

# Corporate Governance Statement

## Sembcorp’s corporate governance framework is built on principles of integrity, accountability, transparency and sustainability, and reflects our commitment to long-term sustainable business performance.

Well-defined policies and processes are essential to enhance corporate governance and improve corporate performance and accountability. 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 financial year 2023 (FY2023) with reference to the principles set out in the Singapore Code of Corporate Governance 2018 (the Code). 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 2023, Sembcorp ranked 12<sup>th</sup> in the Singapore Governance and Transparency Index, the leading index for assessing corporate governance practices of Singapore-listed companies. At the Securities Investors Association (Singapore) Investors’ Choice Awards 2023, Sembcorp was the winner of the Singapore Corporate Governance Award (Big Cap) and Most Transparent Company Award (Utilities).

### Board Matters

#### The 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.

The ten-member board of Sembcorp is led by Chairman, Mr Tow Heng Tan. The board, which largely comprises independent non-executive directors, with Mr Lim Ming Yan as the Lead Independent Director, leverages its

diversity and experience to provide sound leadership to management.

The composition of the board and its committees are 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 control framework and 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, annual budgets, major investments, divestments, funding proposals, financial performance reviews, corporate governance practices; and
- Provide guidance and oversight on sustainability issues, including the determination of material

environmental, social and governance (ESG) factors relevant to the Group’s overall business strategy.

The directors and executive officers of the company have each given an undertaking that in the exercise of their powers and duties as a director or executive officer of the company, they shall use their 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 their best endeavours to procure that the company shall so comply.

#### Delegation by the board

The board has established the following 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)


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

The composition of the board committees is structured to ensure an equitable distribution of responsibilities among board members, maximise the effectiveness of the board as well as foster active participation and contribution. Considerations include diversity of experience, appropriate skills, and the need to maintain appropriate checks and balances among 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 as well as 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.

 For more information on board members, please refer to pages 36 to 39.

#### Executive Committee <sup>E</sup>

The ExCo supports the board in ensuring that the Group’s business and affairs are conducted in line with the strategic direction set by the board. In pursuing the objective, the ExCo assists in developing the overall strategy for the Group and supervising the management of the Group’s business and affairs, including its material sustainability factors. The ExCo’s 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;
- Review the status of the Group’s projects from development till completion; and
- Review and endorse post-investment review reports for the Group’s investments.

#### Audit Committee <sup>A</sup>

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

- Review and report to the board, at least annually, the Group’s financial and accounting matters, as well as the adequacy and effectiveness of the Group’s internal controls encompassing financial,

operational, compliance, information technology (IT) and risk management systems. This includes ensuring the adequacy and accuracy of the half-yearly and annual financial statements prior to submission to the board;

- Approve the respective audit work plans, review the evaluation and reports submitted by external and internal auditors and ensure that audit resources are allocated in line with key business, operational and financial risk areas;
- Review the assistance rendered by management to the auditors and discuss issues or concerns (if any) arising and conduct discussions with the external and internal auditors in the absence of management (where necessary);
- Review and approve the Group’s whistleblowing programme and policy and ensure that independent investigations are conducted by internal auditors and management for 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 Group;
- Monitor and oversee the independence, objectivity, scope and effectiveness, appointment or reappointment of external auditors annually;
- Review and approve interested person transactions in accordance with the requirements of Chapter 9 of the SGX-ST Listing Rules; and
- Undertake any 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.

Name	First Appointed	Last Re-elected / Reappointed	Nature of Appointment	Board Committees				
				ExCo	AC	RC	ERCC	NC
Tow Heng Tan	June 1, 2021	April 21, 2022	Chairman Non-executive & Non-independent	C			M	M
Lim Ming Yan*	January 18, 2021	April 22, 2021	Non-executive & Lead Independent Director	M			C	C
Ajaib Haridass	May 1, 2014	April 21, 2022	Non-executive & Independent		M	C		
Yap Chee Keong	October 1, 2016	April 20, 2023	Non-executive & Independent		C	M		
Dr Josephine Kwa Lay Keng*	August 1, 2018	April 22, 2021	Non-executive & Independent		M	M		
Nagi Hamiyeh	March 3, 2020	April 20, 2023	Non-executive & Non-independent	M				
Kunnasagaran Chinniah*	August 1, 2023	N.A.	Non-executive & Independent	M		M	M	
Marina Chin Li Yuen*	November 1, 2023	N.A.	Non-executive & Independent		M	M		
Ong Chao Choon*	November 3, 2023	N.A.	Non-executive & Independent		M	M		M
Wong Kim Yin*	July 1, 2020	April 22, 2021	Executive & Non-independent	M				

C: chairman M: member

\* Up for retirement and seeking re-election at the upcoming annual general meeting (AGM)

# Corporate Governance Statement

## Risk Committee <sup>R</sup>

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

- Review and approve group-wide risk appetite and risk tolerance, Group risk policies, guidelines, limits and key risk indicators;
- Review and report to the board on the adequacy and effectiveness of the risk management systems, processes and procedures of the Group (in consultation with the AC);
- Review the Group's Integrated Assurance Framework (IAF) reports established for management reporting to the board and RC; and
- Ensure the adequacy of resources to support the management of risks across the Group.

