via these channels are escalated to the AC. The AC oversees the outcome of independent investigations and ensures remedial actions are followed-up on. Appropriate closure actions following the completion of investigations include administrative, disciplinary, civil and / or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct, so as to prevent a recurrence.

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

Internal Audit

Independent integrated audit function

The integrated audit (IA) function is an important LOD for the company and a core component in the company's

overall assurance framework and governance process. The IA team has unrestricted access to all of premises, personnel, documents, accounts, records, property and any other data of the company deemed necessary for it to effectively carry out their audits.

The IA function provides assurance to management and the AC that there are sound internal control and risk management systems in place to govern the Group's activities, including operational, financial, compliance and IT. The scope of the IA function extends to all areas of the company and its controlled entities.

The AC reviews the independence, adequacy and effectiveness of the IA function and ensures that it is adequately resourced and effective. The Head of Group Integrated Audit (GIA) reports directly to the AC and administratively to the Group President & CEO. The AC is involved in the appointment, replacement or dismissal, as well as the performance evaluation and compensation of the Head of GIA.

The AC reviews the comprehensiveness and scope of all integrated audits performed by the IA team. To ensure better management and the effective deployment of IA resources during the year, the AC and IA assessed and agreed on the scope and frequency for which each entity or area is to be audited.

Any significant internal control lapses and recommendations for improvement are communicated to management and reported to the AC quarterly. The AC assesses the actions taken to address audit findings and improvements to mitigate risks highlighted. The AC will also seek responses from management if risk mitigating actions have not been adequately implemented.

During the year, the IA function made concerted effort to strengthen the team and processes. It deepened

its auditing capabilities in operational, workplace health, environment and safety related areas by adding subject matter experts such as engineers and a safety specialist to the team. The depth of audit coverage was also enhanced in areas such as regulatory compliance, trading and hedging. In addition, with guidance from the AC, the IA team led a post investment due-diligence review in collaboration with Group Risk, Legal & Compliance and Global Operations.

The IA team reviewed and updated the AC terms of reference and the IA charter which was endorsed by the AC during the year and approved by the board. The IA team also worked closely with management on governance initiatives such as enhancing the safety processes for the renewable energy value chain, reviewing Group oversight of policies and procedures, as well as advising on the quarterly operational data reporting process.

The AC met with IA, without management present, to discuss any issues of concern. The AC is satisfied that the IA team is effective, independent and has appropriate standing within the company. In view of travel restrictions due to the pandemic, the IA function continues to explore digital tools and methods to augment the work of internal controls and risk management across the Group.

Professional standards, authority and competency

The purpose, authority and responsibility of IA team are formally defined in a charter approved by the AC. The IA charter establishes IA's position within the organisation including the nature of its functional reporting relationship with the AC, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of the internal audit activities.

The charter mandates a quality assurance and improvement programme that covers all aspects of internal audit activity, including the evaluation of its conformance with standards and code of ethics, and an evaluation of whether internal auditors apply the Institute of Internal Auditors' (IIA)'s Code of Ethics.

The IA team comprises auditors with relevant qualifications and experience. The audits performed by the IA function are in accordance with standards set by professional bodies including the Standards for Professional Practice of Internal Auditing by the IIA. The IA team performs an annual declaration of independence and confirms their adherence to the Group's Code of Conduct.

Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings (Principle 11)

Fair and equitable treatment of shareholders

Sembcorp is committed to treating 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.

At each AGM, the Group President & CEO updates shareholders on the company's performance. Every matter requiring approval is proposed as a separate resolution. Shareholders present can clarify or ask questions on the proposed resolutions before voting. The board and management are in attendance to address any shareholder feedback or concerns. External auditors and legal advisors are also present to assist the board where necessary.

Notices of general meetings are disseminated via SGXNet, published in local newspapers and posted on the company website www.sembcorp.com ahead of the meetings. Annual reports, letters to shareholders and circulars are also available online on the SGX website and www.sembcorp.com. In line with our sustainability efforts, shareholders are highly encouraged to access the online versions of these documents. Shareholders who prefer to receive a physical copy of the annual report may request for one.

