


# 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.

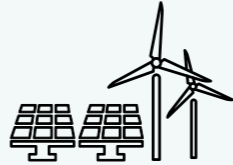







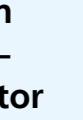
Changes in reported data could occur in areas such as changes in material sustainability issues, boundaries or information, including the design, definitions and use of disclosures in the report. Upon such occurrences, current disclosures are presented alongside the appropriate restated comparative or 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](mailto:sustainability@sembcorp.com).

## 2021 Highlights<sup>1</sup>

<b>Environment</b> Enabling a Low-carbon and Circular Economy	Gross installed renewable energy capacity <sup>2</sup> <b>over 2.7 GW</b> 	GHG emissions intensity <b>0.51</b> tCO <sub>2</sub> e/MWh 	CDP Climate Change <sup>3</sup> <b>B</b> 
<b>Social</b> Empowering Our People and Communities	Investment in communities <b>S\$2.7 m</b> 	Average training per employee <b>27</b> hours 	Forbes World's Best Employers 2021 <b>Top-ranked Company in Singapore</b> 
<b>Governance</b> Embedding Responsible Business Practices	Singapore Governance and Transparency Index <b>Ranked 9<sup>th</sup> place</b> 	Independent directors <b>70%</b> 	Asiamoney Asia's Outstanding Companies Poll 2021 <b>Most Outstanding Company in Singapore – Energy Sector</b> 

## Participation in sustainability ratings

- CDP
- FTSE4Good Index Series<sup>1</sup>
- MSCI ESG Ratings<sup>2</sup>
- Sustainalytics<sup>3</sup>



<sup>1</sup> 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

<sup>2</sup> 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

<sup>1</sup> As at December 31, 2021


<sup>2</sup> 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


<sup>3</sup> "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
<b>Environmental</b>			
<b>Climate Change</b>			
Direct (Scope 1) GHG emissions <sup>1</sup> (kilotonnes CO <sub>2</sub> e)	25,936.3	26,303.5	25,851.3
Energy indirect (Scope 2) GHG emissions <sup>2</sup> (kilotonnes CO <sub>2</sub> e)	229.9	224.8	304.8
Indirect (Scope 3) GHG emissions <sup>3</sup> (kilotonnes CO <sub>2</sub> e)	8,878.4	9,673.4	8,344.2
GHG emissions intensity <sup>4</sup> (tCO <sub>2</sub> e/MWh)	0.51	0.54	0.55
Gross installed renewable energy capacity <sup>5</sup> (MW)	2,751	2,616	2,381
<b>Resource Management</b>			
Water withdrawal <sup>6</sup> (million m <sup>3</sup> )	2,304.9	2,322.7	2,322.0
Net water consumption <sup>7</sup> (million m <sup>3</sup> )	49.2	50.7	64.6
Water discharge (million m <sup>3</sup> )	2,255.7	2,272.0	2,257.4
Waste generated <sup>8</sup> (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
<b>Social</b>			
<b>Health and Safety<sup>9</sup></b>			
Number of fatalities <sup>10</sup>	0	0	2
Lost time injury rate <sup>11</sup> (number per million man-hours)	1.5	0.9	1.1
Total recordable injury rate <sup>12</sup> (number per million man-hours)	1.8	1.1	1.5
<b>People<sup>13</sup></b>			
Employee turnover <sup>14</sup> (%)	15.7	12.4	13.9
Training hours (average hours per employee)	27.0	23.6	29.4
<b>Community</b>			
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.*

<sup>1</sup> 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

<sup>2</sup> 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

<sup>3</sup> 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

<sup>4</sup> 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

<sup>5</sup> 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

<sup>6</sup> 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

<sup>7</sup> Net water consumption is defined as water consumed by our own sites and administrative offices

<sup>8</sup> Data for waste generated excludes waste that is collected for incineration by our Waste Management business

<sup>9</sup> Health and safety data covers both assets in operation and under construction

<sup>10</sup> Data covers employees and contractors as well as members of the public