## Executive Resource & Compensation Committee <sup>C</sup>

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. Its principal responsibilities are to:

- Assist the board to ensure competitive remuneration policies and practices are in place, and in line with prevailing economic environment, industry practices as well as compensation norms;
- 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;
- Review and recommend to the board on the guidelines on share-based incentives and other

long-term incentive plans and approve the grant of such incentives to key management personnel; and

- Review succession planning for key management personnel and the leadership pipeline for the organisation.

## Nominating Committee <sup>N</sup>

The NC comprises non-executive directors, majority of whom including the chairman of the NC 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 appropriate balance of attributes, skills, knowledge and experience in business, finance and related industries, as well as other aspects of diversity and management expertise critical to the company's business;
- Recommend the targets to achieve board diversity as deem fit and without compromising the meritocracy principle of appointing qualified directors;
- Review the composition and size of the board and its committees and recommend new appointments, reappointments or re-elections to the board and board committees as appropriate;
- Review and endorse the directors' independence and succession plans for the board;
- Develop an evaluation process and criteria for the board and board committees' performance; and
- Review and recommend training and professional development programmes for the directors.

## Board orientation and training

The company has a formal and structured orientation framework and programme 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, overall strategic plans and direction as well as financial performance and business activities in various markets. Visits to Sembcorp's facilities are also organised.

The company has in place an online database centralising all essential information and corporate documents of the company for access by the directors. Training is provided for newly appointed directors with no prior listed company experience on the roles and responsibilities as a director of a listed company as prescribed by the SGX-ST.

The company ensures that directors are kept up to date on changes to regulations, guidelines and accounting standards as well as other relevant trends or topics including the outlook of various markets, global macro views, matters on sustainability, cybersecurity, health and safety, and updates to the Code. These are done either during board and / or board committee meetings or at specially convened training sessions or seminars conducted by external professionals, which are funded by the company. The company also ensures that all directors have undergone training on sustainability matters as prescribed by the SGX-ST.

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

## 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.

The board 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 deliberations and decisions are circulated to all board members for their acknowledgement and information.

Ad hoc board meetings are convened when necessary to consider other specific matters. Annual 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 2023, the annual strategic review meeting was held in Singapore over two days and members of the board and senior management participated in this meeting.

Board and committee meetings, as well as the AGM 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 committee meeting, he will receive 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 the director and obtain his comments and / or approval. Decisions by the board and committees may be obtained at meetings or made via circular resolutions. The directors' attendance at board and committee meetings held during FY2023 is set out above.

To avoid any conflict of interests, directors disclose personal interests in

Board Member	Board	ExCo	AC	RC	ERCC	NC	AGM
<b>Total number of meetings held in 2023</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>1</b>
Tow Heng Tan	6	4	–	–	4	3	1
Lim Ming Yan <sup>1</sup>	6	3	–	1	4	3	1
Ajaib Haridass	6	–	5	4	–	–	1
Yap Chee Keong	6	–	5	4	–	–	1
Dr Josephine Kwa Lay Keng	6	–	5	4	–	–	1
Nagi Hamiyeh	4*	3*	–	–	–	–	1
Kunnasagaran Chinniah <sup>2</sup>	3	–	–	–	–	–	–
Marina Chin Li Yuen <sup>3</sup>	1	–	–	–	–	–	–
Ong Chao Choon <sup>4</sup>	–	–	–	–	–	–	–
Wong Kim Yin	6	4	–	–	–	–	1
Ang Kong Hua <sup>5</sup>	2	1	–	–	1	1	1
Tham Kui Seng <sup>6</sup>	2	1	–	–	1	–	1

\* Could not attend and conveyed their views / comments for consideration prior to meetings  
<sup>1</sup> Mr Lim stepped down as a member of RC and was appointed as chairman of the ERCC and NC, and a member of ExCo with effect from April 20, 2023  
<sup>2</sup> Mr Chinniah was appointed as a director with effect from August 1, 2023 and as a member of ExCo, RC and ERCC with effect from November 3, 2023  
<sup>3</sup> Ms Chin was appointed as a director with effect from November 1, 2023 and as a member of AC and RC with effect from November 3, 2023  
<sup>4</sup> Mr Ong was appointed as a director and member of AC, RC and NC with effect from November 3, 2023  
<sup>5</sup> Mr Ang retired as a director and Chairman of the Board, ExCo, ERCC and NC with effect from April 20, 2023  
<sup>6</sup> Mr Tham stepped down as a director and a member of ExCo and ERCC with effect from April 20, 2023

transactions and recuse themselves from participating in any discussion and decision on the matter.

Mr Chinniah sits on the board of Greenko Energy Holdings, a member of the Greenko Group, as a nominee director of GIC which is a major shareholder of Greenko Group. Greenko Group owns and operates renewable energy business in India.

Mr Chinniah will abstain from participating in discussions and decision-making on any matters where a conflict of interests might arise between Sembcorp and Greenko Energy Holdings / Greenko Group / GIC.

## 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 committee meetings to provide insight into matters under discussion and to address queries from the board.

Board and committee papers are provided electronically and can be accessed via tablet devices. As a general rule, all relevant board and committee 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 as well as counsel.