The company's constitution allows shareholders who are not relevant intermediaries to appoint up to two proxies to attend, speak and vote on their behalf at general meetings. Shareholders who are relevant intermediaries such as banks, capital markets services licence holders that provide custodial services for securities and the Central Provident Fund (CPF) Board, 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, email or other electronic means is currently not permitted. Such voting methods will need to be cautiously evaluated for feasibility to ensure that the integrity of the information and the authenticity of the shareholders' identities are not compromised.

The company conducts electronic poll voting at general meetings for greater transparency in the voting process. An independent scrutineer is engaged

to review the electronic poll voting system and proxy verification process during meetings to ensure the veracity of the information compiled and adherence to procedures. 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 of the general meetings, including relevant comments or queries from shareholders together with the responses from the board and management. Since 2019, the minutes have been published on the company website www.sembcorp.com as soon as practicable.

In 2020, due to the COVID-19 restriction orders in Singapore, the company held its deferred AGM on May 21 and extraordinary general meeting (EGM) on August 11 via live audio-visual webcast, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

Shareholders were not allowed to attend the AGM and EGM in person, and appointed the Chairman of the AGM and EGM as their proxy to attend, speak and vote on their behalf. The notices of AGM and EGM, proxy forms, annual report, letters to shareholders, and circulars were published on the company website and SGX website. Shareholders submitted their questions online in advance to the Chairman, and the company's responses to substantial and relevant questions were published on the company website and SGX website prior to the commencement of the AGM and EGM.

As the COVID-19 restriction orders remain effective in 2021, the upcoming AGM on April 22, 2021 will be held with the same processes via live audio-visual webcast.

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 ensuring 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.

Timely disclosures

Sembcorp makes every effort to ensure that shareholders and capital market players can make informed investment decisions by having easy access to clear, meaningful and timely information on the company. We use various channels including announcements, press releases, shareholder circulars and annual reports. 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, press release, and presentation slides are released followed by a briefing or teleconference by management for the media and analysts. The results briefings and teleconferences are 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

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 contact the investor relations team via email or telephone. The contact information for investor relations is available on the company website and the annual report.

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. A more comprehensive report is presented annually and includes updates and analysis of the shareholder register, highlights of key shareholder engagements and market feedback.

 For further details on Sembcorp’s communications with its shareholders, please see the Investor Relations chapter on page 71.

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. The company maintains a dedicated investor relations section on our company website to cater to the specific information needs of our stakeholders.

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 following table provides an overview of our stakeholders and key topics raised.


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 Environmental, social and 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, presentations and meetings, 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


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 one month prior to the announcement of the company’s half-year and 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 to IPTs of the Group. 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 2020 can be found on pages 219 and 220.

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

Code of Conduct

The Group Code of Conduct has been implemented to maintain an effective governance and decision-making structure. The Group President & CEO actively references the Code in key internal meetings to reinforce its importance among management. All employees of the organisation receive training on the code and its key policies.

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, is set out below.

Board Matters		Remuneration Matters		Shareholder Rights and Engagement	
Provision	Page	Provision	Page	Provision	Page
Board Matters					
The Board's Conduct of Affairs (Principle 1)					
1.1	54–55	Procedures for Developing Remuneration Policies (Principle 6)		11.1	67
1.2	57–58	6.1	56	11.2	67
1.3	55	6.2	54, 56	11.3	57, 67
1.4	54–56	6.3	62	11.4	67
1.5	54, 57, 61	6.4	62	11.5	67
1.6	58	Level and Mix of Remuneration (Principle 7)		11.6	68
1.7	58	7.1	62	Engagement with Shareholders (Principle 12)	
Board Composition and Guidance (Principle 2)					
2.1	59–60	7.2	62	12.1	68
2.2	60	7.3	62–64	12.2	68
2.3	54, 60	Disclosure on Remuneration (Principle 8)		12.3	68
2.4	58–59	8.1	217–218	Managing Stakeholders Relationships	
2.5	56	8.2	64	Provision	
Chairman and Chief Executive Officer (Principle 3)					
3.1	60	8.3	217–218	Page	
3.2	60	Accountability and Audit		Engagement with Stakeholders (Principle 13)	
3.3	60	Provision		Page	
Board Membership (Principle 4)					
4.1	56	Risk Management and Internal Controls (Principle 9)		13.1	68
4.2	54, 56	9.1	56, 64	13.2	69
4.3	60–61	9.2	65	13.3	68
4.4	59–60	Audit Committee (Principle 10)			
4.5	29–31, 57, 61	10.1	55		
Board Performance (Principle 5)					
5.1	56, 61	10.2	54, 55, 59		
5.2	61	10.3	65		
		10.4	66		
		10.5	66		

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 website.