<sup>11</sup> 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

<sup>12</sup> 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

<sup>13</sup> Data covers both permanent and contract employees

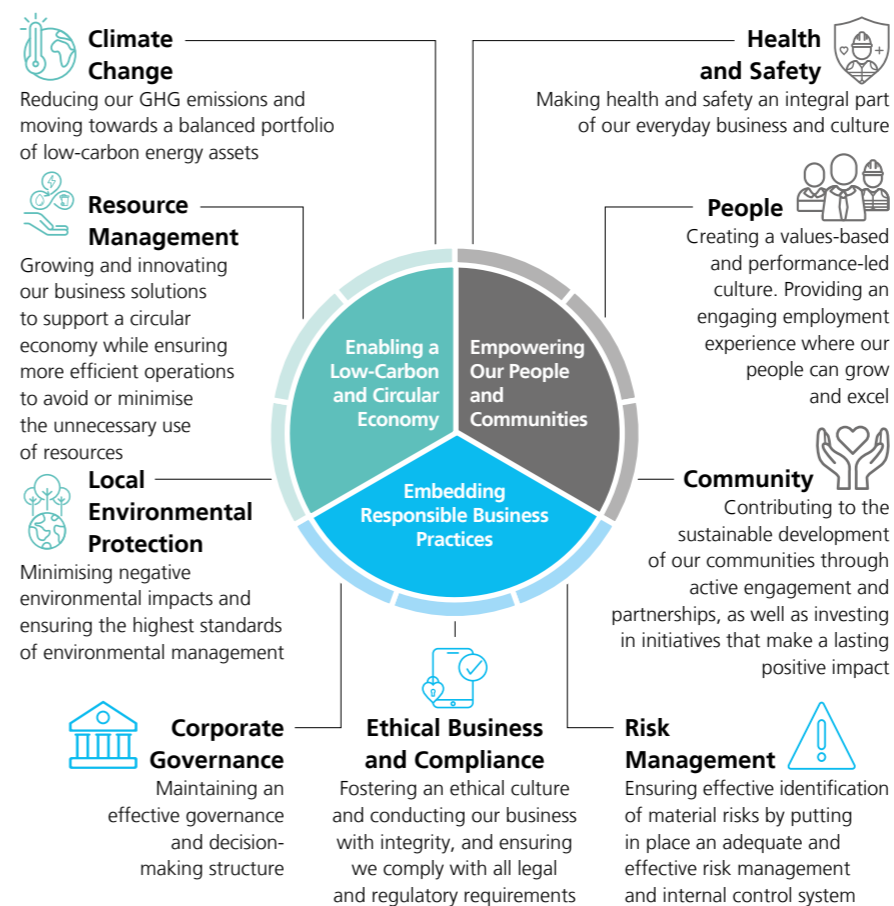
<sup>14</sup> Data covers both voluntary and involuntary turnover

## 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



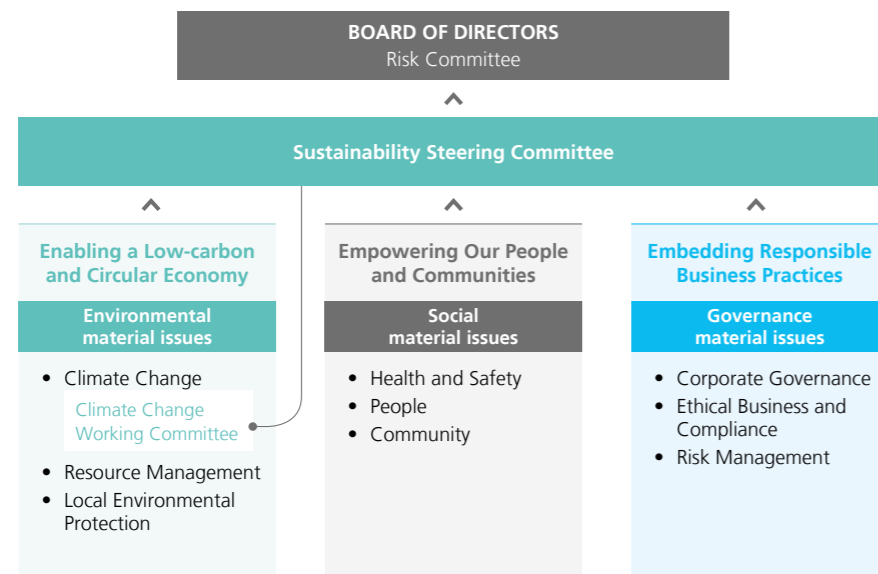
Supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures



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 (tCO<sub>2</sub>e/MWh) by 2025
- Reduce absolute GHG emissions (Scope 1 and 2) by 90% from 2020 baseline to 2.7 million tCO<sub>2</sub>e 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 0.51tCO<sub>2</sub>e/MWh compared to 0.54tCO<sub>2</sub>e/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 tCO<sub>2</sub>e compared to 26.5 million tCO<sub>2</sub>e in 2020

Scope 3 GHG emissions decreased by 8.2% to 8.9 million tCO<sub>2</sub>e from 9.7 million tCO<sub>2</sub>e 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 52<sup>nd</sup> 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, 2021<sup>1</sup>

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

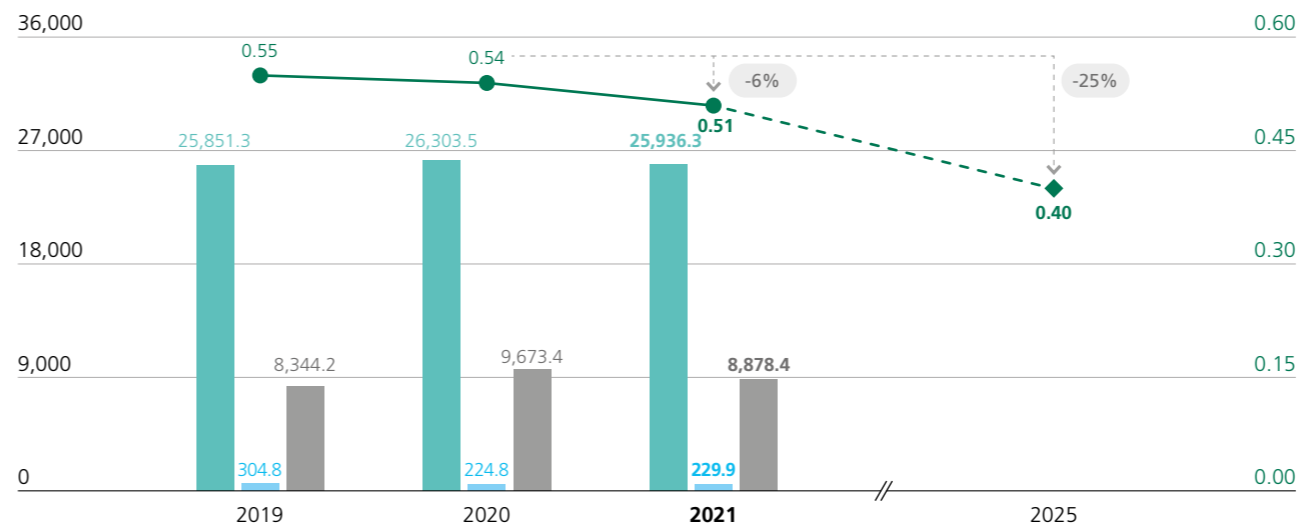
<sup>1</sup> Please refer to GHG emissions chart for graphical representation of our reporting year's performance against the 2025 SPT

<sup>2</sup> 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

<sup>3</sup> 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 CO<sub>2</sub>e)



- Direct (Scope 1) GHG emissions<sup>1</sup>
- Energy indirect (Scope 2) GHG emissions<sup>2</sup>
- Other indirect (Scope 3) GHG emissions<sup>3</sup>
- GHG emissions intensity
- Sustainability-linked bond 2021 SPT

<sup>1</sup> 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

<sup>2</sup> 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

<sup>3</sup> 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.