# Corporate Governance Statement

## 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.

## 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 smooth 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 the facilitation of orientations for new directors and assisting in the 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 the meeting agendas. The company secretary also administers, attends and minutes board proceedings.

The company secretary assists in ensuring the Group's compliance with the company's constitution and applicable regulations including requirements of the Companies Act 1967, Securities & Futures Act and the SGX-ST Listing Manual.

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

## 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 ensure effective decision-making and governance of the company. 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, age and ethnicity.

Our current board members comprise business leaders and professionals from the engineering, power, renewables, real estate, accountancy and audit, banking and finance, legal as well as technology research & development sectors. In addition to contributing their valuable expertise and insights to board deliberations, best efforts have been made to ensure that directors bring independent and objective viewpoints,

ensuring balanced and well-considered decisions are made.

The current board comprises ten 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 judgment. This helps to ensure objectivity on issues deliberated.

Sembcorp is committed to ensuring and enhancing diversity on the board and will consider the benefits of all aspects of diversity, including skills, experience, background, gender, age, ethnicity, and other relevant factors. The NC will ensure that board appointments are made based on merit, in addition to these diversity attributes.

### Review of directors' independence

The board assesses each director's independence annually, with a focus on their capacity to bring independence of judgment 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 in spite of 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 2023, all directors except Mr Tow, Mr Hamiyeh and Mr Wong declared themselves to be independent. As a result of the disclosures received, the board also assessed the independence of Mr Haridass and Mr Chinniah as elaborated below. The board has determined that with the exception of Mr Tow, Mr Hamiyeh and Mr Wong, all members of Sembcorp's board for FY2023 are independent.

Mr Tow is chief executive officer of Pavilion Capital International, a subsidiary of Temasek. Mr Hamiyeh is Temasek's head of portfolio development. Mr Wong is the Group President & CEO and an executive director of Sembcorp.

Mr Haridass has served the board for more than nine years in 2023. He is considered to be independent until the conclusion of the 2024 AGM in accordance with SGX-ST Listing Rule 210(5)(d)(iv).

Mr Chinniah is a consultant to Pavilion Capital International and a non-executive director of Azalea Asset Management, Astrea V and Astrea VI, all of which are subsidiaries of Temasek. He is also a non-executive independent director of CapitaLand Ascendas REIT Management (the Manager of CapitaLand Ascendas REIT), where Temasek is a substantial shareholder.

Mr Chinniah's roles in the above companies are non-executive in nature and he is not involved in their day-to-day conduct of business. He is not under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek in relation to the affairs of Sembcorp. The board believes that Mr Chinniah has acted and will continue to act in the best interests of Sembcorp.

## 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 clear division of responsibilities, greater accountability and increased capacity for independent decision-making.

The Chairman helms the board and ExCo. 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 business in accordance with board approved strategies, policies, budgets and business plans, and ensures accountability while providing guidance and leadership to key management personnel.

### Lead Independent Director

The Lead Independent Director provides leadership to the board and chairs board meetings in circumstances where the Chairman is conflicted, or during his absence. If necessary, he takes on an additional facilitative role within the board whereby he facilitates communications between the board and shareholders or other stakeholders of the company. He will hold meetings with independent directors on a

need-to basis, and provide feedback on the meeting to the Chairman where appropriate.

As chairman of the NC and ERCC, the Lead Independent Director also plays a leading role in the annual performance evaluation and development of succession plans for the board and key management personnel.

## Board Membership (Principle 4)

*Formal and transparent process for the appointment and reappointment of directors*

### Succession planning, appointment and reappointment 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 business. 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 to identify and shortlist potential candidates. Candidates are sourced through a network of contacts and appropriate external databases. Criteria includes 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.

## Director Experience / Skills Matrix

Experience / Skills	Industry Experience	Renewables / Power Experience	Senior Management Experience	Strategic Planning	Audit / Accounting & Finance	Legal	Information Technology	Risk Management	Human Resource Management
Tow Heng Tan	✓		✓	✓	✓			✓	✓
Lim Ming Yan	✓		✓	✓	✓			✓	✓
Ajaib Haridass	✓		✓	✓	✓	✓		✓	✓
Yap Chee Keong	✓	✓	✓	✓	✓		✓	✓	✓
Dr Josephine Kwa Lay Keng	✓	✓	✓	✓	✓		✓	✓	✓
Nagi Hamiyeh	✓		✓	✓	✓		✓	✓	✓
Kunnasagaran Chinniah	✓	✓	✓	✓	✓			✓	✓
Marina Chin Li Yuen	✓		✓	✓	✓	✓		✓	✓
Ong Chao Choon	✓		✓	✓	✓			✓	✓
Wong Kim Yin	✓	✓	✓	✓	✓		✓	✓	✓

# Corporate Governance Statement

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

In addition, all newly appointed directors are required to retire and seek 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 Lim, Dr Kwa and Mr Wong are due to retire at the forthcoming AGM. Mr Lim, Dr Kwa and Mr Wong have offered themselves for re-election.

Mr Chinniah, Ms Chin and Mr Ong, who were newly appointed to the board in 2023 will also retire and have offered themselves for re-election at the upcoming AGM.