Proactive Engagement with the Financial Community

In 2020, senior management and the investor relations team actively engaged the financial community. We held one-on-one and group meetings both physically and virtually with shareholders, analysts and potential investors. These included meetings during non-deal roadshows in Singapore and London led by our senior management. Besides roadshows, we also participated as panelists in Credit Suisse's The Next Horizon Series: ESG Virtual Day and Morgan Stanley's Virtual ASEAN Best Conference.

During the year, a recapitalisation of our listed subsidiary Sembcorp Marine was achieved through a S\$2.1 billion renounceable rights issue. The recapitalisation was immediately followed by a demerger of Sembcorp Marine, via a distribution of all of Sembcorp Industries' shares in Sembcorp Marine to our shareholders. The overall transaction was duly approved by both companies'

shareholders at their Extraordinary General Meetings.

Total Shareholder Return

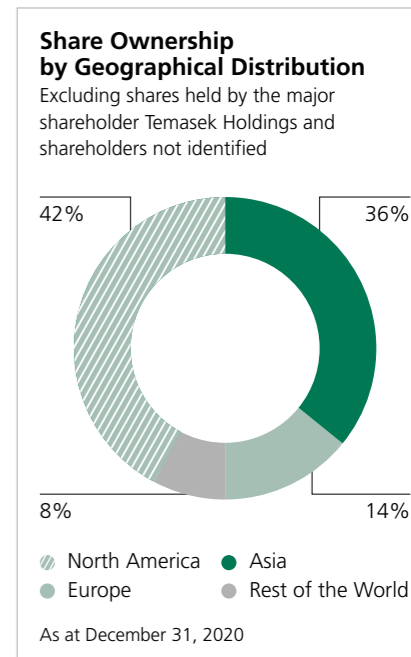
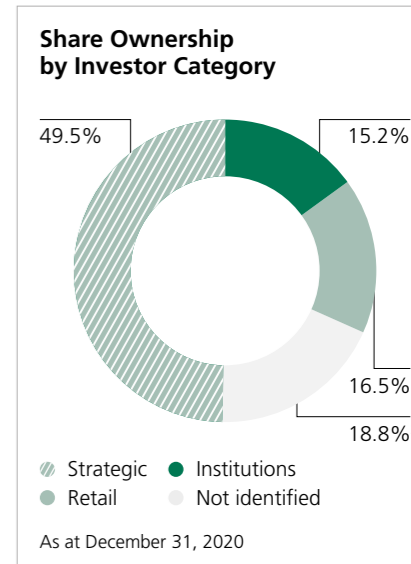
Sembcorp Industries' last traded share price in 2020 was S\$1.71 and the company ended the year with a market capitalisation of S\$3.0 billion.

On an adjusted basis for the demerger, Sembcorp Industries' total shareholder return for the year was 51%* in 2020, outperforming the Straits Times Index's negative 8% and the MSCI Asia Pacific ex-Japan Industrials Index's 2%.

For the financial year 2020, a final and total dividend of 4 cents per ordinary share has been proposed, subject to approval by shareholders at the coming annual general meeting to be held in April 2021. There was no interim dividend declared during the year.

Shareholder Information

In 2020, institutional shareholding reduced while retail holdings increased compared to 2019. Other than our major shareholder Temasek Holdings, which held 49.5% of our shares at the end of 2020, retail shareholders¹ accounted for 17% of our issued share capital or 33% of free float, while institutional shareholders held 15% of our issued share capital or 30% of free float. Shareholders not identified² accounted for 19% of issued share capital. In terms of geographical spread, excluding the stake held by Temasek Holdings and shareholders not identified, our largest geographical shareholding base was North America at 42% followed by Asia and Europe, which accounted for 36% and 14% of the shares respectively.



* Source: Bloomberg

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