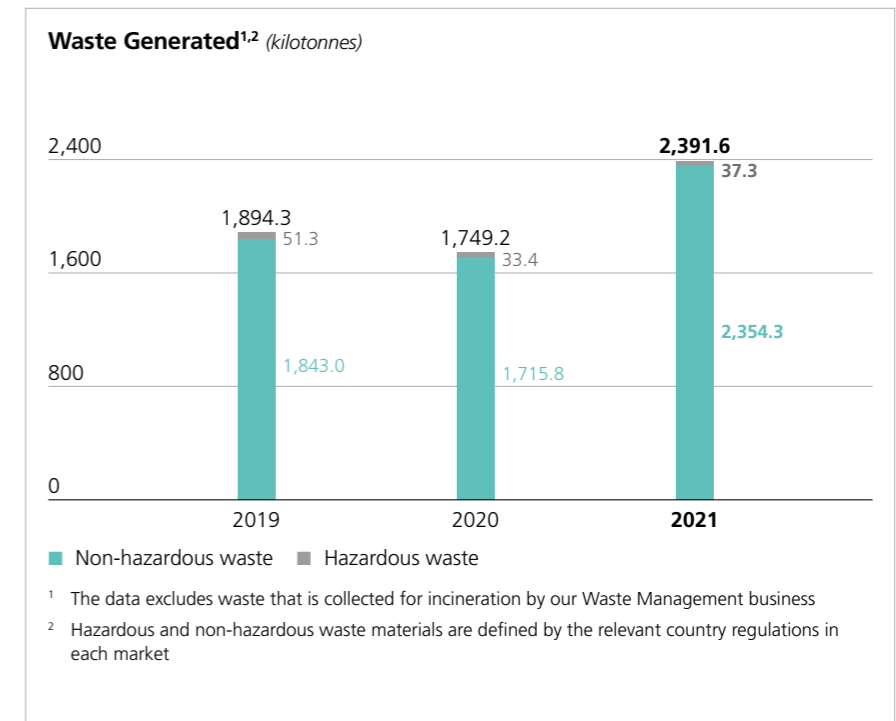
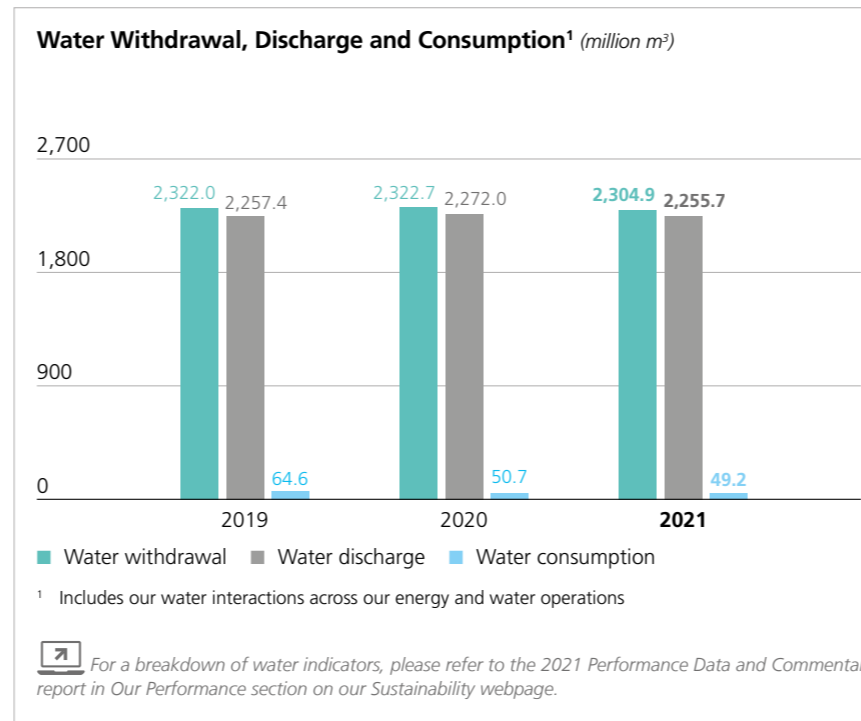
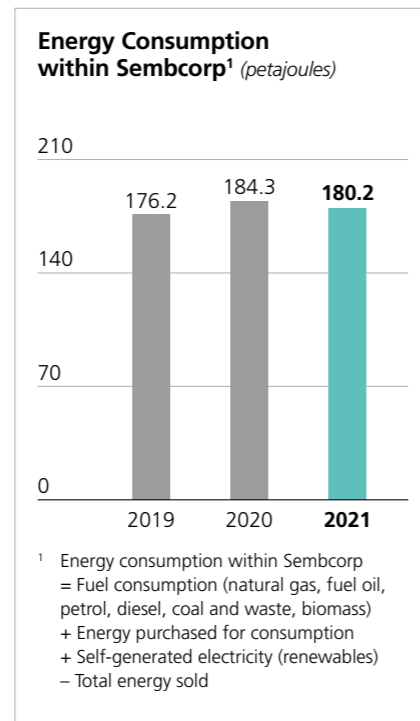
Our three key areas of focus are:

