

Our Approach to Sustainability Reporting

Reporting Framework

The Global Reporting Initiative (GRI) Standards is a widely recognised global reporting framework for sustainability reporting. Our Sustainability Report has been prepared in accordance with the GRI Standards: Core option, the Ten Principles of the United Nations (UN) Global Compact, the Singapore Exchange Securities Trading Limited Listing Rules 711A and 711B, as well as Practice Note 7.6 Sustainability Reporting Guide. Our climate-related disclosures are guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as well as CDP's Climate Change programme. Our previous report was published in March 2021. There are no significant changes from previous reporting period in the list of material sustainability issues and boundaries.

For GRI disclosures, please refer to the 2021 Performance Data and Commentary report in Our Performance section on our Sustainability webpage.

Materiality

We have a materiality review and assessment process developed in line with the GRI standards to identify sustainability issues most relevant to our business. 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, 2021.

- 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. We report our GHG emissions in accordance with the GHG Protocol using an equity share approach
- New acquisitions and subsidiaries are given one year upon completion to integrate their reporting systems within the Group. Their data will be included in the report once a full calendar year of data is available. In 2021, our utility-scale inland floating solar farm in Singapore commenced

operations and the data pertaining to this asset is included in our report

- Data pertaining to entities divested during the year is excluded from our report

Assurance

We have engaged PricewaterhouseCoopers LLP to undertake an assurance of selected sustainability information in our report.

Changes in reported data could occur in 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 2021 Performance Data and Commentary report in Our Performance section on our Sustainability webpage.

Sustainability Contact

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

2021 Highlights¹

Environment

Enabling a Low-carbon and Circular Economy

Gross installed renewable energy capacity²
over 2.7 GW



GHG emissions intensity
0.51
tCO₂e/MWh



CDP Climate Change³

B



Social

Empowering Our People and Communities

Investment in communities
S\$2.7 m



Average training per employee
27 hours



Forbes World's Best Employers 2021

Top-ranked Company in Singapore



Governance

Embedding Responsible Business Practices

Singapore Governance and Transparency Index
Ranked 9th place



Independent directors
70%



Asiamoney Asia's Outstanding Companies Poll 2021

Most Outstanding Company in Singapore – Energy Sector

Participation in sustainability ratings

- CDP
- FTSE4Good Index Series¹
- MSCI ESG Ratings²
- Sustainalytics³



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

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m: million

¹ As at December 31, 2021


² Our gross installed renewable energy capacity includes wind, solar and energy storage. It refers to 100% of the tested gross capacity of the plant at commercial operation date or after major upgrades, and assumes 100% ownership of the facility


³ "B" score equates to a "management" band score, signifying the company is taking coordinated action on climate issues

Our Approach to Sustainability Reporting

Key Performance Indicators

	2021	2020	2019
Environmental			
Climate Change			
Direct (Scope 1) GHG emissions ¹ (kilotonnes CO ₂ e)	25,936.3	26,303.5	25,851.3
Energy indirect (Scope 2) GHG emissions ² (kilotonnes CO ₂ e)	229.9	224.8	304.8
Indirect (Scope 3) GHG emissions ³ (kilotonnes CO ₂ e)	8,878.4	9,673.4	8,344.2
GHG emissions intensity ⁴ (tCO ₂ e/MWh)	0.51	0.54	0.55
Gross installed renewable energy capacity ⁵ (MW)	2,751	2,616	2,381
Resource Management			
Water withdrawal ⁶ (million m ³)	2,304.9	2,322.7	2,322.0
Net water consumption ⁷ (million m ³)	49.2	50.7	64.6
Water discharge (million m ³)	2,255.7	2,272.0	2,257.4
Waste generated ⁸ (kilotonnes)	2,391.6	1,749.2	1,894.3
– Hazardous waste	37.3	33.4	51.3
– Non-hazardous waste	2,354.3	1,715.8	1,843.0
Social			
Health and Safety⁹			
Number of fatalities ¹⁰	0	0	2
Lost time injury rate ¹¹ (number per million man-hours)	1.5	0.9	1.1
Total recordable injury rate ¹² (number per million man-hours)	1.8	1.1	1.5
People¹³			
Employee turnover ¹⁴ (%)	15.7	12.4	13.9
Training hours (average hours per employee)	27.0	23.6	29.4
Community			
Community contributions (\$ million)	2.7	3.5	1.4

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

 *Notes: Please refer to the Reporting Scope section on page 24 for details on our reporting coverage.*

¹ Direct (Scope 1) GHG emissions data covers entities that produce GHGs from fossil fuel combustion in our Energy, Water, Waste Management and Urban businesses. The data excludes emissions from our anaerobic wastewater treatment plants and maintenance and servicing equipment

² Energy indirect (Scope 2) GHG emissions include location-based data for all our Energy, Water, Waste Management and Urban businesses. In Singapore, our operations purchase energy from our own assets; to avoid double counting, the emissions resulting from these have been accounted for under Scope 1 GHG emissions

³ Indirect (Scope 3) GHG emissions include our fuel and energy-related activities (Category 3) and use of sold products (Category 11), which are most relevant and material to our business

⁴ GHG emissions intensity refers to the Group's total GHG direct emissions (Scope 1) from its activities, indirect emissions (Scope 2) from its energy consumption and biogenic emissions from bioenergy feedstocks, divided by total energy generated and purchased, as calculated using an equity share approach for all operations in accordance with the GHG Protocol

⁵ Our gross installed renewable energy capacity includes wind, solar and energy storage. It refers to 100% of the tested gross capacity of the plant at commercial operation date or after major upgrades, and assumes 100% ownership of the facility

⁶ 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

⁷ Net water consumption is defined as water consumed by our own sites and administrative offices

⁸ Data for waste generated excludes waste that is collected for incineration by our Waste Management business

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 In 2021, we streamlined our reporting to replace accident severity rate with total recordable injury rate. Total recordable injury rate is defined as the number of fatalities, lost work day cases, medical treatment cases, and restricted work cases per million man-hours worked

¹³ Data covers both permanent and contract employees

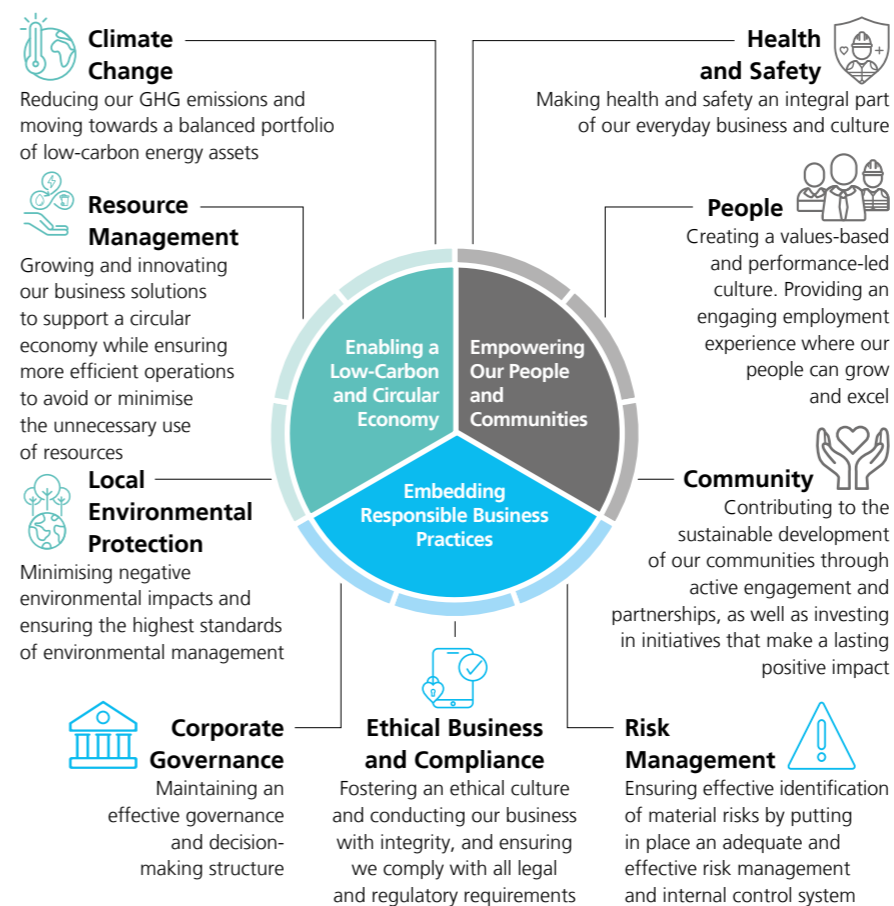
¹⁴ Data covers both voluntary and involuntary turnover

Managing Sustainability

At Sembcorp, sustainability is our business. 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 supports the UN Sustainable Development Goals (SDGs) and underpins our value creation process. It comprises three ambitions: 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 Three Behaviours

Institution-first Mindset
Put the interest of the Group ahead of individual interests



Collaboration
Deliver through collaborating across markets, businesses and functions

Accountability
Hold self and team accountable to deliver on our commitments

Creating Awareness on Sustainability – Starting with Sustainability Moments

The practice of having sustainability moments to spread greater awareness of sustainability ideas and issues started in January 2021. All key internal meetings, including our management meetings as well as town halls, begin with a five-minute sustainability moment, covering environmental, social or governance topics. The stories shared have since evolved from personal anecdotes to innovative ideas on green practices that the company can potentially implement in the way we run our operations.

To encourage our employees to share their stories and ideas, the company ran “Best Sustainability Moment” contests. The initiative received enthusiastic participation globally. From big ideas such as the recycling of wind turbine blades to day-to-day sustainable practices at the workplace such as replacing bottled water dispensers with piped water systems, employees are inspired to incorporate green practices into their daily routines. In the spirit of sustainability, winners are encouraged to plant a tree or offered the option to procure carbon offsets to support climate change action.

Managing Sustainability

Supporting the SDGs

The SDGs and their accompanying targets were ratified by 193 states at the UN Summit in September 2015. The scale and ambition of the SDGs mean they cannot be achieved by governments alone, and require the collective effort of businesses, organisations and all levels of society. Sembcorp believes in playing our part to help meet these goals. We aim to transform our portfolio towards a greener future, by focusing on growing our Renewables and Integrated Urban Solutions businesses.



In line with our strategic focus as a provider of sustainable solutions, we have adopted SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) as our priority SDGs. Our brown to green strategic transformation targets support these SDGs. We recognise that the SDGs are a holistic framework for sustainable development, and will continue to manage other relevant areas to maximise positive impacts while minimising negative ones.

[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 (SSC) that provides strategic direction for managing sustainability-related risks and opportunities. The committee is chaired by our Group President & CEO, and comprises senior executives who are accountable for the management of Sembcorp's material sustainability issues.

Sustainability-linked Performance Incentives

To ensure that sustainability is embedded into our 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, including climate change-related targets.