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

## Review of directors' time commitments

While reviewing the reappointment 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 committed sufficient time and attention to the affairs of the company, to discharge their duties adequately during FY2023.

## 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 FY2023, 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 2023, 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. The ERCC undertook a review of the independence and objectivity of Willis Towers Watson and confirmed that the firm had no relationship with the Group that would affect its independence.

The ERCC reviews the development of management and senior staff, and assesses their strengths and development needs based on the Group's leadership competencies framework. Each year, the ERCC reviews succession planning for the position of Group President & CEO, his direct reports and other selected key positions in the company. Potential internal and external candidates for succession are reviewed according to immediate, medium- and long-term needs. In addition, the ERCC also reviews the company's obligations arising in the event of termination of the contracts of

service of the Group President & CEO and key management personnel, to ensure that such contracts contain fair and reasonable termination clauses.

## Level and Mix of Remuneration (Principle 7)

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

A competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent. Sembcorp believes that our remuneration and reward system aligns with the long-term interests 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 2023, 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 remunerated 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. Each non-executive director is required

to hold these shares in the company as well as shares obtained by other means and in the aggregate worth the value of their annual basic retainer fee (currently at S\$100,000); any excess may be disposed of as desired, subject to the 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 financial year 2024 (FY2024) 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 FY2024 is intended to be paid in 2025 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 superior performance and sustainable growth, to align with the interests of shareholders. The correlation between pay and performance has been validated based on the pay-for-performance assessment conducted by our external consultants, Willis Towers Watson, in 2023.

- **Fixed remuneration**  
Fixed remuneration includes an annual basic salary and, where applicable, fixed allowances, an annual wage supplement and

## Directors' Fee Framework for FY2023\*

S\$	
<b>Retainer fee (per annum)</b>	
Chairman (all-in fee) <sup>1</sup>	750,000
Lead Independent Director (all-in fee) <sup>1</sup>	270,000
Director's basic retainer	100,000
Chairman, ExCo	60,000
Chairman, AC	60,000
Chairman, RC	40,000
Chairman, ERCC	40,000
Chairman, NC	40,000
Member, ExCo	33,000
Member, AC	33,000
Member, RC	24,000
Member, ERCC	24,000
Member, NC	24,000

### Attendance fee (per meeting)

Board meeting (local) <sup>2</sup>	2,500
Board meeting (overseas) <sup>2</sup>	5,000
Committee / General meeting (local) <sup>2</sup>	1,500
Committee / General meeting (overseas) <sup>2</sup>	3,000
Committee / General meeting (flat fee) <sup>3</sup>	1,000

### Teleconference (per meeting)

Board meeting	1,500
Committee / General meeting	1,000

#### Notes

\* The Directors' Fee Framework applies to all directors except the Group President & CEO, who is an executive director and does not receive any directors' fees

<sup>1</sup> The Chairman and the Lead Independent Director will only each receive an all-in retainer fee. They will not receive any retainer fee for serving on board committees, nor attendance fee for attending board and committee meetings

<sup>2</sup> Local – home country of the directors  
Overseas – outside home country of the directors

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

# Corporate Governance Statement

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 bonus**

The annual performance bonus recognises the outcome and contributions of the individual, while driving the achievement of key business results for the Group and their respective markets. The annual performance bonus includes two components based on individual performance, achievement of pre-agreed targets and economic value added (EVA) to the Group.

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. 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 is carried forward. The carried forward balances may be reduced (claw-back) or increased in future, based on the yearly EVA performance of the Group. 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 Group.

• **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 and restricted share award are granted to the Group President & CEO, key management personnel and selected business leaders of the Group. 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 in the company and in the aggregate equivalent to at least 200% and 100% of their annual base salaries respectively.

In 2021, the board approved a five-year Transformation Incentive plan (PSP-TI) under the SCI PSP, to further strengthen the alignment of the long-term incentive of the 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 ESG transformation goals including Greenhouse Gas Emissions 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 2023 is based on the achievement of stretched financial and non-financial targets. The restricted shares awarded in 2023 will vest in three equal annual tranches, subject to continued employment with the Group.

*For more information on the share-based incentives and performance targets, please refer to Directors' Statement on pages 100 and 101 and Note B6 in the Notes to the Financial Statements on pages 144 to 147.*

**Pay-for-performance**

A pay-for-performance assessment was conducted in 2023 by our external consultants, Willis Towers Watson, to review the alignment between the Group's executive pay programme 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 Group President & CEO and key management personnel, against that of peer companies as disclosed in the 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.

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)

The company is transparent on its remuneration policies, which cover the level and mix of remuneration, procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

**Directors' remuneration**

Based on the Directors' Fee Framework, the computation of non-executive directors' fees totalled S\$2,008,175 in 2023 (2022: S\$2,243,556).