- 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

### 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.

### 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 26,000tCO<sub>2</sub>e 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 (m<sup>3</sup>) 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 49,000m<sup>3</sup>, 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.](#)



## 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

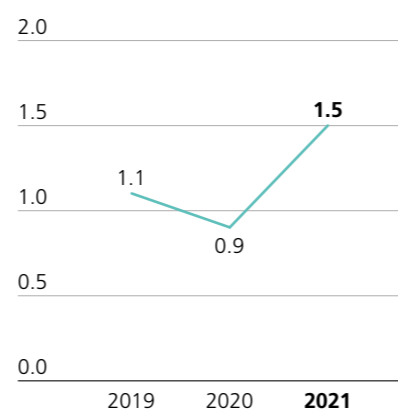
- There was an increase in both our lost time injury rate and total recordable injury rate since 2020. This is largely the result of an increase in occurrences of workplace incidents involving minor injuries. We remain committed to safeguard the health and safety of our workforce and are constantly reviewing

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

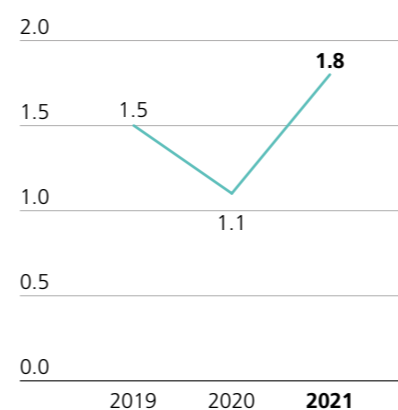
- In 2021, we developed and launched a workplace C-19 Notify App available group-wide to facilitate the monitoring and approvals of COVID-19-related workplace arrangements. The App streamlined procedures relating to vaccination and testing status updates, as well as approvals for return to office. This 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<sup>1,2</sup>**  
(number per million man-hours)



**Total Recordable Injury Rate<sup>1,3</sup>**  
(number per million man-hours)



<sup>1</sup> 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

<sup>2</sup> 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

<sup>3</sup> 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

- We were the top-ranked Singapore company in Forbes' 2021 list of the World's Best Employers

### 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.

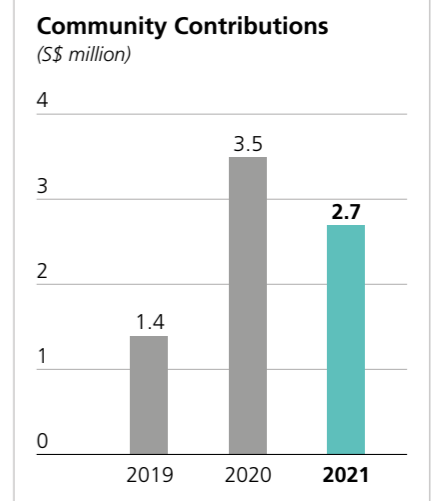
The Group Sustainability division oversees community-related issues. For our operations that are located among rural communities, we have dedicated community relations teams that regularly engage with the community. Community investments undergo a counterparty due diligence assessment conducted by the 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