[More information on our sustainability-related policies is available in the Reports and Policies section on our Sustainability webpage.](#)

Memberships and Associations



Signatory to the United Nations Global Compact



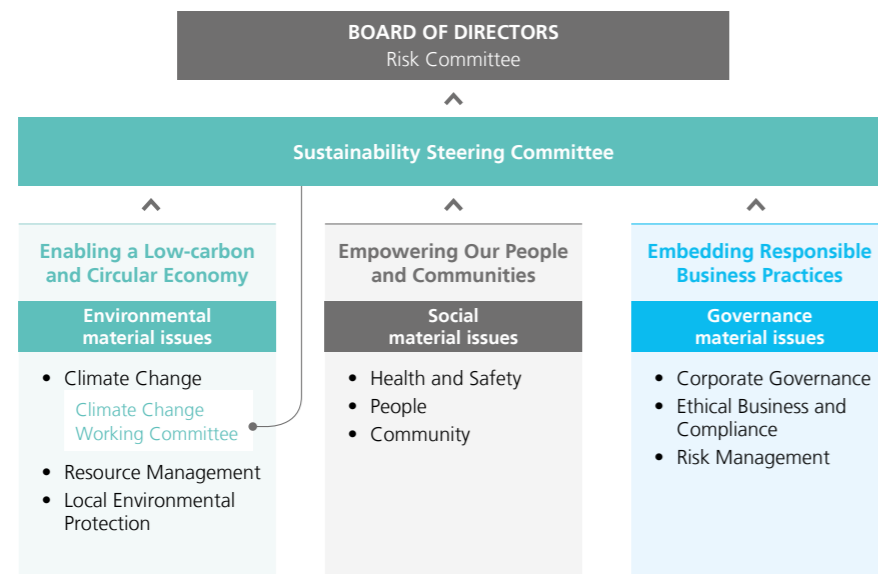
Supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures



Member of the founding consortium of the GRI ASEAN Regional Hub



Partner of Carbon Pricing Leadership Coalition Singapore



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 business and strategy. It has determined Sembcorp's material ESG factors, and exercises oversight in the management and monitoring of its material ESG factors and priorities.

Sembcorp's response to COVID-19

Two years on, the world continues to grapple with the challenges and impact from the COVID-19 pandemic. Although there has been good traction gained on vaccine developments, and countries are also better equipped to reopen their economies safely, the world continues to face hurdles moving from a pandemic to an endemic phase.

Despite the challenges, our businesses and operations have kept the lights on, delivering essential services to our customers and communities across all our markets. While we worked on keeping our operations intact, we also implemented several measures to ensure the safety of our employees.

Globally, we activated business continuity and emergency response plans. Guided by local COVID-19 regulations, we adopted precautionary measures including split team arrangements, staggered working hours, COVID-19 pre-screening and testing for employees, to ensure the delivery of essential services safely. Dedicated task forces were set up across our plants to coordinate local COVID-19 response measures.

Protecting Our People

In 2021, we continued to stay vigilant in our fight against the pandemic. Precautionary measures for employees remained in place to safeguard our employees' health and safety.

As economies embarked towards recovery and workplaces transitioned to allow employees to return, Sembcorp's Pandemic Response Team (PRT) correspondingly had to manage our exposure and risk in a timely manner. Supported by our Group Digital team, we developed and deployed Sembcorp's in-house COVID-19 application (C-19 Notify App) in under three days.

Through the App, employees can notify the company on their health status, including exposure to infected cases and antigen rapid test results. It also allows submission of voluntary declaration of vaccination records, personal overseas travel details, as well as request for



>> Sembcorp's donation of medical equipment to Vietnam was witnessed by representatives from the Singapore and Vietnam embassies, Binh Duong Fatherland Front Committee, Binh Duong General Hospital, Becamex International Hospital (Binh Duong) and Sembcorp

essential business travel. Employees can submit their return-to-office requests through the App, allowing for efficient planning of safe management measures at our workplace. With the real-time data collected, the company's PRT was able to make better assessment of potential transmission risk at the workplace. This assisted the company's implementation of appropriate and timely actions to manage the fast-evolving COVID-19 situation.

We also supported our employees and their families as the COVID-19 pandemic continued to impact health and livelihoods. In response to local conditions, we facilitated employees' vaccination programmes, prepared medical equipment on standby which was made accessible to our employees and their immediate family members, and provided access to counselling services.

Supporting Our Communities

In the early stage of the pandemic in 2020, our giving was focused on providing living essentials to vulnerable communities. As new COVID-19 variants emerged and stretched medical infrastructure in 2021, Sembcorp pivoted its efforts to bolster the emergency response capacity in affected areas. Close to 50% of our global community investments in 2021 went towards the purchase of medical equipment to support the fight against COVID-19:

- Donated medical equipment to seven hospitals in Bangladesh, India, Myanmar and Vietnam

- Donated over 450 oxygen concentrators
- Boosted the critical care capacity of three hospitals in Vietnam by providing 100 sets of oxygen flow controllers, 65 patient vitals monitors, 12 bilevel positive airway pressure ventilators and one reverse transcription polymerase chain reaction system

In addition to providing medical equipment, we also supported our communities through other initiatives. In India, we reached out to more than 2.4 million people through a COVID-19 Prevention Awareness Campaign in the National Capital Region to raise awareness of how to prevent transmission of the virus and the importance of vaccination. In Myanmar, we provided food aid to vulnerable families whose livelihoods have been impacted by the pandemic.

Delivering Progress on Transformation

Our people were ready on the frontlines to deliver reliable essential services, which continued with minimal disruption. Their efforts were also instrumental in supporting our brown to green transformation journey and delivering progress across all markets – pushing frontiers in Singapore and Southeast Asia, gaining growth momentum in China, fortifying our strong track record in India, bolstering our energy storage capabilities in the UK, and growing our land bank in the Urban business.

Our ESG Priorities

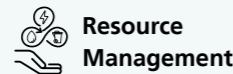
Enabling a Low-carbon and Circular Economy



Climate Change

Our Priorities

Reducing our GHG emissions 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 and physical risks to our business.

Our approach

We have a two-pronged approach to address the risks and opportunities arising from climate change:

- Minimise our negative impact by reducing our operational GHG emissions

- Enhance our positive impact by growing our sustainable solutions portfolio such as renewables

In May 2021, we unveiled our strategic plan to transform our portfolio from brown to green, with growth driven by the Renewables and Integrated Urban

Solutions businesses. Central to our strategy is also our commitment to climate action. We have set targets to:

- Reduce GHG emissions intensity by 25% from 2020 baseline, to 0.40 tonnes of carbon dioxide equivalent per megawatt hour (tCO₂e/MWh) by 2025
- Reduce absolute GHG emissions (Scope 1 and 2) by 90% from 2020 baseline to 2.7 million tCO₂e by 2030
- Deliver net-zero emissions by 2050

More information on our commitment is available in the *Climate Action Plan* section on our *Sustainability webpage*.

Climate-related risks and opportunities are managed through our Climate Change Working Committee (CCWC). The CCWC is chaired by the executive vice president, Office of the Group President & CEO and supported by the Group Sustainability division. The CCWC reports to the Enterprise Risk Committee as well as the SSC, which in turn report 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 Group Integrated Assurance Framework (IAF) supports the identification, assessment and management of our climate-related risks.

For TCFD disclosures, please refer to *Reports & Policies* section on our *Sustainability webpage*.

Our frameworks and policies

- Climate Action Plan
- Group Environmental Policy
- Group Internal Carbon Pricing Framework

Reference frameworks

- The Paris Agreement
- Greenhouse Gas Protocol
- Task Force on Climate-related Financial Disclosure (TCFD) recommendations
- Science Based Targets initiative (SBTi) criteria

Performance

Our GHG emissions intensity was 0.51tCO₂e/MWh compared to 0.54tCO₂e/MWh in 2020. The contributing factors to the decrease in emissions intensity were an increase in energy generated and purchased against stable absolute GHG emission levels, as well as an adjustment in conversion factor

Our absolute GHG emissions (Scope 1 and 2) remained stable at a level of 26.2 million tCO₂e compared to 26.5 million tCO₂e in 2020

Scope 3 GHG emissions decreased by 8.2% to 8.9 million tCO₂e from 9.7 million tCO₂e due to lower sales of natural gas to our customers

We maintained our CDP Climate Change score "B" in 2021, which signifies that the company is taking coordinated action on climate issues

Our gross installed renewable energy capacity comprising wind, solar and energy storage assets grew slightly from 2.6 gigawatt (GW) in 2020 to over 2.7GW. Our global energy portfolio mix (in operation and under development) stands at 72% conventional energy, 27% renewables and 1% energy-from-waste. In 2021, we ranked 52nd in the Top 100 Green Utilities report by Energy Intelligence

Sustainable Finance: Annual Update 2021

We issued our first sustainability-linked bond (SLB) of S\$675 million in October 2021. This section constitutes Sembcorp's first annual update on our SLB (2021) to investors. The SLB (2021) update covers the key performance indicator (KPI) against the sustainability performance target (SPT) in accordance with our Sustainable Financing Framework (SFF) 2021.

Sembcorp's sustainable financing instruments

Sustainability-linked bond 2021

Issuer	Sembcorp Financial Services Pte Ltd
Currency	Singapore dollar
ISIN	SGXF52048042
Size	S\$675,000,000
Issue Date	October 6, 2021
Maturity date	April 6, 2032
Coupon	2.66%

Statement of GHG emissions intensity as of December 31, 2021¹

	2020 (Baseline)	2021 (Reporting year)	2025 SPT
KPI:			
GHG emissions intensity ² (tCO ₂ e/MWh)	0.54	0.51 ³	0.40

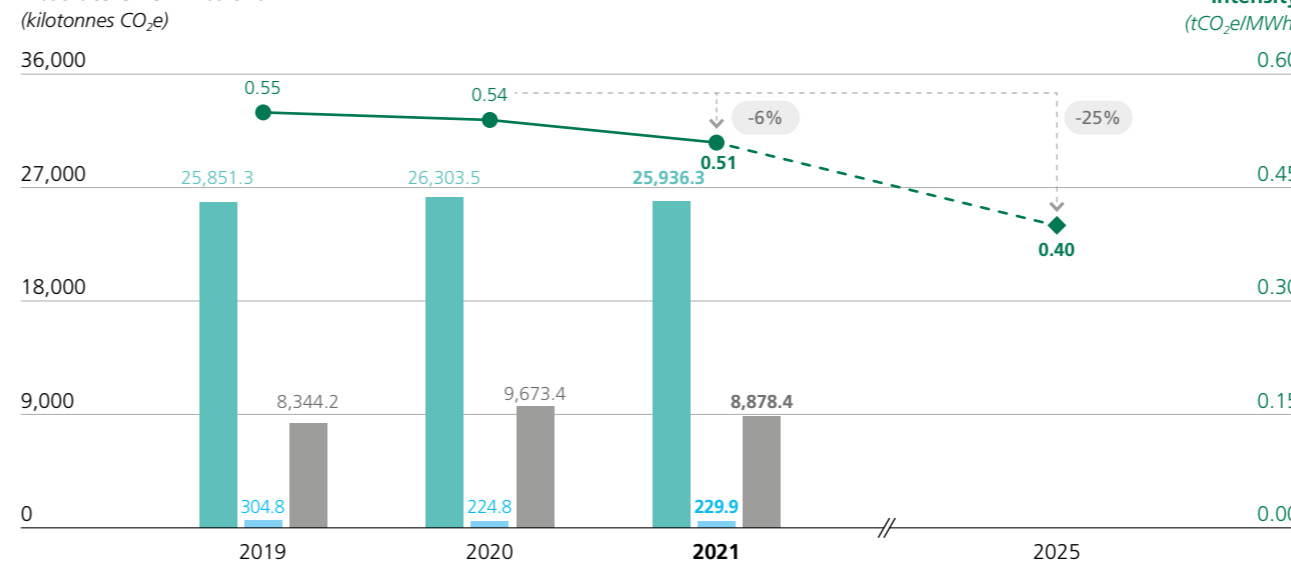
¹ Please refer to GHG emissions chart for graphical representation of our reporting year's performance against the 2025 SPT

