

## 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 <sup>E</sup>

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 <sup>A</sup>

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					
				<sup>E</sup> ExCo	<sup>A</sup> AC	<sup>R</sup> RC	<sup>C</sup> ERCC	<sup>N</sup> NC	<sup>T</sup> TAP
Ang Kong Hua	Feb 26, 2010	May 21, 2020 <sup>#</sup>	Chairman Non-executive / Independent	C			C	C	C
Tan Sri Mohd Hassan Marican	Jun 16, 2010	Apr 18, 2019 <sup>**</sup>	Non-executive / Independent				M	M	
Tham Kui Seng	Jun 1, 2011	Apr 18, 2019 <sup>#</sup>	Non-executive / Independent	M			M		
Dr Teh Kok Peng	Oct 15, 2012	Apr 20, 2018 <sup>**</sup>	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 <sup>**</sup>	Non-executive / Independent		M	M			M
Dr Josephine Kwa Lay Keng	Aug 1, 2018	Apr 18, 2019 <sup>*</sup>	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. <sup>*</sup>	Non-executive / Independent		M	M			M
Wong Kim Yin	Jul 1, 2020	N.A. <sup>*</sup>	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
<b>Total number of meetings held in 2020</b>	<b>7</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>
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 <sup>1</sup>	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 <sup>2</sup>	6	3	–	–	–	–	–	1	1
Lim Ming Yan <sup>3</sup>	–	–	–	–	–	–	–	–	–
Wong Kim Yin <sup>4</sup>	4	2	–	–	–	–	2	–	1
Neil McGregor <sup>5</sup>	2	2	–	–	–	–	1	1	–
Margaret Lui <sup>6</sup>	2	2	–	–	1	–	–	1	–

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

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

<sup>2</sup> 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

<sup>3</sup> 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

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

<sup>5</sup> 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

<sup>6</sup> 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
<b>Experience / Skills</b>									
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\$
<b>Retainer fee (per annum)</b>	
Chairman (all-in fee) <sup>1</sup>	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
<b>Attendance fee (per meeting)</b>	
Board meeting (Local) <sup>2</sup>	2,500
Board meeting (Overseas) <sup>2</sup>	5,000
Committee / General meeting (Local) <sup>2</sup>	1,500
Committee / General meeting (Overseas) <sup>2</sup>	3,000
Committee / AGM & EGM (flat fee) <sup>3</sup>	1,000
<b>Teleconference (per meeting)</b>	
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
- <sup>1</sup> 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
- <sup>2</sup> Local – home country of the directors  
Overseas – outside home country of the directors
- <sup>3</sup> 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](http://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](http://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](http://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](http://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
<b>Customers</b>	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
<b>Employees</b>	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
<b>Financial institutions</b>	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
<b>Governments and regulators</b>	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
<b>Shareholders and the investment community</b>	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
<b>Local community</b>	Participation and collaboration in community projects, community activities, company websites, telephone and email contact	Community needs Social and environmental impact
<b>Contractors, suppliers, trade unions and industry partners</b>	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.



# Corporate Governance Statement

## Summary of Governance Disclosure

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

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