*For more information on the performance shares and restricted shares granted to the directors, please refer to the Share-based Incentive Plans section in the Directors' Statement on pages 100 and 101.*

**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.

	Directors' Fees	
	Cash-based S\$'000	Share-based S\$'000
<b>Payable by Company</b>		
Tow Heng Tan <sup>1</sup>	411	176
Lim Ming Yan <sup>2</sup>	179	77
Ajaib Haridass	142	61
Yap Chee Keong	149	64
Dr Josephine Kwa Lay Keng	137	59
Nagi Hamiyeh	103	44
Kunnasagaran Chinniah <sup>3</sup>	44	19
Marina Chin Li Yuen <sup>4</sup>	20	9
Ong Chao Choon <sup>5</sup>	20	9
Ang Kong Hua <sup>6</sup>	229	–
Tham Kui Seng <sup>7</sup>	57	–
<b>Payable by Subsidiaries</b>		
Tham Kui Seng <sup>8</sup>	19	–

Notes

- Mr Tow was appointed as Chairman of the Board and ExCo with effect from April 20, 2023
- Mr Lim stepped down as a member of RC and was appointed as Lead Independent Director, chairman of ERCC and NC, and a member of ExCo with effect from April 20, 2023
- Mr Chinniah was appointed as a director with effect from August 1, 2023 and a member of ExCo, RC and ERCC with effect from November 3, 2023
- Ms Chin was appointed as a director with effect from November 1, 2023 and a member of AC and RC with effect from November 3, 2023
- Mr Ong was appointed as a director and a member of AC, RC and NC with effect from November 3, 2023
- Mr Ang retired as a director and Chairman of the Board, ExCo, ERCC and NC with effect from April 20, 2023
- Mr Tham stepped down as a director and a member of ExCo and ERCC with effect from April 20, 2023
- Mr Tham stepped down as a director of a subsidiary with effect from August 16, 2023

Name of Group President & CEO	Fixed Pay <sup>1</sup> S\$'000	FY2023 Cash Bonus Earned <sup>2</sup> S\$'000	FY2023 EVA Bonus Declared and Subject to Deferral and Claw-back <sup>3</sup> S\$'000	Fair Value of FY2023 RSP Grant <sup>4</sup> S\$'000	Fair Value of FY2023 PSP Grant <sup>5</sup> S\$'000	FY2023 Total Remuneration based on Grant Fair Value S\$'000
<b>Payable by Company</b>						
Wong Kim Yin	1,366	2,524	623	1,760	1,626	7,900

- The amounts shown are inclusive of base salary, fixed allowances, annual wage supplement and other emoluments
- Cash Bonus Earned is based on the achievement of FY2023 Group Balanced Scorecard Key Performance Indicators (KPIs) (including Net Profit, Return on Equity (ROE), RE Capacity, Carbon Intensity, Health, Safety, Security and Environment (HSSE), Cybersecurity and ESG-related KPIs), and is payable by April 2024
- EVA Bonus is based on achievement of FY2023 Group Economic Profit above the target weighted average cost of capital (WACC); one third of the FY2023 EVA Bonus Declared is payable by April 2024 and the balance is subject to EVA banking mechanism, which typically pays out one third of the banking balance in future years and subject to negative EVA claw-back
- The contingent grant of FY2023 RSP is based on the achievement of FY2023 Group Balanced Scorecard KPIs. One third of the FY2023 RSP grant (or 107,900 restricted shares) will vest by April 2024 with the remaining deferred and subject to meeting vesting conditions in 2025 and 2026. Estimated fair value per share is S\$5.4378, based on the volume-weighted average price (VWAP) between February 21 and 23, 2024 (total estimated fair value of the contingent grant of FY2023 RSP is S\$1,760,000; estimated fair value of the FY2023 RSP to vest in 2024 is S\$733,000)
- The contingent grant of FY2023 PSP will only vest upon the achievement of the three-to-five-year long-term performance conditions (Absolute Total Shareholder Return above targets set against Cost of Equity (COE), Relative Total Shareholder Return against performance of the Straits Times Index (STI), RE Capacity, and KPIs aligned with shareholders' value creation and ESG transformation targets) between 2021 to 2025. None of the FY2023 PSP contingent grant has vested in 2023 and if the long-term performance conditions are not met, part or all of the FY2023 PSP contingent grant may lapse after 2025. Estimated value per share is between S\$0.37 to S\$3.21 based on a consistent fair valuation model and Monte Carlo simulation and calculated by an external consultant (total fair value of the contingent grant of FY2023 PSP is S\$1,626,000; none of the FY2023 PSP grant has vested in 2023)

# Corporate Governance Statement

## Key Management Personnel

In 2023, the key management personnel (who are not directors or the Group President & CEO), in alphabetical order of their last names, are Eugene Cheng, Robert Chong, Koh Chiap Khiong, Alex Tan 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 of employees who are immediate family members of a director or the Group President & CEO

In 2023, the company had no employees who were immediate family members of a director or the Group President & CEO.

## 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 strict compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with the SGX-ST requirements, negative assurance statements are issued by the board to accompany the Group's half-yearly 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.

The 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 appetite, risk tolerance, 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 the IAF where key risks identified are deliberated by management with the support of the Group Risk department and reported regularly to the RC.

The section below and on the following page below sets out the Group's Principal Risks, which are not listed in order of significance. Details of our climate-related risks managed through IAF are available in the Climate-related Financial Disclosures on page 55.