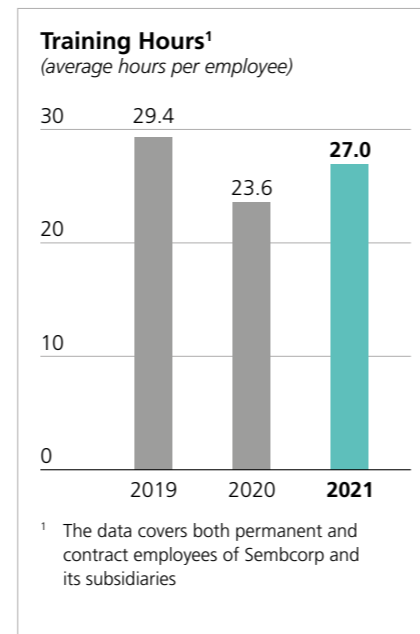
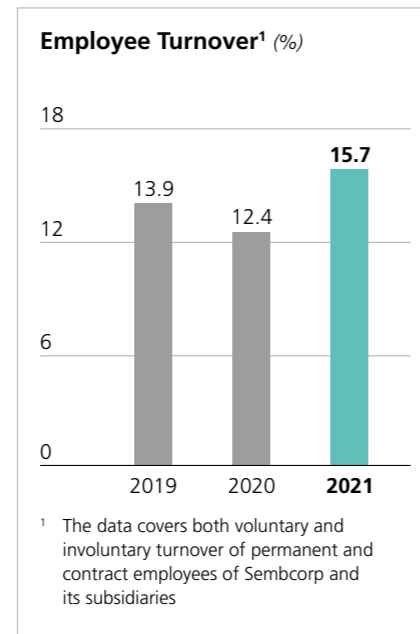


### Performance

- 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

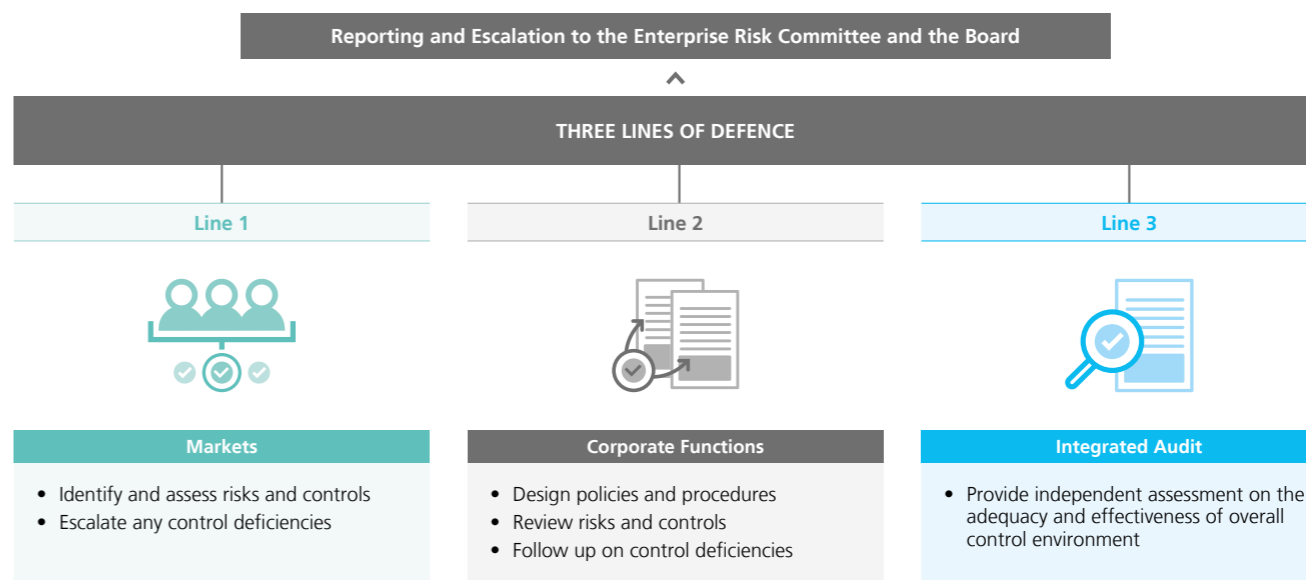
The global energy transition towards decarbonisation has led to significant risks and business model disruptions. As a diverse company with a global presence, we are exposed to various risks and threats.

#### 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 &amp; 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.