² GHG emissions intensity refers to the Group's total GHG direct emissions (Scope 1) from its activities, indirect emissions (Scope 2) from its energy consumption and biogenic emissions from bioenergy feedstocks, divided by total energy generated and purchased, as calculated using an equity share approach for all operations in accordance with the GHG Protocol

³ The GHG emissions intensity in 2021 has been assured by PwC. For the independent Limited Assurance Report, please refer to the Sustainable Finance section on our Investor Relations webpage

GHG Emissions

Absolute GHG Emissions (kilotonnes CO₂e)



■ Direct (Scope 1) GHG emissions¹ ● GHG emissions intensity
 ■ Energy indirect (Scope 2) GHG emissions² ◆ Sustainability-linked bond 2021 SPT
 ■ Other indirect (Scope 3) GHG emissions³

¹ Direct (Scope 1) GHG emissions data covers entities that produce GHGs from fossil fuel combustion in our Energy, Water, Waste Management and Urban businesses. The data excludes emissions from our anaerobic wastewater treatment plants and maintenance and servicing equipment

² Energy indirect (Scope 2) GHG emissions include location-based data for all our Energy, Water, Waste Management and Urban businesses. In Singapore, our operations purchase energy from our own assets; to avoid double counting, the emissions resulting from these have been accounted for under Scope 1 GHG emissions

³ Indirect (Scope 3) GHG emissions include our fuel and energy-related activities (Category 3) and use of sold products (Category 11), which are most relevant and material to our business

Our ESG Priorities

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.

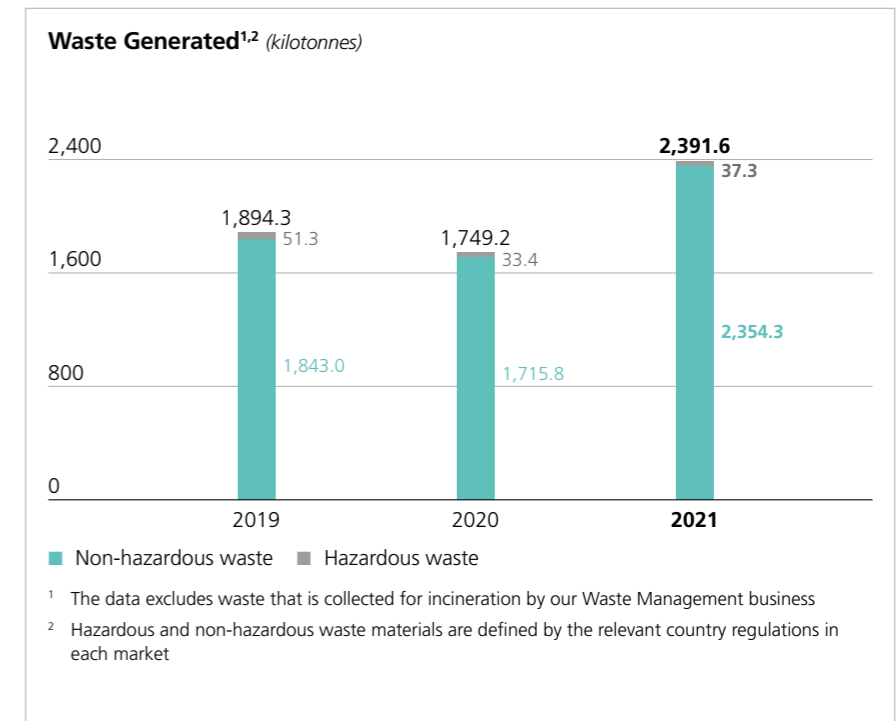
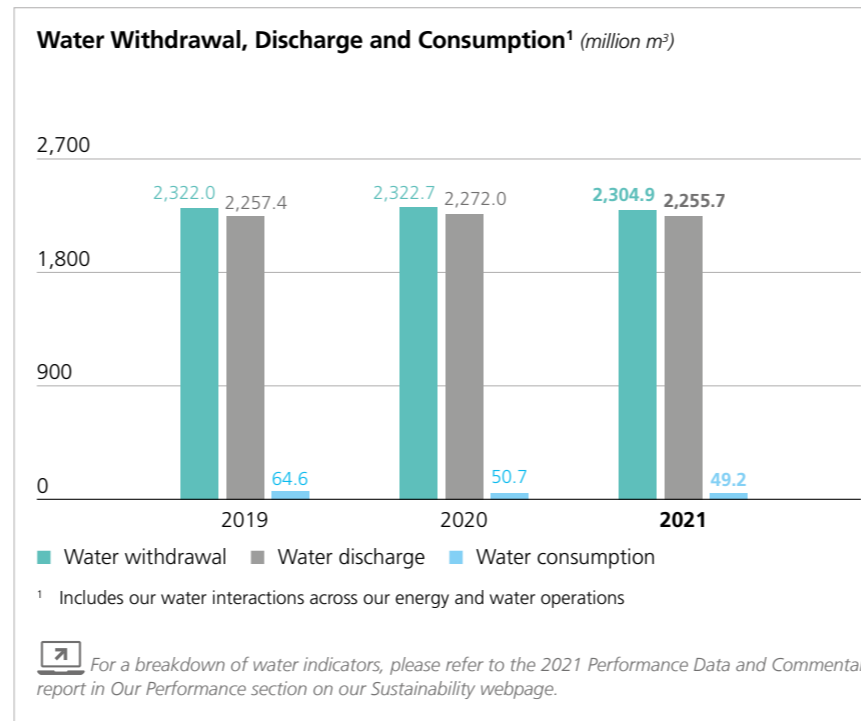
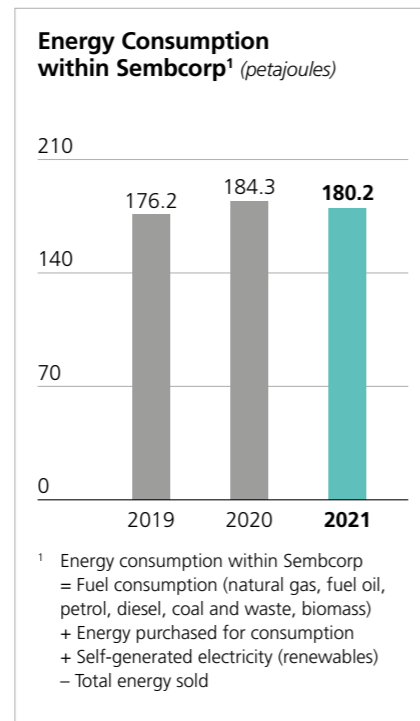
Our three key areas of focus are:

- Energy management
- Water and wastewater management
- Waste management

Our approach

Energy management

We leverage a suite of digital analytics solutions to improve the efficiency, reliability and availability of our assets. Collectively, they provide a systematic approach to monitor and optimise our operations, while reducing human error and increasing productivity.



Digital Capabilities for Better Performance

Leveraging and scaling up of digital analytics continue to be a key differentiator of our operations. In our renewables operations, digital analytics provide insight on key areas such as resource assessment, resource forecast and performance improvement. These insights enhance the operations and maintenance of our assets.

[To find out about our continuous innovation in our Integrated Wastewater Treatment Plant, please refer to our Spotlight webpage.](#)

Waste management

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

[To find out about how we supported a customer in their waste reduction programme, please refer to our Spotlight webpage.](#)

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

Our frameworks and policies

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

Performance

- Our global energy and water facilities undertook 30 energy optimisation projects that led to a reduction of close to 40,000MWh of electricity consumed. This is the equivalent to over 26,000tCO₂e emissions avoided, or taking 5,600 vehicles off the road for a year
- 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 2,304.9 million cubic metres (m³) of water in 2021. Our water withdrawal and discharge remained stable, and we consumed less water in 2021
- We undertook four water optimisation projects that improved efficiency and led to a projected annualised consumption reduction of close to 49,000m³, or the equivalent of 19 Olympic-sized pools
- We generated 2.4 million tonnes of waste, a 37% increase from

last year. This was due to higher electricity production in our thermal plants in India, resulting in higher ash generation. 98% of waste generated was non-hazardous waste and 2% was hazardous waste. 95% of non-hazardous waste was recycled into bricks and cement, which were used in the filling of low-lying areas, construction of roads and flyovers, and the raising of dykes

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.

Our environmental protection standard establishes the requirements for emergency response protocols, including training for relevant employees. Environmental compliance audits are undertaken as part of our Group Integrated Audit programme.

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

[To find out how our fast-growing renewables operations in India mitigates its impact on the environment, please refer to our Spotlight webpage.](#)

Our frameworks and policies

- Group HSSE Management Framework comprising
 - Group HSSE Policy

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

Reference frameworks

- ISO 14001

Performance

- In 2021, we conducted environmental audits at three operational sites in Singapore. There were no significant negative observations arising from the audits, and follow-up plans were developed for continuous improvement
- 100% of utility-scale renewables as well as urban projects that were in construction in 2021 undertook an environmental impact assessment

[To find out how our UK operation is fostering biodiversity at its industrial site, please refer to our Spotlight 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. Our digital platform provides real-time insights that enable us to reduce electricity and chemical consumption.

Our ESG Priorities

Empowering Our People and Communities



Health and Safety

Our Priorities

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



People

Our Priorities

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



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

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. We believe that most incidents are preventable. 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 requirements to prevent and manage health and safety risks.

We aim to provide our customers with safe and 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.

Occupational health and safety falls under the oversight of the Group HSSE division, who provides updates to the

board's Risk Committee. The division 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 division, whose work is guided by the Group Security Management System.