Principal Risks	Management Approach
<b>Financial / Operational / Compliance Risks:</b> Geopolitical tensions	Sembcorp's business, operations, financials and / or prospects may be adversely affected by developments in global, regional and country level geopolitical environment and economic conditions such as global and country level inflation and recessionary pressures including those in connection with the following: <ol style="list-style-type: none"> <li>the current elevated tensions between Russia and Western security alliances because of continued conflict in Ukraine, and the ongoing Israel-Hamas conflict could negatively impact economic growth and inflation via lower trade and higher energy prices;</li> <li>the evolving geopolitical relationship between the US and China, which may affect trade and supply chains especially for materials required to manufacture assets for the renewables business; and</li> <li>higher-for-longer interest rate regime and tighter monetary and fiscal policies leave the global economy more vulnerable. This may raise the risk of a global (or regional) recession and may have a negative impact on trade and growth.</li> </ol>
<b>Financial / Operational Risks:</b> Recessionary pressures	The impact of the above developments is particularly acute in the developing countries that are highly dependent on US dollar denominated imports because of the further strain they put on the US dollar foreign reserves of these countries.  In addition, geopolitical developments in the developing countries that Sembcorp operates in may adversely impact the country's economic conditions and consequently, negatively impact our business, operations, financials and / or prospects.  We have conducted scenario analysis and stress-testing of our existing operations to identify potential risks and opportunities under a range of geopolitical and macroeconomic scenarios. We have incorporated contingencies in our operating model and will continue to closely monitor development trajectories in line with our scenarios.
<b>Financial Risks:</b> Interest rate exposure	The Group faces risks in relation to interest rate movements, particularly as a result of floating rate debts undertaken to finance its capital expenditure and working capital.  The impact of exposures driven by the fluctuations in interest rate is managed using (i) natural hedges that arise from offsetting interest rate sensitive assets and liabilities, (ii) fixed rate borrowings, (iii) interest rate swaps and (iv) cross currency swaps.
<b>Financial Risks:</b> Commodity volatility	The Group is subject to fluctuations in commodity prices such as energy, oil and natural gas for its gas and related services business and prices of materials such as steel and polysilicon, which are required for the manufacture of wind and solar assets for its renewables business.  We manage this risk by incorporating pricing formulae for these materials such that these costs may be passed on to customers and, in accordance with the Group's risk management policy, hedging the residual risks arising from the price fluctuation of these items. Exposure positions are regularly monitored by management.
<b>Financial Risks:</b> Counterparty risks	Our default and counterparty credit risks arise from various counterparties such as customers, vendors, joint venture partners and financial institutions, who may fall short of their payment and / or contractual obligations.  Periodic credit reviews and credit exposures are monitored to detect potential credit deterioration of counterparties. Risk mitigation measures such as 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.

Remuneration Band	Number of Employees	Fixed Pay <sup>1</sup> %	FY2023 Cash Bonus Earned <sup>2</sup> %	FY2023 EVA Bonus Declared and Subject to Deferral and Claw-back <sup>3</sup> %	Fair Value of FY2023 RSP Grant <sup>4</sup> %	Fair Value of FY2023 PSP Grant <sup>5</sup> %	FY2023 Total Remuneration based on Grant Fair Value %
\$S\$4,000,001 to \$S\$4,250,000	1	15	53	4	22	6	100
\$S\$3,750,001 to \$S\$4,000,000	1	16	50	5	24	5	100
\$S\$3,250,001 to \$S\$3,500,000	1	19	47	5	23	5	100
\$S\$3,000,001 to \$S\$3,250,000	2	23	42	6	21	8	100
<b>Total Aggregated Compensation of 5 KMPs based on Grant Fair Value (\$S'000)</b>							<b>17,516</b>

<sup>1</sup> The amounts shown are inclusive of base salary, fixed allowances, annual wage supplement and other emoluments



<sup>2</sup> Cash Bonus Earned is based on the achievement of FY2023 Group Balanced Scorecard KPIs (including Net Profit, ROE, RE Capacity, Carbon Intensity, HSSE, Cybersecurity and ESG-related KPIs), and is payable by April 2024

<sup>3</sup> EVA Bonus is based on achievement of FY2023 Group Economic Profit above the target WACC; one third of the FY2023 EVA Bonus Declared is payable by April 2024 and the balance is subject to EVA banking mechanism, which typically pays out one third of the banking balance in future years and subject to negative EVA claw-back

<sup>4</sup> The contingent grant of FY2023 RSP is based on the achievement of FY2023 Group Balanced Scorecard KPIs. One third of the FY2023 RSP grant will vest by April 2024 with the remaining deferred and subject to meeting vesting conditions in 2025 and 2026. Estimated fair value per share is \$S\$5.4378, based on VWAP between February 21 and 23, 2024 (the aggregated estimated fair value of the contingent grant of FY2023 RSP for the five key management personnel is \$S\$3,620,000; estimated fair value of the FY2023 RSP to vest in 2024 is \$S\$1,207,000)