Our frameworks and policies

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

Reference frameworks

- ISO 45001
- International Association of Oil and Gas Producers (IOGP) Global Safety Performance Indicators
- US National Institute for Occupational Safety and Health (NIOSH) Guidelines
- American Society for Industrial Security Standards
- Singapore Ministry of Home Affairs Security Guidelines

Performance

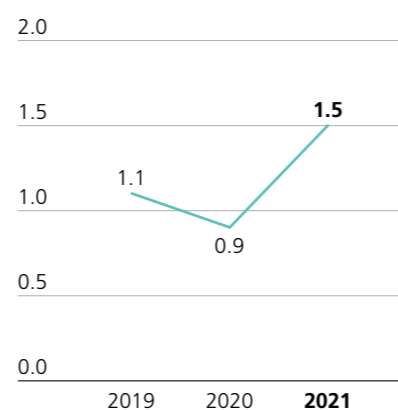
- There was an increase in both our lost time injury rate and total recordable injury rate since 2020. This is largely the result of an increase in occurrences of workplace incidents involving minor injuries. We remain committed to safeguard the health and safety of our workforce and are constantly reviewing

and adjusting new approaches of work to improve the ability of our operations to identify and address unsafe conditions or actions

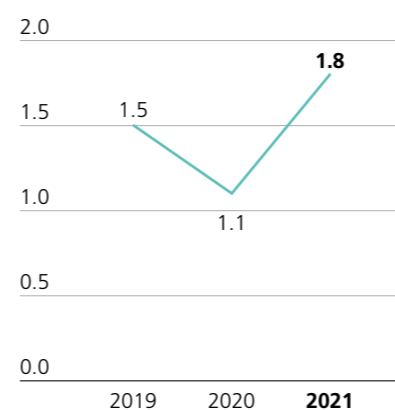
- In 2021, we developed and launched a workplace C-19 Notify App available group-wide to facilitate the monitoring and approvals of COVID-19-related workplace arrangements. The App streamlined procedures relating to vaccination and testing status updates, as well as approvals for return to office. This facilitated the planning of safe management measures and identification of potential exposure to COVID-19

[To find out how we enhanced process safety management in our operations, please refer to our Spotlight webpage.](#)

Lost Time Injury Rate^{1,2}
(number per million man-hours)



Total Recordable Injury Rate^{1,3}
(number per million man-hours)



¹ Group Health and Safety Performance is reported and recorded in accordance with the reporting requirements defined in the Group HSSE Health and Safety Performance Reporting Standards. The principles adopted in our standards are consistent with the general principles of the GRI Standards, the IOGP Reporting Standards, and guidelines by the US NIOSH. Occupational health and safety data covers employees and contractors in our operational assets and assets under construction. It also includes data from administrative offices and service companies. All injuries involved male employees and contractors

² 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

³ In 2021, we streamlined our reporting to replace accident severity rate with total recordable injury rate. Total recordable injury rate is defined as the number of fatalities, lost work day cases, medical treatment cases, and restricted work cases per million man-hours worked

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 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. Survey results are analysed and targeted action plans are developed to address areas of concern, with local human resources teams responsible for their implementation.

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. In the event of organisational restructuring, transition assistance is provided to facilitate continued employability and the management of career endings.

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

- Talent review and succession planning framework, which includes the tracking of human capital risk supported by succession planning for key roles across multiple levels

Equipping Our People for the Green Transition

Right from the launch of our strategic transformation plan, we were cognisant that capabilities would be a key enabler for a successful transformation. Standing on a strong base of technical capabilities within our existing operations, we sought to further equip our employees with the right training and opportunities to pivot to green jobs.

Our Group Centre of Excellence and subject matter experts from respective businesses are tasked with institutionalising and scaling up knowledge sharing through e-learning on the Sembcorp Academy platform. Our human resources division sought to hire from within where possible.

In Singapore, more than 100 new green jobs were created since Sembcorp Solar Singapore was set up in 2017. At the end of 2021, over 20% of the employees were those who pivoted from our conventional energy operations; this includes 30% of the leadership team, who leveraged transferable skills from the conventional energy business and upskilled with new technical capabilities. Additionally, our in-house solar installer programme supports the development of contractors who are part of the renewable solar business ecosystem in Singapore. Since 2018, we have upskilled over 230 contractors who had no prior solar installation experience. In India, we have more than doubled the number of green jobs since our acquisition of Sembcorp Green Infra in 2016.

Our ESG Priorities

- Talent Development Framework
- Lead, Appraise and Develop (LeAD) performance management system
- Sembcorp Academy learning platform

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.

Our employee compensation framework is shared with and approved by 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 recreational and wellness activities
- Mandatory medical screenings for employees whose work may include occupational health hazards and voluntary free annual health screenings for 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 also offer our employees placements in different markets to encourage greater exposure and to diversify their skills and experience. In all our markets, we comply with and support local government regulations on local employment.

Our practices in these focus areas fall under the oversight of the chief corporate

and human resource officer who is supported by the Group Human Resources, Group HSSE, Group Internal Communications and Group Sustainability divisions.

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

- 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

- Employee turnover was 15.7% in 2021 compared to 12.4% in 2020. This was largely due to an increase in the voluntary turnover rate which

was 12.5% in 2021, up from 9.0% in 2020, mirroring the global trend of resignations

- We achieved an average of 27.0 training hours per employee in 2021, up from 23.6 training hours in 2020. Through 2020 and 2021, we focused on scaling up our virtual offerings on the Sembcorp Academy platform. In 2021, we registered over 10,000 learning hours on Sembcorp Academy, equivalent to a 60% increase from 2020

To find out how the Sembcorp Academy supports continuous learning, please refer to our Spotlight webpage.

- We conducted employee engagement surveys across our markets. Feedback gathered were related to employee's understanding and alignment with our strategic transformation goals, employee well-being, and employee sentiments toward our efforts to create a safe workplace
- To further cultivate an engaged workforce, we transitioned our performance review model to a continuous performance management model, to drive a culture of continuous conversations. A peer review programme for key management personnel was introduced to facilitate additional insights on performance and developmental areas
- In 2021, we built on the success of our graduate development programme named LaunchPad, which was designed to attract high-calibre graduates from local universities in Singapore. These trainees were exposed to a structured programme, providing additional learning opportunities across a wide range of topics

Community

Why this is material

Sembcorp's long-term success is based on being a valued partner to the communities we serve in. We recognise that the nature of our business may result in 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. Our local operations are best placed to understand the unique needs of the community and forge partnerships with local stakeholders. As such, market teams manage community assessments, engagement programmes and contributions locally, while aligning to group-level strategic frameworks and guidelines.

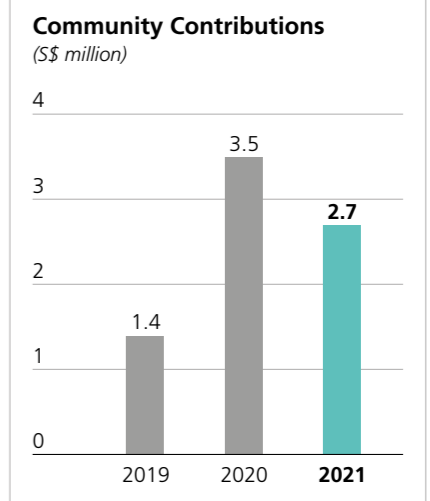
The Group Sustainability division oversees community-related issues. For our operations that are located among rural communities, we have dedicated community relations teams that regularly engage with the community. Community investments undergo a counterparty due diligence assessment conducted by the Group Ethics and Compliance division. Quarterly global community investment meetings are held to communicate plans and policies internally.

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 Framework and Guidance

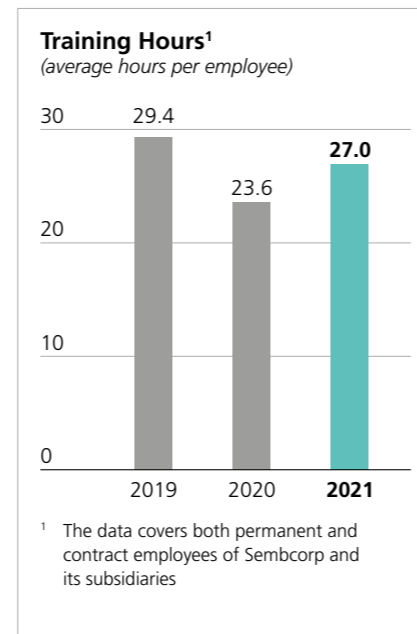
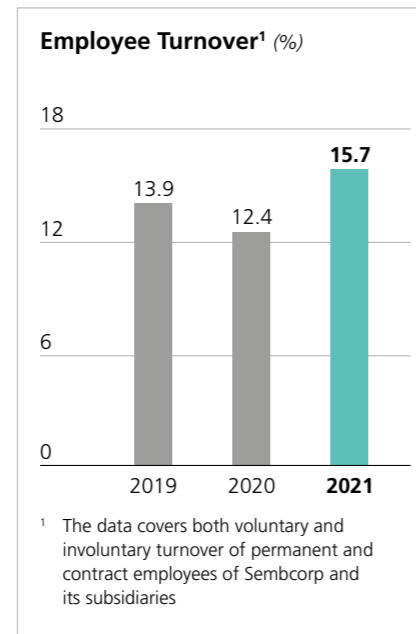


Performance

- In 2021, Sembcorp contributed S\$2.7 million through cash and in-kind donations to charities and community initiatives globally. This included over S\$1.5 million in mandatory contributions and over S\$6,000 in leveraged contributions. Of our total contribution, close to S\$1.2 million was channelled to support pandemic-related causes

For more information on how we supported the community through the pandemic, please refer to page 26.

- In 2021, 82% of our operations supported communities through local community engagement and / or development programmes
- Despite pandemic restrictions, we remain committed to giving back to communities, caring for the environment and finding creative ways to engage stakeholders. Globally, our markets responded to community needs throughout the year as well as during our Sembcorp Gives Back Week held annually in September



Our ESG Priorities

Embedding Responsible Business Practices



Corporate Governance

Our Priorities

Maintaining an effective governance and decision-making structure



Ethical Business and Compliance

Our Priorities

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



Risk Management

Our Priorities

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

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. Our corporate governance practices are set out in the Corporate Governance Statement in our annual report.

Sembcorp's board of directors is 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 a clearly defined organisational structure that 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 Policy
- Corporate Governance Statement

Reference frameworks

- Singapore Code of Corporate Governance 2018

Performance

- We ranked ninth in the Singapore Governance and Transparency Index 2021, the leading index for assessing corporate governance practices of Singapore-listed companies
- We were recognised as the Most Transparent Company – Industrials, at the Securities Investors Association (Singapore) Investors' Choice Awards 2021
- We were awarded Most Outstanding Company in Singapore – Energy Sector, in the Asiamoney Asia's Outstanding Companies Poll 2021

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

We adopt various measures that aid in deterring non-compliance. These include annual mandatory training on the Code

of Conduct and key policies, periodic review of the risks, controls, systems, procedures, know-your-counterparty screening and due diligence on key counterparties prior to contracting. We also leverage data analytics to identify any trends and anomalies that may require further action.

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

All employees are required to comply with the principles and requirements of our Code of Conduct. Performance incentives for all employees are linked 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, transfer and retention of confidential personal and business data. Our global businesses and data intermediaries that 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 2021, 100% of our employees received mandatory compliance training and acknowledged compliance to the Code of Conduct
- In addition to mandatory e-learning, we conducted 26 training workshops targeting employees whose work exposed them to higher risk of bribery and corruption. Over 1,200 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

- As part of our continuous improvement efforts, we updated and enhanced our Group Conflict of Interest Policy and Group Know-your-counterparties Policy
- We increased the scope of our Counterparty Screening and Due Diligence compliance programme to include investments with counterparties that are governed under our investment approval process

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 2021, we paid a fine of S\$58,000 in relation to the late payment of value added tax (VAT) in China arising from an erroneous application and computation of the VAT. This error has since been rectified. We also made a payment of S\$8.5 million pertaining to the S\$44 million civil settlement arising from the discharge of off-specification wastewater by a joint venture wastewater treatment company in China, as disclosed in our Annual Reports 2019 and 2020. We expect the final tranche payment of this civil settlement to conclude in 2022.

Risk Management

Why this is material

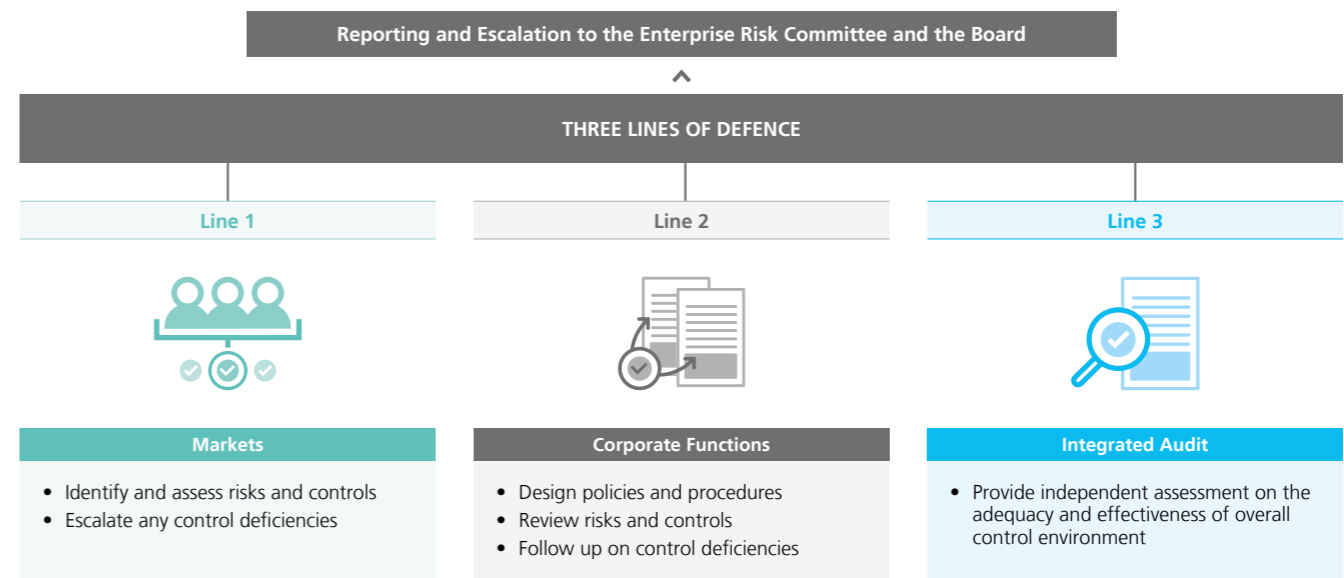
The global energy transition towards decarbonisation has led to significant risks and business model disruptions. As a diverse company with a global presence, we are exposed to various risks and threats.

Our approach

We manage risk through our IAF. Our risk management strategy and the IAF are 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.

Please refer to the Sustainability Governance section on page 26 for more details on our governance structure.

The board's Risk Committee reviews and enhances the effectiveness of the Group's IAF, including its risk management plans, systems, processes and procedures. It also regularly reviews group-wide risks including significant risk exposures as well as corresponding risk mitigation plans.



Our ESG Priorities

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. 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.

Economic



Sembcorp actively pursues global strategies to deliver sustainable long-term value and growth. This includes developing new capabilities and expanding our business in existing and new markets. 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.

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 sustainable development.

In addition to being committed to complying with all applicable environmental standards and requirements through our established internal policies and processes, we also invest in the latest technologies and utilise our capabilities to achieve better operational efficiencies and promote environmental sustainability.

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 are 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.

In line with our strategic transformation plan, we 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.

In addition, Sembcorp conducts our business in a responsible manner and makes a positive contribution to our communities. The Group is committed to high standards of business conduct, engaging our stakeholders and managing our environmental and social impact on local communities.

Governance



Sembcorp is committed to maintaining high standards of behaviour and integrity, and aims to be the best in class for governance practices. The Group complies 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.

Enterprise Risk Management

The Group is committed to ensuring effective enterprise risk management (ERM) through the IAF. The IAF sets out a systematic and structured approach towards risk management. It seeks to safeguard our people and assets, protect shareholders' interests, facilitate informed decision-making for value creation, and ultimately enhance our brand and reputation.

The IAF incorporates various industry risk management standards, such as ISO 31000 and the Enterprise Risk Management – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission.

The Group has a whistle-blowing policy that sets out avenues for legitimate

concerns to be objectively investigated and addressed. This policy and the communication channels are communicated across the organisation. Employees and third parties including suppliers and customers can use this channel to raise concerns about possible fraud, financial and / or other non-financial improprieties and irregularities that may adversely affect the company, in confidence. The Group will use reasonable endeavours to protect employees who whistle-blow in good faith and persons involved in the investigations, against detrimental actions. Cases will be investigated and reported to the board's Audit Committee.

If the outcome results in a proven case of wrongdoing or malpractice, disciplinary

action, including loss recovery, shall be instituted against the related employees in accordance with the company's policy.

 *Our Whistle-blowing Policy is available in the Reports and Policies section on our Sustainability webpage.*

The Group Integrated Audit division provides independent assurance to the board's Risk Committee and Audit Committee on the adequacy and effectiveness of our risk management, financial reporting processes, and internal control and compliance systems.

The section below details our management of key risks across the organisation, which are not listed in order of significance.

Financial Risks


Risks	Management approach
Financial and commodity	<p>Financial and market risks associated with foreign exchange rates, commodity prices and interest rates are managed through an established framework. The framework includes policies that set out the parameters for managing the Group's exposure in these areas. The Group utilises approved financial instruments, in accordance with risk management policies, to manage our financial and market risks.</p> <p>Transactions such as foreign exchange forwards, interest rate swaps, commodities swaps, exchange futures, 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.</p> <p>In addition, the Group has established financial authority limits, which seek to limit and mitigate operational risk by setting out the threshold of approvals required for entering contractual obligations and investments.</p>
Default and counterparty credit	<p>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 established to ensure that we transact with creditworthy counterparties. This is achieved via thorough credit analysis and limit-setting prior to entering into any business contract.</p> <p>Periodic credit reviews and credit exposures are monitored to detect deterioration of counterparties. 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. 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 a material impact on the Group.</p>
Investment governance	<p>The Group has a disciplined investment approval process, which covers the review of key risks and opportunities inherent in new investments, as well as a post-investment review to evaluate actual performance and outcomes. The findings help us refine our review of future investments.</p> <p>As part of our investment approval process, all new investments and transactions are reviewed by an independent cross-functional team that provides a risk assessment on the key assumptions and mitigation measures.</p> <p>In addition, to ensure that Sembcorp maintains diversification across different geographies, the Group has a country risk framework to monitor and report our global investment exposures. Our investment exposure thresholds define the limits that have been approved for each country and any deviation from these limits are reported to our board's Risk Committee.</p>

Our ESG Priorities

Financial Risks (cont'd)

Risks	Management approach
Tax	Sembcorp complies with all relevant taxation laws, regulations and regulatory disclosure requirements. In addition, we comply with the Country-by-Country (CbC) reporting for Singapore multinational enterprise groups. We submit the CbC report annually in compliance with OECD guidelines and the requirements of the Inland Revenue Authority of Singapore.
Fraud	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 and communicated across the Group. The policy provides a framework encompassing preventive, detective and responsive measures.

Operational and Compliance Risks

Risks	Management approach
Crisis management and business continuity	<p>A robust and effective crisis management framework is established and aligned 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.</p> <p>The Group actively monitors and responds to emerging threats and updates our strategies and mitigation measures accordingly, to prevent disruption across our global operations. 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 we respond effectively to crises and emergencies, while critical business functions recover and continue in a timely manner.</p>
Health, safety, security and environment	<p>A Group HSSE management system sets out the standard for management of HSSE across Sembcorp's global operations and provides guidance to business units in systematically managing HSSE risks associated with our activities and services.</p> <p>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.</p>
Insurance	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 on Teesside in the UK.
Bribery and corruption	<p>We address the risk of bribery and corruption through an enterprise-wide anti-bribery and corruption (ABC) programme designed to ensure compliance with our ABC policy and includes counterparty due diligence. Our zero-tolerance towards bribery and corruption is regularly communicated to employees through awareness training and e-learning programmes.</p> <p> Our Anti-bribery and Corruption Policy is available in the Reports and Policies section on our Sustainability webpage.</p>

Information Technology Risks

Risks	Management approach
Cybersecurity	<p>Cyberattacks are a real and constant threat in this digital age. Cybersecurity risks include data breaches or loss, insider threats or national / state-wide cyberattacks that may result in a breach of industrial control systems or regulatory non-compliance.</p> <p>Our cybersecurity strategy is underpinned by careful use of defensive tools and a robust three-layer inspect, verify and validate attestation framework. Our Chief Digital Officer leads the Group's cybersecurity efforts, working with our technology suppliers, Internal Audit and board's Audit Committee to implement, assure and report cyber-related trends, respectively.</p> <p>Our cyber assurance framework is jointly developed in reference to industry best practices such as the National Institute of Standards and Technology Cybersecurity Framework and ISO 27001. Some of our plants are certified to ISO 27001. Change control, vulnerability assessments and penetration testing exercises are conducted on a periodic basis to ensure we operate in an optimal and cyber-secure digital environment.</p>


Climate Change Risks

Risks	Management approach
Carbon exposure	<p>Sembcorp is subject to national policies that impact carbon pricing in our key markets. Our conventional energy assets in Singapore, the UK and China are subject to carbon pricing regulations.</p> <p>To assess carbon exposure risk, we assess our GHG emissions (absolute and intensity) against our 2025 and 2030 emissions reduction targets. Additionally, we also conduct scenario analysis using business-as-usual, 2°C and 1.5°C scenarios for all our conventional energy assets. We use our internal carbon pricing tool to generate market-specific shadow carbon prices under different climate scenarios.</p>


Performance

Financial Risks

Financial and commodity


 For information on our market exposure, please refer to page 90 of the Consolidated Financial Statements.

Default and counterparty credit


 For information on our credit and commercial exposure, please refer to page 98 of the Consolidated Financial Statements.

Investment governance

As at December 31, 2021, the business segments in which the Group has the largest investment exposure by total assets are in the Conventional Energy and Renewables segments. The countries outside of Singapore in which the Group has the largest investment exposure by total assets are India and China.