<sup>5</sup> The contingent grant of FY2023 PSP will only vest upon the achievement of the three-to-five-year long-term performance conditions (Absolute Total Shareholder Return above targets set against COE, Relative Total Shareholder Return against performance of STI, RE Capacity, and KPIs aligned with shareholders' value creation and ESG transformation targets) between 2021 to 2025. None of the FY2023 PSP contingent grant has vested in 2023 and if the long-term performance conditions are not met, part or all of the FY2023 PSP contingent grant may lapse after 2025. Estimated value per share is between \$S\$0.37 to \$S\$3.21 based on a consistent fair valuation model and Monte Carlo simulation and calculated by an external consultant (the aggregated fair value of the contingent grant of FY2023 PSP for the five key management personnel is \$S\$1,193,000; none of the FY2023 PSP grant has vested in 2023)

# Corporate Governance Statement

Principal Risks	Management Approach
<b>Operational Risks:</b> Health, Safety, Security and Environment	The Group HSSE management system sets out the framework for management of HSSE across Sembcorp's global operations, including projects secured or under construction. It provides guidance for our business to comply with HSSE regulations, and mitigate HSSE risks associated with our activities and services. The Group HSSE division is guided by our Group President & CEO and the RC, reflecting the high priority accorded to HSSE issues.
<b>Compliance Risks:</b> Bribery and corruption	 For more information on our management approach on bribery and corruption risks, please refer to the Risk Governance section on page 52.
<b>Information Technology Risks:</b> Cybersecurity	<p>Cybersecurity risks include data breaches or national / state-wide cyberattacks that may result in a breach of our control systems leading to potential regulatory non-compliance and / or service disruptions.</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, GIA and the AC to implement and assure adequate controls as well as report cybersecurity-related issues and trends.</p> <p>Our cybersecurity defences are tested by change control, vulnerability assessments and penetration testing exercises, which are conducted on a periodic basis to ensure we operate in an optimal and cyber-secure digital environment.</p>
<b>Climate-related Risks</b>	 For more information on our management approach on climate-related risks, please refer to the Climate-related Financial Disclosures section on pages 55 to 61.

Supporting the IAF is a system of internal controls comprising the Group's Code of Conduct (CoC), group-wide governance and internal control policies, procedures and guidelines dictating the segregation of duties, approval authorities and limits, as well as checks and balances embedded in business processes.

The Group's IAF adopts the three lines of defence (LOD) model. The LODs work together to ensure that key financial, operational, compliance and IT risks are reviewed and tested using a robust assurance process. This pragmatic and collaborative approach ensures 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.

Embedded in the IAF is the Management Control Assessment unit, to provide assurance that the risk management and internal control systems are adequate and effective. This is supported by key risk indicators, which are monitored and reported to the RC on an ongoing basis.

For FY2023, 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 considered and concurred with AC that the company's internal controls and risk management systems

are adequate and effective as at December 31, 2023 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 necessary remedial actions will be swiftly taken, should any significant internal control failings or weaknesses arise.

### 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 two years, 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 cooperation 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, as 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 FY2023 with respect to the key audit matters.


 For more information on key audit matters, please refer to pages 103 to 108.

### External auditors

Each year, the AC reviews the independence of the company's external auditors and makes recommendations to the board on their reappointment. During the year, the AC reviewed the performance of the external auditors by referencing to the Audit Quality Indicators Disclosure Framework published by ACRA. Mr Koh Wei Peng has been the audit partner since financial year 2019. After the completion of FY2023 audit, Mr Chiang Yong Torng will assume the role of audit partner, in accordance with SGX-ST Listing Rule 713(1).


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. Accordingly, the AC has recommended the reappointment of the external auditors at the forthcoming AGM.

 For more information on non-audit fees payable to the external auditors, please refer to Note B4a in the Notes to the Financial Statements on page 141.

### Whistleblowing policy

The whistleblowing 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. Whistleblowing reports and information received are treated with confidentiality. Measures are in place to protect the identity and interests of whistleblowers. Employees, vendors, contractors, sub-contractors and members of the public can access various channels of communication to report any suspected fraud, corruption, dishonest practices or other misdemeanour anonymously. The reports are received and investigated by GIA. Significant matters reported via these channels are escalated to the AC. The AC oversees the outcome of independent investigations and ensure appropriate follow-up actions are taken.

 For more information on the whistleblowing policy, please refer to the Codes and Policies section under Our Commitment to Corporate Governance webpage.

### Group integrated audit

*Independent integrated audit function*

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

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 GIA and ensures that it is adequately resourced and effective. The AC is satisfied that GIA is effective, independent, adequately resourced, and has appropriate standing within the company. 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.

GIA adopts a risk-based approach in developing the Group's annual 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 an 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 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 gaps, 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.

## 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.

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 CoC.

## 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 its 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.

Notices of general meetings are disseminated via SGXNet, published in local newspapers and posted on the company website [www.sembcorp.com](http://www.sembcorp.com) ahead of the meetings. Annual reports, letters to shareholders and circulars are also available on the SGX website and on the company website. Shareholders who prefer to receive a physical copy of such documents may request for one.

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, legal advisors and relevant external consultants also assist the board where necessary.

Shareholders are requested to submit their questions in advance to the Chairman, and the company's responses to substantial and relevant questions are published on the company website and disseminated via SGXNet prior to the commencement of the AGM.

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 as soon as practicable.

#### **Dividend policy**

Sembcorp is committed to achieving sustainable income and growth to enhance total shareholder return. The company has set out its strategic plan to transform its portfolio and drive energy transition. Its dividend policy aims to balance cash return to shareholders and investment for sustaining growth while ensuring an efficient capital structure. Sembcorp 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.

A dedicated investor relations team supports management in maintaining an active dialogue with the investment community.

#### **Timely disclosures**

Sembcorp is committed to providing meaningful, timely and consistent disclosure of material information to ensure that shareholders and capital market participants can make informed investment decisions. All price-sensitive and material information is disseminated via SGXNet on a non-selective, timely and consistent basis. The company's announcements are also uploaded on the company website after dissemination on SGXNet.

The financial results release date is disclosed one month prior to the announcement date via SGXNet. The company conducts analysts and media briefings upon the release of its financial results. The results briefings are conducted in a hybrid manner where there are in-person attendees as well as attendees who join via a 'live' webcast. Sembcorp's 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 the results briefings, the company maintains regular dialogue with shareholders through investor-targeted events such as the AGM, extraordinary general meeting, non-deal roadshows, conferences, site visits, group as well as one-on-one meetings. These platforms offer opportunities for the board and senior management to interact directly with shareholders, understand their views, gather feedback and address concerns.

The company maintains a dedicated investor relations section on our company website, found under the *Creating Shareholder Value* webpage to cater to the specific information needs of investors and capital market participants.

Shareholders can also contact the investor relations team via email. The contact information for investor relations is available on the company website and in the annual report. To keep the board and senior management abreast of market perception and concerns, the investor relations team provides regular updates on analysts' consensus estimates and views. A comprehensive report is presented quarterly and includes updates and analysis of the shareholder register, highlights of key shareholder engagements and market feedback.

 For more information on Sembcorp's communications with its shareholders, please refer to the *Investor Relations* section on page 94.



# Corporate Governance Statement

## Managing Stakeholders Relationships

### Engagement with Stakeholders (Principle 13)

*Considering the needs and interests of material stakeholders*

Sembcorp's 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. These stakeholders are managed by various departments at the corporate and market levels.

Sembcorp adopts an inclusive approach by considering and managing 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 its stakeholders and what they deem important in the context of their partnership with Sembcorp. The company maintains a current website to communicate, engage and gather feedback from a diverse range of stakeholders with the aim of improving its performance and driving long-term value creation.


### Dealings in Securities


A Policy on Prevention of Insider Trading has been implemented to prohibit dealings in the company's securities by the 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 adhere to insider trading laws at all times, even when dealing in the company's securities outside the prohibited trading period, and are also reminded not to deal in the company's securities on short-term considerations.

The foregoing also applies to the company in respect of its purchase or acquisition of shares conducted under the share purchase mandate.

### Interested Person Transactions

Shareholders have adopted an interested person transaction mandate (IPT Mandate) in respect to interested person transactions (IPTs) of the Group. The IPT Mandate defines the levels and procedures to obtain approvals for such transactions. Information regarding the IPT Mandate is available on the company's 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.

 For more information on IPTs for FY2023, please refer to page 231.

 For more information on the IPT Mandate, please refer to the Letter to Shareholders.

### Code of Conduct

The Group's 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 Group President & CEO and 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.

## Summary of Governance Disclosures

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

Provision	Page
-----------	------

#### The Board's Conduct of Affairs (Principle 1)

1.1	76–79
1.2	78
1.3	77
1.4	76–78
1.5	78–79, 82
1.6	79
1.7	79–80

#### Board Composition and Guidance (Principle 2)

2.1	80–81
2.2	76, 80
2.3	76, 80
2.4	80
2.5	79

#### Chairman and Chief Executive Officer (Principle 3)

3.1	81
3.2	81
3.3	81

#### Board Membership (Principle 4)

4.1	78
4.2	76, 78, 81
4.3	81–82
4.4	80–81
4.5	36–39, 78, 82

#### Board Performance (Principle 5)

5.1	78, 82
5.2	82

### Remuneration Matters

Provision	Page
-----------	------

#### Procedures for Developing Remuneration Policies (Principle 6)

6.1	78
6.2	76
6.3	82–83
6.4	82

#### Level and Mix of Remuneration (Principle 7)

7.1	83–84
7.2	83
7.3	83–84

#### Disclosure on Remuneration (Principle 8)

8.1	85–86
8.2	86
8.3	85–86

### Accountability and Audit

Provision	Page
-----------	------

#### Risk Management and Internal Controls (Principle 9)

9.1	78, 86–88
9.2	88

#### Audit Committee (Principle 10)

10.1	77
10.2	76–77, 80
10.3	88–89
10.4	89–90
10.5	89

### Shareholder Rights and Engagement

Provision	Page
-----------	------

#### Shareholder Rights and Conduct of General Meetings (Principle 11)

11.1	90
11.2	90
11.3	79, 90
11.4	90
11.5	90–91
11.6	91

#### Engagement with Shareholders (Principle 12)

12.1	91
12.2	91
12.3	91

### Managing Stakeholders Relationships

Provision	Page
-----------	------

#### Engagement with Stakeholders (Principle 13)

13.1	92
13.2	92
13.3	92