 For information on our segment reporting, please refer to page 58 of the Consolidated Financial Statements.

Tax

 For information on our tax disclosure, please refer to page 63 of the Consolidated Financial Statements.

Operational and Compliance Risks

Crisis management and business continuity

We continue to monitor the impact of the COVID-19 pandemic on our business operations and institute the necessary measures to protect the health and safety of our employees, as well as to mitigate the risks to our business.

Health, safety, security and environment

Health and safety issues arising from the pandemic remain a focus for the Group. Appropriate and timely measures have been undertaken to protect the health and safety of our staff, and to mitigate the risks to our business.

Insurance

No significant change in insurance policy or approach.


Information Technology Risks

Cybersecurity

Governance systems and processes are in place to ensure that Sembcorp stays prepared in the face of potential cyber threats. In 2021, we held numerous workshops, table-top exercises, as well as global phishing exercises. 12 data protection and cybersecurity awareness training workshops were conducted for close to 500 employees globally. Quarterly newsletters on security threats, best practices and phishing through social engineering were also shared regularly.

Climate Change Risks

Carbon exposure

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

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 2021 (FY2021) 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 line with best practices, consistent with the needs and circumstances of the Group. In 2021, Sembcorp ranked ninth in the Singapore Governance and Transparency Index, the leading index for assessing corporate governance practices of Singapore-listed companies. Sembcorp also received the Most Transparent Company Award (Industrials) at the SIAS Investors' Choice Awards 2021.

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 and high-calibre board.

Sembcorp is led by a 10-member board including Chairman Ang Kong Hua and Group President & CEO Wong Kim Yin. The board, which largely comprises 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 in the table 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, so 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 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 powers and duties as a director or executive officer of the company, he shall

use his 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 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 board committee are explained in this corporate governance statement. The current composition of these board committees is set out in the table on the bottom 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.

 Information on ExCo members are found on pages 20 to 21.

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

Name	First Appointed	Last Re-elected / Re-appointed	Nature of Appointment	Board Committees					
				ExCo	AC	RC	ERCC	NC	TAP
Ang Kong Hua	Feb 26, 2010	May 21, 2020	Chairman Non-executive / Independent	C			C	C	C
Tham Kui Seng*	Jun 1, 2011	Apr 18, 2019	Non-executive / Independent	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			
Dr Josephine Kwa Lay Keng	Aug 1, 2018	Apr 22, 2021	Non-executive / Independent						M
Nagi Hamiyeh	Mar 3, 2020	May 21, 2020	Non-executive / Non-independent	M				M	
Lim Ming Yan	Jan 18, 2021	Apr 22, 2021	Non-executive / Independent		M	M	M		M
Tow Heng Tan*	Jun 1, 2021	N.A.	Non-executive / Non-independent	M					
Wong Kim Yin	Jul 1, 2020	Apr 22, 2021	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

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- Undertake reviews as requested by the board and other duties as prescribed by statutes and the SGX-ST Listing Rules or recommended by the Code and by such amendments made thereto from time to time.
- 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 and endorse the directors' independence and succession plans for the board;

 Information on AC members are found on pages 20 to 21.

Risk Committee ^R

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 risks, 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 exposures and related issues as well as mitigating actions; and
- Review the infrastructure and resources in place to support the management of risks.

 Information on RC members are found on pages 20 to 21.

Executive Resource & Compensation Committee ^C

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:


- Review the Directors' Fee Framework and remuneration package of the Group President & CEO and each key management personnel of the Group periodically, and make 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.

 Information on ERCC members are found on pages 20 to 21.

Nominating Committee ^N

All members of the NC are non-executive directors, the majority of whom are independent. It helps to ensure a sound, balanced and independent board for the continued success of the company. 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;

 Information on NC members are found on pages 20 to 21.

Technology Advisory Panel ^T

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;
- Advise on the appropriate management of specialised R&D projects;
- 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 22.

Directors' Attendance at Board and Board Committee Meetings in 2021

Board member	Board	^E ExCo	^A AC	^R RC	^C ERCC	^N NC	^T TAP	AGM
Total number of meetings held in 2021	8	7	6	4	5	1	4	1
Ang Kong Hua	8	7	–	–	5	1	4	1
Tham Kui Seng	8	7	–	–	5	–	–	1
Ajaib Haridass	8	–	6	4	–	–	–	1
Nicky Tan Ng Kuang ¹	8	7	–	–	5	1	4	1
Yap Chee Keong	8	–	6	4	–	–	–	1
Dr Josephine Kwa Lay Keng	8	–	–	–	–	–	4	1
Nagi Hamiyeh	7*	5*	–	–	–	–	–	1
Lim Ming Yan ²	8	–	5	3	3	–	4	1
Tow Heng Tan ³	6	5	–	–	–	–	–	–
Wong Kim Yin	8	7	–	–	–	–	4	1
Tan Sri Mohd Hassan Marican ⁴	1	–	–	–	2	1	–	1
Dr Teh Kok Peng ⁵	1	–	2	1	–	–	1	1
Jonathan Asherson OBE ⁶	1	–	2	1	–	–	1	1

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

¹ Mr Tan was appointed as a member of TAP on February 22, 2021

² Mr Lim was appointed as a director on January 18, 2021, member of AC, RC and TAP on February 22, 2021, ERCC on June 1, 2021

³ Mr Tow was appointed as a director and member of ExCo on June 1, 2021

⁴ Tan Sri Mohd Hassan retired as director, member of ERCC and NC on April 22, 2021

⁵ Dr Teh retired as director, member of AC, RC and TAP on April 22, 2021

⁶ Mr Asherson retired as director, member of AC, RC and TAP on April 22, 2021

Meetings and attendance

The board meets regularly to review and approve the release of the company's financial results, deliberate on business strategies and key business issues. It approves the Group's annual budget for each 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 non-executive directors 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 acknowledgement and information.

Ad hoc board meetings may convene when 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 travelling restrictions arising from the global COVID-19 pandemic, the off-site meeting was held in Singapore in November 2021.

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 will be sent the papers tabled for discussion and will have the opportunity to separately convey his 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 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 FY2021 is set out above.

Board orientation and training

The company has a formal and structured orientation framework and program for all directors. 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,

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overall strategic plans and direction, financial performance and business activities in various markets. Visits to facilities are also organised. The company has put in place an online database centralising all essential information and corporate documents of the company for access by the directors. Training is 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 2021, the directors participated in the following briefings and updates provided by the company:

- Briefing on Investment Environment Outlook by external chartered financial analyst;
- Briefings on developments in accounting and governance standards presented by Sembcorp's 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;

- Briefings by the Group Sustainability department to the RC on sustainability matters;
- Updates on investor relations activities presented by Group Investor Relations department to the RC;
- Presentation on digital strategy and roadmap by the Group Digital department to the RC;
- Presentation on Integrated Assurance Framework on Group Digital's risk and controls by the Group Digital department to the AC and RC; and
- Updates on our cyber posture, key performance indicators and road map by the Group Digital department to the AC and RC.

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 July 2021, directors attended the official opening ceremony of the Sembcorp Tengoh Floating Solar Farm in Singapore which was graced by Prime Minister Lee Hsien Loong. Situated at Tengoh Reservoir and with a capacity of 60 megawatt-peak, it is one of the world's largest inland floating solar systems and will contribute to Singapore's goal of quadrupling solar energy deployment by 2025.

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

Director Experience / Skills Matrix

Experience / Skills	Industry experience	Senior management experience	Strategic planning	Audit / Accounting & Finance	Legal	IT	R&D	Risk management	HR management
Ang Kong Hua	✓	✓	✓	✓		✓	✓	✓	✓
Tham Kui Seng	✓	✓	✓	✓				✓	✓
Ajaib Haridass	✓	✓	✓	✓	✓			✓	✓
Nicky Tan Ng Kuang	✓	✓	✓	✓				✓	✓
Yap Chee Keong	✓	✓	✓	✓		✓		✓	✓
Dr Josephine Kwa Lay Keng	✓	✓	✓	✓		✓	✓	✓	✓
Nagi Hamiyeh	✓	✓	✓	✓		✓		✓	✓
Lim Ming Yan	✓	✓	✓	✓				✓	✓
Tow Heng Tan	✓	✓	✓	✓				✓	✓
Wong Kim Yin	✓	✓	✓	✓		✓	✓	✓	✓

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, power and gas and real estate

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

The board is of the view that the directors 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 10 directors including seven 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 20 to 21.

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 considers himself 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 2021, all directors except Mr Wong, Mr Hamiyeh and Mr Tow declared themselves to be independent. As a result of the disclosures received, the board also assessed the independence of Dr Kwa and Mr Lim as elaborated below. The board has determined that with the exception of Mr Wong, Mr Hamiyeh and Mr Tow, all members of Sembcorp's board for 2021 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 development. Mr Tow is chief executive officer of Pavilion Capital International, a subsidiary of Temasek.

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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. 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.

Mr Lim was the corporate advisor to Temasek International Advisors, a subsidiary of Temasek, till he stepped down in September 2021. His role was non-executive in nature and he was not involved in its day-to-day conduct of business. He was not accustomed or under any obligation, formal or informal, to act in accordance with the directions, instructions or wishes of Temasek. The board believes that Mr Lim has acted in the best interests of Sembcorp.

Under the Code and SGX-ST Listing Rule 210(5)(d)(iii) which took effect from January 1, 2022, any director serving more than nine years will not be deemed to be independent unless his 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.

Mr Ang and Mr Tham have each served the board for more than nine years. After a rigorous review, the board is of the opinion that their length of service has not affected their independence and that their institutional knowledge is advantageous to the Group. 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 continued appointment of both Mr Ang and Mr Tham as independent directors has been approved by shareholders at the AGM held on April 22, 2021 (2021 AGM) pursuant to SGX-ST Listing Rule 210(5)(d)(iii). Such approval shall continue in force for three years i.e. until the conclusion of the third AGM after the 2021 AGM.

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 seven out of 10 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, race, ethnicity, nationality, educational and professional background, length of service and other relevant personal attributes, cognitive skills and lateral thinking. 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, Mr Tham, Mr Haridass and Mr Tan are due to retire at the forthcoming AGM. Mr Tham and Mr Haridass have offered themselves for re-election. Mr Tan will not be seeking re-election and will be retiring at the upcoming AGM on April 21, 2022.

Mr Tow, who was newly appointed to the board on June 1, 2021, will also retire and has offered himself 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.

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 during 2021.

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 FY2021, 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.

As a principle, the Group President & CEO or any executive or board member will recuse themselves from discussions relating to their respective 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 2021, Willis Towers Watson 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. ERCC undertook a review of the independence and objectivity of Willis Towers Watson 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.

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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 of shareholders and the risk and return policies of the company.

Non-executive directors' fees

The Directors' Fee Framework was reviewed by our external consultants Willis Towers Watson in 2021, and is aligned with the current market. 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 with no performance and vesting conditions but subject to a selling moratorium. Non-executive directors are required to hold shares in the company (including shares obtained by other means) worth the value of their annual basic retainer fee (currently S\$75,000); any excess may be disposed of

as desired, subject to SGX-ST listing rules. A non-executive director may only dispose of all of his shares one year after leaving the board. Subject to shareholders' approval at the forthcoming AGM, the cash component of the directors' fees for the financial year 2022 (FY2022) 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 FY2022 is intended to be paid in 2023 after the AGM has been held.

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 key senior management and senior executives, to drive for superior performance and sustainable growth, so as to align with the interests of shareholders. The correlation between pay and performance has been validated based on the pay-for performance study conducted by our external consultants, Willis Towers Watson, in 2021.

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 performance bonuses

The annual performance bonus recognises the outcome and contributions of the individual, while driving the achievement of key business results for the company. The annual performance 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 the balanced scorecard which comprises financial and non-financial performance targets comprising strategy, business processes and organisation and people development.

Directors' Fee Framework for FY2021*

	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

Directors' Remuneration

Based on the Directors' Fee Framework, the computation of non-executive directors' fees totalled S\$2,158,350 in 2021 (2020: S\$2,049,165).

Name of Non-Executive Director	Directors' fees	
	Cash-based S\$'000	Share-based S\$'000
Payable by Company		
Ang Kong Hua	525	225
Tham Kui Seng	115	49
Ajaib Haridass	124	53
Nicky Tan Ng Kuang ¹	140	60
Yap Chee Keong	127	54
Dr Josephine Kwa Lay Keng	82	35
Nagi Hamiyeh ²	102	44
Lim Ming Yan ³	128	55
Tow Heng Tan ⁴	58	25
Tan Sri Mohd Hassan Marican ⁵	51	–
Dr Teh Kok Peng ⁶	54	–
Jonathan Asherson OBE ⁷	54	–
Payable by Subsidiaries		
Tham Kui Seng	30	–

Notes:

* The Group President & CEO, Mr Wong Kim Yin, is an executive director and does not receive directors' fees from Sembcorp

¹ Mr Tan was appointed as a member of TAP on February 22, 2021

² Mr Hamiyeh was appointed as a member of NC on February 22, 2021


³ Mr Lim was appointed as a director on January 18, 2021, member of AC, RC and TAP on February 22, 2021, member of ERCC on June 1, 2021

⁴ Mr Tow was appointed as a director and member of ExCo on June 1, 2021

⁵ Tan Sri Mohd Hassan retired as director, member of ERCC and NC on April 22, 2021

⁶ Dr Teh retired as director, member of AC, RC and TAP on April 22, 2021

⁷ Mr Asherson retired as director, member of AC, RC and TAP on April 22, 2021

 Details of the performance shares and restricted shares granted to the directors are set out in the Directors' Statement on pages 45 to 46.

Corporate Governance Statement

The performance target bonus is subject to the actual achievement of the balanced scorecard of the Group, business unit and individual performance assessment.

An EVA-linked “bonus bank” is created for each key management personnel. Typically, one-third of the bonus bank balance is paid out in cash each year and the remainder are carried forward. The carried forward balances may be reduced (claw-back) 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 Sembcorp Industries Performance Share Plan 2020 (SCI PSP) and Sembcorp Industries Restricted Share Plan 2020 (SCI RSP) 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 key management personnel, 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 SCI PSP and SCI RSP, the Group President & CEO and senior management are required to hold shares equivalent to at least 200% and 100% of their annual base salaries respectively.

In 2021, the Board has approved a five-year Transformation Incentive plan (PSP-TI) under SCI PSP, to further strengthen the alignment of the long-term incentive of Group President & CEO and key management personnel to the Group’s brown to green transformation strategic goals. The PSP-TI is linked to specific long-term Environment, Social & Governance (ESG) transformation goals including Greenhouse Gas Emission Intensity Reduction, Gross Installed Renewable Energy (RE) Capacity, Sustainable Solutions’ Profit and Sustainable Land Banking and Land Sales.

The size of the restricted share awards granted in 2021 is based on the achievement of stretched financial and non-financial targets. The restricted shares awarded in 2021 will vest in three equal annual tranches, subject to continued employment with the Group.

 Details of the share-based incentives and performance targets are available in the Directors’ Statement on pages 45 to 46 and Note B6 in the Notes to the Financial Statements.

- **Pay for performance**

A pay-for-performance assessment was conducted in 2021 by our external consultants, Willis Towers Watson, to review the alignment between the Group’s executive pay program and business results. To do this, Willis Towers Watson benchmarked the Group’s pay levels and performance against a peer group consisting of comparable-sized Singapore listed companies as well as regional and global competitors in the energy industry.

The study examined fixed remuneration, total cash and total remuneration including earned bonuses and long-term incentives of the CEO and key management personnel, against that of peer companies as disclosed in their latest annual reports. Concurrently, the study also examined the Group’s performance relative to peers as measured by operating income growth and total shareholder return.

The results showed that the Group’s executive pay showed a strong correlation with the Group’s key financial performance drivers. These findings reflect the fact that performance bonuses and EVA were below the target levels. Additionally, the shareholder return performance conditions that feature in the long-term incentive plan were not met, due to adverse share price movements before 2021. As a result, the realised value of the share incentive award was much lower than the granted value.

Overall, the study demonstrated a sound correlation between the Group’s executive pay, 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)

Group President & CEO

The Group President & CEO, as an executive director, does not receive directors’ 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.

Name of Group President and CEO	Fixed Pay ¹ S\$’000	Cash Bonus Earned S\$’000	Bonus Declared and Subject to Deferral and Claw-back ² S\$’000	Total Cash Remuneration S\$’000
Payable by Company				
Wong Kim Yin	1,366	1,443	1,545	4,355
Contingent Grant under SCI RSP	426,100 restricted shares to be granted by April 2022 ³			
Contingent Grant under SCI PSP	998,900 performance shares granted on May 31, 2021 ⁴			
	1,824,000 performance shares (PSP-TI) granted on August 6, 2021 ⁵			

¹ The amounts shown are inclusive of basic salary, fixed allowances, annual wage supplement and other emoluments

² Payout of EVA bonus subject to EVA banking mechanism, which typically pays out one-third of the EVA banking balance and is subject to negative EVA claw-back

³ The vesting of restricted shares is subject to the vesting schedule from 2022 to 2024; estimated fair value per share is S\$2.50

⁴ The vesting of performance shares is contingent upon the achievement of the three-year performance conditions (absolute total shareholders’ return (ATSR), relative total shareholders’ return (RTSR) and RE Capacity, aligned with shareholders’ value creation and ESG transformation targets) from 2021 to 2023; estimated value per share is S\$1.38 based on a consistent fair valuation model and Monte Carlo simulation and calculated by an external consultant

⁵ The vesting of 2021 PSP-TI is contingent upon the achievement of the five-year ESG transformation performance conditions (RE Capacity, Sustainable Solutions’ Profit, Sustainable Land Banking and Land Sales, Greenhouse Gas Emission Intensity Reduction) from 2021 to 2025; estimated value per share is S\$0.37 based on a consistent fair valuation model and Monte Carlo simulation and calculated by an external consultant

Key Management Personnel

In 2021, the key management personnel (who are not Directors or the CEO), in alphabetical order, are Eugene Cheng, Robert Chong, Koh Chiap Khiong, Andy Koss, Alex Tan, Kelvin Teo and Vipul Tuli. After considering the recommendations set out in the Code carefully, having taken into account the highly competitive conditions for talent in the industry, the board is of the view that the Group’s key management personnel’s remuneration shall be disclosed in bands, as laid out in the table below.

Remuneration Band	No of Employees	Fixed Compensation %	Bonus Earned ¹ %	Fair value of share-based compensation ² %	Total Compensation %
4,000,001 – 4,250,000	1	17%	30%	53%	100%
3,500,001 – 3,750,000	1	19%	31%	50%	100%
3,250,001 – 3,500,000	1	21%	35%	44%	100%
2,750,001 – 3,000,000	1	15%	44%	41%	100%
2,000,001 – 2,250,000	3	26%	50%	24%	100%

Total Aggregate Compensation **S\$20,414,874**

¹ Bonus earned includes Cash bonus and EVA bonus which is subject to EVA banking mechanism i.e. deferral and claw-back

² Share-based compensation comprises performance shares (including PSP-TI) and restricted shares granted pursuant to SCI PSP and SCI RSP respectively. The actual number of shares to be delivered pursuant to the performance shares granted will range from 0% to 200%, which are contingent on the achievement of pre-determined targets (including ATSR, RTSR, RE Capacity and other ESG transformation targets) set out in the three- to five-year performance period and other terms and conditions being met

Remuneration of employees who are immediate family members of a director or the CEO

In 2021, the company had no employees who were immediate family members of a director or the Group President & CEO.

Corporate Governance Statement

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 Group Risk department 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 identified and assessed key risks that could have an impact to its operations, details of which can be found within the Risk section in the Sustainability Report.

The Group's Integrated Assurance Framework (IAF) adopts the three lines of defence (LOD) model. The LOD works 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 that common and consistent terminology risk and control assessments are applied across the Group.

External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view.

The IAF is further complemented by the Management Control Assessment (MCA), submitted by each business unit, to provide assurance that the risk management and internal control systems are adequate and effective.

For FY2021, the board has received assurance from the Group President & CEO and Group CFO that the Group's financial records have been properly maintained, the Group's financial statements give a true and fair view of the Group's financial position, operations and performance,

and 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, 2021 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 reviews 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 auditors' report for FY2021 with respect to the key audit matters.

 For more information on the key audit matters, please refer to pages 47 to 48.

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 financial year 2019.

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 Integrated Audit (GIA) 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 GIA is an important LOD for the Group and a core component in the Group's assurance framework and governance process.

The GIA provides assurance to management and the AC that the internal control and risk management

systems are adequate and effective to govern the Group's activities, including operational, financial, compliance and IT.

The AC reviews the independence, adequacy and effectiveness of the GIA and ensures that it is adequately resourced and effective. The Head of GIA, Mr Wong Kiew Kwong, 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 GIA adopts a risk-based approach in developing the Group's annual integrated audit plan, which covers the key risks and controls identified through the Group's IAF. The risk-based approach ensures that the key controls are covered systematically over the relevant audit cycle. The key controls over the Group's top risks are audited on annual basis. The scope of the GIA function extends to all areas of the company and its controlled entities.

The AC reviews and agrees on the scope of the Group's annual integrated audit plan, the frequency for which each entity or area is to be audited, and the effective deployment of internal audit resources during the year.

Any significant internal control lapses and recommendations for improvement are communicated to management and reported to the AC quarterly. The AC reviews the actions taken by management to address significant audit findings and seek responses from management if the risk mitigating actions have not been adequately implemented.

Corporate Governance Statement

The AC meets with GIA regularly, without management present, to discuss any issues of concern. The AC is satisfied that the GIA team is effective, independent and has appropriate standing within the company.

Professional standards, authority and competency

The purpose, authority and responsibility of GIA are formally defined in a charter approved by the AC. The charter establishes the GIA'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' Code of Ethics.

The GIA has unrestricted access to all personnel, documents, accounts, records, property, and any other data of the company deemed necessary for it to effectively carry out their duties.

The GIA team comprises auditors with relevant qualifications and experience. The audits performed by the GIA function are in accordance with the standards set by professional bodies including the Standards for Professional Practice of Internal Auditing by the Institute of Internal Auditors. The GIA 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 announcements, 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 can clarify or ask questions on the proposed resolutions before voting. The board, with the assistance of management, will address any shareholder feedback or concerns. External auditors and legal advisors also assist the board where necessary.

Notices of general meetings are disseminated via SGXNet 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 on www.sembcorp.com.

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 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 during the meetings. 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. The minutes are

published on the company website www.sembcorp.com as soon as practicable.

In 2020 and 2021, due to the COVID-19 restriction orders in Singapore, the company held its AGM 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 in person, and appointed the Chairman of the AGM as their proxy to attend, speak and vote on their behalf. The notices of AGM, proxy forms, annual reports and letters to shareholders were published on the company website and released via SGXNet. 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 disseminated via SGXNet prior to the commencement of the AGM.

As the COVID-19 restriction orders remain effective in 2022, the upcoming AGM on April 21, 2022 will be held with the same process 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 and driving our strategic transformation, 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 on 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 the board to interact directly 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 in the annual report.

To keep senior management and the board abreast of market perception and concerns, the investor relations team provides regular updates on analysts' 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 43.

Corporate Governance Statement

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 investors and financial institutions.

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 key stakeholders and relevant 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	<ul style="list-style-type: none"> Reliability of products and services Competitive pricing for products and services Sustainable and integrated energy, water and waste solutions
Employees	Townhalls, employee communication sessions, workshops and training sessions, performance and goal setting discussions, events organised by the Recreational Committee, newsletters, intranet and email	<ul style="list-style-type: none"> Talent engagement Employee wellness Change management Benefits design Learning and development Health and safety
Financial institutions	Results briefings, presentations and meetings, news releases, stock exchange announcements, company websites, investor relations microsite, telephone and email	<ul style="list-style-type: none"> Company performance, growth and value creation Balance sheet, funding and cash flow including green and sustainability-linked financing Environmental, social and corporate governance (ESG) related targets
Governments and regulators	Briefings, presentations, committees, conferences, forums, roundtable and panel discussions, seminars and workshops, site visits, telephone and email	<ul style="list-style-type: none"> Sustainable and integrated energy, water and urban 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	<ul style="list-style-type: none"> Company performance, group strategic targets, and corporate practices linked to ESG, 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	<ul style="list-style-type: none"> Community needs Social and environmental impact
Contractors, suppliers, trade unions and industry partners	Review and coordination meetings, briefings, presentations and negotiations, committees, conferences, forums, roundtable and panel discussions, seminars and workshops, site visits, telephone and email	<ul style="list-style-type: none"> 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 board of directors and senior management within one month prior to the announcement of the company's half-year and full-year financial results. The board 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 2021 can be found on page 113.

 Details on our IPT Mandate can be found in the Letter to Shareholders.

Code of Conduct

The Group's Code of Conduct (CoC) aims to ensure an effective governance and decision-making structure is in place for employees to refer and apply the principles under the CoC. The

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
The Board's Conduct of Affairs (Principle 1)		Procedures for Developing Remuneration Policies (Principle 6)		Shareholder Rights and Conduct of General Meetings (Principle 11)	
1.1	34	6.1	35	11.1	41
1.2	35–36	6.2	34–35	11.2	41
1.3	34	6.3	37–38	11.3	35, 41
1.4	34–35	6.4	37–38	11.4	41
1.5	35, 37	Level and Mix of Remuneration (Principle 7)		11.5	41
1.6	36	7.1	38–39	11.6	41
1.7	36	7.2	38	Engagement with Shareholders (Principle 12)	
Board Composition and Guidance (Principle 2)		7.3	38–39	12.1	41
2.1	36–37	Disclosure on Remuneration (Principle 8)		12.2	41
2.2	36	8.1	38–39	12.3	41
2.3	34, 36	8.2	39	Managing Stakeholders Relationships	
2.4	36	8.3	38–39	Provision	
2.5	35	Accountability and Audit		Page	
Chairman and Chief Executive Officer (Principle 3)		Risk Management and Internal Controls (Principle 9)		Engagement with Stakeholders (Principle 13)	
3.1	37	9.1	35, 40	13.1	42
3.2	37	9.2	40	13.2	42
3.3	37	Audit Committee (Principle 10)		13.3	42
Board Membership (Principle 4)		10.1	34–35		
4.1	35	10.2	34, 36		
4.2	34–35	10.3	40		
4.3	37	10.4	40–41		
4.4	36–37	10.5	41		
4.5	20–21, 35–37				
Board Performance (Principle 5)					
5.1	35, 37				
5.2	37				

Group President & CEO and the senior management actively reference the CoC in key internal meetings to reinforce its importance among management. All employees of the

Group are required to complete training on the CoC and its key policies on a yearly basis, and to declare annually that they are in compliance with the CoC and key policies.

Investor Relations

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

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

Proactive Engagement with the Financial Community

In 2021, senior management and the investor relations team continued to actively engage the financial community. At our virtual Investor Day in May 2021, we presented our strategy to transform our portfolio from brown to green. The event was well attended with approximately 140 participating analysts, institutional investors and bankers. To ensure fair disclosure of information to all investors, materials presented during the event were posted on SGXNet and our company website prior to the event.

To engage with existing and potential institutional investors, we held one-on-one and group meetings, mostly via virtual means. We also participated in 12 virtual conferences including the SGX-Credit Suisse Singapore Corporate Day, DBS Regional Clean Energy Conference, UBS OneASEAN Conference, CIBC Sustainability Conference and Morgan Stanley 20th Annual Asia Pacific Summit. In the fourth quarter of 2021, we organised two physical tours for analysts and investors to our Sembcorp Tengoh Floating Solar Farm in Singapore. The visits provided analysts and investors with first-hand



>> Investors on a boat tour of our Sembcorp Tengoh Floating Solar Farm

experience and a better understanding of the operations of our solar farm, one of the world's largest inland floating solar photovoltaic systems.

During the year, we were recognised as the Most Transparent Company in the Industrials category at the SIAS Investors' Choice Awards 2021. This award honours and recognises public-listed companies that are transparent in their timely disclosure of information, and facilitate shareholders' rights and equitable treatment, so that investors can make informed investment decisions.

In the Asia's Outstanding Companies Poll 2021 conducted by Asiamoney, we were recognised as the Most Outstanding Energy Company in Singapore. Over 1,000 fund managers, buy-side analysts, bankers and

research analysts participated in the poll, which was designed to acknowledge listed companies that have excelled in areas such as financial performance, management team excellence, investor relations and corporate social responsibility initiatives.

Total Shareholder Return

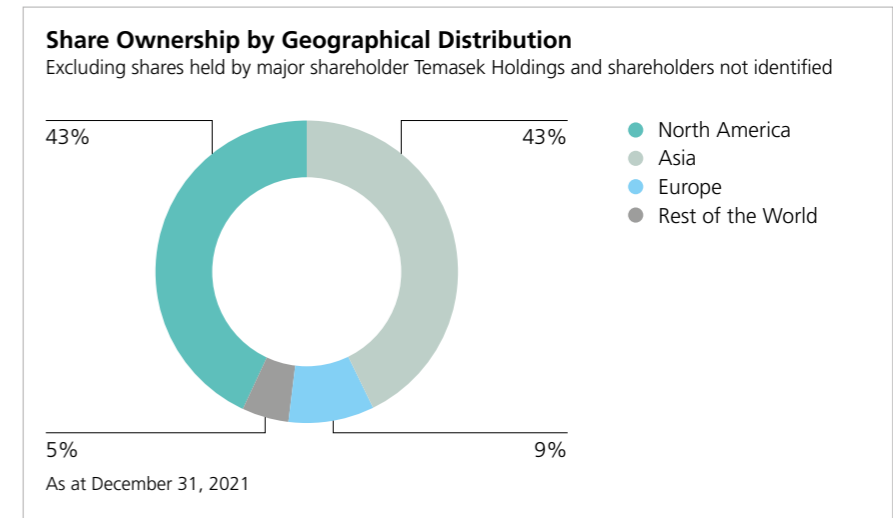
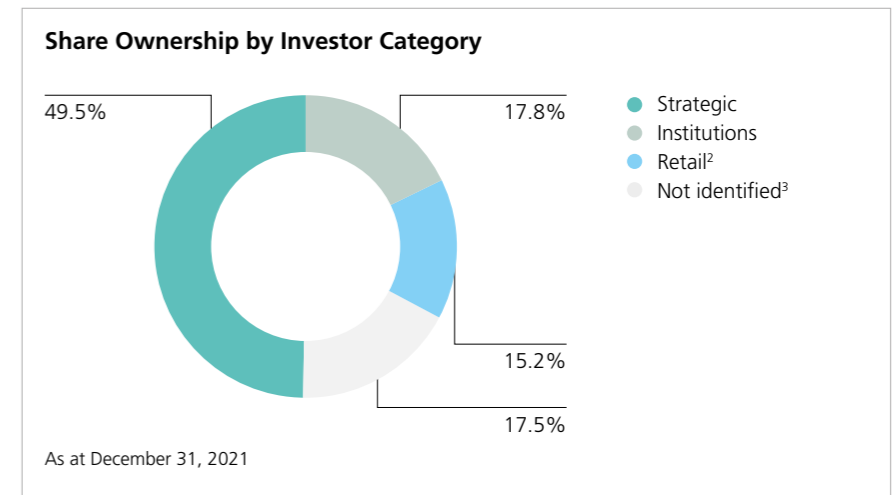
Sembcorp Industries' last traded share price in 2021 was S\$2.00 and the company ended the year with a market capitalisation of S\$3.6 billion. The company's share price averaged S\$1.95 during the year, registering a low of S\$1.62 in February and a high of S\$2.23 in May. Daily turnover averaged 4.2 million shares.

In 2021, Sembcorp Industries' total shareholder return¹ for the year stood at 20%, outperforming the Straits Times Index's 14%.

For the financial year 2021, an interim dividend of 2 cents per ordinary share was declared and paid to shareholders in August 2021. A final dividend of 3 cents per ordinary share has been proposed, subject to approval by shareholders at the coming annual general meeting to be held in April 2022. Together with the interim dividend, this would bring our total dividend for 2021 to 5 cents per ordinary share.

Shareholder Information

In 2021, institutional shareholdings increased while retail holdings reduced compared to 2020. Other than our major shareholder Temasek Holdings, which held 49.5% of our



shares as at end 2021, institutional shareholders held 18% of our issued share capital or 35% of free float, while retail shareholders accounted for 15% of our issued share capital or 30% of free float. Shareholders not identified accounted for 18% 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 came from Asia and North America at 43% each, followed by Europe which accounted for 9% of the shares.

¹ Source: Bloomberg

² Retail shareholders include private investors, brokers, custodians and corporates

³ Shareholders not identified include mainly shareholders that fall below the threshold of 250,000 shares